

**BOCHK**

**ETF**  
SERIES

# BOCHK Greater Bay Area Climate Transition ETF

HKD Counter Stock Code: **03129**

RMB Counter Stock Code: **83129**



**Prospectus**

 852 2280 8697

Fund  
Manager :



中銀國際  
BOC INTERNATIONAL



PRUDENTIAL  
保誠集團

**中銀保誠資產管理**  
BOCI-Prudential Asset Management

Investment  
Adviser :



中銀香港資產管理  
BOCHK ASSET MANAGEMENT

**BOCHK Greater Bay Area Climate Transition ETF**  
**a sub-fund of BOCHK ETF SERIES**

**HKD Counter stock code : 03129**  
**RMB Counter stock code : 83129**

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**PROSPECTUS**

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**23 May 2023**

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

Application has been made to The Stock Exchange of Hong Kong Limited (“**SEHK**”) for listing of and for permission to deal in the units of the BOCHK Greater Bay Area Climate Transition ETF. Units are neither listed nor dealt on any other stock exchange and no application for such listing or permission to deal is being or will be sought as at the date of this Prospectus.

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

## IMPORTANT INFORMATION FOR INVESTORS

**Investors should note that an investment in the BOCHK Greater Bay Area Climate Transition ETF (the “Sub-Fund”) is not the same as an investment in the Index Securities (as defined in the “Definitions” section on page 8). The Sub-Fund’s returns may deviate from the Underlying Index (as defined in the “Definitions” section on page 11) due to factors such as the fees and expenses of the Sub-Fund. Investors’ attention is drawn to the “Investment Strategy of the Sub-Fund” section on pages 19 to 20. Investors should also read the “Risk Factors” section on pages 20 to 42 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 (r) of the “Risk Factors” section on page 29.**

This Prospectus has been prepared in connection with the offer in Hong Kong of Units in the BOCHK Greater Bay Area Climate Transition ETF, a sub-fund under the umbrella fund, BOCHK ETF Series (the “Trust”), and managed by BOCI-Prudential Asset Management Limited (the “Manager”).

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

Neither the delivery of this Prospectus or the latest available Product Key Facts Statement nor the offer or issue of Units in the Sub-Fund shall under any circumstances constitute a representation that the information contained in this Prospectus is correct as of any time subsequent to such date. This Prospectus and the Product Key Facts Statement may from time to time be updated. Intending applicants for Units of the Sub-Fund 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/en/bochketf](http://www.boci-pru.com.hk/en/bochketf) (for English), or [www.boci-pru.com.hk/zh-hk/bochketf](http://www.boci-pru.com.hk/zh-hk/bochketf) (for Chinese)). The Manager’s website has not been reviewed by the SFC.

Distribution of this Prospectus must be accompanied by a copy of the latest available Product Key Facts Statement, the latest available annual report and accounts of the Trust 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 Trust and the Sub-Fund have been authorized by the SFC in Hong Kong. SFC authorization is not a recommendation or endorsement of the Trust or the Sub-Fund, nor does it guarantee the commercial merits of the Trust or the Sub-Fund or their performance. It does not mean the Trust or the Sub-Fund is suitable for all investors nor is it an endorsement of the Trust or the Sub-Fund's suitability for any particular investor or class of investors. The SFC takes no responsibility for the financial soundness of the Trust and the Sub-Fund or for the accuracy of any of the statements made or opinions expressed in this Prospectus.

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

In particular:

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

The Manager shall have the power to impose such restrictions and take such actions as the Manager may think appropriate for the purpose of ensuring that no Units are acquired or held by an Unqualified Person (as defined in the “Definitions” section on page 12). Such actions may include (but are not limited to) refusing new subscriptions from an Unqualified Person, compelling mandatory redemptions of Units held directly, beneficially, or indirectly by an Unqualified Person, and deducting or withholding such amounts from the redemption proceeds as may be required for compliance purposes, provided that (i) any action so taken is permitted by applicable laws and regulations; and (ii) the Manager is acting in good faith and on reasonable grounds.



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

### **US Person restrictions**

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

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

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

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

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

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

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

1. A Specified US Person within the meaning of the IGA and the Treasury Regulations under FATCA as set forth in Sections 1471 through 1474 of the IRC. Subject to some exceptions, this term generally includes any US Person as defined in Section 7701(a)(30) of the IRC and the regulations thereunder, including a US citizen or resident individual, a partnership or corporation organized in the United States or under the laws of the United States or any state thereof, and a US domestic trust.

2. A Passive Non-Financial Foreign Entity (“**Passive NFFE**”) with Controlling Persons (within the meaning of the IGA) who are “Specified US Person(s)”.

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

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

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

The Sub-Fund may:

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

if the Unitholder fails to provide the Sub-Fund with the necessary information upon request to satisfy relevant requirements under any applicable local or foreign laws and regulations issued by regulatory or governmental authorities of relevant jurisdiction, including but not limited to FATCA and AEOI (as defined in the “AEOI” sub-section) obligations.

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

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

#### **Automatic Exchange of Financial Account Information (“AEOI”)**

For the purposes herein, “AEOI” includes:

- (a) the Organisation for Economic Co-operation and Development (“**OECD**”) Standard for Automatic Exchange of Financial Account Information in Tax Matters – the Common Reporting Standard and any associated guidance;
- (b) any intergovernmental agreement, treaty, regulation, guidance, standard or other agreement between the Hong Kong government (or any government body in Hong Kong) and any other jurisdiction (including any government bodies in such jurisdiction), entered into in order to comply with, facilitate, supplement or implement the legislation, regulations, guidance or standards described in (a) above; and
- (c) any legislation, regulations or guidance in Hong Kong that give effect to the matters outlined in (a) to (b) above.

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

The Sub-Fund must comply with the requirements of AEOI in Hong Kong, which means that Sub-Fund and/or the Manager, the Trustee and their associated or affiliated companies, connected persons, delegates, contractors, authorised agents or service providers (collectively, the “**Relevant Agents**”) shall conduct the required due diligence obligations and report to the IRD information of reportable account holder and controlling persons.

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

By investing in the Sub-Fund or continuing to invest in the Sub-Fund, the Unitholders acknowledge that they may be required to provide additional information to the Sub-Fund and/or the Relevant Agents. The failure of a Unitholder to provide any requested information may result in the Manager and/or the Relevant Agents taking any action and/or pursue remedies at their disposal including, without limitation, reporting the relevant account information of the Unitholder pursuant to the AEOI rules, refusing new subscriptions from the Unitholder, compelling mandatory redemptions of Units held by the Unitholder, and deducting or withholding such amounts from the redemption proceeds as may be required for compliance purposes, provided that any action so taken shall not be prohibited by law.



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

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

- (1) Personal Data or Confidential Information (including information necessary to ascertain tax status, information for reporting of tax withholding and details of transaction) provided by a Unitholder (in any form or certification or otherwise) will be used, shared, stored, processed, transferred and disclosed (within or outside Hong Kong) so that the Relevant Agents can carry out their obligations in respect of the Trust 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 Trust 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 applicable laws and regulations, including but not limited to compliance with obligations pursuant to FATCA and AEOI, verifying the identity of a Unitholder or establishing whether a Unitholder is a Reportable Person under FATCA or a Reportable Person for AEOI purposes, and compliance with reporting or other obligations imposed by the US, Hong Kong or any other jurisdiction (including under AEOI), including reporting obligations that may be imposed by future legislation (collectively, the "**Regulatory Requirements**"); (c) prevention, detection, sanction or investigation of crime, fraud, money laundering, corruption, tax evasion, terrorist financing and any other violation of laws or unlawful activities and fulfilling related Regulatory Requirements; (d) enforcing or defending the rights of the Trust 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

### **Investment Adviser**

BOCHK Asset Management Limited  
40/F., Bank of China Tower,  
1 Garden Road  
Central,  
Hong Kong

### **Trustee**

BOCI-Prudential Trustee Limited  
15th Floor  
1501-1507 & 1513-1516  
1111 King's Road  
Taikoo Shing  
Hong Kong

### **Custodian, Administrator and Registrar**

BOCI-Prudential Trustee Limited  
15th Floor  
1501-1507 & 1513-1516  
1111 King's Road  
Taikoo Shing  
Hong Kong

### **Service Agent**

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

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

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

**Auditor**

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

**Directors of the Manager**

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

## **DEFINITIONS**

<b>“A-Shares”</b>	means domestic shares listed on the SZSE in the PRC, which are available to domestic investors or foreign institutional investors who are approved by CSRC to invest in the PRC securities and futures markets with funds raised overseas;
<b>“Administrator”</b>	means BOCI-Prudential Trustee Limited or such other person or persons as may from time to time be appointed to act as administrators of the Trust and the Sub-Fund, which may include a Connected Person of the Trustee, to carry out the day to day administration of the Trust and the Sub-Fund;
<b>“Application”</b>	means a Creation Application and a Redemption Application;
<b>“Application Cancellation Fee”</b>	means the fee payable by a Participating Dealer or an Eligible Investor (as the case may be) in respect of cancellation of an Application as set out in the Trust Deed;
<b>“Application Unit”</b>	means such number of Units of a class or whole multiples thereof as specified in the Prospectus or such other multiple of Units of a class from time to time determined by the Manager in consultation with the Trustee and notified to the Participating Dealer(s) and Eligible Investor(s) (as the case may be), 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 Trusts and the Sub-Fund from time to time appointed by the Manager in consultation with the Trustee;
<b>“Base Currency”</b>	means the currency of account of the Sub-Fund as specified by the Manager;
<b>“Basket”</b>	means a portfolio of Index Securities, which seeks to benchmark the Underlying Index by the Sub-Fund and/or such other Securities as designated by the Manager in accordance with the Investment Objectives and Policies 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;

**“Business Day”**

means, unless the Manager and the Trustee otherwise agree, a day (excluding Saturdays) on which (a) banks in Hong Kong are open for normal banking business; and (b)(i) the relevant securities markets on which the Index Securities, or the Securities to which the Index Securities are linked, are traded are open for normal trading; or (ii) if there are more than one (1) such securities market, the securities market designated by the Manager is open for normal trading, and (c) the Underlying Index 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 relevant securities market is open for normal trading is reduced as a result of Typhoon Signal Number 8 or above, Black Rainstorm warning or other similar events, such day shall not be a Business Day unless the Manager and the Trustee 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 the Units comprising the Application Unit 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;

**“ChiNext market”**

means the ChiNext market operated by SZSE. Further information about ChiNext market is available online at the website: [www.hkex.com.hk/Mutual-Market/Stock-Connect/Getting-Started/Information-Booklet-and-FAQ/ChiNext-Market-Overview?sc\\_lang=en](http://www.hkex.com.hk/Mutual-Market/Stock-Connect/Getting-Started/Information-Booklet-and-FAQ/ChiNext-Market-Overview?sc_lang=en)  
Investors may also refer to SZSE’s website ([www.szse.cn/English/products/equity/ChiNext/](http://www.szse.cn/English/products/equity/ChiNext/)) for more details, such as ChiNext listing requirements and the ChiNext Rules.

(These websites have not been reviewed by the SFC.)

**“Collective Investment Schemes”**

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

**“Companies Ordinance”**

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

**“Connected Person”**

has the meaning given to it under the UTMF Code;

**“Creation Application”**

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

**“Custodian”**

means BOCI-Prudential Trustee Limited or such other person or persons as may from time to time be appointed to act as the custodian of the Trust and the Sub-Fund, which may include a Connected Person of the Trustee, to provide custodial services to the Trust and the Sub-Fund;

**“CSDCC”**

means the China Securities Depository and Clearing Corporation;

**“CSRC”**

means the China Securities Regulatory Commission;

**“Dealing Day”**

means each Business Day or such Business Day or Business Days as the Manager may from time to time, in consultation with the Trustee, determine either generally or in respect of a particular class or classes of Units, provided that if any securities market on which, in the opinion of the Manager, all or part of the Index Securities are quoted, listed or dealt in 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 dealing deadline as disclosed in this Prospectus or such other time as the Manager may from time to time in consultation with 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 a Participating Dealer or Eligible Investor(s);

**“Deposited Property”**

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

**“Distribution Account”**

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

**“Dual Counter”**

means the facility through which Units of the Sub-Funds traded in HKD and in RMB are each assigned separate stock codes on the SEHK and are accepted for deposit, clearing and settlement in CCASS in more than one eligible currency (HKD or RMB) as described in this Prospectus;

**“Duties and Charges”**

means all stamp and other duties, taxes, government charges, brokerage, bank charges, transfer fees, registration fees, transaction levies and other duties and charges, in connection with the acquisition or disposal of Securities or otherwise which may have become or may be payable in respect of, and whether prior to, upon or after the occasion of, such transaction or dealing and including but not limited to, in relation to an issue of Units or redemption of Units. For the avoidance of doubt, when calculating subscription and redemption proceeds, duties and charges may include (if applicable) any provision for bid and ask spreads (to take into account the difference between the price at which assets were valued for the purpose of calculating the Net Asset Value and the estimated price at which such assets shall be bought as a result of a subscription or sold as a result of a redemption);

<b>“Eligible Investor”</b>	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;
<b>“Extraordinary Resolution”</b>	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;
<b>“Greater Bay Area” or “GBA”</b>	means the Guangdong-Hong Kong-Macao Greater Bay Area;
<b>“HK\$” or “Hong Kong dollars” or “HKD”</b>	means the lawful currency of Hong Kong;
<b>“HKSCC”</b>	means the Hong Kong Securities Clearing Company Limited or its successors;
<b>“Hong Kong”</b>	means the Hong Kong Special Administrative Region of the PRC;
<b>“Income Property”</b>	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 payments received or receivable by the Trustee for the account of the Sub-Fund; (c) all Cancellation Compensation received by the Trustee for the account of the Sub-Fund; and (d) all interest and other sums received or receivable by the Trustee in respect of (a), (b) or (c) of this definition, but excluding (i) the Deposited Property of the Sub-Fund; (ii) any amount for the time being standing to the credit of the Distribution Account or other relevant account for distribution (where applicable) for the account of the Sub-Fund or previously distributed to Unitholders; (iii) gains for the account of the Sub-Fund arising from the realization of Securities; and (iv) any sums applied towards the payment of the fees, costs

and expenses payable by the Trust from the Income Property of the Sub-Fund;

**“Index Provider”**

in respect of the Underlying Index, means the S&P Dow Jones Indices LLC or its affiliates (“SPDJI”) or any other person responsible for managing and compiling the Underlying Index and who has the right to grant the license to use the Underlying Index;

**“Index Securities”**

means shares of all or any of the constituent securities of the Underlying Index;

**“Initial Issue Price”**

means the issue price per Unit of a particular class during the Initial Offer Period as determined by the Manager (as detailed in the table entitled “Summary” under “Key Information of the Sub-Fund” section below) ;

**“Initial Offer Period”**

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

**“Investment Adviser”**

means BOCHK Asset Management Limited or any other person (or persons) who from time to time may be appointed as investment adviser by the Manager subject to the approval by the SFC if required;

**“Issue Price”**

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

**“Listed Unit Class”**

means a class of Units which are listed in the SEHK;

**“Manager”**

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

**“Month”**

means calendar month;

**“Net Asset Value” or “NAV”**

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) and (if applicable) Eligible Investors, including without limitation, the procedures for creation and redemption of Units;
<b>“Parent Index”</b>	means the S&P China-Hong Kong Greater Bay Area Index;
<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” or “China”</b>	means the People’s Republic of China;
<b>“Redemption Application”</b>	means (a) an application by a Participating Dealer for the redemption of Units in accordance with the relevant procedures set out in the Trust Deed, the relevant Participation Agreement and/or the Operating Guidelines, or (b) an application by an Eligible Investor for the redemption of Units in accordance with the relevant procedures determined by the Manager and set out in the Trust Deed, this Prospectus and/or the Operating Guidelines (where applicable);
<b>“Redemption Price”</b>	means the redemption price per Unit of a particular class calculated in accordance with the Trust Deed at which Units are from time to time redeemed;
<b>“Register”</b>	means the register of Unitholders of the relevant class of Sub-Fund to be kept pursuant to the Trust Deed;
<b>“Registrar”</b>	means BOCI-Prudential Trustee Limited or such person as may from time to time be appointed to act as registrar to keep the Register in respect of the Sub-Fund;
<b>“RMB”</b>	means the lawful currency of the People’s Republic of China;



<b>“Securities”</b>	has the meaning given to such term in Section 1 of Part I of Schedule 1 of the Securities and Futures Ordinance;
<b>“Securities and Futures Ordinance”</b>	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
<b>“SEHK”</b>	means The Stock Exchange of Hong Kong Limited or its successors;
<b>“Service Agent”</b>	means HK Conversion Agency Services Limited or such other person as may from time to time be appointed to act as a service agent in relation to the Sub-Fund;
<b>“Settlement Day”</b>	means the Business Day which is two (2) Business Days after the relevant Dealing Day (or such later Business Day as is permitted in relation to such Dealing Day pursuant to the Operating Guidelines in respect of settlement with Participating Dealers) or such other number of Business Days after the relevant Dealing Day as the Manager and the Trustee may from time to time agree and notify to the relevant Participating Dealer(s) or Eligible Investors, either generally or for a particular class or classes of Units;
<b>“SFC”</b>	means the Hong Kong Securities and Futures Commission;
<b>“Shenzhen-Hong Kong Stock Connect”</b>	is a securities trading and clearing linked programme with an aim to achieve mutual stock market access between Mainland China and Hong Kong established by SEHK, SZSE, CSDCC and HKSCC, pursuant to the relevant Hong Kong and PRC regulations (as amended from time to time). Under the Northbound Trading Link of Shenzhen-Hong Kong Stock Connect, investors, through their appointed Hong Kong brokers and a securities trading service company to be established by SEHK in Shenzhen, may be able to trade SZSE Securities by routing orders to SZSE. Further information about Shenzhen-Hong Kong Stock Connect is available online at the website: <a href="http://www.hkex.com.hk/Mutual-Market/Stock-Connect?sc_lang=en">www.hkex.com.hk/Mutual-Market/Stock-Connect?sc_lang=en</a> (This website has not been reviewed by the SFC);
<b>“Sub-Fund”</b>	means the BOCHK Greater Bay Area Climate Transition ETF or such other name as the Trustee

	and the Manager may from time to time determine;
<b>“subsidiary” and “holding company”</b>	have the meaning given to them in section 2 of the Companies Ordinance;
<b>“SZSE”</b>	means the Shenzhen Stock Exchange;
<b>“SZSE Securities”</b>	means certain eligible share listed on SZSE that are eligible for investment by Hong Kong and overseas investors via Shenzhen-Hong Kong Stock Connect by routing orders to SZSE.  Latest information about SZSE Securities is available at the website: <a href="http://www.hkex.com.hk/Mutual-Market/Stock-Connect/Eligible-Stocks/View-All-Eligible-Securities?sc_lang=en">www.hkex.com.hk/Mutual-Market/Stock-Connect/Eligible-Stocks/View-All-Eligible-Securities?sc_lang=en</a> (This website has not been reviewed by the SFC);
<b>“Transaction Fee”</b>	means the fee which may at the discretion of the Manager be charged to each Participating Dealer or Eligible Investor (as the case may be) under the Trust Deed, the maximum level of which shall be determined by the Manager from time to time and set out in this Prospectus;
<b>“Trust”</b>	means the BOCHK ETF Series or such other name as the Manager may from time to time determine;
<b>“Trust Deed”</b>	means the trust deed dated 10 March 2023 constituting the Trust, as amended from time to time in accordance with the terms thereof;
<b>“Trustee”</b>	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 Trust and the Sub-Fund pursuant to the Trust Deed;
<b>“Underlying Index”</b>	S&P BOCHK China Hong Kong Greater Bay Area Net Zero 2050 Climate Transition Index;
<b>“Unit”</b>	means such number of undivided shares or such fraction of an undivided share of the Sub-Fund to which a Unit relates as is represented by a Unit of the relevant class, determined in accordance with the Trust Deed and except where used in relation to a particular class of Unit a reference to Units means and includes Units of all classes;

**“Unitholder”**

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

**“Unqualified Person”**

means:

- (a) a person who by virtue of any law or requirement of any country/region or governmental authority is not qualified to hold a Unit or who would be in breach of any such law or regulation in acquiring or holding a Unit or if, in the opinion of the Manager, the holding of a Unit by such person might result in the Trust and/or the Sub-Fund incurring any liability to taxation or suffering a pecuniary disadvantage which the Trust and/or the Sub-Fund might not otherwise have incurred or suffered, or might result in the Trust, the Sub-Fund, the Manager or the Trustee or any of their Connected Persons being exposed to any liability, penalty or regulatory action;
- (b) any person if the holding of a Unit by such person might, due to any circumstances whether directly affecting such person and whether relating to such person alone or to any other person in conjunction therewith (whether such persons are connected or not), in the opinion of the Manager, result in the Trust and/or the Sub-Fund incurring any liability to taxation or suffering a pecuniary disadvantage which the Trust and/or the Sub-Fund might not otherwise have incurred or suffered, or in the Trust, the Sub-Fund, the Manager or the Trustee or any of their Connected Persons being exposed to any liability, penalty or regulatory action; or
- (c) any person who is a member of a group or category of persons the Manager declared as Unqualified Persons;

**“US”**

means the United States of America;

**“USD”, “US\$” or “US dollars”**

means the lawful currency of the United States of America;

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

**“Valuation Point”** means the official close of trading on the securities market on which the relevant Index Securities, or the Securities to which the Index Securities are linked, are listed, and in case there are more than one (1) such securities market, the official close of trading on the last relevant securities market to close, or such other time or times as determined by the Manager in consultation with the Trustee from time to time provided that there shall always be a Valuation Point on each Dealing Day other than where there is a suspension of determination of the Net Asset Value of the Sub-Fund pursuant to provisions of the Trust Deed.

## **THE TRUST**

The Trust is a unit trust established by a trust deed dated 10 March 2023 (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 Trust. The Trust is established under and governed by the laws of Hong Kong. The Trustee is also the custodian, administrator and registrar of the Trust and the Sub-Fund.

The Trust is an umbrella fund under which index-tracking sub-funds will be established. The Sub-Fund is a sub-fund of the Trust. Only one (1) class of Units, the Listed Unit Class, 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	S&P BOCHK China Hong Kong Greater Bay Area Net Zero 2050 Climate Transition Index
Listing Date	31 March 2023
Exchange Listing	SEHK - Main Board
Stock Code	HKD counter: 03129 RMB counter: 83129

Initial Issue Price	HK\$10 per Unit (excluding Duties and Charges)	
Trading Board Lot Size	HKD counter: 100 Units RMB counter: 100 Units	
Base Currency	Hong Kong dollars (HK\$)	
Trading Currency	HKD counter: Hong Kong dollars (HKD) RMB counter: Renminbi (RMB)	
Creation/Redemption Policy	Cash only	
Trading Counter	Dual Counter: <ul style="list-style-type: none"> <li>• HKD counter</li> <li>• RMB counter</li> </ul>	
Dealing Deadline	11:00 a.m. (Hong Kong time) on the relevant Dealing Day, or such other time as the Manager may determine from time to time	
Distribution Policy	<ul style="list-style-type: none"> <li>• Annually (if any) at the discretion of the Manager</li> <li>• Distributions will normally be made out of net income received or receivable by the Sub-Fund but the Manager may in its absolute discretion determine that distributions be paid out of capital. 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.</li> <li>• All Units (whether HKD or RMB traded Units) will receive distributions in HKD only.</li> </ul>	
Parties	Manager	BOCI-Prudential Asset Management Limited
	Investment Adviser	BOCHK Asset Management Limited
	Trustee	BOCI-Prudential Trustee Limited
	Custodian, Administrator and Registrar	BOCI-Prudential Trustee Limited
	Service Agent	HK Conversion Agency Services Limited
Website	<a href="http://www.boci-pru.com.hk/en/bochketf">www.boci-pru.com.hk/en/bochketf</a> (for English), or <a href="http://www.boci-pru.com.hk/zh-hk/bochketf">www.boci-pru.com.hk/zh-hk/bochketf</a> (for Chinese) The Manager's website has not been reviewed by the SFC.	
Application Unit size for Creation/Redemption by the Participating Dealer(s) or by the Eligible Investors through the Manager	Minimum 500,000 Units (or multiples thereof)	

## **Creation and Redemption of Units**

### **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 must be made in cash. No in-kind creation or redemption may be made by a Participating Dealer. 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 (as set out below) 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.

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

An Eligible Investor may directly make a request to the Manager 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 reject a Creation Applications by an Eligible Investor in accordance with the terms and conditions set out in the relevant application form of the Eligible Investor save that the Manager may only reject a Redemption Application 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 Manager can charge such fees as specified in the section “Creation and Redemption of Units”. The Manager’s rejection of a Creation Application or Redemption Application by an Eligible Investor shall not affect the Eligible Investor’s right to make an Application through a Participating Dealer.

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 (including without limitation, certifications and undertakings as the Manager may require) 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 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).

Details of the procedures for creation and redemption of Units are set out on pages 56 to 63 and pages 63 to 68 of this Prospectus.

### **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 will commence after listing. Units of the Sub-Fund are 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.



## Dual Counter

Currently, Units of the Sub-Fund can be traded on the SEHK under the Dual Counter arrangement, i.e. HKD counter and RMB counter, and will be settled in HKD and RMB, respectively. Investors should note that the trading prices of Units in the Dual Counter may be different as the 2 counters may represent 2 different markets with different market demand and liquidity. Units traded on the Dual Counter are of the same class and all Unitholders of the Dual Counter will have the same rights.

Depending on the services provided by their brokers, investors may be able to trade Units in the same counter, or buy in one counter and sell in the other counter if the relevant brokers provide inter-counter transfer services.

Investors should consult their brokers for details on the operation and procedures of the Dual Counter arrangement such as inter-counter transfers, fees and timing requirements, as well as the risks involved. Investors should also pay attention to the "*Dual Counter risks*" as set out in the "Risk Factors" section below

The Dual Counter will have different stock codes, short names and ISIN numbers as follows:

### HKD counter:

- Stock Code: 03129
- Short name: BOCGBACLIMATE
- ISIN number: HK0000919909

### RMB counter:

- Stock Code: 83129
- Short name: BOCGBACLIMATE-R
- ISIN number: HK0000919917

More information with regard to the Dual Counter is available in the frequently asked questions in respect of the Dual Counter published on the website of Hong Kong Exchanges and Clearing Limited ("HKEx") [www.hkex.com.hk/Global/Exchange/FAQ/Featured/RMB-Readiness-and-Services/Dual-Tranche-Dual-Counter-Model?sc\\_lang=en#collapse-23](http://www.hkex.com.hk/Global/Exchange/FAQ/Featured/RMB-Readiness-and-Services/Dual-Tranche-Dual-Counter-Model?sc_lang=en#collapse-23). This website has not been reviewed by the SFC.

Units in the Sub-Fund shall trade on the SEHK in board lots of 100 Units each. Settlement of transactions between participants of the SEHK is required to take place in CCASS on the second settlement day 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 other 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.

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

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

The Sub-Fund is an index-tracking exchange traded fund which seeks to provide investment performance (before fees and expenses) that tracks the performance of the Underlying Index.

The Sub-Fund primarily (not less than 70% of its net asset value) invests in eligible securities that are commensurate with the Sub-Fund's focus on environment, social and governance (“ESG”), which include China-domiciled and/or Hong Kong-domiciled companies listed on stock exchanges in the GBA (including A-Shares) that are within the Underlying Index. The Underlying Index incorporates ESG factors as a key construction focus, i.e. ESG factors have a significant influence on the Underlying Index's constituent selection. The Underlying Index's major ESG focus is the reduction of greenhouse gas (“GHG” expressed in CO<sub>2</sub> equivalents) emissions at the index level.

The Underlying Index is designed to measure the performance of eligible equity securities in GBA and is based on the Parent Index. The constituents of the Underlying Index are selected from some of the largest float-adjusted market capitalization (FMC) companies and weighted collectively compatible with a 1.5°C global warming climate scenario (“1.5°C Climate Scenario”)<sup>1</sup> at the index level.

### *Exclusion criteria– ESG consideration and exclusion policy*

An exclusion policy is applied to eliminate stocks that are either deemed to be undesirable from the respective ESG perspectives or linked to violations of global ESG norms and standards. Basically, the Underlying Index applies exclusions to the constituents of the Parent Index based on the following criteria:

- companies that have involvement in controversial weapons or tobacco business activities
- companies that are non-compliant of or in violation of international norms and standards based on the principles of United Nations Global Compact (UNGC)
- companies that have involvement in relevant ESG controversies, which includes a range of ESG issues such as economic crime and corruption, fraud, illegal commercial practices, human rights issues, labor disputes, workplace safety issues, catastrophic accidents or environmental disasters.

### *Inclusion criteria – climate objectives served as optimization constraints*

In addition, the Underlying Index considers a variety of decarbonisation targets, and through the use of optimization (as elaborated in the Appendix I to this Prospectus) with multiple constraints, selected stocks are collectively in alignment with 1.5°C Climate Scenario at the index level. It aims to reorient more capital flows towards companies with improved performance of carbon emission reduction. Among the constraints incorporated into the index methodology, the following are considered as “hard constraints” and will not be relaxed in the optimization process:

- (i) reduce overall GHG emissions intensity as compared to the Parent Index by at least 30%<sup>2</sup>;

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<sup>1</sup> It is a pathway to achieve net zero emissions by 2050 to limit the global warming up to 1.5°C above pre-industrial levels.

<sup>2</sup> GHG emissions intensity is calculated by using weighted average carbon intensity (WACI). For calculation details, please refer to the index methodology available on the website [www.spglobal.com/spdji/en/indices/esg/sp-bochk-china-hong-kong-greater-bay-area-net-zero-2050-climate-transition-index/#overview](http://www.spglobal.com/spdji/en/indices/esg/sp-bochk-china-hong-kong-greater-bay-area-net-zero-2050-climate-transition-index/#overview). This website has not been reviewed by the SFC.

- (ii) maintain a self-decarbonization rate of GHG emissions intensity at a target level of at least 7% reduction on average per annum (“GHG emissions intensity reduction target<sup>3</sup>”), as measured from the anchor date of 28 February 2022 to each rebalancing reference date<sup>4</sup>. Investors should however note that the actual change of GHG emissions intensity of the Underlying Index in any one year may not necessarily have a 7% decline; and
- (iii) maintain exposure to sectors with high climate impact revenue proportion (“High Climate Impact Sectors”)<sup>5</sup> at least equivalent to the Parent Index. The EU defines High Climate Impact Sectors as those that are key to low-carbon transition. They include: (a) agriculture, forestry and fishing; (b) mining and quarrying; (c) manufacturing; (d) electricity, gas, steam and air conditioning supply; (e) water supply; sewerage, waste management and remediation activities; (f) construction; (g) wholesale and retail trade; repair of motor vehicles and motorcycles; (h) transportation and storage; and (i) real estate activities.

Other constraints include:

- (iv) in alignment with 1.5°C Climate Scenario by using S&P Trucost Limited Transition Pathway model<sup>5</sup>;
- (v) maintain an increased exposure (at least 1.2 times of that in Parent Index) to companies with science based targets from the Science Based Target Initiative (SBTI)<sup>5</sup> that are credible and consistent with the decarbonization trajectory;
- (vi) maintain a capped exposure to non-disclosing carbon companies<sup>5</sup> to not more than 110% of corresponding weight in the Parent Index;
- (vii) maintain at least same or reduced exposure to fossil fuel reserves<sup>5</sup> as compared to the Parent Index;
- (viii) maintain at least same or reduced exposure to physical risks from climate change using the index provider’s dataset as compared to the Parent Index; and
- (ix) maintain at least same or increased exposure to potential climate change opportunities through controlled green-to-brown revenue share<sup>5</sup> as compared to the Parent Index.

In addition, there are index construction constraints which require the constituent-level weight be capped in order to address liquidity and diversification with minimum stock weight lower threshold. Currently, all Index Securities must have an index weight of at least 0.1% in the optimized solution. There is a cap on an individual security weight of 5% or Parent Index’s weight, whichever is higher.

The Parent Index measures the performance of the largest 300 stocks universe<sup>6</sup>. The Parent Index is weighted according to float-adjusted market capitalization, subject to a foreign investment limit for A-Shares (capped at 30%) and a single company weight cap of 10%.

The Underlying Index is compiled and managed by S&P Dow Jones Indices LLC or its affiliates (“SPDJ”). The Parent Index is also calculated and managed by SPDJI. SPDJI 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 Underlying Index in connection with the operation, marketing and promotion of the Sub-Fund. Details in respect of the Underlying Index

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<sup>3</sup> GHG emissions intensity reduction target is also referred to as “7% Decarbonization Trajectory WACI Target” by the Index Provider. Please refer to footnote 2 above regarding GHG emissions intensity calculation. For further details, please also refer to Appendix I to this Prospectus.

<sup>4</sup> The rebalancing reference date for each rebalance is the last trading day of February, May, August and November. For further details relating to index rebalancing, please refer to Appendix I to this Prospectus.

<sup>5</sup> For further details, please refer to Appendix I to this Prospectus.

<sup>6</sup> The Parent Index’s stock universe is subject to 20% selection buffer at each rebalancing. For further details of the Parent Index’s stock universe, please refer to Appendix I to this Prospectus.

(including information relating to “hard constraints” and “other constraints”) are set out in Appendix I.

A-Shares investment (including investment in securities listed on the ChiNext market) will be made directly through the Shenzhen-Hong Kong Stock Connect.

Apart from financial derivative instruments received as a result of corporate actions of Index Securities held by the Sub-Fund, the Sub-Fund may invest in financial derivative instruments for hedging purposes provided that the Sub-Fund’s net derivative exposure does not exceed 10% of its Net Asset Value. The Sub-Fund currently does not acquire financial derivative instruments for non-hedging purposes (i.e. investment purposes). One (1) month’s prior notice will be given to Unitholders in the event the Manager intends to acquire financial derivative instruments for non-hedging purposes (i.e. investment purposes).

Cash, time deposits or money market funds may be considered when appropriate, although such investments are not anticipated to exceed 10% of the Sub-Fund’s net asset value.

The Manager currently does not intend to engage in any securities lending activities or repurchase transactions or reverse repurchase agreements or other similar over the counter transactions. One (1) month’s prior notice will be given to Unitholders in the event the Manager intends to engage in such activities.

There is no assurance that the Sub-Fund will achieve its investment objective. The risk profile of the Sub-Fund is generally regarded as high.

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

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

#### *Full replication Strategy*

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

#### *Representative Sampling Strategy*

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

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

In seeking to achieve the Sub-Fund's investment objective, the Manager will primarily adopt a full replication strategy through investing all or substantially all in Index Securities, broadly in proportion to the respective weightings of the Index Securities. The Manager may invest other securities that are not included in the Underlying Index under the following circumstances: (i) substitutes may be used as replacement if the original constituents are not tradeable for whatever reason, including where trading in a constituent security has been suspended or if such holding results from a corporate action of a constituent security; (ii) in anticipation or response to a rebalance of the Underlying Index, new constituents in the updated index portfolio or existing constituents in the previous index portfolio may be held by the Sub-Fund during short transitional periods before or after each index rebalancing.

The Manager may also use a representative sampling strategy where it is not possible to acquire certain securities which are Index Securities due to restrictions or limited availability where the Manager considers appropriate in its absolute discretion. This means that the Sub-Fund will invest directly in a representative sample of Securities that collectively has an investment profile that aims to reflect the profile of the Underlying Index. The Securities constituting the representative sample may or may not themselves be Index Securities, provided that the portfolio closely reflects the overall characteristics of the Underlying Index.

Investors should note where the adoption of a full replication strategy is not efficient or practicable or where the Manager considers appropriate in order to achieve the investment objective of the Sub-Fund by tracking the Underlying Index as closely (or efficiently) as possible for the benefit of investors, the Manager may in its absolute discretion, without notice, pursue a representative sampling strategy which does not involve the full replication of the Index Securities in the exact weightings of the Underlying Index.

In pursuing a representative sampling strategy, the Manager may overweight/underweight certain Index Securities relative to their respective weightings in the Underlying Index on the condition that the maximum deviation from the Underlying Index weighting of any Index Security will not under normal circumstances exceed three per cent (3%) 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. Investors should note that the representative sampling strategy is associated with certain additional risks, in particular a possible increased tracking error at the time of the switch as well as a possible increased tracking error in general, and investors should read the "Risk Factors" section below carefully.

### **RISK FACTORS**

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

**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) 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.
- (c) Investment in the Sub-Fund is not the same as direct investment in constituent stocks of the Underlying Index risk – Investors should note that an investment in the Sub-Fund is not the same as investing directly in the Index Securities. The performance of the Sub-Fund will be affected by a number of risk factors, including those set out above. 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.
- (d) 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.
- (e) 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. The fundamental risk associated with any equity portfolio is the risk that the value of the investments it holds might decrease in value.
- (f) ESG investment policy risk – The consideration of ESG factors in the construction of the Underlying Index may affect the Sub-Fund's investment performance and, as such, the Sub-Fund may perform differently compared to similar funds that do not consider such ESG factors. ESG-based exclusionary criteria and constraints used in construction methodology of the Underlying Index may result in the Underlying Index excluding certain securities when it might otherwise be advantageous for the Sub-Fund to invest in those securities. It is possible that the Underlying Index (and hence the Sub-Fund's portfolio) may perform less well than portfolios with similar investment objectives that are not engaged in similar (or any) ESG based exclusions and/or constraints.

The Sub-Fund's investments may be concentrated in companies with a greater ESG focus, therefore its value may be more volatile than that of a fund with having a more diverse portfolio of investments.

The constituent selection and index methodology of the Underlying Index involve exclusions based on ESG criteria and the use of optimization with multiple constraints. The exclusion assessment may involve qualitative factors and it is thus possible that the



relevant investment criteria may not be applied correctly. The optimization model involves mathematical techniques for finding the most appropriate solution for an objective function while satisfying certain pre-determined constraints. There may however be uncertainties in the model due to either incomplete information or unpredictable changes. Financial investments environment is often unpredictable and uncertain because of factors such as economic changes, government regulations and dependence on global market conditions. The use of optimization model may be flawed by the unavoidable presence of uncertainties, which may arise at different stages; in the construction and corroboration of the model itself, or in its use. Therefore, there is no guarantee the optimization process adopted by the Index Provider could always achieve the best results.

In evaluating securities for inclusion and/or weighting in the Underlying Index based on ESG criteria or constraints, the Index Provider may rely upon information and data obtained by itself or from third-party data providers. Information and/or data may be incomplete, inaccurate or unavailable from time to time, which may affect the Index Provider's ability to assess potential constituents for inclusion and/or exclusion from the Underlying Index. ESG criteria or constraints that are relevant to the Underlying Index are reviewed at index reviews or rebalances or specified reference dates in accordance with the index methodology. There may also be a time lag between the date as at which the data is captured and the date on which the data is used for review, rebalancing or assessment, which may impact the timeliness and quality of the data. As a result, there is a risk associated with the assessment of securities in the Underlying Index or the issuers based on such information or data.

In addition, there is a lack of standardised taxonomy in relation to ESG investing strategies. The standard of disclosure adopted by funds in relation to the relevant ESG constraints or factors may vary.

- (g) RMB currency and conversion risk – The Sub-Fund is denominated in Hong Kong dollars, but the SZSE Securities acquired via Shenzhen-Hong Kong Stock Connect are denominated in offshore RMB (“CNH”). The Net Asset Value of the Sub-Fund may be affected unfavorably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls. The Sub-Fund is therefore also subject to foreign exchange costs and currency conversion risk.

Further, RMB is currently not freely convertible and is subject to policies of exchange controls and repatriation restrictions by the Chinese government. Conversion between RMB and other currencies is also subject to policy restrictions relating to RMB and the relevant regulatory requirements in Hong Kong. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (for example HKD) will not depreciate. There is no guarantee that the RMB will not depreciate. There is no assurance that RMB will not be subject to devaluation or revaluation or that shortages in the availability of the currency will not develop. Any depreciation or devaluation of RMB could adversely affect the value of the investors' investments in the Sub-Fund. Although CNH and onshore RMB (“CNY”) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

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

Under the Dual Counter arrangement, Units are traded in RMB in the RMB counter. Thus, non-RMB based investors are exposed to foreign exchange risk. Any depreciation of RMB could adversely affect the value of the investor's investment in the Sub-Fund.

- (h) Emerging market /PRC market risk – In tracking the Underlying Index, the Sub-Fund may invest in SZSE Securities directly via Shenzhen-Hong Kong Stock Connect. However, investors should be aware that the PRC is still a developing country and the legal and regulatory framework of the PRC is still undergoing development and there is a degree of legal uncertainty both for local and overseas market participants. Investment in an emerging market/ the PRC market 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.

These risks include the possibility of more volatile financial markets, price volatility, smaller capital markets, less developed economic, political and social conditions and policies, greater risks in relation to foreign exchange and liquidity, nationalization, expropriation, government control and intervention etc.. All of these may have an adverse impact on performance on the Sub-Fund.

The value of the Sub-Fund's assets may be affected by uncertainties or changes in government policies, promulgation of foreign currency and monetary policies and tax regulations. Many economic reforms of the PRC are unprecedented or experimental and are subject to modification and adjustment. Such modification and adjustment may have associated impact on the economy or financial markets of the PRC and may not always have a positive effect on investment in the PRC companies. Furthermore, the PRC government may from time to time adopt corrective measures to control the growth of the PRC economy which may have an adverse impact on the performance or value of the Sub-Fund.

The accounting, auditing and financial reporting standards in the PRC may be different from international requirements, and investors should take this in account when making investment decisions.

- (i) Counterparty and settlement risk - Counterparty risk is the risk that the party trading with the Sub-Fund will be unable to meet its obligations to make payments or to settle a trade due to a deterioration of the counterparty's financial situation or some other failure by the counterparty. The Sub-Fund bears the risk of settlement failures. Any such failure may have a material adverse effect on the Sub-Fund and/or the value of Units of the Sub-Fund.
- (j) Risks related to Shenzhen-Hong Kong Stock Connect
  - (i) Quota limitations:

Shenzhen-Hong Kong Stock Connect is subject to a Daily Quota which does not belong to the Sub-Fund and can only be utilized on a first-come-first serve basis. The Daily Quota is monitored by SEHK and SZSE. The Daily Quota limits the maximum net buy value of cross-boundary trades under Shenzhen-

Hong Kong Stock Connect each day. The Daily Quota will be reset every day. Unused Daily Quota will not be carried over to next day's Daily Quota.

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

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

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

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

(ii) Suspension risk:

The SEHK and SZSE would reserve the right to suspend Northbound and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the Northbound trading through Shenzhen-Hong Kong Stock Connect is effected, the Sub-Fund's ability to invest in A-Shares or access the PRC market will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective could be negatively affected.

(iii) Differences in trading day:

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

(iv) Operation risk:

- Shenzhen-Hong Kong Stock Connect provides a new channel for investors from Hong Kong and overseas to access the Mainland China stock market directly.
- Shenzhen-Hong Kong Stock Connect is premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in Shenzhen-Hong Kong Stock Connect subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house. Besides, securities regimes and legal systems of the two markets differ significantly and in order for

the program to operate smoothly, market participants may need to address issues arising from the differences on an on-going basis.

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

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

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

(vi) Recalling of eligible stocks:

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

(vii) Clearing and settlement risk:

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

(viii) Counterparty risk relating to brokers:

Investment through Shenzhen-Hong Kong Stock Connect is conducted through broker(s), and is subject to the risks of default by such brokers' in their obligations. Shenzhen-Hong Kong Stock Connect follows A-share settlement cycle where the SZSE Securities are settled on the same trade day and cash on a T+1 basis. The Sub-Fund may have settlement arrangements in place with brokers different from A-share settlement cycle, the deliveries of SZSE Securities and payments therefore may not be simultaneous.

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

- HKSCC will keep CCASS participants informed of corporate actions of SZSE Securities. Hong Kong and overseas investors (including the Sub-Fund) will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of SZSE Securities may be as short as one Business Day only. Therefore, the Sub-Fund may not be able to participate in some corporate actions in a timely manner.
- Hong Kong and overseas investors (including the Sub-Fund) are holding SZSE Securities traded via Shenzhen-Hong Kong Stock Connect through their brokers or custodians. According to existing Mainland practice, multiple proxies are not available. Therefore, the Sub-Fund may not be able to appoint proxies to attend or participate in shareholders' meetings in respect of the SZSE Securities.

(x) Regulatory risk:

- Shenzhen-Hong Kong Stock Connect is novel in nature, and will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under Shenzhen-Hong Kong Stock Connect. The relevant rules and regulations on Shenzhen-Hong Kong Stock Connect are subject to change which may have potential retrospective effect.
- It should be noted that the regulations are untested and there is no certainty as to how they will be applied. Moreover, the current regulations are subject to change. There can be no assurance that Shenzhen-Hong Kong Stock Connect will not be abolished. The Sub-Fund, which may invest in the PRC market through Shenzhen-Hong Kong Stock Connect, may be adversely affected as a result of such changes.

(xi) Foreign exchange / currency conversion risk:

The Sub-Fund may be subject to exchange rate fluctuations between Hong Kong dollars and RMB (specifically CNH or CNY) given that the Sub-Fund is denominated in Hong Kong dollars, but the SZSE Securities acquired via Shenzhen-Hong Kong Stock Connect are denominated in CNH. The Sub-Fund may also be subject to bid/offer spread and currency conversion costs when converting to and from Hong Kong dollars and RMB.

(k) Risks associated with the ChiNext market

The Sub-Fund may invest in the ChiNext market via the Shenzhen-Hong Kong Stock Connect. Investments in the ChiNext market may result in significant losses for the Sub-Fund and its investors. The following additional risks apply:

- (i) Higher fluctuation on stock prices and liquidity risk - Listed companies on the ChiNext market are usually of emerging nature with smaller operating scale. Hence, they are subject to higher fluctuation in stock prices and liquidity and have higher risks and turnover ratios than companies listed on the main board of the SZSE.
  - (ii) Over-valuation risk - Stocks listed on the ChiNext market may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.
  - (iii) Delisting risk - The companies listed on the ChiNext market are generally less resistant to market risks and may experience more fluctuations in their performance. It may be more common and faster for companies listed on the ChiNext market to delist. This may have an adverse impact on the Sub-Fund if the companies that it invests in are delisted.
  - (iv) Differences in regulations: The rules and regulations regarding securities in the ChiNext market are less stringent in terms of profitability and share capital than those in the main board.
- (l) Concentration risk – The Sub-Fund invests primarily in securities in the GBA and may be subject to concentration risk. 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 markets in the GBA.
- (m) Risk associated with High Volatility of the Equity Market in Mainland China / Equity Securities like A-Shares – Investing in equity securities like A-shares may be associated with higher risks because the investment performance of equity securities depends upon factors which are difficult to predict. Such factors include the possibility of sudden or prolonged market declines and risks associated with individual companies. The fundamental risk associated with any equity portfolio is the risk that the value of the investments it holds might decrease in value.

High market volatility and potential settlement difficulties in the Mainland China equity market may result in significant fluctuations in the prices of the securities traded on

such market and thereby may have an adverse impact on the prices of PRC securities in which the Sub-Fund invests and thereby may adversely affect the value of the Sub-Fund.

The stock exchanges in the PRC on which A-Shares are traded are relatively at a developing stage and the choice of investments in the A-Shares is limited as compared with other developed securities markets. The prices of the A-Shares held by the Sub-Fund and the Net Asset Value of the Sub-Fund may be adversely affected during rebalances in the Sub-Fund if markets for the A-Shares are illiquid. In addition, the final cost of creation or the realized proceeds from redemption may also deviate substantially from the Net Asset Value of the Sub-Fund if markets for the A-Shares are illiquid. Further, market volatility in the A-Share markets may result in significant fluctuations in the prices of the A-Shares held by the Sub-Fund and hence in the value of the Sub-Fund. Potential illiquidity and volatility of the A-Shares market may have an adverse impact on the prices of the A-Shares in which the Sub-Fund invests. The liquidity of the Sub-Fund will be affected by the liquidity of its investments.

- (n) Risk associated with Regulatory/Exchanges Requirements/ Policies of the Equity Market in Mainland China – The stock exchanges in the PRC on which A-shares are traded are relatively at a developing stage and the choice of investments in the A-share markets is limited as compared with other developed securities markets. Their trading volumes may be much lower than those in developed markets. Potential volatility and illiquidity of the A-share markets may have an adverse impact on the prices of PRC securities in which the Sub-Fund invests.

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

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

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

- (p) 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. Usually, emerging markets tend to be more volatile than developed markets and may experience substantial price volatility. 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.

- (q) 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.
- (r) Risk related to divergence between the market price of the Units and the Net Asset Value of the Sub-Fund/trading risk – 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 market 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 factors such as the supply of and demand for the Units in the SEHK. Therefore, the Units in the Sub-Fund may trade at a premium or at a discount to the Net Asset Value of the Units on the SEHK and there is a risk that the market price of the Units traded on the SEHK may diverge significantly from the Net Asset Value of the Sub-Fund. In the event of liquidation of the Sub-Fund and if market prices of the Units is higher than the Net Asset Value of the Sub-Fund, investors may not be able to recover the difference between the market price of the Units and the Net Asset Value of the Sub-Fund.
- (s) 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 Underlying Index will result in a corresponding fall in the value of the Sub-Fund.
- (t) Management risk – Since there can be no guarantee that the Sub-Fund will fully replicate the Underlying Index, it is subject to management risk. 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. In addition, the Manager has absolute discretion to exercise shareholders’ rights with respect to Securities comprising the Sub-Fund. There can be no guarantee that the exercise of such discretion will result in the investment objective of the Sub-Fund being achieved.
- (u) Representative sampling risk – In seeking to achieve the Sub-Fund’s investment objective, the Manager will primarily adopts a full replication strategy. The Manager may also use a representative sampling strategy where it is not possible to acquire certain securities which are Index Securities due to restrictions or limited availability where the Manager considers appropriate in its absolute discretion. In case a representative sampling strategy is adopted, the Sub-Fund does not hold all of the Securities in the Underlying Index and may invest in Securities not included in the Underlying Index, provided that the portfolio closely reflects the overall characteristics of the Underlying Index which the Manager believes will assist the Sub-Fund to achieve its investment objective. The Securities held by the Sub-Fund may also be overweight



or underweight relative to the Securities in the Underlying Index. Therefore, the Sub-Fund may be subject to larger tracking error.

- (v) 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 Underlying Index exactly. The Sub-Fund’s returns may deviate from the Underlying Index due to a number of factors. For example, the fees and expenses of the Sub-Fund, rounding of share prices, changes to the Underlying Index and regulatory policies may affect the Manager’s ability to achieve close correlation with the Underlying Index. Further, the Sub-Fund may receive income (such as interests and dividends) from its assets while the Underlying Index 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 Underlying Index. There is also no guarantee that the Sub-Fund’s investments will be successful. In addition, trading errors are an intrinsic factor in any investment process, and may occur, notwithstanding the execution of due care and special procedures designed to prevent such errors.

- (w) Risks relating to the Underlying Index – The Sub-Fund may be subject to the following risks in relation to the Underlying Index:

- (i) The initial term of the license agreement between the Manager and the Index Provider is five (5) years. Thereafter, the term shall renew for subsequent three (3) years term, unless either party to the license agreement gives notice to the other at least six (6) months before the end of the present term of its intent not to renew, or otherwise terminated in accordance with the license agreement. If the Underlying Index 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 Underlying Index with an index that is tradable and has similar objectives to the Underlying Index. 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 the public calculation and/or distribution of the Underlying Index and the Index Provider should give written notice to the Manager at least ninety (90) days advance written notice of the cessation of public calculation and/or dissemination of the Underlying Index.

Further, the Manager may terminate the license agreement upon at least sixty (60) days (or upon such lesser period of time if required pursuant to a court order or any applicable law or regulatory requirements) prior written notice to the Index Provider if (1) any material litigation or regulatory proceedings regarding such the Sub-Fund is threatened or commenced against the Manager, and the Manager reasonably believes that such litigation or proceedings would have a material and adverse effect upon its ability to market and/or promote such Sub-Fund; or (2) the Manager elects to terminate the public offering or other distribution of such Sub-Fund for any reason.

The Index Provider may terminate the license agreement (1) if any litigation or proceedings is threatened or commenced, and the Index Provider reasonably believes that such litigation or proceedings would have a material and adverse effect upon the Underlying Index or upon the ability of the Index Provider to perform under obligations under the license agreement; or (2) upon written notice to the Manager if the actions or failures to act of the Manager have caused or threatened imminently to cause material damage or harm to the Index Provider's reputation or goodwill, provided that such notice will describe in reasonable detail the nature of such action or inaction; or (3) upon written notice to the Manager in the event of a change in control; or (4) upon at least ninety (90) days (or upon such lesser period of time if required pursuant to a court order or any applicable law or regulatory requirements) prior written notice to the Manager in the event of any termination of the Index Provider's right to license the Underlying Index and/or mark of any third party licensor (where the Index Provider's ability to give ninety (90) days prior written notice is subject to the Index Provider receiving sufficient advance notice from the relevant third party licensor of termination of such right).

Either the Manager or the Index Provider may:

- terminate the license agreement upon thirty (30) days advance notice with an opportunity to cure within the stated period, if the other party has failed to perform any material obligation or persistent minor breach;
  - elect to terminate the license agreement or the relevant license with advance written notice, if a petition in bankruptcy has been filed by or against the other party or the other party has made an assignment for the benefit of creditors, or a receiver has been appointed for the other party or any substantial portion of the other party's property, or the other party or its officers or directors takes action approving or makes an application for any of the above; or
  - elect to terminate the license agreement or the relevant license with sixty (60) days' notice by the Manager or ninety (90) days' notice by the Index Provider (or in the event of an emergency, with such shorter notice as is practicable), if either party's ability to perform its obligations under the license agreement or the relevant license is substantially impaired by any new statute, or new rule, regulation, order, opinion, judgment, or injunction of the U.S. Securities and Exchange Commission, a court, an arbitration panel, or governmental body or self-regulatory organization with jurisdiction over the party.
- (ii) There may be changes in the Index Securities 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 Underlying Index. 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) There is a possibility that the Underlying Index tracked by the Sub-Fund may be wrongly compiled, for example, due to the use of incorrect data. There is also a possibility that the calculation of the Underlying Index may be incomplete, for example, due to technical failure during the calculation of the

Underlying Index. In this case, there might be significant difference between the return of the Sub-Fund and the Underlying Index. Also, the process and the basis of computing and compiling the Underlying Index 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 Underlying Index, its computation or any information related thereto.

- (iv) The composition of the Index Securities will change as the Securities may be delisted, or as the Securities are redeemed or as new Securities are included in the Underlying Index. The construction methodology of the Underlying Index may also change when the Index Provider deems it necessary to adapt to significant changes in the market condition. When this happens, the weightings or composition of the Securities held by the Sub-Fund (either directly or indirectly) will be changed as considered appropriate by the Manager to achieve the investment objective. Thus, an investment in Securities will generally reflect the performance of the Underlying Index as its constituents change and not necessarily the way it is comprised at the time of an investment in Securities. However, there can be no guarantee that the Sub-Fund will, at any given time accurately reflect the composition of the Underlying Index.
- (x) Difficulties in valuation of investments risk – Securities acquired by the Sub-Fund may subsequently become illiquid due to events relating to the issuer of the Securities, market and economic conditions and regulatory sanctions. In cases where no clear indication of the value of a Security in the Sub-Fund’s portfolio is available (for example, when the secondary markets on which a Security is traded have become illiquid) the Manager may in consultation with the Trustee apply valuation methods to ascertain the fair value of such securities, pursuant to the Trust Deed.
- (y) Derivative instruments risk – The Sub-Fund may use derivatives for hedging purposes. Derivatives may be more sensitive to changes in economic or market conditions and could increase the Sub-Fund’s volatility.

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

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

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

In adverse situation, the Sub-Fund’s use of derivatives may become ineffective in hedging and the Sub-Fund may suffer significant losses. If derivatives used for hedging

purposes are not successful, losses may be incurred to the Sub-Fund and the Sub-Fund's returns may be reduced due to the hedging costs incurred.

- (z) Cost of trading risk – 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. In addition, investors on the secondary market will also incur the cost of the trading spread, being the difference between what investors are willing to pay for the Units (bid price) and the price at which they are willing to sell Units (ask price). Frequent trading may detract significantly from investment results and an investment in Units may not be advisable particularly for investors who anticipate making small investments regularly.
- (aa) Units in the RMB counter trading risk – The Units in the RMB counter are RMB denominated securities traded on the SEHK and settled in CCASS. Not all stockbrokers or custodians may be ready and able to carry out trading and settlement of the RMB traded Units. The limited availability of RMB outside Mainland China may also affect the liquidity and trading price of the RMB traded Units.
- (bb) Trading differences risks – As the SZSE may be open when Units in the Sub-Fund are not priced, the value of the securities in the Sub-Fund's portfolio may change on days when investors will not be able to purchase or sell the Sub-Fund's Units. Differences in trading hours between the SZSE and the SEHK may also increase the level of premium or discount of the Unit price to its Net Asset Value. A-Shares are subject to trading bands which restrict increase and decrease in the trading price. Units listed on the SEHK are not. This difference may also increase the level of premium or discount of the Unit price to its Net Asset Value.
- (cc) Secondary market trading risk – Units in the Sub-Fund may trade on the SEHK when the relevant Sub-Fund does not accept orders to subscribe or redeem Units. On such days, Units may trade in the secondary market with more significant premiums or discounts than might be experienced on days when the Sub-Fund accepts subscription and redemption orders.
- (dd) Dual Counter risks – The SEHK's Dual Counter model in Hong Kong is relatively new. The risk involved could therefore be higher than a single counter arrangement, especially if for any reason there is a settlement failure on an inter-counter transfer such that the purchase on one counter and the sale on another counter may not be able to be effected on the same day. Further, where for any reason there is a suspension of the inter-counter transfers, investors will not be able to effect any such transfers. As such, there is a risk that inter-counter transfers may not be always available for investors.

Investors should note that the trading prices of Units in the Dual Counter may be different (or may deviate significantly) due to the exchange rate fluctuation between HKD and RMB and the fact that the 2 counters may represent 2 different markets with different market demand and liquidity. As such, there is a risk that an investor who effects an inter-counter transfer may suffer a loss and there can be no assurance that the trading price of Units in each counter will be equivalent.

Under the Dual Counter arrangement, investors who do not have HKD accounts may trade on the RMB counter. However, the Base Currency of the Units is HKD and any

distributions from the Sub-Fund will be made in HKD only. Thus, RMB based (or non-HKD based investors) will be exposed to foreign exchange risk. Any depreciation of HKD against the base currency of the investor could adversely affect the value of the investor's investment in the Sub-Fund. Investors may suffer a foreign exchange loss and incur foreign exchange associated fees and charges to any currency conversion.

Depending on the services available from the brokers, investors may not be able to effect inter-counter transfers, or buy Units in one counter and sell Units in the other counter, or trade Units at both counters at the same time. Investors should therefore be aware of such possible limitations as well as the risks involved and consult their brokers for details.

- (ee) 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.
- (ff) 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.
- (gg) 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.
- (hh) 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, this Prospectus and the Operating Guidelines (where applicable). 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.
- (ii) 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 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", or via the Manager by an Eligible Investor, 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) to create or redeem Units in Application Unit sizes through a Participating Dealer which reserves the 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 reserves the absolute discretion to accept or reject a Creation Application by an Eligible Investor.

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.

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.

Further, no Creation or Redemption Application 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 Underlying Index 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) 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.

- (jj) Effect of redemption risk – If significant redemptions of Units are requested by the Participating Dealers, it may not be possible to liquidate the relevant Sub-Fund's investments at the time such redemptions are requested or the Manager may be able to do so only at prices which the Manager believes does not reflect the true value of such investments, resulting in an adverse effect on the return to investors. Where significant redemptions of Units are requested by the Participating Dealers, the right of Participating Dealers to require redemptions in excess of 20% of the latest available Net Asset Value of the Sub-Fund (disregarding the number of Units to be issued on the same Dealing Day) may be deferred, or the period for the payment of redemption proceeds may be extended.

In addition, the Manager may also in certain circumstances suspend the determination of the Net Asset Value of the Sub-Fund for the whole or any part of any period. Please see the section on "Determination of Net Asset Value" for further details.

- (kk) Borrowing risk – The Trustee, at the request of the Manager, may borrow for the account of the Sub-Fund (provided that no such borrowing shall be made which would result in the aggregate borrowing exceeding ten percent (10%) of the latest Net Asset Value of the Sub-Fund) for various reasons, such as facilitating the creation or redemption of Units or defraying operating expenses or to acquire investments for the account of the Sub-Fund. Borrowing involves an increased degree of financial risk and

may increase the exposure of the Sub-Fund to factors such as rising interest rates, downturns in the economy or deterioration in the conditions of the assets underlying its investments. There can be no assurance that the Sub-Fund will be able to borrow on favourable terms, or that the Sub-Fund's indebtedness will be accessible or be able to be refinanced by the Sub-Fund at any time.

- (ll) Termination risk – The Sub-Fund may be terminated under certain circumstances, for example, where the Underlying Index 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.
- (mm) 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 Underlying Index no longer acceptable.
- (nn) Legal and Regulatory risk – The Sub-Fund must comply with its authorization conditions and all regulatory requirements applicable to the Sub-Fund. Changes in the authorization conditions of the Sub-Fund and/or laws, regulatory requirements and/or imposition of new regulatory actions or restrictions may require changes in the operation or administrative rules of the Sub-Fund, constitutive or offering documents of the Sub-Fund. Such changes may have an impact on the operation costs of the Sub-Fund and may have an impact on the market sentiment which may in turn affect the market performance of the Sub-Fund. It is impossible to predict whether such an impact caused by regulatory changes will be positive or negative for the Sub-Fund. In the worst case scenario, an investor may suffer serious loss of its investments in the Sub-Fund.
- (oo) 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.
- (pp) PRC Tax Risk – Various tax reforms have been implemented by the PRC government in recent years. There can be no assurance that these existing tax laws or incentives will not be revised or abolished. The Sub-Fund may be subject to withholding and various other taxes imposed in Mainland China. Any changes in tax policies may affect adversely the performance of companies in the PRC or companies with activities closely related to the economic development and growth of the PRC.

## 1 Corporate Income Tax (“CIT”)

### a) *Capital Gain Tax*

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

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

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

Based on professional and independent tax advice, the Sub-Fund currently will not set aside any Capital Gain Tax provision derived from the gains from trading of the A-Shares that are SZSE Securities via Shenzhen-Hong Kong Stock Connect.

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

Capital gains derived by a non-resident from disposal of shares of companies listed on SEHK would not be subject to WHT unless the listed company is classified by the PRC tax authority as a PRC resident enterprise.

*b) Dividend*

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

As such, the Sub-Fund in investing A-shares directly via Shenzhen-Hong Kong Stock Connect would be subject to a WHT of 10% on all cash dividends payment or cash proceeds which were referable to dividends or distributions arising from A-shares. There is no assurance that the rate of the WHT will not be changed by the relevant PRC tax authority in the future.

Shares of companies listed on SEHK (that have been classified by the PRC tax authorities as a PRC resident enterprise) by the Sub-Fund would be subject to the WHT at 10% imposed by the PRC tax authorities which may reduce the income from the Sub-Fund and will have an impact on the performance of the Sub-Fund.

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

In Mainland China, business tax was completely replaced by VAT starting from May 1, 2016. According to Circular 127, the Sub-Fund is temporarily exempted from VAT on A-share trading through Shenzhen-Hong Kong Stock Connect.



### 3 Stamp Duty

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

### 4 Tax Provision

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

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

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

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

- (qq) Risks relating to obligations to comply with AEOI – The Unitholders shall be required to, (i) upon demand by the Manager, provide any form, certification or other

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

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

- (rr) Risks relating to obligations under FATCA – The Unitholders shall be required to, (i) upon demand by the Manager, provide any form, certification or other information reasonably requested by and acceptable to 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 (ss) 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 IGA and the IRC and the US 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 FATCA.

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

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

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

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

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

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

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

- (tt) No right to control the Sub-Fund’s operation risk – Investors will have no right to control the daily operations, including investment and redemption decisions, of the Sub-Fund.
- (uu) Reliance on the Manager risk – Unitholders must rely on the Manager in formulating the investment strategies and the performance of Sub-Fund is largely dependent on the services and skills of its officers and employees. In the case of loss of service of the Manager or any of its key personnel, as well as any significant interruption of the Manager's business operations or in the extreme case of the insolvency of the Manager, the Trustee may not find successor managers with the requisite skills, qualifications and the new appointment may not be on equivalent terms or of similar quality.
- (vv) Reliance on participating dealers risk – Except through the Manager by an Eligible Investor, the creation and redemption of Units may only be effected through Participating Dealers. A Participating Dealer may charge a fee for providing this service.

Participating Dealers will not be able to create or redeem Units during any period when, amongst other things, dealings on the SEHK are restricted or suspended, settlement or clearing of Securities through the CCASS is disrupted or the Index is not compiled or published. In addition, Participating Dealers will not be able to issue or redeem Units if some other event occurs that impedes the calculation of the Net Asset Value of the relevant Sub-Fund or disposal of the relevant Sub-Fund's Securities cannot be effected. Since the number of Participating Dealers at any given time will be limited, and there may even be only one Participating Dealer at any given time, there is a risk that investors may not always be able to create or redeem Units freely.

- (ww) Reliance on market maker risks – Although the Manager will use its reasonable efforts to ensure that at least one market maker will maintain a market for the Units in each counter and that at least one market maker per counter is required to give 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 of the relevant counter. There is also no guarantee that any market making activity will be effective. Further, any issue on the availability of RMB may adversely affect the ability of the market maker in providing liquidity for trading at the RMB counter.
- (xx) Reliance on index provider risks – The Manager will rely solely on the Index Provider for information as to the constituents and ESG focus of the Underlying Index. The process and the basis of computing and compiling the Underlying Index and any of its related mathematical techniques, formulae, data to be used, exclusion policies, optimization model and factors for consideration may also be adjusted 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 Underlying Index, its computation or any information related thereto.
- (yy) Potential conflict of interest risk – The Manager, Trustee, Custodian, Investment Adviser and Administrator or their Connected Persons (collectively, the “**entities**”) may, from time to time, act as manager, investment adviser, trustee or as custodian, administrator 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 Trust and the Sub-Fund. It is possible that any of the entities may, in the course of business, have potential conflicts of interest with the Sub-Fund. Each of the entities 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 74 to 76 for details.

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

- (aaa) Custody risk – Custodians or sub-custodians may be appointed in local markets for purpose of safekeeping assets in those markets or other depositaries used by the custodian with which the Sub-Fund’s assets is deposited. The Sub-Fund may be exposed to the counterparty risk where the custodian or sub-custodian or third party does not fulfil its obligations to the Sub-Fund and settle the transactions in accordance with market practice. Where the Sub-Fund invests in markets where custodial and/or settlement systems are not fully developed, the assets of the Sub-Fund may be exposed to custodial risk. In case of liquidation, bankruptcy or insolvency of a custodian, sub-custodian or other depositary, the Sub-Fund will be treated as a general creditor of the custodian, sub-custodian or other depositary in relation to cash holdings of the Sub-Fund. The Sub-Fund may take a longer time to recover its assets. In these circumstances the Sub-Fund may be required to unwind certain transactions and may encounter delays and difficulties with respect to court procedures in seeking recovery of the Sub-Fund’s assets. In extreme circumstances such as the retroactive application of legislation and fraud or improper registration of title, the Sub-Fund may even be unable to recover all of its assets. The costs borne by the Sub-Fund in investing and holding investments in such markets will be generally higher than in organised securities markets.

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

## **INVESTMENT AND BORROWING RESTRICTIONS**

### **Investment Restrictions**

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

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

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

- (1) (a) No holding of any Security may be acquired for or added to the Sub-Fund which would result in the aggregate value of the Sub-Fund’s investments in, or exposure to, any single entity through the following exceeding ten per cent (10%) of its latest available Net Asset Value of the Sub-Fund unless otherwise approved by the SFC:
- investments in securities issued by that entity;
  - exposure to that entity through underlying assets of financial derivative instruments (see restriction in (8) below); and
  - net counterparty exposure to that entity arising from transactions of over-the-counter financial derivative instruments (see restriction in (9)(c) below).
- (b) Notwithstanding (1)(a) above, more than ten per cent (10%) of the Net Asset Value of the Sub-Fund may be invested in constituent securities issued by a single issuer provided that:

- (i) it is limited to any constituent securities of the Underlying Index that accounts for more than ten per cent (10%) of the weighting of the Underlying Index; and
  - (ii) unless otherwise approved by the SFC, the Sub-Fund's holding of any such constituent securities may not exceed their respective weightings in the Underlying Index, except where the weightings are exceeded as a result of changes in the composition of the Underlying Index and the excess is only transitional and temporary in nature.
- (c) The restrictions in (1)(b) above shall not apply if:
- the Sub-Fund adopts a representative sampling strategy which does not involve the full replication of the Index Securities in the exact weightings of the Underlying Index;
  - the strategy is clearly disclosed in this Prospectus;
  - the excess of the weightings of the constituent securities held by the Sub-Fund over the weightings in the Underlying Index is caused by the implementation of the representative sampling strategy;
  - any excess weightings of the Sub-Fund's holdings over the weightings in the Underlying Index is subject to a maximum limit reasonably determined by the Sub-Fund after consultation with the SFC having regard to the characteristics of the underlying constituent securities, their weightings and the investment objectives of the Underlying Index and any other suitable factors and such limit is disclosed in this Prospectus. If the Sub-Fund adopts a representative sampling strategy, the maximum limit of the excess weightings of the Sub-Fund's holdings over the weightings in the Underlying Index is three per cent (3%) and such limit is disclosed in under sub-section headed "Investment Strategy Used by the Sub-Fund" above;
  - disclosure shall be made in the Sub-Fund's interim and annual reports as to whether the limit imposed by the Underlying Index itself pursuant to the above paragraph have been complied with in full. If there is non-compliance with the said limit during the relevant reporting period, this shall be reported to the SFC on a timely basis and an account for such non-compliance shall be stated in the report relating to the period in which the non-compliance occurs or otherwise notified to Unitholders.
- (d) Subject to restrictions in (1)(a) above and (9)(c) below, no holding of any Security may be acquired for or added to the Sub-Fund which would result in the aggregate value of the Sub-Fund's investments in, or exposure to, entities within the same group through the following exceeding twenty per cent (20%) of the latest available Net Asset Value of the Sub-Fund:
- investments in Securities issued by those entities;
  - exposure to those entities through underlying assets of financial derivative instruments (see restriction in (8) below); and

- net counterparty exposure to those entities arising from transactions of over-the-counter financial derivative instruments (see restriction in (9)(c) below).
- (e) No cash deposits shall be made in respect of the Sub-Fund which would result in the value of the Sub-Fund's cash deposits (as defined under Note (1) to Chapter 7.1B of the UTMF Code) made with the same entity or entities within the same group (as defined under Note (1) to Chapter 7.1A of the UTMF Code) exceeding twenty per cent (20%) of the latest available Net Asset Value of the Sub-Fund, provided that such twenty per cent (20%) may be exceeded in the following circumstances:
- cash held before the launch of the Sub-Fund and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested; or
  - cash proceeds from liquidation of investments prior to the merger or termination of the Sub-Fund, whereby the placing of cash deposits with various financial institutions would not be in the best interests of Unitholders; or
  - cash proceeds received from subscriptions pending investments and cash held for the settlement of redemption and other payment obligations, whereby the placing of cash deposits with various financial institutions be unduly burdensome and the cash deposits arrangements would not compromise the Unitholders' interests.
- (f) Due to the index tracking nature of the Sub-Fund, the SFC may, upon sufficient justification, consider not requiring the Sub-Fund to strictly comply with the investment restrictions in (1)(d) and (1)(e) above on a case-by-case basis.
- (g) No holding of any Security may be acquired for or added to the Sub-Fund which would result in the Sub-Fund holding more than ten per cent (10%) of any ordinary shares issued by any single entity, or when aggregated with the holdings of such ordinary shares held by all other sub-funds of the Trust, collectively holding more than ten per cent (10%) of any ordinary shares issued by any single entity.
- (2) (a) Unless otherwise stated, the restrictions in (1)(a), (d) and (g) above and (3) below shall not apply, and the following paragraph under this (2)(a) and the restrictions in (2)(b) to (2)(e) below shall apply where the Sub-Fund invests in other Collective Investment Schemes.

No holding of Collective Investment Schemes may be acquired for or added to the Sub-Fund which would result in the value of the Sub-Fund's investment in units or shares in other Collective Investment Schemes which are non-eligible schemes (i.e. schemes which are not set out in the list of recognised jurisdictions issued by the SFC) and not authorised by the SFC in aggregate exceeding ten per cent (10%) of the latest available Net Asset Value of the Sub-Fund.

- (b) The Sub-Fund may invest in one or more Collective Investment Schemes which are either authorized by the SFC or eligible schemes (i.e. schemes which are set out in the list of recognised jurisdictions issued by the SFC). No holding of Collective Investment Schemes may be acquired for or added to the Sub-Fund which would result in the value of the Sub-Fund's investment in units or shares

in each such Collective Investment Scheme exceeding thirty per cent (30%) of its latest available Net Asset Value, unless the Collective Investment Scheme is authorized by the SFC, and the name and key investment information of the Collective Investment Scheme are disclosed in this Prospectus.

- (c) In addition, the objective of each Collective Investment Scheme may not be to invest primarily in any investment prohibited by Chapter 7 of the UTMF Code, and where such Collective Investment Scheme's objective is to invest primarily in investments restricted by Chapter 7 of the UTMF Code, such investments may not be in contravention of the relevant limitation.
- (i) Where the Collective Investment Schemes are also managed by the Manager, or by other companies within the same group that the Manager belongs to, then restrictions in (1)(a), (d) and (g) above and (3) below are also applicable to investments of the Collective Investment Schemes.
  - (ii) A Collective Investment Scheme's objective may not be to invest primarily in other Collective Investment Scheme(s).
  - (iii) For the avoidance of doubt, the Sub-Fund may invest in scheme(s) authorized by the SFC under Chapter 8 (except for hedge funds under Chapter 8.7 of the UTMF Code), eligible scheme(s) (i.e. schemes which are set out in the list of recognised jurisdictions issued by the SFC) of which the net derivative exposure does not exceed one hundred per cent (100%) of its total Net Asset Value, and exchange traded funds ("ETFs") satisfying the requirements in the Note under "Investment in other schemes" of Chapter 7 of the UTMF Code in compliance with Chapter 7.11 and 7.11A of the UTMF Code.
  - (iv) Unless otherwise stated, ETFs satisfying the requirements in the Note under "Investment in other schemes" of Chapter 7 of the UTMF Code shall be considered and treated by the Manager as listed securities for the purposes of and subject to restrictions in (1)(a), (d) and (g) above and (3) below. As such, no holding of any ETF may be acquired or added to the Sub-Fund which would result in the Sub-Fund's investment in each ETF exceeding ten per cent (10%) of its Net Asset Value, unless otherwise stated.
- (d) Where the Sub-Fund invests in any Collective Investment Scheme(s) managed by the Manager or by a Connected Person of the Manager, all initial charges and redemption charges on the underlying Collective Investment Scheme(s) shall be waived. No investment may be made in any underlying Collective Investment Scheme(s) managed by the Manager or by a Connected Person of the Manager if such investment would result in an increase in the overall total of Manager's fees and other costs and charges borne by the Unitholders or by the Sub-Fund.
- (e) The Manager or any person acting on behalf of the Sub-Fund or the Manager shall not obtain a rebate on any fees or charges levied by an underlying Collective Investment Scheme or its management company, or any quantifiable monetary benefits in connection with investments in any underlying Collective Investment Scheme.



For the avoidance of doubt, exchange traded funds may be considered and treated as (a) listed securities for the purposes of and subject to the restrictions in (1)(a), (1)(d) and (1)(g) above; or (b) collective investment schemes for the purposes of and subject to the restrictions in (2)(a), (2)(b) and (2)(c), as specified in the Note immediately preceding Chapter 7.11 of the UTMF Code

- (3) No holding of any Security may be acquired for or added to the Sub-Fund which would result in the value of the Sub-Fund's investments in Securities and other financial products or instruments that are neither listed, quoted nor dealt in on a market (as defined under Chapter 7.3 of the UTMF Code) exceeding fifteen per cent (15%) of the latest available Net Asset Value of the Sub-Fund.
- (4) Notwithstanding the restrictions in 1(a), (d) and (g) above, the Sub-Fund may invest in Government and other public securities (as specified in Notes (1) and (2) to Chapter 7.5 of the UTMF Code) PROVIDED THAT no such securities shall be acquired or added to the Sub-Fund if as a result thereof the value of the Sub-Fund's investment in such securities of the same issue would exceed thirty per cent (30%) of the Sub-Fund's latest available Net Asset Value. Subject to the approval of the SFC, the said thirty per cent (30%) limit may be exceeded, and the Manager may invest all of its assets in Government and other public securities in any number of different issues despite the restriction set out in Chapter 7.5 of the UTMF Code.
- (5) The Sub-Fund shall not invest in physical commodities unless otherwise approved by the SFC on a case-by-case basis, taking into account the liquidity of the physical commodities concerned and availability of sufficient and appropriate additional safeguards where necessary.
- (6) The Sub-Fund may acquire financial derivative instruments for hedging purposes. For the purpose of this restriction, financial derivative instruments are generally considered as being acquired for hedging purposes if they meet all the following criteria:
  - they are not aimed at generating any investment return;
  - they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss or risks arising from the investments being hedged;
  - although they may not necessarily reference to the same underlying assets, they should relate to the same asset class with high correlation in terms of risks and return, and involve taking opposite positions, in respect of the investments being hedged; and
  - they exhibit price movements with high negative correlation with the investments being hedged under normal market conditions.

Hedging arrangement should be adjusted or re-positioned, where necessary and with due consideration on the fees, expenses and costs, to enable the Sub-Fund to meet its hedging objective in stressed or extreme market conditions.

- (7) The Sub-Fund currently does not acquire financial derivative instruments for non-hedging purposes (“**investment purposes**”). In case the Sub-Fund acquires financial derivative instruments for investment purpose in future, the Sub-Fund's net exposure relating to these financial derivative instruments (“**net derivative exposure**”) will not exceed fifty per cent (50%) of the latest available Net Asset Value of the Sub-Fund (and

subject to the requirements as specified in Notes (1) to (3) to Chapter 7.26 of the UTMF Code). If the Sub-Fund's net derivative exposure exceeds fifty per cent (50%) of its latest available Net Asset Value, the Sub-Fund shall make available, through the Sub-Fund's website or other acceptable channels, the information on financial derivative instruments acquired by the Sub-Fund (such as counterparty exposure and collateral information) to investors on an ongoing basis. This Prospectus shall direct investors to the website or other channels where this information shall be published.

- (8) Subject to the restriction in (7) above and the restriction in (9) below, the Sub-Fund may invest in financial derivative instruments provided that no holding of any such financial derivative instruments may be acquired or added to the Sub-Fund which would result in the exposure to the underlying assets of the financial derivative instruments, together with the other investments of the Sub-Fund, in aggregate exceeding the corresponding investment restrictions or limitations applicable to such underlying assets and investments as set out in the restrictions in (1)(a), (d) and (e) and (2) and (4) above and (14)(b) below.
- (9) The financial derivative instruments invested by the Sub-Fund shall be either listed/quoted on a stock exchange or dealt in over-the-counter market and comply with the following provisions:
  - (a) the underlying assets consist solely of shares in companies, debt securities, money market instruments, units/shares of Collective Investment Schemes, deposits with substantial financial institutions, Government and other public securities, highly-liquid physical commodities, financial indices, interest rates, foreign exchange rates, currencies, or other asset classes acceptable to the SFC, in which the Sub-Fund may invest according to its investment objectives and policies (and subject to the requirements as specified in Note (2) to Chapter 7.28(a) of the UTMF Code);
  - (b) the counterparties to transactions of over-the-counter financial derivative instruments or their guarantors are substantial financial institutions. For this purpose, the SFC may consider to accept other entity falling outside the definition of "substantial financial institution" on a case-by-case basis taking into account factors such as the regulatory status of the entity or the group to which it belongs and the net asset value of the entity;
  - (c) subject to the restrictions in (1)(a) and (1)(d) above, the Sub-Fund's net counterparty exposure to a single entity arising from transactions of over-the-counter financial derivative instruments may not exceed ten per cent (10%) of the latest available Net Asset Value of the Sub-Fund. For this purpose, exposure to a counterparty of over-the-counter financial derivative instruments may be lowered by the collateral received (if applicable) and should be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter financial derivative instruments with that counterparty, if applicable; and
  - (d) the valuation of the financial derivative instruments is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager or the Trustee, or their nominee(s), agent(s) or delegate(s) independent of the issuer of the financial derivative instruments through measures such as the

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

- (10) For the avoidance of doubt, restrictions and limitations on counterparty as set out in (1)(a), (1)(d) and (9)(c) above will not apply to financial derivative instruments that are:
- (a) transacted on an exchange where the clearing house performs a central counterparty role; and
  - (b) marked-to-market daily in the valuation of their financial derivative instrument positions and subject to margining requirements at least on a daily basis.
- (11) The Sub-Fund shall at all times be capable of meeting all its payment and delivery obligations incurred under transactions in financial derivative instruments (whether for hedging or for investment purposes). The Manager shall, as part of its risk management process, monitor to ensure that the transactions in financial derivative instruments are adequately covered on an ongoing basis. For this purpose, assets that are used to cover the Sub-Fund's payment and delivery obligations incurred under transactions in financial derivative instruments should be free from any liens and encumbrances, exclude any cash or near cash for the purpose of meeting a call on any sum unpaid on a security (see restriction in (15) below), and cannot be applied for any other purposes.
- (12) Subject to the restriction in (11) above, a transaction in financial derivative instruments which gives rise to a future commitment or contingent commitment of the Sub-Fund shall be covered as follows:
- (a) in the case of financial derivative instruments transactions which will, or may at the Sub-Fund's discretion, be cash settled, the Sub-Fund shall at all times hold sufficient assets that can be liquidated within a short timeframe to meet the payment obligation; and
  - (b) in the case of financial derivative instruments transactions which will, or may at the counterparty's discretion, require physical delivery of the underlying assets, the Sub-Fund should hold the underlying assets in sufficient quantity at all times to meet the delivery obligation. If the Manager considers the underlying assets to be liquid and tradable, the Sub-Fund may hold other alternative assets in sufficient quantity as cover, provided that such assets may be readily converted into the underlying assets at any time to meet the delivery obligation.

In the case of holding alternative assets as cover, the Sub-Fund should apply safeguard measures such as to apply haircut where appropriate to ensure that such alternative assets held are sufficient to meet its future obligations.

- (13) Where a financial instrument embeds a financial derivative (as defined in Chapter 7.31 of the UTMF Code), restrictions in (6) to (12) will also apply to the embedded financial derivative.

- (14) The Manager shall not on behalf of the Sub-Fund:
- (a) invest in any Security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5 per cent (0.5%) of the total nominal amount of all the issued securities of that class, or collectively the directors and officers of the Manager own more than five per cent (5%) of those securities;
  - (b) invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in real estate investment trusts (REITs)). In the case of investments in such shares and REITs, they shall comply with the investment limits as set out in the restrictions in (1)(a), (d) and (g), (2)(a) and (3) above, where applicable. For the avoidance of doubt, where investments are made in listed REITs, the investment limits as set out in the restrictions in (1)(a), (d) and (g) above apply, and where investments are made in unlisted REITs, which are either companies or Collective Investment Schemes, the restrictions in (2)(a) and (3) apply respectively;
  - (c) make short sales if it results in the Sub-Fund's liability to deliver Securities exceeding ten per cent (10%) of the latest available Net Asset Value of the Sub-Fund or if the Security which is to be sold short is not actively traded on a market where short selling activity is permitted. For the avoidance of doubt, the Sub-Fund is prohibited to carry out any naked or uncovered short sale of Securities and short selling should be carried out in accordance with all applicable laws and regulations;
  - (d) subject to the restriction in (3) above, lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements as set out in restrictions in (21), (23) to (25) below are not subject to the limitations herein; or
  - (e) acquire any asset or engage in any transaction which involves the assumption of any liability which is unlimited.
- (15) The Manager shall not be entitled to apply any part of the Sub-Fund in the acquisition of any Security which are for the time being nil paid or partly paid in respect of which a call is to be made for any sum unpaid on that Security unless such call could be met in full out of cash or near cash by the Sub-Fund's portfolio whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transaction in financial derivative instruments for the purposes of restrictions in (11) and (12) above.
- (16) It shall not be necessary for the Manager to effect changes of investments if such action would, in the opinion of the Manager, cause a material disruption to the relevant securities market(s) or merely because, owing to appreciations or depreciations in the value of the investments held or made for the account of the Sub-Fund, any of the limits referred to in this section shall be exceeded, nor by reason of any of those limits being

exceeded as a result of the Sub-Fund receiving, taking up or participating in any rights, bonuses or benefits in the nature of capital, or any scheme or arrangement for amalgamation, reconstruction, conversion or exchange, or as a result of any redemption caused by a redemption of Units or any payment out of the Sub-Fund but if and so long as any of such limits shall be exceeded the Manager shall not (otherwise than as aforesaid) acquire any further investments which would result in such limit being further exceeded. In the event that any of the investment limits contained in this section is breached, the Manager shall as a priority objective take all steps as may be necessary to remedy the situation within a reasonable period of time, taking due account of the interests of Unitholders.

- (17) The Sub-Fund may with the approval of the SFC beneficially own any entity, including all or part of the issued share capital of any company or companies, which for fiscal or other reasons the Manager considers it necessary or desirable for the Trustee to incorporate or acquire for the purpose of holding investments contained in the Sub-Fund, provided that all arrangements in connection with the formation and operation thereof shall have been agreed with the Trustee. None of the prohibitions, limitations or restrictions in this section shall apply to investments in, loans to or deposits with any such entity, and for the purposes of this section investments held by any such entity shall be deemed to be held or (as the case may be) made directly by the Sub-Fund.
- (18) For the purposes of this section:
  - (a) Securities shall be deemed to be of the same class or issue if they confer identical rights and (if applicable) are subject to identical restrictions (but so that in the case of an issue of Securities which are in other respects identical with Securities already in issue, any temporary differences in rights as to the dividends or interest between such existing and new Securities shall be disregarded); and
  - (b) the value of any investment for the purpose of any limit contained in this section shall include any accrued interest in respect thereof, and such accrued interest shall also be included in the Net Asset Value of the Sub-Fund.
- (19) The liability of Unitholders shall be limited to their investments in the Sub-Fund.
- (20) Subject to other provisions of this section, the Trustee may at the request of the Manager arrange for any Securities for the time being comprised in the Sub-Fund to be loaned by, or Securities to be loaned to, the Trust through the agency of or directly with any person acceptable to the Trustee (including the Manager or the Trustee or any Connected Person of either of them).
- (21) The Manager currently does not intend to engage the Sub-Fund in any securities lending, sale and repurchase and reverse repurchase transactions (collectively, “securities financing transactions”). If the Sub-Fund engages in any such securities financing transactions, they should be in the best interests of Unitholders to do so and the associated risks have been properly mitigated and addressed. The counterparties to securities financing transactions shall be financial institutions which are subject to ongoing prudential regulation and supervision. To limit the exposure to each counterparty, the Sub-Fund may receive collateral from such counterparty provided that the collateral complies with the requirements as set out in Chapter 7.36 to 7.38 of the

UTMF Code and the disclosure requirements under C2A of Appendix C of the UTMF Code.

- (22) The maximum level of Securities available for lending shall be limited to one hundred per cent (100%) of the latest available Net Asset Value of the Sub-Fund or such other percentage as may from time to time be determined by the Manager and specified in this Prospectus. Where securities financing transactions undertaken by the Sub-Fund exceeds fifty per cent (50%) of its latest available Net Asset Value, the Sub-Fund shall make available, through the Sub-Fund's own website or other acceptable channels, the information on securities financing transactions undertaken by the Sub-Fund (such as counterparty exposure and collateral information) to investors on an ongoing basis. This Prospectus shall direct investors to the website or other channels where this information is published. If the lending counterparty is an affiliate of the Manager, the lending transactions shall be disclosed in the Sub-Fund's annual reports.
- (23) The Sub-Fund shall have at least one hundred per cent (100%) collateralization in respect of the securities financing transaction(s) into which it enters to ensure there is no uncollateralized counterparty risk exposure arising from these transactions.
- (24) All the revenues arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities financing transactions, shall, on receipt by the Trustee, be returned to the Sub-Fund. Where any loan has been arranged through the Manager or the Trustee or a Connected Person of either of them, the relevant entity shall be entitled to retain for its own use and benefit any fee or benefit it receives on a commercial basis in connection with such arrangement.
- (25) The Sub-Fund shall ensure that it is able at any time to recall the Securities or the full amount of cash (as the case may be) subject to the securities financing transaction(s) or terminate the securities financing transaction(s) into which it has entered.

### **Borrowing Restrictions**

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

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

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

For the avoidance of doubt,

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

### **Level of Leverage**

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

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

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

### **General**

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

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

## **MANAGEMENT AND ADMINISTRATION**

### **Manager and Listing Agent**

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

The Manager is licensed with the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate

finance) and Type 9 (asset management) regulated activities under section 116(1) of the Securities and Futures Ordinance of Hong Kong. For Type 1 regulated activity, the Manager shall only engage in marketing and distribution activities and only provide services to the accounts and collective investment schemes under the Manager's management. For Type 6 regulated activity, the Manager shall only act as an agent for the listing of index tracking exchange traded funds under its management. In acting as such agent, the Manager shall not advise on any listing that involves initial public offering contemplated under the Corporate Finance Advisor Code of Conduct. Further for Type 6 regulated activity, the Manager shall not act as sponsor in respect of an application for the listing on a recognized stock market of any securities. Also, in performing any distribution functions for index tracking exchange traded funds under its management prior to the listing of such funds, the Manager shall closely follow the distribution process adopted for BOCHK ETF Series.

The Manager may from time to time appoint other sub-investment managers or investment delegates in relation to the Sub-Fund subject to prior SFC approval. The remuneration of such sub-investment manager or investment delegates will be borne by the Manager unless otherwise stated.

### **Investment Adviser**

The Manager has appointed BOCHK Asset Management Limited as its Investment Adviser of the Sub-Fund pursuant to an investment advisory agreement entered into between the Manager and the Investment Adviser. The Investment Adviser will be an integral part of the overall investment process, with particular focus on advising the Manager on the investment research, security selection and analysis subject to the control and review of the Manager. The Investment Adviser does not have the investment discretionary power of the Sub-Fund. The Investment Adviser is an asset management company incorporated in Hong Kong. The Investment Adviser is registered as a licensed corporation by the SFC in Hong Kong to carry out dealing in securities (Type 1), advising on securities (Type 4) and asset management (Type 9). The Investment Adviser provides professional investment management and advisory services to unit trusts, institutional clients as well as high net worth private individuals. Directors and senior management of the Investment Adviser are reputable and experienced investment professionals with in-depth international financial market knowledge.

The Investment Adviser was established in 2010 as a wholly owned subsidiary of BOC Hong Kong (Holdings) Limited. It is committed to providing retail and institutional investors with a range of fixed income, equity and alternative investments products such as private equity and real estate investments, coupled with comprehensive investment solutions that best suit their risk tolerance and return requirements. In addition, it manages investment funds and discretionary investment portfolios tailored to clients' needs, helping to maximise their potential returns.

The fees of the Investment Adviser, if any, will be paid by the Manager out of the Management Fee.

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

The Trustee of the Sub-Fund is BOCI-Prudential Trustee Limited, which is a registered trust company in Hong Kong. The Trustee is also acting as the Registrar, Custodian and Administrator of the Sub-Fund.



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

### *Custody Arrangements*

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

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

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

The Trustee shall (a) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of any custodians, co-custodians, sub-custodians, nominees and agents and delegates appointed by it for the Sub-Fund provided that the Trustee may pre-clear the appointment of sub-custodians by its custodian or provide consent/no objection in advance to an agreed-upon process and provided that the Trustee is satisfied that its custodian will exercise reasonable care and diligence in the selection, appointment and ongoing monitoring of such sub-custodians and has appropriate and adequate process and procedures in place for doing so; (b) be satisfied that each of such custodians, co-custodians, sub-custodians, nominees and agents and delegates remains suitably qualified and competent on an ongoing basis to provide services to the Trust and the Sub-Fund; (c) be responsible and liable for the acts and omissions of any of its custodian, co-custodians, sub-custodians, nominees, agents and delegates which is a Connected Person of the Trustee as if the same were the acts or omissions of the Trustee. For the purpose of satisfying the aforesaid obligations in respect of a custodian, co-custodians, sub-custodians, nominee, agent and delegate that is not a Connected Person of the Trustee, the Trustee shall (i) exercise reasonable care and diligence in the selection, appointment and ongoing monitoring of its custodian, co-custodians, sub-custodians, nominees, agents and delegates; and (ii) be satisfied that the custodian, co-custodians, sub-custodians, nominees, agents and delegates retained remain suitably qualified and competent to provide the relevant service; (d) not be responsible for the insolvency, liquidation or bankruptcy of custodian or sub-custodian which is not a Connected Person of the Trustee if the Trustee has discharged its obligations set out in (a) and (b) above; and (e) not be liable for any act, omission, insolvency,

liquidation or bankruptcy of Clearstream, Luxembourg or any other depository, institution or clearing system which may from time to time be approved by the SFC in relation to any investment deposited with such depository, institution or clearing system.

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

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

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

### ***Registrar***

BOCI-Prudential Trustee 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.

### **Service Agent**

HK Conversion Agency Services Limited is the service agent of the Sub-Fund under the terms of the service agreement entered into among the Manager, BOCI-Prudential Trustee Limited, HK Conversion Agency Services Limited, the HKSCC and each Participating Dealer and the Participating Dealer's agent (if any). The 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 the Participating Dealer's agent (if any), and/or by the Manager on behalf the Sub-Fund.

## **CREATION AND REDEMPTION OF UNITS**

### *Creation of Units*

Unless otherwise determined by the Manager, a Creation Application shall only be made by a Participating Dealer in accordance with the terms of the Trust Deed, this Prospectus and the Operating Guidelines (where applicable) 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 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 11:00 a.m. (Hong Kong time) on the Business Day immediately before that Dealing Day and ends at the Dealing Deadline at 11:00 a.m. (Hong Kong time) on that Dealing Day, as may be revised by the Manager from time to time.

Units created and issued pursuant to a Creation Application may be deposited in CCASS as HKD traded Units or RMB traded Units initially. Similarly, Units redeemed pursuant to a Redemption Application may be withdrawn from either the HKD or RMB counter.

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

Unless otherwise determined by the Manager, a Creation Application shall only be made by a Participating Dealer in accordance with the terms of the Trust Deed, this Prospectus and the Operating Guidelines (where applicable) 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 to effect a creation of Units constituting an Application Unit size or whole multiples thereof in the manner as set out in this Prospectus.

The dealing period for each Dealing Day commences at 11:00 a.m. (Hong Kong time) on the Business Day immediately before that Dealing Day and ends at the Dealing Deadline at 11:00 a.m. (Hong Kong time) on that Dealing Day, as may be revised by the Manager from time to time.

No in-kind Creation Application by a Participating Dealer will be accepted.

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 of Units by an Eligible Investor*

Subject to any applicable regulations and restrictions relating to Shenzhen-Hong Kong Stock Connect, the Manager may, at its discretion, accept applications for subscription of Units made

by Eligible Investors. An Eligible Investor may directly make a request to the Manager to create Units. The creation request by an Eligible Investor must be in Application Unit size or whole multiples thereof and in cash, and the cash payment may be in Hong Kong dollars or RMB, as agreed by the Manager. Any exchange rate risk and costs of conversion will be borne by the Eligible Investor concerned and the Eligible Investor may be required to pay a handling fee. 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.

No in-kind Creation Application by an Eligible Investor will be accepted.

In respect of a Creation Application, an Eligible Investor must deliver to or for the account of the Trustee a cash payment equivalent to the Net Asset Value (as at the date on which the Creation Application is accepted and rounded to the nearest fourth (4th) decimal place (and in the case of 0.00005 or above of such minimum unit, rounded up)) (the "**Subscription Amount**") of the Units applied for in the Creation Application. In addition, the Manager shall be entitled in its absolute discretion to charge to each relevant Eligible Investor a handling fee of up to 6% of the Subscription Amount. Such handling fee represents the payment of the Duties and Charges for acquiring the relevant Securities for the Sub-Fund, compensation to the Sub-Fund for any potential market risks and the servicing fee which is payable to the Manager for its use and benefit.

The Manager may increase the maximum specified rate of the handling fee mentioned above by no less than one (1) month's written notice to the Unitholders.

### **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, this Prospectus and the Operating Guidelines (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.

Any such applications will be considered by the Manager, which may be accepted or rejected in the Manager's discretion, taking into account factors such as prevailing market conditions, whether the Manager can gain exposures to the underlying A-Shares, the costs associated therewith and the interest of the Unitholders.

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 cash paid to the Trustee by the relevant Participating Dealer (or its agent), comprising of the following:

- (a) a cash payment in cleared funds equivalent to the purchase costs of the relevant Application Basket(s) (which shall be accounted for as Deposited Property), and the Manager shall be entitled in its absolute discretion to charge (for the account of the Sub-Fund) to the relevant Participating Dealer an additional sum which represents the appropriate provision for Duties and Charges (which may include, but is not limited to,

a provision for stamp duties and other transaction charges or taxes applicable to the purchase (or estimated to be applicable to the future purchase) of the relevant Basket(s));

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 request the Trustee to borrow moneys to provide the cash required.

In relation to such an in-cash Creation Application, the Manager reserves the right to require the Participating Dealer to pay an additional sum for the purpose of compensating or reimbursing the Sub-Fund for the difference between:

- (a) the prices used when valuing the relevant Index Securities to be acquired by the Sub-Fund for the purpose of such issue of Units; and
- (b) the prices which would be used when acquiring the same Index Securities if they were acquired by the Sub-Fund with the amount of cash received by the Sub-Fund upon such issue of Units.

The Participating Dealer may pass on to the relevant investor the obligation to pay such additional sum.

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 relevant Operating Guidelines.

Any cash payments made by the Participating Dealer under the in-cash Creation Application may be made in Hong Kong dollars or RMB, as agreed by the Manager. Any exchange rate risk and costs of conversion will be borne by the Participating Dealer concerned and the Participating Dealer may be required to pay a handling fee.

The Issue Price per 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 (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, the 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 of Units 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 and any applicable rules and regulations (including restrictions relating to Shenzhen-Hong Kong Stock Connect), may apply to the Manager 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 the Subscription Amount. Such Subscription 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 a handling fee for the Creation Application, as more particularly described in the section "Creation of Units by an Eligible Investor" above.

Under normal circumstances, the Manager shall acquire the relevant Securities for the Creation Application on behalf of the Sub-Fund. The Manager however reserves the discretion to constitute the Basket in part, and keep in cash the balance of the subscription amount, taking into account 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 in exchange for the transfer by the relevant Eligible Investor to or for the account of the Trustee the subscription amount and, where applicable, the handling fee.

The Issue Price per 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 (and in the case of 0.00005 or above of such minimum unit, rounded up).

Units of the Sub-Fund shall be issued at the Issue Price.

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, the 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.

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

The Manager reserves the absolute right to reject a Creation Application from the Participating Dealer and the relevant Participating Dealer reserves the absolute right to reject a request from any third party investor to submit a Creation Application provided that the Manager or the relevant Participating Dealer (as the case may be) must act reasonably and in good faith and will take into account the interests of all Unitholders to ensure that the interests of all Unitholders will not be materially adversely affected. 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 Participating Dealer can charge such fees as it may reasonably determine from time to time. Quota control is imposed under Northbound trading under Shenzhen-Hong Kong Stock Connect. The Manager may

reject a Creation Application in case of insufficient quota balances. Please refer to paragraph “(j) Risks related to Shenzhen-Hong Kong Stock Connect” of “Risk Factors” section above.

### **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 if the full amount of cash payment including any Duties and Charges, Cash Component (if applicable) or other sums 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 relevant 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) the Manager shall liquidate any Index Securities acquired in respect of the Creation Application and after deduction of all applicable Duties and Charges, including transactional costs, duties and expenses, deposit the realized proceeds in cash to an account nominated by the Participating Dealer, together with redelivery of any cash received by or on behalf of the Trustee in respect of such cancelled Units not applied to acquire the relevant Index Securities;
- (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 assets of the Sub-Fund shall be re-opened or invalidated as a result of the cancellation of such Units.

The Participating Dealer shall bear all market risks of liquidating the Index Securities acquired in respect of its Creation Application. For the avoidance of doubt, the Manager may liquidate the relevant Index Securities at any time upon cancellation of the Units created pursuant to a Creation Application by a Participating Dealer. 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.

*In relation to Creation Applications by Eligible Investors*

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

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 subscription amount and the handling fee (including all Duties 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 any Index Securities acquired in respect of the Creation Application on behalf of the Eligible Investor and after deduction of all applicable Duties and Charges, including 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 acquire the relevant Index Securities;
- (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 liquidating the Index Securities acquired in respect of its Creation Application. For the avoidance of doubt, the Manager may liquidate the relevant Index Securities 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.

Any cash payment by the Sub-Fund may be made in Hong Kong dollars or RMB, as agreed by the Manager.

### **Redemption of Units**

Unless otherwise determined by the Manager, a Redemption Application shall only be made by a Participating Dealer or the Eligible Investors in accordance with the terms of the Trust Deed, this Prospectus and the Operating Guidelines (where applicable) and (if applicable) the Participation Agreement on a Dealing Day in respect of Units constituting an Application Unit size or whole multiples thereof.

The dealing period for each Dealing Day commences at 11:00 a.m. (Hong Kong time) on the Business Day immediately before that Dealing Day and ends at the Dealing Deadline at 11:00 a.m. (Hong Kong time) on that Dealing Day, 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, this Prospectus and the Operating Guidelines (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 relevant Operating Guidelines and to transfer to the relevant Participating Dealer (or its agent):

(a) the sale proceeds (of the relevant Application Basket(s)) in cash, and the Manager shall be entitled in its absolute discretion to charge (for the account of the Sub-Fund) each Participating Dealer an additional sum which represents the appropriate provision for Duties and Charges (which may include, but is not limited to, a provision for stamp duties and other transaction charges or taxes applicable to the sale (or estimated to be applicable to the future sale) of the relevant Index Securities)

plus,

(b) 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.

The Manager reserves the right to require the Participating Dealer to pay an additional sum for the purpose of compensating or reimbursing the Sub-Fund for the difference between:

- (a) the prices used when valuing the relevant Index Securities of the Sub-Fund for the purpose of such redemption of Units; and
- (b) the prices which would be used when selling the same Index Securities if they were sold by the Sub-Fund in order to realise the amount of cash required to be paid out of the Sub-Fund upon such redemption of Units.

The Participating Dealer may pass on to the relevant investor the obligation of paying such additional sum.

#### *Redemption by an Eligible Investor*

An Eligible Investor, subject to the terms and conditions as specified in the relevant application forms and the other requirements set out below and any applicable rules and regulations (including restrictions relating to Shenzhen-Hong Kong Stock Connect), may apply to the Manager to redeem Units at their Net Asset Value.

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. Where the Sub-Fund has insufficient cash to pay any redemption proceeds 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.

In addition, the Manager shall be entitled in its absolute discretion to charge to each relevant Eligible Investor a handling fee of up to 6% of the redemption proceeds. Such handling fee represents the payment of the Duties and Charges for disposing of the relevant Index Securities, compensation to the Sub-Fund for any potential market risks and the servicing fee which is payable to the Manager for its use and benefit.

The Manager may increase the maximum specified rate of the handling fee mentioned above by no less than one (1) month's written notice to the Unitholders. The handling fee payable by the Eligible Investor may be set off and deducted from the redemption proceeds payable to the Eligible Investor.

#### *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 (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, 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.

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. However, where a Redemption Application is submitted by an Eligible Investor or a Participating Dealer, and the Manager needs to dispose of the relevant A-Shares to provide for the redemption proceeds for the Redemption Application:

- (a) If no repatriation of funds from the PRC is required, redemption proceeds will normally be paid within five (5) Business Days after the relevant Dealing Day, and in any event not more than one (1) calendar month of the relevant Dealing Day (unless longer time is required in specific circumstances if there are capital repatriation constraints) or, if later, after duly completed redemption documentation has been received by the Manager, unless such requirement is waived by the Manager.
- (b) In cases where SAFE's approval is required for repatriation of funds to satisfy payment of redemption money and rendering the payment of the same within the time frame mentioned in (a) above not practicable, the amount due on redemption will be paid to Unitholders, as soon as practicable, and, in any event, within five (5) Business Days after completion of the relevant repatriation process. The extended time frame (beyond one (1) month) for payment is needed as the actual time required to obtain SAFE's approval for, and the completion of, the relevant repatriation process, is beyond the control of the Manager.

Under exceptional circumstances, the Manager reserves the right to reject a Redemption Application from a Participating Dealer or an Eligible Investor (as the case may be) and the Participating Dealer reserves the right to reject a request from any third party to submit a Redemption Application provided that the Manager or the Participating Dealer (as the case may be) must act reasonably and in good faith and will take into account the interests of all Unitholders to ensure that the interests of all Unitholders will not be materially adversely affected, and provided further that 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.

With a view to protecting the interests of Unitholders, the Manager shall have the discretion, in consultation with the Trustee, to limit the total number of Units of the Sub-Fund to be redeemed on any Dealing Day (whether by sale to the Manager or by cancellation by the Trustee) (disregarding the number of Units to be issued on the same Dealing Day) to twenty per cent (20%) of the latest available Net Asset Value of the Sub-Fund. 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 limitation, on the next Dealing Day and the redemption price will then be determined by reference to the Net Asset Value per Unit on such

next Dealing Day. If requests for redemption are so carried forward, the Manager will inform the Unitholders concerned.

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 the 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 payment or 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 it charged provided that the level of Transaction Fee charged to all Participating Dealers and Eligible Investors is the same.

The Manager shall be entitled to deduct from and set off against any redemption proceeds 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 handling 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 redemption proceed is insufficient to pay such Duties and Charges, the Transaction Fee, the handling 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.

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 as prescribed in the Trust Deed, this Prospectus and the Operating Guidelines (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 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 the case may be) 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.

Any cash payment by the Sub-Fund may be made in Hong Kong dollars or RMB, as may be agreed by the Manager.

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

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

- (a) the Unitholder is or becomes or is holding the Units for the account of or benefit of (i) a US Person under Regulation S; or (ii) Reportable Person under FATCA (as defined in the "FATCA" sub-section); or (iii) any other Unqualified Person (as defined in the "Definitions" section on page 12);
- (b) the Unitholder refuses or fails to provide in a timely manner any information or documents or other assistance as reasonably requested by the Manager (and where applicable, the Trustee) for the purpose of meeting any demands, disclosure or reporting requirements as may be required under any applicable local or foreign laws and regulations issued by regulatory or governmental authorities of relevant jurisdiction, including but not limited to FATCA and AEOI;
- (c) the Unitholder withdraws consent to the reporting or disclosure of any information or documents relating to the Unitholder or the Unitholder's investments as may be required under any applicable local or foreign laws and regulations issued by regulatory or governmental authorities of relevant jurisdiction, including but not limited to FATCA and AEOI; or
- (d) it is, in the opinion of the Manager, required for the purpose of complying with any applicable local or foreign laws and regulations issued by regulatory or governmental authorities of relevant jurisdiction, including but not limited to FATCA and AEOI.

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

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

### **Liquidity Risk Management**

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

The Manager has established a liquidity risk management policy which enables it to identify, monitor and manage the liquidity risks of the Sub-Fund and to ensure that the liquidity profile of the investments of the Sub-Fund will facilitate compliance with its obligation to meeting redemption requests. Such policy, combined with the liquidity risk management tools employed by the Trust, also seeks to achieve fair treatment of Unitholders and safeguard the interests of remaining Unitholders in case of sizeable redemptions.

The Manager’s liquidity management policy takes into account the investment strategy, liquidity profile, and redemption policy for the Sub-Fund. These measures seek to ensure fair treatment and transparency for all investors.

The liquidity management policy involves monitoring the profile of investments held by the Sub-Fund on an on-going basis to ensure that such investments are appropriate to the redemption policy as stated under the sub-section headed “Redemption of Units” on pages 63 to 68, and will facilitate compliance with the Sub-Fund’s obligation to meet redemption requests. Further, the liquidity management policy includes details on periodic stress testing carried out by the Manager to manage the liquidity risk of the Sub-Fund under normal and exceptional market conditions.

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

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

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

- (a) the value of any investment quoted, listed or normally dealt in on a market (other than an interest in a Collective Investment Scheme) shall be calculated by reference to the price which appears to the Manager to be the last closing price on the relevant Dealing Day or, if unavailable, the latest available closing price or such other price as the Manager may consider appropriate and adopt for the Sub-Fund in the circumstances to provide a fair criterion, PROVIDED THAT (as at such time as shall be determined by the Manager) on the market on which the investment is quoted, listed or ordinarily dealt in for such amount of such investment:
  - (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) if no net asset value, bid and offer prices or price quotations are available as provided in paragraph (i) above, the value of the relevant Investment shall be determined from time to time in such manner as the Manager shall determine;
- (iii) 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;
- (iv) there shall be taken into account interest accrued on interest-bearing investments up to (and including) the date as at which the valuation is made, unless such interest is included in the quoted or listed price;

and for the purpose of the foregoing provisions the Manager or the Administrator (if agreed by the Manager and the Trustee) shall be entitled to use and to rely upon electronically transmitted information from such source or sources as the Manager 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 those adopted by the Manager for the Sub-Fund and references in this Prospectus 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 ascertained as hereinafter provided or the value thereof as assessed on the latest revaluation thereof made in accordance with the paragraphs hereinafter provided. For this purpose:
  - (i) the initial value of an unquoted investment shall be 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);
  - (ii) that the Manager may at any time in consultation with the Trustee and shall at such times or at such intervals as the Trustee may request, cause a revaluation to be made of any unquoted investment by a professional person approved by the Trustee as qualified to value such unquoted investment;
- (c) cash, deposits and similar investments shall be valued at their face value (together with accrued interest up to a reasonable cut-off time as may be agreed between the Manager and the Trustee) unless, in the opinion of the Manager, any adjustment should be made to reflect the fair market value thereof;



- (d) the value of each unit, share or other interest in any Collective Investment Scheme which is valued as at the same day as the Sub-Fund shall, if available, 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 or if the net asset value per unit or share of such Collective Investment Scheme is not available, the value of such interest shall be the latest available Net Asset Value per Unit, share or other interest in such Collective Investment Scheme;
- (e) notwithstanding the foregoing, the Manager may, in consultation with the Trustee, adjust the value of any cash, deposits and/or investments or permit some other method of valuation to be used if, having regard to currency, applicable rate of interest, maturity, marketability and/or other considerations it deems relevant, it considers that such adjustment or use of such other method is required to reflect the fair value thereof. The Manager may also carry out regular independent valuation of the investments as it deems appropriate; and
- (f) the value of any investment (whether of a Security or cash) otherwise than in the Base Currency shall be converted into the Base Currency at the rate (whether official or otherwise) which the Manager shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange.

#### **SUSPENSION OF DEALINGS OF UNITS AND DETERMINATION OF NET ASSET VALUE**

The Manager may, in consultation with the Trustee and having regard to the best interests of the Unitholders, declare on the website maintained by the Manager for the Sub-Fund and/or in one leading Hong Kong English language and one Chinese language daily newspaper or through such other means as the Manager considers appropriate a suspension of dealings of Units and the determination of the Net Asset Value of the Sub-Fund for the whole or any part of any period during which:

- (a) there is a closure of or the restriction or suspension of trading on any securities market on which a substantial part of the investments of the Sub-Fund is normally traded or a breakdown in any of the means normally employed by the Manager or the Trustee (as the case may be) in ascertaining the prices of investments or determining the Net Asset Value or the Issue Price or Redemption Price per Unit;
- (b) for any other reason, the prices of investments held or contracted for by the Manager for the account of the Sub-Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained;
- (c) circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to realize any investments held or contracted for the account of the Sub-Fund or it is not possible to do so without seriously prejudicing the interests of Unitholders of the Sub-Fund;
- (d) the remittance or repatriation of funds which will or may be involved in the redemption of, or in the payment for, the investments of the Sub-Fund or the subscription or

redemption of any classes of Unit is delayed or cannot, in the opinion of the Manager, be carried out promptly at normal exchange rates;

- (e) the Underlying Index is not compiled or published; or
- (f) other circumstances where dealings of Units of the relevant Sub-Fund shall not be in the best interest of the Unitholders.

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

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

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

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

As soon as practicable after the termination of suspension and resumption of dealings of Units and the determination of the Net Asset Value of the Sub-Fund, the Manager shall, having regard to the interests of Unitholders, publish a notice of such termination of suspension on the website maintained by the Manager for the Sub-Fund and/or in one leading Hong Kong English language and one Chinese language daily newspaper or through such other means as the Manager considers appropriate and notify the SFC immediately upon such termination of suspension.

A Participating Dealer or an Eligible Investor 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/en/bochketf](http://www.boci-pru.com.hk/en/bochketf) (for English), or [www.boci-pru.com.hk/zh-hk/bochketf](http://www.boci-pru.com.hk/zh-hk/bochketf) (for Chinese)). The Manager's website has not been reviewed by the SFC.

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

### **CHARGES AND EXPENSES**

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

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

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

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

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

The Manager may at any time decrease the rate of management fee or servicing fee in respect of any class of Units of the Sub-Fund. The Manager may also increase the rate of management fee or servicing fee payable in respect of any class of Units of the Sub-Fund (up to the maximum rate as set out above) on giving not less than one (1) month's notice (or such other notice period as the SFC may allow or require) of such increase to affected Unitholders and the Trustee.

For the avoidance of doubt, any reference to "servicing fee" in this section "Management Fee and Servicing Fee" does not mean or include the entitlement of the Manager to such part of the handling fee as the Manager may in its absolute discretion determine (with respect to Eligible Investors' Creation Applications or Redemption Applications).

#### **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) 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 (as the case may be); (ii) be paid out of assets of the Sub-Fund, an inception fee of HK\$40,000 for the establishment of the Trust and a further inception fee of HK\$20,000 for the Sub-Fund (such inception fees are part of the establishment costs of the Trust or the Sub-Fund); and (iii) such other fees as may be permitted under the Trust Deed. The Sub-Fund shall bear the costs set out above which are directly attributable to

it. Where such costs are attributable to the Sub-Fund and other sub-funds of the Trust, 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.

### **Other Charges and Expenses**

The cost and expenses incurred by the Manager and the Trustee in establishing the Trust and the Sub-Fund including the costs of establishing the Trust and the Sub-Fund, setting up the system for calculating and publishing the estimated Net Asset Value, preparation of this Prospectus, seeking and obtaining SFC authorization as well as the SEHK listing and all initial legal and printing costs are estimated to be approximately HK\$700,000 and will be borne by the Sub-Fund (unless otherwise determined by the Manager and set out in the relevant Appendix of any subsequent sub-fund under the Trust) and will be amortized over the first three accounting periods of the Sub-Fund after consultation with the Auditors. The first accounting period of the Sub-Fund is from the close of the Initial Offer Period to 31 December 2023. 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 Trust 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 Trust or the Sub-Fund or any investor of the Trust 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.

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

The Manager has an established policy in relation to the identification and monitoring of potential conflicts of interest scenarios. There are functional separations of different areas of operations to control the flow of information that may be confidential and/or price sensitive. Computer and information system with appropriate access controls have been put in place by the Manager. Key duties and functions are segregated among different departments. The Manager has adopted trading policies which are designed to ensure the fair allocation of

investment opportunities among funds, investment vehicles or accounts that the Manager manages or advises. A designated risk management and portfolio control team and compliance team of the Manager will monitor the implementation of such trading policies and dealing procedures with overall monitoring by the senior management of the Manager.

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

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

No person may be allowed to enter on behalf of the Sub-Fund into underwriting or sub-underwriting contracts without the prior consent of the Trustee and unless the Sub-Fund or the Manager provides in writing that all commissions and fees payable to the Manager under such contracts, and all investments acquired pursuant to such contracts, will form part of the Sub-Fund's assets.

If cash forming part of the Sub-Fund's assets is deposited with the Trustee/ the Custodian, the Manager, investment delegate or any of their Connected Persons (being an institution licensed to accept deposits), such cash deposit shall be maintained in a manner that is in the best interests of the Unitholders, having regard to the prevailing commercial rate for a deposit of similar type, size and term negotiated at arm's length in accordance with ordinary and normal course of business.

All transactions carried out by or on behalf of the Sub-Fund will be executed at arm's length and on the best available terms and in the best interests of the Unitholders. Any transactions between the Sub-Fund and the Manager, investment delegate or any of its Connected Person(s) as principal may only be made with the prior written consent of the Trustee. All such transactions shall be disclosed in the Sub-Fund's annual report.

Neither the Manager, investment delegate nor any of their Connected Persons may retain cash or other rebates from a broker or dealer in consideration of directing transactions in the Sub-Fund's property to the broker or dealer save that goods and services (soft dollars) may be retained if:

- (a) the goods or services are of demonstrable benefit to the Unitholders (taken as a body and in their capacity as such) whether by assisting the Manager in its ability to manage the Trust and the Sub-Funds or otherwise;
- (b) transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates;
- (c) adequate prior disclosure has been made in the Sub-Fund's offering document the terms of which the Unitholder has consented to;
- (d) periodic disclosure is made in the Sub-Fund's annual report in the form of a statement describing the soft dollar policies and practices of the Manager or investment delegate, including a description of the goods and services received by them; and

- (e) the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer.

Goods and services falling within paragraph (a) above may include: research and advisory services, economic and political analysis, portfolio analysis, (including valuation and performance measurement), market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publication. Such goods and services may not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries, or direct money payments.

In transacting with brokers or dealers connected to the Manager, investment delegate, the Trustee, the Custodian or any of their Connected Persons, the Manager shall ensure that it complies with the following obligations:

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

## **TAXATION**

*The following summary regarding taxation 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.

The sale and purchase of Hong Kong stocks by the Sub-Fund will respectively be subject to stamp duty in Hong Kong at the current rate of 0.13 per cent (0.13%) of the amount of the consideration or of its value on every sold note and every bought note.

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

### *Unitholders*

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

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

### **General**

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

## **GENERAL INFORMATION**

### **Accounts and Reports**

The Sub-Fund's financial year end is 31 December in each year commencing 31 December 2023. Audited financial reports of the Sub-Fund containing information required in Appendix E of UTMF Code in English and Chinese will be available from the Manager's website at ([www.boci-pru.com.hk/en/bochketf](http://www.boci-pru.com.hk/en/bochketf) (for English), or [www.boci-pru.com.hk/zh-hk/bochketf](http://www.boci-pru.com.hk/zh-hk/bochketf) (for Chinese)) (the Manager's website has not been reviewed by the SFC.) within four (4) months of the end of each financial year-end. Unaudited interim financial reports containing information required in Appendix E of UTMF Code up to the last Dealing Day in June each year after 31 December 2023 will be available from the same website within two (2) months of the end of the period which they cover. Hard copies of these financial reports may also be obtained from the Manager free of charge. Unitholders will be notified by way of an announcement of the means of getting access to the financial reports as and when the financial reports are issued and available. Unitholders will be given at least one (1) month's prior notice of any change to the mode of delivery of these financial reports.

### **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/en/bochketf](http://www.boci-pru.com.hk/en/bochketf) (for English), or [www.boci-pru.com.hk/zh-hk/bochketf](http://www.boci-pru.com.hk/zh-hk/bochketf) (for Chinese)), including:

- this Prospectus (as amended and supplemented from time to time);



- the latest available Product Key Facts Statement of the Sub-Fund;
- the latest annual and interim financial reports of the Sub-Fund;
- any public announcements made by the Sub-Fund, including information in relation to the Sub-Fund and the Underlying Index, notices of the suspension of the calculation of Net Asset Value, changes in fees and charges and the suspension and resumption of trading of Units;
- full holdings of the Sub-Fund (updated on each Dealing Day);
- the last Net Asset Value per Unit and Net Asset Value of the Sub-Fund in RMB and HKD\*;
- the real-time or near real-time indicative NAV per Unit in RMB and HKD throughout each Dealing Day\*\*
- the latest list of Participating Dealer(s) and link to latest list of market makers;
- the past performance information of the Sub-Fund;
- the tracking difference and tracking error information of the Sub-Fund; and
- the compositions of distributions (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months.

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

SPDJI shall publish the Underlying Index on its website ([www.spglobal.com/spdji/en/indices/esg/sp-bochk-china-hong-kong-greater-bay-area-net-zero-2050-climate-transition-index/#overview](http://www.spglobal.com/spdji/en/indices/esg/sp-bochk-china-hong-kong-greater-bay-area-net-zero-2050-climate-transition-index/#overview)). This website has not been reviewed by the SFC.

\*The last NAV per Unit in RMB is indicative and for reference only. The last NAV per Unit in RMB is calculated using the last NAV per Unit in HKD multiplied by the foreign exchange rate for RMB/HKD quoted by Bloomberg – Bloomberg (CNH) rate (Tokyo Composite) at 3:00 p.m. Hong Kong time on the same Dealing Day. It is updated on each Dealing Day.

\*\*It will be updated every 15 seconds during SEHK trading hours on each Dealing Day. The near real-time indicative NAV per Unit in RMB is indicative and for reference purposes only. The near real-time indicative NAV per Unit in RMB is calculated using the near real-time indicative NAV per Unit in HKD multiplied by the real time exchange rate provided by ICE Data.

### **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

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

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

If the authorization of the Manager to act as the investment manager of the Trust or the relevant Sub-Fund is withdrawn by the SFC, the Manager's appointment under the Trust Deed shall be terminated as at the date on which the SFC's withdrawal of authorization becomes effective. In the event that the Manager is removed by the Trustee under the circumstances mentioned above, a new manager shall be appointed with the approval of the SFC.

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

1. The Sub-Fund shall terminate upon the termination of the Trust. The Trust 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 Trust 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 Trust into disrepute or to be harmful to the interests of the Unitholders;
  - (c) the Trust 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 Trust; 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 Trust 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 Trust, 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 (which is authorized by the SFC pursuant to the UTMF Code) 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 Trust and/or the Sub-Fund;
  - (d) the Underlying Index is no longer available for benchmarking, unless the Manager considers that it is possible, feasible, practicable and in the best interests of the Unitholders to substitute another index for the Underlying Index;
  - (e) the Units of the Sub-Fund are no longer listed on the SEHK or other recognized securities market;
  - (f) the Trust 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 Trust or the Sub-Fund is terminated under the above circumstances. Such notice will be submitted to the SFC for prior approval.

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

Upon the Sub-Fund being terminated, the Trustee shall from time to time distribute to the Unitholders of Units of the class relating to the Sub-Fund being terminated in proportion to their respective interests in such Sub-Fund all net cash proceeds derived from the redemption of the Sub-Fund and available for the purposes of such distribution, PROVIDED THAT any unclaimed proceeds or other cash held by the Trustee under the provisions of Clause 24.05 of the Trust Deed may at the expiration of twelve months from the date upon which the same were payable be paid into court subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

#### **Trust Deed**

The Trust was established under Hong Kong law by a trust deed dated 10 March 2023 (as may be amended, modified or supplemented from time to time). All holders of Units of the Sub-

Fund are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Trust Deed.

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

### **Modification of Trust Deed**

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

- (a) is necessary to make possible compliance with fiscal or other statutory, regulatory or official requirements; or
- (b) does not materially prejudice the interests of the relevant Unitholders, does not operate to release to any material extent the Trustee or the Manager or any other person from any liability to the relevant Unitholders and does not increase in the amount of costs and charges payable from the assets of the Sub-Fund; or
- (c) is necessary to correct a manifest error.

In all other cases involving any material changes, no alteration shall be made except by an extraordinary resolution of Unitholders or the approval of the SFC.

### **Meetings of Unitholders**

The Trust Deed provides for meetings of Unitholders to be convened by the Trustee or the Manager upon at least twenty one (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. A corporation, being a Unitholder, may by resolution of its directors or other governing body authorize such person as it thinks fit to act as its representative at any meeting of Unitholders and the person so authorized shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual Unitholder. If a clearing house (or its nominee(s)), being a corporation, is a Unitholder, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Unitholders provided that, if more than one person is so authorised, the authorisation shall specify the number and class of Units in respect of which each such representative is so authorised. Each person so authorised shall be deemed to have been duly authorised without further evidence of the facts and shall be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person were the registered Unitholder of the Units held by the clearing house (or its nominee(s)), including the right to vote individually on a show of hands.

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

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

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

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

### **Documents Available for Inspection**

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

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

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

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

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

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

## **Enquiries and Complaints**

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

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

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

## APPENDIX I

### **S&P BOCHK CHINA HONG KONG GREATER BAY AREA NET ZERO 2050 CLIMATE TRANSITION INDEX ("UNDERLYING INDEX")**

The Underlying Index is a net total return, modified market capitalisation weighted index. As at 18 May 2023, it comprised of 185 securities listed on SEHK and the SZSE with total market capitalisation of approximately HK\$29.44 trillion. The Underlying Index is designed to measure the performance of eligible equity securities from the Parent Index. The Index Securities are selected from some of the largest float-adjusted market capitalization (FMC) companies and weighted collectively compatible with 1.5°C Climate Scenario at the index level.

The Parent Index measures the performance of the largest 300 stocks within the following universe<sup>7</sup>: all members of the S&P Global Broad Market Index ("**S&P Global BMI**")<sup>8</sup> which involves Hong Kong or Mainland China domiciled companies, and which are listed in exchanges in the GBA. Eligible share classes include Hong Kong listed shares and A-Shares available to foreign investors through the Northbound Trading Segments of the Shenzhen-Hong Kong Stock Connect Programs that meet certain liquidity criteria. The Parent Index is weighted according to float-adjusted market capitalization, subject to a foreign investment limit for A-Shares (capped at 30%) and a single company weight cap of 10%.

The Underlying Index is compiled and managed by S&P Dow Jones Indices LLC or its affiliates ("**SPDJI**" or "**Index Provider**"). The Parent Index is also calculated and managed by SPDJI. The Manager and its Connected Persons are independent of SPDJI (or means by which possible conflicts of interest will be addressed). The Underlying Index is denominated in Hong Kong dollars. The Underlying Index was launched on 27 June 2022.

Below is a brief summary of the basic information, selection criteria, selection methodology and maintenance of the Underlying Index as of the date of publication of this Prospectus. Such information is subject to revision from time to time by SPDJI and before making investment decisions, investors should refer to the website of SPDJI for the latest version of information relating to the Underlying Index and the Parent Index ([www.spglobal.com/spdji/en/indices/esg/sp-bochk-china-hong-kong-greater-bay-area-net-zero-2050-climate-transition-index/#overview](http://www.spglobal.com/spdji/en/indices/esg/sp-bochk-china-hong-kong-greater-bay-area-net-zero-2050-climate-transition-index/#overview) and [www.spglobal.com/spdji/en/indices/equity/sp-china-hong-kong-greater-bay-area-index/#overview](http://www.spglobal.com/spdji/en/indices/equity/sp-china-hong-kong-greater-bay-area-index/#overview)). These websites have not been reviewed by the SFC.

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

##### Base Date and Base Point

The base date/first value date is 31 December 2016.

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<sup>7</sup> The Parent Index's stock universe is subject to 20% selection buffer at each rebalancing.

<sup>8</sup> S&P Global Broad Market Index (BMI) is a market capitalization-weighted index maintained by SPDJI providing a broad measure of global equities markets. For information on the S&P Global BMI Methodology, please refer to the website of the Index Provider, [www.spglobal.com/spdji](http://www.spglobal.com/spdji). This website has not been reviewed by the SFC.



## Number of Constituent Securities

185 (as at 18 May 2023)

## List of Index Securities

The Index Securities together with their respective weightings are available on the website of SPDJI ([www.spglobal.com/spdji/en/indices/esg/sp-bochk-china-hong-kong-greater-bay-area-net-zero-2050-climate-transition-index/?geographicalRegion=hong-kong&complianceLevel=sfc\\_hk&cvmlanguage=1#overview](http://www.spglobal.com/spdji/en/indices/esg/sp-bochk-china-hong-kong-greater-bay-area-net-zero-2050-climate-transition-index/?geographicalRegion=hong-kong&complianceLevel=sfc_hk&cvmlanguage=1#overview)). This website has not been reviewed by the SFC.

Investors should note that the list of Index Securities may be updated from time to time.

## **2. Selection of Constituent Securities**

### **Eligibility**

Constituents of the Underlying Index must be members of the Parent Index.

### *Index Universe of the Parent Index*

The index universe of the Parent Index is all stocks in the S&P Global BMI and any Hong Kong listed secondary with an ADR where the company is represented in the S&P Global BMI

### **Eligibility Criteria**

#### *Eligibility Criteria of the Parent Index*

##### *Domicile*

Constituents of the Parent Index must be domiciled in Mainland China or Hong Kong.

##### *Listing*

Constituents of the Parent Index must be listed on either the SZSE or Hong Kong Stock Exchange:

- A-Shares listed on the SZSE available to foreign investors through the Northbound Trading Segments of the Shenzhen-Hong Kong Stock Connect Programs
- Hong Kong listed shares, including Hong Kong listed secondaries with ADRs where the listing company is represented in the S&P Global BMI.

##### *Liquidity*

Constituents of the Parent Index must have a six-month median daily value traded (MDVT) of at least US \$5 million (current constituents US \$4 million).

##### *Multiple Classes of Stock*

All publicly listed multiple share class lines are eligible for index inclusion subject to meeting the eligibility criteria<sup>9</sup>.

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<sup>9</sup> For more information, please refer to Approach A within the “Multiple Share Classes” section of the SPDJI’s “Equity Policies & Practices Methodology”, available at [www.spglobal.com/spdji/en/documents/methodologies/methodology-sp-equity-indices-policies-practices.pdf](http://www.spglobal.com/spdji/en/documents/methodologies/methodology-sp-equity-indices-policies-practices.pdf). This website has not been reviewed by the SFC.

### Constituent Selection of the Parent Index

At each rebalancing, rank the eligible stocks of the Parent Index in descending order by total market capitalization as of the rebalancing reference date, selecting the highest ranked 300 companies, subject to a 20% selection buffer.

### Constituent Selection of the Underlying Index

Inclusion in the stock universe for the Underlying Index is subject to all of the following conditions:

#### I. Exclusion criteria – ESG consideration and exclusion policy

The Underlying Index takes into account ESG consideration and an exclusion policy is used as an investment strategy at each rebalancing reference date. Various screens in the Underlying Index are used to weed out companies that are either deemed to be undesirable from the respective ESG perspectives or linked to violations of global norms and standards. At each rebalancing reference date, companies are excluded from the eligible universe based on Specific Business Activities, International Norms and Standards and Controversies Monitoring (Media and Stakeholder Analysis Overlay) as elaborated below:

##### (i) Exclusions Based on Business Activities

Companies with Specific Business Activities (as identified by Sustainalytics<sup>10</sup>) including companies with involvement in (i) controversial weapons that are considered tailor-made and essential for the lethal use of the weapon; and (ii) tobacco production, related products or services and retail are excluded from the eligible universe.

##### (ii) Exclusions Based on International Norms and Standards (using Sustainalytics' Global Standards Screening)

Sustainalytics' Global Standards Screening (GSS) provides an assessment of a company's impact on stakeholders and the extent to which a company causes, contributes, or is linked to violations of international norms and standards. The basis of the assessment is the UNGC Principles and other related standards. Companies will be classified into three categories, namely non-compliant, watchlist and compliant. Companies classified as non-compliant and any company not covered are ineligible for index inclusion.

- *Non-Compliant:* Classification given to companies that do not act in accordance with the UNGC principles and its associated standards, conventions and treaties.
- *Watchlist:* Classification given to companies that are at risk of violating one or more principles, for which all dimensions for Non-Compliant status could not be established or confirmed.

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<sup>10</sup> Sustainalytic is a company that researches on and rates the sustainability of listed companies based on their environmental, social and corporate governance (ESG) performance. Please refer to [www.sustainalytics.com/](http://www.sustainalytics.com/) for more information. This website has not been reviewed by the SFC.

- *Compliant*: Classification given to companies that act in accordance with the UNGC principles and its associated standards, conventions, and treaties.

(iii) Controversies Monitoring (using Media and Stakeholder Analysis Overlay)

In addition to the above, the Index Provider uses RepRisk<sup>11</sup> for daily filtering, screening, and analysis of ESG risk incidents and controversial activities related to companies within the Underlying Index. In cases where risks are presented, a Media and Stakeholder Analysis (“MSA”)<sup>12</sup>, which includes a range of issues such as economic crime and corruption, fraud, illegal commercial practices, human rights issues, labor disputes, workplace safety, catastrophic accidents, and environmental disasters, will be released. The constituents flagged by MSA will be reviewed to evaluate the potential impact of controversial company activities on the composition of the Underlying Index. If a company in question is removed, that company is ineligible for re-entry for one full calendar year, beginning from the subsequent rebalancing.

## II. Inclusion criteria – climate objectives served as optimization constraints

In addition, the Underlying Index considers a variety of decarbonization targets, and through the use of optimization with multiple constraints, selected stocks are collectively in alignment with 1.5°C Climate Scenario at the index level. It aims to reorient more capital flows towards companies with improved performance of carbon emission reduction.

The Underlying Index adopts a holistic, climate-aligned strategy, addressing different types of climate risk, as well as the opportunities arising from climate change, and for such purposes, various requirements or constraints have been incorporated into the index methodology. Its weighting strategy aims to minimize the difference in constituent weights to the Parent Index, and such strategy is set as a specific objective function in an optimization model of its index methodology. Through such optimization process, a portfolio of constituent stocks with desired weights is constructed.

The Underlying Index incorporates an objective and predefined constraints into an optimization model and to formalize them into the index methodology. The entire process allows no room for human discretion. It uses an optimizer to conduct the optimization process to select a portfolio of stocks and determine their respective weights. In the index methodology, a unique objective function<sup>13</sup> — to minimize the deviation of the Underlying Index from the Parent Index — is set and other climate requirements are incorporated as constraints (see below). The optimizer employs mathematical techniques in an attempt to find an optimal solution for the set objective function, while satisfying the relevant constraints.

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<sup>11</sup> RepRisk, an ESG data science company, leverages the combination of Artificial intelligence (AI) and machine learning with human intelligence to systematically analyze public information and identify material ESG risks. RepRisk provides for daily filtering, screening, and analysis of controversies related to companies within the Underlying Index. For more information relating to RepRisk, please refer to [www.reprisk.com](http://www.reprisk.com). This website has not been reviewed by the SFC. This service is not considered as a direct contribution to the index construction process.

<sup>12</sup> For more information about the Media and Stakeholder Analysis, please refer to the MSA Methodology Guidebook, available at [www.spglobal.com/esg/csa/csa-resources/csa-methodology](http://www.spglobal.com/esg/csa/csa-resources/csa-methodology). This website has not been reviewed by the SFC.

<sup>13</sup> It is an equation that is optimized (typically to find a maximum or minimum value) subject to predefined constraints.

The objective function of the optimization of the Underlying Index (to minimize the differences in constituent weights to the Parent Index) aims to maintain the diversification and broadly-based characteristics of the Parent Index. At the same time, certain climate requirements serve as optimization constraints aiming to meet specified climate requirements. Besides, the optimization also includes a liquidity constraint that serves to maintain the investibility of the Underlying Index.

Among the constraints incorporated into the index methodology, the following are considered as “**hard constraints**” and will not be relaxed in the optimization process:

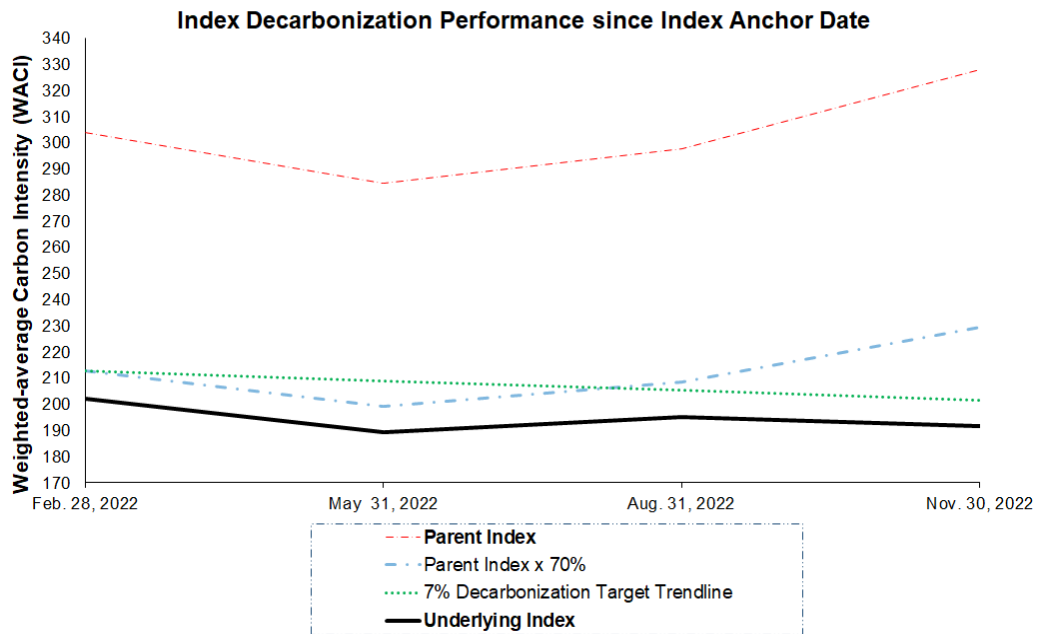
*Transition Risk Constraints*

(i)	<p>“Weighted-Average Carbon Intensity (WACI) Target”</p> <ul style="list-style-type: none"> <li>- This constraint requires the Underlying Index’s reduction of overall greenhouse gas (“GHG” expressed in CO2 equivalents) emissions intensity as compared to the Parent Index by at least 30%<sup>14</sup>.</li> </ul> <p>At each rebalancing reference date, Underlying Index’s WACI must be 30% lower than the Parent Index’s WACI.</p>
(ii)	<p>“7% GHG Emissions Intensity Reduction Target” (or “7% Decarbonization Trajectory WACI Target”)</p> <ul style="list-style-type: none"> <li>- Maintain a self-decarbonization rate of GHG emissions intensity at a target level of at least 7% reduction on average per annum (“GHG emissions intensity reduction target”)<sup>15</sup>, as measured from the anchor date of 28 February 2022 to each rebalancing reference date.</li> </ul> <p>To illustrate, such GHG emissions intensity reduction target may be denoted by a target trend line that declines at a rate of 7% per annum, and is set as a minimum target rate of GHG emissions intensity reduction for the Underlying Index to achieve. With this constraint, the GHG emissions intensity of the</p>

<sup>14</sup> GHG emissions intensity is calculated by using WACI, which is measured as tCO2e divided by enterprise value including cash (EVIC), based on Trucost emissions data that account for all scopes 1, 2, and 3 emissions. For more information relating to scopes 1, 2, and 3 emissions, please refer to footnote 22 below. For GHG emissions intensity calculation details, please refer to the index methodology available on the website [www.spglobal.com/spdji/en/indices/esg/sp-bochk-china-hong-kong-greater-bay-area-net-zero-2050-climate-transition-index/#overview](http://www.spglobal.com/spdji/en/indices/esg/sp-bochk-china-hong-kong-greater-bay-area-net-zero-2050-climate-transition-index/#overview). This website has not been reviewed by the SFC.

<sup>15</sup> GHG emissions intensity reduction target is also referred to as “7% Decarbonization Trajectory WACI Target” by the Index Provider, which is the decarbonization trajectory target for rebalancing, calculated using a 7% annual reduction rate (adjusted for EVIC inflation) from the anchor date. The anchor date is the date of the reference index composition and base carbon intensity calculation used to determine the index’s decarbonization trajectory. It is the rebalancing reference date for the most recent index rebalancing prior to the index’s launch date. Please refer to footnote 14 above regarding GHG emissions intensity calculation.

Underlying Index (as indicated in the illustrative chart<sup>16</sup> below) will remain at or below the said target trend line (i.e. the “7% Decarbonization Target Trendline” as shown in the illustrative chart below) on each index rebalancing reference date. Investors should however note that the actual change of GHG emissions intensity of the Underlying Index in any one year may not necessarily have a 7% decline.



Data source: S&P Dow Jones Indices LLC.

(iii) “High Climate Impact Sectors Revenue Proportion”

- This constraint requires the Underlying Index to maintain exposure to sectors with high climate impact revenue proportion (“**High Climate Impact Sectors**”) at least equivalent to the Parent Index.

The EU defines High Climate Impact Sectors<sup>17</sup> as those that are key to low-carbon transition. They include: (a) agriculture, forestry and fishing; (b) mining and quarrying; (c) manufacturing; (d) electricity, gas, steam and air conditioning supply; (e) water supply; sewerage, waste management and remediation activities; (f) construction; (g) wholesale and retail trade; repair

<sup>16</sup> The chart is provided for illustrative purposes only. It is mainly for illustrating that the GHG emissions intensity of the Underlying Index will remain at or below the 7% Decarbonisation Target Trendline on each index rebalancing reference date (i.e. the last trading day of the prior month for each index rebalance). WACI as presented in the chart is adjusted for EVIC inflation. For calculation details, please refer to the formulae for the 7% Decarbonization Trajectory WACI Target as prescribed in the index methodology. The index methodology is available on the website [www.spglobal.com/spdji/en/indices/esg/sp-bochk-china-hong-kong-greater-bay-area-net-zero-2050-climate-transition-index/#overview](http://www.spglobal.com/spdji/en/indices/esg/sp-bochk-china-hong-kong-greater-bay-area-net-zero-2050-climate-transition-index/#overview). This website has not been reviewed by the SFC. Past performance is no guarantee of future results. Further, there may also be a time lag between the date as at which the data is captured and the date on which the data is used for rebalancing or assessment, which may impact the timeliness and quality of the data. The chart reflects hypothetical historical performance. Please refer to the section “Performance Disclosure/Back-Tested Data” at the end of the methodology for more information regarding the inherent limitations associated with back-tested performance or data.

<sup>17</sup> For more information on High Climate Impact Sectors, please refer to “S&P Global Trucost Climate Impact Sectors Classification” available at [www.spglobal.com/spdji/en/documents/additional-material/trucost-climate-impact-sectors-classification.pdf](http://www.spglobal.com/spdji/en/documents/additional-material/trucost-climate-impact-sectors-classification.pdf). This website has not been reviewed by the SFC.

	of motor vehicles and motorcycles; (h) transportation and storage; and (i) real estate activities.
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Other constraints include:

*Transition Risk Constraints*

(iv)	<p>“1.5°C Climate Scenario Transition Pathway Budget Index Alignment”</p> <ul style="list-style-type: none"> <li>- This constraint requires the Underlying Index to align with 1.5°C Climate Scenario by using S&amp;P Trucost Limited (“<b>Trucost</b>”)<sup>18</sup> Transition Pathway model<sup>19</sup>.</li> </ul> <p>This is carried out in two steps: firstly, two approaches<sup>20</sup> are used to generate greenhouse gas (“GHG”; expressed in CO2 equivalents) emission budgets for</p>
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<sup>18</sup> Trucost is part of S&P Global, Inc., an external data source used by the Index Provider. The Trucost data can be used to assess environmental costs, identify, and manage environmental and climate risk as well as conduct peer and portfolio analysis from a climate and environmental perspective. The dataset provides:

- Carbon: Greenhouse gas (GHG) emissions
- GHG Breakout
- Land, water, air pollutants, and waste disposal
- Natural resource and water use
- Revenue generated from each sector of a company's operations
- Fossil fuel reserves, power generation capacity and associated carbon metrics

More information on Trucost is available at the website [www.marketplace.spglobal.com/en/datasets/trucost-environmental-46](http://www.marketplace.spglobal.com/en/datasets/trucost-environmental-46). This website has not been reviewed by the SFC.

<sup>19</sup> A forward-looking data and models from Trucost are used to assess GHG emissions of each constituent and the GHG emissions compared to a 1.5°C Climate Scenario compatible budget. The budgets reflect a company’s share of the required decarbonization rate for the world to transition to a 1.5°C Climate Scenario from each company’s base-year emissions.

<sup>20</sup> The Trucost Transition Pathway approach is based on two models: the Sectoral Decarbonization Approach (“SDA”), and the Greenhouse Gas Emissions per unit of Value Added Approach (“GEVA”), which are both recommended by the Science Based Targets Initiative (SBTI), to assign companies with individual carbon budgets compatible with 1.5°C Climate Scenario. These approaches allow for a forward-looking perspective on likely future greenhouse gas emissions and uses a carbon budget allocation method to allocate each company a total amount of carbon emissions per year. These allocations allow companies, as a collective, to be in alignment with 1.5°C Climate Scenario provided their emissions remain within the allocation budgets.

The SDA approach is sector specific and is used for high emitting sectors. For companies with operations concentrated in certain high-emitting activities, sector-specific budgets are defined in terms of a given unit of output (for example, tons of carbon and carbon equivalents (tCO2e) per ton of crude steel produced). This allows an understanding of how carbon efficient companies are per unit of output. The SDA approach also sets carbon budgets for specific sectors as a whole, which allows some sectors at varying speeds, depending on the opportunities available given the current technologies within each sector. This approach permits sectors to decarbonize more slowly where the opportunities for decarbonization are far lower. This approach also allows for setting more aggressive targets for sectors with greater scope for decarbonization.

GEVA is applied to lower emitting or heterogeneous business activities. For GEVA, the unit of output used is gross profit. Companies have diverse business activities, most of which do not have distinct transition pathways defined in climate scenarios. For these companies, the methodology applies a contraction in carbon intensity principle under which a company should make emissions reductions. This is consistent with rates required for the overall economy, but from each company’s unique base year emissions intensity. In essence, the budgets reflect a company’s share of the required decarbonization rate for the world to transition to a 1.5°C Climate Scenario from each company’s base-year emissions. For example, if all nations were to cut their GHG emissions per unit of GDP by 5% per year, global GHG emissions would be 50% lower in 2050 than in 2010, so long as the economy continues to grow at its historical rate of 3.5% per year. As such, this suggested 5% year-on-year reduction may be translated into individual company budgets based on their GHG emissions per unit of value-added (gross profit) to the global economy.

	<p>each company. These budgets assign each company a maximum amount of emissions each year. Trucost compares these budgets with forward-looking estimates and realized GHG emissions for companies. In this way, Trucost models company emissions toward a trajectory consistent with a 1.5°C Climate Scenario; secondly, this constraint under the optimization process requires the total weighted emissions of companies included in the Underlying Index at the index level (as forecasted by Trucost) be maintained at or below the corresponding budget, which in turn assures the Underlying Index’s alignment to 1.5°C Climate Scenario. The Underlying Index may reweight companies, so the Underlying Index will as a whole be 1.5°C Climate Scenario compatible, on a forward-looking basis, at each rebalancing.</p>
(v)	<p>“Weight of Eligible Science Based Targets Companies”</p> <ul style="list-style-type: none"> <li>- To enhance exposure of companies in alignment with 1.5°C Climate Scenario, this constraint requires the Underlying Index to overweight exposure of companies with publicly disclosed science-based targets from the Science Based Target Initiative (SBTI) <sup>21</sup> that are credible and consistent with the decarbonization trajectory (“<b>Eligible Science Based Targets Companies</b>”)<sup>22</sup> by increasing their standing in the Underlying Index with at least a collective 20% overweight (i.e. the aggregate weight of such companies in the Underlying Index has to be at least 1.2 times of that in Parent Index).</li> </ul> <p>If a company discloses science-based targets, it demonstrates that it is actively thinking about and managing its transition to a low-carbon future and thus this company is more likely to succeed in reducing its exposure to transition risks. Embedding science based targets as a fundamental component of sustainability management practices is crucial in achieving this.</p>
(vi)	<p>“Weight of Non-Disclosing Carbon Companies”</p> <ul style="list-style-type: none"> <li>- This constraint requires the Underlying Index to maintain a capped exposure to non-disclosing carbon companies, which are those companies identified as</li> </ul>

<sup>21</sup> The Science Based Targets initiative’s overall aim is for science-based target setting to become standard business practice and for companies to play a major role in driving down global GHG emissions. Science-Based Target Setting Manual is available at [sciencebasedtargets.org/wp-content/uploads/2017/04/SBTi-manual.pdf](https://sciencebasedtargets.org/wp-content/uploads/2017/04/SBTi-manual.pdf). For more information on the initiative, please refer to [sciencebasedtargets.org/](https://sciencebasedtargets.org/). These websites have not been reviewed by the SFC.

<sup>22</sup> Eligible Science Based Targets Companies are those companies with publicly disclosed targets from SBTi, subject to the following conditions:

1. The targets are publicly disclosed and aligned with 1.5°C Climate Scenario;
2. The targets incorporate all scopes 1, 2, and 3 (both upstream and downstream) emissions (see note below);
3. Companies sufficiently disclose their scopes 1, 2, and 3 emissions;
4. Companies must exhibit year-on-year 7% annualized decarbonization over the past three years;
5. With the assumption of the companies’ current composition of emissions, the targets must also represent or maintain a year-on-year annualized decarbonization rate of 7% when accounting for scopes 1, 2, and 3 (both upstream and downstream) targets in future.

*Note: The Greenhouse Gas Protocol classifies a company’s emissions into three scopes:*

- *Scope 1 emissions are direct emissions from owned or controlled sources.*
- *Scope 2 emissions are indirect emissions from the generation of purchased energy.*
- *Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the company’s value chain—including both upstream and downstream emissions.*

	<p>having insufficiently disclosed their GHG emissions, to not more than 110% of corresponding weight in the Parent Index.</p> <p>Non-disclosing carbon companies are those companies identified by Trucost as having insufficiently disclosed their GHG emissions (expressed in CO2 equivalents). A ‘Disclosed’ status is achieved when Trucost identifies companies as having full or partial disclosure in its largest GHG emissions scope in absolute emissions terms.</p>
(vii)	<p>“Fossil Fuel Reserves”</p> <ul style="list-style-type: none"> <li>- This constraint requires the Underlying Index to maintain at least same or reduced exposure to fossil fuel reserve (“<b>FFR</b>”) as compared to the Parent Index so as to limit the potential risk posed by stranded assets.</li> </ul> <p>To mitigate the possibility of exposure to costly asset write-downs, the Underlying Index has to reduce the fossil fuel reserve exposure. This is important because the GHG emissions that would otherwise be released from combustion would be so significant that the resultant rise in global temperatures would likely far exceed 2°C of warming since pre-industrial levels. Thus, for the more ambitious goal of transitioning to a 1.5°C Climate Scenario, the curbing of fossil fuels must be even greater.</p>

*Physical Risk Constraints*

(viii)	<p>“Physical Risks from Climate Change”</p> <ul style="list-style-type: none"> <li>- This constraint requires the Underlying Index to maintain at least same or reduced exposure to physical risk from climate change using Trucost’s physical risk dataset as compared to the Parent Index.</li> </ul> <p>The risk and sensitivity of company assets to the physical risks from climate change will be analyzed. Climate modelling datasets and hazard models have been created for each specific physical risk. These models are coupled with geolocation-specific, asset-level data for physical risk analysis. Sensitivity analysis is carried out for each asset, to assess whether the company’s operations would be affected by each specific physical risk, based on the asset type. The physical risks covered are: wildfire, cold wave, heatwave, water stress, sea level rise, flood, and hurricanes. Physical climate risks include more frequent extreme weather events having acute climate impacts, as well as shifts in long-term weather patterns and sea-level rise having chronic climate impacts. In addition to assessing a company’s exposure to physical climate risks, the modeling dataset also determines a company’s sensitivity to these risks, based on the types of asset and business operations affected. The modeling dataset seeks to limit individual company exposure to physical risk and reduce the physical climate risk exposure of the Underling Index overall. The exposure to this risk has to be lower or at least equal to that of the Parent Index.</p>
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## *Climate Opportunities Constraints*

(ix)	<p>“Green-to-Brown Revenue Share”</p> <p>- This constraint requires the Underlying Index to maintain at least same or increased exposure to potential climate change opportunities through controlled green-to-brown revenue (GBR) share as compared to the Parent Index.</p> <p>The Underlying Index makes adjustments to companies’ weights that are involved in power generation, improving the green-to-brown ratio by overweighting companies with more revenues from green power generation activities relative to brown. The weights are accounted for so that the green-to-brown ratio of the Underlying Index is either maintained the same or improved as compared to the Parent Index.</p> <p>The Index Provider defines Green Sectors as the following:</p> <ul style="list-style-type: none"><li>• Nuclear Electric Power Generation</li><li>• Biomass Power Generation</li><li>• Geothermal Power Generation</li><li>• Hydroelectric Power Generation</li><li>• Solar Power Generation</li><li>• Wave &amp; Tidal Power Generation</li><li>• Wind Power Generation</li></ul> <p>The Index Provider defines Brown Sectors as the following:</p> <ul style="list-style-type: none"><li>• Coal Power Generation</li><li>• Petroleum Power Generation</li><li>• Natural Gas Power Generation</li></ul>
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### *Index Construction Constraints*

In addition, there are index construction constraints which require the constituent-level weight be capped in order to address liquidity and diversification with minimum stock weight lower threshold. For more information relating to index construction constraints, please refer to the index methodology available on the website [www.spglobal.com/spdji/en/indices/esg/sp-bochk-china-hong-kong-greater-bay-area-net-zero-2050-climate-transition-index/#overview](http://www.spglobal.com/spdji/en/indices/esg/sp-bochk-china-hong-kong-greater-bay-area-net-zero-2050-climate-transition-index/#overview). This website has not been reviewed by the SFC.

### **3. Constituents Weightings**

#### *Constituent Weightings of the Parent Index*

At each rebalancing, the Parent Index is FMC weighted, subject to a single company weight cap of 10%. The Investable Weight Factor (“**IWF**”) for A-Shares is the lower of an aggregate foreign ownership limit (“**FOL**”) <sup>23</sup> of 30%, or the investable weight factor of each constituent for Chinese mainland investors.

<sup>23</sup> Aggregate foreign ownership limits are determined by the CSRC and are subject to change.

### *Constituent Weighting of the Underlying Index*

The Underlying Index adopts a weighting strategy with the following caps such that its constituents' weights are optimized to minimize deviations from the Parent Index:

- dynamic weight caps based on exposure to the physical risks of climate change;
- capped exposure to non-disclosing carbon companies; and
- constituent-level weight capping to address liquidity and diversification<sup>24</sup>. In this regard, there is a cap on an individual security weight of 5% or Parent Index's weight, whichever is higher.

At each rebalancing reference date, constituent weights of the Underlying Index are determined to minimize the sum of the squared difference between the Parent Index's weight for each constituent and its optimized weight, divided by the Parent Index's weight, subject to constraints<sup>24</sup>. This is set as an objective function.

### *Use of Optimization*

As of each rebalancing reference date, the optimizer seeks to minimize the objective function mentioned above for the Underlying Index while satisfying the criteria that all Index Securities have an index weight of at least 0.1% in the optimized solution, and all applicable combinations of the constraints (i.e. transition risk, physical risk, climate opportunities and index construction constraints).

Constraints are conditions that either must be satisfied or ideally should be satisfied when optimizing the objective function. They are either hard constraints (i.e. constraints that cannot be relaxed) or soft constraints (i.e. constraints that can be relaxed subject to a constraints hierarchy).

If the applicable constraints do not allow a feasible solution to the optimization process, then soft constraints are relaxed in accordance with a constraint hierarchy. The constraint hierarchy ranks the constraints in order of importance to specify the order in which they can be relaxed.

The optimization selection process is entirely rules-based. Neither the Index Provider nor the Manager could exercise any discretion to affect the choice of constituents or their index weights.

## **4. Index Maintenance/ Adjustment to Constituent Securities**

### *Ongoing Maintenance*

Index constituents are drawn from the Parent Index or component indices. Specific changes to index constituents, such as share changes, IWF changes, dividend distributions, and price adjustments, follow the policies of the Parent Index.

The index is reviewed on an ongoing basis to account for corporate events such as mergers, takeovers, delistings, suspensions, spin-offs/demergers, or bankruptcies. Changes to index composition and related weight adjustments are made as soon as they are effective. These

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<sup>24</sup> For further details, please refer to the index methodology available at the website [www.spglobal.com/spdji/en/indices/esg/sp-bochk-china-hong-kong-greater-bay-area-net-zero-2050-climate-transition-index/#overview](http://www.spglobal.com/spdji/en/indices/esg/sp-bochk-china-hong-kong-greater-bay-area-net-zero-2050-climate-transition-index/#overview). This website has not been reviewed by the SFC.

changes are typically announced prior to the implementation date.

### *Quarterly Updates*

Changes to a constituent's shares and IWF as a result of the quarterly updates are effective after the close on the third Friday in March, June, September, and December.

As of each rebalancing reference date, companies classified as Non-Compliant, according to Sustainalytics, are ineligible for index inclusion.

Companies without Sustainalytics coverage are ineligible for index inclusion until they receive such coverage.

### *Deletions*

If a stock is dropped from the Parent Index, it is also removed from the Underlying Index simultaneously. Between rebalancings, a stock can be deleted from an index due to corporate events such as mergers, takeovers, delistings, suspensions, spin-offs/demergers, or bankruptcies.

In addition, at the discretion of the Index Provider, a deletion may occur if an MSA is raised.

### *Additions*

Except for spin-offs, no additions are made intra-rebalancing. Spinoffs are added to the Underlying Index where the parent security is a constituent at a zero price at the market close of the day before the ex-date (with no divisor adjustment) and are removed after at least one day of regular way trading (with a divisor adjustment).

### *Corporate actions*

In the periods between scheduled index rebalancing events, individual Index Securities may be the subject to a variety of corporate actions and events that require maintenance and adjustments to the Underlying Index. The Underlying Index is reviewed on an ongoing basis to account for corporate events such as mergers, takeovers, delistings, suspensions, spin-offs/demergers, or bankruptcies. Changes to index composition and related weight adjustments are made as soon as they are effective. These changes are typically announced prior to the implementation date. Different treatments for different types of corporate actions or events are described in SPDJI's "Equity Indices Policies & Practices Methodology", available at [www.spglobal.com/spdji/en/documents/methodologies/methodology-sp-equity-indices-policies-practices.pdf](http://www.spglobal.com/spdji/en/documents/methodologies/methodology-sp-equity-indices-policies-practices.pdf). This website has not been reviewed by the SFC.

### *Index Evaluation and Announcements*

The Index Securities are evaluated daily for data needed to calculate index level and return. All events affecting the daily index calculation are typically announced in advance via the Index Corporate Events report (.SDE), delivered daily to all clients. Any unusual treatment of a corporate action or short notice of an event may be communicated via email to clients.

The only days the Underlying Index is not calculated are on days when all exchanges where the Index Securities are listed are officially closed or if WM/Refinitiv exchange rates services are not published.

## 5. Index Rebalancing

The index rebalances quarterly, effective after the close of the last business day of March, June, September, and December. The rebalancing reference date for each rebalance is the last trading day of the prior month. As part of the rebalancing process, constituent stock weights are updated. Weights calculated as a result of the reference date data are implemented in the Underling Index using closing prices seven (7) business days prior to the rebalancing effective date.

The Index Provider may change the date of a given rebalancing for reasons including market holidays occurring on or around the scheduled rebalancing date. Any such change will be announced with proper advance notice where possible.

For further information relating to index methodology, please refer to SPDJI's website at [www.spglobal.com/spdji/en/indices/esg/sp-bochk-china-hong-kong-greater-bay-area-net-zero-2050-climate-transition-index/#overview](http://www.spglobal.com/spdji/en/indices/esg/sp-bochk-china-hong-kong-greater-bay-area-net-zero-2050-climate-transition-index/#overview). This website has not been reviewed by the SFC.

### **Index Provider Disclaimer**

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## **APPENDIX II**

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

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

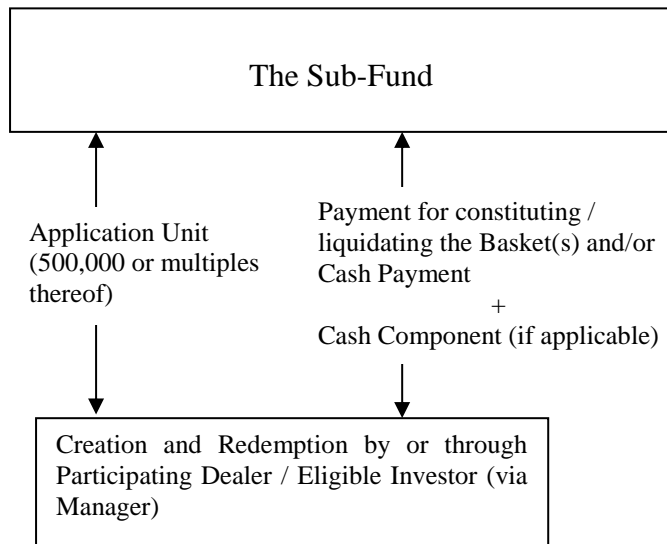
Units of the Sub-Fund may only be created and redeemed in Application Unit sizes directly by Participating Dealer(s) or Eligible Investor(s) (save for, in the case of a Creation or Redemption Application by an Eligible Investor, subject to such terms and conditions as specified in the relevant application forms and the other requirements set out in the section “Creation and Redemption of Units”) from the Manager and may not be created or redeemed directly by other investors from the Manager. Such other investors may only make a request to create or redeem Units in Application Unit sizes through a Participating Dealer. If the investor is a retail investor, such request must be made through a stockbroker which has opened an account with a Participating Dealer. However, such investor shall pay the subscription amount plus any fees and charges charged by the relevant Participating Dealer to, or receive the redemption proceeds (i.e. the Redemption Price multiplied by the number of Units redeemed 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 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.

Any cash payment may be in Hong Kong dollars or RMB, as agreed by the Manager. However, investors should note that a Participating Dealer reserves the right to refuse to accept a request from an investor to create or redeem Units under exceptional circumstances and can charge such fees as it may reasonably determine from time to time. Similarly, the Manager reserves the absolute discretion to accept or reject a Creation Application or Redemption Application by an Eligible Investor save that the Manager may only reject a Redemption Application under exceptional circumstances having regard to the interest of Unitholders as a whole, provided that the Manager must act reasonably and in good faith, and can charge such fees as specified in the section “Creation and Redemption of Units”. The Manager’s rejection of a Creation or Redemption Application by an Eligible Investor shall not affect the Eligible Investor’s right to make an Application through a Participating Dealer. Also, the Manager may reject a Creation Application or Redemption Application by an Eligible Investor in accordance with the terms and conditions set out in the relevant application form of the Eligible Investor.

The Manager shall receive subscription amount 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, this Prospectus and the Operating Guidelines (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, this Prospectus and the Operating Guidelines (where applicable). Each 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 Participating Dealer or 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.

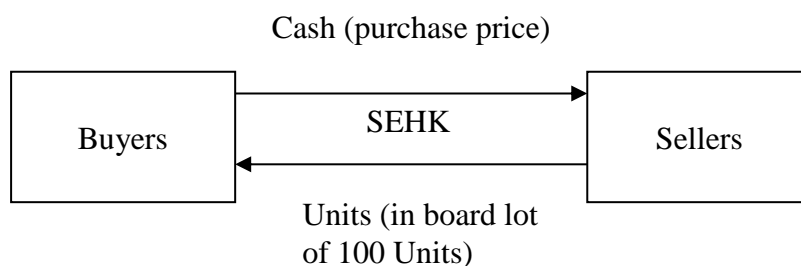
Investors should note that the dealing procedures for creation and redemption of Units through the Participating Dealer(s), the Manager (with respect to an Application by an Eligible Investor) or a stockbroker may be different from those set out for the Sub-Fund in this Prospectus. For example, the dealing deadline set by the 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).

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 per counter for the Sub-Fund to facilitate efficient trading (but the market maker for both counters may or may not be the same) and at least one market maker per counter is subject to three (3) months' termination notice requirement. 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)). This website has not been reviewed by the SFC.

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

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

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

As at the date of this Prospectus, the Sub-Fund has four Participating Dealers, BOCI Securities Limited (“**BOCIS**”), Haitong International Securities Company Limited (“**HTISCL**”), Korea Investment & Securities Asia Limited (“**KISA**”) and Mirae Asset Securities (HK) Limited (“**MASHK**”).

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.

HTISCL is a company incorporated in Hong Kong and its main business address is 22/F Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong. HTISCL is a licensed corporation authorized to carry on Types 1 and 4 regulated activities in Hong Kong pursuant to the Securities and Futures Ordinance. HTISCL is a wholly-owned subsidiary of Haitong International Securities Group Limited and the ultimate parent company is Haitong Securities Co. Ltd.

KISA is a company incorporated in Hong Kong and its main business address is Suites 3412-13 & 3716-19, Jardine House, 1 Connaught Place, Central, Hong Kong. KISA is a licensed corporation authorized to carry on Types 1, 2 and 4 regulated activities in Hong Kong pursuant to the Securities and Futures Ordinance. KISA is a wholly owned subsidiary of Korea Investment & Securities Co., Ltd. and the ultimate parent is Korea Investment Holdings Co., Ltd.

MASHK is a company incorporated in Hong Kong and its main business address is Units 8501, 8507-08, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. MASHK is a licensed corporation authorized to carry on Types 1, 2, 4, 6 and 9 regulated activities in Hong Kong pursuant to the Securities and Futures Ordinance. MASHK is a wholly-owned subsidiary of Mirae Asset Securities Co., Ltd.

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 by way of an announcement. The list of Participating Dealers is also available on [www.boci-pru.com.hk/en/bockketf](http://www.boci-pru.com.hk/en/bockketf) (for English), or [www.boci-pru.com.hk/zh-hk/bockketf](http://www.boci-pru.com.hk/zh-hk/bockketf) (for Chinese). The Manager's website has not been reviewed by the SFC.

## 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 0.5 per cent (0.5%) 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. The maximum management fee the Manager may levy shall be 2% per annum of the Net Asset Value of the Sub-Fund.

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

#### **Investment Adviser's Fee, Trustee Fee, Registrar's Fee, Custodian's Fee and Administrator's Fee**

The Manager shall bear the Investment Adviser's fee, Trustee's fee, Registrar's fee, Custodian's fee and Administrator's fee.

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

Fees chargeable by the Service Agent shall be borne by the Manager and / or the Participating Dealer(s), the details of which are set out in the table under the "Fees Payable by Participating Dealers, Eligible Investors and Retail Investors" section below.

#### **General Expenses**

The costs of establishing the Trust and the Sub-Fund, setting up the system for calculating and publishing the estimated Net Asset Value, 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\$700,000. Such costs shall be amortized over the first three accounting periods of the Sub-Fund after consultation with the auditors of the Trust.

#### **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

Transaction Fee	See Note 1
Service Agent fee	See Note 2
Extension fee	HK\$10,000 <sup>3</sup> per Application
Application Cancellation Fee	HK\$10,000 <sup>3</sup> per Application

## Redemption of Units

Transaction Fee	See Note 1
Service Agent fee	See Note 2
Extension fee	HK\$10,000 <sup>3</sup> per Application
Application Cancellation Fee	HK\$10,000 <sup>3</sup> per Application

## *Eligible Investors*

### Creation of Units

Transaction Fee	See Note 1
Extension fee	HK\$10,000 <sup>3</sup> per Application
Application Cancellation Fee	HK\$10,000 <sup>3</sup> per Application
Handling Fee	Up to 6% <sup>4</sup>

### Redemption of Units

Transaction Fee	See Note 1
Extension fee	HK\$10,000 <sup>3</sup> per Application
Application Cancellation Fee	HK\$10,000 <sup>3</sup> per Application
Handling Fee	Up to 6% <sup>4</sup>

## *Retail Investors Dealing in Units on the SEHK<sup>5</sup>*

Brokerage	Market rates
SFC Transaction levy	0.0027% <sup>6</sup>
Accounting and Financial Reporting Council (“AFRC”) Transaction levy	0.00015% <sup>7</sup>
SEHK Trading fee	0.00565% <sup>8</sup>
Stamp duty	Waived
Inter-counter transfer	HKD5

### *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).

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<sup>1</sup> A Transaction Fee of HK\$6,000 per Creation Application and Redemption Application, is payable by each Participating Dealer or Eligible Investor to the Manager for the benefit of the Trustee. The Transaction Fee may be set off and deducted against any cash due to the

relevant Participating Dealer in respect of such Creation Application or Redemption Application, as the case may be. The Manager shall have the right to revise the amount of the Transaction Fee it charges provided that the level of Transaction Fee charged by the Manager to all Participating Dealers is the same in respect of the same Sub-Fund.

- <sup>2</sup> A transaction fee of HK\$1,000 is payable by each Participating Dealer to the Service Agent for each book-entry deposit transaction or book-entry withdrawal transaction. A monthly reconciliation fee of HK\$5,000 is payable by the Manager to the Service Agent. For any period less than a month, the reconciliation fee is payable by the Manager on a pro-rata basis and accrues on a daily basis.
- <sup>3</sup> Such fee is payable by a Participating Dealer or Eligible Investor (as the case may be) to the Manager for the benefit of the Trustee on each occasion the Manager grants the request of such Participating Dealer or Eligible Investor (as the case may be) for cancellation or extended settlement in respect of such Application.
- <sup>4</sup> A handling fee of up to 6% of the Subscription Amount (in the case of Creation Applications) or up to 6% of the redemption proceeds (in the case of Redemption Applications) will be charged to an Eligible Investor. Such handling fee represents the payment of the Duties and Charges for acquiring or disposing of the relevant Securities, compensation to the Sub-Fund for any potential market risks and the servicing fee which is payable to the Manager for its use and benefit.
- <sup>5</sup> Certain fees payable by retail investors dealing in Units on the SEHK, including but not limited to the SFC Transaction levy, AFRC Transaction levy and SEHK Trading fee, are payable to the SFC, AFRC and/or SEHK. The type of levies/fees payable and the rate of such levies/fees are subject to changes imposed by SFC, AFRC and/or SEHK from time to time.
- <sup>6</sup> SFC Transaction levy of 0.0027% of the price of the Units, payable by the buyer and the seller.
- <sup>7</sup> AFRC Transaction levy of 0.00015% of the price of the Units, payable by the buyer and the seller.
- <sup>8</sup> SEHK Trading fee of 0.00565% of the price of the Units, payable by the buyer and the seller.
- <sup>9</sup> HKSCC will charge each CCASS participant a fee of HKD5 per instruction for effecting an inter-counter transfer from one counter to another counter. Investors should check with their brokers regarding any additional fees and procedures involved.