

# NCB Investment Funds

Fund Manager: BOCI-Prudential Asset Management Limited



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### **EXPLANATORY MEMORANDUM**

15 June 2011

Issuer: BOCI-Prudential Asset Management Limited

- ***This statement provides you with key information about this product.***
- ***This statement is a part of the offering document.***
- ***You should not invest in this product based on this statement alone.***

#### Quick facts

|                               |   |
|-------------------------------|---|
| <b>Fund Manager:</b>          | BOCI-Prudential Asset Management Limited (the “Manager”)  |
| <b>Trustee and Registrar:</b> | BOCI-Prudential Trustee Limited   |
| <b>Dealing frequency:</b>     | Daily (Hong Kong business days, other than Saturdays)   |
| <b>Base currency:</b>         | Hong Kong Dollars   |
| <b>Distribution policy:</b>   | The Manager does not intend to make distributions for the Sub-Fund. Income earned will be reinvested in the Sub-Fund. |
| <b>Financial year end:</b>    | 31 March  |
| <b>Minimum investment:</b>    | Initial : HK\$10,000<br>Addition : HK\$10,000   |

#### What is this product?

NCB China Equity Fund is a sub-fund (the “Sub-Fund”) under the NCB Investment Funds, which is an umbrella unit trust established under the laws of Hong Kong.

#### Objectives and Investment Strategy

##### Objectives

The Sub-Fund is an equity fund which aims to provide investors with long-term capital growth through investment mainly in the listed equities and equity related securities (including warrants and convertible securities) of companies whose activities are closely related to or benefit from the economic development and growth of the economy of Mainland China and Hong Kong.

##### Strategy

The Sub-Fund will invest mainly in the listed equities and equity related securities (including warrants and convertible securities) and may also invest in instruments like ADRs (American depository receipts) and GDRs (global depository receipts) for securities listed on the stock exchanges in New York, London or Singapore, etc. if such securities are issued by companies which are related to the economy of Mainland China and Hong Kong.

The Manager also holds cash, deposits, certificates of deposit, treasury bills, bonds, other debt securities, collective investment schemes, equity linked notes or other instruments for the account of the Sub-Fund.

This Sub-Fund may employ a portion of its assets in futures contracts, options or forward currency transactions for the purposes of efficient portfolio management and hedging against exchange rate risk.

## **What are the key risks?**

**Investment involves risks. Please refer to the offering document for details including the risk factors.**

**1. Investment risk**

The Sub-Fund is an investment fund. The Sub-Fund's investment portfolio may fall in value and therefore, investors' investment in the Sub-Fund may suffer losses. There is no guarantee in respect of repayment of principal.

**2. Concentration risk**

The Sub-Fund mainly focuses its investments on investment instruments that are related to the economic growth or development of Mainland China and Hong Kong which increases the Sub-Fund's vulnerability to the economic, political or regulatory or tax developments of the Mainland China and Hong Kong. This may also result in greater volatility than portfolios which comprise broad-based global investments.

**3. Market risk**

Market risk includes such factors as changes in economic environment, consumption pattern and investors' expectation etc. which may have significant impact on the value of the investments. Usually, emerging markets tend to be more volatile than developed markets and may experience substantial price volatility. Options, warrants and derivatives in the Sub-Fund may also expose the Sub-Fund significantly to the fluctuations in the market. Market movement may therefore result in substantial fluctuation in the Net Asset Value per Unit of the Sub-Fund.

**4. 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. Changes in PRC tax policies may affect adversely the performance of companies with activities closely related to the economic development of the PRC. Any change in the tax laws may reduce the income and therefore affect the Net Asset Value of the Sub-Fund.

**5. Derivative instruments risk**

The Sub-Fund may use derivatives as one of its investment strategies. Derivatives may be more sensitive to changes in economic or market conditions and could increase the Sub-Fund's volatility or expose the Sub-Fund to losses that exceed the cost of the derivatives.

**6. Credit and counterparty risk**

The issuer, guarantor or counterparty to a financial instrument in which the Sub-Fund invests may default on its payment obligations or otherwise be unwilling or unable to honor its contractual obligations. This may affect the value of the investments or the amount that the Sub-Fund may receive from the financial instruments. The performance of the Sub-Fund may therefore be adversely affected.

**Is there any guarantee?**

The Sub-Fund does not provide any guarantees. You may not get back the full amount of money you invest.

**What are the fees and charges?**

At present, only Class A Units will be offered for subscription by investors. Summary of fees and charges for Class A Units of the Sub-Fund is listed below.

**Charges which may be payable by you**

You may have to pay the following fees when dealing in the units of the Sub-Fund.

| <b>Fee</b>  | <b>What you pay</b>  |
|---|--|
| <b>Initial charge</b>   | Up to 5% of the issue price  |
| <b>Switching fee</b><br><i>(as a % of the issue price of the New Class of Units to be issued)</i> | For switching into Units of a Sub-Fund which is not a Money Market Sub-Fund : 1%<br>For switching into Units of a Money Market Sub-Fund: Nil |
| <b>Redemption charge</b>  | Nil  |

**Ongoing fees payable by the Sub-Fund**

The following expenses will be paid out of the Sub-Fund. They affect you because they reduce the return you get on your investments.

|                           | <b>Annual rate (as a % of the Sub-Fund's Net Asset Value)</b>   |
|---------------------------|---|
| <b>Management fee</b>     | 1.5 % (current and maximum)   |
| <b>Trustee fee</b>        | 0.125% on the first HK\$200 million;<br>0.10% on the next HK\$200 million;<br>0.0875% on the remaining balance;<br>Subject to a minimum monthly fee of HK\$20,000 and up to a maximum of 1%*. |
| <b>Performance fee</b>    | Nil   |
| <b>Administration fee</b> | Nil   |

\* You should note that some fees may be increased, up to a specified permitted maximum, by giving Unitholders at least three months' prior notice.

**Other fees**

Please note that other fees and expenses may also be deducted from the Sub-Fund. For details, please refer to the section "Charges and Expenses" on pages 16 to 19 of the Explanatory Memorandum.

### **Additional Information**

- You generally buy and/or redeem and switch Units of the Sub-Fund at the Sub-Fund's next determined Net Asset Value after the Manager receives your request in good order on or before 5:00 p.m. (Hong Kong time) (the Dealing Deadline) on the relevant Dealing Day (which is generally Hong Kong Business Day (except Saturdays) or such other day or days as the Manager and the Trustee may agree from time to time).
- Applications could also be placed through other authorized fund distributors or through other authorized means as may from time to time specified by the Manager in the Manager's website ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)) and different dealing procedures, such as earlier application or payment cut-off time may be involved. Applicants should consult the relevant fund distributors or the Manager to find out the dealing procedures that are applicable to them.
- The Net Asset Value per unit of the Sub-Fund is calculated and will be published on each Dealing Day in the South China Morning Post, the Hong Kong Economic Journal and the Hong Kong Economic Times.
- Information of the Sub-Fund can be found at the Manager's website ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)).

### **Important**

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.

## PRODUCT KEY FACTS

### NCB HK Dollar Money Market Fund

a sub-fund of  
the NCB Investment Funds

15 June 2011

Issuer: BOCI-Prudential Asset Management Limited

- ***This statement provides you with key information about this product.***
- ***This statement is a part of the offering document.***
- ***You should not invest in this product based on this statement alone.***

#### Quick facts

|                               |   |
|-------------------------------|---|
| <b>Fund Manager:</b>          | BOCI-Prudential Asset Management Limited (the “Manager”)  |
| <b>Trustee and Registrar:</b> | BOCI-Prudential Trustee Limited   |
| <b>Dealing frequency:</b>     | Daily (Hong Kong business days, other than Saturdays)   |
| <b>Base currency:</b>         | Hong Kong Dollars   |
| <b>Distribution policy:</b>   | The Manager does not intend to make distributions for the Sub-Fund. Income earned will be reinvested in the Sub-Fund. |
| <b>Financial year end:</b>    | 31 March  |
| <b>Minimum investment:</b>    | Initial : HK\$10,000<br>Addition : HK\$10,000   |

#### What is this product?

NCB HK Dollar Money Market Fund (the “Sub-Fund”) is a sub-fund under the NCB Investment Funds, which is an umbrella unit trust established under the laws of Hong Kong.

#### Objectives and Investment Strategy

##### Objectives

The Sub-Fund is a money market fund which aims to provide investors with an investment vehicle so that they may enjoy potentially higher rates available from a managed portfolio of short-term money market investments at relatively low price volatilities and funds that are readily available.

##### Strategy

The Manager’s policy will be to invest in a range of deposits, commercial paper of leading companies and other money market instruments. Investments will be limited to Hong Kong dollar denominated securities with a remaining maturity of not more than 12 months or two years in the case of government and other public securities, with an average portfolio maturity not exceeding 90 days.

The investment policy will be directed towards the acquisition of deposits and money market instruments which will earn an income for the Sub-Fund in line with that applying to large money market transactions and to protect the unit value from fluctuations.

This Sub-Fund will not be engaged in any securities lending activities.

### **What are the key risks?**

**Investment involves risks. Please refer to the offering document for details including the risk factors.**

#### **1. Investment risk**

- The Sub-Fund is an investment fund. The Sub-Fund's investment portfolio may fall in value and therefore, investors' investment in the Sub-Fund may suffer losses. There is no guarantee in respect of repayment of principal.
- Investing in the Sub-Fund is not the same as deposits with a bank or deposit taking company and that the Manager has no obligation to redeem Units at its issue price and the Sub-Fund is not subject to the supervision of the Hong Kong Monetary Authority.

#### **2. Interest rate risk**

Interest rates in the short-term money market may vary from day to day reflecting changes in the level of money available in the economy and expectations of interest rate trends. The rate of return to investors will therefore fluctuate with these changes.

#### **3. Market risk**

Market risk includes such factors as changes in economic environment, consumption pattern and investors' expectation etc. which may have significant impact on the value of the investments.

#### **4. Credit and counterparty risk**

The issuer, guarantor or counterparty to a financial instrument in which the Sub-Fund invests may default on its payment obligations or otherwise be unwilling or unable to honor its contractual obligations. This may affect the value of the investments or the amount that the Sub-Fund may receive from the financial instruments. The performance of the Sub-Fund may therefore be adversely affected.

### **Is there any guarantee?**

The Sub-Fund does not provide any guarantees. You may not get back the full amount of money you invest.

### **What are the fees and charges?**

At present, only Class A Units will be offered for subscription by investors. Summary of fees and charges for Class A Units of the Sub-Fund is listed below.

#### **Charges which may be payable by you**

You may have to pay the following fees when dealing in the units of the Sub-Fund.

| <b>Fee</b>  | <b>What you pay</b>  |
|---|--|
| <b>Initial charge</b>   | Nil  |
| <b>Switching fee</b><br><i>(as a % of the issue price of the New Class of Units to be issued)</i> | For switching into Units of a Sub-Fund which is not a Money Market Sub-Fund : 1%#<br>For switching into Units of a Money Market Sub-Fund : Nil |
| <b>Redemption charge</b>  | Nil  |

#If Units are switched from a Money Market Sub-Fund, those Units of that Money Market Sub-Fund in relation to which no initial charge has ever been levied will be redeemed first and an initial charge (instead of the 1% switching fee) will be levied in respect of such Units as a result of the switching. The initial charge to be levied will be equal to that applicable to the New Class of Units to be issued.

### Ongoing fees payable by the Sub-Fund

The following expenses will be paid out of the Sub-Fund. They affect you because they reduce the return you get on your investments.

|                           | <b>Annual rate (as a % of the Sub-Fund's Net Asset Value)</b>   |
|---------------------------|---|
| <b>Management fee</b>     | 0.25% (current and maximum)   |
| <b>Trustee fee</b>        | 0.125% on the first HK\$200 million;<br>0.10% on the next HK\$200 million;<br>0.0875% on the remaining balance;<br>Subject to a minimum monthly fee of HK\$20,000 and up to a maximum of 1%*. |
| <b>Performance fee</b>    | Nil   |
| <b>Administration fee</b> | Nil   |

\*You should note that some fees may be increased, up to a specified permitted maximum, by giving Unitholders at least three months' prior notice.

### Other fees

Please note that other fees and expenses may also be deducted from the Sub-Fund. For details, please refer to the section "Charges and Expenses" on pages 16 to 19 of the Explanatory Memorandum.

### Additional Information

- You generally buy and/or redeem Units of the Sub-Fund at the Sub-Fund's next determined Net Asset Value after the Manager receives your request in good order on or before 5:00 p.m. (Hong Kong time) (the Dealing Deadline) on the relevant Dealing Day (which is generally Hong Kong Business Day (except Saturdays) or such other day or days as the Manager and the Trustee may agree from time to time).

- Applications could also be placed through other authorized fund distributors or through other authorized means as may from time to time specified by the Manager in the Manager's website ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)) and different dealing procedures, such as earlier application or payment cut-off time may be involved. Applicants should consult the relevant fund distributors or the Manager to find out the dealing procedures that are applicable to them.
- The Net Asset Value per unit of the Sub-Fund is calculated and will be published on each Dealing Day in the South China Morning Post, the Hong Kong Economic Journal and the Hong Kong Economic Times.
- Information of the Sub-Fund can be found at the Manager's website ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)).

**Important**

If you are in doubt, you should seek professional advice.

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## PRODUCT KEY FACTS

### NCB China Resources Opportunities Fund

a sub-fund of  
the NCB Investment Funds

15 June 2011

Issuer: BOCI-Prudential Asset Management Limited

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#### Quick facts

|                               |   |
|-------------------------------|---|
| <b>Fund Manager:</b>          | BOCI-Prudential Asset Management Limited (the “Manager”)  |
| <b>Trustee and Registrar:</b> | BOCI-Prudential Trustee Limited   |
| <b>Dealing frequency:</b>     | Daily (Hong Kong business days, other than Saturdays)   |
| <b>Base currency:</b>         | Hong Kong Dollars   |
| <b>Distribution policy:</b>   | The Manager does not intend to make distributions for the Sub-Fund. Income earned will be reinvested in the Sub-Fund. |
| <b>Financial year end</b>     | 31 March  |
| <b>Minimum investment:</b>    | Initial : HK\$10,000<br>Addition : HK\$10,000   |

#### What is this product?

NCB China Resources Opportunities Fund (the “Sub-Fund”) is a sub-fund under the NCB Investment Funds, which is an umbrella unit trust established under the laws of Hong Kong.

#### Objectives and Investment Strategy

##### Objectives

The Sub-Fund seeks to capture medium to long-term capital appreciation opportunities through investment in a diversified portfolio of resources and energy related investment instruments that are related to the economic growth or development of the People’s Republic of China (“PRC”).

##### Strategy

The Sub-Fund will mainly invest in equities or equity-related securities primarily traded on the various stock markets in Asia Pacific including but not limited to those in Australia and New Zealand, Hong Kong, South Korea, Singapore, Malaysia and Taiwan. The Manager has no current intention to invest in Japan but may do so in the future if suitable investment opportunities arise. Such securities are mainly issued by companies engaged in or have businesses related to the exploration, extraction, mining, development, production, processing, refining, distribution or trading

of natural resources or energy. Such natural resources or energy may include, but are not limited to, oil, coal, gas, water, renewable energy, gold, aluminium, minerals, metal, industrial minerals, timber or chemicals.

Cash and debt securities may be considered when appropriate.

The Sub-Fund may employ a portion of its assets in future contracts, options or forward currency transactions for the purposes of efficient portfolio management and hedging against exchange rate risk.

## What are the key risks?

**Investment involves risks. Please refer to the offering document for details including the risk factors.**

### 1. **Investment risk**

The Sub-Fund is an investment fund. The Sub-Fund's investment portfolio may fall in value and therefore, investors' investment in the Sub-Fund may suffer losses. There is no guarantee in respect of repayment of principal.

### 2. **Industry or sector risk**

The Sub-Fund invests primarily in single, limited or specialist sectors. As a result, the Sub-Fund may be subject to greater risks and market volatility than a fully diversified investment portfolio covering different economic sectors.

### 3. **Single country and concentration risk**

The Sub-Fund mainly focuses its investments on investment instruments that are related to the economic growth or development of the PRC which increases the Sub-Fund's vulnerability to the economic, political or regulatory or tax developments of the PRC. This may also result in greater volatility than portfolios which comprise broad-based global investments.

### 4. **Market risk**

Market risk includes such factors as changes in economic environment, consumption pattern and investors' expectation etc. which may have significant impact on the value of the investments. Usually, emerging markets tend to be more volatile than developed markets and may experience substantial price volatility. Options, warrants and derivatives in the Sub-Fund may also expose the Sub-Fund significantly to the fluctuations in the market. Market movement may therefore result in substantial fluctuation in the Net Asset Value per Unit of the Sub-Fund.

### 5. **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. Changes in PRC tax policies may affect adversely the performance of companies with activities closely related to the economic development of the PRC. Any change in the tax laws may reduce the income and therefore affect the Net Asset Value of the Sub-Fund.

### 6. **Derivative instruments risk**

The Sub-Fund may use derivatives as one of its investment strategies. Derivatives may be more sensitive to changes in economic or market conditions and could increase the Sub-Fund's volatility or expose the Sub-Fund to losses that exceed the cost of the derivatives.

**Is there any guarantee?**

The Sub-Fund does not provide any guarantees. You may not get back the full amount of money you invest.

**What are the fees and charges?**

At present, only Class A Units will be offered for subscription by investors. Summary of fees and charges for Class A Units of the Sub-Fund is listed below.

**Charges which may be payable by you**

You may have to pay the following fees when dealing in the units of the Sub-Fund.

| <b>Fee</b>  | <b>What you pay</b>   |
|---|---|
| <b>Initial charge</b>   | Up to 5% of the issue price   |
| <b>Switching fee</b><br><i>(as a % of the issue price of the New Class of Units to be issued)</i> | For switching into Units of a Sub-Fund which is not a Money Market Sub-Fund : 1%<br>For switching into Units of a Money Market Sub-Fund : Nil |
| <b>Redemption charge</b>  | Nil   |

**Ongoing fees payable by the Sub-Fund**

The following expenses will be paid out of the Sub-Fund. They affect you because they reduce the return you get on your investments.

|                           | <b>Annual rate (as a % of the Sub-Fund's Net Asset Value)</b>   |
|---------------------------|---|
| <b>Management fee</b>     | 1.75% (current and maximum)   |
| <b>Trustee fee</b>        | 0.125% on the first HK\$200 million;<br>0.10% on the next HK\$200 million;<br>0.0875% on the remaining balance;<br>Subject to a minimum monthly fee of HK\$20,000 and up to a maximum of 1%*. |
| <b>Performance fee</b>    | Nil   |
| <b>Administration fee</b> | Nil   |

\* You should note that some fees may be increased, up to a specified permitted maximum, by giving Unitholders at least three months' prior notice.

**Other fees**

Please note that other fees and expenses may also be deducted from the Sub-Fund. For details, please refer to the section "Charges and Expenses" on pages 16 to 19 of the Explanatory Memorandum.

**Additional Information**

- You generally buy and/or redeem Units of the Sub-Fund at the Sub-Fund's next determined Net Asset Value after the Manager receives your request in good order on or before 5:00p.m. (Hong Kong time) (the Dealing Deadline) on the relevant Dealing Day (which is generally Hong Kong Business Day (except Saturdays) or such other day or days as the Manager and the Trustee may agree from time to time).

## NCB China Resources Opportunities Fund

- Applications could also be placed through other authorized fund distributors or through other authorized means as may from time to time specified by the Manager in the Manager's website ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)) and different dealing procedures, such as earlier application or payment cut-off time may be involved. Applicants should consult the relevant fund distributors or the Manager to find out the dealing procedures that are applicable to them.
- The Net Asset Value per unit of the Sub-Fund is calculated and will be published on each Dealing Day in the South China Morning Post, the Hong Kong Economic Journal and the Hong Kong Economic Times.
- Information of the Sub-Fund can be found at the Manager's website ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)).

### **Important**

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#### Quick facts

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|-------------------------------|---|
| <b>Fund Manager:</b>          | BOCI-Prudential Asset Management Limited (the “Manager”)  |
| <b>Trustee and Registrar:</b> | BOCI-Prudential Trustee Limited   |
| <b>Dealing frequency:</b>     | Daily (Hong Kong business days, other than Saturdays)   |
| <b>Base currency:</b>         | Hong Kong Dollars   |
| <b>Distribution policy:</b>   | Distribution on a semi-annual basis (at 30 September and 31 March of each year) at Manager’s discretion, having regard to the net income and provided that there is distributable income for that period. |
| <b>Financial year end:</b>    | 31 March  |
| <b>Minimum investment:</b>    | Initial : HK\$10,000<br>Addition : HK\$10,000   |

#### What is this product?

NCB China Balanced Fund (the “Sub-Fund”) is a sub-fund under the NCB Investment Funds, which is an umbrella unit trust established under the laws of Hong Kong.

#### Objectives and Investment Strategy

##### Objectives

The Sub-Fund seeks to provide investors with stable income and medium-to long-term capital appreciation by investing primarily in equities and investment grade bonds (rated Baa3 or better by Moody’s or other credit rating agency of similar standing) that are related to the economic growth or development of the People’s Republic of China (“PRC”).

##### Strategy

The Sub-Fund will invest primarily in equities or equity-related securities and investment grade bonds primarily listed, traded or quoted in Hong Kong. Money market instruments will be used for temporary liquidity management purposes.

Through employing an active asset allocation strategy between equities and bonds, the Sub-Fund targets to achieve medium-to-long term capital appreciation and generate distributions for investors. Depending on the market conditions, the Manager may vary the asset mix between equities, bonds and cash.

The Sub-Fund will not invest in non-investment grade bonds.

## **What are the key risks?**

**Investment involves risks. Please refer to the offering document for details including the risk factors.**

**1. Investment risk**

The Sub-Fund is an investment fund. The Sub-Fund's investment portfolio may fall in value and therefore, investors' investment in the Sub-Fund may suffer losses. There is no guarantee in respect of repayment of principal.

**2. Single country and concentration risk**

The Sub-Fund mainly focuses its investments on investment instruments that are related to the economic growth or development of the PRC which increases the Sub-Fund's vulnerability to the economic, political or regulatory or tax developments of the PRC. This may also result in greater volatility than portfolios which comprise broad-based global investments.

**3. Market risk**

Market risk includes such factors as changes in economic environment, consumption pattern and investors' expectation etc. which may have significant impact on the value of the investments. Usually, emerging markets tend to be more volatile than developed markets and may experience substantial price volatility. Options, warrants and derivatives in the Sub-Fund may also expose the Sub-Fund significantly to the fluctuations in the market. Market movement may therefore result in substantial fluctuation in the Net Asset Value per Unit of the Sub-Fund.

**4. 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. Changes in PRC tax policies may affect adversely the performance of companies with activities closely related to the economic development of the PRC. Any change in the tax laws may reduce the income and therefore affect the Net Asset Value of the Sub-Fund.

**5. Interest rate risk**

As the Sub-Fund may invest in instrument whose value is driven significantly by changes in interest rates, the Sub-Fund is subject to interest rate risk. When interest rates rise, the value of previously issued debt securities will normally fall because new debt securities issued will pay a higher rate of interest. In contrast, if interest rates fall, then the value of the previously issued debt securities will normally rise.

**6. Credit and counterparty risk**

If the issuers of any of the fixed interest securities in which the Sub-Fund's assets are invested defaults, the performance of the Sub-Fund will be adversely affected. Changes in a debt issuer's credit rating may affect a debt instrument's value and may also have an impact on the Sub-Fund's performance.

**Is there any guarantee?**

The Sub-Fund does not provide any guarantees. You may not get back the full amount of money you invest.

**What are the fees and charges?**

At present, only Class A Units will be offered for subscription by investors. Summary of fees and charges for Class A Units of the Sub-Fund is listed below.

**Charges which may be payable by you**

You may have to pay the following fees when dealing in the units of the Sub-Fund.

| <b>Fee</b>  | <b>What you pay</b>   |
|---|---|
| <b>Initial charge</b>   | Up to 5% of the issue price   |
| <b>Switching fee</b><br><i>(as a % of the issue price of the New Class of Units to be issued)</i> | For switching into Units of a Sub-Fund which is not a Money Market Sub-Fund : 1%<br>For switching into Units of a Money Market Sub-Fund : Nil |
| <b>Redemption charge</b>  | Nil   |

**Ongoing fees payable by the Sub-Fund**

The following expenses will be paid out of the Sub-Fund. They affect you because they reduce the return you get on your investments.

|                           | <b>Annual rate (as a % of the Sub-Fund's Net Asset Value)</b>   |
|---------------------------|---|
| <b>Management fee</b>     | 1.25 % (Up to a maximum of 2%*)   |
| <b>Trustee fee</b>        | 0.125% on the first HK\$200 million;<br>0.10% on the next HK\$200 million;<br>0.0875% on the remaining balance;<br>Subject to a minimum monthly fee of HK\$20,000 and up to a maximum of 1%*. |
| <b>Performance fee</b>    | Nil   |
| <b>Administration fee</b> | Nil   |

\* You should note that some fees may be increased, up to a specified permitted maximum, by giving Unitholders at least three months' prior notice.

**Other fees**

Please note that other fees and expenses may also be deducted from the Sub-Fund. For details, please refer to the section "Charges and Expenses" on pages 16 to 19 of the Explanatory Memorandum.

**Additional Information**

- You generally buy and/or redeem Units of the Sub-Fund at the Sub-Fund's next determined Net Asset Value after the Manager receives your request in good order on or before 5:00p.m. (Hong Kong time) (the Dealing Deadline) on the relevant Dealing Day (which is generally Hong Kong Business Day (except Saturdays) or such other day or days as the Manager and the Trustee may agree from time to time).
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- Information of the Sub-Fund can be found at the Manager's website ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)).

**Important**

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# NCB INVESTMENT FUNDS

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## EXPLANATORY MEMORANDUM

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15 June 2011



## IMPORTANT INFORMATION FOR INVESTORS

**BOCI-Prudential Asset Management Limited** (the “**Manager**”) accepts full responsibility for the information contained in this Explanatory Memorandum as being accurate at the date of publication and confirm, having made all reasonable enquiries, that to the best of its knowledge and belief, as at the date of publication of this Explanatory Memorandum, there are no other facts the omission of which would make any statement misleading. However, neither the delivery of this Explanatory Memorandum or the latest available Product Key Facts Statements of the sub-funds (“the **Sub-Funds**”) under the **NCB Investment Funds** (the “**Fund**”) nor the offer or issue of units in the Fund shall under any circumstances constitute a representation that the information contained in this Explanatory Memorandum is correct as of any time subsequent to such date. This Explanatory Memorandum and the Product Key Facts Statements of the Sub-Funds may from time to time be updated. Intending applicants for units should ask the Manager if any supplements to this Explanatory Memorandum or any later Explanatory Memorandum or later Product Key Facts Statements for the Sub-Funds have been issued.

Distribution of this Explanatory Memorandum must be accompanied by a copy of the latest available Product Key Facts Statements of the Sub-Funds, the latest available annual report and accounts of the Fund and any subsequent interim report. Units are offered on the basis only of the information contained in this Explanatory Memorandum, the latest available Product Key Facts Statements of the Sub-Funds, 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 Explanatory Memorandum or the latest available Product Key Facts Statements of the Sub-Funds should be regarded as unauthorised and accordingly must not be relied upon.

The Fund and the Sub-Funds have been authorized by the Securities and Futures Commission (“**SFC**”) in Hong Kong. SFC authorisation is not a recommendation or endorsement of the Fund or the Sub-Funds, nor does it guarantee the commercial merits of the Fund or the Sub-Funds or their performance. It does not mean the Fund or the Sub-Funds are suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

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

In particular:

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

The Manager shall have the power to impose such restrictions as the Manager may think necessary for the purpose of ensuring that no Units are acquired or held by an Unqualified Person (as defined in the “Definitions” section on page 5).

Potential applicants for units in the Fund should inform themselves as to (a) the possible tax consequences, (b) the legal requirements and (c) any foreign exchange restrictions or exchange control requirements which they might encounter under the laws of the countries of their incorporation, citizenship, residence or domicile and which might be relevant to the subscription, holding or disposal of units in the Fund.

*Investors should note that although the product offered under this Explanatory Memorandum is named “NCB Investment Funds”, such product is not managed or administered by Nanyang Commercial Bank, Limited.*

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

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## **PARTIES**

### **Sponsor**

Nanyang Commercial Bank, Limited  
No.151, Des Voeux Road Central  
Hong Kong

### **Manager**

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

### **Trustee and Registrar**

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

### **Auditor**

PricewaterhouseCoopers  
22/F, Prince's Building  
Central  
Hong Kong

### **Directors of the Manager**

Wang Zhongze  
Mak Tat Cheung  
Tse Yung Hoi  
Paul Brian Hancock  
Graham David Mason

## DEFINITIONS

|                                      |   |
|--------------------------------------|---|
| <b>“associate”</b>                   | in relation to a company means, any of its subsidiaries or holding companies and any subsidiary or holding company of any of the foregoing and for this purpose, the term “subsidiary” and “holding company” shall have the meaning as given to them in section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)  |
| <b>“Business Day”</b>                | a day (other than Saturday and Sunday) on which banks in Hong Kong are open for normal banking business or such other day or days as the Manager and the Trustee may agree from time to time, either generally or in relation to a particular Sub-Fund provided that if on any such day, the period during which banks in Hong Kong are open is reduced as a result of a Number 8 Typhoon Signal, Black Rainstorm warning or other similar event, such day shall not be a Business Day unless the Manager and the Trustee otherwise agree   |
| <b>“connected person”</b>            | in relation to a company means<br><ul style="list-style-type: none"><li>(a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise directly or indirectly, 20% or more of the total voting rights of that company;</li><li>(b) any person or company controlled by a person who or which meets one or both of the description given in (a) above;</li><li>(c) any member of the group of which the relevant person forms part; or</li><li>(d) any director or officer of that company or of any of its connected person as defined in (a), (b) or (c) above</li></ul>                       |
| <b>“Dealing Day”</b>                 | each Business Day or such Business Day or Business Days as the Manager may from time to time, with the approval of the Trustee, determine either generally or for a particular class or classes of Units, provided that if any commodities and securities markets on which all or part of the investments of any Sub-Fund are quoted, listed or dealt in are on any day not open for trading, the Manager may determine that such day shall not be a Dealing Day in relation to such Sub-Fund   |
| <b>“Fund”</b>                        | NCB Investment Funds  |
| <b>“HK\$” “HKD” and “HK dollars”</b> | the lawful currency of Hong Kong  |
| <b>“Hong Kong”</b>                   | the Hong Kong Special Administrative Region of the People’s Republic of China   |
| <b>“Manager”</b>                     | BOCI-Prudential Asset Management Limited  |
| <b>“Money Market Sub-Fund”</b>       | NCB HK Dollar Money Market Fund   |
| <b>“PRC”</b>                         | the People’s Republic of China  |
| <b>“SFC”</b>                         | the Securities and Futures Commission of Hong Kong  |
| <b>“Sponsor”</b>                     | Nanyang Commercial Bank, Limited  |
| <b>“Sub-Fund”</b>                    | a separate pool of assets of the Fund, which is invested and administered separately from other assets of the Fund  |
| <b>“Trust Deed”</b>                  | the trust deed dated 30 May 2007 establishing the Fund, as may be amended, modified or supplemented from time to time   |
| <b>“Trustee”</b>                     | BOCI-Prudential Trustee Limited   |
| <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, and except where used in relation to a particular class of Unit a reference to Units means and includes Units of all classes. The number of undivided shares represented by each class of Units in a Sub-Fund is adjusted to take account of the different levels of fees borne by each class   |
| <b>“Unitholder”</b>                  | a registered holder of Units  |
| <b>“Unqualified Person”</b>          | means:<br><ul style="list-style-type: none"><li>(a) a person who by virtue of any law or requirement of any country or governmental authority is not qualified to hold a Unit or who would be in breach of any such law or regulation in acquiring or holding a Unit or if, in the opinion of the Manager, the holding of a Unit by such person might result in the Fund incurring any liability to taxation or suffering a pecuniary disadvantage which the Fund might not otherwise have incurred or suffered, or might result in the Fund, the Manager or the Trustee or any of their Connected Persons being exposed to any liability, penalty or regulatory action; or</li></ul> |

- (b) any person if the holding of a Unit by such person might, due to any circumstances whether directly affecting such person and whether relating to such person alone or to any other person in conjunction therewith (whether such persons are connected or not), in the opinion of the Manager, result in the Fund incurring any liability to taxation or suffering a pecuniary disadvantage which the Fund might not otherwise have incurred or suffered, or in the Fund, the Manager or the Trustee or any of their Connected Persons being exposed to any liability, penalty or regulatory action.

**“US\$”, “USD” and “US dollars”** the lawful currency of the United States of America

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

## INTRODUCTION

NCB Investment Funds is a unit trust established by a trust deed dated 30 May 2007, as may be amended, modified or supplemented from time to time with Nanyang Commercial Bank, Limited as the sponsor, BOCI-Prudential Asset Management Limited as the manager and BOCI-Prudential Trustee Limited as the trustee of the Fund. It is established under and governed by the laws of Hong Kong.

The Fund currently offers four Sub-Funds – NCB China Equity Fund, NCB HK Dollar Money Market Fund, NCB China Resources Opportunities Fund and NCB China Balanced Fund. Further Sub-Funds may be launched in the future.

## INVESTMENT OBJECTIVES AND POLICIES

### (i) NCB China Equity Fund

NCB China Equity Fund is an equity fund which aims to provide investors with long-term capital growth through investment mainly in the listed equities and equity related securities (including warrants and convertible securities) of companies whose activities are closely related to or benefit from the economic development and growth of the economy of Mainland China and Hong Kong.

The risk profile of NCB China Equity Fund is generally regarded as high.

The Manager may invest in instruments like ADRs (American depository receipts) and GDRs (global depository receipts) for securities listed on the stock exchanges in New York, London or Singapore, etc. if such securities are issued by companies which are related to the economy of Mainland China and Hong Kong.

The Manager also hold cash, deposits, certificates of deposit, treasury bills, bonds, other debt securities, collective investment schemes, equity linked notes or other instruments for the account of the Sub-Fund.

This Sub-Fund may employ a portion of its assets in futures contracts, options or forward currency transactions for the purposes of efficient portfolio management and hedging against exchange rate risk.

### (ii) NCB HK Dollar Money Market Fund

NCB HK Dollar Money Market Fund is a money market fund which aims to provide investors with an investment vehicle so that they may enjoy potentially higher rates available from a managed portfolio of short-term money market investments at relatively low price volatilities and funds that are readily available. The Manager’s policy will be to invest in a range of deposits, commercial paper of leading companies and other money market instruments. Investments will be limited to Hong Kong dollar denominated securities with a remaining maturity of not more than 12 months or two years in the case of government and other public securities, with an average portfolio maturity not exceeding 90 days.

The investment policy will be directed towards the acquisition of deposits and money market instruments which will earn an income for the Sub-Fund in line with that applying to large money market transactions and to protect the unit value from fluctuations. Interest rates in the short-term money market may vary from day to day reflecting changes in the level of money available in the economy and expectations of interest rate trends. The rate of return to investors will therefore fluctuate with these changes.

This Sub-Fund will not be engaged in any securities lending activities. The risk profile of this Sub-Fund is regarded as low.

Investors should note that the purchase of a Unit in NCB HK Dollar Money Market Fund is not the same as placing funds on deposit with a bank or deposit-taking company and that the Manager has no obligation to redeem Units at its issue price and that the Sub-Fund is not subject to the supervision of the Hong Kong Monetary Authority.

### (iii) NCB China Resources Opportunities Fund

NCB China Resources Opportunities Fund seeks to capture medium to long-term capital appreciation opportunities through investment in a diversified portfolio of resources and energy related investment instruments that are related to the economic growth or development of the PRC. These include equities or equity-related securities primarily traded on the various stock markets in Asia Pacific including but not limited to those in Australia and New Zealand, Hong Kong, South Korea, Singapore, Malaysia and Taiwan. The Manager has no current intention to invest in Japan but may do so in the future if suitable investment opportunities arise. Such securities are mainly issued by companies engaged in or have businesses related to the exploration, extraction, mining, development, production, processing, refining, distribution or trading of natural resources or energy. Such natural resources or energy may include, but are not limited to, oil, coal, gas, water, renewable energy, gold, aluminum, minerals, metal, industrial minerals, timber or chemicals.

The risk profile of the Sub-Fund is generally regarded as high. Cash and debt securities may be considered when appropriate.

The Sub-Fund may employ a portion of its assets in future contracts, options or forward currency transactions for the purposes of efficient portfolio management and hedging against exchange rate risk.

(iv) *NCB China Balanced Fund*

NCB China Balanced Fund seeks to provide investors with stable income and medium-to-long term capital appreciation by investing primarily in equities and investment grade bonds (rated Baa3 or better by Moody's or other credit rating agency of similar standing) that are related to the economic growth or development of the PRC. These include equities or equity-related securities and bonds primarily listed, traded or quoted in Hong Kong. Money market instruments will be used for temporary liquidity management purposes. Through employing an active asset allocation strategy between equities and bonds, the Sub-Fund targets to achieve medium-to-long term capital appreciation and generate distributions for investors. Depending on the market conditions, the Manager may vary the asset mix between equities, bonds and cash.

Investors should note that the Sub-Fund will not invest in non-investment grade bonds. The risk profile of the Sub-Fund is generally regarded as medium to high.

Subject to the approval of the SFC, the Manager may change the investment policy of any Sub-Fund by giving a three months' prior written notice (or such shorter period of notice as the SFC may approve) to the Unitholders of the Sub-Fund.

## RISK FACTORS

Each Sub-Fund is subject to market fluctuations and to the risks inherent in all investments. The price of Units of any Sub-Fund and the income from them may go down as well as up. The performance of the Sub-Funds will be affected by a number of risk factors, including the following:

- (a) Political, economic and social risks – Changes in political, economic and social conditions in any country in which the Sub-Funds may invest could adversely affect the value of investments.
- (b) Interest rate risk – As the Sub-Funds may invest in securities whose value is driven significantly by changes in interest rates, the Sub-Funds are subject to interest rate risk. When interest rates rise, the value of previously issued debt securities will normally fall because new debt securities issued will pay a higher rate of interest. In contrast, if interest rates fall, then the value of the previously issued debt securities will normally rise.
- (c) Market risk – Market risk includes such factors as changes in economic environment, consumption pattern and investors' expectation etc. which may have significant impact on the value of the investments. Usually, emerging markets tend to be more volatile than developed markets and may experience substantial price volatility. Options, warrants and derivatives in the Sub-Fund(s) may also expose the Sub-Fund(s) significantly to the fluctuations in the market. Market movement may therefore result in substantial fluctuation in the Net Asset Value per unit of the Sub-Fund(s).
- (d) Emerging market risk – Investors should note that investment in emerging markets involves special risks and considerations. These include the possibility of nationalization, expropriation, government control and intervention, smaller capital market and price volatility. All these may have an adverse impact on the performance of the Sub-Fund(s).
- (e) Accounting standards and disclosure – The Sub-Fund(s) may invest in emerging markets. The accounting, auditing and financial reporting standards in some of these markets are normally less stringent than international requirements. Investment decisions may be required to be made on less complete information than is customarily available.
- (f) Exchange rate risk – As the Sub-Funds are denominated in Hong Kong dollars, investments denominated in currency or currencies other than Hong Kong dollars may expose the Sub-Fund(s) to the exchange rate risk and fluctuation. Also, investors who wish to receive redemption proceeds in a currency other than Hong Kong dollars will have to convert (whether through Manager or otherwise) the proceeds to such other currency. In so doing, the investors will again be subject to the exchange rate risk and the costs of the currency conversion.
- (g) Securities risk – Each company has its unique factors affecting the value of its securities. These factors include the company's management capability, capital structure, liquidity position, product composition and others.
- (h) Credit risk – If the issuer of any of the fixed interest securities in which the Sub-Fund(s)' assets are invested defaults, the performance of the Sub-Fund(s) will be adversely affected.
- (i) Counterparty risk – An issuer or guarantor of a security or a counterparty to a financial instrument may default on its payment obligations or otherwise be unwilling or unable to honor its contractual obligations which may affect the value of the investments or the amount that the Sub-Funds may receive from the financial instruments. Changes in a debt issuer's credit rating may affect a debt instrument's value and may have an impact on the Sub-Funds' performance. If a counterparty becomes bankrupt, the value of investment in the Sub-Funds may decline and the Sub-Funds may experience significant delays in obtaining any recovery in a bankruptcy or other proceedings or may obtain only limited recovery or may obtain no recovery in some circumstances.
- (j) Derivative Instruments – Sub-Funds that are launched which use derivatives as one of their investment strategies may be more sensitive to changes in economic or market conditions and could increase the Sub-Funds' volatility or expose the Sub-Funds to losses that exceed the cost of the derivatives. 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. If derivatives used for hedging purposes are not successful, losses may be incurred to the Sub-Funds and the Sub-Funds' returns may be reduced due to the hedging costs incurred. The Sub-Funds may use derivatives for non-hedging purposes and this may increase the potential losses of the Sub-Funds.

- (k) Single Country Risk – Sub-Funds that are launched which mainly focus their investments on the business of one single country will increase the Sub-Funds’ vulnerability to the economic, political or regulatory developments of that country.
- (l) Country, Political and Sovereign Risk – Investors should note that investment closely related to a particular country may be subject to the country’s political and sovereign risks. This may include any act of war, terrorism, riot, insurrection in the country, the imposition of any investment, repatriation or exchange control restrictions by the government authority, the confiscation, expropriation or nationalization of any property by the government authority. Any economic downturn may adversely affect the investment sentiment and domestic economy of the country and affect the value of related investments. Devaluation or revaluation of the local currency, sovereign government’s own capacity to repay external debt or any other political or economic risks incurred or experienced by a country may adversely affect the value of related investments.
- (m) Tax risk – Dividends and certain interests or other income paid to the Sub-Funds 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-Funds’ performance and distributions (if applicable) that the Unitholders may receive from the Sub-Funds.

In addition to the general risk factors set out above, investors should also note the following risk factors with respect to *NCB China Equity Fund, NCB China Resources Opportunities Fund and NCB China Balanced Fund*:

- (a) Economic, political and social risks – The Sub-Funds may be subject to the economic, political and social development and risks in the PRC. The value of the Sub-Funds’ assets may be affected by uncertainties or changes in government policies, promulgation of foreign currency and monetary policies and tax regulations. Such measures may have associated impact on the economy of the PRC. 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 of the Sub-Funds.
- (b) Taxation – Various tax reforms have been implemented by the PRC government in recent years and certain tax incentives are available to foreign investments. There can be no assurance that these existing tax laws or incentives will not be revised or abolished. 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.

The investors should also note the following risk factor with respect to *NCB China Resources Opportunities Fund*:

Industry or sector risk – The Sub-Fund invests primarily in single, limited or specialist sectors. As a result, the Sub-Fund may be subject to greater risks and market volatility than a fully diversified investment portfolio covering different economic sectors.

## INVESTMENT AND BORROWING RESTRICTIONS

### **Investment Restrictions**

The Trust Deed imposes a number of restrictions and prohibitions on investment of the Sub-Funds.

- (i) Unless otherwise approved by the SFC, the value of a Sub-Fund’s holding of securities issued by any single issuer may not exceed 10% of its latest available Net Asset Value as at the time the investment is made.
- (ii) A Sub-Fund may not hold more than 10% of any ordinary shares issued by any single issuer.
- (iii) The value of a Sub-Fund’s holding of securities neither listed nor quoted may not exceed 15% of its latest available Net Asset Value as at the time the investment is made.
- (iv) Notwithstanding (i) and (ii), up to 30% of a Sub-Fund’s latest available Net Asset Value may be invested in Government and other public securities of the same issue.
- (v) Subject to (iv), a Sub-Fund may invest all of its assets in Government and other public securities in at least six different issues.
- (vi) A Sub-Fund may invest in options and warrants for hedging purposes. In addition, the value of a Sub-Fund’s investment in warrants and options not held for hedging purpose in terms of the total amount of premium paid may not exceed 15% of its latest available Net Asset Value as at the time the investment is made.
- (vii) The writing of uncovered options by a Sub-Fund is prohibited.
- (viii) The writing of call options on portfolio investments may not exceed 25% of its latest available Net Asset Value in terms of exercise price as at the time the investment is made.
- (ix) A Sub-Fund may enter into financial futures contracts for hedging purposes.
- (x) In addition to (ix), a Sub-Fund may enter into futures contracts on an unhedged basis provided that the net total aggregate value of contract prices, whether payable to or by the Sub-Fund under all outstanding future contracts, together with the aggregate value of holdings of physical commodities and commodity based investments may not exceed 20% of its latest available Net Asset Value as at the time the investment is made.
- (xi) The value of a Sub-Fund’s holding of units or shares in other collective investment schemes may not in aggregate exceed 10% of its latest available Net Asset Value as at the time the investment is made.
- (xii) Unless otherwise permitted by the SFC or under the UTMF Code, a Sub-Fund may not 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) that are listed on a stock exchange).

- (xiii) No short sale may be made which results in the Sub-Fund's liability to deliver securities exceeding 10% of its latest available Net Asset Value and where a short sale is made, the security which is sold short must be actively traded on a market where short selling activities are permitted.
- (xiv) A Sub-Fund may not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person without the prior written consent of the Trustee.
- (xv) A Sub-Fund may not acquire any asset which involves the assumption of any liability which is unlimited.
- (xvi) A Sub-Fund may not 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% 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 5% of those securities.
- (xvii) The portfolio of the Sub-Fund may not include any security where a call is to be made for any sum unpaid on that security unless that call could be met in full out of cash or near cash by the Sub-Fund's portfolio, the amount of which has not already been taken into account for the purpose of paragraph (viii) above.

In relation to *NCB HK Dollar Money Market Fund*, the following investment restrictions will apply instead:

- (i) Subject to the restrictions below, the Sub-Fund may only invest in deposits and debt securities.
- (ii) The Sub-Fund must maintain an average portfolio maturity not exceeding 90 days and must not purchase an instrument with a remaining maturity of more than one year, or two years in the case of government and other public securities.
- (iii) The aggregate value of the Sub-Fund's holding of instruments and deposits issued by a single issuer may not exceed 10% of the latest available Net Asset Value of the Sub-Fund except:
  - (a) where the issuer is a substantial financial institution and the total amount does not exceed 10% of the issuer's issued capital and published reserves, the limit may be increased to 25%; or
  - (b) in the case of government and other public securities, up to 30% may be invested in same issue; or
  - (c) in respect of any deposit of less than US\$1,000,000 or its equivalent in the base currency of the Sub-Fund, where the Sub-Fund cannot otherwise diversify as a result of its size.

### **Borrowing Restrictions**

The Manager may borrow up to 25% of the latest available Net Asset Value of each Sub-Fund as at the time the borrowing is made except that for the Money Market Sub-Fund, the Manager may only borrow up to 10% of the Sub-Fund's latest available Net Asset Value as at the time the borrowing is made and such borrowing must be on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses.

The assets of the relevant Sub-Fund may be charged or pledged as security for any such borrowings.

### **Applicability of Restrictions to Umbrella Funds**

The nominal amount of a Sub-Fund's holding of ordinary shares in the capital of any single issuer, when aggregated with the holdings of such ordinary shares held by all other Sub-Funds, shall not exceed 10 per cent of the total nominal amount of all the ordinary shares in the capital of that issuer in issue.

### **General**

If any of the investment and borrowing restrictions are breached, the Manager shall as a priority objective take all steps necessary as soon as practicable to remedy the situation, having due regard to the interests of Unitholders.

## **MANAGEMENT AND ADMINISTRATION**

### **Manager**

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

### **Trustee and Registrar**

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

The Trustee is a joint venture founded by BOC Group Trustee Company Limited and Prudential Corporation Holdings Limited ("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 business activities of Bank of China Limited are principally corporate banking, retail banking, investment banking, insurance and other financial services. PCHL is wholly owned by Prudential plc which provides a broad range of financial and insurance services as well as engages in fund management business. The net assets of the Trustee were HK\$366 million as at 31st December 2010.

Under the Trust Deed, the Trustee is responsible for the safekeeping of the assets of the Fund. The Trustee may, however, appoint any person or persons to be custodian of such assets. The Trustee is required to exercise reasonable skill, care and diligence in the selection, appointment and monitoring of such persons and, during the term of their appointment, must satisfy itself as to the ongoing suitability of such persons to provide custodial services to the Fund, having regard to the market or markets for which such persons are appointed to act as custodian. The Trustee will remain responsible for the acts or omissions of such persons in the same manner as if such acts or omissions were those of the Trustee, except where such persons are appointed in respect of a market or markets which the Trustee has determined by notice to the Manager to be emerging markets. Notwithstanding the above, the Trustee will remain responsible for the acts or omissions of any associate of the Trustee appointed in respect of an emerging market.

### **Sponsor**

Nanyang Commercial Bank, Limited ("NCB") is the Sponsor of the Fund.

NCB is incorporated in Hong Kong on 14 December 1949. NCB is a wholly owned subsidiary of Bank of China (Hong Kong) Limited.

NCB provides its customers with convenient, efficient and professional banking services through diversified channels. With its extensive local branch network together with its Investment Services Centers, a branch in San Francisco in the United States and a wholly owned subsidiary – "Nanyang Commercial Bank (China), Limited" ("NCB(China)") established on 24 December 2007 in Mainland, NCB offers its clients with comprehensive banking services. Headquartered in Shanghai, NCB(China) was commenced to further expand the Bank's development in the Mainland, providing professional and quality products and services to customers with its network spanning Beijing, Shanghai, Guangzhou, Shenzhen, Haikou, Dalian, Hangzhou and Nanning. NCB is well-versed in providing personal banking and commercial banking services. For individual customers, it offers wealth management solutions including deposits in various currencies, foreign exchange, trading of securities, trust funds, bonds, bullion/FX and securities margin, home mortgage, as well as tax and personal loans and insurance services. In commercial banking, NCB provides import & export bills, trade finance, overdraft, commercial loans, project financing and syndicated loans. Embracing the proactive but prudent strategy, NCB is dedicated to providing premium services for individual and corporate customers.

The Sponsor will have the power to remove the Manager, with the prior approval of the Trustee, by giving not less than 90 days written notice to the Manager and appoint a replacement. The Sponsor will also have the power to remove the Trustee, with the prior approval of the Manager, by giving not less than 90 days written notice to the Trustee and appoint a replacement. Prior approval from SFC must be obtained for such removal and replacement of Manager or Trustee. The Sponsor may also terminate the Fund or Sub-Fund under certain specified situations (For details, please see "General Information" – "Termination of the Fund" and "Termination of a Sub-Fund").

## **ISSUE OF UNITS**

Currently, only Class A Units of the Sub-Funds with different fee levels are available for subscription by investors during a prescribed period (the "**Launch Period**") and on each Dealing Day thereafter. Units of the Sub-Funds currently launched under the Fund are denominated in HK dollars.

### **Initial Issue of Units**

Each of the Sub-Funds was initially offered to investors during the Launch Period at an issue price based on the denomination of the Sub-Fund. As at the date of publication of this Explanatory Memorandum, the Launch Periods for all Sub-Funds have been closed.

In respect of applications in writing or by facsimile received by the Manager prior to 5:00p.m. (Hong Kong time) on the last day of the Launch Period, Units will be issued on the close of the Launch Period. The original of any application form given by facsimile must be forwarded to the Manager.

The Manager may levy an initial charge on the issue of Class A Units of each Sub-Fund. The maximum amount of such initial charge is set out in the "Charges and Expenses" section on page 16 below.

No initial charge will be levied in respect of the issue of the Class B Units of the Sub-Funds.

**The Manager may exercise its discretion not to issue any Units of a Sub-Fund during the Launch Period if the size of that Sub-Fund is less than HK\$50 million or its equivalent amount in US dollar (or such other amount as the Manager may determine and specify for any particular Sub-Fund) as at the closing date of the Launch Period.**

**If the Manager exercises such discretion, it will notify applicants in writing within three Business Days of such closing date and the subscription monies paid by the applicants will be returned at their risk in Hong Kong dollars (or, at the sole discretion of the Manager, in the currency in which the subscription monies were received) within seven Business Days after the expiry of the Launch Period. No interest will be paid on such subscription monies and any benefit will be retained by the Manager.**

### **Subsequent Issues of Units**

After the relevant Launch Period, applications in writing or by facsimile received by the Manager prior to 5:00 p.m. (Hong Kong time) on a Dealing Day will be dealt with, and Units will be issued, on that Dealing Day. Where applications in writing or by facsimile are received after such time or on a day which is not a Dealing Day, they will be carried forward and dealt with on the next Dealing Day.

The issue price (exclusive of any initial charges) of Units of the relevant class of a Sub-Fund on a Dealing Day will be calculated by reference to the Net Asset Value per Unit of such class of that Sub-Fund as at close of business in the last relevant market to close on that Dealing Day (for further details, see "Calculation of Net Asset Value and Issue and Redemption Prices" on page 14 below). The Manager may levy an initial charge on the issue of each Class A Unit. The maximum amount of such initial charge is set out in the "Charges and Expenses" section on page 16 below. No initial charge will be levied on the issue of Class B Units.

Applications for subscription of Units may also be placed through other authorized fund distributors or through other authorized means as may from time to time specified by the Manager in the Manager's webpage ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)). Applicants should note that applications made through such means may involve different dealing procedures, such as earlier application or payment cut-off time. As such, applicants who intend to subscribe Units through fund distributors other than the Manager or place subscription orders through other authorized means should consult the relevant fund distributor or the Manager to find out the dealing procedures that are applicable to them.

### **Minimum Subscription and Subsequent Holding**

Unless otherwise allowed under the "Regular Savings Plan" section on page 16 below, the minimum amount of each subscription in each class of Sub-Fund during and after the relevant Launch Period shall be HK\$10,000 inclusive of any initial charge. Furthermore, the Manager may require a Unitholder to redeem his entire holding (instead of partial holding) of Units in any class of Sub-Fund, if after redemption the Unitholder's holding in such class of Sub-Fund falls below HK\$10,000.

However, the Manager reserves the right to waive the minimum subscription or minimum holding requirements of any Sub-Funds for any Unitholder.

### **Application Procedure**

Except otherwise specified by the Manager in its website ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)), applications for Units must be made by completing the enclosed Master Account Opening Form and Subscription Form and sending the forms to the Manager. The original of any Master Account Opening Form and Subscription Form given by facsimile must be forwarded to the Manager. Neither the Manager nor the Trustee shall be responsible to an investor for any loss resulting from non-receipt of any Master Account Opening Form and Subscription Form sent by facsimile.

### **Payment Procedure**

Subscription monies should normally be paid in HK dollars.

Payment for Units and any applicable initial charge may be made by cheque, payable to "BOCI-Prudential Trustee Limited – NCBIF – Sub A/C" and crossed "A/C Payee Only, Not Negotiable" or by telegraphic transfer or bank transfer net of all bank charges (i.e. at the expense of the applicant). Payment by cheque is likely to cause delay in receipt of cleared funds and an application will not be accepted and Units will not be issued until the cheque is cleared. Any costs of transfer of application monies to the Sub-Funds will be payable by the applicant.

The account details are as follows:

**Name:** Nanyang Commercial Bank, Limited  
**Address:** No.151, Des Voeux Road Central, Hong Kong  
**Account:** BOCI-Prudential Trustee Limited – NCBIF – Sub A/C  
**A/C Numbers:** 043-472-1-104257-6

Investors should note the payment procedures of NCB Investment Funds as described below:

- (A) In respect of the following Sub-Funds:-
- (i) NCB China Equity Fund;
  - (ii) NCB China Resources Opportunities Fund;
  - (iii) NCB China Balanced Fund

payment for Units shall be due (i) prior to the close of the Launch Period (for subscriptions during the Launch Period); or (ii) upon issue of the Units (for subsequent issue). If cleared fund is not received on the relevant due date, the Manager may, without prejudice to any claim against the applicant in respect of the failure to make payment when due, determine in its discretion that the application be cancelled. In such circumstances, the relevant Units shall be deemed never to be issued.

- (B) In respect of NCB HK Dollar Money Market Fund or other Money Market Sub-Fund(s) that from time to time established under the Fund, application(s) (for subscription of or switching into the Money Market Sub-Fund(s)) will not be processed unless the subscription proceeds (payment or in the case of fund switching, the redemption proceeds of the Sub-Fund(s) switched out by the Unitholders that are used to subscribe to the Money Market Sub-Fund(s)) in cleared fund are received.

In addition to other restrictions set out in the Explanatory Memorandum, no redemption or switching transactions may be effected until the initial subscription has been completed.

The Manager reserves the right to accept payment in other currencies from any Unitholder, in which case, the number of Units to be issued shall be calculated based on an exchange rate reasonably determined by the Manager and the Trustee. Any exchange rate risk and costs of conversion will be borne by the Unitholder concerned and the Unitholder may be required to pay a handling fee.

Third party cheques and cash are not accepted.

**Investors should note that for payment by telegraphic or bank transfer in Hong Kong dollars to be received for value on a particular day, payment must be made for value in Hong Kong at least one Hong Kong business day preceding such day.**

No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry on Type 1 regulated activity under Part V of the Securities and Futures Ordinance of Hong Kong.

### **General**

Units issued by the Fund will be held for investors in registered form. Certificates will not be issued. A contract note will be issued upon acceptance of an investor's application and will be forwarded by ordinary post (at the risk of the person entitled thereto).

Fractions of not less than ten-thousandth of a Unit may be issued. Smaller fractions will be retained for the benefit of the relevant Sub-Fund.

The Manager has an absolute discretion to accept or reject in whole or in part any application for Units. In the event that an application is rejected, application moneys will be returned without interest by cheque through the post at the risk of the person(s) entitled thereto or through bank transfer. Without limiting the generality of the foregoing, the Manager may reject any application for subscription, redemption or switching where insufficient information is being provided or in case there is any error or omission in the information provided. No Units of a Sub-Fund will be issued where the determination of the Net Asset Value of that Sub-Fund is suspended (for further details see "Suspension of Calculation of Net Asset Value" on page 15 below).

## **REDEMPTION OF UNITS**

Subject as mentioned below, any Unitholder may realise his Units on any Dealing Day in whole or in part.

For redemption of Class B Units, the Manager is entitled to levy a redemption charge if the Units are redeemed within 4 years of their issue and redemption will be effected on a "First In First Out" basis, i.e. the first Unit to be redeemed will be the Unit which was first issued. For this purpose, a redeeming Unit is considered to be issued at the time when the relevant subscription monies were used to acquire that redeeming Unit (or if such redeeming Unit was issued to the Unitholder as a result of one or more switching from another Unit, the redeeming Unit will be considered to be issued at the time the original Unit was issued to the Unitholder after the relevant subscription monies were received by the Trustee) and in making such a consideration, the Manager may make such assumptions as it considers appropriate. No redemption charge will be levied for the redemption of Class B Units after 4 years of their issue.

No redemption charge will be levied for the redemption of Class A Units.

The details of the redemption charges are set out in the "Charges and Expenses" section on page 16 below.

A redemption request may be given to the Manager in writing or by facsimile or through other authorized means as may from time to time specified by the Manager in the Manager's webpage ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)) and must specify:

- (a) the name of the relevant Sub-Fund;
- (b) the class and number of Units or the amount of monies to be redeemed;
- (c) the name(s) of the registered holder(s); and
- (d) payment instructions for the redemption proceeds.

The original of any redemption request given by facsimile must be forwarded to the Manager. Neither the Manager nor the Trustee shall be responsible to a Unitholder for any loss resulting from non-receipt of any redemption request sent by facsimile.

Redemption requests in writing or by facsimile received by the Manager prior to 5:00 p.m. (Hong Kong time) on a Dealing Day will be dealt with on that Dealing Day. Redemption requests in writing or by facsimile received by the Manager after such time or on a day which is not a Dealing Day will be carried forward and dealt with on the next Dealing Day.

Application for redemption of Units may also be placed through other authorized fund distributors or made through other authorized means as may from time to time specified by the Manager in the Manager's webpage ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)). Unitholders should note that applications made through such means may involve different dealing procedures, such as earlier cut-off time. As such, Unitholders who intend to redeem Units through fund distributors other than the Manager or place redemption orders through other authorized means should consult the relevant fund distributor or the Manager to find out the dealing procedures that are applicable to them.

Units of the relevant class realised on a Dealing Day will be redeemed at a price calculated by reference to the Net Asset Value per Unit of that class of the relevant Sub-Fund as at close of business in the last relevant market to close on that Dealing Day (for further details, see "Calculation of Net Asset Value and Issue and Redemption Prices" on page 14 below).

### **Payment of Redemption Proceeds**

Except otherwise waived by the Manager, redemption proceeds will not be paid to any redeeming Unitholder until (a) the written original of the redemption request duly signed by the Unitholder has been received by or on behalf of the Manager and (b) where the Trustee so requires, the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Trustee.

Redemption proceeds will normally be paid in Hong Kong dollars.

Unitholders may, however, request the proceeds to be paid in other currencies, in which case, the proceeds will be converted to the requested currency at the prevailing exchange rate. Any exchange rate risk will be borne by the Unitholder concerned and the Unitholder may be required to pay a handling fee.

Subject as mentioned above and so long as relevant account details have been provided, redemption proceeds will be paid by telegraphic transfer or bank transfer (less the cost of effecting such telegraphic or bank transfer), normally within 5 Business Days after the relevant Dealing Day and in any event within one month of the relevant Dealing Day (unless payment of redemption proceeds has been suspended – see “Restrictions on Redemption” on page 13 below) or, if later, after duly completed original redemption documentation has been received by the Manager, unless such requirement is waived by the Manager. Request by the redeeming Unitholder to make the payment to a third party will not be accepted unless approval is obtained from the Manager or additional supporting documents as may be required by the Trustee are provided. Where a redemption request provides for the redemption proceeds to be paid to any person other than the registered Unitholder(s) or to be paid by telegraphic transfer or bank transfer to a bank account in Hong Kong, the signature of the Unitholder or (in the case of joint Unitholders) each Unitholder on that redemption request must be verified to the satisfaction of the Trustee. If relevant account details are not provided, redemption proceeds will be paid to the redeeming Unitholder (or to all Unitholders in case of joint Unitholders) at the Unitholder’s risk by cheque in Hong Kong dollars. In the case of joint Unitholders, the cheque will be drawn in the names of all Unitholders. Bank charges (if any) incurred in making payment will be borne by the redeeming Unitholder and accordingly will be deducted from the redemption proceeds.

### **Payment of Redemption Proceeds by Distribution in Specie**

Notwithstanding the above, the Manager has discretion to effect a redemption payment to any or all redeeming Unitholders in specie or in kind rather than in cash upon the consent of the relevant redeeming Unitholders. The circumstances in which the Manager envisages exercising this discretion include, without prejudice to the generality of the foregoing, a situation where substantial redemption requests are received by the relevant Sub-Fund which will make it impracticable to realise the underlying securities in order to fund the redemption payments. In making redemption payments in specie or in kind, the Manager will use the same valuation procedures used in determining the Net Asset Value of the Sub-Fund (for further details, see “Calculation of Net Asset Value and Issue and Redemption Prices” on page 14 below) when determining the value to be attributed to the relevant securities to be transferred or assigned or otherwise made available to the redeeming Unitholders. Redeeming Unitholders will receive securities of a value equal to the redemption payment to which they would otherwise be entitled. Redeeming Unitholders receiving the redemption payment in specie or in kind will be responsible for all custody and other costs involved in changing the ownership of the relevant securities from the Sub-Fund to the redeeming Unitholder and for all ongoing custody costs in respect of such securities.

### **Restrictions on Redemption**

The Manager shall suspend the redemption of Units and/or may delay the payment of redemption proceeds during any periods in which the determination of the Net Asset Value of the relevant Sub-Fund is suspended (for further details see “Suspension of Calculation of Net Asset Value” on page 15 below).

With a view to protecting the interests of Unitholders, the Manager is entitled, with the approval of the Trustee, to limit the number of Units of any Sub-Fund redeemed on any Dealing Day (whether by sale to the Manager or by cancellation by the Trustee) to 10% of the latest available Net Asset Value of such Sub-Fund. In this event, the limitation will apply pro rata so that all Unitholders of the relevant class or classes wishing to redeem Units in that Sub-Fund on that Dealing Day will redeem the same proportion by value of such Units, and Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, on the next Dealing Day. If requests for redemption are so carried forward, the Manager will inform the Unitholders concerned.

No Unitholder shall be entitled to realise only part of his holding of Units of any class of a Sub-Fund if

- (i) such redemption would result in his holding in that class of Sub-Fund after such redemption being less than HK\$10,000; or
- (ii) the amount of proceeds realised from that class of Sub-Fund is less than HK\$10,000

However, the Manager reserves the right to waive such minimum holding and redemption requirements of the Sub-Funds for any Unitholder.

Furthermore, Unitholders are not allowed to realise any Units prior to the date falling seven days after the Dealing Day on which such Unit was acquired by such Unitholders or if earlier, the date of receipt of payment in cleared funds for such Unit.

## SWITCHING BETWEEN SUB-FUNDS

Subject to the consent of the Manager, Unitholders will have the right (subject to any suspension in the determination of the Net Asset Value of any relevant Sub-Fund) to switch all or part of their Units of any class relating to a Sub-Fund into Units of the same class relating to another Sub-Fund by giving notice in writing or by facsimile to the Manager.

Switching requests in writing or by facsimile received by the Manager prior to 5:00 p.m. (Hong Kong time) on a Dealing Day will be dealt with on that Dealing Day. Switching requests received in writing or by facsimile after such time or on a day which is not a Dealing Day will be carried forward and dealt with on the next Dealing Day.

Where a switching request is made by facsimile, neither the Manager nor the Trustee shall be responsible to any Unitholder for any loss resulting from the non-receipt of such switching request.

Switching requests may also be placed through other authorized fund distributors or made through other authorized means as may from time to time specified by the Manager in the Manager's webpage ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)). Applicants should note that applications made through such means may involve different dealing procedures, such as earlier application cut-off time. As such, applicants who intend to place switching requests through fund distributors other than the Manager or place switching orders through other authorized means should consult the relevant fund distributor or the Manager to find out the dealing procedures that are applicable to them.

Unitholders should note that in respect of applications to switch into Money Market Sub-Fund(s) from time to time established under the Fund, currently NCB HK Dollar Money Market Fund, the relevant applications will not be processed unless the redemption proceeds of the Sub-Fund(s) switched out by the Unitholders that are used to subscribe to the Money Market Sub-Fund(s) in cleared funds are received.

The price at which the whole or any part of a holding of Units of a class relating to a Sub-Fund (the "**Current Class**") will be switched on any Dealing Day into Units of the same class relating to another Sub-Fund (the "**New Class**") will be determined by reference to the redemption price of the Current Class and issue price of the New Class on the relevant Dealing Day. Unless otherwise specified in the "Charges and Expenses – Initial Charge, Redemption Charge and Switching Fee – Switching Fee" on page 17, no initial charge or redemption charge will be levied.

In respect of switching of Class B Units, redemption of the Current Class will be effected on a "First In First Out" basis, i.e. the first Unit to be redeemed will be the Unit which was first subscribed.

The Manager is entitled to levy a switching fee which is expressed as a percentage of the issue price per Unit of the New Class to be issued. The switching fee will be deducted from the amount re-invested into the New Class of Units. The amount of switching fee is set out in "Charges and Expenses – Initial Charge, Redemption Charge and Switching Fee" on page 17.

No switching will be allowed during any period when the determination of the Net Asset Value of any relevant Sub-Fund is suspended (for further details, see "Suspension of Calculation of Net Asset Value" on page 15). Unitholders should also note that, unless the Manager agrees otherwise, the requirements on minimum subscription and subsequent holding as set out in the section "Minimum Subscription and Subsequent Holding" on page 11 and the restrictions on redemption (including the minimum holding requirement after redemption and the minimum redemption amount) as set out in the section "Restrictions on Redemption" on page 13 shall also be applicable in the case of switching.

## CALCULATION OF NET ASSET VALUE AND ISSUE AND REDEMPTION PRICES

The Manager or the Trustee (as they may between them decide) will value each Sub-Fund and calculate the issue and redemption prices per Unit of each class in accordance with the Trust Deed as at close of business in the last relevant market to close on each Dealing Day. The Trust Deed provides (inter alia) that the value of the investments in the Sub-Funds shall be determined as follows:

- (i) except in the case of any interest in a collective investment scheme to which paragraph (ii) applies and subject as provided in paragraph (vi) below, the value of any investments quoted, listed, or normally dealt in on any market shall be calculated by reference to the last traded price on the relevant Dealing Day or (if no last traded price is available) midway between the latest available market dealing offered price and the latest available market dealing bid price on the principal market on which such investments is quoted, listed or ordinarily dealt in and in determining such prices the Manager and the Trustee shall be entitled to use and rely on electronic price feeds from such source or sources as it may from time to time determine notwithstanding that the prices so used are not the last traded prices;
- (ii) subject as provided in paragraphs (iii) and (vi) below, the value of each unit, share or other interest in any collective investment scheme which is valued as at the same day as the relevant Sub-Fund shall be the Net Asset Value per unit or share in such collective investment scheme as at that day or, if the Manager so determines, or if such collective investment scheme is not valued as at the same day as the Sub-Fund, the value of such interest shall be the last available Net Asset Value per unit, share or other interest in such collective investment scheme;
- (iii) if no Net Asset Value, bid and offer prices or price quotations are available as provided in paragraph (ii) above, the value of the relevant investment shall be determined from time to time in such manner as the Manager shall determine;
- (iv) the value of any investment which is not quoted, listed or ordinarily dealt in on a market shall be the initial value thereof equal to the amount expended out of the relevant Sub-Fund in the acquisition of such investment (including in each case the amount of stamp duties, commissions and other acquisition expenses) provided that the Manager may at any time with the approval of the Trustee and shall at such times or at such intervals as the Trustee may request, cause a revaluation to be made by a professional person approved by the Trustee as qualified to value such investments;

- (v) cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager, any adjustment should be made to reflect the value thereof;
- (vi) notwithstanding the foregoing, the Manager may with the consent of the Trustee adjust the value of any investment or permit some other method of valuation to be used if, having regard to relevant circumstances, the Manager considers that such adjustment or use of such other method is required to reflect the fair value of the investment; and
- (vii) the value of any investment (whether of a security or cash) otherwise than in the currency of the relevant Sub-Fund shall be converted into the currency of such Sub-Fund 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.

### **Calculation of Issue and Redemption Prices**

The number of undivided shares in a Sub-Fund represented by a Unit of a class relating to such Sub-Fund is adjusted on each Dealing Day in order to take account of the different levels of fees borne by the different classes of Unit in the relevant Sub-Fund.

The issue and redemption prices of Units of a class on a Dealing Day shall be determined by (i) calculating the Net Asset Value of the relevant Sub-Fund as at such Dealing Day before the deduction of any liabilities or the addition of any assets attributable specifically to the class in question; (ii) apportioning such amount between each class of Units relating to such Sub-Fund by reference to the numbers of undivided shares in the relevant Sub-Fund represented by all Units of each class relating to such Sub-Fund in issue; (iii) deducting or adding the liabilities and assets specifically attributable to the class of Units in question from or to such apportioned amount; (iv) dividing the resulting sum by the number of Units of the relevant class in issue immediately prior to the relevant Dealing Day for such class of Units; and (v) rounding the resulting sum to the 4th decimal place of the base currency of the relevant Sub-Fund (and in the case of 0.00005 of such minimum unit, rounded up).

Any rounding as a result of determining the issue price or redemption price shall be retained for or borne by the relevant Sub-Fund.

The Manager is entitled to an initial charge on the issue of Class A Units which will be retained by the Manager for its own use and benefit. The maximum initial charges that can be levied for the issue of Class A Units of each Sub-Fund are set out in the "Charges and Expenses" section on page 16 below. The Manager may waive or reduce the initial charge for any Unitholder as the Manager may consider appropriate.

No initial charge will be levied for the issue of Class B Units for any Sub-Funds.

The Manager is entitled to a redemption charge on the redemption of Class B Units which shall be retained by the Manager for its own use and benefit. The maximum redemption charges that can be levied for Class B Units of each Sub-Fund are set out in the "Charges and Expenses" section on page 16 below. The Manager may waive or reduce the redemption charge for any Unitholder as the Manager may consider appropriate.

### **Suspension of Calculation of Net Asset Value**

The Manager may, after giving notice to the Trustee, declare a suspension of the determination of the Net Asset Value of any Sub-Fund for the whole or any part of any period during which:

- (a) there is a closure or restriction or suspension of trading on any securities market on which a substantial part of the investments of that Sub-Fund is normally traded or a breakdown in any of the means normally employed in ascertaining the prices of investments or the price of Units; or
- (b) for any other reason the prices of investments of that Sub-Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained; or
- (c) circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to realise any investments of that Sub-Fund or it is not reasonably practicable to do so without seriously prejudicing the interests of Unitholders in such Sub-Fund; or
- (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 that Sub-Fund or the subscription or redemption of Units is delayed or cannot, in the opinion of the Manager, be carried out promptly at normal rates of exchange.

Whenever the Manager declares such a suspension it shall, as soon as may be practicable after any such declaration and at least once a month during the period of such suspension, publish a notice in the South China Morning Post, the Hong Kong Economic Journal, the Hong Kong Economic Times and/or any other newspapers which the Manager may from time to time determine and notify the Unitholders and/or cause a notice to be given to Unitholders and to all those (whether Unitholders or not) whose applications to subscribe for or redeem Units shall have been affected by such suspension stating that such declaration has been made.

## **DISTRIBUTION POLICY**

Except for NCB China Balanced Fund, the Manager does not intend to make distributions in respect of the Sub-Funds and any income earned by the Sub-Funds will be reinvested in the relevant Sub-Fund and reflected in the value of Units of the relevant class of that Sub-Fund.

In respect of NCB China Balanced Fund, the Manager may in its discretion make distributions to Unitholders at 30 September and 31 March of each year as the Manager considers appropriate, having regard to the net income of the Sub-Fund and provided that there is distributable income for that period.

## REGULAR SAVINGS PLAN

Investors who invest in Class A Units may elect to participate in the regular savings plan offered by the Manager. Under the regular savings plan, investors should make monthly contributions to his account on the 5th and/or 20th of each month and the amount of each such contribution shall not be less than HK\$1,000 (inclusive of any initial charge). No other currency will be accepted. Investors may also decide the period during which they want to participate in the plan in accordance with their own need and financial planning and there is no minimum participating period prescribed for the plan. No fees will be levied on the opening and closure of the regular savings plan account.

An investor does not need to be an existing unitholder in order to participate in the regular savings plan.

Contributions to the regular savings plan must be made through direct debit from such Hong Kong dollar account as may be designated by the Unitholder. If an investor decides to participate in the regular savings plan, he must submit an application to the Manager at least 21 days before the day on which the first contribution is proposed to be made and successfully arrange for the direct debit authorisation before the first contribution. Any application must be made in the format prescribed by the Manager. If the 5th or 20th of the month is not a Business Day, the direct debit will be effected on the Business Day which immediately follows. If, as a result of the default of the investor, the direct debit cannot be effected successfully on the 5th and/or 20th (as the case may be) of a month or the Business Day which immediately follows (in the event that the 5th or 20th of the month is not a Business Day), no subscription will be accepted for that month under the regular savings plan. Furthermore, if as a result of the default of the investor, the direct debit cannot be effected successfully for 2 consecutive months, the regular savings plan will be suspended and no further contributions will be accepted under the plan until the investor submits a request to the Manager to re-activate the plan and such request has been accepted by the Manager.

Contributions made under the regular savings plan will be invested in Class A Units of such Sub-Fund or Sub-Funds which the investors may from time to time decide provided that the investment in a Sub-Fund each time must not be less than HK\$1,000 (inclusive of any applicable initial charge). Units will be issued to the Unitholders as at the fifth Business Day after the day on which the direct debit is made.

Investors may switch their Class A Units of any Sub-Fund under the regular savings plan to the same class of Units in another Sub-Fund in accordance with the provisions set out in the "Switching Between Sub-Funds" section on page 14 and there is no limit in the number of switching allowed in a year. The Manager may also levy a switching fee upon switching of the Units. The amount of switching fee is set out in "Charges and Expenses – Initial Charge, Redemption Charge and Switching Fee" on page 17.

Investors should note that unless the Manager agrees otherwise, a 14 days prior notice must be given to the Manager for cessation of contributions in the regular savings plan and a 21 days prior notice must be given to the Manager for any amendment made to the regular savings plan.

The regular savings plan is not available to investors who invest in Class B Units of the Sub-Funds. Currently, no Class B Units will be available for subscription by investors.

## CHARGES AND EXPENSES

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

The Manager is entitled to receive a management fee for each Sub-Fund calculated as a percentage of the Net Asset Value of the relevant class of Units of Sub-Fund. The management fee will be deducted from the assets of the relevant Sub-Funds. The current and the maximum management fee the Manager may levy shall be as follows:

|       |  | Current Rate of Management Fee (p.a.) |               |
|-------|--|---------------------------------------|---------------|
|       |  | Class A Units                         | Class B Units |
| (i)   | NCB China Equity Fund                  | 1.5%                                  | 1.5%          |
| (ii)  | NCB HK Dollar Money Market Fund        | 0.25%                                 | 0.25%         |
| (iii) | NCB China Resources Opportunities Fund | 1.75%                                 | N/A           |
| (iv)  | NCB China Balanced Fund                | 1.25%                                 | N/A           |

The maximum management fees for the Class A Units of the NCB China Equity Fund, NCB HK Dollar Money Market Fund and NCB China Resources Opportunities Fund are same as the respective current rates set out above.

The maximum management fee for the Class A Units of the NCB China Balanced Fund is 2% of the Net Asset Value per annum.

In addition, the Manager is entitled to receive a servicing fee for the Class B Units of each Sub-Fund (if applicable) calculated as a percentage of the Net Asset Value of such Class B Units. The servicing fee will be deducted from the assets of the Class B Units. The current and the maximum servicing fee the Manager may levy is 1% per annum of the Net Asset Value of the relevant Class B Units. No servicing fee will be levied for the Class A Units.

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

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

### **Initial Charge, Redemption Charge and Switching Fee**

The Manager is also entitled to receive an initial charge and redemption charge on the issue and redemption of Units in each Sub-Fund and a switching fee in the switching of Units. The amount of such fees and charges are set out below:

| <i>Applicable to Class A Units of each Sub-Fund</i> | <b>Initial Charge</b><br>For Launch Period and subsequent issue<br><i>(expressed as a percentage of the issue price)</i> |
|---|--|
| (i) NCB China Equity Fund                           | 5%   |
| (ii) NCB HK Dollar Money Market Fund                | 0%   |
| (iii) NCB China Resources Opportunities Fund        | 5%   |
| (iv) NCB China Balanced Fund                        | 5%   |

No redemption charge will be levied for the redemption of the Class A Units of each Sub-Fund.

| <i>Applicable to Class B Units of each Sub-Fund</i> | <b>Redemption Charge</b><br><i>(expressed as a percentage of the redemption price of the Class B Units as at the Dealing Day on which they are redeemed)</i> |
|---|--|
| Redemption within the first year of issue           | 4%   |
| Redemption within the second year of issue          | 3%   |
| Redemption within the third year of issue           | 2%   |
| Redemption within the fourth year of issue          | 1%   |
| Redemption after the fourth year of issue           | 0%   |

|  | <b>Switching Fee</b><br><i>(expressed as a percentage of the issue price of the New Class of Units to be issued)</i>                                     |                |
|--|--|----------------|
|  | <b>Class A</b>   | <b>Class B</b> |
| Switching of the same class of Units between Sub-Funds | 1%<br>(For switching into Units of a Sub-Fund which is not a Money Market Sub-Fund*)<br><br>Nil<br>(For switching into Units of a Money Market Sub-Fund) | Nil            |

\* However, if Units are switched from a Money Market Sub-Fund, those Units of that Money Market Sub-Fund in relation to which no initial charge has ever been levied will be redeemed first and an initial charge (instead of the 1% switching fee) will be levied in respect of such Units as a result of the switching. The initial charge to be levied will be equal to that applicable to the New Class of Units to be issued. For this purpose, Units of a Money Market Fund in relation to which no initial charge has ever been levied means those Units of the Money Market Fund (i) which were issued to the Unitholder directly as a result of a subscription received by the Manager or the Trustee; or (ii) which have not been previously switched from Units of a Sub-Fund which is not a Money Market Sub-Fund. In making such a determination, the Manager may make such assumptions as it considers appropriate.

The Manager may share any fees it receives with distributors or agents procuring subscriptions to the Fund. The Manager may, at its sole discretion, waive part or all of the initial charge, redemption charge or switching fee as it considers appropriate. The Manager and its associates may with the consent of the Trustee deal with any Sub-Fund, both as principal and agent, and, subject as provided below, may retain any benefit which they receive as a result.

The Trustee is entitled to receive the following fees in respect of the Sub-Funds. The current levels of the fees are set out below:

#### **Inception Fee**

- for the establishment of the Fund and NCB China Equity Fund and NCB HK Dollar Money Market Fund up to HK\$30,000
- NCB China Resources Opportunities Fund up to HK\$30,000

- NCB China Balanced Fund  
up to HK\$30,000
- subsequent Sub-Funds  
up to HK\$30,000 per Sub-Fund

The Trustee may, at its sole discretion, waive part or all of the inception fee as it considers appropriate.

### **Trustee Fee**

In respect of trust administrative and fiduciary services provided by the Trustee for the Sub-Funds, the Trustee is entitled to receive a Trustee Fee of up to 1% per annum of its Net Asset Value in respect of each Sub-Fund. The current level of Trustee Fees for different Sub-Funds are as follows:

| Sub-Funds applicable  | Rate of Trustee Fee (p.a.)  |
|---|---|
| NCB China Equity Fund<br>NCB HK Dollar Money Market Fund<br>NCB China Resources Opportunities Fund<br>NCB China Balanced Fund | 0.125% on the first HK\$200 million of the Net Asset Value of each Sub-Fund;<br>0.10% on the next HK\$200 million of the Net Asset Value of each Sub-Fund;<br>0.0875% on the remaining balance of the Net Asset Value of each Sub-Fund;<br>Subject to a minimum monthly fee of HK\$20,000 per Sub-Fund. |

The trustee fee will be deducted from the assets of the relevant Sub-Funds. In respect of each Sub-Fund, the Trustee may increase the rate of the trustee fee up to 1% per annum on giving not less than 3 months notice of such increase to the affected Unitholders and the Manager. The trustee fee is accrued daily, calculated on each Dealing Day and is paid monthly in arrears.

In addition, the Trustee is entitled to (i) transaction and processing fees in accordance with its normal scales as agreed with the Manager; (ii) a termination fee upon termination of the Fund or Sub-Fund at such rates as may be agreed between the Trustee and the Manager, failing which, in accordance with the normal commercial rates of the Trustee at the time of termination; and (iii) such other fees as may be permitted under the Trust Deed.

### **Other Charges and Expenses**

Each Sub-Fund will bear the costs and expenses set out in the Trust Deed which are directly attributable to it. Where such costs are not directly attributable to a Sub-Fund, each Sub-Fund will bear such costs in proportion to its respective Net Asset Value or in such other manner as the Manager shall consider appropriate. Such costs include but are not limited to the costs incurred in the establishment, structuring, management and administration of the Fund and its Sub-Funds, the costs of investing and realising the investments of the Sub-Funds, the fees and expenses of custodians and sub-custodians of the assets of the Fund, the fees and expenses of the auditors, valuation costs, legal fees, the costs incurred in connection with any listing or regulatory approval, the costs of holding meetings of Unitholders and the costs incurred in the preparation and printing of any explanatory memorandum, any audited accounts or interim reports which are sent to the Unitholders.

In addition, each Sub-Fund will bear a due proportion of the costs and expenses incurred by the Manager and the Trustee in establishing the Fund. The costs and expenses incurred in respect of the establishment of the Sub-Funds currently launched under the Fund have been fully amortised over the first accounting period of the Sub-Funds after consultation with the auditors.

Accounting periods of the Sub-Funds are from 1 April of each year to 31 March of the next following 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 under the Fund.

### **Potential Conflict of Interest, Transactions with Connected Persons and Soft Commissions**

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

Each of the Manager, the Trustee or their connected persons will, at all times, have regard in such event to its obligations to the Sub-Funds 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 separation of different areas of operations to control the flow of information that may be confidential and/or price sensitive. Computer and information system with appropriate access controls have been put in place by the Manager. Key duties and functions are segregated among different departments. The Manager has adopted trading policies which are designed to ensure the fair allocation of investment opportunities among funds, investment vehicles or accounts that the Manager manages or advises. A designated risk management and portfolio control team and compliance team of the Manager will monitor the implementation of such trading policies and dealing procedures with overall monitoring by the senior management of the Manager.

The Trustee 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 will keep data and information in relation to the portfolio of each fund/scheme confidential.

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

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

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

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

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

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

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

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

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

## TAXATION

*The following statements regarding taxation are based on advice received by the Fund regarding the law and practice in force in Hong Kong at the date of this document.*

### **Hong Kong**

The Fund is not expected to be subject to Hong Kong tax in respect of any of its authorised activities.

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

## **General**

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

## **GENERAL INFORMATION**

### **Accounts and Reports**

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

### **Publication of Net Asset Value per Unit**

The Net Asset Value per unit for each class of the Sub-Funds on each Dealing Day will be available on the Manager's website ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)) and published in the South China Morning Post, the Hong Kong Economic Journal, the Hong Kong Economic Times and/or any other newspapers which the Manager may from time to time determine and notify the Unitholders. The prices will be expressed exclusive of any initial charge or redemption charge which may be payable on subscription or redemption.

### **Investment Restrictions**

Each of these Sub-Funds is subject to the investment restrictions as set out in "Investment and Borrowing Restrictions" on page 8.

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

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

#### (a) The Trustee

Subject to the prior approval of the SFC,

- (i) the Trustee may retire voluntarily if a new trustee has been appointed by the Manager with the prior approval of the Sponsor (which approval shall not be unreasonably withheld) and adequate arrangements have been made for the new trustee to assume the responsibility for administration of the Fund and for the Trustee's interest in the Fund to be transferred to the new trustee;
- (ii) the Manager may with the prior approval of the Sponsor remove the Trustee by giving not less than 90 days prior notice in writing to the Trustee and appoint any other qualified company to act as the trustee of the Fund; and
- (iii) the Sponsor may with the prior approval of the Manager remove the Trustee by giving at least 90 days prior written notice to the Trustee that it wishes the Trustee to retire in favour of a new trustee.

#### (b) The Manager

Subject to the prior approval of the SFC, the Sponsor may with the prior approval of the Trustee remove the Manager by giving at least 90 days prior written notice to the Manager that it wishes the Manager to retire in favour of a new manager. Furthermore, the Manager may be subject to removal by the Trustee if:

- (i) the Manager commences liquidation or has gone into receivership or has entered into any scheme of arrangement or compromise with its creditors; or
- (ii) for good and sufficient reason, the Trustee states in writing that a change of the Manager is desirable in the interest of the Unitholders; or
- (iii) the Unitholders representing at least 50% in value of the Units outstanding (excluding those held or deemed to be held by the Manager) delivered to the Trustee a written request to dismiss the Manager.

If the authorisation of the Manager to act as investment manager of the Fund is withdrawn by the SFC, the Manager's appointment under the Fund shall be terminated as at the date on which the SFC's withdrawal becomes effective.

Apart from the above, the Manager may also retire voluntarily in favour of some other qualified company approved by the Trustee and the Sponsor.

(c) The Sponsor

Subject to the prior approval of the SFC, the Sponsor shall also have the power to retire voluntarily in favour of some other company approved by the Trustee and the Manager.

**Termination of the Fund**

The Fund shall continue for a period of 80 years from the date of the Trust Deed or until it is terminated in one of the ways set out below:

1. The Sponsor may terminate the Fund if:
  - (a) the Manager goes into liquidation or if a receiver is appointed over any of the Manager's assets and not discharged within 60 days; or
  - (b) the Fund ceases to be authorised or otherwise officially approved pursuant to the Securities and Futures Ordinance of Hong Kong; or
  - (c) the Manager ceases to manage the Fund and the Trustee fails to appoint a successor manager; or
  - (d) the Trustee has notified the Manager of its desire to retire as trustee of the Fund and the Manager fails to appoint a successor trustee.
2. Subject to the prior approval of the SFC, the Manager or the Trustee or the Sponsor may terminate the Fund if:
  - (a) at any time one year after the establishment of the Fund the Net Asset Value of the Fund falls below an amount which is equivalent to HK\$40,000,000; or
  - (b) the Fund ceases to be authorised or otherwise officially approved pursuant to the Securities and Futures Ordinance of Hong Kong or if any law is passed which renders it illegal or in the opinion of the Manager or the Trustee or the Sponsor (with consent from either the Trustee or the Manager) (as the case may be) impracticable or inadvisable to continue the Fund.

Notice will be given to Unitholders if the Fund is terminated under the above circumstances. Such notice will be submitted to the SFC for prior approval and will contain the reasons for the termination, alternatives available to Unitholders and the expected costs involved.

**Termination of a Sub-Fund**

Subject to the prior approval of the SFC,

1. the Manager or the Sponsor may terminate any Sub-Fund if:
  - (a) at any time one year after the establishment of the Sub-Fund the Net Asset Value of that Sub-Fund falls below HK\$40,000,000;
  - (b) the Sub-Fund ceases to be authorised or otherwise officially approved pursuant to the Securities and Futures Ordinance of Hong Kong or if any law is passed which renders it illegal or in the opinion of the Trustee or the Manager or the Sponsor (with consent from either the Trustee or the Manager) (as the case may be) impracticable or inadvisable to continue the Sub-Fund; and
2. unitholders of the relevant class or classes may at any time terminate a Sub-Fund by extraordinary resolution.

**Trust Deed**

The Fund was established under Hong Kong law by a trust deed dated 30 May 2007, as amended, modified or supplemented from time to time. All holders of Units are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Trust Deed.

The Trust Deed contains provisions for the indemnification of the Sponsor, 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 Explanatory Memorandum and the Trust Deed, the provisions of the Trust Deed prevail.

**Modification of Trust Deed**

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

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

## **Meetings of Unitholders**

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

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

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

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

The Trust Deed provides that at any meeting of Unitholders, on a show of hands, every Unitholder who (being an individual) is present in person or (being a partnership or corporation) is present by an authorised 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.

## **Transfer of Units**

Subject as provided below, Units may be transferred by an instrument in writing in a form approved by the Trustee, signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee. The transferor will be deemed to remain the holder of the Units transferred until the name of the transferee is entered in the Register of Unitholders in respect of such Units.

Each instrument of transfer must relate to a single class of Units only. No Units may be transferred if, as a result, either the transferor or the transferee would hold Units having a value less than the minimum holding of the relevant class.

## **Documents Available for Inspection**

Copies of the Trust Deed and the latest annual and semi-annual reports (if any) are available for inspection free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the 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.

(i) This Explanatory Memorandum and any subsequent supplements to this Explanatory Memorandum; (ii) the latest annual and semi-annual reports of the Fund; and (iii) other fund information are also available on the Manager's website ([www.boci-pru.com.hk](http://www.boci-pru.com.hk)).

## **Enquiries and Complaints**

Unitholders wishing to make an enquiry or a complaint about any Sub-Fund(s) should contact the Manager, BOCI-Prudential Asset Management Limited, at 27th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong or call the Manager's Investment Fund Services Hotline at (852) 2280 8615. Customer services officers of the Manager shall address any enquiry or complaint by verbal or written form depending on the nature of enquiry or complaint received about the relevant Sub-Fund received as soon as reasonably practicable.

## **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 application moneys. Depending on the circumstances of each application, a detailed verification might not be required where:

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

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

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