

31 December 2020

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

| | |
|--------------------------------------|--|
| Fund Manager: | BOCI-Prudential Asset Management Limited (the “Manager”) |
| Trustee and Registrar: | BOCI-Prudential Trustee Limited |
| Ongoing charges over a year#: | 1.83% |
| Dealing frequency: | Daily (Hong Kong business days, other than Saturdays) |
| Base currency: | Hong Kong Dollars |
| Distribution policy: | <ul style="list-style-type: none"> - Quarterly basis (by the end of March, June, September and December of each year, subject to the Manager’s discretion) - Distributions will normally be made out of net income received or receivable by the Sub-Fund but the Manager may in its absolute discretion determine that distributions be paid out of the capital of the Sub-Fund. Any distributions involving payment of distributions out of capital or payment of distributions effectively out of capital (as the case may be) may result in an immediate decrease in the Net Asset Value per Unit. |
| Financial year end: | 31 March |
| Minimum investment: | Initial : HK\$10,000 Addition : HK\$10,000 |

The ongoing charges figure is based on expenses for the period ended 31 March 2020. This figure may vary from year to year.

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

The Sub-Fund is an equity fund which aims to provide investors with long-term capital growth through investment mainly (at least 70% of its non-cash assets) 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 Sub-Fund will mainly invest in Hong Kong-listed stocks, H shares, shares of red-chip companies (directly and/or indirectly through investments in SFC authorised collective investment schemes ("CISs") (including CISs managed by the Manager)) and/or exchange traded funds ("ETFs") listed on the Stock Exchange of Hong Kong Limited ("SEHK") (including ETFs managed by the Manager).

The Sub-Fund may also invest (a) up to 20% of its Net Asset Value in A shares ((i) directly through Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect; and/or (ii) indirectly through investment in equity linked instruments ("ELIs") (which may take the form of notes, contracts or other structures) issued by institutions or their affiliates with qualified foreign institutional investors ("QFII") status in the PRC, ETFs listed on the SEHK (including ETFs managed by the Manager) and/or SFC authorised CISs (including CISs managed by the Manager)); and/or (b) up to 15% of its Net Asset Value in B shares listed on the stock exchanges in Mainland China.

Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect are collectively referred to as "Shanghai and Shenzhen Connect" hereinafter below. Each of Shanghai and Shenzhen Connect is a securities trading and clearing linked programme with an aim to achieve mutual stock market access between Mainland China and Hong Kong.

The Sub-Fund's investment in each ETF will not exceed 10% of its Net Asset Value. The aggregate exposure to the A shares and B shares market will not exceed 20% of the Sub-Fund's Net Asset Value.

Investors should note that the Manager may change the above investment limit if it considers appropriate after taking into account the prevailing market conditions.

The Sub-Fund may also invest in instruments like ADRs (American depository receipts) and GDRs (global depository receipts) for securities listed on the stock exchanges in the United States, 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.

Use of derivatives / investment in derivatives

The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's Net Asset Value.

What are the key risks?

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

1. **General investment risk**

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

2. **Concentration risk**

- The Sub-Fund mainly focuses its investments on investment instruments that are related to or benefit from the economic development and growth of Mainland China and Hong Kong. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments.
- The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the PRC and Hong Kong markets.

3. **Emerging market / PRC market risk**

Investing in emerging markets / the PRC market may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

4. **Equity market risk**

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

5. **Risk associated with high volatility of the equity market in Mainland China**

High market volatility and potential settlement difficulties in the Mainland China equity market may result in significant fluctuations in the prices of the securities traded on such market and thereby may have an adverse impact on the prices of PRC securities in which the Sub-Fund invests or the price of the ELIs held by the Sub-Fund.

6. **Risk associated with regulatory/exchanges requirements/policies of the equity market in Mainland China**

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

7. **Risks associated with Shanghai and Shenzhen Connect**

The relevant rules and regulations on Shanghai and Shenzhen Connect are subject to change which may have potential retrospective effect. Each of Shanghai and Shenzhen Connect is subject to set of Daily Quota, which does not belong to the Sub-Fund and can only be utilized on a first come, first served basis. Where a suspension in the trading through the programme is effected, the Sub-Fund's ability to invest in A shares or access the PRC market through the programme will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective could be negatively affected.

8. Foreign exchange and RMB currency and conversion risks

- Underlying investments of the Sub-Fund may be denominated in currencies (e.g. RMB (specifically offshore RMB (CNH) or onshore RMB (CNY))) other than the base currency of the Sub-Fund (i.e. HKD). The Net Asset Value of the Sub-Fund may be affected unfavorably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.
- RMB is currently not freely convertible and is subject to exchange controls and restrictions. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (for example HKD) will not depreciate. Any depreciation of RMB could adversely affect the value of the investors' investments in the Sub-Fund. Although CNH and CNY are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.
- The Sub-Fund may also be subject to bid/ offer spread and currency conversion costs when converting to and from Hong Kong dollars and RMB.

9. Risk of investing in ELIs

- *Credit risk:* The Sub-Fund is exposed to the credit risk of the issuers of the ELIs. If any one of the ELIs issuers fails to perform its obligations under the ELIs, the Sub-Fund may suffer losses potentially equal to the full value of the instrument issued by the relevant issuer. Any such loss would result in the reduction in the Net Asset Value of the Sub-Fund and impair the ability of the Sub-Fund to achieve its investment objective.
- *Illiquidity risk:* There may not be an active market for those ELIs which are not listed or quoted on a market. Even if the ELIs are quoted, there is no assurance that there will be an active market for them. Therefore investment in ELIs can be highly illiquid.
- *QFII risk:* The issuance of the ELIs depends on the ability of the QFII to buy and sell A shares. The availability of QFII investment quota and any restrictions or any change in the QFII laws and regulations may adversely affect the issuance of ELIs and impair the ability of the Sub-Fund to achieve its investment objective.

10. Risks relating to investment in ETFs

Investors should note that the market price of the units of an ETF traded on the SEHK is determined not only by the Net Asset Value of an ETF but also by other factors such as the supply of and demand for the units of the ETF in the SEHK. Therefore, there is a risk that the market price of units of the ETF traded on the SEHK may diverge significantly from the Net Asset Value of the ETF.

11. PRC tax risk

- Based on professional and independent tax advice, the Sub-Fund currently will not make the following tax provision (i.e. 10% withholding income tax provision on realised and/or unrealised capital gains from trading of A shares by a QFII in relation to the underlying A shares to which the relevant ELIs are linked or by the Sub-Fund in investing in A shares via Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect).
- There are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of capital gains realised via Shanghai and Shenzhen Connect or ELIs on the Sub-Fund's investments in the PRC. Any future changes in the taxation policies in respect of QFII's or the Sub-Fund's investment in A shares in the PRC will impact on the Sub-Fund's returns. It is possible that any future announcement by the PRC tax authority may subject the Sub-Fund to unforeseen tax obligations, which may have retrospective effect.

12. Derivative instruments risk

The Sub-Fund may use derivatives as one of its investment strategies. The use of derivatives may expose the Sub-Fund to various types of risk, including but not limited to, counterparty, liquidity, correlation, credit, volatility, valuation, settlement and over-the-counter transaction risks. Derivatives may be more sensitive to changes in economic or market conditions and could increase the Sub-Fund's volatility or can result in a loss significantly greater than the amount invested in the derivatives by the Sub-Fund. Exposure to derivatives may lead to a high risk of significant loss by the Sub-Fund.

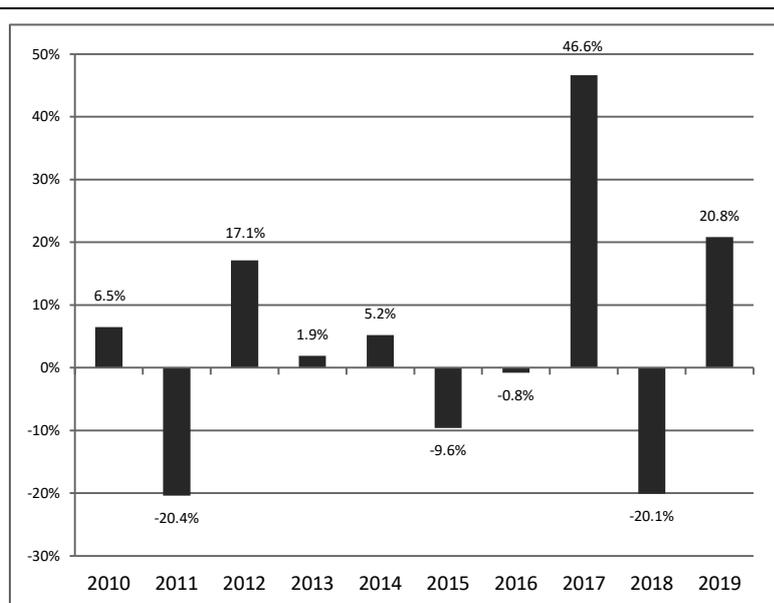
13. Risk in relation to distribution

- The Manager may in its absolute discretion determine that such distributions be paid out of the capital of the Sub-Fund, or the Manager may, in its discretion, pay distributions out of gross income while charging / paying all or part of the Sub-Fund's fees and expenses to / out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of capital. This may reduce the capital that the Sub-Fund has available for investment in future and may constrain capital growth.
- Payment of distributions out of capital and/or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investments. Any such distributions may result in an immediate reduction of the Net Asset Value per unit.

14. Potential conflicts of interest

- The Sub-Fund may invest in ETFs and/or CISs managed by the Manager and this may give rise to potential conflicts of interests.
- Also, the Manager may promote, manage, advise or otherwise be involved in any other funds or investment companies while they act as the Manager of the Sub-Fund. Furthermore, the Manager and the Trustee are affiliated. Situation may arise where there are conflicts of interest between such entities. If such conflict arises, each of the Manager and the Trustee will have regard in such event to its obligations to the Sub-Fund and will endeavour to ensure that such conflicts are resolved fairly.

How has the Sub-Fund performed?



- Past performance information is not indicative of future performance. Investors may not get back the full amount invested.
- The computation basis of the performance is based on the calendar year end, NAV-to-NAV, with distributions reinvested.
- These figures show by how much the Sub-Fund increased or decreased in value during the calendar year being shown. Performance data has been calculated in HKD including ongoing charges and excluding initial charge and redemption charge you might have to pay.
- The Sub-Fund was launched in 2007.
- Only Class A Units are currently available.

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?

Charges which may be payable by you

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

| <i>Fee</i> | <i>What you pay</i> |
|---|---|
| Initial charge | Up to 5% of the issue price |
| Switching fee <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% For switching into Units of a Money Market Sub-Fund: Nil |
| Redemption charge | 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.

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

* You should note that some fees may be increased, up to a specified permitted maximum, by giving Unitholders at least three (3) 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 43 to 47 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 5:00pm (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) 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 including the compositions of distributions (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months are available by the Manager on request and can be found at the Manager's website (www.boci-pru.com.hk). Information contained in the website of the Manager has not been reviewed by the SFC.

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.