

Fund Manager :

Hong Kong Exclusive Distributor :



# CCB PRINCIPAL DUAL INCOME BOND FUND

Hong Kong Covering Document

*IMPORTANT: This document is important and requires your immediate attention. If you are in any doubt about the contents of this notice, you should immediately consult your stockbroker, bank manager, solicitor, accountant or financial adviser. Unless otherwise defined, terms in this notice shall have the same meaning as that in the Prospectus and the Hong Kong Covering Document of the Fund (as defined below).*

*The Securities and Futures Commission (“SFC”) authorization is not a recommendation or endorsement of the Fund nor does it guarantee the commercial merits of the Fund or its performance. It does not mean that the Fund is suitable for all investors, nor is it an endorsement of its suitability for any particular investor or class of investors.*

*CCB Principal Asset Management Co., Ltd. (the “**Manager**”) accepts full responsibility for accuracy of the information contained in this notice and confirms, having made all reasonable enquiries that to the best of its knowledge and belief, there are no other facts the omission of which would make any statement misleading.*

**CCB Principal Dual Income Bond Fund\* and CCB Principal Selected Growth Mixed Asset Fund\***

*(\*The name of the fund is not indicative of the fund’s performance and return)*

**Notice to Hong Kong Investors**

**Update to the address of the Hong Kong Representative**

Dear Investors,

We, CCB Principal Asset Management Co., Ltd., the manager of CCB Principal Dual Income Bond Fund and CCB Principal Selected Growth Mixed Asset Fund (the “**Funds**”) are writing to inform you that, with effect from 24 October 2023, the registered office of Principal Investment & Retirement Services Limited, the Hong Kong Representative of the Funds, is changed.

However, notwithstanding the change of registered office, the current office of the Hong Kong Representative at 30/F, Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Kowloon (“**Kwun Tong Office**”) will remain in operation. Investors can continue to contact the Hong Kong Representative, and make enquiries or requests to view or obtain information or documents relating to the Funds, at the address of the Kwun Tong Office.

The Hong Kong Covering Document of each of the Funds is updated accordingly, together with some miscellaneous and/or editorial updates. The printed copies of the updated Hong Kong Covering

Document of each of the Funds will be available on request at the address of the Kwun Tong Office of the Hong Kong Representative.

If you have any queries, please direct these to the Hong Kong Representative at 30/F, Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Kowloon (telephone: (852) 2117 8383; Hong Kong website: [www.principal.com.hk/](http://www.principal.com.hk/) ^).

*^This website has not been reviewed by the SFC.*

CCB Principal Asset Management Co., Ltd.

24 October 2023

**CCB Principal Dual Income Bond Fund\***  
*(\*The name of the fund is not indicative of the fund's performance and return)*

**Additional Information for Hong Kong Investors**

**Hong Kong Covering Document**

**October 2023**

**CCB Principal Dual Income Bond Fund** (the “**Fund**”) is a fund constituted pursuant to a fund contract between the Manager (as defined below) and the Custodian (as defined below) effective on 13 December 2011 under the laws of the Mainland (as defined below) and is authorized by the Securities and Futures Commission of Hong Kong (“**SFC**”) under section 104 of the Securities and Futures Ordinance for public offering in Hong Kong pursuant to the Mainland - Hong Kong Mutual Recognition of Funds (“**MRF**”) arrangement. The Fund has been approved by and is subject to the ongoing supervision of the China Securities Regulatory Commission (“**CSRC**”).

This document, the Hong Kong covering document (“**Hong Kong Covering**”) and the product key facts statement (“**Product KFS**”), are prepared for distribution in Hong Kong only and must be read in conjunction with the prospectus of the Fund as updated from time to time (the “**Prospectus**”) as registered with the Fund’s home regulator, the CSRC. This document and the Product KFS containing additional information for Hong Kong investors together with the Prospectus form the offering documents of the Fund for the distribution of Units (as defined below) in the Fund in Hong Kong. Units of the Fund are offered only on the basis of the information contained in this document, the Prospectus and the Product KFS, and must be accompanied by the latest annual report and if published thereafter, the latest interim and quarterly report of the Fund.

If there are inconsistencies between the information set out in this document and the information in the Prospectus, the information disclosed in this document relating to Units offered to Hong Kong investors shall prevail. Words and expressions defined in the Prospectus have the same respective meanings when used in this document. Investors should carefully review the Fund’s investment objectives, features and all the risks involved before making a decision to invest.

**CCB Principal Asset Management Co., Ltd.** is the manager of the Fund (the “**Manager**”), and whose registered address is at 16/F, Winland International Business Center, No. 7 Finance Street, Xicheng District, Beijing, China. The Manager is registered and operates in the Mainland in accordance with Mainland laws and regulations and is licensed by the CSRC to manage publicly offered securities investment funds.

The Manager accepts full responsibility for the accuracy of the information contained in the Prospectus, the Hong Kong Covering and the Product KFS, and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

**China CITIC Bank Corporation Limited** is appointed as the custodian of the Fund (the “**Custodian**”). It is qualified to act as custodian for publicly offered securities investment funds pursuant to Mainland laws and regulations.

**IMPORTANT** – If you are in any doubt about the contents of the Prospectus, this document, or the Product KFS, you should seek independent professional financial advice.

***SFC authorization is not a recommendation or endorsement of the Fund nor does it guarantee the commercial merits of the Fund or its performance. It does not mean that the Fund is suitable for all investors, nor is it an endorsement of its suitability for any particular investor or class of investors.***

***In relation to the funds referred to in the Hong Kong offering documents of the Fund including the Prospectus, the Fund is authorized by the SFC for offering to the public in Hong Kong pursuant to section 104 of the Securities and Futures Ordinance.***

***Warning: Please note that other funds mentioned in the Hong Kong offering documents of the Fund including the Prospectus may not be authorized by the SFC for offering to the public in Hong Kong. It is an offence to offer any of these funds which have not been authorized by the SFC to the public in Hong Kong unless an exemption under section 103 of the Securities and Futures Ordinance applies. Intermediaries should take note of this.***

***Without prejudice to the principle of fair and the same treatment for Mainland and Hong Kong investors, some of the services or information set out in the Prospectus may not be available or applicable to Hong Kong investors. Such matters include (but are not limited to):***

- ***information relating to unit classes other than Class H;***
- ***switching of units of the Fund to units of other funds managed by the Manager;***
- ***election for automatic dividend reinvestments;***
- ***periodic subscription service; and***
- ***customization of information service through the Manager’s website in the Mainland.***

***Investors should carefully review the Prospectus, the Hong Kong Covering and the Product KFS, and are advised to enquire with authorized distributors for details. Different authorized distributors may provide different types of service associated with investment in the Fund. Please check with the authorized distributors for details.***

## **Units Offered to Hong Kong Investors**

The Fund is currently offering different classes of units in the Fund whereby Class A units and Class C units are offered in the Mainland of the People’s Republic of China (the “**Mainland**”) (defined for this purpose only to exclude Hong Kong Special Administrative Region, Macau Special Administrative Region or Taiwan area), and class H units are offered in Hong Kong.

Only class H units (hereinafter referred to as “**Units**” or “**Class H Units**”) are currently available to Hong Kong investors and are denominated in RMB. Class H Units shall initially be issued at launch on the first Joint Business Day (as defined below) at the net asset value (hereinafter referred to as “**NAV**”) per unit of the existing Class A units of the Fund for that day, and thereafter shall be issued at the NAV per Class H Unit calculated after Mainland market closes for each relevant day on which Class H Units are dealt (please refer to the section below “**Publication of Information**” for further details regarding prices of Class H Units).

Class H Units are subject to the following:

- Minimum initial subscription – RMB10

- Minimum subsequent subscription –RMB10
- Minimum holding – Nil
- Minimum redemption – Nil

The Manager retains the right to offer additional class(es) of units of the Fund, which may be differentiated as to applicable fees, distribution rights and/or other features unique to each class(es). Holders of units of the same class shall have the same rights as to distributions on a pro-rata basis.

### **MRF in Hong Kong**

Under the MRF arrangement, securities investment funds regulated by the CSRC and offered to the public in the Mainland may be authorized by the SFC and offered to the public in Hong Kong subject to additional requirements imposed by the SFC.

MRF arrangement operates on the principles that:

- a) the Fund meets the eligibility requirements released by the SFC from time to time;
- b) the Fund shall remain authorized by or registered with the CSRC and is allowed to be marketed to the public within the Mainland;
- c) the Fund shall generally operate and be managed in accordance with the relevant laws and regulations in the Mainland and its constitutive documents;
- d) the sale and distribution of the Fund in Hong Kong shall comply with the applicable laws and regulations in Hong Kong;
- e) the Fund will comply with the additional rules released by the SFC governing the authorization or registration, post-authorization and ongoing compliance, and the sale and distribution of the Fund in Hong Kong; and
- f) the Manager shall ensure holders of both the Mainland and Hong Kong receive fair and the same treatment, including in respect of investor protection, exercise of rights, compensation and disclosure of information.

The Fund has to meet the following eligibility requirements under the MRF arrangement for SFC authorization:

- a) the Fund is of an eligible fund type under MRF;
- b) the Fund is established, managed and operates in accordance with Mainland laws and regulations and its constitutive documents;
- c) the Fund is a publicly offered securities investment fund registered with the CSRC under the Securities Investment Fund Law of the People's Republic of China;
- d) the Fund is established for more than 1 year;
- e) the Fund has a minimum fund size of not less than RMB 200 million or its equivalent in a different currency;
- f) the Fund does not primarily invest in the Hong Kong market; and
- g) the value of units in the Fund sold to investors in Hong Kong shall not be more than 50% of the value of the Fund's total assets.

If the Fund ceases to meet any of the requirements under the MRF arrangement following SFC authorization, it may not continue to be marketed in Hong Kong and not be allowed to accept new subscriptions, and the Manager is required to notify the SFC immediately.

## Hong Kong Representative

**Principal Investment & Retirement Services Limited** is appointed as the Hong Kong Representative of the Fund (the “**Hong Kong Representative**”).

**Principal Investment & Retirement Services Limited** will perform the duties required of a Hong Kong representative as prescribed under the SFC’s Code on Unit Trusts and Mutual Funds and as accordingly agreed under the Hong Kong Representative Agreement.

The contact information of the Hong Kong Representative is:

30/F, Millennium City 6,  
392 Kwun Tong Road,  
Kwun Tong, Kowloon

Tel: 2117 8383

Fax: 2801 5690 (General Enquiries), 2918 1461 (Dealings)

Email: Investors-Asia@principal.com

## Distributor

The Hong Kong Representative has been appointed by the Manager as the exclusive distributor of the Fund in Hong Kong, and the Hong Kong Representative may from time to time appoint sub-distributor(s) of the Fund in Hong Kong (each an “**Authorized Distributor**”) licensed by or registered with the SFC.

## Dealings in Units

Hong Kong investors may apply for subscription or redemption of Class H Units through the Hong Kong Representative or Authorized Distributors on each Hong Kong Business Day. Hong Kong investors will be unable to apply for subscription or redemption of Units through the Hong Kong Representative or an Authorized Distributor on a day not a Hong Kong Business Day, despite such day being a Mainland Working Day.

Dealing in Class H Units will be processed on each Joint Business Day. Applications for subscription or redemption of Units received on a Hong Kong Business Day will only be processed on the same Hong Kong Business Day if it is a Joint Business Day (as defined below) and received before the Daily Dealing Cut-off Time, or otherwise on the next Joint Business Day, in accordance with and subject to the procedures as described below. There will be no dealing in Class H Units on a day not a Joint Business Day.

For the purpose of this document, a “**Hong Kong Business Day**” means any day on which commercial banks in Hong Kong are open for business (other than a Saturday, Sunday or other day under Hong Kong law or regulations on which commercial banks in Hong Kong are required or authorized to close (including but not limited to any day where, as a result of a number 8 typhoon signal or higher or a black rain storm warning or other similar event in Hong Kong, the period during which banks in Hong Kong are open for normal banking business on any day is reduced, such day shall not be a Hong Kong Business Day)). The term “**Mainland Working Day**” is being a day the Shanghai Stock Exchange and Shenzhen Stock Exchange are both open for trading. A “**Joint Business Day**” means a Hong Kong Business Day which is also a Mainland Working Day.

## **Order Processing and Dealing Cut-off**

Hong Kong investors may submit their subscription and redemption orders for Class H Units (the “**Dealing Orders**”) to the Hong Kong Representative or an Authorized Distributor on a Hong Kong Business Day.

The Dealing Orders received by the Hong Kong Representative or an Authorized Distributor in Hong Kong on any Hong Kong Business Day which is not a Joint Business Day will be processed on the next Joint Business Day.

The Dealing Orders received in Hong Kong on any Joint Business Day shall (i) be processed on the same day if received before the daily dealing cut-off time, which shall be no later than 3:00 p.m. (Hong Kong time)(the “**Daily Dealing Cut-off Time**”), or (ii) if received after the Daily Dealing Cut-off Time, be processed on the next Joint Business Day. Certain Authorized Distributors may set different earlier cut-off times. There may also be changes to the dealing and cut-off time arrangements as a result of market events. Investors should inquire with the Hong Kong Representative or their individual Authorized Distributor regarding the related dealing and cut-off time arrangements.

For the purpose of this document, the day which the Dealing Orders are processed shall be referred to as the “**Trade Date**”.

The Hong Kong Representative or an Authorized Distributor will forward the Dealing Orders according to such operational process as agreed with the Manager, to, as the case may be, the Manager or such appointed transfer agent (in such capacity, as the “**Transfer Agent**”) for review. The Transfer Agent will review such Dealing Orders and, if in order, process them for confirmation and allotment or redemption of Units or payment of redemption proceeds (as applicable). The Transfer Agent will only process subscription orders upon full payment and clearance of subscription monies from the investors, and the Transfer Agent will only process a redemption order if the investor has an adequate number of Units in the investor’s account.

Cross-border payment of funds for settlement of the Dealing Orders shall be arranged by the Hong Kong Representative or by an Authorized Distributor to such account designated by the Manager or its agent, and cleared in respect of each Trade Date on a consolidated basis.

Investors should note that the Dealing Orders received by the Hong Kong Representative or an Authorized Distributor are not successful until actually processed by the Manager or the Transfer Agent on its behalf.

More detailed instructions for submitting the Dealing Orders are found below.

## **Subscriptions**

### ***Application to Subscribe Units***

To make an initial investment, investors should carefully read the contents of the Prospectus, the Product KFS and this document, complete the relevant application form for subscription received from the Hong Kong Representative or an Authorized Distributor and return it to the Hong Kong Representative or an Authorized Distributor together with such accompanying or additional information or documents as may be required by the Hong Kong Representative or an Authorized Distributor.



### ***Payment for Subscription of Units***

Payment shall be made in cleared funds in RMB and can be made by cheque, bank wire or telegraphic transfer or in such other manner as acceptable to the Hong Kong Representative or an Authorized Distributor.

Payment of subscription amounts should be made in full, net of any wire transfer fees or other bank charges. All wire transfer fees or bank charges will be borne by the applicants. Investors should check with the Hong Kong Representative or the Authorized Distributors for further details.

If payment is made in any other currency, the Hong Kong Representative or an Authorized Distributor may in its discretion arrange for the necessary foreign exchange transactions (at the prevailing market exchange rates, i.e. the market exchange rate applied by the bank at the relevant time of currency conversion) before the subscription request is forwarded to the Manager and/or the Transfer Agent. All charges and expenses in relation to the foreign exchange transaction shall be borne by the relevant investor. Investors should check with the Hong Kong Representative or an Authorized Distributor for further details.

**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.**

### ***Confirmation of Subscription of Units***

Investors whose application forms for subscription of Units are accepted will be allotted Units on the Mainland Working Day following the Trade Date at a price based on the NAV per Unit determined as of the relevant Trade Date.

Investors will receive such number of Units for the net subscription amount after deduction of relevant subscription fee (as set out in the Prospectus and supplemented in the section entitled “***Fees and Expenses***” below).

Net subscription amount = subscription amount / (1 + applicable subscription fee rate\*)

Number of Units = Net subscription amount / NAV per Unit on Trade Date

(\*Subscription fee rate shall not exceed 5% of the subscription amount.)

A confirmation note will be sent to investors following the subscription of Units within 2 Joint Business Days following the Trade Date, providing full details of the transaction. Investors transacting orders through the Hong Kong Representative or an Authorized Distributor should inquire with the Hong Kong Representative or their Authorized Distributor regarding the timing for providing confirmation of subscription.

### ***Circumstances for Possible Rejection or Suspension of Subscription***

The Manager may suspend or reject subscription of units in certain circumstances as permitted and described in the Prospectus. In the event of a suspension of subscription of the Fund, Hong Kong investors shall be informed at the same time as Mainland investors, by such notification published as soon as possible, at such website designed for Hong Kong investors (See below section entitled “***Publication of Information***”). In addition, the Manager has the discretion to reject certain subscription(s) where it considers that such subscription may adversely affect the Fund and its existing Unitholders.

The MRF arrangement is subject to an overall quota restriction. Subscription of Units in the Fund may be suspended at any time if such quota is used up.

One of the continuing eligibility requirements for the Fund to be authorized by the SFC is that the value of the Units in the Fund sold to Hong Kong investors shall not be more than 50% of the value of the Fund's total assets. The Manager will need to manage the subscription of Units in the Fund to ensure that the Fund complies with such ongoing requirement. When the Fund is approaching such limit, the Manager should notify the SFC in writing immediately, and the Manager shall apply such measures as necessary and appropriate to avoid breaching the limit, including suspending subscription or applying a fair arrangement to apportion subscription orders until the 50% limit is reached. There is a risk that Hong Kong investors may not be able to subscribe for the number of Units they apply for (or may not be able to subscribe for any Units at all). However, compulsory redemption of Units held by Hong Kong investors will not be required. Hong Kong investors can continue to hold their existing Units in the Fund.

Investors should note that an application for subscription may potentially be rejected or only partially accepted in such circumstances described above.

## **Redemptions**

Redemption applications may be made by completing relevant redemption form as obtained from the Hong Kong Representative or an Authorized Distributor and returning it to the Hong Kong Representative or an Authorized Distributor.

Provided there are sufficient available Units held to the account of the Unitholder seeking redemption, applications for redemption that are accepted shall be confirmed on the Mainland Working Day following the Trade Date and effected at a price based on the NAV per Unit determined as of the relevant Trade Date. Please refer to the section entitled "**Order Processing and Dealing Cut-off**" regarding dealing and cut-off time arrangement for application for redemption.

Investors will receive such net redemption amount after deduction of relevant redemption fee (as set out in the Prospectus and supplemented in the section entitled "**Fees and Expenses**" below).

Redemption Amount = NAV per Unit on Trade Date × Number of Units Redeemed

Redemption Fee = Redemption Amount × Rate of applicable redemption fee

Net Redemption Amount = Redemption Amount – Redemption Fee

A confirmation note following the redemption of Units shall be issued within 2 Joint Business Days following the Trade Date, providing full details of the transaction. Investors transacting orders through the Hong Kong Representative or an Authorized Distributor should inquire with the Hong Kong Representative or their Authorized Distributor regarding the timing for providing confirmation of redemption.

Provided that a properly documented redemption request is given to the Hong Kong Representative or an Authorized Distributor, payment of redemption proceeds for Hong Kong investors shall be made by the Manager through the Transfer Agent within 7 Mainland Working Days of Trade Date, net of applicable redemption fee (See below section entitled "**Fees and Expenses**") and shall be paid in RMB, subject to circumstances such as massive redemptions

or implementation of side pocket mechanism as described below. However, Hong Kong investors should note that the timing for receiving cross-border payment of redemption proceeds from the Manager may be subject to exchange controls, applicable regulatory, tax or other requirements and which may cause delay. Bank charges incurred in making redemption payments shall be borne by the investor. For dealing in Units through the Hong Kong Representative or an Authorized Distributor, investors are advised to obtain information on settlement from the Hong Kong Representative or the relevant Authorized Distributor. Redemption proceeds shall be paid to the redeeming Unitholder only, no request for third party payment shall be accepted.

### **Suspension of redemption or deferral of redemption payment**

Investors should carefully read the contents of the Prospectus on the redemption process of the Fund including the circumstances under which redemption of units (including Units) may be suspended or payment of redemption proceeds may be deferred. Redemptions may be suspended when the Fund is unable to operate due to a situation of force majeure, or when the NAV of the Fund cannot be calculated due to an exceptional cessation of trading of the relevant Mainland stock exchanges or when certain assets of the Fund triggered the implementation of the side pocket mechanism. In situations of massive redemptions or continuing massive redemptions resulting in cash flow difficulties or during the implementation period of side pocket mechanism, redemption of units (including Units) may be suspended or deferred, or there may be delay of payment of redemption proceeds for accepted redemptions.

As described in the Prospectus, when submitting applications for redemption, the redeeming Unitholder of Class H Units may elect whether (1) to defer or (2) to cancel their redemption application on such part not redeemed in an event the redemption request will not be met or fully met on the relevant Trade Date. Hong Kong investors should confirm with the Hong Kong Representative or Authorized Distributor as to the applicable arrangement.

Where redemptions are met but payment of redemption proceeds is delayed due to continuing massive redemptions, payment shall be made as soon as practicable and in any event shall be deferred no more than 20 Mainland Working Days as described in the Prospectus, but Hong Kong investors should note that cross-border payment of redemption proceeds may be subject to further delay due to exchange controls, applicable regulatory, tax or other requirements.

While the Prospectus describes circumstances of possible compulsory redemption of units held by investors holding less than the prescribed minimum holding requirement, Class H Units are not subject to any minimum holding requirement and accordingly is not subject to such compulsory redemption.

Investors should note the “**Massive redemptions risk**” and “Risks of activation of side pocket mechanism” under the risks section below.

### **Distributions**

The Manager will, if relevant conditions for distribution as set out in the Prospectus have been satisfied, make payment of dividends for the Fund. Although the Prospectus refers to dividends being payable in cash or may be reinvested into units at the election of unitholders, the facility for reinvestment of dividends into Class H Units is currently not available for Class H Unitholders. Until such facility becomes available, dividends of Class H Units will be paid in cash.

Investors should note that the Manager may in its discretion pay dividends out of capital or pay dividends out of gross income while charging all or part of the Fund's fees and expenses to the capital of the Fund, resulting in an increase in distributable income for the payment of dividends by the Fund and therefore, the Fund may effectively pay dividends out of capital. The compositions of the dividends (i.e. the relative amounts paid from net distributable income and capital) for the last 12 months are available from the Manager or the Hong Kong Representative upon request and also on the website where information relating to the Fund is provided to Hong Kong investors (See below under "**Publication of Information**").

**Where payment of dividends are made out of capital or effectively out of capital, this may amount to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment, and such payment of dividends may result in an immediate decrease of the NAV per unit of the Fund. The Fund may amend the dividend policy, subject to regulatory approval and prior notice to investors.**

### **Fees and Expenses**

The Fund is subject to the payment of fees and expenses as set forth in the Prospectus which also applies to Class H. Please refer to the Prospectus for a description of fees and expenses borne by the Fund. However, investors should note that although the Prospectus refers to a potential distribution service fee of up to 1% chargeable to the Fund, such fee is currently not charged to the Fund and the Manager has no intention of charging such fee. Not less than one month's prior notice will be given to Unitholders if the Manager determines in future to charge such service fee.

Separate from fees and expenses borne by the Fund, subscription fee and redemption fee may be applicable and borne by investors respectively on the subscription and redemption of units.

Subscription and redemption fees shall be charged and calculated as permitted under the constitutive document of the Fund (i.e. its fund contract) and as described in the Prospectus, provided however that notwithstanding other alternative or tiered rates as described in the Prospectus:

- Subscription fee for Class H Units shall be charged as a front-end load (upfront fee) at the time of subscription (not as back-end deferred subscription fee chargeable on redemption). Subscription fees shall be charged for the account of the Hong Kong Representative and/or the Authorized Distributors.
- Subscription fee for Class H Units for Hong Kong investors may be **up to 5.0%** payable on the subscription amount, with the actual rate of subscription fee as determined by the Hong Kong Representative or the Authorized Distributor
- A redemption fee of flat rate of **0.025%** shall apply on redemption of Class H Units. The redemption fee shall be retained by the Fund.

Please contact the Hong Kong Representative or an Authorized Distributor for more information and details of the applicable fees.

### **Switching**

Switching of Units in the Fund into units of any fund(s) managed by the Manager not authorized by the SFC for public offer to Hong Kong investors is not permitted. Switching from the Fund to another fund of the Manager authorized by the SFC for public offer to Hong Kong

investors is not currently available. The details of the relevant arrangement for switching of Units shall be provided to Hong Kong investors when such facility is available.

### **Publication of Information**

The NAV of Class H Units of the Fund is calculated on each Mainland Working Day and such other days as required by Mainland laws and regulations, including 30 June and 31 December even if these dates are not Mainland Working Days.

Prices for Fund Units (i.e. NAV per Class H Unit) will be published on a daily basis on the website for Hong Kong investors: ([www.principal.com.hk](http://www.principal.com.hk)), which is issued by the Hong Kong Representative. This website has not been reviewed by the SFC.

The NAV per Class H Unit shall be calculated by the Manager and reviewed by the Custodian using the following formula:

NAV per Class H Unit = NAV of Class H Fund assets on valuation day / total number of Class H Units

If the calculation of the NAV of Units or subscription or redemption of Units of the Fund is suspended, notice of such suspension will be filed with the SFC and published on the website for Hong Kong investors as soon as possible, in any event within 2 days following such decision to suspend is taken and at least once a month during the period of suspension. For any suspension or deferral of dealings of the Fund requiring notification to the CSRC, the SFC shall also be notified correspondingly.

When there is/are material change(s) to the Fund information, the Prospectus will be updated within 3 Mainland Working Days. Other changes of the Prospectus will be updated by the Manager at least once a year. The current version of the Prospectus, this document, the Product KFS, all circulars, notices, announcements (including on any suspension of dealing or calculation of NAV and the end of any period of suspension) issued in respect of the Fund, financial reports and the latest available subscription and redemption prices or NAV of the Fund will be published on the website referred to above. The said website shall be in English and Traditional Chinese.

Hong Kong investors may make enquiries or requests to view or obtain information or documents relating to the Fund by contacting the Hong Kong Representative (See below – ***“Enquiries and Complaints”*** and ***“Availability of Documents”***).

Any changes to the Fund shall be made subject to the requirements of the fund contract and where applicable, subject to the approval of the CSRC and the requirements of the CSRC and Mainland laws and regulations as relevant. Such changes shall be effective upon approval by the CSRC, where required, or by compliance with appropriate procedures under Mainland laws and regulations, and shall thereafter be filed with the SFC.

Changes that concern the eligibility of the Fund under the MRF will require SFC's prior approval, for example changes in investment objective, investment strategy or key operators (including the Manager and the Custodian) will generally require the SFC's prior approval. Further, in respect of certain issues that affect Hong Kong investors only (e.g. change of Hong Kong Representative), SFC's prior approval may be required.

Changes shall be notified to Hong Kong investors in English and Traditional Chinese in accordance with relevant requirements (including posting relevant notices on the website

issued by the Hong Kong Representative for Hong Kong investors in English and Traditional Chinese). The Manager and the Hong Kong Representative will take reasonable steps and measures to ensure that the offering documents and ongoing disclosure of information (including periodic financial reports, notices and announcements) will be made available to Hong Kong investors and Mainland investors at the same time, except for any notice to Mainland investors which is issued only in respect of classes of units (if any) of the Fund not available in Hong Kong and not relevant to Hong Kong investors, or relate solely to issues that have no impact on Hong Kong investors.

### **Reports and Accounts**

Printed copies of the audited annual reports and accounts and the unaudited interim reports and quarterly reports of the Fund (collectively the “**Reports**”) will not be sent to Hong Kong investors. However, printed copies of the Reports will be made available at the office of the Hong Kong Representative at 30/F, Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Kowloon on request free of charge and soft copies of the Reports will be available on the Hong Kong Representative’s website ([www.principal.com.hk](http://www.principal.com.hk)). This website has not been reviewed by the SFC. Hong Kong investors will be notified when these Reports are available, which shall be within 3 months of the end of the relevant period for the audited annual reports, within 2 months of the end of the relevant period for interim reports, and within 15 Mainland Working Days of the end of the relevant period for quarterly reports.

The Reports will be issued in Simplified Chinese only, and will be prepared in accordance with Mainland requirements. However, the Reports shall be made available to Hong Kong investors together with such additional information as required by the SFC from time to time to be furnished to Hong Kong investors.

Upon request by investors, specific information regarding the Reports will be made available to Hong Kong investors in English and/or Traditional Chinese free of charge. Investors may send such requests to the Hong Kong Representative at the address provided below, under “**Enquiries and Complaints**”.

### **Bilingual Documents**

While the Prospectus of the Fund available to Mainland investors is in Simplified Chinese, the Hong Kong offering documents of the Fund comprising of the Prospectus of the Fund, this document and the Product KFS, all of which are made available to Hong Kong investors in the English language and in Traditional Chinese language, taking into account market practice and customary use of Chinese language in Hong Kong. Notices of the Fund and such additional information issued to Hong Kong investors shall also be in English and Traditional Chinese.

However, the constitutive document of the Fund (i.e. the fund contract) and the Reports (as noted above) shall be available to Hong Kong investors only in Simplified Chinese (except specific information made available in English and Traditional Chinese upon the request of investors by submitting a written request to an Authorized Distributor or the Hong Kong Representative). Investors who are not conversant in Simplified Chinese should therefore consider the language barriers that limit full understanding of the governing contractual provisions of the Fund and whether this may negatively impact the interest of such investors.

## **Voting at Meeting of Unitholders**

Unitholders shall have one voting right for each voting unit of Units that they hold. Votes may be given in person, by proxy or in another way as permitted and described under the Prospectus and as further detailed in notices of meetings of Unitholders.

## **Nominee Arrangement**

As is common market practice for other publicly offered funds in Hong Kong, investors may hold Units in the Fund through the Hong Kong Representative or an Authorized Distributor (as the case may be) as nominee (“**Nominee**”) on behalf of Unitholders. Under such arrangement, the Hong Kong Representative or an Authorized Distributor (but not the underlying investors) will be the named Unitholder on the system and records of the Fund’s Transfer Agent. The Hong Kong Representative or an Authorized Distributor shall maintain records on the holdings of Units of their underlying investors, and shall exercise voting rights of Unitholders according to the instructions of underlying Unitholders. Details of such arrangement shall be further set out in notices of Unitholders’ meetings.

Hong Kong investors should note that under the Nominee arrangement, only the name of the Nominee and not of the underlying investor will be registered as Unitholder, and therefore the exercise of rights as Unitholder (including but not limited to the right to take any legal action against the Manager and the Custodian) shall be made only by the Nominee for and on behalf of the underlying investor or exercisable only through the Nominee, and subject to the maintenance of records by the Nominee on the interest of the underlying Hong Kong investors in Units.

Unitholders will be notified by the Nominee as soon as possible upon notification by the Manager regarding meetings of Unitholders including information such as meeting date, time and resolutions, in both English and Traditional Chinese languages. The specific arrangement for the exercise of voting rights by an underlying investor may be subject to further specific terms or procedures as specified by the Nominee. Investors should contact the Hong Kong Representative or the Authorized Distributors for further details.

Accordingly, Hong Kong investors should understand the difference in position from Mainland investors where Mainland investors are directly registered as Unitholders and as such able to directly exercise rights as Unitholders. If in doubt, Hong Kong investors should seek professional advice.

## **Fair Treatment of Mainland and Hong Kong Investors**

The Manager shall ensure that Mainland investors and Hong Kong investors will receive fair and the same treatment, including in respect of investor protection, exercise of rights, compensation and disclosure of information.

## **Termination of the Fund**

The Fund may be terminated under circumstances as set out under the section headed “*VII. Effectiveness of the Fund Contract*” and “*XVIII. Modification and Termination of the Fund Contract and Liquidation of Fund Assets*” of the Prospectus.

When the Fund Contract is terminated, the Manager will organize a liquidation group to liquidate assets of the Fund in accordance with the applicable laws. Fund assets will be liquidated and distributed to unitholders or the relevant distributors after settlement of the

liabilities. Please refer to section “XVIII. *Modification and Termination of the Fund Contract and Liquidation of Fund Assets*” of the Prospectus for details. Unclaimed proceeds (if any) will be held in an account of the Manager under the name of the Fund or the relevant distributor. The minimum period the Fund Custodian is required to retain accounting documents in relation to liquidation of Fund Assets is 15 years.

### **Additional disclosures on investments of the Fund**

The Fund may in combination invest substantially in asset-backed securities, urban investment bonds and debt securities which are rated BB+ or below by a Mainland credit rating agency or unrated. The Fund may invest in asset-backed securities up to 20% of the Fund’s NAV.

Investors should also refer to the Prospectus and the Product KFS for the investment objective, investment strategies and other details on the Fund’s investments.

### ***Financial Derivative Investments***

The Fund does not use financial derivative instruments and if the Fund intends to engage in such transactions in the future, applicable regulatory approval from relevant regulatory authorities will be sought and at least one month’s prior notice will be given to investors before the Fund engages in such transactions.

Notwithstanding the reference in the Prospectus to possible investment in warrants, the Manager currently does not invest in warrants.

### ***Stock Lending***

The Fund does not engage in stock lending transactions and if the Fund intends to engage in such transactions in the future, applicable regulatory approval from relevant regulatory authorities will be sought and at least one month’s prior notice will be given to investors before the Fund engages in such transactions.

### ***Repurchase and Reverse Repurchase Transactions***

The Manager may enter into repurchase transactions and reverse repurchase transactions for the account of the Fund. Subject to complying with the minimum investment requirements to meet the Fund’s investment objective and strategy and the other applicable regulatory requirements, the Fund (i) is not subject to any limit when entering into reverse repurchase transactions on the exchange market and interbank market; and (ii) will enter into repurchase transactions on the exchange market and interbank market up to an aggregate total limit of 40% of the Fund’s NAV. Applicable regulatory approval from relevant regulatory authorities will be sought and prior notice to investors will be given if there would be any change of such limit.

The Fund’s maximum level of leverage shall not exceed 40% of the Fund’s NAV. Applicable regulatory approval from relevant regulatory authorities will be sought and at least one month’s prior notice will be given to investors if there would be any change of such limit.

### ***Repurchase transactions and reverse repurchase transactions in the Mainland***

Repurchase and reverse repurchase transactions of the Fund in the Mainland will generally involve bond securities as pledged collateral where no transfer of ownership or title will occur.



Repurchase and reverse repurchase transactions in the Mainland may be exchange traded or entered into on the Mainland interbank market.

*Exchange-traded repurchase and reverse repurchase transactions*

- Exchange-traded repurchase and reverse repurchase transactions are conducted on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, and of which depository, clearing and settlement are undertaken through the China Securities Depository and Clearing Corporation Limited (“**CSDC**”) that operates a central counterparty system where the CSDC will act as the sole counterparty of all transactions and guarantee settlement. Exchange-traded repurchase and reverse repurchase transactions are subject to the rules of the relevant stock exchange and the relevant rules of CSDC as applicable, and ultimately subject to regulation by CSRC.
- In exchange-traded repurchase transactions, the Fund borrows cash against collateral provided by the Fund, and shall at the end of the transaction repays cash and interest at agreed rate for the release of the collateral. The Fund is required to post sufficient bond securities as pledged collateral in favor of and under the custody of CSDC. Only qualified collateral (such as listed treasury bonds, local government bonds or corporate bonds) according to the requirements of CSDC and as published by CSDC and the relevant exchange may be accepted, subject to applicable haircut as published by CSDC and the relevant exchange. Transactions are marked-to-market daily, and the Fund is required to top up bond securities when market value of pledged collateral falls against cash borrowed under repurchase transactions.
- When entering into exchange-traded reverse repurchase transactions, the Fund loans out cash against the obligation of the CSDC to repay cash together with interest income at agreed rate at the end of the transaction. The Fund’s counterparty risk in such transactions is only to the CSDC.

*Repurchase and reverse repurchase transactions on the interbank market*

- Repurchase and reverse repurchase transactions on the interbank market are subject to regulations by the People’s Bank of China (“**PBOC**”) and the relevant rules of the China Central Depository and Clearing Co., Ltd. (“**CCDC**”) and/or Shanghai Clearing House (as applicable as depository), and also the rules of the China Foreign Exchange Trade System (i.e. National Interbank Funding Centre) (“**CFETS**”) on which transactions are undertaken.
- In repurchase transactions on the interbank market, the Fund borrows cash from and pledges collateral in favor of the counterparty to the transaction. In reverse repurchase transactions on the interbank market, the Fund loans out cash and receives a pledge over bond securities of the counterparty as collateral. The Fund’s transactions shall be undertaken with counterparties such as commercial banks, securities companies, insurance companies, fund management companies, finance companies, trust companies, and other institutional investors approved by PBOC to participate in the interbank market. Counterparties are selected by the Manager exercising due care and diligence, taking into account factors such as the nature of the corporation, the reputation, the previous track record, regulated status and industry ranking.
- For transactions on the interbank market, collateral is given on bond securities under custody with CCDC or Shanghai Clearing House as applicable, and registered as pledged in favor of the counterparty where the Fund enters into repurchase transactions, or in the case of reverse repurchase transactions, collateral is pledged in favor of the Fund. Collateral registered as pledged may not be used by either party to

the transaction for further pledging or other dealings until the relevant transaction is settled and pledge over the collateral is released.

- In reverse repurchase transactions on the interbank market, collateral that may be accepted by the Fund may include, but not limited to, treasury bonds, local government bonds, financial bonds, corporate bonds, enterprise bonds, medium term notes, central bank bills, and short-term financing bills. Collateral will be accepted only upon appropriate risk assessment by the Manager, taking into account factors such as the credit ratings of the collateral as rated by Mainland credit agencies, and the nature, industry prospects and financial status of the issuer, and subject further to prudent haircut policy depending on the credit rating of collateral or taking into account counterparty credit standing. The market value of collateral shall be at least equal to the cash placed out by the Fund at the time the transaction is entered into initially, however collateral on the interbank market are not marked-to-market. Transactions are generally of short duration, to mitigate market risk against collateral taken by the Fund.

Cash proceeds (i.e. borrowed cash) received by the Fund from repurchase transactions may be used by the Fund for liquidity management or may be re-invested by the Fund. Given that collateral received from reverse repurchase transaction is placed under custody of the CSDC, CCDC or Shanghai Clearing House (as applicable), the Fund will not use the collateral for other repurchase transactions or to acquire cash for investment or liquidity management. All incremental incomes from reverse repurchase transactions shall be for the Fund's account, taking into account any necessary deductions for costs relating to the entering into the repurchase or reverse repurchase transaction for the Fund (e.g. costs incurred by the security clearing body or financial institution arranging the repurchase/reverse repurchase transactions, the Manager, the Custodian or their connected persons).

The Fund's repurchase or reverse repurchase transactions may be carried out with or through the Manager, the Custodian or their connected person, provided that all such connected party transactions shall be effected at arm's length and on best available terms (for example, any fee payable shall be on a commercial basis and no greater than the prevailing market rates for a transaction of the same scale and nature), and disclosure on such connected party transactions (including the fee retained by the Manager, the Custodian and their connected person) is made in the Fund's annual and interim reports.

## **Risk Factors**

Investors should refer to the section headed "Risk Disclosure" of the Prospectus as are relevant to investment in the Fund and the following additional information in respect of the risks associated with investing in the Fund.

## **Investment Risk**

The Fund is an investment fund. There is no guarantee of the repayment of principal or payment of dividend or distributions. Further, there is no guarantee that the Fund will be able to achieve its investment objective and there is no assurance that the stated strategies can be successfully implemented.

## **Risks Associated with the MRF Arrangement**

- *Quota restrictions:* The MRF arrangement is subject to an overall quota restriction. Subscription of Units in the Fund may be suspended at any time if such quota is used up.

- *Failure to meet eligibility requirements:* If the Fund ceases to meet any of the eligibility requirements under the MRF, it may not be allowed to accept new subscriptions. In the worst scenario, the SFC may even withdraw its authorization for the Fund to be publicly offered in Hong Kong for breach of eligibility requirements. There is no assurance that the Fund can satisfy these requirements on a continuous basis.
- *Different market practices:* Market practices in the Mainland and Hong Kong may be different. In addition, operational arrangements of the Fund and other public funds offered in Hong Kong may be different in certain ways. For example, subscriptions or redemptions of Units of the Fund may only be processed on a Joint Business Day when both Mainland and Hong Kong markets are open or it may have different cut-off times or dealing day arrangements versus other SFC-authorized funds. Investors should ensure that they understand these differences and their implications.
- *Mainland tax risk:* Currently, certain tax concessions and exemptions are available to the Fund and/or its investors under the MRF regime. There is no assurance that such concessions and exemptions or Mainland tax laws and regulations will not change. Any change to the existing concessions and exemptions as well as the relevant laws and regulations may adversely affect the Fund and/or its investors and they may suffer substantial losses as a result.

### **Specific Risks Relating to the Fund's Investment**

Other than general investment risk, investors should note the following risks relating to the Fund's investment.

#### ***Mainland market risk/concentration risk***

The Fund's investments in equities, fixed income and other investments will be limited to those securities in the Mainland market only. As the Fund invests primarily in securities related to the Mainland market, it is subject to additional concentration risk. Investing in the Mainland market may give rise to different risks including political, policy, tax, economic, foreign exchange, legal, regulatory and liquidity risks.

- *Inflation risk:* Inflation risk is the risk that assets will lose value because of a decrease in the value of money. Inflation can reduce the purchasing power of income made on an investment in a fund as well as the intrinsic value of the investment. Investments in the Fund would be exposed in particular to Mainland inflation risks.

#### ***Mainland debt securities risks***

- *Volatility and liquidity risks:* The Mainland debt securities markets may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations.
- *Counterparty risk:* The Fund is exposed to the credit/default risk of issuers of the debt securities that the Fund may invest in.
- *Interest rate risk:* Investment in the Fund is subject to interest rate risk. In general, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. The Fund is exposed to additional policy risk of potential adjustment by the government to the interbank deposit rate.
- *Downgrading risk:* The credit rating of a debt instrument or its issuer may be downgraded subsequent to investment by the Fund. In the event of such downgrading, the value of the Fund may be adversely affected. The Manager may or may not be able to dispose of the debt instruments that are being downgraded.
- *Credit rating agency risk:* The credit appraisal system in the Mainland and the rating methodologies employed in the Mainland may be different from those employed in other markets. Credit ratings given by Mainland rating agency may therefore not be directly comparable with those given by other international rating agencies.

- *Risk associated with urban investment bonds:* The Fund may invest in urban investment bonds. Urban investment bonds are issued by local government financing vehicles (“LGFVs”), such bonds are typically not guaranteed by local governments or the central government of the Mainland. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the Fund could suffer substantial loss and the NAV of the Fund could be adversely affected.
- *Risk associated with asset-backed securities:* The Fund may invest in asset-backed securities (including asset-backed commercial papers) which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.
- *Risk associated with debt securities which are rated BB+ or below by a Mainland credit rating agency or unrated:* The Fund may invest in debt securities rated BB+ or below by a Mainland credit rating agency or unrated. Such securities are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than high-rated debt securities.

### **Mainland equity risks**

- *Market risk:* The 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.
- *Volatility risk:* High market volatility and potential settlement difficulties in the Mainland equity market may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of the Fund. Investments in Mainland equity market are subject to higher liquidity risk as compared to markets in more developed countries which may also result in higher price volatility and transaction costs. The Fund may suffer substantial loss if it is not able to dispose of investments at a time it desires.
- *Risk associated with small-capitalisation / mid-capitalisation companies:* The Fund may invest in companies of smaller or mid-capitalisation. The stocks of small-capitalisation/ mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.
- *Liquidity risk:* Securities market in Mainland may be less liquid than other developed markets. The Fund may suffer substantial losses if it is not able to dispose of investments at a time it desires.
- *High valuation risk:* Stocks listed on the Mainland stock exchange may have a higher price-earnings ratio. Such high valuation may not be sustainable.
- *Policy risk:* The Shanghai Stock Exchange and the Shenzhen Stock Exchange typically have the right to suspend or limit trading in any security traded on the relevant exchange. Where a suspension is effected, the Fund’s ability to trade in the Mainland stock exchanges will be adversely affected. The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the Fund.
- *Risk associated with ChiNext:* The Fund may invest in stocks listed and trading on ChiNext (a board on the Shenzhen Stock Exchange) which involve the following risks:
  - *Stock price fluctuation and volatility:* As compared to stocks listed on the Mainboard of the Shenzhen Stock Exchange, issuers in the ChiNext market are usually in their initial development stage of mainly small and mid-sized growing venture enterprises with relatively shorter history of business operation, smaller scale, lower operational stability, less mature business model and relatively lower resistance to market risks and industry risks. Hence, stock price may experience higher fluctuations. In

particular, listed companies on ChiNext market are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, companies listed on this board is subject to higher fluctuation in stock prices and liquidity risks. They are subject to higher market volatility and risks and higher turnover ratios than companies listed on the Mainboard. In extreme circumstances, trading prices of stock may be suspended if the price hits the trading band limit rendering it impossible for the Fund to liquidate its position and subject the Fund to significant loss.

- *Difference in regulations in ChiNext:* The rules and regulations regarding securities in the ChiNext market are less stringent in terms of profitability and share capital than those applicable to the Mainboard market of the SZSE.
- *Emerging nature of ChiNext:* The emerging nature of the companies listed on the ChiNext market comes with greater uncertainties on the reliability of new technologies, applicability and maturity of new models, market capacity for new industry and the availability of room to grow. Any failures in the process of developing adverse events happening in the industry may result in losses in investments in such companies made by the Fund and hence an adverse impact on the Fund.
- *Delisting Risk:* Companies listed on the ChiNext market have less track record of profitability. It may be more common and faster for listed companies in the ChiNext market than companies listed on the Mainboard to delist. The Fund may be adversely impacted if the companies that it invests in are delisted.
- *Overvaluation of ChiNext companies:* Stocks listed on the ChiNext market are generally considered overvalued with significantly higher price-earnings ratios than those in the Mainboard of other Mainland stock markets with considerably higher risks as such high valuations may not be sustainable.

Investment in the ChiNext market may result in substantial losses for the Fund.

- *Risks associated with depositary receipts issued and traded on China's domestic securities markets in accordance with Mainland law and regulations ("CDRs"):* The Fund may invest in CDRs which involve the following risks-
  - *Risks associated with the issuer of the underlying overseas securities:* As the issuers of the underlying overseas securities corresponding to CDRs ("overseas issuers") are governed by overseas laws and regulations of its place of incorporating or listing, there may be potential risks caused by differences in the legal status and rights exercisable by holders of CDRs and shareholders of the overseas issuers; There may be risks associated with special arrangements made for CDRs holders in terms of dividend distributions, which may cause CDR holders to receive their stock dividends at a time different than the holders of the underlying overseas securities; There may be risks associated with special arrangements relating to the exercising of voting rights; There may be risk of dilution of CDR holders' interests in certain circumstances, such as the overseas issuers offering rights issue to the holders of the underlying securities but the CDR holders may not be able to participate in such rights issues; There may be risks relating to differences in supervision of ongoing information disclosure requirements applicable in the different listing markets, and other risks that may be caused by differences in domestic and overseas legal systems and regulatory environments.
  - *Risks associated with depositary receipts:* Upon purchasing CDRs, investors holding CDRs will automatically be deemed as having executed and become a party to the depositary agreement, there may be risks associated with the terms of the depositary agreement which is binding to them; There may be risks associated with the delisting of the CDRs such as inability of the depositary to sell the underlying securities according to the depositary agreement.
  - *Risks associated with the CDR trading mechanism:* As the CDRs and the underlying securities are listed in multiple markets, they may have different trading hours due to

difference of time zone and trading rules. There may be risks that the trading price of CDRs may be swayed by the opening price and closing price of the underlying securities and other events in the overseas market. Compared to investment in companies that are listed only in China's domestic securities market, investments in CDRs may be subject to higher price volatility resulting in greater financial losses.

***Risk associated with Repurchase and Reverse Repurchase Transactions***

The Manager may enter into repurchase and reverse repurchase transactions for the account of the Fund on the Mainland stock exchanges or in the interbank market.

- The collateral pledged under the reverse repurchase transactions in the interbank market may not be marked-to-market. In addition, the Fund may suffer substantial loss when engaging in reverse repurchase transactions as there may be delay and difficulties in recovering cash placed out or realizing the collateral, or proceeds from the sale of the collateral may be less than the cash placed with the counterparty due to inadequate valuation of the collateral and market movements upon default of the counterparty.
- For repurchase transactions, the Fund may suffer substantial loss as there may be delay and difficulties in recovering collateral pledged with the counterparty or the cash originally received may be less than the collateral pledged with the counterparty due to inadequate valuation of the collateral and market movements upon default of the counterparty.

**Currency and Conversion Risks**

Investors may have to convert Hong Kong dollar or other currencies into RMB when investing in Units of the Fund denominated in RMB, and subsequently convert the RMB redemption proceeds and/or dividend payment (if any) back to Hong Kong dollar or such other currencies. Investors will incur currency conversion costs and investors may suffer losses depending on the exchange rate movements of RMB relative to Hong Kong dollar or such other currencies.

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 currency (for example Hong Kong dollar) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Fund. Redemption proceeds and/or dividend payment (if any) that are payable in RMB may be delayed due to exchange controls and restrictions applicable to RMB. Investors may not receive RMB upon redemption of investment.

**Risks relating to Payment of Dividends out of Capital**

Payment of dividends out of capital 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 investment, and such distributions may result in an immediate decrease of the NAV per unit of the Fund.

**Risks of activation of side pocket mechanism**

When the side pocket mechanism of the Fund is activated, during its implementation the disclosure of the net value of Units of the side pocket account shall be suspended, and subscription and redemption applications of Units of the side pocket account will not be processed. Due to the uncertainty of the realization time of Specific Assets, the final realizable price is also uncertain and may be significantly lower than the valuation of the Specific Assets when the side pocket mechanism was activated, and Unitholders may suffer losses as a result.

### **Taxation Risks**

Investors should note specific uncertainty in tax position and tax risks relating to potential tax liabilities on income and gains that arise from investing in, holding or disposing of Units in the Fund. Changes in tax regulations and/or tax provisioning policy of the Fund will impact investors. Investors who have sold/redeemed their interests prior to such change may not be impacted. Investors may be advantaged or disadvantaged depending upon whether and how the disposed gains and distributions from the Fund will ultimately be taxed and when the investors invest in the Fund. There are certain risks relating to Mainland tax regime and FATCA, as further described in the section below on “**Taxation**”.

### **Risks Associated with Order Routing and Cross Border Transfer**

The MRF is a new initiative. Dealings in Units of the Fund, data transfer of subscription or redemptions, transfer agency functions may be conducted by or through systems, platforms, or arrangements which are newly established and operating for MRF. Should there be any error or delay in the processing of data, registration of Units, transfer or settlement of funds, investors may directly or indirectly suffer losses.

### **Risk Associated to Different Holidays in the Mainland and Hong Kong**

As applications for subscription and redemption of Units of the Fund will be processed only on Joint Business Days, Hong Kong investors would be unable to deal in Units on any day which is not a Hong Kong Business Day or any day which is not a Mainland Working Day (each term as defined above). Hong Kong investors should note that this may significantly impact the ability to subscribe for Units or redeem Units of the Fund, the timing and the price at which a subscription or redemption of Units may be processed.

### **Massive Redemptions Risk**

Massive redemptions of units could require the Manager to liquidate investments of the Fund more rapidly than otherwise desirable in order to raise the necessary cash to fund the redemptions. This could adversely affect the NAV per unit of both units being redeemed and of remaining units. In the worst case, the Fund may have to suspend or delay the redemption process. Please refer to the arrangement around massive redemptions as described in the Prospectus and in the section above “***Suspension of redemption or deferral of redemption payment***”.

### **Other Risks**

This document does not describe all the risks relating to the Fund. Investors should read the chapter on risk disclosures of the Prospectus for other risks relating to the Fund.

### **Taxation**

**Prospective investors should consult their own professional advisers as to the implications of buying, holding or disposing of units in the Fund and as to the applicable tax requirements under the laws of the relevant jurisdiction(s) where they are subject to tax.**

### ***Mainland Tax Considerations***

#### **Taxation for investors**

On 18 December 2015, The Ministry of Finance, the State of Administration of Taxation and the CSRC jointly released the Caishui [2015] No.125 (the “**Notice**”) which specifies the Mainland taxation for investments in Mainland securities investment funds under MRF

(“**Recognised Mainland Funds**”) by Hong Kong investors or investors in Hong Kong (“Hong Kong Investors”), and as set out below:

### **Corporate Income Tax (“CIT”) and Individual Income Tax (“IIT”)**

Income derived from disposal gains of Recognised Mainland Funds by Hong Kong Investors is temporarily exempt from CIT and IIT respectively. Income derived from distributions from Recognised Mainland Funds by Hong Kong investors would not be subject to CIT and IIT respectively.

### **Business Tax (“BT”)**

BT is temporarily exempted on the disposal gains derived by Hong Kong Investors from trading of units of Recognised Mainland Funds.

### **Stamp Duty**

Mainland Stamp Duty is temporarily not payable by Hong Kong Investors for the subscription, redemption, purchase, sales, transfer or inheritance of units/shares of Recognised Mainland Funds

#### ***Taxation for Mainland Securities Investment Fund***

Pursuant to Caishui [2008] No. 1, gains realized from the trading of Mainland shares and bonds, dividend from Mainland shares, interest from Mainland bonds and other income by Mainland securities investment fund shall be temporarily exempted from CIT.

Pursuant to Caishui [2002] No. 128, listed companies and issuers of bonds should withhold 20% IIT from payment of dividends or interest to a Mainland securities investment fund. Pursuant to the Notice, income tax will be withheld at the rates of 10% and 7% respectively for dividends and interests declared by the Mainland issuers to Recognised Mainland Funds on the portion of dividends and interests attributable to Hong Kong Investors.

In addition, sale of A-Shares and B-Shares (“**Mainland Shares**”) is subject to Mainland stamp duty at a rate of 0.1% of the total proceed. However, the purchase of Mainland Shares is not subject to PRC Stamp Duty.

Various tax reform policies have been implemented by the Mainland government in recent years, and existing tax laws and regulations may be revised or amended in the future. There is no assurance that current tax exemptions or incentives will not be abolished in the future. Investors should seek their own tax advice on their Mainland tax position with regard to their investment in the Recognised Mainland Fund.

### ***Hong Kong Taxation***

For so long as the Fund maintains its authorization with the SFC under the Securities and Futures Ordinance, the Fund is not liable to pay tax on profits arising in or derived from Hong Kong.

Investors resident in Hong Kong will not be subject to Hong Kong tax on distributions from the Fund or on gains realized on the redemption of Units in the Fund unless the acquisition and realization of Units in the Fund is or forms part of a trade, profession or business carried on in Hong Kong and the gains, not being regarded as capital in nature, are derived from or arisen in Hong Kong. Hong Kong stamp duty will not be payable on the issue or redemption and transfer of Units.



The above information relating to taxation is based on the current enacted laws and existing practice of Hong Kong. It is not comprehensive and is subject to change. This information is general in nature and is not provided taking into account specific circumstances of any particular investors.

***FATCA and Identity of Beneficial Ownership and Withholding on Certain Payments***

The Foreign Account Tax Compliance Act ("**FATCA**") is a tax law enacted in the United States (the "**U.S.**") in March 2010 and which requires certain U.S. sourced payments (including dividends and interests, and potentially gross proceeds, paid by US payor made with respect to certain actual and deemed U.S. investments) to be subject to 30% U.S. withholding tax, effective July 2014. In order to avoid such withholding tax, "foreign financial institution" within the meaning of Section 1471(d)(4) of the U.S. Internal Revenue Code of 1986, as amended ("**FFI**") will generally be required to timely register with the United States Internal Revenue Service (the "**Service**") and agree to identify and report information with respect to certain direct and indirect U.S. account holders (including debt-holders and equity-holders). Failure to comply with such requirements may result in 30% withholding tax being applied.

If the Fund becomes subject to such withholding tax, it will reduce the NAV of the Fund by the amount of the withholding imposed and may result in a material loss to investors and inhibit the Fund's ability to pursue its investment strategy.

The PRC has, in June 2014, reached an "agreement in substance" to enter into a Model 1 (reciprocal) inter-governmental agreement with the United States (the "**PRC IGA**") to give effect to the foregoing withholding and reporting rules. While the PRC IGA has not been signed, it is expected that the PRC IGA will be entered into, although it will still need to be brought into force in PRC and enabling legislation in PRC will need to be enacted to give effect to the terms of the PRC IGA under PRC law. Under the PRC IGA and so long as the Manager and the Fund complies with the PRC IGA, the enabling legislation and the US treasury regulations as applicable, the Manager anticipates that the Fund will not be subject to the related U.S. withholding tax.

The Manager has registered as a Reporting Model 1 FFI under FATCA and obtained its Global Intermediary Identification Number ("**GIIN**") as an FFI and as a sponsoring entity. If and when required under applicable law or regulations including such rules relating to the entry into force of the PRC IGA, the Manager shall take such action and introduce additional requirements as necessary to be FATCA compliant. The Manager, as a sponsoring entity, will also assist the Fund in fulfilling the FATCA registration, due diligence, reporting and withholding requirements.

Investors in the Fund may be required to provide to the Manager (or in certain cases, the Hong Kong Representative or an Authorized Distributor, intermediary or certain other entities through which such investor invests (each, an "**Intermediary**")) information for identifying any direct and indirect U.S. ownership. Under the PRC IGA, any such information provided to the Manager (or, if applicable, an Intermediary) will likely be required to be reported to PRC competent authority, instead of reporting directly to the Service, and will be under exchange of information between the PRC and US authorities.

An investor who fails to provide the required information to the Manager (or, if applicable, an Intermediary) for identifying any direct and indirect U.S. ownership, or to register and agree to identify such account holders (as applicable), may be subject to the 30% withholding tax with respect to its share of any U.S. sourced payments. While the Manager intends for the Fund to be FATCA compliant, this cannot be assured due to complexities in the relevant regulations and arrangement and to the potential risks of non-compliance by investors in the Fund. The

Manager may take any action permitted in relation to an investor's Units or redemption proceeds to ensure that if the Fund suffers withholding, such withholding is economically borne by the relevant investor whose failure to provide the necessary information or comply with such requirements gave rise to the withholding, subject to applicable laws and regulations and provided that the Manager acts in good faith and on reasonable grounds. If the Fund becomes subject to withholding, this could have an adverse impact on the Fund and its NAV, and amounts subject to withholding may not be refundable to the Fund.

Investors should consult their own tax advisors regarding the possible implications of FATCA rules on their investments in the Fund, their particular circumstances and the information to be provided and disclosed to the Manager (or an Intermediary), which may potentially be ultimately provided to the Service. The foregoing FATCA information does not constitute advice to, and is not intended for reliance as such by, any person.

### **Personal Data (Privacy) Ordinance of Hong Kong**

Hong Kong investors should take note of any information or statement relating to personal data collection in Hong Kong provided by the Manager, the Hong Kong Representative or any Authorized Distributor.

Pursuant to the provisions of the Personal Data (Privacy) Ordinance (Chapter 468 of the Laws of Hong Kong) (“**PDPO**”), the Manager and/or the Hong Kong Representative and/or Authorized Distributor, or their agents or delegates, (each a “**Data User**”), may collect, hold, use personal data of individual investors in the Fund only for the purposes for which such data was collected, principally in connection with the dealing and/or holding of Units in the Fund or such other purposes as expressly stated and agreed. Investors should note that data may be transferred outside of Hong Kong, including to the Manager or its agents or delegates in the Mainland. Data Users shall comply with relevant personal data protection principles, and/or requirements as set out in the PDPO and all other applicable regulations and rules governing personal data use in Hong Kong from time to time. Accordingly, each Data User shall take all practicable steps to ensure that the personal data collected, held and processed by them are protected against unauthorized or accidental access, processing, erasure or other use.

### **Enquiries and Complaints**

All enquiries and complaints relating to the Fund and requests to view or obtain documents relating to the Fund should be addressed to the Hong Kong Representative, **Principal Investment & Retirement Services Limited**, at the address: 30/F, Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Kowloon. **Principal Investment & Retirement Services Limited** can also be contacted by telephone at +852 2117 8383.

The Hong Kong Representative will respond to investor's enquires or complaints in writing as soon as practicable.

### **Availability of Documents**

For as long as the Fund maintains its authorization with the SFC, copies of the following documents in relation to the Fund may be inspected free of charge during usual business hours at the offices of Hong Kong Representative (whose address is given above) and copies obtained at a reasonable charge (except for items (a) and (d) copies of which can be obtained free of charge):

- (a) the current version of the Prospectus of the Fund, this document and the Product Key Facts Statement of the Fund which are part of the Hong Kong offering documents, which shall be available in English and Traditional Chinese;
- (b) the constitutive document of the Fund, being the fund contract between CCB Principal Asset Management Co., Ltd. as the Manager and China CITIC Bank Corporation Limited as the Custodian registered with the CSRC, as amended from time to time, which shall be available in Simplified Chinese (except for specific information made available in English and Traditional Chinese upon request of investors);
- (c) the custodian agreement of the Fund between the Manager and the Custodian, which shall be available in Simplified Chinese;
- (d) the latest published Reports, which shall be available in Simplified Chinese (except for specific information made available in English and Traditional Chinese upon request of investors);
- (e) the Agreement appointing the Hong Kong Representative to act as such, which shall be available in English and Traditional Chinese;
- (f) the notices and announcements relating to the Fund to Hong Kong investors, which shall be available in English and Traditional Chinese; and
- (g) such other documents relating to the Fund as listed in the Prospectus as available for inspection by investors, which shall be available in Simplified Chinese.

### **Solicitors**

The Hong Kong solicitors firm to the Manager in respect of the Fund is **Deacons** at 5/F, Alexandra House, 18 Chater Road, Central, Hong Kong.