

INVESTMENT OBJECTIVE AND POLICY

The BOCHK Hong Kong Dollar Income Fund seeks to provide a stable income stream and long-term capital appreciation through a portfolio which mainly consists of Hong Kong dollar denominated investment

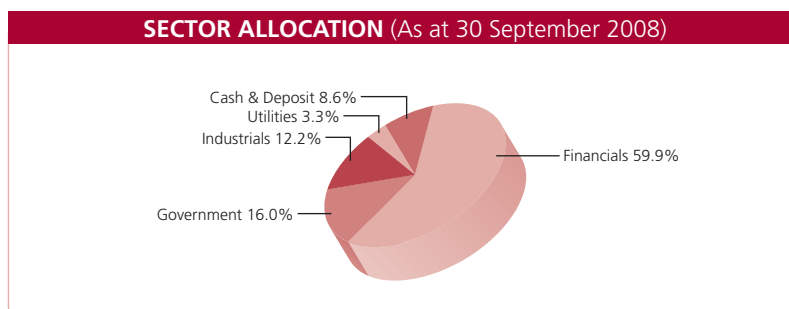
grade bonds. The risk profile of this Sub-Fund is generally regarded as low.

MANAGER'S COMMENT

Hong Kong began to see more contagion effects from the global financial malaise. Both export and import growth was significantly lower than expected, reflecting weakening of external and domestic demand. While the unemployment rate remained unchanged, the latest manpower survey showed hiring intentions had waned. Unexpected collapse of several big global financial institutions also shattered confidence on local banks, leading to a surge in interbank rates. Subsequent hike of mortgage rates by some local banks exacerbated the already frail property market. Inflation pressure started to ease, due to the government's fiscal relief measures and softening of food and commodity prices. As the 2009 GDP growth is expected to decelerate, the market is anticipating more economic stimulus packages from the upcoming Policy Address by the Chief Executive.

In Hong Kong, the Government bond market followed the global steepening trend. The yield on 2-year Exchange Fund Note dropped by 67bps to 1.44% on flight-to-quality buying, while the 10-year note yield fell by 10bps only to 2.90%. Government bond-swap spreads widened dramatically on recent financial market stress. Tightness in US funding and escalating counterparty risks have led HIBOR higher. Besides the liquidity injection, HKMA also announced 5 temporary measures to address the continued elevated pressure in short-term HKD funding.

The Fund posted a small gain in September when bond yields declined to recent low on fears of financial crisis and global slowdown. The overweight position in the short end added value. However, the gain was offset by the negative impact from credit widening. Given the ongoing financial market stress, credit market will remain unsettled. As such, we would maintain a defensive strategy in credit investment and gradually increase the Government bond holding.



TOP 10 HOLDINGS (As at 30 September 2008)

1	SWIRE PAC MIN FIN 4.93% Q 28MAR2013	5.1%
2	CK BOND FINANCE 4.4% A 20APR2015	4.8%
3	ICBC ASIA 4.44% Q 10MAY2010	4.2%
4	HK GOVT 4.5% S/A 04DEC2012	3.8%
5	MIZUHO CORP HK 4.38% Q 05OCT2009	3.6%
6	HK GOVT 3.78% S/A 06DEC2016	3.5%
7	CHINA CON BK HK 3.75% Q 17JUN2010	2.9%
8	CHINA CON BK HK 2.9% A 03MAY2010	2.9%
9	MTR CORP (C.I.) 5.25% A 21MAY2013	2.8%
10	BK TOKYO-MIT HK 4.4% A 30MAR2009	2.7%

FUND DATA (As at 30 September 2008)

Investment Manager	Chris LAU & Team
Fund Size (Million)	HKD343.73 (Class A)
Inception Date	12 July 2002
Currency	HKD
Dividend Period	Paid semi-annually*
Latest Dividend Date	30 September 2008
Latest Dividend History (Dividend per unit)	HKD0.08
Management Fee (p.a.)	0.5%
Initial Charge	3% (Class A)
Switching Fee	0% - 1% (Class A)
NAV per unit	HKD10.4341 (Class A)

Class B of the Fund has been closed for subscription.

* The Manager may in its discretion make distributions (if any) to the Unitholders as at 31 March and 30 September each year as the Manager considers appropriate, having regard to the net income of the Fund.

PERFORMANCE IN HKD (As at 30 September 2008) [Gross dividend reinvested]

	3 Months (%)	Year to date (%)	1 Year (%)	3 Years (%)	5 Years (%)	Since Inception (%)
BOCHK Hong Kong Dollar Income Fund — Class A	2.60	2.73	7.10	14.51	15.96	21.78
HSBC Hong Kong Dollar Bond Index	3.27	4.04	8.77	17.78	22.31	31.85

Fund Manager: BOCI-Prudential Asset Management Limited

Source: BOCI-Prudential Asset Management Limited

Please refer to the Explanatory Memorandum for further fund details.

Investment involves risk. Past performance is not indicative of future performance. Price of units and the income from them may go down as well as up. Investment in emerging markets involves special risks and considerations.

Fund performance is calculated in Fund's base currency on NAV-to-NAV basis with gross dividend reinvested.

Investors should note that Bank of China (Hong Kong) Limited is not the Manager of the Fund and will only act as the Sponsor and Distributor whilst BOCI-Prudential Asset Management Limited is the Manager.