

HAITONG GREATER CHINA VISION
FUND

C1

EXPLANATORY MEMORANDUM

April 2022

C21

Issuer: Haitong International
Investment Managers Limited

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MANAGEMENT AND ADMINISTRATION

Manager:

Haitong International Investment Managers Limited
22/F., Li Po Chun Chambers
189 Des Voeux Road Central
Central, Hong Kong
General Line: (852) 2116 8200

C3(a)

Directors of the Manager:

Poon Mo Yiu
Sun Tong
Yang Jianxin
Luk Wai Yin
Yan Suping
Wang Shengzu

C3(a)

Principal Office, Trustee, Administrator and Registrar:

HSBC Trustee (Cayman) Limited
Principal Business Office:
Strathvale House
Ground Floor, 90 North Church Street,
George Town,
Grand Cayman
Cayman Islands
Registered Office:
P.O. Box 309,
Ugland House,
Grand Cayman, KY1-1104,
Cayman Islands

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Alternate Trustee:

HSBC Institutional Trust Services (Singapore) Limited
Principal Business Office:
21 Collyer Quay
#13-02 HSBC Building
Singapore 049320

C3(b)

Trustee's and Registrar's Agent:

Registered Office:
HSBC Institutional Trust Services (Asia) Limited
1 Queen's Road Central
Hong Kong

Solicitors:

Deacons
5/F, Alexandra House
18 Chater Road
Central
Hong Kong

Auditors:

KPMG
P.O. Box 493

C3(f)

SIX Cricket Square
Grand Cayman KY1-1106
Cayman Islands

INTRODUCTION

Haitong Greater China Vision Fund is a unit trust established pursuant to the Trust Deed dated 18 April 1989 (as amended) under the laws of Hong Kong. Details of the constituent documents of the Fund are set out below in the section headed "Trust Deed". The base currency of the Fund is Hong Kong dollars.

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Information relating to the Fund, including the latest versions of the Fund's offering documentation, circulars, notices, announcements, financial reports and the latest available Net Asset Value, is available on the website www.htisec.com/asm. Please note that the website does not form part of this Explanatory Memorandum and has not been reviewed by the SFC.

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PRELIMINARY INFORMATION

Important - If you are in any doubt about the contents of this Explanatory Memorandum, you should seek independent professional financial advice. C19(a)

Investment involves risk and investors should note that losses may be sustained on their investment. There is no assurance that the investment objective of the Fund will be achieved. Investors should read this Explanatory Memorandum, particularly the section headed “Risk Factors” before making their investment decisions.

The Manager accepts full responsibility for the accuracy of the information contained in this Explanatory Memorandum and the product key facts statement in relation to the Fund at the date of publication, 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. However, neither the delivery of this Explanatory Memorandum and the product key facts statement nor the offer or issue of Units shall under any circumstances constitute a representation that the information contained in this Explanatory Memorandum or the product key facts statement is correct as of any time subsequent to such date. This Explanatory Memorandum and the product key facts statement may from time to time be updated. Prospective investors should ask the Manager if any supplements to this Explanatory Memorandum or any later Explanatory Memorandum have been issued. C22
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In particular, nationals or residents of, or persons domiciled in, countries other than Hong Kong should consult their financial advisors and take legal advice as appropriate as to whether any government or other consents are required, or other formalities need to be observed and as to any taxation effects, foreign exchange restrictions or exchange control requirements applicable, to enable them to acquire Units.

No action has been taken to permit an offering of Units or distribution of this Explanatory Memorandum or the product key facts statement in any jurisdiction other than Hong Kong where action would be required for such purposes. Accordingly, this Explanatory Memorandum or the product key facts statement may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized. Receipt of any document about the Fund does not constitute an offer of Units in those jurisdictions in which it is illegal to make such an offer. In particular:

- (a) the Units have not been registered under the United States Securities Act of 1933 (as amended) and, except in a transaction which does not violate such Act, may not be directly or indirectly offered or sold in the United States of America, or any of its territories or possessions or areas subject to its jurisdiction, or for the benefit of a U.S. Person (as defined in Regulation S under such Act); and
- (b) the Fund has not been and will not be registered under the United States Investment Company Act of 1940 as amended.

Units issued in respect of the Fund after the date of this Explanatory Memorandum are

offered on the basis only of the information contained in this Explanatory Memorandum, the product key facts statement and the latest annual report and accounts or semi-annual report of the Fund. Any further information or representations made by any dealer, salesman or other person must be regarded as unauthorized and must accordingly not be relied upon. The delivery of this Explanatory Memorandum or the other documents mentioned above or the offer, issue or sale of Units shall not in any way constitute a representation that the information and representations given herein or in such documents is correct as at any time subsequent to the date of such documents.

The Fund is authorised by the SFC. SFC authorisation 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 the Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

The Fund is registered with CIMA as a regulated mutual fund under Section 4(1)(b) of the Mutual Funds Act and, accordingly, is regulated pursuant to that law. In compliance with the requirements of Section 4(1)(b) of the Mutual Funds Act, the Trustee, being a licensed mutual fund administrator for the purposes of the Mutual Funds Act, provides the principal office of the Fund in the Cayman Islands.

In connection with its registration under the Mutual Funds Act, the Fund has filed with CIMA a copy of this Explanatory Memorandum and certain details of this Explanatory Memorandum prescribed by the Mutual Funds Act. The Fund has also paid the prescribed initial registration fee as required by the Mutual Funds Act.

The Fund's continuing obligations under the Mutual Funds Act are: (a) to file with CIMA prescribed details of any changes to this Explanatory Memorandum, (b) to file annually with CIMA accounts audited by an approved auditor and an annual return containing certain key statistical data, and (c) to pay the relevant prescribed annual fee.

As a regulated mutual fund, the Fund is subject to the supervision of CIMA. At any time, CIMA may instruct the Fund to have its accounts audited and to submit them to CIMA within such time as CIMA may specify. Failure to comply with any supervisory request by CIMA may result in substantial fines. CIMA has wide powers to take certain actions if certain events occur. For instance, it has wide powers to take action if it is satisfied that a regulated mutual fund:

- (a) is or is likely to become unable to meet its obligations as they fall due; or
- (b) is carrying on or is attempting to carry on business or is winding up its business voluntarily in a manner that is prejudicial to its investors or creditors.

The powers of CIMA include, amongst others: (i) the power to require the Trustee to be replaced; (ii) the power to appoint a person, at the expense of the Fund to advise the Fund on the proper conduct of its affairs; and (iii) the power to appoint a person, at the expense of the Fund, to assume control of the affairs of the Fund, including for the purpose of terminating the business of the Fund. CIMA also has other remedies available to it including applying to the courts of the Cayman Islands for approval of other actions, and requiring the Fund to re-organise its affairs in a manner specified by

CIMA.

A MUTUAL FUND LICENCE ISSUED OR A FUND REGISTERED BY THE CAYMAN ISLANDS MONETARY AUTHORITY DOES NOT CONSTITUTE AN OBLIGATION OF THE AUTHORITY TO ANY INVESTOR AS TO THE PERFORMANCE OR CREDITWORTHINESS OF THE FUND.

FURTHERMORE, IN ISSUING SUCH A LICENCE OR IN REGISTERING A FUND, THE AUTHORITY SHALL NOT BE LIABLE FOR ANY LOSSES OR DEFAULT OF THE FUND OR FOR THE CORRECTNESS OF ANY OPINIONS OR STATEMENTS EXPRESSED IN ANY PROSPECTUS OR OFFERING DOCUMENT.

Investors may contact the Manager for any queries or complaints in relation to the Fund using the following methods:

In writing to:	22/F., Li Po Chun Chambers, 189 Des Voeux Road Central Central, Hong Kong Attention: Client Services Team
Telephone:	(852) 2116 8200
Email:	htiim@htisec.com

The Manager will respond to any enquiry or complaint as soon as practicable in writing or by telephone.

DEFINITIONS

The defined terms used in this Explanatory Memorandum have the following meanings:

Administrator	HSBC Trustee (Cayman) Limited in its capacity as administrator of the Fund
Auditor	KPMG or the auditors of the Fund as from time to time appointed
business day	a day on which licensed banks in Hong Kong generally are open for business (excluding Saturdays)
CCASS	the Central Clearing and Settlement System established and operated by HKSCC or any successor system operated by HKSCC or its successors
CIMA	the Cayman Islands Monetary Authority
Class	means any class of Units in issue in relation to the Fund
Code	the Overarching Principles Section and Section II- Code on Unit Trusts and Mutual Funds of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products or any handbook, guideline and code issued by the SFC, as may be amended from time to time
connected person	<p>in relation to the Manager, means:</p> <ul style="list-style-type: none"> (a) any person, company or fund beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of the Manager or being able to exercise, directly or indirectly, 20% or more of the total votes in the Manager; or (b) any person, company or fund controlled by a person who or which meets one or both of the descriptions given in (a); or (c) any member of the group of which the Manager forms part; or (d) any director or officer of the Manager or of any of its connected persons as defined in (a), (b) or (c) above
CSDCC	the China Securities Depository and Clearing Co., Ltd.
CSRC	the China Securities Regulatory Commission

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Explanatory Memorandum	this Explanatory Memorandum as may be amended, updated or supplemented from time to time
FATCA	the U.S. Foreign Account Tax Compliance Act
Fund	Haitong Greater China Vision Fund
Government and other public securities	any investment issued by, or the payment of principal and interest on, which is guaranteed by the government, or any fixed-interest investment issued by its public or local authorities or other multilateral agencies
Greater China	the mainland China, Hong Kong, Macau and Taiwan
HKSCC	Hong Kong Securities Clearing Company Limited or its successors
Hong Kong	Hong Kong Special Administrative Region of the People's Republic of China
Hong Kong dollars or HK\$	Hong Kong Dollars, the lawful currency of Hong Kong
HTISG	Haitong International Securities Group Limited
Initial Offer Price	The price per Unit where a Class is initially offered (including subsequent issue where there is no Unit in issue in respect of a Class) and as specified in section "Classes of Units"
Investment Delegate	an entity that has been delegated the investment management function of all or part of the assets of the Fund
Manager	Haitong International Investment Managers Limited
MOF	the Ministry of Finance of the People's Republic of China
Mutual Funds Act	the Mutual Funds Act (2021 Revision) of the Cayman Islands, as amended or re-enacted from time to time
Net Asset Value	the net asset value of the Fund or of a Class or of a Unit, as the context may require, calculated in accordance with the provisions of the Trust Deed
PRC or China	the People's Republic of China

PRC Broker	a broker in the mainland China appointed by the QFI Holder (in conjunction with the Manager) for the execution and settlement of transactions or the transfer of any funds or securities in respect of the Fund
PRC Custodian	the person or persons for the time being appointed pursuant to the PRC Custodian Agreement
PRC Custodian Agreement	the custodian agreement for appointing the relevant PRC Custodian as custodian in the mainland China in respect of QFI investments, as amended from time to time
QFI	means qualified foreign investors approved pursuant to the relevant mainland China regulations (as amended from time to time), including qualified foreign institutional investors (“QFII”) and Renminbi qualified foreign institutional investors (“RQFII”)
QFI Holder	Haitong International Holdings Limited, the holding company of the Manager
Qualified Exchange Traded Funds	exchange traded funds that are: <ul style="list-style-type: none"> (a) authorized by the SFC under 8.6 or 8.10 of the Code; or (b) listed and regularly traded on internationally recognized stock exchanges open to the public (nominal listing not accepted) and either (i) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under 8.6 of the Code; or (ii) the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under 8.10 of the Code
Registrar	HSBC Trustee (Cayman) Limited in its capacity as registrar of the Fund
Registrar’s Agent	HSBC Institutional Trust Services (Asia) Limited in its capacity as registrar’s agent of the Fund
REITs	real estate investment trusts
reverse repurchase transactions	transactions whereby the Fund purchases securities from a counterparty of sale and repurchase transactions and agrees to sell such securities back at an agreed price in the future

RMB	renminbi, the lawful currency of mainland China
SAFE	the State Administration of Foreign Exchange of the People's Republic of China
sale and repurchase transactions	transactions whereby the Fund sells its securities to a counterparty of reverse repurchase transactions and agrees to buy such securities back at an agreed price with a financing cost in the future
Securities	includes any investment which is a security within the meaning of the SFO and any other instrument commonly known or recognized as a security
securities financing transactions	collectively securities lending transactions, sale and repurchase transactions and reverse repurchase transactions
Securities Market	any stock exchange, over-the-counter market or other organized securities market that is open to the international public and on which such securities are regularly traded
securities lending transactions	Transactions whereby the Fund lends its securities to a security-borrowing counterparty for an agreed fee
SEHK	The Stock Exchange of Hong Kong Limited or its successors
SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance, Laws of Hong Kong (Chapter 571) as amended or supplemented from time to time
SSE	Shanghai Stock Exchange
STA	the State Taxation Administration of the People's Republic of China
Stock Connect	the securities trading and clearing linked programme with an aim to achieve mutual stock market access between the mainland China and Hong Kong, comprising the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect

substantial financial institution	an authorized institution as defined in section 2(1) of the Banking Ordinance (Chapter 155 of Laws of Hong Kong) or a financial institution which is on an ongoing basis subject to prudential regulation and supervision, with a minimum net asset value of HK\$2 billion or its equivalent in foreign currency	
SZSE	Shenzhen Stock Exchange	
Trust Deed	the trust deed dated 18 April 1989 establishing the Fund and entered into by the Manager and the Trustee (as amended and/or supplemented from time to time)	
Trustee	HSBC Trustee (Cayman) Limited in its capacity as trustee of the Fund	
Unit(s)	one equal undivided part or share of the Fund including as the context may require a fraction of a Unit	
Unitholder(s)	the person or persons who are for the time being registered in the register of Unitholders as the holder or joint holders of any Units	
U.S.	the United States of America	
U.S. dollars, USD or US\$	the lawful currency of the United States of America	
Valuation Date	a date on which the Net Asset Value is determined in accordance with the Trust Deed	C2B
Valuation Point	the time of 6:00 p.m. in Hong Kong or such other time as the Manager shall determine pursuant to the Trust Deed	

TABLE OF KEY FEATURES

Name of Fund	Haitong Greater China Vision Fund	C1
Investment Objective	To achieve capital growth through a portfolio of publicly quoted equity or equity-linked securities of companies based in or with the majority of their business conducted in or with substantial revenue derived from Greater China	C5
Base Currency	Hong Kong dollars	
<u>Dealing Deadline</u>		
Application for Units	3:00 p.m. Hong Kong time on a Valuation Date	
Redemption of Units	3:00 p.m. Hong Kong time on a Valuation Date	C7
Dealing Frequency	Daily, on every business day in Hong Kong except Saturday	
Distribution Policy	No distribution will be made	
Financial year end	30 June	
<u>Fees payable by investors</u>		
Initial Charge	Up to 5% of the total subscription amount received in relation to an application for Units	
Redemption Charge	Nil	C13
Switching Fee	Up to 2% of the subscription amount of the Class being switched into	C17
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Fee payable by the Fund

Management Fee

Class A: 1.5% per annum of the Net Asset Value of the Fund

Class I: 1.2% per annum of the Net Asset Value of the Fund

Trustee Fee*

0.12% per annum for the first HKD 390 million of the Fund and 0.10% per annum for the portion of the Net Asset Value of the Fund which exceeds HKD 390 million, subject to a minimum fee of HK\$250,000 per annum (plus an additional fee of USD4,000 per annum)

C14(b)

* The Trustee is also entitled to receive a fee for acting as Registrar. It is also entitled, in its capacity as Trustee, Administrator and Registrar, to receive various transaction, processing, valuation fees and other applicable fees as agreed with the Manager from time to time and to be reimbursed by the Fund for all out-of-pocket expenses (including custody fees and expenses) properly incurred by it in the performance of its duties.

POLICY AND OBJECTIVES OF THE FUND

The investment objective of the Fund is to achieve capital growth through a portfolio of publicly quoted equity or equity-linked securities of companies based in or with the majority of their business conducted in or with substantial revenue derived from Greater China (“Greater China Companies”).

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At least 70% of the Fund’s Net Asset Value will be invested in equity or equity-linked securities of Greater China Companies while up to 30% of the Fund’s Net Asset Value may be invested in equity or equity-linked securities of companies other than Greater China Companies.

At least 70% of the Fund’s Net Asset Value will be invested in companies listed on The Stock Exchange of Hong Kong Limited.

The Fund may invest less than 30% of its Net Asset Value in China A-Shares listed on the SSE or SZSE via Stock Connect and the QFI status of the QFI Holder and China A-Shares listed on the Beijing Stock Exchange via the QFI status of the QFI Holder. The Fund may invest in the ChiNext Board of the SZSE and the Science and Technology Innovation Board (“STAR Board”) of the SSE.

The Fund has no prescribed industry sector, market capitalisation or currency denomination limits in respect of its investments.

The Fund may invest less than 30% of its Net Asset Value in exchange traded funds.

The Fund may invest less than 30% of its Net Asset Value in REITs.

The Fund and/or the Manager:

- (a) does not invest in any financial derivative instruments (e.g. options, warrants and financial futures contracts) for investment purposes, but may invest in financial derivative instruments for hedging purposes; and
- (b) does not intend to enter into any securities financing transactions or similar over-the-counter transactions in respect of the Fund.

Prior approval may be sought from the SFC and at least one month’s prior notice will be given to Unitholders if the Fund and/or the Manager intend(s) to make such investment in the future.

The Fund’s net derivative exposure may be up to 50% of the Fund’s latest available Net Asset Value.

STOCK CONNECT

Stock Connect is a securities trading and clearing linked programme developed by the

SEHK, the SSE, the SZSE and the CSDCC, with an aim to achieve mutual stock market access between mainland China and Hong Kong. It comprises the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.

Each of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect comprises a Northbound Trading Link (for investment in China A-Shares) and a Southbound Trading Link (for investment in Hong Kong shares). Under the Northbound Trading Link, investors, through their Hong Kong brokers who are eligible participants of the Stock Connect, may be able to place orders to trade eligible shares listed on the SSE or the SZSE by routing orders to the SSE or the SZSE (as the case may be). Under the Southbound Trading Link, eligible investors, through mainland China securities firms who are eligible participants of the Stock Connect, may be able to place orders to trade eligible shares listed on the SEHK by routing orders to the SEHK.

All Hong Kong and overseas investors may be allowed to trade SSE-listed securities and SZSE-listed securities (as described below) through the Stock Connect (through the Northbound trading link), subject to rules and regulations issued from time to time.

The following summary presents some key points about the Northbound trading link (which may be utilized by the Fund to invest in the mainland China):

Eligible securities

Among the different types of SSE-listed securities and SZSE-listed securities, only China A-Shares are currently permitted for Northbound trading under the Stock Connect. Other product types such as China B-Shares, Exchange Traded Funds (ETFs), bonds, and other securities are not included in the programme. Currently, Hong Kong and overseas investors are allowed to trade certain stocks listed on the SSE market (“SSE Securities”) and the SZSE market (the “SZSE Securities”).

SSE Securities include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed China A-Shares that are not included as constituent stocks of the relevant indices but which have corresponding H Shares listed on the SEHK, except the following:

- a) SSE-listed shares which are not traded in RMB; and
- b) SSE-listed shares which are under “risk alert”.

SZSE Securities will include all the constituent stocks of the SZSE Component Index and the SZSE Small/Mid Cap Innovation Index which have a market capitalisation of not less than RMB 6 billion, and all the SZSE-listed China A-Shares which have corresponding H shares listed on SEHK, except the following:

- a) SZSE-listed shares which are not traded in RMB; and
- b) SZSE-listed shares which are under “risk alert”.

At the initial stage of the Shenzhen-Hong Kong Stock Connect, shares listed on the ChiNext Board of SZSE under Northbound Trading Link will be limited to institutional professional investors.

It is expected that the list of eligible securities will be subject to review.

Trading day

Due to differences in public holidays between Hong Kong and mainland China, there may be differences in the trading days in the two markets. Even if the mainland China markets are open on a certain day, the Fund may not necessarily be able to invest in China A-Shares through Northbound trading. For example, the Hong Kong market will close on Easter and Christmas every year, but those are trading days in mainland China. Likewise, during Lunar New Year and the National Day golden week periods, mainland China will usually arrange for seven-day consecutive holidays by reshuffling workdays and weekends. Even on days both markets are scheduled to be open for business, there could be differences because of other reasons such as typhoon number 8 signal in Hong Kong. Investors (including the Fund) will only be allowed to trade on the other market on days where both markets are open for trading, and banking services are available in both markets on the corresponding settlement days.

Trading quota

Trading under the Stock Connect will be subject to a daily quota (“Daily Quota”), which will be separate for Northbound and Southbound trading, for each of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect. The Daily Quota limits the maximum net buy value of cross-boundary trades under the Stock Connect each day. The quotas do not belong to the Fund and are utilised on a first-come-first-serve basis. The SEHK monitors the quota and publishes the remaining balance of the Northbound Daily Quota at scheduled times on the HKEx’s website.

Settlement and Custody

The HKSCC, a wholly owned subsidiary of SEHK, will be responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by Hong Kong market participants and investors.

The China A-Shares traded through the Stock Connect are issued in scripless form, so investors will not hold any physical China A-Shares. Investors do not hold SSE Securities or SZSE Securities directly – these are held through their brokers’ or custodians’ accounts with CCASS.

Corporate actions and shareholders’ meetings

Notwithstanding the fact that HKSCC does not claim proprietary interests in the SSE Securities or SZSE Securities held in its omnibus stock account in CSDCC, CSDCC as the share registrar for SSE or SZSE listed companies will still treat the HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE Securities or SZSE Securities. HKSCC will monitor the corporate actions affecting SSE Securities or SZSE Securities and keep the relevant CCASS participants informed of all such corporate actions that require CCASS participants to take steps in order to participate in them.

Currency

Hong Kong and overseas investors will trade and settle SSE Securities and SZSE Securities in RMB only. Hence, the Fund will need to use its RMB funds to trade and settle SSE Securities and SZSE Securities.

Trading fees and taxes

In addition to paying trading fees and stamp duties in connection with the trading of China A-Shares, the Fund may be subject to other fees and taxes concerned with income arising from stock transfers which are determined by the relevant authorities.

Coverage of Investor Compensation Fund

Since the Fund is carrying out Northbound trading through securities brokers in Hong Kong but not mainland China brokers, it is not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金) in mainland China.

Further information about the Stock Connect is available at the website: https://www.hkex.com.hk/mutual-market/stock-connect?sc_lang=en

(The website(s) referred to in the above section have not been reviewed by the SFC.)

QUALIFIED FOREIGN INVESTORS

Under the current mainland China regulations, foreign investors outside the mainland China can generally invest in the mainland China securities and futures markets through certain qualified foreign investors including those that have obtained the status as QFI approved by the CSRC and have registered with the SAFE to remit offshore RMB (in case of an RQFII) and/or foreign currencies which can be traded on the China Foreign Exchange Trade System (in case of a QFII) into the mainland China for the purpose of investing in the mainland China's domestic securities and futures markets.

The regulatory framework of the QFI regime is currently set out in the following regulations:

- (a) the “Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors” jointly issued by the CSRC, the PBOC and the SAFE on 25 September 2020 and effective from 1 November 2020 (《合格境外機構投資者和人民幣合格境外機構投資者境內證券期貨投資管理辦法》);
- (b) the “Provisions on Issues Concerning the Implementation of the Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors” issued by the CSRC on 25 September 2020 and effective from 1 November 2020 (《關於實施〈合格境外機構投資者和人民幣合格境外機構投資者境內證券期貨投資管理辦法〉有關問題的規定》);

- (c) the “Regulations on Funds of Domestic Securities and Futures Investment by Foreign Institutional Investors” issued by PBOC and SAFE and effective from 6 June 2020 (《境外機構投資者境內證券期貨投資資金管理規定》); and
- (d) such other applicable regulations promulgated by the relevant authorities (collectively, the “**QFI Regulations**”).

The Fund intends to obtain exposure to China A-Shares by using the QFI status of Haitong International Holdings Limited (the holding company of the Manager), which holds a QFI licence in China as the QFI Holder.

According to the current QFI Regulations, a QFI is allowed to appoint multiple PRC Custodians. The QFI Holder (in conjunction with the Manager) and the Trustee have appointed the PRC Custodian in respect of the China A-Shares and other mainland China onshore assets invested by the Fund through the QFI Holder, pursuant to the relevant mainland China laws and regulations.

For investments made through QFI, all assets of the Fund located in the mainland China will be held by the PRC Custodian for the Fund in accordance with the terms of the PRC Custodian Agreement and other relevant agreements and the applicable mainland China regulations.

LIQUIDITY RISK MANAGEMENT

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

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The liquidity risk management of the Fund is carried out by the Manager’s liquidity risk management function which is functionally independent from the portfolio investment function. The oversight of the liquidity risk management function will be performed by a risk management team.

The Manager would regularly assess the liquidity of the Fund’s assets under the current and likely future market conditions. The Manager may also set an internal limit as to each individual investment that may be held by the Fund.

The Manager’s liquidity policy takes into account the investment strategy; the dealing frequency; the underlying assets’ liquidity; the ability to enforce redemption limitations; and fair valuation policies of the Fund. These measures seek to ensure fair treatment and transparency for all investors.

The following tools may be employed by the Manager to manage liquidity risks:

- In the event of redemption requests being received in excess of 10% of the Units

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in issue, the Manager may with the approval of the Trustee and with a view to protecting the best interests of Unitholders, limit the number of Units to be redeemed to 10% of the Units in issue (please refer to the section headed “Limits on Redemption” for details). If such limitation is imposed, this would restrict the ability of a Unitholder to redeem in full the Units he intends to redeem on a particular Valuation Date;

- The Manager may suspend redemption under certain circumstances as set out under the section headed “Suspension of Dealings”. During such period of suspension, Unitholders would not be able to redeem their investments in the Fund;
- The Trustee may, at the request of the Manager, borrow up to the value of 10% of the latest available Net Asset Value of the Fund to meet redemption requests. For further details, please refer to the sub-section headed “6. Borrowing and Leverage” in Schedule 1 to this Explanatory Memorandum.

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Investors should note that there is a risk that the tools may be ineffective to manage liquidity and redemption risks.

RISK FACTORS

Investors should consider the following risks before investing in the Fund. Investors should note that the decision whether or not to invest remains with them. If investors have any doubt as to whether or not the Fund is suitable for them, they should obtain independent professional advice.

General investment risk: The Fund is subject to market fluctuations and to the risks inherent in all investments. The price of Units of the Fund and the income from them may go down as well as up. The Fund’s investment portfolio may fall in value due to any of the risk factors below and therefore your investment in the Fund may suffer losses. There is no guarantee of the repayment of principal. There is no assurance that the investment objective of the Fund will be achieved.

Equity market risks: Investing in equity securities may offer a higher rate of return than those investing in short term and longer term debt securities. However, 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, issuer-specific factors and the possibility of sudden or prolonged market declines. The fundamental risk associated with any equity portfolio is the risk that the value of the investments it holds might suddenly and substantially decrease in value, which may have an adverse impact on the value of the Fund’s investments.

Risks relating to small- and mid-capped companies: The Fund may invest in the securities of small- and/or mid-capped companies. The stock of small- and mid-capped companies may have greater market price volatility, less publicly available information, lower liquidity and greater vulnerability to adverse economic developments than those of larger-capped companies in general.

China A-Share market risks: The China A-Share markets are undergoing developments. The existence of a liquid trading market for China A-Shares may depend on whether there is supply of, and demand for, such China A-Shares. The price at which securities may be purchased or sold by the Fund and the Net Asset Value of the Fund may be adversely affected if trading markets for China A-Shares are limited or absent. The China A-Share market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention). High market volatility and potential settlement difficulties in the China A-Share markets 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.

Securities exchanges in mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. In particular, trading band limits are imposed by the stock exchanges in mainland China on China A-Shares. Trading in any China A-Share security on the relevant stock exchange may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. A suspension will render it impossible for the Manager to liquidate positions and can thereby expose the Fund to significant losses. Further, when the suspension is subsequently lifted, it may not be possible for the Manager to liquidate positions at a favourable price. The suspension in the China A-Share markets may also affect the dealings in the Fund and cause delay in payment of redemption proceeds to investors. Where the Fund invests in such China A-Share security, this may adversely impact the performance of the Fund and investors may suffer substantial losses.

Risk associated with foreign shareholding restrictions on China A-Shares: Investments in China A-Shares are subject to the following shareholding restrictions:

- Single foreign investors' shareholding by any Hong Kong or overseas investor (such as the Fund) in a China A-Share must not exceed 10% of the total issued shares; and
- Aggregate foreign investors' shareholding by all Hong Kong and overseas investors (such as the Fund) in a China A-Share must not exceed 30% of the total issued shares.

Should the shareholding of a single investor in a China A-Share listed company exceed the above restriction, the investor would be required to unwind his position on the excessive shareholding according to a last-in-first-out basis within a specific period. The SSE/SZSE (as the case may be) and the SEHK will issue warnings or restrict the buy orders for the related China A-Shares if the percentage of total shareholding is approaching the upper limit.

As there are limits on the total shares held by all underlying foreign investors in one listed company in the mainland China, the capacity of the Fund to make investments in

China A-Shares will be affected by the activities of all underlying foreign investors investing through Stock Connect or any other permissible ways to obtain China A-Shares investment exposures.

Risks associated with Stock Connect: The Fund may invest through Stock Connect and is subject to the following additional risks:

Quota limitations - The Stock Connect is subject to quota limitations. In particular, once the remaining balance of the Northbound Daily Quota drops to zero or the Northbound Daily Quota is exceeded during the opening call session, new buy orders will be rejected (though investors will be allowed to sell their cross-boundary securities regardless of the quota balance). Therefore, quota limitations may restrict the Fund's ability to invest in China A-Shares through the Stock Connect on a timely basis, and the Fund may not be able to effectively pursue its investment strategies.

Front-end Monitoring Risk – Mainland China regulations require that in order for an investor to sell any China A-Share on a certain trading day, there must be sufficient China A-Shares in the investor's account before market opens on that day. If there are insufficient China A-Share in the investor's account, the sell order will be rejected by the SSE or the SZSE. The SEHK carries out pre-trade checking on SSE Securities and SZSE Securities sell orders of its participants (i.e. stock brokers) to ensure that this requirement is satisfied. This means that investors must transfer SSE Securities and SZSE Securities to the accounts of its brokers before the market opens on the day of selling (the "trading day"). If an investor fails to meet this deadline, it will not be able to sell SSE Securities or SZSE Securities on the relevant trading day. Because of this requirement, investors may not be able to dispose of holdings of SSE Securities or SZSE Securities in a timely manner. This also raises concerns as to counterparty risks as securities may need to be kept by brokers overnight.

To facilitate investors whose SSE Securities or SZSE Securities are maintained with custodians to sell their SSE Securities or SZSE Securities without having to pre-deliver the SSE Securities or SZSE Securities from their custodians to their executing brokers, the SEHK introduced an enhanced pre-trade checking model in March 2015, under which an investor may request its custodian to open a Special Segregated Account (SPSA) in CCASS to maintain its holdings in SSE Securities and SZSE Securities. Such investors only need to transfer SSE Securities or SZSE Securities from its SPSA to its designated broker's account after execution and not before placing the sell order. If the Fund is unable to utilise this model, it would have to deliver SSE Securities or SZSE Securities to brokers before the trading day and the above risks may still apply.

Suspension risk – It is contemplated that SEHK, SSE and SZSE would reserve the right to suspend Northbound and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator

would be sought before a suspension is triggered. Where a suspension in the Northbound trading through Stock Connect is effected, the Fund's ability to access the mainland China market will be adversely affected.

Differences in trading day risk - The Stock Connect only operates on days when both the mainland China and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the mainland China market but Hong Kong investors (such as the Fund) cannot carry out any China A-Shares trading. The Fund may be subject to a risk of price fluctuations in China A-Shares during the time when Stock Connect is not trading as a result.

Operational risk - The Stock Connect provides a new channel for investors from Hong Kong and overseas to access the mainland China stock market directly.

The Stock Connect is premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this programme subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house. Although market participants have taken steps to configure and adapt their operational and technical systems to meet such requirements, given that the securities regimes and legal systems of the two markets differ significantly, market participants may need to address issues arising from the differences on an on-going basis.

Further, the "connectivity" in the Stock Connect requires routing of orders across the border. This requires the development of new information technology systems on the part of the SEHK and exchange participants. There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through the programme could be disrupted. The Fund's ability to access the China A-Share market (and hence to pursue its investment strategy) will be adversely affected.

Recalling of eligible stocks – When a stock is recalled from the scope of eligible stocks for trading via the Stock Connect, the stock can only be sold but restricted from being bought. This may affect the investment portfolio or strategies of the Fund, for example, when the Manager wishes to purchase a stock which is recalled from the scope of eligible stocks.

Clearing and settlement risk - The HKSCC and ChinaClear establish clearing links and each has become a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the

other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house.

Should the remote event of ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against ChinaClear. HKSCC will in good faith seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through the ChinaClear's liquidation. In that event, the Fund may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

Participation in corporate actions and shareholders' meetings –The HKSCC will keep CCASS participants informed of corporate actions of SSE Securities and SZSE Securities. Where the articles of association of a listed company do not prohibit the appointment of proxy/multiple proxies by its shareholder, HKSCC will make arrangements to appoint one or more investors as its proxies or representatives to attend shareholders' meetings when instructed. Further, investors (with holdings reaching the thresholds required under the mainland China regulations and the articles of associations of listed companies) may, through their CCASS participants, pass on proposed resolutions to listed companies via HKSCC under the CCASS rules. HKSCC will pass on such resolutions to the companies as shareholder on record if so permitted under the relevant regulations and requirements. Hong Kong and overseas investors (including the Fund) are holding SSE Securities and SZSE Securities traded via the Stock Connect through their brokers or custodians, and they will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of SSE Securities and SZSE Securities may be very short. Therefore, it is possible that the Fund may not be able to participate in some corporate actions in a timely manner.

No Protection by China Securities Investor Protection Fund risk – Investment through the Stock Connect is conducted through broker(s), and is subject to the risks of default by such brokers' in their obligations. Since the Fund is carrying out Northbound trading through securities brokers in Hong Kong but not mainland China brokers, it is not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金) in mainland China.

Regulatory risk - The Stock Connect is subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the mainland China and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connect.

It should be noted that the regulations are untested and there is no certainty as to how they

will be applied, and are subject to change. There can be no assurance that the Stock Connect will not be abolished or amended. The Fund, which may invest in the mainland China markets through the Stock Connect, may be adversely affected as a result of such changes.

Risks associated with QFI: The Fund is not a QFI but will obtain access to mainland China onshore securities (including China A-Shares) directly using QFI status of the QFI Holder, which is the holding company of the Manager.

Investors should note that QFI status could be suspended or revoked, which may have an adverse effect on the Fund as the Fund may be prohibited from trading of relevant securities and repatriation of the Fund's monies.

In addition, certain restrictions imposed by the Chinese government on QFIs may have an adverse effect on the Fund's liquidity and performance. The PBOC and the SAFE regulate and monitor the repatriation of funds out of the mainland China by the QFI pursuant to the QFI Regulations. Repatriations by QFIs in respect of the Fund are currently not subject to any lock-up periods, or prior approval, although a review on authenticity and compliance will be conducted on each remittance and repatriation by the PRC Custodian. The repatriation process may be subject to certain requirements set out in the relevant regulations (e.g. submission of certain documents), and completion of the repatriation process may be subject to delay. There is no assurance, however, that mainland China rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Any restrictions on repatriation of the invested capital and net profits may impact on the Fund's ability to meet redemption requests from the Unitholders. Furthermore, as the PRC Custodian's review on authenticity and compliance is conducted on each repatriation, the repatriation may be delayed or even rejected by the PRC Custodian in case of non-compliance with the QFI rules and regulations. In such case, it is expected that redemption proceeds will be paid to the redeeming Unitholder as soon as practicable and after the completion of the repatriation of funds concerned. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the Manager's control.

The Fund's ability to make the relevant investments or to fully implement or pursue its investment objective and strategy is subject to the applicable QFI laws, rules and regulations which are subject to change and may have potential retrospective effect causing an adverse effect on investors' investment in the Fund. In addition, there can be no assurance that the QFI laws, rules and regulations will not be abolished or substantially modified due to policy changes in the mainland China. The Fund, which intends to invest in the mainland China securities markets through the QFI status of the QFI Holder, may be adversely affected as a result of any such changes.

Cash Deposited with the PRC Custodian – Investors should note that cash deposited in the cash accounts of the Fund with the PRC Custodian will not be segregated but will be a debt owing from the PRC Custodian to the Fund as a depositor. Such cash will be commingled with cash that belongs to other clients or creditors of the PRC Custodian. In the event of bankruptcy or liquidation of the PRC Custodian, the Fund will not have any proprietary rights to the cash deposited in such cash accounts, and the Fund will become an unsecured creditor, ranking equally with all other unsecured creditors, of the PRC

Custodian. The Fund may face difficulty and/or encounter delays in recovering such debt, or may not be able to recover it in full or at all, in which case the Fund will suffer.

Application of QFI Rules – QFI rules are subject to changes and their application may depend on the interpretation given by the relevant Chinese authorities. Any changes to the relevant rules may have an adverse impact on investors' investment in the Fund. In the worst scenario, the Manager may determine that the Fund shall be terminated if it is not legal or commercially viable to operate the Fund because of changes to the application of the relevant rules.

PRC Broker Risks – The execution and settlement of transactions or the transfer of any funds or securities may be conducted by PRC Brokers appointed by the QFI Holder. There is a risk that the Fund may suffer losses from the default, bankruptcy or disqualification of the PRC Brokers. In such event, the Fund may be adversely affected in the execution or settlement of any transaction or in the transfer of any funds or securities.

In selection of PRC Brokers, the QFI Holder will have regard to factors such as the competitiveness of commission rates, size of the relevant orders and execution standards. If the QFI Holder considers appropriate, it is possible that a single PRC Broker will be appointed and the Fund may not necessarily pay the lowest commission available in the market.

QFI Status Risks – The rules and restrictions under QFI regulations generally apply to the QFI Holder as a whole and not simply to the investments made by the Fund. Relevant mainland China regulators are vested with the power to impose regulatory sanctions if the QFI Holder or the PRC Custodian violates any provision of the QFI Regulations. Any violations could result in the revocation of the QFI Holder's status or other regulatory sanctions and may adversely impact on the Manager's ability to effectively pursue the investment strategy of the Fund.

Investors should note that there can be no assurance that a QFI will continue to maintain its QFI status, or that redemption requests can be processed in a timely manner due to repatriation restrictions or adverse changes in relevant laws or regulations of the PRC. The aforementioned restrictions may respectively result in a rejection of applications and a suspension of dealings of the Fund. In extreme circumstances, the Fund may incur significant losses due to limited investment capabilities, or may not be able to fully implement or pursue its investment objective or strategy, due to QFI investment restrictions, illiquidity of the Chinese domestic securities market, and/or delay or disruption in execution of trades or in settlement of trades.

Risks associated with the Beijing Stock Exchange, the ChiNext market and/or the STAR Board: Investments in the Beijing Stock Exchange, the ChiNext market and/or the STAR Board may result in significant losses for the Fund and its investors. Such investments are subject to the following risks:

Higher fluctuation on stock prices and liquidity risk: Listed companies on the Beijing Stock Exchange, the ChiNext market and/or STAR Board are usually innovative and growth enterprises of emerging nature with smaller operating scale. Listed companies on the Beijing Stock Exchange, ChiNext market and STAR Board 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 the Beijing Stock Exchange, the ChiNext market and/or STAR Board are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the main boards of the SSE and SZSE.

Due to different trading rules, daily price movements shall be limited to 30% on the Beijing Stock Exchange and 20% on the ChiNext market and the STAR Board. Therefore the securities traded on these markets may be subject to a higher volatility risk than securities of relevant sectors traded in the other China A-share markets.

Over-valuation risk: Stocks listed on the Beijing Stock Exchange, ChiNext market and/or STAR Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

Differences in regulation applicable to the Beijing Stock Exchange, ChiNext market and STAR Board: The rules and regulations regarding companies listed on the Beijing Stock Exchange, ChiNext market and STAR Board are less stringent in terms of profitability and share capital than those in the main boards of the SSE and the SZSE.

Delisting risk: It may be more common and faster for companies listed on the Beijing Stock Exchange, ChiNext market and/or STAR Board to delist. This may have an adverse impact on the Fund if the companies that it invests in are delisted.

Risk associated with transfer of listing for stocks listed on Beijing Stock Exchange: A company listed on the Beijing Stock Exchange in which the Fund invests may apply for transfer of listing to the ChiNext market of the SZSE or the STAR Board of the SSE, if permitted by the applicable laws and regulations, subject to meeting the listing requirements of the CSRC and the SSE or SZSE (as the case may be). The application for transfer of listing will be subject to the review and approval by SSE or SZSE (as the case may be). The application for transfer of listing, whether successful or not, may cause fluctuations in the price of the relevant stock, and hence the Net Asset Value of the Fund.

Concentration risk applicable to the Beijing Stock Exchange and STAR Board: The Beijing Stock Exchange and STAR Board are newly established and may have a limited number of listed companies during the initial stage. Investments in the Beijing Stock Exchange and STAR Board may be concentrated in a small number of stocks and subject the Fund to higher concentration risk.

Mainland China taxation risk: For details of the Manager's mainland China tax provision policy in respect of the Fund, please refer to subsection "Mainland China" in the section headed "Taxation".

There are risks and uncertainties associated with the current mainland China tax laws, regulations and practice in respect of capital gains realised by the Fund on its investments in the mainland China via the Stock Connects and QFI status of the QFI Holder. It should also be noted that there is a possibility of the mainland China tax rules being changed

and taxes being applied retrospectively. There is a risk that taxes may be levied in future on the Fund for which no provision is made, which may potentially cause substantial losses to the Fund.

The Manager will review the tax provisions policy of the Fund, and it may in future change the tax provisions policy, including making provisions to reflect taxes payable when considered appropriate. Investors should note any shortfall between the provision and the actual tax liabilities, which will be debited from the Fund's assets, may have a substantial negative impact on the Net Asset Value of the Fund.

Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision (any shortfall of tax provision or overprovision, as the case may be) and when they subscribed and/or redeemed their Units. If no provision is made by the Manager in relation to all or part of the actual tax levied in future, investors should note that the Net Asset Value of the Fund may be lowered, as the Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the existing Unitholders and subsequent Unitholders will be disadvantaged, as such Unitholders will bear, through the Fund, a disproportionately higher amount of tax liabilities as compared to those borne at the time of investment in the Fund. On the other hand, in case tax provisions are made, and the actual tax liabilities are lower than such tax provisions, those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision.

RMB currency risk and RMB Classes related risk: RMB is currently not freely convertible and is subject to exchange controls and restrictions. There is no guarantee that the value of RMB will not depreciate. Any depreciation of RMB could adversely affect Net Asset Value of the Fund.

When calculating the value of the RMB Classes, the offshore RMB in Hong Kong (the "CNH") will be used. Although CNH and onshore RMB in China (the "CNY") are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact the Fund.

Investments in RMB Classes by non-RMB based investors are subject to foreign exchange risk. There can be no assurance that the value of RMB against the investors' base currencies (for example Hong Kong dollars) will not depreciate. Any depreciation of RMB could adversely affect the value of investors' investments in the RMB Classes of the Fund and investors may suffer losses. Non-RMB based investors may have to convert Hong Kong dollars or other currencies into RMB when investing in the RMB Classes and may need to convert RMB redemption proceeds and/or RMB dividends into Hong Kong dollars or other currencies. During these processes, investors will incur currency conversion costs. Under exceptional circumstances, payment of redemptions

and/or dividend payment (if applicable) in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

Liquidity risks: Some of the markets in which the Fund invests may be less liquid and more volatile than the world's leading security markets and this may result in the fluctuation in the price of securities traded on such markets. Certain securities may be difficult or impossible to sell, and this would affect the Fund's ability to acquire or dispose of such securities at their intrinsic value.

Currency risks: Underlying investments of the Fund may be denominated in currencies other than the base currency of the Fund. The Net Asset Value of the Fund may be affected unfavourably by fluctuations in the exchange rates between the currencies in which the assets are denominated and the base currency of the Fund. Since the Manager aims to maximise returns for the Fund in terms of their base currency, investors in the Fund may be exposed to additional currency risk. Adverse movements in the foreign currency rates may adversely impact on the value of the Fund.

A Unit Class may be designated in a currency other than the base currency of the Fund. Changes in the exchange rate between the base currency and such designated currency may lead to a depreciation of the value of such Units as expressed in the designated currency.

Credit risks: The value of the Fund may fall if any of the financial institutions or companies with which cash is invested or deposited or which are counterparties to transactions suffer insolvency or other difficulties.

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

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Derivative and structured product risks:

(a) Risks associated with financial derivative instruments

Risks associated with financial derivative instruments include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of a financial derivative instrument can result in a loss significantly greater than the amount invested in the financial derivative instrument by the Fund. Exposure to financial derivative instrument may lead to a high risk of significant loss by the Fund.

(b) Hedging risks

While the Manager may enter into hedging transactions to seek to reduce risk, there is no guarantee that hedging will be successful in all circumstances. Insofar as the Fund acquires derivative instruments for hedging purposes, it will be subject to additional risks. There can be no assurance that any hedging techniques will fully and effectively eliminate the risk exposure of the Fund. Derivative instruments may be illiquid and are complex in nature. In adverse situations, the Fund's use of derivatives for hedging may become ineffective and the Fund may suffer significant losses.

(c) Structured product risks

The Fund may also invest in structured products such as equity-linked securities. Investment in these instruments can be illiquid, if there is no active market in these instruments. Such instruments are complex in nature. Therefore there are risks of mispricing or improper valuation and possibilities that these instruments do not always perfectly track the value of the securities, rates or indices they are designed to track. Improper valuations can result in increased payments to counterparties or a loss in the value of the relevant Fund. These instruments will also be subject to insolvency or default risk of the issuers or counterparties and over-the-counter markets risk. In addition, investment through structured products may lead to a dilution of performance of such Funds when compared to a fund investing directly in similar assets. Besides, many derivative and structured products involve an embedded leverage. This is because such instruments provide significantly larger market exposure than the money paid or deposited when the transaction is entered into, so a relatively small adverse market movement could expose the relevant Fund to the possibility of a loss exceeding the original amount invested.

Concentration risk: The Fund's investments may be concentrated in Greater China. The value of the Fund may be more volatile than that of a fund having a more diverse portfolio of investments. The value of the Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting Greater China.

Investment in companies whose business relates substantially or in part in the Greater China is subject to the risks of investing in emerging markets and additional risks which are specific to the Greater China. Such investments may be sensitive to changes in law and regulation and political, social or economic policy (which includes possible government intervention) in the Greater China.

Emerging market risks: In accordance with the Fund's investment policies, the assets of the Fund will to a certain extent invest in emerging markets. Investment in emerging markets may involve increased risks and special considerations not typically associated with investment in more developed markets. Investors should therefore be aware of a number of special risk factors in investing in the Fund particularly in respect of investments in the emerging markets:-

(a) Volatility and liquidity risks

As emerging markets tend to be more volatile than developed markets, any holdings in emerging markets are exposed to higher levels of market risk. The securities markets of

some of the emerging countries in which the Fund's assets may be invested are not yet fully developed which may, in some circumstances, lead to a potential lack of liquidity. The securities markets of developing countries are not as large as the more established securities markets and have a substantially lower trading volume. High market volatility and potential settlement difficulties in the markets 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.

(b) Investment and repatriation restrictions

Investment in emerging markets may be subject to risks such as market suspension, restrictions on foreign investment and control on repatriation of capital. There are also possibilities of nationalisation, expropriation or confiscatory taxation, currency/foreign exchange control, political changes, government laws and regulation, social instability or diplomatic developments which could affect adversely the economies of emerging markets or the value of the Fund's investments.

Securities exchanges in emerging markets typically have the right to suspend or limit trading in any security traded on the relevant exchange. Governments or securities market regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the Fund.

(c) Settlement risk

Settlement systems in some of the emerging markets may be less well organised than in developed markets. Thus there may be a risk that settlement may be delayed and that cash or securities of the Fund may be in jeopardy because of failure or of defects in the systems. The Fund may incur substantial losses if its counterparty fails to pay for securities the Fund has delivered, or for any reason fails to complete its contractual obligations owed to the Fund. On the other hand, significant delays in settlement may occur in certain markets in registering the transfer of securities. Such delays could result in substantial losses for the Fund if investment opportunities are missed or if the Fund is unable to acquire or dispose of a security as a result.

(d) Political, social and economic factors

Investments in emerging markets will be sensitive to any change in political, social or economic uncertainties in the region. Many emerging countries have historically been subject to political instability which may affect the value of securities in emerging markets to a significant extent.

(e) Different financial treatment

Accounting, auditing and financial reporting standards in some of the emerging markets are different from the developed countries standards, for example, less information is available to investors and such information may be out of date. As a result, certain material disclosures may not be made, and information may not be available, to the Fund and other investors than would be in the case if the Fund's investments were restricted to securities in developed markets. There may also be uncertainties on the

treatment of taxes payable in respect of the Fund's investments in the emerging markets.

(f) Custody risk

Please refer to the risk factor headed "**Custodial risk**" above in respect of the custody risk of the Fund's investment in emerging markets.

Restricted market risk: The Fund may invest in securities in jurisdictions which impose limitations or restrictions on foreign ownership or holdings. In such circumstances, the Fund may be required to make investments in the relevant markets directly or indirectly. In either case, legal and regulatory restrictions or limitations may have adverse effect on the liquidity and performance of such investments due to factors such as limitations on fund repatriation, dealing restrictions, adverse tax treatments, higher commission costs, regulatory reporting requirements and reliance on services of local custodians and service providers.

Risks relating to investment in exchange traded funds: The Fund may invest in exchange traded funds ("ETFs"). An underlying ETF may be passively managed and the manager of the relevant ETF will not have the discretion to adapt to market changes. Falls in the underlying index of the relevant ETF are expected to result in corresponding falls in the value of the relevant ETF and the Fund. The trading prices of units/shares in an ETF may be at a substantial discount or premium to the net asset value of the units/shares of such ETF due to various market factors such as supply and demand forces in the secondary trading market for such units/shares in the ETF. This price discrepancy may be particularly likely to emerge during periods of high market volatility and uncertainty. Valuation of units/shares in an ETF will primarily be made by reference to the last traded price. Where the Fund buys at a premium, it may suffer losses even if the net asset value is higher when it sells the relevant share/units in the ETF. In addition, an ETF may be subject to tracking error risk, which is the risk that its performance may not be able to perfectly track the index it is designed to track, because of the investment strategy used, fees and expenses, imperfect correlation between the ETF's assets and the underlying securities within the relevant tracking index, adjustments to the tracking index and regulatory policies. There can be no assurance of exact or identical replication at any time of the performance of the index.

Further, an ETF in which the Fund invests may be terminated early under certain circumstances, for example, where the index is no longer available for benchmarking. The Fund may not fully recover its investments in the ETF and may suffer a loss in the event of termination of the ETF.

Risk relating to REITs: Investments in REITs will subject the Fund to risks associated with the direct ownership of real estate. These risks include, among others, possible declines in the value of real estate, risks related to general and local economic conditions, possible lack of availability of mortgage funds, overbuilding, extended vacancies of properties, increases in competition, real estate taxes and transaction, operating and foreclosure expenses, changes in zoning laws, costs resulting from the clean-up of, and liability to third parties for damages resulting from, environmental problems; casualty or condemnation losses, uninsured damages from natural disasters and acts of terrorism, limitations on and variations in rents; and changes in interest rates. Further, the underlying assets of REITs may be relatively illiquid.

The legal structure of REITs, their investment restrictions and the regulatory and taxation regimes to which they are subject will differ depending on the jurisdiction in which they are established.

Risk relating to FATCA: Sections 1471 through 1474 of the United States Internal Revenue Code (commonly referred to as “**FATCA**”) will impose a withholding tax of 30 per cent on certain U.S.-sourced gross amounts paid to the Fund unless various information reporting requirements are satisfied. Amounts subject to withholding under these rules include gross U.S.-source dividend and interest income and gross proceeds from the sale of property that produces U.S.-source dividend or interest income. To avoid withholding under FATCA, the Fund is required to report certain information to the Cayman Islands Tax Information Authority which in turn will report relevant information to the United States Internal Revenue Service. Although the Fund will attempt to satisfy any obligations imposed on it to avoid the imposition of this withholding tax, no assurance can be given that the Fund will be able to comply with the relevant reporting requirements or other obligation. If the Fund becomes subject to a withholding tax as a result of FATCA, the value of the Units may be materially affected.

The Fund’s ability to comply with FATCA will depend on each Unitholder providing the Fund with information that the Fund requests concerning the Unitholder or its direct and indirect owners. If a Unitholder fails to provide the Fund with any information the Fund requests, and, in the opinion of the Manager, holding of Units by such person (whether directly or beneficially) will result in the Fund incurring any liability to taxation or suffering a pecuniary disadvantage which the Fund might not otherwise have incurred or suffered, or the Fund being exposed to any liability, penalty or regulatory action, then the Manager, with the approval of the Trustee, may take any action and/or pursue any remedy at its disposal.

Please refer to sub-section “Compliance with Automatic Exchange of Information Legislation” under the section headed “Taxation” for details of FATCA.

All prospective investors and Unitholders should consult with their own tax advisors regarding the possible implications of FATCA and the tax consequences on their investments in the Fund. Unitholders who hold their Units through intermediaries should also confirm the FATCA compliance status of those intermediaries.

MANAGEMENT

The Manager of the Fund is Haitong International Investment Managers Limited which is formerly known as Taifook Investment Managers Limited. The Manager is registered with the SFC as a licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

The Manager is a wholly owned subsidiary of HTISG (SEHK Stock Code 0665; formerly known as Taifook Securities Group Limited), which is listed on the Stock Exchange of Hong Kong. With more than 40 years of history, HTISG provides a wide spectrum of integrated financial services covering corporate finance, asset management and brokerage services to global and local institutional and corporate clients as well as individual investors. With effect from 21 December 2009, Haitong International Holdings (formerly known as Hai Tong (HK) Financial Holdings Limited), a company incorporated in Hong Kong and wholly owned by the leading mainland securities firm - Haitong Securities Company Limited (“Haitong”; Stock Code: 600837.SH; 6837.HK), has acquired Taifook Securities Group Limited from NWS Holdings Limited and become HTISG’s major shareholder.

The Manager is entitled under the Trust Deed to delegate all or part of its powers, duties and discretion under the Trust Deed and has, through HSBC Trustee (Cayman) Limited as an administrator, delegated to HSBC Institutional Trust Services (Asia) Limited the functions of valuing the Fund's assets and calculating the subscription and redemption prices. The Manager may appoint investment advisers for the Fund, subject to the prior approval of the SFC and provided the fees for such investment advisers are borne by the Manager.

The Manager is principally engaged in fund management. The Manager’s investment approach adopted with respect to investments of the Fund focuses on carrying on disciplined analysis of the underlying investments and leverages on the investment experience of the Haitong principals, each of whom has gained extensive investment experience during their tenure at renowned international asset management companies. The team has extensive investment experience; and is well versed in many kinds of investment products and services.

The directors of the Manager are as follows:

Poon Mo Yiu

Mr. Poon joined HTISG in August 2008. He was appointed as an Executive Director of HTISG on 1 July 2009 and was the Chief Operating Officer of HTISG and its subsidiaries as well as a member of the Executive Committee of HTISG prior to his re-designation as a Non-executive Director of HTISG on 16 February 2016. Mr. Poon was re-designated as an Executive Director of HTISG and was appointed as a member of the Executive Committee of HTISG on 8 February 2018. Mr. Poon was appointed as the Chief Operating Officer of HTISG on 15 August 2018. He is a board member of Haitong Bank, S.A., which is a wholly-owned subsidiary of Haitong International Holdings Limited, the controlling shareholder of HTISG. Mr. Poon holds a Master of Business Administration

Degree from The Chinese University of Hong Kong. He is a fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England & Wales. Mr. Poon has extensive experience in financial management, management of information systems, accounting projects as well as various aspects of mergers and acquisitions. Prior to joining the Haitong Group, Mr. Poon worked for Sun Hung Kai & Co. Limited as the Group Chief Operating Officer and the Group Chief Financial Officer. He was also previously the Vice President in Finance of JPMorgan Chase Bank and the Group Financial Controller of Jardine Fleming Group in Asia before its merger with JPMorgan Chase Bank.

Sun Tong

Mr. Sun is an Executive Director and the Chief Investment Officer of HTISG, and a responsible officer of Haitong International Securities Company Limited under the SFO. He is responsible for assisting and deputizing the Chief Executive Officer of HTISG to take charge of the overall operation and development of HTISG. Mr. Sun graduated with a Bachelor's Degree in Computer Science from Nanjing Normal University and finished a postgraduate program of finance at Shanghai Fudan University. He also obtained an Executive Master of Business Administration from the Chinese University of Hong Kong. He has 18 years of experience in securities industry. Mr. Sun joined Haitong Securities Co., Ltd. in 2000. He was the senior manager of the president office and the secretary to president of Haitong Securities Co., Ltd. from 2007 to April 2010. Mr. Sun has been the Deputy Chief Executive Officer of Haitong International Holdings Limited (formerly known as "Hai Tong (HK) Financial Holdings Limited") since 2010 and responsible for frontline business. Since September 2017, he has been the Chief Investment Officer of HTISG and in March 2018, he was appointed as Executive Director of HTISG.

Yang Jianxin

Dr. Yang Jianxin a member of the Executive Committee of HTISG. He is also a Managing Director, and serves as a responsible officer of Haitong International Asset Management (HK) Limited, Haitong International Asset Management Limited and Haitong International Investment Managers Limited under the Securities and Futures Ordinance.

Dr. Yang holds a Ph.D. degree in Statistics from Xiamen University in China and he is licensed by the SFC as a responsible officer of the Manager to supervise the conduct of Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities by the SFC under the SFO.

Luk Wai Yin

Mr. Luk joined HTISG in September 2016 and was appointed as a director of Haitong International Asset Management (HK) Limited, Haitong International Asset Management Limited and the Manager in December 2019. Currently Mr. Luk is the Managing Director of Finance Department, responsible for financial management, accounting and tax functions of HTISG. He graduated from the Hong Kong University of Science and Technology with a Bachelor of Business Administration in Accounting and holds Juris

Doctor and Master of Law degrees from the Chinese University of Hong Kong. Mr. Luk has over 13 years of experience in financial services industry. Prior to joining HTISG, he held position in a large financial institution in Hong Kong and was a senior manager of assurance in an international accounting firm. Mr. Luk is a fellow of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales.

Yan Suping

Ms. Yan Suping is responsible for HTISG's private equity investment and related business as Global Head of Private Equity Investment Team. She is also director of Haitong International Asset Management (HK) Limited and Haitong International Investment Managers Limited. She has extensive experience of over 22 years in financial industry, covering equity research, institutional sales, structured products & financing and investment.

Ms. Yan received her Master of Finance and B.A. in International Finance from Xi'an Jiaotong University. She has been licensed by SFC as Responsible Officer for Type 4 regulated activity (Advising on Securities), Type 5 regulated activity (Advising on Futures contracts) and Type 9 regulated activity (Asset Management).

Wang Shengzu

Dr. Wang Shengzu is the Managing Director, Global Head of Asset Management of HTISG and serves as a responsible officer of Haitong International Asset Management (HK) Limited and Haitong International Investment Managers Limited under the Securities and Futures Ordinance.

Dr. Wang has more than ten years of experience in the financial industry and public services. Before joining HTISG, he served as the Co-head of Investment Strategy Group Asia at Goldman Sachs, where he was responsible for China and EM Asia macro strategies and tactical asset allocation. Prior to this, he was a Senior Economist at Barclays and was responsible for the macroeconomic research covering Greater China. He also worked at the International Monetary Fund (IMF), providing financing and policy advice to member countries. Dr. Wang received his Ph.D. in Economics from McGill University, and an M.A. in Economics from the University of British Columbia.

The address of the principal business office of the directors of the Manager is the same as the Manager.

TRUSTEE AND REGISTRAR'S AGENT

The Trustee, HSBC Trustee (Cayman) Limited, was incorporated in the Cayman Islands on 10 November 1981 and is regulated by CIMA. It is licensed as an unrestricted trust company under the Banks and Trust Companies Act (2020 Revision) of the Cayman Islands, as well as being licensed as a mutual fund administrator under the Mutual Funds Act.

Peter Daffy of 1 Grand Canal Square, Grand Canal Harbour Dublin 2, Ireland and Vinith Rao of 1 Queen's Road Central, Hong Kong are two directors of the Trustee. Information relating to other directors, managers, principals and senior officers of the Trustee can be obtained from the Trustee separately.

Under the terms of the Trust Deed, the Trustee shall take into custody or under its control all the investments, cash and other assets forming part of the assets of the Fund and hold them in trust for the Unitholders of the Trust in accordance with the provisions of the Trust Deed and, to the extent permitted by law, shall register cash and registrable assets in the name of or to the order of the Trustee and such investments, cash and other assets of the Trust shall be dealt with as the Trustee may think proper for the purpose of providing for the safe keeping thereof. The Trustee may, however, appoint any person or persons to be the custodian of such assets. The investments of the Fund will normally be held to the order of the Trustee by HSBC Institutional Trust Services (Asia) Limited.

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4.5(a)(i)
4.5(a)(ii)

The Trustee may from time to time appoint such person or persons as it thinks fit (including, without limitation, any of its connected persons) as custodian, co-custodian, sub-custodian, delegate, nominee or agent for the custody and/or safekeeping of all or any of the Investments, assets or other property comprised in the Fund and may empower any such person to appoint, with the prior consent in writing of the Trustee, co-custodians and/or sub-custodians (each such custodian, delegate, nominee, agent, co-custodian and sub-custodian a “**Correspondent**”). The fees and expenses of any Correspondent shall be paid out of the assets of the Fund.

The Trustee is required to (a) exercise reasonable care, skill and diligence in the selection, appointment and on-going monitoring of any Correspondents and (b) during the term of appointment of such Correspondent, be satisfied that Correspondents retained remain suitably qualified and competent on an ongoing basis to provide the relevant services to the Fund. The Trustee shall be responsible for the acts and omissions of any Correspondent which is a connected person of the Trustee as if the same were the acts or omissions of the Trustee but provided that the Trustee has discharged its obligations set out in (a) and (b) as set out in this paragraph, the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any Correspondent which is not a connected person of the Trustee.

4.5(i)

The appointment of the Trustee may be terminated in the circumstances set out in the Trust Deed, including the necessary notification to Unitholders. For its services, the Trustee is entitled to the fees set out below under the section headed “Charges and Expenses”.

The Trustee is entitled to be indemnified by the Fund from and against any and all

liabilities arising in connection with the performance of its duties other than those liabilities to Unitholders arising from breach of trust through fraud or negligence and those liabilities to Unitholders imposed under the laws of Hong Kong and/or the laws of the Cayman Islands in relation to its duties.

The Trustee is entitled to exemptions of liabilities on account of various matters as set out in the Trust Deed and shall have the power to enter into agreements on behalf of the Trust with other service providers to the Trust which contains such indemnity provisions as the Trustee may deem appropriate subject always to applicable regulatory requirements including the Code.

The Trustee in no way acts as guarantor or offeror of the Fund's Units or any underlying investment.

The Trustee is a service provider to the Fund and is not responsible for the preparation of this document or for the activities of the Fund and therefore accepts no responsibility for any information contained in this document other than information contained in this section relating to itself.

The Manager has delegated the calculation of the Fund's Net Asset Value to HSBC Trustee (Cayman) Limited as Administrator, which in turn has by an internal delegation arrangement, delegated such administrative function to HSBC Institutional Trust Services (Asia) Limited which is an affiliate of the Trustee.

The Trustee also act as the Registrar of the Fund, and provides services in respect of the establishment and maintenance of the register of the Unitholders. It has also appointed HSBC Institutional Trust Services (Asia) Limited to act as its agent in Hong Kong in relation to its duties as the Registrar of the Fund.

HSBC Institutional Trust Services (Asia) Limited was incorporated in Hong Kong in 1974 and is registered as a trust company under the Trustee Ordinance (Cap 29) in Hong Kong.

Both the Trustee and the Registrar's Agent are indirect wholly-owned subsidiaries of HSBC Holdings plc, a public company incorporated in England and Wales. The HSBC Group is one of the largest banking and financial services organizations in the world with well-established businesses in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

Neither the Trustee nor the Registrar's Agent will participate in transactions or activities or make any payments denominated in U.S. dollars, which, if carried out by a U.S. person, would be subject to sanctions of the Office of Foreign Assets Control.

CLASSES OF UNITS

Different classes of Units may be offered for the Fund. Although the assets attributable to each Class of Units will form one single pool, each Class of Units may be denominated in a different class currency or may have a different charging structure with the result that the Net Asset Value attributable to each Class of Units may differ.

The Initial Offer Price, minimum initial subscription amount, minimum subsequent subscription amount, minimum redemption amount and minimum holding amount applicable to each Class of Units are as follows:

Class	Initial Offer Price[^]	Minimum initial subscription amount*	Minimum subsequent subscription amount*	Minimum redemption amount	Minimum holding amount
Class A (HKD)	HKD 100	HK\$ 1,000	HK\$ 1,000	HK\$ 1,000	HK\$ 1,000
Class A (RMB)	RMB 100	RMB 1,000	RMB 1,000	RMB 1,000	RMB 1,000
Class A (USD)	USD 100	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Class I (HKD)	HKD 100	HKD 2,000,000	HKD 2,000,000	HKD 2,000,000	HKD 2,000,000
Class I (RMB)	RMB 100	RMB 2,000,000	RMB 2,000,000	RMB 2,000,000	RMB 2,000,000
Class I (USD)	USD 100	USD 2,000,000	USD 2,000,000	USD 2,000,000	USD 2,000,000

* inclusive of initial charge (if applicable)

[^] The Initial Offer Price per Unit of each Class may be such other prices as determined by the Manager.

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APPLICATION FOR UNITS

Units may be acquired on any Valuation Date at the Unit value determined on that day (see “Valuation and Price Calculation” below). The Valuation Date is every business day in Hong Kong except Saturday. Application should be made by returning the duly completed and signed application form to the Manager or the Trustee through the Registrar’s Agent. Application forms can be obtained from the Manager or the Registrar’s Agent. Applications may be sent by fax or by other electronic means as agreed between the Manager, the Trustee and the Registrar’s Agent. The Manager or the Registrar’s Agent shall proceed with the application once the duly completed and signed application form or the fax or electronic means as agreed thereof is received. Confirmation will also be issued once the application is successfully completed. To avoid any doubt, please note that save and except the initial subscription where investors are required to return the original completed and signed application form together with other required documents as set out in the application form to the Manager or the Registrar’s Agent, no original application forms need to be produced by the investors for all subsequent subscription

unless specifically requested by the Manager or the Registrar's Agent. Investors should be reminded that if they choose to send application forms by fax or by other electronic means as agreed between the Manager, the Trustee and the Registrar's Agent, they bear their own risk of the forms not being received by the Manager or the Registrar's Agent and the risk of sending duplication of orders to the Manager or the Registrar's Agent. Investors should therefore, for their own benefit, confirm with the Manager or the Registrar's Agent the receipt of the form. Notwithstanding the above, the Manager or the Registrar's Agent reserves the right not to effect application pending receipt of the original completed and signed application form and if such rights are exercised, the Manager or the Registrar's Agent shall notify the relevant Unitholders of such decision forthwith.

To take effect on a Valuation Date an application must be received by 3:00 p.m. Hong Kong time on that Valuation Date. Applicants should be aware of the internal Dealing Deadline of different distributors for receiving application requests. Applications received on a day which is not a business day or after 3:00 p.m. on any day will be treated as having been received on the next Valuation Date.

Attention of investors is drawn to the section headed "Anti-Money Laundering Regulations".

The subscription monies should be forwarded in full as outlined below at the same time such application form is sent to the Manager or the Registrar's Agent. Each applicant whose application is accepted will be sent a contract note by HSBC Institutional Trust Services (Asia) Limited confirming details of the purchases of Units. Payment of subscription monies should normally be made in Hong Kong dollars for the Fund. If an applicant pays in any other currency acceptable to the Manager then it will be converted by the Trustee at the cost and expense of the applicant.

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C14(a)

Payment should be made in any of the following ways:-

- (a) by telegraphic transfer in Hong Kong dollars (net of any bank charges) to:

Bank Name: The Hongkong and Shanghai Banking Corporation Limited
(SWIFT Address: HSBCHKHCHKH)

Bank Address: 1 Queen's Road Central Hong Kong

A/C Name: HSBC Institutional Trust Services (Asia) Limited – IFS
Subscription Account

A/C No: 502-547839-001

Reference: By order of <Name of Applicant> for Sub account No.: 541094
<Fund Name>

In each case the remitter should instruct the remitting bank to send a SWIFT advice (format MT103) to HSBC Institutional Trust Services (Asia) Limited (SWIFT Address: BTFECHKHH) advising details of remittance, including the full name of the applicant and the Fund, for ease of identification.

- (b) by cheque or bank draft sent to the Manager or the Registrar's Agent. Each cheque or bank draft should be made payable to "HSBC Institutional Trust Services (Asia) Limited" and bear the name of the applicant on its reverse along with the name of the Fund.

If payment is made by cheque or banker's draft, applicants should be aware the Manager or the Registrar's Agent may not process an application to subscribe for Units until the Manager or the Registrar's Agent has received cleared funds in respect of such payment. Applicants should further note that it may take several weeks for the Manager or the Registrar's Agent to receive cleared funds where subscription monies are paid by U.S. dollar cheques or U.S. dollar banker's drafts.

Application monies will not be accepted in cash and will not be treated as having been received unless paid in any of the ways described above. No money should be paid to any intermediary in Hong Kong which is not licensed or registered to carry on Type 1 (dealing in securities) regulated activity under the SFO.

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If payment in full in cleared funds and the original application form (if applicable) have not been received within five business days of the Valuation Date upon which the application was dealt with, the Manager or the Trustee may enforce payment of the sum due or cancel the Units applied for, at its discretion.

Units will only be issued in registered form. No certificates will be issued to Unitholders. Instead, Unitholders will receive confirmation of their holdings from the Registrar's Agent following receipt of the subscription monies in cleared funds and the duly completed and signed application form. Evidence of title will be the entry on the register of Unitholders.

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If an applicant wishes to make his application through an intermediary, the applicant is advised to satisfy himself that the relevant intermediary has all relevant approvals and/or registrations (an intermediary in Hong Kong should be a licensed corporation or registered institution under the SFO) which it may require in order to receive clients' money and the intermediary is adequately supervised by an appropriate regulatory authority. Under the Trust Deed, the Manager is given the exclusive right to accept or reject applications for Units. The provisions as to the valuation and pricing of Units are set out below in the section headed "Valuation and Price Calculation".

REDEMPTION OF UNITS

Units may be redeemed on any Valuation Date, at the redemption price applicable as at the close of business in Hong Kong on such day. The Manager or the Trustee through the Registrar's Agent shall proceed with the redemption once the duly completed and signed redemption notice is received. The form of redemption notice can be obtained from the Manager or the Registrar's Agent and such notice can be given by fax or by other electronic means as agreed between the Manager, the Trustee and the Registrar's Agent. Confirmation will also be issued once the redemption is successfully completed. To avoid any doubt, no original redemption notice needs to be produced by the Unitholders unless as specifically requested by the Manager or the Registrar's Agent. If a certificate has been previously issued, in case of redemption, Unitholders are required to return the original certificate to the Manager or the Registrar's Agent before the redemption proceeds can be released to them and there is a form to be endorsed on the reverse of the certificate. A notice of redemption to be given by joint Unitholders must be signed by all joint Unitholders. If the redemption notice (either originals, fax copies or other electronic means as agreed) and the original certificate (if any) are received before 3:00 p.m. Hong Kong time on a Valuation Date, such redemption shall take effect on that Valuation Date; if not or such redemption notice (either originals, fax copies or other electronic means as agreed) and the original certificate (if any) are received on a day which is not a business day, such redemption shall take effect on next Valuation Date. Unitholders should be reminded that if they choose to send notices of redemption by fax or by other electronic means as agreed between the Manager, the Trustee and the Registrar's Agent, they bear their own risk of the notices not being received by the Manager or the Registrar's Agent and the risk of sending duplication of orders to the Manager or the Registrar's Agent. Unitholders should therefore for their own benefit confirm with the Manager or the Registrar's Agent the receipt of the notices. Notwithstanding the above, the Manager or the Registrar's Agent reserves the right not to effect redemption pending receipt of the original completed and signed notice of redemption and if such rights are exercised, the Manager or the Registrar's Agent shall notify the relevant Unitholders of such decision forthwith.

C9

A Unitholder may not make a partial redemption if this would result in his holding being less than the applicable minimum holding amount. There is no redemption charge payable.

Redemption proceeds will normally be paid in Hong Kong dollars, by cheque in favour of registered holder sent by HSBC Institutional Trust Services (Asia) Limited as soon as possible and at the latest within 21 days from the Valuation Date on which the redemption is effected or, if later, on the day of receipt of the duly completed and signed notice (either originals, fax copies or other electronic means as agreed) and the original certificate (if any). The maximum interval between the receipt of a properly documented request for redemption of Units and the payment of the redemption proceeds will not exceed one calendar month unless in exceptional circumstances if the market(s) in which a substantial portion of the Fund's investments is made is subject to legal or regulatory requirements rendering the timely redemption to be impractical, in which case the extended time frame for the payment of redemption proceeds shall reflect the additional time needed in light of the specific circumstances in the relevant market(s) and such redemption proceeds will be paid as soon as possible after the receipt of the proceeds by the Fund. No certificate

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will be issued in respect of any balance of the Units held after the partial redemption has been effected.

The Trustee may arrange for payment of redemption proceeds by telegraphic transfer or in another currency approved by the Manager if the Unitholder so wishes but the cost of conversion and other charges or expenses will be deducted from the redemption proceeds. No third party payments are allowed.

The Manager has power to compulsorily redeem Units in certain circumstances set out in the Trust Deed if the holding of Units by investors may result in adverse tax or other consequences for the Fund, the Manager or the Trustee or their associates.

CONVERSION OF UNITS

Unitholders shall be entitled (subject to such limitations as the Manager may impose after consulting with the Trustee) to convert all or part of their Units of any Class (the “Existing Class”) into Units of any other Class (the “New Class”) available for subscription or conversion.

A request for conversion will not be effected if as a result the relevant Unitholder would hold less than the minimum holding amount of the Existing Class or the New Class, or is prohibited from holding Units of the New Class.

In addition, specific limitations or restrictions may apply when a Unitholder intends to convert his Units into another Class.

A switching fee may be charged by the Manager in respect of each Unit of the New Class to be issued upon such conversion of a percentage of –

- (i) the subscription price per Unit of the New Class as at the Valuation Point on the Valuation Date at which the subscription price of such Units is ascertained; or
- (ii) the total amount being converted into.

Currently, the switching fee is charged pursuant to paragraph (ii) above.

The maximum rate of switching fee is 5% and the current rate of switching fee is up to 2%. Different distributors may impose different level of switching fee. Unitholders should check with their respective distributors for the applicable level.

The switching fee shall be deducted from the amount reinvested into the Units of the New Class and shall be retained by or paid to the Manager for its own absolute use and benefit. The Manager may, at its discretion, share with approved intermediaries, including banks, brokers, recognised securities dealers and other investment advisers, a proportion of the switching fee received by it.

Where the switching fee is levied pursuant to paragraph (i) above, Units of the Existing

Class will be converted into Units of the New Class in accordance (or as nearly as may be in accordance) with the following formula:-

$$N = \frac{(E \times R \times F)}{S + SF}$$

Where the switching fee is levied pursuant to paragraph (ii) above, Units of the Existing Class will be converted into Units of the New Class in accordance (or as nearly as may be in accordance) with the following formula:-

$$N = \frac{(E \times R \times F - SF)}{S}$$

Where in either case:-

N is the number of Units of the New Class to be issued, provided that amounts lower than the smallest fraction of a Unit of the New Class shall be ignored and shall be retained by the Fund relating to the new Class.

E is the number of Units of the Existing Class to be converted.

F is the currency conversion factor determined by the Manager for the relevant Valuation Date as representing the effective rate of exchange between the class currency of Units of the Existing Class and the class currency of Units of the New Class.

R is the redemption price per Unit of the Existing Class applicable on the relevant Valuation Date less any redemption charge (if any) imposed by the Manager.

S is the subscription price per Unit for the New Class applicable on the Valuation Date for the New Class coincident with or immediately following the relevant Valuation Date **PROVIDED THAT** where the issue of Units of the New Class is subject to the satisfaction of any conditions precedent to such issue then **S** shall be the subscription price per Unit of the New Class applicable on the first Valuation Date for the New Class falling on or after the satisfaction of such conditions.

SF is a switching fee (if any).

If there is, at any time during the period from the time as at which the redemption price per Unit of the Existing Class is calculated up to the time at which any necessary transfer of funds from the Existing Class to the New Class takes place, a devaluation or depreciation of any currency in which any investment of the Existing Class is denominated or normally traded, the Manager may at its discretion reduce the redemption price as the Manager consider appropriate to take account of the effect of that devaluation or depreciation and in such event the number of Units of the New Class to be allotted to any relevant Unitholder shall be recalculated in accordance with the relevant formula set out above as if that reduced redemption price had been the redemption price ruling for redemptions of Units of the Existing Class on the relevant Valuation Date.

Applications for conversion of Units may be made on any Valuation Date and by returning the duly completed and signed conversion form to the Manager or the Trustee

through the Registrar's Agent. The Manager or the Trustee through the Registrar's Agent shall proceed with the conversion once the duly completed and signed conversion form is received. The conversion form can be obtained from the Manager or the Registrar's Agent and such form can be given by fax or by other electronic means as agreed between the Manager, the Trustee and the Registrar's Agent. Confirmation will also be issued once the conversion is successfully completed. If a certificate has been previously issued, Unitholders are required to return the original certificate to the Manager or the Registrar's Agent before the conversion is processed. A conversion form to be given by joint Unitholders must be signed by all joint Unitholders. If the conversion form (either originals, fax copies or other electronic means as agreed) and the original certificate (if any) are received before 3:00 p.m. Hong Kong time on a Valuation Date, such conversion will be dealt with on that Valuation Date; if not or such conversion form (either originals, fax copies or other electronic means as agreed) and the original certificate (if any) are received on a day which is not a business day, such conversion will be dealt with on next Valuation Date. Unitholders should be reminded that if they choose to send conversion form by fax or by other electronic means as agreed between the Manager, the Trustee and the Registrar's Agent, they bear their own risk of the forms not being received by the Manager or the Registrar's Agent and the risk of sending duplication of orders to the Manager or the Registrar's Agent. Unitholders should therefore for their own benefit confirm with the Manager or the Registrar's Agent the receipt of the forms. Notwithstanding the above, the Manager or the Registrar's Agent reserves the right not to effect conversion pending receipt of the original completed and signed conversion form and if such rights are exercised, the Manager or the Registrar's Agent shall notify the relevant Unitholders of such decision forthwith.

Depending on the time required to remit the conversion money, the day on which investments are converted into the New Class may be later than the day on which investments in the Existing Class are converted out or the day on which the instruction to convert is given.

VALUATION AND PRICE CALCULATION

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The Net Asset Value of the Fund, Net Asset Value per Unit and where applicable the Net Asset Value of each Class of Units and the Net Asset Value per Unit of each Class will be calculated in accordance with the Trust Deed on each Valuation Date as at the Valuation Point (i.e. time) on that Valuation Date. The current Valuation Point is 6:00 p.m. Hong Kong time. The Manager has power from time to time on one month's notice to the Trustee and the Unitholders to change the Valuation Dates to such other day or days as it thinks fit or to increase or decrease the number of Valuation Dates. In addition the Manager may at any time with the consent of the Trustee change the Valuation Point on such Valuation Dates.

The Net Asset Value of the Fund and the price of Units depend inter alia on the value of the Fund's investments. The Net Asset Value of the Fund is established by deducting from the aggregate value of the assets of the Fund its liabilities (including accrued charges and expenses and a provision for contingent liabilities, where appropriate). The Net Asset Value per Unit of a Class is determined by dividing the Net Asset Value attributable to such Class by the total number of Units of that Class in issue.

Quoted investments are normally valued at the latest available closing price on the stock exchange or market on which the investment is listed, traded or ordinarily dealt in. As for future contracts, they are included in, or deducted from, the assets of the Fund in respect of each outstanding contract entered into on behalf of the Fund an amount equal to the gain or loss respectively which would have accrued to the Fund at the time as at which the relevant valuation is made if the Manager had at the time closed out the position of the Fund under such futures contract by entering into an equal and opposite futures contract at market prices prevailing at that time.

The Manager may, with the prior consent in writing of the Trustee, adjust the value of any investment or permit some other method of valuation to be used if the Manager considers that such adjustment or other method of valuation is more appropriate.

Where the Fund does not have multiple Classes, the subscription price is calculated by dividing the Net Asset Value of the Fund by the number of Units in issue to give the Net Asset Value per Unit and the resulting figure is rounded down to two (2) decimal places whereas the redemption price is calculated by dividing the Net Asset Value of the Fund by the number of Units in issue to give the Net Asset Value per Unit and the resulting figure is rounded down to two (2) decimal places.

Where the Fund has multiple Classes, the subscription price is calculated by dividing the Net Asset Value of the Units of a Class by the number of Units in issue of such Class to give the Net Asset Value per Unit of the Class and the resulting figure is rounded down to two (2) decimal places whereas the redemption price is calculated by dividing the Net Asset Value of the Units of a Class by the number of Units in issue of such Class to give the Net Asset Value per Unit of the Class and the resulting figure is rounded down to two (2) decimal places.

The Trust Deed contains provisions for a fiscal charge to be added to the subscription price and deducted from the redemption price. However, it is not the Manager's present intention to levy this charge. Unitholders will be given 3 months' advance notice if the Manager decides to levy a fiscal charge. The Manager may deal in Units and subscriptions and redemptions may accordingly at the Manager's discretion be either for the direct account of the Fund or sales or purchases by the Manager.

Where a third party is engaged in the valuation of the assets of the Fund, the Manager shall exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of such third party in ensuring such entity possesses the appropriate level of knowledge, experience and resources is commensurate with the valuation policies and procedures for the Fund. The valuation activities of such third party shall be subject to ongoing supervision and periodic review by the Manager.

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The Trustee is regarded as the operator of the Fund under CIMA's Rule on Calculation of Assets Values – Regulated Mutual Funds ("Rule"). The Manager has delegated the calculation of the Fund's Net Asset Value to HSBC Trustee (Cayman) Limited as Administrator, which in turn has by an internal delegation arrangement, delegated such administrative function to HSBC Institutional Trust Services (Asia) Limited which is an affiliate of the Trustee. The Trustee believes that the involvement of the operator in the

Fund's Net Asset Value calculation can help ensure the Fund's compliance with the Rule for which the operator of the Fund has ultimate responsibility.

PUBLICATION OF PRICES

The subscription and redemption prices of Units are published on the Manager's website at www.htisec.com/asm. Please note that the website does not form part of this Explanatory Memorandum and has not been reviewed by the SFC.

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SUSPENSION OF DEALINGS

The Trust Deed contains powers for the Manager, after consultation with the Trustee, having regard to the best interests of Unitholders, to cease to issue or redeem Units in the following circumstances:

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- (a) the markets, on which investments of the Fund are listed, are closed otherwise than for ordinary holidays or where any dealings on such markets are restricted or suspended;
- (b) the acquisition or disposal of the investments of the Fund cannot in the opinion of the Manager after consultation with the Trustee be effected normally or without seriously prejudicing the interests of Unitholders;
- (c) there is a breakdown in the means of communication normally used so that valuation of the investments cannot be promptly and accurately ascertained;
- (d) there is a period when the realisation of the investments of the Fund or the transfer of funds involved in such realisation cannot in the opinion of the Manager after consultation with the Trustee be effected at normal prices or normal rates of exchange respectively; or
- (e) the remittance of moneys involved in the subscription or redemption of Units cannot be carried out without undue delay and at normal rates of exchange.

Full details of these circumstances are contained in the Trust Deed.

No Units of the Fund may be issued or redeemed during such a period of suspension. If there is a suspension of dealings, the Manager will give notice to any person whose subscription or redemption request is affected by the suspension. The Manager will also immediately after any such declaration notify the SFC of such suspension and will, immediately after any such declaration and at least once a month during the period of such suspension, cause a notice to be published on the Manager's website at www.htisec.com/asm (this website has not been reviewed by the SFC) or any other appropriate manner stating that such declaration has been made. The Manager will regularly review any prolonged suspension of dealings and take all necessary steps to resume normal operations as soon as practicable.

LIMITS ON REDEMPTION

In the event of redemption requests being received in excess of 10% of the Units in issue,

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the Manager may with the approval of the Trustee and with a view to protecting the best interests of Unitholders, limit the number of Units to be redeemed to 10% of the Units in issue. In that event, applications for redemption will be scaled down pro rata so that all Unitholders wishing to redeem their Units on that day redeem the same proportion of such Units. Units not so redeemed will be carried forward for redemption on the next Valuation Date, subject to the same limitation. Alternatively, the Manager may sell a proportion of the Fund's assets corresponding to the proportion of the Units to be redeemed and recalculate the redemption price based on the investments actually sold and in such event, the redemption proceeds will usually be payable only when the proceeds of sale of such investments are received.

CHARGES AND EXPENSES

The Manager

C14(b)
C14(c)

The Manager is entitled under the Trust Deed to a management fee at a maximum rate of 2.5% per annum of the Net Asset Value of the Fund, calculated and accrued on each Valuation Date and payable monthly in arrears. The Manager currently receives a management fee at the rate of 1.5% per annum for Class A Units and 1.2% per annum for Class I Units. The Manager may only increase the level of its fee up to 2.5% per annum by giving to the Trustee and the Unitholders not less than three months' notice in writing or at such earlier date as may be approved by extraordinary resolution.

The Manager is also entitled to receive an initial charge on the issue of Units of up to 5% of the total subscription amount received in relation to the application for Units.

The Manager and its associates may enter into portfolio transactions for or with the Fund either as agent, in which case they may receive and retain customary brokerage commissions, or with the approval of the Trustee as principal in accordance with normal market practice. The Fund will generally pay brokerage at customary institutional full service brokerage rates. The Manager, the Investment Delegate and any of their connected persons will not retain cash or other rebates from brokers or dealers in respect of transactions from the Fund but may enter into soft commission arrangements for the provision to the Manager, the Investment Delegate or any of their connected persons of goods and services which are of demonstrable benefit to Unitholders. Execution of transactions for the Fund will be consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates. The availability of soft dollar arrangements will not be the sole or primary purpose to perform or arrange transaction with such broker or dealer. Periodic disclosure will be made in the annual report and accounts of the Fund in the form of a statement describing the soft commission policies and practices of the Manager or the Investment Delegate, including a description of the goods and services received by them.

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The Manager may, in its absolute discretion, waive, reduce, share with or rebate to any person(s), including those by or through whom Units are offered for subscription, the payment of all or any portion of the initial charge received by the Manager for its own use and benefit, and may share with or rebate to any person(s), including those by or through whom Units are offered for subscription, the payment of all or any portion of the management fee and/or performance fee received by the Manager for its own use and benefit.

The Manager, the Investment Delegate and/or any of their connected persons reserves the right to effect transactions by or through the agency of another person with whom the Manager, the Investment Delegate and/or any of their connected persons has an arrangement under which that party will from time to time provide to or procure for the Manager, the Investment Delegate and/or any of their connected persons goods, services or other benefits (such as research and advisory services, economic and political analysis, portfolio analysis including valuation and performance measurement, market analysis, data and quotation services, computer hardware and software incidental to the above goods and services) the nature of which is such that their provision can reasonably be expected to benefit the Fund as a whole and may contribute to an improvement in the

performance of the Fund or of the Manager, the Investment Delegate, and/or any of their connected persons in providing services to the Fund and for which no direct payment is made but instead the Manager, the Investment Delegate, and/or any of their connected persons undertakes to place business with that party. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

The Trustee

C14(b)
C14(c)

The Trustee currently charges a fee for acting as Trustee and Administrator of the Fund ("Trustee Fee") at 0.12% per annum for the first HKD 390 million of the Fund and 0.10% per annum for the portion of the Net Asset Value of the Fund which exceeds HKD 390 million, payable monthly in arrears, and may only increase the aggregate fees payable to the Trustee to the maximum rate of 0.5% per annum of the Net Asset Value of the Fund with the agreement of the Manager and by giving to Unitholders not less than three months' notice in writing.

The Trustee is entitled under the Trust Deed to receive a minimum trustee fee of HK\$250,000 per annum, however it is currently only entitled to receive a minimum fee of HK\$125,000 per annum[^] in the Fund. Such minimum fee can be increased up to the stated maximum with the approval of the Manager and upon three months' notice to Unitholders.

[^] With effect from 1 April 2022, the minimum trustee fee will be changed from HK\$ 125,000 per annum to HK\$ 250,000 per annum.

The Trustee is also entitled to receive a fee for acting as Registrar. It is also entitled, in its capacity as Trustee, Administrator and Registrar, to receive various transaction, processing, valuation fees and other applicable fees as agreed with the Manager and to be reimbursed by the Fund for all out-of-pocket expenses (including custody fees and expenses) properly incurred by it in the performance of its duties.

In addition, a fee of USD4,000 per annum may be payable to the Trustee for carrying out its regulatory duties as Trustee.

Other Expenses and Charges

The Fund is liable to pay a number of expenses in addition to the fees payable to the Manager and the Trustee. These expenses include the cost of investing and realising the assets of the Fund, of safe-keeping the investments which includes the fee of any custodian or sub-custodian (including transaction fees which may be payable to associates of the Trustee), fees payable to the Cayman Islands government, any tax or similar duties payable by the Fund, the cost of publishing, printing and circulating the annual report and notices of Unitholders' meetings, the costs of publishing subscription and redemption prices and other communications to Unitholders.

C14(b)

The Fund also bears legal expenses incurred by the Manager or the Trustee in enabling the Fund to conform to new legislation or in connection with any supplemental deed

giving effect to an authorised alteration, modification or variation of the Trust Deed. The costs and expenses of auditing the Fund, their legal costs, the costs of obtaining or maintaining the approval of any regulatory authority for the Fund, the Manager's and the Trustee's expenses properly incurred, and any other costs incurred by the Manager or the Trustee wholly and exclusively for the benefit of the Fund, are also borne by the Fund. Under the Trust Deed, the Fund may receive the benefit of rounding adjustments made in the calculation of the redemption price.

TAXATION

The following comments are based on advice received by the Manager regarding current law and practice and are intended to assist investors. Investors should appreciate that as a result of changing law or practice, or unfulfilled expectations as to how the Fund or investors will be regarded by revenue authorities in different jurisdictions, the taxation consequences for investors may be otherwise than as stated below.

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Investors should consult their professional advisers on the taxes applicable and possible tax consequences on their subscribing for, purchasing, holding, selling or redeeming Units under the laws of their countries of citizenship, residence, ordinary residence or domicile.

Mainland China

By investing in securities issued by mainland China tax resident enterprises, irrespective of whether such securities are issued or distributed in the mainland China (“onshore mainland China securities”) or outside the mainland China (“offshore mainland China securities”) (these securities together the “**Mainland China Securities**”), the Fund may be subject to mainland China taxes.

Mainland China Corporate Income Tax (“CIT”)

Dividend Income

If the Fund is considered as a tax resident enterprise of the mainland China, it will be subject to mainland China CIT at 25% on its worldwide taxable income. If the Fund is considered as a non-tax resident enterprise with a permanent establishment (“**PE**”) in the mainland China, the profits and gains attributable to that PE would be subject to mainland China CIT at 25%.

The Manager intends to manage and operate the Fund in such a manner that the Fund should not be treated as tax resident enterprises of the mainland China or non-tax resident enterprises with a PE in the mainland China for mainland China CIT purposes, although this cannot be guaranteed.

Unless a specific exemption or reduction is available under current mainland China tax laws and regulations or relevant tax treaties, non-tax resident enterprises without PE in the mainland China are subject to mainland China CIT on a withholding basis (“**Mainland China Withholding Income Tax**”), generally at a rate of 10% currently, to the extent it directly derives the mainland China sourced passive income. Mainland China sourced passive income (such as dividend income) may arise from investments in the mainland China securities. The entity distributing such dividends is required to withhold such tax. Accordingly, the Fund may be subject to Mainland China Withholding Income Tax and/or other mainland China taxes on any cash dividends and distributions it receives from its

investment in Mainland China Securities.

Under the current mainland China regulations, if a foreign investor (such as the Fund) invests in onshore mainland China securities through a QFI (in this section and for the Fund referred to as the “relevant QFI”), any tax liability would, if it arises, be payable by the relevant QFI. However under the terms of the arrangement between the relevant QFI and the Fund, the relevant QFI will pass on any tax liability to the Fund. As such, the Fund is the ultimate party which bears the risks relating to any mainland China taxes which are so levied by the relevant mainland China tax authority. Under current mainland China tax laws and regulations, a relevant QFI is subject to a Mainland China Withholding Income Tax of 10% on cash dividends and distributions from the Mainland China Securities unless exempt or reduced under current mainland China tax laws and regulations or relevant tax treaties. A 10% Mainland China Withholding Income Tax applies on dividend income derived from investments in China A-Shares through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

The Manager intends to make relevant provision on dividend from onshore mainland China securities if the Mainland China Withholding Tax is not withheld at source at the time when such income is received (where Mainland China Withholding Tax is already held at source, no further provision will be made).

Capital Gains

China A-Shares

The MOF, STA and CSRC jointly issued “the Notice on the issues of temporary exemption from the imposition of CIT arising from gains from the transfer of equity investment assets such as PRC domestic stocks by QFII and RQFII” (財政部、國家稅務總局、證監會關於QFII 和RQFII 取得中國境內的股票等權益性投資資產轉讓所得暫免徵收企業所得稅問題的通知(財稅[2014]79 號)) (“**Circular 79**”), which states that (i) with effect from 17 November 2014, QFIIs and RQFIIs (collectively, QFIs) are temporarily exempt from CIT in respect of capital gains derived from transfer of equity investment assets (including PRC domestic stocks); (ii) this circular applies to QFIs that do not have a place of business or establishment (“**PE**”) in the mainland China, or QFIs that have a PE in the mainland China but their gains derived from transfer of equity investment assets (including PRC domestic stocks) are not connected to such PE.

The MOF, STA and CSRC have jointly issued a circular concerning the tax treatment for Shanghai-Hong Kong Stock Connect (Caishui [2014] No. 81 – The Circular Concerning the Tax Treatment for the Pilot Programme of Shanghai-Hong Kong Stock Connect (財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收

政策的通知(財稅[2014] 81 號))(**“Circular 81”**), which states that CIT and individual income tax will be temporarily exempt on gains derived by Hong Kong and overseas investors (including the Fund) on the disposal of China A-Shares through Shanghai-Hong Kong Stock Connect.

The MOF, STA and CSRC have jointly issued a circular concerning the tax treatment for the Shenzhen-Hong Kong Stock Connect (Caishui [2016] No. 127 – The Circular Concerning the Tax Treatment for the Pilot Programme of the Shenzhen-Hong Kong Stock Connect (財政部、國家稅務總局、證監會關於深港股票市場交易互聯互通機制試點有關稅收政策 的通知(財稅〔2016〕127號)) (**“Circular 127”**) which states that CIT and individual income tax will be temporarily exempt on gains derived by Hong Kong and overseas investors (including the Fund) on the disposal of China A-Shares through the Shenzhen-Hong Kong Stock Connect.

In light of the temporary tax exemption granted (as referred to above), and having considered the tax advice from the independent tax advisor, the Manager will not make any tax provision in respect of the mainland China CIT on the gross unrealised and realised capital gains derived by the Fund from investments in China A-Shares through QFI, Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

It is also noted that the relevant tax exemptions are temporary. Further, mainland China tax regulations are subject to on-going changes, which may have retrospective effects. As such, the Manager will review the tax provisions policy of the Fund, and it may in future change the tax provisions policy, including making provisions to reflect taxes payable when considered appropriate. Investors should note this may have a substantial negative impact on the Net Asset Value of the Fund.

Mainland China Value Added Tax (“VAT”) and other Surtaxes

With the Caishui [2016] No. 36 (**“Circular 36”**) regarding the final stage of VAT reform coming into effect on 1 May 2016, gains derived from the trading of Chinese securities are subject to VAT instead of Business Tax starting from 1 May 2016.

Capital Gains

According to Circular 36 and Caishui [2016] No. 70 (**“Circular 70”**), gains derived by QFIIs and RQFIIs (collectively, QFIs) from the trading of onshore Chinese securities (including China A-Shares and other PRC listed securities) are exempt from VAT since 1 May 2016.

Based on Circular 36 and Circular 127, the gains derived from transfer of China A-Shares through the Shanghai-Hong Kong Stock Connect are exempt from VAT since 1 May 2016

and the gains derived from transfer of China A-Shares through the Shenzhen-Hong Kong Stock Connect are exempt from VAT since 5 December 2016.

Dividend Income

Dividend income or profit distributions on equity investment derived from the mainland China are not included in the taxable scope of VAT.

Mainland China Stamp Duty

Stamp duty under the mainland China laws generally applies to the execution and receipt of all taxable documents listed in the mainland China's Provisional Rules on Stamp Duty. Stamp duty is levied on the execution or receipt in China of certain documents, including contracts for the sale of China A-Shares traded on the mainland China stock exchanges. In the case of contracts for sale of China A-Shares and China B-Shares, no matter via QFI, Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Connect, such stamp duty is currently imposed on the seller but not on the purchaser, at the rate of 0.1%.

According to Circular 127, the borrowing and return of listed shares in relation to shares guarantee and short-selling by Hong Kong and overseas investors through Stock Connect is exempt from Stamp Duty since 5 December 2016.

Other Mainland China Tax Considerations

It should also be noted that the actual applicable tax rates imposed by STA may be different and may change from time to time. There is a possibility of the rules being changed and taxes being applied retrospectively. As such, any provision for taxation made by the Manager may be excessive or inadequate to meet final mainland China tax liabilities. Consequently, Unitholders may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they applied for creation of and/or redeemed their Units.

If the actual applicable tax rate levied by STA is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Fund may suffer more than the tax provision amount as the Fund will ultimately have to bear the additional tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Fund. On the other hand, the actual tax liabilities may be lower than the tax provision made. In that case, those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision and as such may be

disadvantaged.

Prospective investors and unitholders should seek their own tax advice on their tax position with regard to their investment in the Fund.

The mainland China tax laws, regulations and practice may change, including the possibility of taxes being applied retrospectively, and that such changes may result in higher taxation on investments in mainland China securities than currently contemplated.

Hong Kong

During such period as the Fund is authorised by the SFC pursuant to section 104 of the SFO, under present Hong Kong law and practice:

- (a) The Fund is not expected to be subject to Hong Kong profits tax in respect of any of its authorised activities.
- (b) No tax will be payable by Unitholders in Hong Kong in respect of dividends or other income distributions of the Fund or in respect of any capital gains arising on a sale, redemption or other disposal of Units of the Fund, except that Hong Kong profits tax may arise where such transactions form part of a trade, profession or business carried on in Hong Kong.

No Hong Kong stamp duty is payable where the sale or transfer of the Unit is effected by extinguishing the Unit or the sale or transfer is to the Manager who subsequently re-sells the Units within two months thereof.

Dividends, interest and other income received by the Fund from outside Hong Kong may be subject to withholding taxes in the countries in which the payment is made and these taxes would not normally be recoverable by the Fund, though they may be recoverable by individual Unitholders who are able to claim the benefit of appropriate double taxation relief.

Compliance with Automatic Exchange of Information Legislation

- (a) FATCA

The United States Foreign Account Tax Compliance Act and sections 1471 through 1474 of the United States Internal Revenue Code (collectively referred to as “FATCA”) requires certain “Foreign Financial Institutions”, including the Fund, to report on assets held by U.S. person. Failure to do so could result in the Foreign Financial Institution being subject to a withholding tax (currently at the rate of 30%) on certain payments. Payments subject to withholding under these rules generally include gross U.S.-source dividend and interest income, gross proceeds from the sale of property that produces dividend or interest income from sources within the U.S. and certain other payments made by or through “Participating Foreign Financial Institutions” to “recalcitrant account holders” and “Non-participating Financial Institutions” (so called “foreign pass thru

payments”).

The Cayman Islands Government has entered into a Model 1 intergovernmental agreement with the United States (the “**US IGA**”) and implemented domestic regulations (the “**Cayman US FATCA Regulations**”) to facilitate compliance with FATCA. The US IGA provides that Cayman Islands Financial Institutions, including the Fund, which comply with the Cayman US FATCA Regulations (and through them the US IGA) will be treated as satisfying the due diligence and reporting requirements of FATCA and accordingly will be “deemed compliant” with the requirements of FATCA. To comply with its obligations under the Cayman US FATCA Regulations, the Fund is required to identify whether Units are held directly or indirectly by “Specified US Persons” (as defined in the US IGA) and report information on such Specified US Persons to the Cayman Islands Tax Information Authority (the “**Cayman TIA**”). The Cayman TIA will in turn report relevant information to the United States Internal Revenue Service (“**IRS**”). If the Fund is not able to comply with its reporting requirements under the US IGA (whether due to a failure of one or more Unitholders to provide adequate information or otherwise), the Fund could be deemed to be a “Non-participating Financial Institution” as a result of “significant non-compliance”. In such a situation, the withholding tax under FATCA could be imposed on U.S.-sourced amounts paid to the Fund.

The Fund has registered with the IRS as a reporting Foreign Financial Institution and has obtained a global intermediary identification number (GIIN No. KM6F5D.99999.SL.136) from the IRS.

(b) OECD Common Reporting Standard requirements regarding tax reporting

The “Common Reporting Standard” (“**CRS**”) was developed by the OECD to be an international standard for the automatic exchange of financial account information between relevant jurisdictions. Jurisdictions committed to the CRS (each a “**Participating Jurisdiction**”) will either be a signatory to the multi-lateral competent authority agreement (“**MCAA**”) or will sign bilateral competent authority agreements with certain other Participating Jurisdictions.

Under the MCAA (or the relevant bilateral agreement), Participating Jurisdictions will become “**Reportable Jurisdictions**” once they have implemented appropriate domestic legislation, put in place the necessary administrative and IT infrastructure (both to collect and exchange information and to protect confidentiality and safeguard data) and provided the necessary notifications for exchange. Participating Jurisdictions will have to collect and exchange relevant information with relevant Reportable Jurisdictions.

The Cayman Islands Government is a signatory to the MCAA and has implemented CRS through the Tax Information Authority (International Tax Compliance) (Common Reporting Standard) Regulations (2021 Revision) (the “**CRS Regulations**”). Under the CRS Regulations, the Fund is required, amongst others, to make an annual filing to the Cayman TIA in respect of Unitholders who are tax resident in a Reportable Jurisdiction and/or whose “Controlling Persons” are tax resident in a Reportable Jurisdiction (unless one or more of the limited exemptions in the CRS Regulations apply).

The list of Reportable Jurisdictions for the Cayman Islands is available on the Cayman TIA website.

(c) Impact to the Fund and Unitholders

In order to comply with the US IGA, the MCAA (or any relevant bilateral agreement) and the relevant domestic legislation (collectively “**AEOI Legislation**”), the Fund may be required to disclose certain confidential information provided by Unitholders to the Cayman TIA, which in turn will report the information to the relevant foreign fiscal authority. In addition, the Fund, the Manager or its agents may at any time require a Unitholder to provide additional information and/or documentation which the Fund may be required to disclose to the Cayman TIA.

Each Unitholder shall also be required to: (a) inform the Fund, the Manager or its agents as soon as possible of any change in any information provided in relation to its tax status (including any circumstances that would result in a change in the taxpayer status of such Unitholder); and (b) subject to the Unitholder’s express consent, waive any and all rights of such Unitholder under any relevant law or regulation in any applicable jurisdiction that would prevent the Fund, the Manager or its agents from meeting applicable regulatory and legal requirements.

In the event a Unitholder does not provide the requested information and/or documentation, whether or not that actually leads to compliance failures by the Fund, or a risk of the Fund being subject to any withholding tax or other liability or being required to withhold amounts from distributions to be made to any Unitholder, the Fund, the Manager or its agents may, and acting in good faith and on reasonable grounds as permitted under applicable laws and regulations (including those in the Cayman Islands and Hong Kong) may take any action and/or pursue any remedy at its disposal. Such action or remedy may include (i) reporting the relevant information of such Unitholder to the IRS and/or any other tax authorities in the relevant jurisdictions; (ii) withholding such amount from any redemption and/or distributions moneys which would otherwise be payable to a Unitholder; and/or (iii) exercising its right to request a transfer of Units to another person or to compulsorily redeem the Units held by such Unitholder if in the opinion of the Manager, holding of Units by such person (whether directly or beneficially) will result in the Fund incurring any liability to taxation or suffering a pecuniary disadvantage which the Fund might not otherwise have incurred or suffered, or the Fund being exposed to any liability, penalty or regulatory action, with the approval of the Trustee.

Nothing in this section constitutes or purports to constitute tax advice and Unitholders should not rely on any information set out in this section for the purposes of making any investment decision, tax decision or otherwise. Investors should consult their own tax advisors regarding the AEOI Legislation requirements, possible implications and related tax consequences with respect to their own situation. In particular, investors who hold their Units through intermediaries should confirm the FATCA compliance status of those intermediaries to ensure that they do not suffer FATCA withholding tax on their

investment returns.

INVESTMENT AND BORROWING RESTRICTIONS

The Trust Deed sets out restrictions and prohibitions on the acquisition of certain investments by the Manager and borrowing restrictions for the Fund. The investment and borrowing restrictions are set out in Schedule 1 to this Explanatory Memorandum.

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If the investment restrictions and limitations in relation to the Fund are breached, the Manager shall take as a priority objective all steps as are necessary within a reasonable period of time to remedy such breach taking due account of the interests of the Unitholders.

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DISTRIBUTION AND INCOME

The Trust Deed empowers the Manager to distribute the income of the Fund but it is the Manager's intention to accumulate it and make no distribution.

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If distributions were to be made, then on the reinvestment of a distribution in Units, the initial charge would not be payable. Distributions will not be paid out of, or effectively out of, the capital of the Fund.

FINANCIAL REPORTS

The financial year end of the Fund is 30 June. Audited annual financial reports (in English only) will be drawn up in accordance with Hong Kong Financial Reporting Standards and made available to Unitholders as soon as possible, in any event within four months after the end of the relevant financial year. Annual reports of the Fund will also be made available to Unitholders upon request. Unaudited semi-annual financial reports (in English only) will also be made available to Unitholders shortly, in any event within two months after 31 December in each year.

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Notice will be given to Unitholders to notify them where the financial reports (in printed and electronic forms) can be obtained within the relevant timeframe. In any event, the financial reports will be available on the website of the Manager at www.htisec.com/asm and printed copies of the financial reports will be provided to Unitholders upon their request and will be available at the offices of the Manager. Please note that the website does not form part of this Explanatory Memorandum and has not been reviewed by the SFC.

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TRUST DEED

The Fund was established under Hong Kong law by a Trust Deed dated 18 April 1989

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and made between SHK Unit Trust Managers Limited as Manager, Standard Chartered International Trustee Limited (as it was then known) as Trustee and Standard Chartered Trust Company Limited as Alternate Trustee. This Trust Deed has been amended by supplemental trust deeds dated 16th October 1989, 1 June 1991, 31 March 1992, 7 June 1993, 15 April 1996, 24 June 1999, 31 October 2001, 9 July 2007, 22 November 2010, 6 March 2015, 15 November 2018, 31 December 2019 and 24 January 2022 respectively and a Deed of Retirement and Appointment of the Trustee and the Alternate Trustee dated 20 May 1995, a Deed of Retirement and Appointment of Manager and Modification of the Trust Deed constituting Kingsway Middle Kingdom Fund (as the Fund was then known) dated 24 October 2003, a Deed of Retirement and Appointment of Trustee and Variation dated 11 December 2017 and a Deed of Retirement and Appointment of Alternate Trustee and Variation dated 6 March 2020.

Since the Fund was established, the Trustee and the Alternate Trustee have changed. Bank of Bermuda (Cayman) Limited and The Bank of Bermuda Limited (subsequently renamed as HSBC Bank Bermuda Limited) became Trustee and Alternate Trustee respectively with effect from 30 September 1994. Further, HSBC Trustee (Cayman) Limited became Trustee with effect from 22 March 2018 and HSBC Institutional Trust Services (Singapore) Limited became the Alternate Trustee with effect from 21 July 2020.

The Fund was formerly known as Polaris Middle Kingdom Fund, Kingsway Middle Kingdom Fund, Taifook Middle Kingdom Fund and Haitong Middle Kingdom Fund before 1 August 2001, 1 August 2007, 29 November 2010 and 24 January 2022 respectively and has changed to its present name with effect from 24 January 2022.

The Trust Deed contains provisions for the indemnification of the parties and their exclusion from liability in certain circumstances. Unitholders and intending applicants are advised to consult the terms of the Trust Deed.

The Trustee and Manager may agree to modify the Trust Deed by supplemental deed without the approval of an extraordinary resolution provided that the Trustee certifies in writing that in its opinion such change (a) does not materially prejudice the interests of the Unitholders, does not to any material extent release the Trustee or the Manager or any other person from any liability to the Unitholders and does not increase the costs and charges payable from the Fund's property (other than the costs, charges, fees and expenses incurred in connection with any such supplemental deed); or (b) is necessary in order to make possible compliance with any fiscal, statutory, regulatory or official requirement (whether or not having the force of law); or (c) is made to correct a manifest error. In all other cases involving any material changes, no alteration may be made except by an extraordinary resolution of the Unitholders and, where applicable, the approval of the SFC.

6.7

UNITHOLDERS' MEETINGS

Meetings of Unitholders may be convened by the Manager or the Trustee and the Manager is required to convene a meeting on the request of the Unitholders of not less than 1/10 of the Units for the time being in issue. Unitholders will be given not less than

14 days' notice of any meeting (or not less than 21 days' notice in case an extraordinary resolution is to be proposed). Unitholders may appoint proxies to attend and vote on their behalf.

Unitholders may by ordinary resolution, that is a simple majority of the votes passed for and against the relevant proposal, elect a chairman of the meeting, adjourn a meeting and approve further unrestricted investments. In addition, Unitholders may by extraordinary resolution, that is a 75% majority of the votes, of those present or represented at the meeting, passed for the relevant proposal, sanction a modification of the Trust Deed as approved by the Manager and the Trustee, remove the Trustee, terminate the Fund or approve amalgamation with another trust.

The quorum required for all meetings is Unitholders present in person or by proxy representing (i) 25% of the Units in issue on the day immediately preceding the date of the meeting where an extraordinary resolution is to be considered and (ii) 10% of all the Units in issue on the day immediately preceding the date of the meeting if only an ordinary resolution is to be considered. The Manager and its associates may not be counted in the quorum at any meeting nor vote in respect of Units beneficially held by them if the Manager or any of its associates has a material interest in the business to be transacted at the meeting. Where the original meeting was inquorate, separate notice will be given of the re-convened meeting. Equivalent restrictions apply to voting by the Trustee and its associates and the counting of Units held by the Trustee for quorum purposes.

On a poll, every Unitholder present in person, by proxy or by representative has one vote for every whole Unit held. In the case of joint Unitholders, the vote of the senior who tenders a vote whether present in person, by representative or by proxy shall be accepted to the exclusion of the votes of the other joint Unitholders, and seniority is determined by the order in which the names stand in the register of Unitholders.

DURATION AND TERMINATION OF THE FUND

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The Fund will continue indefinitely until terminated as provided in the Trust Deed.

The Trustee may terminate the Fund by giving notice to the Manager (if there shall be a Manager in office) and thereafter by giving not less than three (3) months' notice in writing to all Unitholders in certain circumstances including:

- (a) within a period of 6 months from the date of the removal of the Manager pursuant to the Trust Deed, the Trustee is unable to appoint some other company to act as Manager;
- (b) the passing of any laws rendering it illegal or in the opinion of the Trustee impracticable or inadvisable to continue the Fund;
- (c) within a period of 6 months from the date of the Trustee giving notice in accordance with the Trust Deed of its desire to retire, the Trustee and the Manager shall have failed to appoint a new Trustee; or

- (d) at any time after the expiry of 5 years from the date of establishment of the Fund, an extraordinary resolution of the Unitholders authorising the termination of the Fund is passed; or
- (e) the Manager shall go into liquidation (save a voluntary liquidation for the purpose of and followed by a reconstruction or amalgamation upon terms previously approved in writing by the Trustee).

The Manager may terminate the Fund by giving notice to the Trustee and thereafter by giving not less than three (3) months' notice to all Unitholders in certain circumstances including:

- (a) where the aggregate Net Asset Value of the Fund falls below HK\$50 million for a continuous period of 3 months; or
- (b) any law shall be passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable to continue the Fund.

Upon termination of the Fund, all investments forming part of the Fund will be sold, such sale being carried out and completed in such manner and within such period as the Trustee deems fit. The Trustee will distribute to the Unitholders pro rata to the Units held by them all the net cash proceeds derived from the realisation of the Fund's assets after making provisions for all costs, charges, expenses and claims arising out of the liquidation of the Fund. Every such distribution will be made in respect of Units for which a certificate (if any) is in issue against production of the Unit certificate upon which will be endorsed a memorandum of every interim distribution made and on a final distribution the certificate will be surrendered to the Trustee. Where a certificate has not been issued, a certificate of payment signed by the Trustee shall be given to Unitholders.

The Trustee shall not be bound except in the final distribution to pay out less than HK\$0.50 per Unit. Any distribution which remains unclaimed for a period of 6 years after the date on which it is first made available will be paid to the Manager for its account subject to the right of the Trustee to deduct therefrom any expenses it may incur in carrying out the final distribution.

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ANTI-MONEY LAUNDERING REGULATIONS

In order to comply with legislation or regulations aimed at the prevention of money laundering, the Fund is required to adopt and maintain anti-money laundering procedures, and may require investors to provide evidence to verify their identity, the identity of their beneficial owners/controllers (where applicable), and source of funds. Where permitted, and subject to certain conditions, the Trustee may also delegate the maintenance of its anti-money laundering procedures (including the acquisition of due diligence information) to a suitable person.

The Trustee, the Registrar and the Manager reserve the right to request such information

as is necessary to verify the identity of an investor and the identity of their beneficial owners/controllers (where applicable). A detailed verification may not be required in certain circumstances specified under the Anti-Money Laundering Regulations (2020 Revision) of the Cayman Islands, as amended and revised from time to time, or any other applicable law ("**AML Regulations**"). However, detailed verification information may be required prior to the payment of any proceeds or any transfer of any Units. In the event of delay or failure on the part of an investor in producing any information required for verification purposes, the Trustee, the Registrar or the Manager may refuse to accept the application, or if the application has already been processed, may suspend dealings in or redeem the relevant Units, in which case any funds received will be returned without interest to the account from which they were originally debited.

The Trustee, the Registrar and the Manager also reserve the right to refuse to make any redemption or distribution payment to an investor if any of them suspect or are advised that the payment of such monies to such investor may be non-compliant with applicable laws or regulations, or if such refusal is considered necessary or appropriate to ensure the compliance by the Fund, the Trustee, the Registrar and/or the Manager with any applicable laws or regulations.

If any person in the Cayman Islands knows or suspects or has reasonable grounds for knowing or suspecting that another person is engaged in criminal conduct or money laundering, or is involved with terrorism or terrorist financing and property and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector, or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to (i) the Financial Reporting Authority ("**FRA**") of the Cayman Islands, pursuant to the Proceeds of Crime Act (2020 Revision) of the Cayman Islands if the disclosure relates to criminal conduct or money laundering, or (ii) a police officer of the rank of constable or higher, or the FRA, pursuant to the Terrorism Act (2018 Revision) of the Cayman Islands, if the disclosure relates to involvement with terrorism or terrorist financing and property. Such a report shall not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise.

Pursuant to the AML Regulations, the Fund must designate natural persons to act as its Anti-Money Laundering Compliance Officer, Money Laundering Reporting Officer and Deputy Money Laundering Reporting Officer (the "**AML Officer Roles**"). The Trustee has ensured that natural persons have been designated to perform the AML Officer Roles in accordance with the Cayman Islands law. Investors can obtain further information in respect of the AML Officer Roles from the Manager.

By subscribing for Units, the applicant consents to the disclosure by the Trustee, the Manager, the Registrar and their delegates, agents and affiliates, of any information provided by the applicant to government agencies, regulatory bodies and other relevant persons in connection with anti-money laundering requirements and similar matters.

Each applicant for Units will be required to make such representations as may be required by the Trustee in connection with anti-money laundering programmes, including, without limitation, representations that such applicant is not a prohibited country, territory, individual or entity listed on the United States Department of Treasury's Office of Foreign

Assets Control (**OFAC**) website and that it is not directly or indirectly affiliated with any country, territory, individual or entity named on an OFAC list or prohibited by any OFAC sanctions programmes. Each applicant will also be required to represent that subscription monies are not directly or indirectly derived from activities that may contravene United States federal or state, or international, laws and regulations, including anti-money laundering laws and regulations.

CONFLICTS OF INTEREST

The Manager and the Trustee may from time to time act as trustee, administrator, registrar, manager, custodian, investment manager or Investment Delegate, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to the Fund. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Fund. Each will, at all times, have regard in such event to its obligations to the Fund and will endeavour to ensure that such conflicts are resolved fairly. In any event, the Manager shall ensure that all investment opportunities will be fairly allocated.

CERTIFICATION FOR COMPLIANCE WITH FATCA OR OTHER APPLICABLE LAWS

Each Unitholder (i) shall be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Fund (A) to prevent withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Fund receives payments and/or (B) to satisfy reporting or other obligations under FATCA and its regulations or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority in any jurisdiction (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments, and (iii) will otherwise comply with any reporting obligations imposed by the United States, the Cayman Islands, Hong Kong or any other jurisdiction (including any law, rule and requirement relating to CRS), including reporting obligations that may be imposed by future legislation.

POWER TO DISCLOSE INFORMATION TO TAX AUTHORITIES

Subject to applicable laws and regulations in the Cayman Islands and Hong Kong, the Fund, the Trustee or the Manager or any of their authorised person(s) (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the U.S. IRS, Cayman TIA and the Inland Revenue Department of Hong Kong), certain information in relation to a Unitholder, including but not limited to the Unitholder's name, address, taxpayer identification number (if any) and

certain information relating to the Unitholder's holdings, account balance/value, and income or sale or redemption proceeds, to enable the Fund to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law, regulation or agreement under CRS or FATCA).

DATA PROTECTION

Prospective investors should note that personal data must be supplied in order for an investment in the Fund to be made and for that investment in the Fund to continue. Certain personal data must be supplied to enable the investment to be redeemed. If the required personal data is not provided, a prospective investor will not be able to invest or continue to invest in the Fund.

The Fund's use of personal data is governed by the Cayman Islands Data Protection Act (2021 Revision) and, in respect of data subjects of the European Union ("EU"), the EU General Data Protection Regulation (together, the "Data Protection Legislation").

Under the Data Protection Legislation, individual data subjects have rights and the Fund as data controller has obligations with respect to the processing of personal data by the Fund and its affiliates and delegates, including but not limited to the Administrator. Breach of the Data Protection Legislation by the Fund could lead to enforcement action. The Fund's privacy notice provides information on the Fund's use of personal data under the Data Protection Legislation. The Fund's privacy notice is contained in the application form for subscription and is made available to existing investors via routine investor communications.

If you are an individual prospective investor, the processing of personal data by and on behalf of the Fund is directly relevant to you. If you are an institutional investor that provides personal data on individuals connected to you for any reason in relation to your investment with us (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents), this will be relevant for those individuals and you should transmit the privacy notice to such individuals or otherwise advise them of its content.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal working hours at the offices of the Manager at 22/F., Li Po Chun Chambers, Des Voeux Road Central free of charge and copies thereof may be obtained from the Manager upon payment of a reasonable fee:

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- (a) the Trust Deed, and any supplemental deeds; and

(b) the latest financial reports of the Fund.

SCHEDULE 1 – INVESTMENT AND BORROWING RESTRICTIONS

1. Investment limitations applicable to the Fund

C2

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

- (a) the aggregate value of the Fund's investments in, or exposure to, any single entity (other than Government and other public securities) through the following exceeding 10% of the latest available Net Asset Value of the Fund: 7.1
- (i) investments in securities issued by that entity;
 - (ii) exposure to that entity through underlying assets of financial derivative instruments; and
 - (iii) net counterparty exposure to that entity arising from transactions of over-the-counter financial derivative instruments.

For the avoidance of doubt, restrictions and limitations on counterparty as set out in sub-paragraphs 1(a), 1(b) and 3.4(c) of this Schedule 1 will not apply to financial derivative instruments that are:

Note (3)
to 7.1

- (A) transacted on an exchange where the clearing house performs a central counterparty role; and
- (B) marked-to-market daily in the valuation of their financial derivative instrument positions and subject to margining requirements at least on a daily basis.

The requirements under this sub-paragraph 1(a) will also apply in the case of sub-paragraphs 5(e) and (j) of this Schedule 1.

Note (4)
to 7.1

- (b) subject to sub-paragraphs 1(a) and 3.4(c) of this Schedule 1, the aggregate value of the Fund's investments in, or exposure to, entities within the same group through the following exceeding 20% of the latest available Net Asset Value of the Fund: 7.1A
- (i) investments in securities issued by those entities;
 - (ii) exposure to those entities through underlying assets of financial derivative instruments; and
 - (iii) net counterparty exposure to those entities arising from transactions of over-the-counter financial derivative instruments.

For the purposes of sub-paragraphs 1(b) and 1(c) of this Schedule 1, "entities

Note (1)
to 7.1A

within the same group” means entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognized accounting standards.

The requirements under this sub-paragraph 1(b) will also apply in the case of sub-paragraphs 5(e) and (j) of this Schedule 1.

Note (2)
to 7.1A

- (c) the value of the Fund’s cash deposits made with the same entity or entities within the same group exceeding 20% of the latest available Net Asset Value of the Fund provided that the 20% limit may be exceeded in the following circumstances:

7.1B

Note (2)
to 7.1B

- (i) cash held before the launch of the Fund and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested; or
- (ii) cash proceeds from liquidation of investments prior to the merger or termination of the Fund, whereby the placing of cash deposits with various financial institutions would not be in the best interests of investors; or
- (iii) cash proceeds received from subscriptions pending investments and cash held for the settlement of redemption and other payment obligations, whereby the placing of cash deposits with various financial institutions would be unduly burdensome and the cash deposits arrangement would not compromise investors’ interests.

For the purposes of this sub-paragraph 1(c), “cash deposits” generally refer to those that are repayable on demand or have the right to be withdrawn by the Fund and not referable to provision of property or services.

Note (1) to
7.1B

- (d) the Fund’s holding of any ordinary shares exceeding 10% of any ordinary shares issued by any single entity.
- (e) the value of the Fund’s investment in securities and other financial products or instruments that are neither listed, quoted nor dealt in on a Securities Market, exceeding 15% of the latest available Net Asset Value of the Fund.
- (f) the value of the Fund’s total holding of Government and other public securities of the same issue exceeding 30% of the latest available Net Asset Value of the Fund (save that the Fund may invest all of its assets in Government and other public securities in at least six different issues). For the avoidance of doubt, Government and other public securities will be regarded as being of a different issue if, even though they are issued by the same person, they are issued on different terms whether as to repayment dates, interest rates, the identity of the guarantor, or otherwise.

7.2

7.3

7.4

7.5

Note (2)
to 7.5
7.11

- (g) (i) the value of the Fund’s investment in units or shares in other collective investment schemes (namely “**underlying schemes**”) which are non-eligible schemes (the list of “eligible schemes” is as specified by the SFC from time to time) and not authorized by the SFC in aggregate exceeding 10% of its latest available Net Asset Value; and
- (ii) the value of the Fund’s investment in units or shares in each underlying scheme which is either an eligible scheme (the list of “eligible schemes” is as specified by the SFC from time to time) or a scheme authorized by the SFC exceeding 30% of its latest available Net Asset Value unless the underlying scheme is authorized by the SFC, and the name and key investment information of the underlying scheme are disclosed in the Offering Document of the Fund, 7.11A
- provided that:
- (A) no investment may be made in any underlying scheme the investment objective of which is to invest primarily in any investment prohibited by Chapter 7 of the Code; 7.11B
- (B) where an underlying scheme's objective is to invest primarily in investments restricted by Chapter 7 of the Code, such investments may not be in contravention of the relevant limitation. For the avoidance of doubt, the Fund may invest in underlying scheme(s) authorized by the SFC under Chapter 8 of the Code (except for hedge funds under 8.7 of the Code), eligible scheme(s) of which the net derivative exposure does not exceed 100% of its total net asset value, and Qualified Exchange Traded Funds in compliance with sub-paragraphs 1(g)(i) and (ii) of this Schedule 1; 7.11B
Note (3) to 7.11B
- (C) the underlying scheme’s objective may not be to invest primarily in other collective investment scheme(s); Note (4) to 7.11B
- (D) all initial charges and redemption charges on the underlying scheme(s) must be waived if the underlying scheme is managed by the Manager or its connected persons; and 7.11C
- (E) the Manager or any person acting on behalf of the Fund or the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or its management company, or any quantifiable monetary benefits in connection with investments in any underlying scheme. 7.11D

For the avoidance of doubt:

- (aa) unless otherwise provided under the Code, the spread requirements under sub-paragraphs 1(a), (b), (d) and (e) of this Schedule 1 do not “Investment in other schemes” in Ch. 7

apply to investments in other collective investment schemes by the Fund;

- | | | |
|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| (bb) | the investment by the Fund in a Qualified Exchange Traded Fund will be considered and treated as listed securities for the purposes of and subject to the requirements in sub-paragraphs 1(a), (b) and (d) of this Schedule 1. Notwithstanding the aforesaid, the investments by the Fund in Qualified Exchange Traded Funds shall be subject to sub-paragraph 1(e) of this Schedule 1 and the relevant investment limits in Qualified Exchange Traded Funds by the Fund shall be consistently applied; | Note to
“Investment in
other schemes”
in Ch. 7 |
| (cc) | where investments are made in listed REITs, the requirements under sub-paragraphs 1(a), (b) and (d) of this Schedule 1 apply and where investments are made in unlisted REITs, which are either companies or collective investment schemes, then the requirements under sub-paragraphs 1(e) and (g)(i) of this Schedule 1 apply respectively; and | Note to
7.14 |
| (dd) | where the Fund invests in index-based financial derivative instruments, the underlying assets of such financial derivative instruments are not required to be aggregated for the purposes of the investment restrictions or limitations set out in sub-paragraphs 1(a), (b), (c) and (f) of this Schedule 1 provided that the index is in compliance with the requirements under 8.6(e) of the Code. | Note (2) to
7.28(a) |

2. **Investment prohibitions applicable to the Fund**

The Manager shall not, unless otherwise specifically provided for in the Code, on behalf of the Fund:-

- | | | |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| (a) | invest in physical commodities unless otherwise approved by the SFC on a case-by-case basis taking into account the liquidity of the physical commodities concerned and availability of sufficient and appropriate additional safeguards where necessary; | 7.10 |
| (b) | invest in any type of real estate (including buildings) or interests in real estate (including any options or rights but excluding shares in real estate companies and interests in REITs); | 7.14 |
| (c) | make short sales unless (i) the liability of the Fund’s to deliver securities does not exceed 10% of its latest available Net Asset Value; (ii) the security which is to be sold short is actively traded on a Securities Market where short selling activity is permitted; and (iii) the short sales are carried out in accordance with all applicable laws and regulations; | 7.15

7.16
Note to
7.15 |
| (d) | carry out any naked or uncovered short sale of securities; | Note to
7.15 |

7.17

- (e) subject to sub-paragraph 1(e) of this Schedule 1, lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements as set out in sub-paragraphs 4.1 to 4.4 of this Schedule 1 are not subject to the limitations in this sub-paragraph 2(e);
- (f) acquire any asset or engage in any transaction which involves the assumption of any liability by the Fund which is unlimited. For the avoidance of doubt, the liability of Unitholders of the Fund is limited to their investments in the Fund; 7.18
7.18A
- (g) invest in any security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5%, or collectively they own more than 5%, of the total nominal amount of all the issued securities of that class; 7.19
- (h) invest in any security where a call is to be made for any sum unpaid on that security, unless the call could be met in full out of cash or near cash from the Fund's portfolio whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transaction in financial derivative instruments for the purposes of sub-paragraphs 3.5 and 3.6 of this Schedule 1. 7.20

3. Use of financial derivative instruments

- 3.1 The Fund may acquire financial derivative instruments for hedging purposes. For the purposes of this sub-paragraph 3.1, financial derivative instruments are generally considered as being acquired for hedging purposes if they meet all the following criteria: 7.25
 - (a) they are not aimed at generating any investment return;
 - (b) they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss or risks arising from the investments being hedged; Note (1) to 7.25
 - (c) although they may not necessarily reference to the same underlying assets, they should relate to the same asset class with high correlation in terms of risks and return, and involve taking opposite positions, in respect of the investments being hedged; and
 - (d) they exhibit price movements with high negative correlation with the investments being hedged under normal market conditions.

- The Manager, where it deems necessary, shall cause hedging arrangement to be adjusted or re-positioned, with due consideration on the fees, expenses and costs, to enable the Fund to meet its hedging objective in stressed or extreme market conditions. Note (2) to 7.25
- 3.2 The Fund may also acquire financial derivative instruments for non-hedging purposes (“**investment purposes**”) subject to the limit that the Fund’s net exposure relating to these financial derivative instruments (“**net derivative exposure**”) does not exceed 50% of its latest available Net Asset Value provided that such limit may be exceeded in such circumstances as permitted under the Code, handbook, code and/or guideline issued by the SFC from time to time or permitted by the SFC from time to time. For the avoidance of doubt, financial derivative instruments acquired for hedging purposes under sub-paragraph 3.1 of this Schedule 1 will not be counted towards the 50% limit referred to in this sub-paragraph 3.2 so long as there is no residual derivative exposure arising from such hedging arrangement. Net derivative exposure shall be calculated in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time. Note (3) to 7.26
Notes (2) to 7.26
7.27
- 3.3 Subject to sub-paragraphs 3.2 and 3.4 of this Schedule 1, the Fund may invest in financial derivative instruments provided that the exposure to the underlying assets of the financial derivative instruments, together with the other investments of the Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets and investments as set out in sub-paragraphs 1(a), (b), (c), (f), (g)(i) and (ii), proviso (A) to (C) to sub-paragraph 1(g) and sub-paragraph 2(b) of this Schedule 1.
- 3.4 The financial derivative instruments invested by the Fund shall be either listed/quoted on a stock exchange or dealt in over-the-counter market and comply with the following provisions: 7.28
- (a) the underlying assets consist solely of shares in companies, debt securities, money market instruments, units/shares of collective investment schemes, deposits with substantial financial institutions, Government and other public securities, highly-liquid physical commodities (including gold, silver, platinum and crude oil), financial indices, interest rates, foreign exchange rates, currencies, or other asset classes acceptable to the SFC, in which the Fund may invest according to its investment objectives and policies;
 - (b) the counterparties to transactions of over-the-counter financial derivative instruments or their guarantors are substantial financial institutions or such other entity acceptable to the SFC;

- (c) subject to sub-paragraphs 1(a) and (b) of this Schedule 1, the Fund's net counterparty exposure to a single entity arising from transactions of over-the-counter financial derivative instruments may not exceed 10% of its latest available Net Asset Value provided that the exposure of the Fund to a counterparty of over-the-counter financial derivative instruments may be lowered by the collateral received (if applicable) by the Fund and shall be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter financial derivative instruments with that counterparty, if applicable; and
- (d) the valuation of the financial derivative instruments is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the valuation agent, the Manager or the Trustee or their nominee(s), agent(s) or delegate(s) (as the case may be) independent of the issuer of the financial derivative instruments through measures such as the establishment of a valuation committee or engagement of third party service. The financial derivative instruments can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Fund's initiative. Further, the valuation agent/administrator should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the financial derivative instruments on a regular basis.

3.5 The Fund should at all times be capable of meeting all its payment and delivery obligations incurred under transactions in financial derivative instruments (whether for hedging or for investment purposes). The Manager shall, as part of its risk management process, monitor to ensure that the transactions in financial derivative instruments in respect of the Fund are adequately covered on an ongoing basis. For the purposes of this sub-paragraph 3.5, assets that are used to cover the Fund's payment and delivery obligations incurred under transactions in financial derivative instruments shall be free from any liens and encumbrances, exclude any cash or near cash for the purpose of meeting a call on any sum unpaid on a security, and cannot be applied for any other purposes. 7.29

3.6 Subject to sub-paragraph 3.5 of this Schedule 1, a transaction in financial derivative instruments which gives rise to a future commitment or contingent commitment of the Fund shall be covered as follows: 7.30

- (a) in the case of financial derivative instruments transactions which will, or may at the Fund's discretion, be cash settled, the Fund shall at all times hold sufficient assets that can be liquidated within a short timeframe to meet the payment obligation; and
- (b) in the case of financial derivative instruments transactions which will,

or may at the counterparty's discretion, require physical delivery of the underlying assets, the Fund shall hold the underlying assets in sufficient quantity at all times to meet the delivery obligation. If the Manager considers the underlying assets to be liquid and tradable, the Fund may hold other alternative assets in sufficient quantity as cover, provided that such assets may be readily converted into the underlying assets at any time to meet the delivery obligation provided further that the Fund shall apply safeguard measures such as to apply haircut where appropriate to ensure that such alternative assets held are sufficient to meet its future obligations.

7.31

- 3.7 The requirements under sub-paragraphs 3.1 to 3.6 of this Schedule 1 shall apply to embedded financial derivative. For the purposes of this Explanatory Memorandum, an “**embedded financial derivative**” is a financial derivative instrument that is embedded in another security.

4. Securities financing transactions

- 4.1 The Fund may engage in securities financing transactions, provided that they are in the best interests of Unitholders of the Fund to do so and the associated risks have been properly mitigated and addressed, and provided further that the counterparties to the securities financing transactions are financial institutions which are subject to ongoing prudential regulation and supervision.

7.32

- 4.2 The Fund shall have at least 100% collateralization in respect of the securities financing transaction(s) into which it enters to ensure there is no uncollateralized counterparty risk exposure arising from these transactions.

7.33

- 4.3 All the revenues arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities financing transactions shall be returned to the Fund.

7.34

- 4.4 The Fund shall only enter into a securities financing transaction if the terms of such securities financing transaction include the power for the Fund at any time to recall the securities or the full amount of cash (as the case may be) subject to the securities financing transaction or terminate the securities financing transaction(s) into which it has entered.

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5. Collateral

In order to limit the exposure to each counterparty as set out in sub-paragraphs 3.4(c) and 4.2 of this Schedule 1, the Fund may receive collateral from such counterparty, provided that the collateral complies with the requirements set out below:

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- (a) Liquidity – the collateral is sufficiently liquid and tradable in order that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing;
- (b) Valuation – the collateral is marked-to-market daily by using independent pricing sources;
- (c) Credit quality – the collateral is of high credit quality provided that, in the event the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral, such collateral shall be replaced immediately;
- (d) Haircut – the collateral is subject to a prudent haircut policy;
- (e) Diversification – the collateral is appropriately diversified so as to avoid concentrated exposure to any single entity and/or entities within the same group. The Fund’s exposure to the issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in sub-paragraphs 1(a), 1(b), 1(c), 1(f), 1(g)(i) and (ii) and provisos (A) to (C) of sub-paragraph 1(g) and sub-paragraph 2(b) of this Schedule 1;
- (f) Correlation – the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty or the issuer of the financial derivative instruments, or the counterparty of securities financing transactions in such a way that would undermine the effectiveness of the collateral. For this purpose, securities issued by the counterparty or the issuer of the financial derivative instruments, or the counterparty of securities financing transactions or any of their related entities should not be used as collateral;
- (g) Management of operational and legal risks – the Manager has appropriate systems, operational capabilities and legal expertise for proper collateral management;
- (h) Independent custody – the collateral is held by the Trustee or by duly appointed nominee, agent or delegate;
- (i) Enforceability – the collateral is readily accessible or enforceable by the Trustee without further recourse to the issuer of the financial derivative instruments, or the counterparty of the securities financing transactions;
- (j) Re-investment of collateral – any re-investment of collateral received for the account of the Fund shall be subject to the following

requirements:

- (i) cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorized under 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the Code. For this purpose, money market instruments refer to securities normally dealt in on the money markets, including government bills, certificates of deposit, commercial papers, short-term notes and bankers' acceptances, etc. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments must be taken into account;
- (ii) non-cash collateral received may not be sold, re-invested or pledged;
- (iii) the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in 8.2(f) and 8.2(n) of the Code;
- (iv) cash collateral received is not allowed to be further engaged in any securities financing transactions;
- (v) when the cash collateral received is reinvested into other investment(s), such investment(s) is/are not allowed to be engaged in any securities financing transactions;
- (k) the collateral is free of prior encumbrances; and
- (l) the collateral generally does not include (i) structured products whose payouts rely on embedded financial derivatives or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitized products; or (iv) unlisted collective investment schemes.

6. Borrowing and Leverage

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

Cash borrowing

- 6.1 No borrowing shall be made in respect of the Fund which would result in the principal amount for the time being of all borrowings made for the account of

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8.2(h)

the Fund exceeding an amount equal to 10% of the latest available Net Asset Value of the Fund provided always that back-to-back loans do not count as borrowing. For the avoidance of doubt, securities lending transactions and sale and repurchase transactions in compliance with the requirements as set out in sub-paragraphs 4.1 to 4.4 of this Schedule 1 are not borrowings for the purpose of, and are not subject to the limitations in this sub-paragraph 6.1.

Leverage from the use of financial derivative instruments

- 6.3 The Fund may also be leveraged through the use of financial derivative instruments and its expected maximum level of leverage through the use of financial derivative instruments (i.e. expected maximum net derivative exposure) is set out in the section “POLICY AND OBJECTIVES OF THE FUND”.
- 6.4 In calculating the net derivative exposure, derivatives acquired for investment purposes that would generate incremental leverage at the portfolio level of the Fund are converted into their equivalent positions in their underlying assets. The net derivative exposure is calculated in accordance with the requirements and guidance by the SFC which may be updated from time to time.
- 6.5 The actual level of leverage may be higher than such expected level in exceptional circumstances, for example when there are sudden movements in markets and/or investment prices.

7. Name of the Fund

- 7.1 If the name of the Fund indicates a particular objective, investment strategy, geographic region or market, the Fund must, under normal market circumstances, invest at least 70% of its Net Asset Value in securities and other investments to reflect the particular objective, investment strategy or geographic region or market which the Fund represents. 7.42