ChinaAMC Select Fund

- ChinaAMC Select RMB Bond Fund
- ChinaAMC Select China New Economy Fund
- ChinaAMC Select Hong Kong China Opportunities Fund
- ChinaAMC Select Asia Bond Fund
- ChinaAMC Select Fixed Income Allocation Fund
- ChinaAMC Select Money Market Fund

EXPLANATORY MEMORANDUM

September 2020

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IMPORTANT INFORMATION FOR INVESTORS

Important - If you are in any doubt about the contents of this Explanatory Memorandum, you should seek independent professional financial and/or legal advice. 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 respective sub-funds will be achieved. Investors should consider the section headed "Risk Factors", and the section headed "Risk Factors" (if any) in the relevant appendix, before making their investment decisions.

This Explanatory Memorandum comprises information relating to ChinaAMC Select Fund, an open-ended umbrella unit trust established under the laws of Hong Kong by a trust deed dated 12 January 2012 between China Asset Management (Hong Kong) Limited as manager and BOCI-Prudential Trustee Limited as trustee, as amended and restated from time to time.

The Manager and its directors accept full responsibility for the accuracy of the information stated in this Explanatory Memorandum and the Product Key Facts Statement of each sub-fund. Having made all reasonable enquiries, they confirm, to the best of their knowledge and belief that there are no other facts the omission of which would make any statement in this Explanatory Memorandum and the Product Key Facts Statement of each sub-fund misleading. However, neither the delivery of this Explanatory Memorandum or the latest available Product Key Facts Statements relating to the offer or issue of Units under any circumstances constitutes a representation that the information in this Explanatory Memorandum or the latest available Product Key Facts Statements is correct as of any time subsequent to such date. This Explanatory Memorandum and Product Key Facts Statements may be updated.

Distribution of this Explanatory Memorandum must be accompanied by a copy of the Product Key Facts Statement of each sub-fund and the latest available annual report of the Fund (if any) and any subsequent interim report. Units are offered on the basis only of the information contained in this Explanatory Memorandum, the Product Key Facts Statements and (where applicable) the above mentioned annual reports and interim reports. Any information given or representations made by any dealer, salesman or other person and (in either case) not contained in this Explanatory Memorandum or the Product Key Facts Statement of each sub-fund should be regarded as unauthorised and accordingly must not be relied upon.

The Fund and its sub-funds, ChinaAMC Select RMB Bond Fund, ChinaAMC Select China New Economy Fund, ChinaAMC Select Hong Kong China Opportunities Fund, ChinaAMC Select Asia Bond Fund, ChinaAMC Select Fixed Income Allocation Fund, and ChinaAMC Select Money Market Fund have been authorised by the SFC pursuant to section 104 of the SFO. The SFC's authorization is not a recommendation or endorsement of the Fund and the sub-funds nor does it guarantee the commercial merits of the Fund and the sub-funds or their performance. It does not mean the Fund and the sub-funds are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

No action has been taken to permit an offering of Units or the distribution of this Explanatory Memorandum and the Product Key Facts Statements in any jurisdiction other than Hong Kong where action would be required for such purposes. Accordingly, this Explanatory Memorandum and the Product Key Facts Statement of each sub-fund may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised.

In particular:

- 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 US Person (as defined in Regulation S under such Act); and

- the Fund has not been and will not be registered under the United States Investment Company Act of 1940 (as amended).

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

This document is based on the laws and practices currently in force in Hong Kong and is subject to changes therein.

Please contact the Manager with the following contact details should you have any enquiries or complaints in relation to the Fund or any of its sub-funds:

China Asset Management (Hong Kong) Limited

37/F, Bank of China Tower
One Garden Road, Hong Kong

E-mail: hkfund_services@chinaamc.com
Telephone number: (852) 3406 8686

Following receipt of any complaint, the Manager will handle or channel to the relevant party any enquiries or complaints from investors and revert to the investors accordingly.

DIRECTORY OF PARTIES

Manager

China Asset Management (Hong Kong) Limited
37th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

Directors of the Manager

YANG Minghui
ZHANG Xiaoling
GAN Tian
LI Fung Ming
LI Yimei

Trustee, Administrator, and Registrar

BOCI-Prudential Trustee Limited
12th Floor and 25th Floor, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

Custodian

Bank of China (Hong Kong) Limited
14th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

RQFII Local Custodian

Bank of China Limited
1 Fuxingmen Nei Dajie
Beijing
China

Auditor

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Legal Advisers to the Manager

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

September 2020

DEFINITIONS

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

"**A-Share**"	shares denominated in Renminbi, issued by companies incorporated in Mainland China and listed on either the Shanghai Stock Exchange or the Shenzhen Stock Exchange in the PRC, which are available for investment by Mainland China investors and selected foreign institutional investors who hold either QFII status or RQFII status with QFII quota and RQFII quota, respectively
"**Business Day**"	a day (other than a Saturday) on which banks in Hong Kong are open for normal banking business or any other day or days the Manager and the Trustee may agree, either generally or in relation to a particular sub-fund, except that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day will not be a Business Day unless the Manager and the Trustee determine otherwise
"B-Share"	shares denominated in foreign currencies, issued by companies listed on either the Shanghai Stock Exchange or the Shenzhen Stock Exchange in the PRC, which are available for investment by Mainland China investors and foreign investors
"**Class**"	each sub-fund may issue different class(es) of Units, which may have different fee structures as determined by the Manager
"**Code**"	the SFC's Code on Unit Trusts and Mutual Funds, as amended
"Connected Person"	in relation to any person (the "**relevant person**") (a) any person, company or fund beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of the relevant person or being able to exercise, directly or indirectly, 20% or more of the total votes in the relevant person; 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 relevant person forms part; or (d) any director or officer of the relevant person or of any of its connected persons as defined in (a), (b) or (c) above
"**Correspondent**"	any agent, nominee, delegate, custodian, joint custodian or sub-custodian to hold any Investments or other property of the Fund
"**CSRC**"	China Securities Regulatory Commission
"**Custodian**"	Bank of China (Hong Kong) Limited

"**Dealing Day**"	the days on which Units are subscribed for or redeemed, as described in the relevant appendix of the relevant sub-fund
"**emerging market**"	for the purposes of this explanatory memorandum, all the countries or regions in the world other than (i) members of the European Union, (ii) United States of America, (iii) Canada, (iv) Japan, (v) Australia, (vi) New Zealand, (vii) Norway, (viii) Switzerland, (ix) Hong Kong, (x) Singapore, and (xi) Mainland China
"**European Union**"	an economic and political union consists of the following 28 countries: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom
"**Extraordinary Resolution**"	a resolution proposed at one or more meetings of Unitholders convened and held in accordance with the provisions of the Trust Deed and passed at such meeting by a majority consisting of 75% or more of the total number of votes cast for and against such resolution or a resolution in writing signed by all the Unitholders for the time being entitled to receive notice of any meeting
"**FATCA/CRS**"	one or more of the following, as the context requires: (a) sections 1471 to 1474 of the Code and any associated legislation, regulations or guidance, commonly referred to as the US Foreign Account Tax Compliance Act, or similar legislation, regulations or guidance enacted in any other jurisdiction which seeks to implement equivalent tax reporting and/or withholding tax regimes; (b) the OECD Standard for Automatic Exchange of Financial Account Information in Tax Matters – the Common Reporting Standard (the "CRS") and any associated guidance; (c) any intergovernmental agreement, treaty or any other arrangement between Hong Kong and any of the US or any other jurisdiction (including between any government bodies in each relevant jurisdiction), entered into to facilitate, implement, comply with or supplement the legislation, regulations or guidance described in paragraphs (a) and (b); and (d) any legislation, regulations or guidance implemented in the Hong Kong to give effect to the matters outlined in the preceding paragraphs.
"**Fund**"	ChinaAMC Select Fund, a Hong Kong unit trust formed under the laws of Hong Kong by the Trust Deed

"**Government and other public securities**"	any investment issued by, or the payment of principal and interest on which is guaranteed by, a government or any fixed-interest investment issued by its public or local authorities or other multilateral agencies
"**Hong Kong**"	Hong Kong Special Administrative Region of the People's Republic of China
"**IFRS**"	the International Financial Reporting Standards
"**Initial Offer Period**"	the initial period during which the Units of a sub-fund are being or have been offered to investors as may be described in the relevant appendix of the relevant sub-fund
"**Initial Offer Price**"	the price per Unit as disclosed in the relevant appendix of the relevant sub-fund during the Initial Offer Period
"**Investment Adviser**"	the entity for the time being appointed as investment adviser to the relevant sub-fund as disclosed in the relevant appendix of the relevant sub-fund, if any
"**Mainland China**" or "**Mainland**"	all customs territory of the People's Republic of China
"**Mainland securities**"	RMB denominated securities issued in Mainland China, equity securities (such as A-Shares and B-Shares) and/or RMB denominated fixed income securities issued or distributed in Mainland China
"**Manager**"	China Asset Management (Hong Kong) Limited
"**Market**"	any securities exchange, any over-the-counter market, any futures exchange and any organised Securities Market which is open to the international public and on which securities are regularly traded, being in each case an exchange or market in any part of the world and includes, in relation to any particular securities, any responsible association in any part of the world which so deals in the securities as to be expected generally to provide in the opinion of the Manager a satisfactory market for such securities and in such a case the relevant securities shall be deemed to be the subject of an effective permission to deal on the Market deemed to be constituted by such association
"**Minimum Holding**"	the minimum amount invested in the Fund as outlined in the relevant appendix of the relevant sub-fund
"**Net Asset Value**"	the net asset value of the Fund or a sub-fund or a class of Units or a Unit, as the context may require, calculated in accordance with the provisions of the Trust Deed as summarised below under the section headed "**Valuation**"
"**Ordinary Resolution**"	a resolution passed at one or more meetings of Unitholders convened and held in accordance with the provisions of the Trust Deed and passed at such meeting by a simple majority or more of the total number of votes cast for and against such resolution
"**PRC**" or "**China**"	the People's Republic of China

“QFII”	qualified foreign institutional investors approved pursuant to the relevant PRC regulations (as amended from time to time)
“**Qualified Exchange Traded Funds**”	exchange traded funds that are: (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**”	BOCI-Prudential Trustee Limited in its capacity as registrar of the Fund
“Redemption Price”	Means the price at which Units will be redeemed as more fully described in the section headed “Redemption of Units”
“**REITs**”	real estate investment trusts
“**reverse repurchase transactions**”	transactions whereby a sub-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” or “Renminbi”	renminbi, the lawful currency of the PRC
“RQFII”	Renminbi qualified foreign institutional investors approved pursuant to the relevant PRC regulations (as amended from time to time)
“RQFII Local Custodian”	Bank of China Limited
“**SAFE**”	the State Administration of Foreign Exchange
“**sale and repurchase transactions**” or “**repurchase transactions**”	transactions whereby a sub-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 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 organised securities market that is open to the international public and on which such securities are regularly traded
“**securities lending transactions**”	transactions whereby a sub-fund lends its securities to a security-borrowing counterparty for an agreed fee
“**Settlement Day**”	the days described as such in the relevant appendix of the relevant sub-fund, if any
“**SFC**”	the Securities and Futures Commission of Hong Kong

"**SFO**"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"**sub-fund**"	a separate pool of assets of the Fund allocated to a sub-fund, that is invested and administered separately from other assets of the Fund
"**substantial financial institution**"	an authorised 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
"**Trust Deed**"	the trust deed establishing the Fund entered into by the Manager and the Trustee dated 12 January 2012 and as amended
"**Trustee**"	BOCI-Prudential Trustee Limited in its capacity as trustee of the Fund
"**Unit**"	a Unit in a sub-fund
"**Unitholder**"	a person registered as a holder of a Unit
"**Valuation Day**"	such days as are described in the relevant appendix of the relevant sub-fund
"**Valuation Point**"	close of business in the last relevant market to close on each Valuation Day or such other Business Day or Business Days the Manager may determine with the approval of the Trustee

INTRODUCTION

ChinaAMC Select Fund is an umbrella unit trust established under the laws of Hong Kong by the Trust Deed. The assets and liabilities of the Fund will be apportioned and attributed in the books of the Fund to the relevant sub-fund. The Manager may create further sub-funds in future. The assets of a sub-fund will be invested and administered separately from the assets of the other sub-funds issued. The sub-funds may have similar objectives (by investing in equities, bonds and/or currencies) and risk profiles but may have different fee structures. Multiple Classes of Units may be issued in respect of each sub-fund and the Manager may create additional Classes of Units for any sub-fund in its sole discretion in the future.

Details of the sub-funds and/or the new class or classes of Units related thereto that are on offer are set out in the Appendices to this Explanatory Memorandum. This Explanatory Memorandum together with the following Appendix relates to the below sub-fund:-

Appendix	**Name of the sub-fund**
A	ChinaAMC Select RMB Bond Fund
B	ChinaAMC Select China New Economy Fund
C	ChinaAMC Select Hong Kong China Opportunities Fund
D	ChinaAMC Select Asia Bond Fund
E	ChinaAMC Select Fixed Income Allocation Fund
F	ChinaAMC Select Money Market Fund

MANAGEMENT AND ADMINISTRATION OF THE FUND

Manager

The Manager of the Fund is China Asset Management (Hong Kong) Limited, which is a fully-owned subsidiary of China Asset Management Co., Ltd. ("**ChinaAMC**"). Established on 9 April 1998 with approval from the CSRC, ChinaAMC is one of the first nation-wide fund management firms in Mainland China and is currently one of the largest fund management company in Mainland China in terms of assets under management (RMB 1006.6 billion as of 31 December 2018). The Manager was established in September 2008 as ChinaAMC's first venture in expanding its overseas activities. The Manager is now an integral part and extension of ChinaAMC's overseas investment and research team, providing international clients with investment products and discretionary investment management services.

In accordance with section 116 of the SFO, the Manager is licensed to conduct types 1, 4 and 9 regulated activities as defined in Schedule 5 of the SFO. These regulated activities consist of dealing in securities, advising in securities and asset management.

The Manager's investment approach for the Fund will focus on carrying on disciplined analysis of the underlying investments of each sub-fund, while leveraging on the investment experience of the ChinaAMC principals, each of which has gained extensive investment experience during their tenure at renowned international asset management companies. The team has extensive investment experience, and are well versed in various investment products and services.

The Directors of the Manager are Yang Minghui, Zhang Xiaoling, Gan Tian, LI Fung Ming, and Li Yimei, each of whose biographies appears below:

Mr. YANG Minghui is currently the Chairman of the Manager and ChinaAMC. He currently also serves as General Manager and an Executive Director of CITIC Securities Co. Ltd. Mr. Yang's previous experiences include Engineer and Deputy Division Head of Beijing Textile Machinery Research Institute; Project Manager of Textile Division in CITIC Industrial Investment Trust Co.; Project Manager of Securities Department of China International Trust & Investment Corporation; Vice General Manager of CITIC Securities Beijing Branch; Director, Assistant General Manager, Vice President of CITIC Securities Ltd; Director and Executive Vice President of CITIC Holdings Ltd.; Director of CITIC Trust Co., Ltd.; Chairman of CITIC-Prudential Fund Management Co., Ltd.; and Executive Director, President, Vice Secretary of Party Committee of China Jianyin Investment Securities Co., Ltd. Mr. Yang received a Master's degree from East China Institute of Textile Science and Technology.

Mr. ZHANG Xiaoling is currently the Chief Executive Officer of the Manager and the Deputy Chief Executive Officer of ChinaAMC. Before joining the Manager, Mr. Zhang worked as the Deputy Director-General of Banking Supervision Department III at China Banking Regulatory Commission (CBRC) and a senior risk manager at Morgan Stanley in New York, and an economist at Federal Reserve Board in Washington D.C.. Mr. Zhang holds a Ph.D. in Finance and a Master of Arts degree in Economics, both from University of Maryland College Park in the United States, and a Bachelor degree in Engineering Mechanics from Tsinghua University, PRC.

Mr. GAN Tian is currently a Managing Director and the Chief Investment Officer of the Manager. Mr. Gan joined ChinaAMC in 2008 as a portfolio manager. Before joining ChinaAMC, Mr Gan has worked in GuotaiJunAn Securities and GuotaiJunan Assets (Asia) Ltd. Mr. Gan holds Master degrees from University of Reading and University of Leicester in the United Kingdom. He also holds a Bachelor's degree from Sichuan University in China.

Mr. LI Fung Ming is currently a Managing Director and the Chairman of Investment Committee of the Manager. He has close to 25 years of working experience in China securities industry. Before joining the Manager in 2012, Mr. Li worked as a Managing Director, Head of China Research, Chief China Strategist and Head of Asian Autos and Auto Parts Research of JP Morgan Securities (Asia Pacific) Limited. Prior to that, He has also worked in Indosuez W. I. Carr Securities and China Guotai Securities. Mr. Li holds a Master of Arts degree from Shanghai University of International Business and Economics, and a Bachelor degree in Economics from Jiangsu University of Technology.

Ms. LI Yimei is currently the General Manager of China Asset Management Co., Ltd. and a Director of China Asset Management (Hong Kong) Limited, and she also acts as a Director of E-Capital Transfer Co., Ltd concurrently. Ms. LI previously worked as the Deputy General Manager, General Manager of Fund Marketing Department, Director of Sales and Director of Marketing of China Asset Management Co., Ltd. and the Executive Director and General Manager of Shanghai China Wealth Management Company Limited. Ms. Li holds a Bachelor of Economics from Renmin University of China, a Master of Economics from Renmin University of China and a Master in Public Policy from Harvard University.

Investment Adviser

The Manager may appoint investment advisers for certain sub-funds. For details of the appointed investment advisers, please refer to the Appendices of each sub-fund. The advisory fees of any investment advisers will be reimbursed out of the Manager's management fee.

Trustee and Registrar

BOCI-Prudential Trustee Limited has been appointed as the Trustee and the Registrar of the Fund.

The Trustee is incorporated and registered as a trust company in Hong Kong. The Trustee is a joint venture founded by BOC Group Trustee Company Limited and Prudential Corporation Holdings Limited. BOC Group Trustee Company Limited is owned by Bank of China (Hong Kong) Limited and BOC International Holdings Limited, which are subsidiaries of Bank of China Limited. The principal activity of the Trustee is the provision of trustee services.

Under the Trust Deed, the Trustee is responsible for certain administrative services and will be responsible for safe-keeping of and shall take into custody or under its control all theinvestments, cash and other assets forming part or the assets of the Fund and hold them in trust for the Unitholders in accordance with the provisions of the Trust Deed. The Trustee may appoint such person or persons as custodian, joint custodian or sub-custodian of the whole or any part of the Fund; and may empower any such custodian, joint custodian or sub-custodian to further appoint, with no objection in writing of the Trustee, an agent, nominee, delegate, custodian, joint custodian or sub-custodian. The fees and expenses of such custodian, joint custodian and sub-custodian will be paid out of the relevant Sub-Fund.

The Trustee (a) shall exercise reasonable skill, care and diligence in selecting, appointing and ongoing monitoring of any agent, nominee, delegate, custodian, joint custodian or sub-custodian which are appointed for the custody and/or safekeeping of any investments, cash, assets or other property comprised in a sub-fund of the Fund (each a "**Correspondent**"); (b) shall be satisfied that such Correspondent retained during the terms of appointment remain suitably qualified and competent on an ongoing basis to provide the relevant services to the Fund or any sub-fund; and (c) shall be responsible for any act or omission of any Correspondent (except those Correspondents which are not Connected Persons of the Trustee) and of the RQFII Local Custodian as if the same were the act or omission of the Trustee, provided however that if the Trustee has discharged its obligations set out in paragraphs (a) and (b) above, the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any Correspondent that is not a Connected Person of the Trustee. The Trustee shall remain liable for any act or omission of any Correspondent that is a Connected Person of the Trustee as if the same were the act or omission of the Trustee.

Notwithstanding the above, the Trustee is not liable or responsible for losses to the assets of the Fund incurred through any act or omission or insolvency of the following:

(a) Euroclear Bank, Clearstream Banking or any other central securities depository, institution or clearing system; and

(b) any persons (other than the Trustee or any nominee or custodian appointed by the Trustee) who may have custody of the assets of the Fund as a result of any charge, pledge or encumbrance being provided by the Trustee or by the Manager on behalf of the Fund for the purposes of securing any borrowing for the account of the Fund under the terms of the Trust Deed.

As at the date of this Explanatory Memorandum, neither the Manager nor the Trustee have any current intention to appoint any Correspondent who is not a connected person. The Manager will give one month’s prior notice to Unitholders if the Manager or Trustee appoints any Correspondent who is not a connected person, subject to the prior approval of the SFC.

The Trustee is responsible for the appointment of the Custodian while the Custodian will appoint the RQFII Local Custodian. The Trustee is responsible for the monitoring, and acts and omission of the Custodian and the RQFII Local Custodian.

The Trustee has put in place proper arrangements to ensure that (i) the Trustee takes into its custody or under its control the assets of the Fund, including assets deposited in the securities account(s) and cash account(s) with the RQFII Local Custodian, and holds the same in trust for the Unitholders; (ii) the Trustee registers the assets of the Fund, including assets deposited in the securities account(s) and cash account(s) with RQFII Local Custodian, to the order of the Trustee; and (iii) the RQFII Local Custodian will look to the Trustee for instructions and solely act in accordance with the Trustee's instructions, save as otherwise required under applicable regulations.

The Trustee and the Registrar, the Custodian and the RQFII Local Custodian are not responsible for the preparation of this Explanatory Memorandum and therefore accept no responsibility for any information contained in this Explanatory Memorandum. The Trustee and the Registrar, the Custodian and the RQFII Local Custodian are independent to the Manager.

Custodian

Bank of China (Hong Kong) Limited has been appointed as the Custodian of the Fund.

The Custodian was incorporated in Hong Kong on 16 October, 1964. As a locally incorporated licensed bank, it has been re-structured from 1 October 2001 to its present form by combining the businesses of ten of the twelve banks in Hong Kong originally belonging to the Bank of China Group. In addition, it holds shares in BOC Credit Card (International) Limited.

BOC Hong Kong (Holdings) Limited was incorporated in Hong Kong on 12 September 2001 to hold the entire equity interest in the Custodian, its principal operating subsidiary. After a successful global initial public offering, BOC Hong Kong (Holdings) Limited began trading on the Main Board of The Stock Exchange of Hong Kong Limited on 25 July 2002 with stock code "2388" and became a Hang Seng Index constituent stock on 2 December 2002.

With an extensive branch network and servicing more than 600,000 corporates and several million retail customers, the Custodian is the second largest banking group in Hong Kong. It offers a full range of banking services, including global custody and also fund-related services for institutional clients.

Pursuant to the Custodian Agreement, the Custodian will act as the custodian of the Fund's assets, which will be held directly by the Custodian or through its agents, sub-custodians (including the RQFII Local Custodian), nominees or delegates pursuant to the Custodian Agreement. The Custodian shall (i) exercise reasonable care and diligence in the selection, appointment and ongoing monitoring of such agents, nominees or sub-custodians; (ii) be satisfied that such agents, nominees or sub-custodians remain suitably qualified and competent to provide the relevant services; and (iii) remain liable for their acts, omissions, negligence or wilful default in relation to assets forming part of the property of the Fund.

RQFII Local Custodian

Bank of China Limited ("**Bank**") has been appointed as the RQFII Local Custodian of the Fund.

The RQFII Local Custodian was incorporated in Mainland China as a commercial bank. It is one of the four state-owned commercial banks of the PRC and its current businesses cover commercial banking, investment banking, insurance and a wide range of other financial services.

As a Chinese financial institution with a history of over a hundred years, the Bank has introduced many brand new products and services in the domestic banking industry and provide customers with international settlement, foreign exchange, trade finance, and custodian services etc.

Pursuant to the RQFII Local Custodian Agreement, the Bank of China Limited will act as the RQFII Local Custodian of the Fund's assets, which will be held directly by the RQFII Local Custodian pursuant to the RQFII Local Custodian Agreement.

The appointment of the RQFII Local Custodian may be terminated by not less than ninety (90) days' notice in writing.

Auditor

Ernst & Young has been appointed to act as the auditor to the Fund and its sub-funds.

The engagement letter entered into by the Fund, its sub-funds and the auditor contains provisions limiting the liability of the auditor to three times the fees paid to the auditor for the services or work product giving rise to the liability of one year except to the extent finally determined to have resulted from the wilful or intentional neglect or misconduct, or fraudulent behaviour of the auditor. Other release and indemnity provisions are also contained in the engagement letter relating to consequential loss, third party claims and fraudulent acts or omissions, misrepresentations or wilful default on the part of the Manager, its directors, employees or agents.

The engagement letter also contains provisions limiting any claim for breach of contract, breach of duty or fault or negligence or otherwise whatsoever arising out or in connection with this engagement to be brought against the auditor within six years of the act or omission alleged to have caused true loss in question.

INVESTMENT OBJECTIVE AND STRATEGY

The investment objective and strategy of each sub-fund and principal risks, as well as other important details, are set out in the relevant appendix that is or will be attached to this Explanatory Memorandum.

INVESTMENT AND BORROWING RESTRICTIONS

The Trust Deed imposes a number of restrictions and prohibitions on investment of the sub-funds. Unless otherwise disclosed in the relevant appendix of the relevant sub-fund and agreed by the SFC, the Fund and each sub-fund are subject to the investment and borrowing restrictions in this section headed "Investment and Borrowing Restrictions".

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

1. <u>Investment limitations applicable to each sub-fund</u>

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

(a) the aggregate value of the sub-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 relevant sub-fund:

(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 4.4(c) of this section will not apply to financial derivative instruments that are:

(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 6(e) and (j) of this section.

(b) subject to sub-paragraphs 1(a) and 4.4(c) of this section, the aggregate value of the sub-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 relevant sub-fund:

(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 section, "entities 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 6(e) and (j) of this section.

(c) the value of the sub-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 relevant sub-fund provided that the 20% limit may be exceeded in the following circumstances:

(i) cash held before the launch of the sub-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 sub-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 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 sub-fund and not referable to provision of property or services.

(d) the sub-fund's holding of any ordinary shares (when aggregated with all other sub-funds' holdings of such ordinary shares) exceeding 10% of any ordinary shares issued by any single entity.

(e) the value of the sub-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 such sub-fund.

(f) the value of the sub-fund's total holding of Government and other public securities of the same issue exceeding 30% of the latest available Net Asset Value of such sub-fund (save that the sub-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.

(g) (i) the value of the sub-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 sub-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 that sub-fund, 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;

(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, a sub-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 section;

(C) the underlying scheme's objective may not be to invest primarily in other collective investment scheme(s);

(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

(E) the Manager or any person acting on behalf of the sub-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.

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 section do not apply to investments in other collective investment schemes by a sub-fund;

(bb) unless otherwise disclosed in the Appendix of a sub-fund, the investment by a sub-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 section. Notwithstanding the aforesaid, the investments by a sub-fund in Qualified Exchange Traded Funds shall be subject to sub-paragraph 1(e) of this section and the relevant investment limits in Qualified Exchange Traded Funds by a sub-fund shall be consistently applied;

(cc) where investments are made in listed REITs, the requirements under sub-paragraphs 1(a), (b) and (d) of this section 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 section apply respectively; and

(dd) where a sub-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 section provided that the index is in compliance with the requirements under 8.6(e) of the Code.

2. <u>Investment prohibitions applicable to each sub-fund</u>

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

(a) invest in physical commodities (including gold, silver, platinum or other bullion) 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;

(b) invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in REITs);

(c) make short sales unless (i) the liability of the relevant sub-fund 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;

(d) carry out any naked or uncovered short sale of securities;

(e) subject to sub-paragraph 1(e) of this section, 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 5.1 to 5.4 of this section 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 relevant sub-fund which is unlimited. For the avoidance of doubt, the liability of Unitholders of a sub-fund is limited to their investments in that sub-fund;

(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;

(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 by the sub-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 4.5 and 4.6 of this section.

3. <u>Feeder Funds</u>

A sub-fund which is a feeder fund may invest 90% or more of its total Net Asset Value in a single collective investment scheme ("**underlying scheme**") in accordance with the following provisions –

(a) such underlying scheme ("**master fund**") must be authorized by the SFC;

(b) no increase in the overall total of initial charges, redemption charges, management fees, or any other costs and charges payable to the Manager or any of its connected persons borne by the Unitholders or by the feeder fund may result, if the master fund in which the feeder fund invests is managed by the Manager or by a connected person of the Manager;

(c) notwithstanding proviso (C) to sub-paragraph 1(g) of this section, the master fund may invest in other collective investment scheme(s) subject to the investment restrictions as set out in sub-paragraphs 1(g)(i) and (ii) and proviso (A), (B) and (C) to sub-paragraph 1(g) of this section.

4. <u>Use of Financial derivative instruments</u>

4.1 A sub-fund may acquire financial derivative instruments for hedging purposes. For the purposes of this sub-paragraph 4.1, financial derivative instruments are generally considered as being acquired for hedging purposes if they meet all the following criteria:

(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;

(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 relevant sub-fund to meet its hedging objective in stressed or extreme market conditions.

4.2 A sub-fund may also acquire financial derivative instruments for non-hedging purposes ("**investment purposes**") subject to the limit that such sub-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 4.1 of this section will not be counted towards the 50% limit referred to in this sub-paragraph 4.2 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.

4.3 Subject to sub-paragraphs 4.2 and 4.4 of this section, a sub-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 sub-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 section.

4.4 The financial derivative instruments invested by a sub-fund shall be either listed/quoted on a stock exchange or dealt in over-the-counter market and comply with the following provisions:

(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 sub-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 section, a sub-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 sub-fund to a counterparty of over-the-counter financial derivative instruments may be lowered by the collateral received (if applicable) by the sub-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 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 such measures as may be established from time to time. The financial derivative instruments can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the sub-fund's initiative. Further, the Manager or the Trustee or their nominee(s), agent(s) or delegate(s) 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.

4.5 A sub-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 a sub-fund are adequately covered on an ongoing basis. For the purposes of this sub-paragraph 4.5, assets that are used to cover the sub-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.

4.6 Subject to sub-paragraph 4.5 of this section, a transaction in financial derivative instruments which gives rise to a future commitment or contingent commitment of a sub-fund shall be covered as follows:

(a) in the case of financial derivative instruments transactions which will, or may at the sub-fund’s discretion, be cash settled, the sub-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 counterpartyartyated within a short timeframe to meet the payment obligation; and Sub-FFund 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 sub-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 sub-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.

4.7 The requirements under sub-paragraphs 4.1 to 4.6 of this section 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.

5. Securities financing transactions

5.1 A sub-fund may engage in securities financing transactions, provided that they are in the best interests of Unitholders of such sub-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.

5.2 A sub-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.

5.3 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 sub-fund.

5.4 A sub-fund shall only enter into a securities financing transaction if the terms of such securities financing transaction include the power for the sub-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.

6. Collateral

In order to limit the exposure to each counterparty as set out in sub-paragraphs 4.4(c) and 5.2 of this section, a sub-fund may receive collateral from such counterparty, provided that the collateral complies with the requirements set out below:

(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 – asset used as collateral must be of high credit quality and should be replaced immediately as soon as 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;

(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. A sub-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 section;

(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 relevant sub-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 sub-paragraphs 7(b) and 7(j) of this section;

   (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.

7. Borrowing and Leverage

The expected maximum level of leverage of each sub-fund is as follows:

Cash borrowing

7.1 No borrowing shall be made in respect of a sub-fund which would result in the principal amount for the time being of all borrowings made for the account of the relevant sub-fund exceeding an amount equal to 10% of the latest available Net Asset Value of the relevant sub-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 5.1 to 5.4 of this section are not borrowings for the purpose of, and are not subject to the limitations in this sub-paragraph 7.1.

7.2 Notwithstanding sub-paragraph 7.1 of this section, a sub-fund which is a money market fund ("**Money Market Fund**") authorised by the SFC under 8.2 of the Code may borrow only on a temporary basis for the purposes of meeting redemption requests or defraying operating expenses.

Leverage from the use of financial derivative instruments

7.3 A sub-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 relevant Appendix.

7.4 In calculating the net derivative exposure, derivatives acquired for investment purposes that would generate incremental leverage at the portfolio level of the relevant sub-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.

7.5 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.

8. Name of sub-fund

8.1 If the name of a sub-fund indicates a particular objective, investment strategy, geographic region or market, the sub-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 sub-fund represents.

8.2 The name of a Money Market Fund must not appear to draw a parallel between the Money

Market Fund and the placement of cash on deposit.

Investment via Subsidiary

Where direct investment by a sub-fund in a market is not in the best interests of investors, such sub-fund may invest through a wholly-owned subsidiary company established solely for the purpose of making direct investments in such market subject to the requirements of the Code. Where a sub-fund may invest through a wholly-owned subsidiary, further details are set out in the Appendix of such sub-fund.

SUMMARY OF POLICY OF SECURITIES FINANCING TRANSACTIONS

The summary of policy of securities financing transactions set out in this section is only applicable to a sub-fund which may engage in securities financing transactions.

Securities financing transactions may only be effected in accordance with normal market practice and provided that they are in the best interest of Unitholders of the relevant sub-fund to do so and the associated risks have been properly mitigated and addressed.

Securities Financing Transactions

Under a securities lending transaction, a sub-fund lends its securities to a security-borrowing counterparty for an agreed fee subject to a commitment from that counterparty that it will return equivalent securities on a specified future date or when requested to do so by the relevant sub-fund. A sub-fund is expected to retain the rights of beneficial ownership as to the loaned securities, including voting rights and rights to interest or other distributions, and will generally have the right to regain record ownership of loaned securities to exercise such beneficial rights.

Under a sale and repurchase transaction, a sub-fund sells its securities to a counterparty of reverse repurchase transactions subject to an agreement to repurchase the securities at an agreed price with a financing cost on a specified future date. Where a sub-fund enters into a sale and repurchase transaction under which it sells securities to the counterparty, it will incur a financing cost from engaging in this transaction which will be paid to the relevant counterparty.

Under a reverse repurchase transaction, a sub-fund purchases securities from a counterparty of sale and repurchase transactions subject to an agreement to re-sell the relevant securities to the counterparty at an agreed price on a specified future date.

A sub-fund must have the right to terminate the securities financing transactions at any time and demand the return of all of the securities loaned or the full amount of cash (as the case may be).

Revenues and Expenses

All 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 relevant sub-fund. Such direct and indirect expenses shall include brokerage fees, stamp duty, and tax levies associated with securities financing transactions, as well as fees and expenses payable to securities lending agents engaged for the relevant sub-fund from time to time. Such fees and expenses of any securities lending agents engaged for the relevant sub-fund, will be at normal commercial rates and will be borne by the relevant sub-fund in respect of which the relevant party has been engaged.

Information on the revenues generated under such transactions shall be disclosed in the annual and interim financial reports of the relevant sub-fund, along with entities to whom direct and indirect operational costs and fees relating to such transactions are paid. These entities may include the Manager, the Investment Delegate or any other their connected persons.

Eligible Counterparties

Please refer to the section headed "Collateral Valuation and Management Policy" for further details.

Collateral

A sub-fund must 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.

Please refer to the section headed "Collateral Valuation and Management Policy" for further details.

Maximum and expected level of securities financing transactions

The maximum and expected level of a sub-fund's assets available for securities financing transactions are set out in the Appendix of the relevant sub-fund.

Types of assets that may be subject to securities financing transactions

The types of assets that may be subject to securities financing transactions include equity securities, fixed income securities, collective investment schemes, money market instruments and cash. Use of such assets is subject to a sub-fund's investment objective and policy.

Connected person(s) arrangement

Where any securities financing transaction is arranged through the Trustee or a Connected Person of the Trustee (e.g. the Custodian) or the Manager, such transactions carried out by or on behalf of a Sub-Fund will be at arm's length and executed on the best available terms.

Safekeeping arrangement

Assets received

Assets (including any collateral) received by a sub-fund under a title-transfer arrangement should be held by the Trustee or a Correspondent.

Assets provided

Assets (including any collateral) provided to a counterparty under a title-transfer arrangement shall no longer belong to the sub-fund. Assets (including any collateral) provided to a counterparty other than under a title-transfer arrangement shall be held by the Trustee or a Correspondent (which may include the counterparty to the relevant securities financing transaction). Upon the exercise of a right of re-use by a counterparty, such assets will not be safe-kept by the Trustee or a Correspondent and such counterparty may use the assets at its absolute discretion.

COLLATERAL VALUATION AND MANAGEMENT POLICY

The Manager employs a collateral management policy in relation to collateral received in respect of

OTC financial derivative transactions entered into in respect of a sub-fund.

A sub-fund may receive collateral from a counterparty to an OTC derivative transaction or a securities financing transaction in order to reduce its counterparty risk exposure, subject to the investment restrictions and requirements applicable to collateral under the section "Investment and Borrowing Restrictions" in this Explanatory Memorandum.

Nature and quality of the collateral

A sub-fund may receive both cash and non-cash collateral from a counterparty. Cash collateral may include cash, cash equivalents and money market instruments. Non-cash collateral may comprise of government or corporate bonds.

Criteria for selecting counterparties

The Manager has counterparty selection policies and control measures to manage the credit risks of counterparties of OTC derivative transactions and securities financing transactions which shall include amongst other considerations, fundamental creditworthiness (e.g. ownership structure, financial strength) and commercial reputation of specific legal entities in conjunction with the nature and structure of proposed trading activities, external credit ratings of the counterparty, the regulatory supervision applied to the relevant counterparty, country of origin of the counterparty and legal status of the counterparty.

The counterparties of OTC derivative transactions and securities financing transactions will be entities with legal personality typically located in OECD jurisdictions (but may also be located outside such jurisdictions), and be subject to ongoing supervision by a regulatory authority.

The counterparty to an OTC derivative transaction or a securities financing transaction must have a good credit rating, either assigned by an internationally recognized credit agency or assessed by the Manager according to its internal credit rating mechanism.

Valuation of collateral

The collateral received is valued daily by independent pricing source on a mark-to market basis.

Enforceability of collateral

Collateral (subject to any net-off or set-off, if applicable) is capable of being fully enforced by the Manager / sub-fund at any time without further recourse to the counterparty.

Haircut policy

A documented haircut policy is in place for detailing the policy in respect of each class of assets received by a sub-fund in order to reduce exposure to counterparties. A haircut is a discount applied to the value of a collateral asset to account for the fact that its valuation, or liquidity profile, may deteriorate over time. The haircut policy applied to posted collateral will be negotiated on a counterparty basis and will vary depending on the class of asset received by the relevant sub-fund. Haircuts will be based on the market risks of the assets used as collateral in order to cover potential maximum expected decline in collateral values during liquidation before a transaction can be closed out with due consideration on stress period and volatile markets. The haircut policy takes account of the price volatility of the asset used as collateral and other specific characteristics of the collateral, including, among others, asset types, issuer creditworthiness, residual maturity, price sensitivity, optionality, expected liquidity in stressed period, impact from foreign exchange, and correlation between securities accepted as collateral and the securities involved in the transactions.

Further details of the applicable haircut arrangement for each asset class can be available from the Manager upon request.

Diversification and correlation of collateral

Collateral must be sufficiently diversified. The exposures of a sub-fund to the collateral issuers are monitored in accordance with the relevant restrictions on exposure to a single entity and/or entities within the same group as set out in the section "Investment and Borrowing Restrictions" in this Explanatory Memorandum.

Collateral received must be issued by an entity that is independent from the relevant counterparty.

Cash collateral reinvestment policy

A sub-fund shall not sell, pledge or re-invest any non-cash collateral received by it.

Subject to the applicable restrictions in respect of collateral in the section headed "Investment and Borrowing Restrictions" in this Explanatory Memorandum, cash collateral received by a sub-fund (if any) may 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.

Up to 100% of the cash collateral received by a sub-fund (if any) may be reinvested.

Safe-keeping of collateral

Any non-cash assets received by a sub-fund from a counterparty on a title transfer basis (whether in respect of an OTC derivative transaction or a securities financing transaction) should be held by the Trustee or a Correspondent. This is not applicable in the event that there is no title transfer in which case the collateral will be held by a third party custodian which is unrelated to the provider of the collateral.

A description of collateral holdings of each sub-fund will be disclosed in its interim and annual financial reports as required under Appendix E of the Code.

Assets provided by a sub-fund on a title transfer basis shall no longer belong to the sub-fund. The counterparty may use those assets at its absolute discretion. Assets provided to a counterparty other than on a title transfer basis shall be held by the Trustee or a Correspondent.

RESTRICTIONS ON UNITHOLDERS

Unitholders may not be a "United States Person". A "United States Person" has the meaning ascribed to it in Regulation S of the United States Securities Act of 1933 (as amended).

A "**United States Person**" includes any person resident in the United States. An investor must inform the Manager immediately on becoming a "United States Person", in which circumstances the investor may be required to redeem his or her Units in the Fund.

The Manager may impose any restrictions it may decide upon in its sole discretion to ensure that no Units of the Fund are acquired or held directly or beneficially by:

(i) any person under the age of 18 (or such other age as decided upon by the Manager in its sole discretion); or

(ii) any person in breach of the law or requirements of any country or governmental authority; or

(iii) any person or persons in circumstances (whether directly or indirectly affecting such person or persons and whether taken alone or in conjunction with any other person or persons, connected or not, or any other circumstances appearing to the Manager to be relevant) that, in the opinion of the Manager, might result in the Trustee, the Manager or the Fund breaching any law or requirement of any country or governmental authority, including any liability to taxation or suffering any other pecuniary disadvantage, that the Trustee, the Manager or the Fund might not otherwise have incurred or suffered or which might result in the Manager, the Trustee or the Fund becoming subject to additional regulation or taxation in any other country (a "**non-qualified person**").

If the Manager becomes aware that any Units are held by any such non-qualified person, the Manager may notify that person, requiring the redemption or transfer of any Units held in accordance with the provisions of the Trust Deed. A person who becomes aware that holding or ownership of Units is in breach of any such restrictions is required to deliver, either to the Trustee or the Manager or its authorised agents, a written request for the redemption or cancellation of such Units or to transfer the same to a person who is not a non-qualified person. In such circumstances, neither the Manager, the Trustee, nor any other person is required to compensate the investor or any other person for any loss that may arise in connection with the redemption of Units.

CLASSES OF UNITS

Different Classes of Units may be offered for each sub-fund. Although the assets attributable to each Class of Units of a sub-fund will form one single pool, each Class of Units may have a different charging structure with the result that the net asset value attributable to each Class of Units of a sub-fund may differ. In addition, each Class of Units may be subject to different minimum initial and subsequent subscription amounts and holding amounts, and minimum redemption and conversion amounts. Investors should refer to the relevant appendix for the available Classes of Units and the applicable minimum amounts. The Manager may in its discretion agree to accept applications for subscription, redemption and conversion of certain Classes below the applicable minimum amounts.

OFFERING

Units of a sub-fund will be offered for the first time at the Initial Offer Price during the Initial Offer Period as may be set out in the relevant appendix of the relevant sub-fund. Units of a sub-fund may or may not be issued following the close of the relevant Initial Offer Period as described in the relevant appendix of the relevant sub-fund. Investments can be made by the relevant sub-fund only after Units are issued to Unitholders after the close of the relevant Initial Offer Period.

DEALING DAY AND DEALING DEADLINE

The Manager may from time to time with the approval of the Trustee determine generally or in relation to any particular jurisdiction the time on such Dealing Day or on such other Business Day (on which Units may from time to time be sold) prior to which instructions for subscription, redemption or conversion are to be received in order to be dealt with on a particular Dealing Day. The Dealing Days and the relevant Dealing Deadlines for each sub-fund are set out in the relevant appendix.

Subscription, redemption and conversion of Units may also be placed through the Manager's distributors or through other authorized and/or electronic means as from time to time determined by the Manager. Investors should note that applications made through such means may involve different dealing procedures. Further, the Manager's distributors may impose an earlier cut-off time before the Dealing Deadlines for receiving instructions for subscriptions, redemptions or conversion. Investors should confirm the arrangements with the Manager's distributors concerned on the arrangements and dealing procedures that are applicable to them.

PURCHASE OF UNITS

Application Procedure

Unless otherwise disclosed in the relevant appendix of the relevant sub-fund, an investor should complete the application form enclosed with this Explanatory Memorandum and return the original form to the Trustee (via the Manager or its distributors) in order to purchase Units. With respect to Unitholders applying for subscription of additional Units, the receipt of copies of the application forms by the Trustee (via the Manager or its distributors) is accepted. Those application forms may be sent by facsimile, electronic mail, other electronic means, courier or mail or other means from time to time determined by the Manager or the Trustee. The Manager and the Trustee will generally accept and act on subscription application sent by facsimile, electronic mail or other electronic means but may also require the signed original application to be submitted. The Manager or the Trustee has the right to refuse to act on subscription application sent by facsimile, electronic mail or other electronic means until the original application is received.

Any investor that sends application forms by facsimile, electronic mail, other electronic means, courier or mail, assumes the risk that the Trustee may not receive the forms. Investors should confirm with the Manager, the Trustee or its distributors as to safe receipt of an application form. None of the Manager, the Trustee and/or their respective agents are responsible to a Unitholder for any loss resulting from non-receipt or duplicate receipt or illegibility of or amendment to any application form sent by facsimile, electronic mail, other electronic means, courier or by mail, or for any loss caused in respect of any action taken as a consequence by the Manager or the Trustee believes in good faith that such application is originated from the investor or its distributor.

Subject to the conditions outlined in the section headed "**Subscription of Units**" in the relevant appendix of the relevant sub-fund, applications will generally be accepted only if cleared funds have been received on or prior to the relevant application submission cut-off times in relation to which Units are to be issued, as set out in the section headed "**Subscription Details**" in the relevant appendix of the relevant sub-fund. Investors should confirm the relevant application submission cut-off times with their distributors or the Manager. Notwithstanding the above, a sub-fund may rely upon application orders received and may issue Units to investors according to such orders and invest the expected application amounts. If payment of funds is not cleared within four Business Day (or such period as the Manager may permit which may not exceed 14 days and notify the relevant applicant at the time of receipt of the application), the Manager reserves the right to cancel the transaction. In such circumstances, the Manager and/or the Trustee may charge a cancellation fee to represent administrative costs incurred in processing an application and may require the defaulting applicant to pay compensation for any loss directly or indirectly resulting from the failure by the applicant to make good settlement by the settlement date. Such charge may include, but is not limited to, the difference between the prices at issue and at cancellation of the Units concerned.

The Manager reserves the right to defer processing any application until receipt of cleared monies and to reduce the subscription amount by any financial charges, for example, bank service charges and transfer fees.

Each applicant whose application is accepted will be sent a contract note confirming details of the purchase of Units but no certificates will be issued. A Unitholder must examine contract notes and statements issued by the Fund. A register of Unitholders shall be kept by the Registrar. If a Unitholder does not notify the Trustee of any errors within 30 days of issue of the statement or contract note, the Unitholder will be deemed to have waived any right to raise any objections in relation to them.

The Manager, at its sole discretion, may charge a subscription fee on the total subscription money received. Any subscription fee will be described in the relevant appendix of the relevant sub-fund. The Manager may retain or may pay all or part of the subscription fee (and any other fees received) to recognised intermediaries or any other persons. The Manager may change the subscription fee up to any maximum specified in the relevant appendix of the relevant sub-fund by giving not less than one month’s prior notice to Unitholders. The Manager may also charge different applicants different subscription fees.

Payment of Subscription Amount

The Subscription Price on any Dealing Day is the price per Unit ascertained by dividing the Net Asset Value of the relevant sub-fund as at the Valuation Point in respect of the relevant Dealing Day by the number of Units in issue, rounded down to the nearest two decimal places or in such manner and to such other number of decimal places as may be determined by the Manager after consulting the Trustee and disclosed in the relevant appendix of the relevant sub-fund (“**Subscription Price**”). Any rounding adjustment as a result of determining the Subscription Price will be retained by the relevant sub-fund.

Subscription monies should be paid, and the Subscription Price will be calculated and quoted by the Manager, in the currency of the relevant Class in the relevant sub-fund. Any Class of Units not expressed in the base currency of the respective sub-fund will be converted into such currency (either from the base currency to the currency of the relevant Class or vice versa) at the prevailing market exchange rates as determined by the Trustee. The Manager may, at its sole discretion impose a subscription fee in respect of Units being subscribed. The subscription fee, if any, is described in the relevant appendix of the relevant sub-fund.

All payments should be made by telegraphic transfer, direct transfer, cheque or bank draft. Payment by cheque is likely to cause delay in receipt of cleared funds and Units will generally not be issued until the cheque is cleared. The completed application and relevant documents should be sent to the Trustee (via the Manager or its distributors). Applicants bear the costs of transfer of subscription monies to the sub-fund. No third party payments or cash payments will be accepted.

Details of payments by telegraphic transfer are set out in the application form enclosed.

No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry on Type 1 (dealing in securities) regulated activity under Part V of the SFO.

REDEMPTION OF UNITS

Redemption Procedure

Unitholders may redeem their Units on any Dealing Day by submitting a redemption request (either by hand, facsimile, electronic mail, mail or courier) to the Trustee (via the Manager or its distributors) before the relevant redemption request submission cut-off time for the sub-fund, as set out in the section headed “**Redemption of Units**” in the relevant appendix of the relevant sub-fund. Investors should confirm the relevant redemption request submission cut-off time with their distributors.

A redemption request must be given in writing (either by hand, facsimile electronic mail, mail or courier) and must specify:

- the name of the sub-fund;
- the number of Units to be redeemed;
- the name(s) of the Unitholder(s); and
- payment instructions for the redemption proceeds.

Redemption request may be sent by facsimile, electronic mail, other electronic means, courier or mail or other means from time to time determined by the Manager or the Trustee, unless the original is required by the Manager or the Trustee. The Manager and the Trustee will generally accept and act on redemption request sent by facsimile, electronic mail or other electronic means but may also require the signed original request to be submitted. The Manager or the Trustee has the right to refuse to act on redemption request sent by facsimile, electronic mail or other electronic means until the original request is received.

Any investor that sends Redemption requests by facsimile, electronic mail, other electronic means, courier or mail, assume the risk that the Trustee may not receive the requests. Investors should confirm with the Manager, the Trustee or its distributors as to safe receipt of a request. None of the Manager, the Trustee and/or their respective agents are responsible to a Unitholder for any loss resulting from non-receipt or duplicate receipt or illegibility of or amendment to any redemption request sent by facsimile, electronic mail, courier or by mail, or for any loss caused in respect of any action taken as a consequence by the Manager or the Trustee believes in good faith that such request is originated from the investor or its distributor.

A Unitholder may not redeem only part of his holding of Units in a sub-fund if his holding would be reduced to less than the Minimum Holding for the sub-fund. The Fund will redeem all of such Unitholder’s Units in the sub-fund if the request to redeem a holding of Units in the sub-fund would cause the Unitholder’s holding in the relevant sub-fund to fall below the Minimum Holding.

Payment of Redemption Proceeds

The Redemption Price on any Dealing Day is the price per Unit ascertained by dividing the Net Asset Value of the relevant sub-fund (as at the Valuation Point in respect of the relevant Dealing Day) by the number of Units in respect of such sub-fund in issue rounded down to the nearest two decimal places or in such manner and to such other number of decimal places as the Manager may determine after consulting the Trustee and disclosed in the relevant appendix of the relevant sub-fund (the “**Redemption Price**”). The relevant sub-fund will retain any rounding adjustment as a result of determining the Redemption Price.

The Redemption Price will be calculated and quoted by the Manager in the currency of the relevant Class in the relevant sub-fund. Any Class of Units not expressed in the base currency of the respective sub-fund will be converted into the currency of such class in such sub-fund at the prevailing market exchange rates as determined by the Trustee.

The Manager may impose a redemption fee in respect of Units being redeemed. The redemption fee, if any, is described in the relevant appendix of the relevant sub-fund and will be retained by the relevant sub-fund.

The amount due to a Unitholder on the redemption of a Unit pursuant to the paragraphs above is the Redemption Price, less any redemption fee, any reasonable fiscal and sales charges imposed by the remittance banks in accordance with their prevailing standard rates and any rounding adjustment. The relevant sub-fund will retain any fiscal and sales charges, as well as the rounding adjustments in relation to the redemption of any Units.

The Fund will not pay redemption proceeds until the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Trustee where redemption proceeds are to be paid by telegraphic transfer.

No third party payments will be made.

With respect to properly documented redemption requests received before the declaration of a suspension (please refer to the section headed "Suspension of Calculation of Net Asset Value" below), redemption proceeds will normally be paid, in the currency of the relevant Class in the relevant sub-fund by telegraphic transfer within seven Business Days (or such number of days as disclosed in the relevant appendix) after the relevant Dealing Day or Settlement Day.

If relevant account details are not provided, redemption proceeds will be paid to the redeeming Unitholder (or to all joint Unitholders in the case of joint Unitholders) at the Unitholder's risk by cheque in the currency of the relevant Class in the relevant sub-fund.

Restrictions on Redemption

In exceptional circumstances and having regard to the interests of Unitholders, the Manager may, after consulting and giving notice to the Trustee and having regard to the best interests of Unitholders, suspend the redemption of Units or delay the payment of redemption proceeds during any periods in which the determination of the Net Asset Value of a sub-fund is suspended (please refer to the section headed "**Suspension of Calculation of Net Asset Value**" below).

With a view to protecting the interests of Unitholders, the Manager is entitled, with the approval of the Trustee, to limit the number of Units of any sub-fund redeemed on any Dealing Day to 10% of the total number of Units of the relevant sub-fund in issue. In this event, the limitation will apply pro rata so that all Unitholders wishing to redeem Units of the same sub-fund on that Dealing Day will redeem the same proportion of such Units, any Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, and will have priority on the next Dealing Day. If redemption requests are carried forward, the Manager will inform the Unitholders concerned.

CONVERSION BETWEEN SUB-FUNDS

Subject to the consent of the Manager, Unitholders have the right (subject to any suspension in the determination of the Net Asset Value of the relevant sub-fund) to convert all or part of their Units of any class in a sub-fund (the "**Current Class**") into Units of any other class in the same sub-fund or another sub-fund of the Fund (the "**New Class**") by giving notice in writing or by facsimile to the Manager. **If the Current Class is denominated in RMB, the New Class to which Units are converted into must also be denominated in RMB**.

Conversion notices received by the Trustee (via the Manager or its distributors) from the Unitholders prior to the Dealing Deadline as set out in the relevant appendix on a Dealing Day (either by hand, facsimile, electronic mail, mail or courier) will be dealt with on that Dealing Day. Conversion notices received after that time or on a day that is not a Dealing Day will be carried forward and dealt with on the next Dealing Day.

Conversion notices may be sent by facsimile, electronic mail, other electronic means, courier or mail or other means from time to time determined by the Manager or the Trustee, unless the original is required by the Manager or the Trustee. The Manager and the Trustee will generally accept and act on Conversion notice sent by facsimile, electronic mail or other electronic means but may also require the signed original notices to be submitted. The Manager or the Trustee has the right to refuse to act on Conversion notices sent by facsimile, electronic mail or other electronic means until the original request is received.

Any investor that sends Conversion notices by facsimile, electronic mail, other electronic means, courier or mail, assume the risk that the Trustee may not receive the notices. Investors should confirm with the Manager, the Trustee or its distributors as to safe receipt of a notice. None of the Manager, the Trustee and/or their respective agents are responsible to a Unitholder for any loss resulting from non-receipt or duplicate receipt or illegibility of or amendment to any Conversion notice sent by facsimile, electronic mail, courier or by mail, or for any loss caused in respect of any action taken as a consequence by the Manager or the Trustee believes in good faith that such notice is originated from the investor or its distributor.

The price at which the whole or any part of a holding of Units of a Current Class to be converted on any Dealing Day into Units of the New Class will be determined by reference to the Redemption Price of the Current Class and Subscription Price of the New Class on the relevant Dealing Day. Unless otherwise specified in the section headed "**Expenses and Charges**" below, no subscription fee or redemption fee will be levied.

The Manager is entitled to levy a conversion fee expressed as a percentage of the total redemption proceeds of the Current Class. The conversion fee will be deducted from the amount re-invested into the New Class of Units. The amount of conversion fee is set out in the section headed "**Expenses and Charges**" below, unless otherwise specified in the relevant appendix of the original sub-fund.

No conversion will be allowed during any period when the determination of the Net Asset Value of the relevant sub-fund is suspended (please refer to the section headed "**Suspension of Calculation of Net Asset Value**"). Unitholders should also note that the requirements for:

- minimum subscription;
- Minimum Holding; and
- minimum redemption amount,

as set out in the appendix of the relevant sub-funds also apply to conversions.

General

The Manager (upon consultation with the Trustee) has the sole discretion to accept or reject in whole or in part any application for Units. If an application is rejected, subscription monies will be returned without interest by cheque through the post at the risk of the applicant.

Unless otherwise disclosed in the relevant appendix of the relevant sub-fund, fractions of Units may be issued rounded down to the nearest two decimal places. Subscription monies representing smaller fractions of a Unit of a sub-fund will be retained by the relevant sub-fund.

All holdings will be registered and certificates will not be issued. Evidence of title will be the entry on the register of Unitholders. No bearer units will be issued. A maximum of four persons may be registered as joint Unitholders. It is important to ensure that the Registrar is informed promptly of any change to the registered details.

VALUATION

Unless otherwise disclosed in the relevant appendix of the relevant sub-fund, the value of the net assets of each sub-fund, the Subscription Price and Redemption Price will be calculated by the Trustee as at each Valuation Point by valuing the assets of such sub-fund in accordance with the Trust Deed. The Trust Deed provides (inter alia) that:

(a) except in the case of any interest in a collective investment scheme to which paragraph (b) applies and subject as provided in paragraphs (c) and (e) below, all calculations based on the value of securities quoted, listed, traded or dealt in on any Securities Market shall be made by reference to the last traded price (as defined below) on the principal securities exchange as at the close of business in such place or if the last traded prices on the market are not available, the value of the securities shall be certified by such person, firm or institution dealing in or making a market in such securities as may be appointed for such purpose by the Manager or, if the Trustee so requires, by the Manager after consultation with the Trustee. In determining such prices the Manager and the Trustee may use and rely on electronic price feeds generated by price dissemination systems from any source or sources they may determine and have no liability to any Unitholders in respect of such reliance. If the electronic price feeds generated by such price dissemination systems reflect unusual price data and information, as determined in the opinion of the Manager, the Manager after consultation with the Trustee, will determine the fair value of the assets for the purposes of valuing the net asset value of the relevant sub-fund;

(b) subject as provided in paragraphs (c) and (e) below, the value of each interest in any collective investment scheme will be the latest available net asset value per unit in such collective investment scheme whether or not published or (if the same is not available) the last available bid price for such unit or share or other interest;

(c) the value of any investment not quoted, listed or ordinarily dealt in on a market will be the initial value thereof equal to the amount expended out of the relevant sub-fund in the acquisition of such investment (including in each case the amount of stamp duties, commissions and other acquisition expenses); however, the Manager may with the approval of the Trustee and on a regular basis at the request of the Trustee cause a revaluation to be made by a professional person approved by the Trustee as qualified to value such investment;

(d) cash, deposits and similar investments will be valued at their face value (together with accrued interest) unless, in the opinion of the Manager following consultation with the Trustee, any adjustment should be made to reflect the value thereof;

(e) notwithstanding the foregoing, the Manager may with the consent of the Trustee adjust the value of any investment or permit some other method of valuation to be used if, having regard to relevant circumstances, the Manager considers that such adjustment or use of such other method is required to reflect the fair value of the investment provided always that the accounting standards under the relevant jurisdiction are being complied with;

   For instance, where the market value of an investment is unavailable or where the Manager reasonably considers that no reliable price exists or the most recent price available does not reflect a price the relevant sub-fund would expect to receive upon the current sale of the investment, the Manager may in consultation with the Trustee value the investment at a price which the Manager believes reflects a fair and reasonable price for that investment in the prevailing circumstances.

(f) the value of any investment (whether of a security or cash) otherwise than in the base currency of the relevant sub-fund will be converted into such base currency at a rate (whether official or otherwise) the Manager believes appropriate after consultation with the Trustee in the circumstances, having regard to any premium or discount which may be relevant and to costs of exchange;

(g) where a third party is engaged in the valuation of the assets of a sub-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 such sub-fund. The valuation activities of such third party shall be subject to ongoing supervision and periodic review by the Manager.

"**Last traded price**" refers to the last traded price reported on the exchange for the day, commonly referred to in the market as the "settlement" or "exchange price", and represents a price at which members of the exchange settle between them for their outstanding positions. Where a security has not traded, then the last traded price will represent the "exchange close" price as calculated and published by that exchange in accordance with its local rules and customs.

Under IFRS, the value of investments quoted, listed, traded or dealt in on any securities exchange, commodities exchange, futures exchange or over-the-counter market are made by reference to the price within the closing bid and closing offer prices. Since the Fund values its investments by reference to the last traded price, its valuation policy deviates from IFRS, which may lead to a different valuation had the valuation been performed in accordance with IFRS. The Manager has considered the impact of such non-compliance and does not expect this issue to materially affect the results and the Net Asset Value of a sub-fund. To the extent the Fund's valuation policy deviates from IFRS, the Manager may make necessary adjustments in the financial reports of the relevant sub-fund for the financial reports to comply with IFRS and will include in the relevant sub-fund's annual accounts a reconciliation note to reconcile values derived by applying the Fund's valuation rules. If the Net Asset Value of the relevant sub-fund is not adjusted in preparation of the annual financial reports, non-compliance with IFRS may result in the auditor qualifying its opinion on the annual financial reports, depending on the nature and level of materiality of the non-compliance.

The Net Asset Value is calculated by determining the value of the assets attributable to the relevant sub-fund, including accrued income, and deducting all its liabilities. The resultant sum is divided by the total number of Units in issue at that time to give the Net Asset Value per Unit and adjusting the resultant sum to the nearest two decimal places unless otherwise disclosed in the relevant appendix of the relevant sub-fund.

Suspension of Calculation of Net Asset Value

After consulting and giving notice to the Trustee and having regard to the best interests of the Unitholders, the Manager may suspend the determination of the Net Asset Value of a sub-fund for the whole or any part of any period during which:

(a) any period when any Market on which a substantial part of the securities or other property in the relevant sub-fund (being the sub-fund to which that class of Units relates) is quoted, listed or dealt in is closed otherwise than for ordinary holidays;

(b) any period when dealings on any such Market are restricted or suspended;

(c) during the existence of any state of affairs as a result of which disposal of a substantial portion of the securities or other property in the relevant sub-fund cannot, in the opinion of the Manager, be effected normally or without seriously prejudicing the interests of Unitholders;

(d) during any breakdown in the means of communications normally employed in determining the Net Asset Value of the relevant sub-fund or when for any other reason the value of a substantial portion of securities or other property in the relevant sub-fund cannot be promptly and accurately ascertained;

(e) any period when the redemption of a substantial portion of securities or other property in the relevant sub-fund or the transfer of funds involved in such realisation cannot, in the opinion of the Manager, be made at normal prices or normal rates of exchange; and

(f) any period when the payment or receipt of the proceeds of the realisation of a substantial portion of the securities or other property in the relevant sub-fund is delayed due to exceptional circumstances.

Such suspension will take effect immediately upon the Manager's declaration after consulting and giving notice to the Trustee, having regard to the best interests of Unitholders and thereafter there will be no determination of the Net Asset Value of the relevant sub-fund until the Manager declares the suspension at an end; however the suspension will terminate in any event on the day following the first Business Day on which: (i) the condition giving rise to the suspension has ceased to exist; and (ii) no other condition under which suspension is authorised exists.

Whenever the Manager declares any such suspension it must immediately after any such declaration notify the SFC. During the period of such suspension, the Manager must also: (i) immediately publish its determination; and (ii) at least once a month, publish a notice on the Manager's website (www.chinaamc.com.hk)[1].

No Units in a sub-fund may be issued, redeemed, or converted during suspension. The application of subscription, redemption (but only if the redemption of Units has not been effected on a Dealing Day or Settlement Day prior to that suspension) or conversion before the declaration of suspension may be withdrawn during the suspension. If the Manager does not receive the withdrawal notice from the applicant during the suspension period, the subscription, redemption or conversion will be processed on the first dealing day immediately after the termination of the suspension.

For redemption requests received after the declaration of suspension, there will be a delay in the payment of redemption proceeds reflecting the period during which the Manager declared a suspension of the determination of Net Asset Value of a sub-fund. For the avoidance of doubt, redemption requests received before the declaration of suspension will be processed and redemption proceeds will be paid within the timeframes specified under the section headed "Payment of Redemption Proceeds" above.

LIQUIDITY RISK MANAGEMENT

The Manager has established a liquidity management policy which enables it to monitor the liquidity profile of the investments of each sub-fund on an ongoing basis, to identify and manage the liquidity risks of each sub-fund, and to ensure compliance with the sub-fund's obligation to meet redemption requests. Such policy, combined with the liquidity management tools of the Manager, also seeks to achieve fair treatment of unitholders and safeguard the interests of remaining unitholders in case of sizeable redemptions.

The Manager has taken into account the investment strategy, the liquidity profile including the availability of cash and highly liquid securities, the dealing frequency, the redemption policy, the ability to enforce redemption limitations and the valuation policies of the relevant sub-fund when formulating the liquidity management policy.

[1] This website has not been reviewed by the SFC.

The liquidity management policy involves monitoring the profile of investments held by the relevant sub-fund on an on-going basis to ensure that such investments are appropriate to the redemption policy as stated under the section headed "Redemption of Units", and will facilitate compliance with each sub-fund's obligation to meet redemption requests. Further, the liquidity management policy includes details on periodic liquidity assessment (including but not limited to stress testing) carried out by the Manager to manage the liquidity risk of each sub-fund under normal and exceptional market conditions. Where appropriate, the Manager will use historical redemption pattern to set limits and adjust the portfolio weighting of different types of investment instruments of the relevant sub-fund, if the relevant limit is exceeded.

The Manager has assigned a designated team responsible for risk management to carry out the day-to-day liquidity risk monitoring function and they are functionally independent from the day-to-day portfolio investment manager. The oversight of liquidity risk management team and other related responsibility are performed by the Manager's risk manager.

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

- the Manager is entitled, with the approval of the Trustee, to limit the number of Units of any sub-fund redeemed on any Dealing Day to 10% of the total number of Units of the relevant sub-fund in issue (subject to the conditions under the heading entitled "***Restrictions on Redemption***" in the section "***Redemption of Units***").

DISTRIBUTION POLICY

Please refer to the relevant appendix of the relevant sub-fund for the distribution policy of the relevant sub-fund.

Distributions (if any) declared in respect of an interim accounting period or an accounting period, as described in the relevant appendix, will be distributed among the Unitholders of the relevant Classes of Units in accordance with the number of Units held by them on the record date in respect of such interim accounting period or accounting period, as the case may be. For the avoidance of doubt, only Unitholders whose names are entered on the register of Unitholders on such record date will be entitled to the distribution declared in respect of the corresponding interim accounting period or accounting period, as the case may be.

Distributions will be paid, in the currency of the relevant classes, by telegraphic transfer into the appropriate bank account. If a distribution is not claimed for six years, it will be forfeited and will become part of the assets of the relevant sub-fund.

EXPENSES AND CHARGES

The current fees of the relevant sub-fund are set out in the relevant appendix of the relevant sub-fund.

Unless otherwise disclosed in the relevant appendix of the relevant sub-fund, the types of fees and maximum amount of fees are set out below:

Types of Fees*	Fees
management fee	Up to 1.75% per annum
trustee fee ^	Up to 0.5% per annum
custody fee#	Up to 0.3 %
subscription fee	Up to 5%
redemption fee	--
conversion fee	Up to 1%

^ Percentage of trustee fee excludes transaction fees, out-of-pocket expenses and will be subject to a minimum monthly fee as agreed between the Manager and the Trustee in respect of the relevant sub-fund. In addition, the Trustee received a one-time establishment fee of RMB30,000 in respect of the set up of the Fund and will receive a one-time establishment fee for each sub-fund.

* The management, trustee fee and custody fee are expressed as a percentage of the Net Asset Value of the relevant sub-fund as at the relevant Valuation Point, and the subscription fee and the conversion fee will be calculated based on the total value of Units subscribed, redeemed or converted (as the case may be) by the investor or Unitholder.

The custody fee expressed above represents an estimate of the fees payable by the Fund to the Custodian and RQFII Local Custodian.

The Manager will give one month's prior notice to Unitholders should there be any increase of the fees from the current level up to the maximum level.

The Manager may, at its sole discretion, out of its management fee received in respect of a sub-fund, rebate all of or part of such fee to any investors or the distributors or other intermediaries, to the extent permitted by applicable laws and regulations. The Manager will act in accordance with applicable laws and regulations to treat all investors fairly and equitably.

A sub-fund will bear the costs set out in the Trust Deed that are directly attributable to it.

Where these costs are not directly attributable to a sub-fund, such sub-fund will bear such costs in proportion to its respective Net Asset Value or in such other manner as the Manager shall consider appropriate. Such costs include, but are not limited to, the costs incurred in the establishment, management and administration of the Fund and the relevant sub-fund including the costs of preparing the Trust Deed and any supplemental trust deeds), the costs of investing and realising the investments of the relevant sub-fund, stamp duties, taxes, brokerage, commissions, foreign exchange costs, bank charges, registration fees and service fees, the fees and expenses of the auditor, the fees and expenses of the Registrar, valuation costs, legal fees, the costs incurred in connection with any listing or regulatory approval, the costs of holding meetings of Unitholders, the costs of preparing financial reports in accordance with IFRS or other prescribed accounting standards, the costs of providing information for the preparation of tax returns of the relevant sub-fund and the Unitholders, the costs incurred in preparing, printing and distributing any explanatory memorandum and product key facts statement and any audited financial reports, interim reports or notices which are sent to the Unitholders (including the costs incurred by any distributors appointed in respect of the relevant sub-fund), the licence fees payable to any index owners and other legal and professional fees. For the avoidance of doubt, the Fund bears all costs incurred as a result of a change in or introduction of, any law, regulation or requirement (whether or not having the force of law) of any governmental or other regulatory authority or any undertaking given to, or agreement entered into with, any such authority.

The costs of establishment of the Fund and ChinaAMC Select RMB Bond Fund (being the initial sub-fund) were RMB750,000 and have been charged to the accounts of ChinaAMC Select RMB Bond Fund. The Manager intends to amortise the establishment expenses of the Fund and the initial sub-fund over the first five accounting periods of the initial sub-fund (or such other period as determined by the Manager after consultation with the auditor to the Fund). Where subsequent sub-funds are established in the future, the Manager and the Trustee may determine that the unamortised establishment costs of the Fund or a part thereof may be re-allocated to such subsequent sub-funds.

The costs of establishment of the Fund and payments incurred in the establishment of subsequent sub-funds are to be borne by the sub-fund to which such costs and payments relate and amortised over a period of five accounting periods (or such other period as determined by the Manager after consultation with the auditor to the Fund).

The Manager has considered the impact of such non-compliance with IFRS (in respect of the amortisation of the establishment expenses over the first five accounting periods of the initial sub-fund) and does not expect this issue to affect the results and the Net Asset Value of the Fund and the initial sub-fund materially. To the extent that the Fund's accounting basis deviates from IFRS, such non-compliance with IFRS may result in the auditor qualifying its opinion on those annual audited financial statements depending on the nature and level of material non-compliance. The Manager may make necessary adjustments in the financial reports of the relevant sub-fund for the financial reports to comply with IFRS and will include in the relevant sub-fund's annual financial reports a reconciliation note to reconcile values derived by applying the Fund's accounting policies. If further sub-funds are launched, the establishment costs will be allocated to the relevant sub-fund, except for those costs that the Manager decides to pay out of its own resources.

In addition to the above, Unitholders may be required to pay any requisite governmental tax, stamp duty, registration fee, custody and nominee charges as may be required in the purchase or sale of the Units under the relevant sub-fund.

Transactions with Connected Persons

Cash forming part of the property of the Fund may be placed on deposit with the Trustee, the Manager, Investment Adviser or with any of their connected persons (being an institution licensed to accept deposits) so long as such cash deposit shall be maintained in a manner that is in the best interests of the Unitholders of the relevant sub-fund, having regard to the prevailing commercial rate for a deposit of similar type, size and term negotiated at arm's length in accordance with ordinary and normal course of business.

Unless otherwise provided in the Trust Deed, any transactions between the Fund and the Manager, the Investment Adviser, directors of the Manager or the Investment Adviser or any of their connected persons as principal may only be made with the prior written consent of the Trustee.

All transactions carried out by or on behalf of the Fund must be executed at arm's length and on the best available terms and in the best interests of the Unitholders. Such transactions will be disclosed in the Fund's annual report.

The Manager, the Investment Adviser and/or any of their Connected Persons, on behalf of the relevant sub-fund, reserves the right to effect transactions (which will be consistent with best execution standards) by or through the agency of a broker or dealer with whom the Manager, the Investment Adviser and/or any of their Connected Persons has an arrangement under which that broker or dealer will provide to or procure for the Manager, the Investment Adviser 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 associated with specialised software or research services and performance measures, clearing and custodian services and investment-related publications) 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 Adviser 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 Adviser and/or any of their Connected Persons undertakes to place business with that broker or dealer. To be clear, these 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 Manager shall procure that no such arrangements are entered into (i) unless the goods and services to be provided pursuant thereto are of demonstrable benefit to the Unitholders (taken as a body and in their capacity as such) whether by assisting the Manager and/or the Investment Adviser in their ability to manage the relevant sub-fund or otherwise; (ii) the transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates; (iii) periodic disclosure is made in the annual report of the Fund or the relevant sub-fund in the form of a statement describing the soft dollar policies and practices of the Manager or the Investment Adviser, including a description of goods and services received by them; and (iv) the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer.

The Manager may conduct transactions with brokers or dealers connected to the Manager, the Investment Adviser, the Trustee or any of their connected persons. In transacting with brokers or dealers connected to the Manager, the Investment Adviser or any of their connected persons, the Manager will ensure that it will comply with the following obligations:

(a) such transactions should be on arm's length terms;

(b) it must use due care in selecting of brokers or dealers and ensure that they are suitably qualified in the circumstances;

(c) transaction execution must be consistent with applicable best execution standards;

(d) the transaction fee or commission paid to any such broker or dealer must not be greater than that payable at the prevailing market rate for a transaction of that size and nature;

(e) the Manager will monitor such transactions to ensure compliance with its obligations; and

(f) the nature of such transactions and the total commissions and other quantifiable benefits received by such broker or dealer will be disclosed in the Fund's annual report.

The Manager confirms that no cash rebates will be received from connected parties, brokers and/or dealers.

RISK FACTORS

Risk of Loss and Past Performance

The investment portfolio of the Fund and each of the sub-funds may fall in value due to any of the key risk factors below and therefore the investor's investment in the Fund may suffer losses. There is no guarantee of the repayment of principal. Investors may lose all or substantially all of their investment in the Fund. There can be no assurance the relevant sub-fund will achieve its objective. Past performance of each sub-fund is available upon request but is not necessarily indicative of future results.

Reliance on the expertise of the Manager

The Fund must rely on the ability of the Manager to manage the Fund's trading and investment program and the continued availability of the Manager's services to it. The Manager, in turn, depends on the services of certain key personnel, and the loss of the services of one or more such professionals could impair the ability of the Manager to provide services to the Fund and be material and adverse to the Fund and each of the sub-funds.

Base Currency Risk

Unless otherwise specified in the relevant appendix, the Fund's assets are expected to be invested in investments denominated in RMB. Investments in such assets will be subject to the systemic and systematic risks connected with changes in exchange rates in RMB. Changes in exchange rates may result over time from the interaction of many factors that directly or indirectly affect economic and political conditions in the PRC in which the Fund invests. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. National governments rarely allow their currencies to float freely in response to economic forces on a voluntary basis. For example, the government of the PRC uses a variety of techniques, such as intervention by a country's central bank or imposition of regulatory controls or taxes, to affect the exchange rates of the RMB.

Investors should note that the Manager does not intend to implement an active hedging strategy to protect against possible loss through the fluctuation of the valuation of the RMB. However, if the Manager proceeds to enter into hedging transactions with respect to some or all of the Fund's positions, there can be no guarantee that instruments suitable for hedging currency or market shifts will be available at the time the Fund wishes to use them or will be able to be liquidated when the Fund wishes to do so as there may not be a reliable and cost efficient method of hedging currency risk. Consequently, currency exchange rate fluctuations, currency devaluations and exchange control regulations may adversely affect the performance of individual companies in the Fund's investment portfolio and the return realized on the Fund's investments.

Restriction on Auditor's Liability

The engagement letter entered into by the Fund, its sub-funds and the auditor contains provisions limiting the liability of the auditor to three times the fees paid to the auditor for the services or work product giving rise to the liability except to the extent finally determined to have resulted from the wilful or intentional neglect or misconduct, or fraudulent behaviour of the auditor. Other release and indemnity provisions are also contained in the engagement letter relating to consequential loss, third party claims and fraudulent acts or omissions, misrepresentations or wilful default on the part of the Manager, its directors, employees or agents.

The engagement letter also contains provisions limiting any claim for breach of contract, breach of duty, fault, negligence or otherwise arising out of or in connection with this engagement to be brought against the auditor within six years of the act or omission alleged to have caused the loss in question.

Possible Tax Impact

The Manager's investment decisions will be based primarily upon economic, not tax, considerations, and could impact some or all investors from a tax perspective. Please refer to the risk factor section of the relevant appendix describing each sub-fund for the specific tax impact to potential investors of the respective sub-fund.

Possibility of Additional Government or Market Regulation

There have recently been certain well-publicized incidents of regulators unexpectedly announcing regulatory changes or interpretations that prohibited strategies that had been implemented in a variety of formats for many years. Market disruptions such as those experienced in the credit-driven equity market collapse in recent years may lead to increased governmental scrutiny of the investment fund industry in general. Increased governmental as well as self-regulatory scrutiny of mutual and other forms of retail funds cannot be discounted. While the additional or new regulations serve to protect investors' interests, such regulations may increase compliance costs and thus affecting the performance of an investment fund.

Risk of Early Termination

The Fund and/or any of its sub-funds may be terminated early upon the occurrence of certain events as set out in the section headed "**Termination of the Fund or any sub-fund**" of this Explanatory Memorandum. In the event of the termination of the Fund and/or any of its sub-funds, the Manager will give no less than one month's notice to the Unitholders outlining the reasons for the termination, alternatives available to Unitholders and the expected costs involved in terminating the Fund and/or the relevant sub-fund.

Risk of Litigation

In the ordinary course of its business, the Fund may be subject to litigation. The outcome of litigation, which may materially adversely affect the value of the Fund, may be impossible to anticipate, and such proceedings may continue without resolution for long periods. Any litigation may consume substantial amounts of the Manager's time and attention, and the time and the devotion of the Manager's resources to litigation may be disproportionate to the amounts at stake in the litigation.

Custody Risk

Custodians or sub-custodians may be appointed in local markets for purpose of safekeeping assets in those markets. Where a sub-fund invests in markets where custodial and/or settlement systems are not fully developed, the assets of the sub-fund may be exposed to custodial risk. In case of liquidation, bankruptcy or insolvency of a custodian or sub-custodian, the sub-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 sub-fund may even be unable to recover all of its assets. The costs borne by the sub-fund in investing and holding investments in such markets will be generally higher than in organised securities markets.

Risks Associated with Collateral Management and Re-investment of Cash Collateral

Where a sub-fund enters into a securities financing transaction or an OTC derivative transaction, collateral may be received from or provided to the relevant counterparty.

Notwithstanding that a sub-fund may only accept non-cash collateral which is highly liquid, the relevant sub-fund is subject to the risk that it will be unable to liquidate collateral provided to it to cover a counterparty default. The relevant sub-fund is also subject to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Where cash collateral received by a sub-fund is re-invested, the relevant sub-fund will be exposed to the risk of a failure or default of the issuer of the relevant security in which the cash collateral has been invested.

Where collateral is provided by a sub-fund to the relevant counterparty, in the event of the insolvency of the counterparty, the relevant sub-fund may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return if the collateral becomes available to the creditors of the relevant counterparty.

Finance charges received by a sub-fund under a securities lending transaction may be reinvested in order to generate additional income. Cash collateral received by a sub-fund may also be reinvested in order to generate additional income. In both circumstances, the relevant sub-fund will be exposed to market risk in respect of any such investments and may incur a loss in reinvesting the cash collateral it receives. Such a loss may arise due to a decline in the value of the investment made. A decline in the value of investment of the cash collateral would reduce the amount of collateral available to be returned by the relevant sub-fund to the securities lending counterparty at the conclusion of the securities lending contract. The relevant sub-fund would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the relevant sub-fund.

Under a sale and repurchase transaction, the relevant sub-fund retains the economic risks and rewards of the securities which it has sold to the counterparty and therefore is exposed to market risk in the event that it must repurchase such securities from the counterparty at the pre-determined price if that pre-determined price is higher than the value of the securities at the time of repurchase. If the sub-fund chooses to reinvest the cash collateral received under the sale and repurchase transaction, it is also subject to market risk arising in respect of such investment.

If the additional income which is generated through finance charges imposed by a sub-fund on the counterparty of a reverse repurchase transaction is reinvested, the relevant sub-fund will assume market risk in respect of such investments.

Foreign Account Tax Compliance Act

Sections 1471 – 1474 (referred to as "**FATCA**") of the US Internal Revenue Code of 1986, as amended ("**IRS Code**") impose new rules with respect to certain payments to non-United States persons, such as the Fund and the Sub-Funds, including interest and dividends from securities of US issuers and gross proceeds from the sale of such securities. All such payments may be subject to FATCA withholding at a 30% rate, unless the recipient of the payment satisfies certain requirements intended to enable the US Internal Revenue Service ("**IRS**") to identify United States persons (within the meaning of the IRS Code) with interests in such payments. To avoid such withholding on payments made to it, a foreign financial institution (an "**FFI**"), such as the Fund and the Sub-Funds (and, generally, other investment funds organised outside the US), generally will be required to enter into an agreement (an "**FFI Agreement**") with the IRS, and amongst other requirements, agree to identify its direct or indirect owners who are United States persons and report certain information concerning such United States person owners to the IRS, unless an exception applies to such persons from being reported.

In general, an FFI which does not sign an FFI Agreement or is not otherwise exempt will face a punitive 30% withholding tax on all "withholdable payments" derived from US sources, including dividends, interest and certain derivative payments made on or after 1 July 2014. In addition, starting from 1 January 2019, gross proceeds such as sales proceeds and returns of principal derived from stocks and debt obligations generating US source dividends or interest will be treated as "withholdable payments".

On 13 November 2014, the Hong Kong government signed an intergovernmental agreement ("**IGA**") with the US for the implementation of FATCA, adopting a "Model 2" IGA arrangement. Under this "Model 2" IGA arrangement, FFIs in Hong Kong (such as the Fund and the Sub-Funds) are required to enter into the FFI Agreement with the IRS, register with the IRS and comply with the terms of the FFI Agreement, as modified by the IGA. Otherwise they will be subject to the 30% FATCA withholding tax on relevant US-sourced payments to them.

As an IGA has been signed between Hong Kong and the US, FFIs in Hong Kong (such as the Fund and the Sub-Funds) complying with the FFI Agreement (i) will generally not be subject to the above described 30% withholding tax; and (ii) will not be required to withhold such tax on payments to recalcitrant accounts (i.e. accounts of which the holders do not consent to FATCA reporting and disclosure to the IRS) or close those recalcitrant accounts (provided that information regarding such recalcitrant account holders is reported to the IRS), but may be required to withhold such tax on payments made to non-compliant FFIs.

Each of the Sub-Funds has completed the registration process and entered into the requisite FFI Agreement with the IRS. The Fund and each Sub-Fund will endeavour to satisfy the requirements imposed under FATCA and the FFI Agreement to avoid any withholding tax. In the event that the Fund or any Sub-Fund is not able to comply with the requirements imposed by FATCA or the FFI Agreement and the Fund or such Sub-Fund does suffer US withholding tax under FATCA on its investments as a result of non-compliance, the Net Asset Value of the Fund or that Sub-Fund may be adversely affected and the Fund or such Sub-Fund may suffer significant loss as a result.

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 the relevant Sub-Fund, or a risk of the Fund or the relevant Sub-Fund being subject to withholding tax under FATCA, the Manager on behalf of the Fund and each of the relevant Sub-Fund reserves the right to take any action and/or pursue all remedies at its disposal including, without limitation and to the extent permitted by applicable laws and regulations (i) reporting the relevant information of such Unitholder to the IRS; (ii) withholding or deducting from such Unitholder's account; and/or (iii) deeming such Unitholder to have given notice to redeem all his Units in the relevant Sub-Fund. The Manager in taking any such action or pursuing any such remedy shall act in good faith and on reasonable grounds and to the extent permitted by applicable laws and regulations.

Each Unitholder and prospective investor should consult with his own tax advisor as to the potential impact of FATCA in its own tax situation.

Other Risks

Other risk factors specific to a sub-fund are set out in the relevant appendix of the relevant sub-fund.

TAXATION

This summary of certain tax considerations is considered to be a correct interpretation of existing laws and regulations in force on the date of this Explanatory Memorandum. No assurance can be given that changes in existing laws or regulations or their interpretation will not occur after the date of this Explanatory Memorandum.

Each prospective Unitholder should inform himself of, and where appropriate, take advice on, the taxes applicable to the acquisition, holding, and redemption of Units by him under the laws of the places of his citizenship, residence and domicile.

Hong Kong

Taxation of the Fund

A sub-fund is exempted from profits tax in Hong Kong under Section 26A(1A)(a)(i) of the Inland Revenue Ordinance during the period it is authorised by the SFC as a collective investment scheme under Section 104 of the SFO.

Hong Kong stamp duty is generally payable on the sale or purchase of "Hong Kong stock" at 0.1% on the higher of the consideration or the value of the Hong Kong stock sold or purchased.

Taxation of Unitholders

Hong Kong does not tax capital gains arising from the sale or other disposal of Units by Unitholders except for the case where certain Unitholders are carrying on a trade or business in Hong Kong and who also invest in securities for trading purposes (e.g. dealers in securities, financial institutions and insurance companies). Such gains may be considered to be part of the Unitholder's normal business profits and in such circumstances will be subject to Hong Kong profits tax (which is currently charged at the rate of 16.5% for corporations, and 15% for others) if the gains in question arise in or are derived from Hong Kong.

Distributions or other income distributions received by Unitholders from their investments in the Units would not be chargeable to tax in Hong Kong (whether by way of withholding or otherwise) under current legislation and practice.

Automatic Exchange of Financial Account Information

The Inland Revenue (Amendment) (No.3) Ordinance (the "**Ordinance**") came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information ("**AEOI**"). The Ordinance requires Financial Institutions ("**FI**") in Hong Kong to collect Unitholders' information from 1 January 2017 and to file such information of Unitholders residing in jurisdictions which signed a Competent Authority Agreement ("**CAA**") with Hong Kong (collectively "Reportable Jurisdictions") with the Hong Kong Inland Revenue Department ("**IRD**") annually commencing from the year 2018. Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has a CAA; however, the Fund, the sub-funds and/or its agents may further collect information and/or documentation relating to the tax residents of jurisdictions other than the Reportable Jurisdictions.

The Fund or each sub-fund is a collective investment scheme constituted in Hong Kong and is authorised under the SFO. The Fund or each sub-fund should accordingly be an investment entity for the purposes of the Ordinance and is required to comply with the requirement under the Ordinance. This means that the Fund, each sub-fund and/or its agents shall collect information relating to Unitholders (and Controlling Persons, as defined in the Ordinance, of a Unitholder that is not a natural person) and prospective investors and provide to the IRD such information of the reportable accounts ("Reportable Account") as determined under the Ordinance.

The Ordinance requires the Fund and each sub-fund to, amongst other things: (i) register the Fund as a "Reporting Financial Institution" with the IRD; (ii) conduct due diligence on its accounts (i.e., Unitholders) to identify whether any such accounts are considered as "Reportable Accounts" under the Ordinance; and (iii) report to the IRD the required information on such Reportable Accounts. The IRD is expected on an annual basis to transmit the information reported to it to the government authorities of the respective Reportable Jurisdictions. Broadly, the Ordinance requires that Hong Kong FIs should report on: (i) individuals or entities that are tax resident in a Reportable Jurisdiction; and (ii) Controlling Persons of a Unitholder that is not a natural person who are tax resident in a Reportable Jurisdiction. Under the Ordinance, details of Unitholders, including but not limited to their name, date of birth, place of birth, address, tax residence(ies), tax identification number(s) (if any), account details, account balance/value, and income or sale or redemption proceeds, may be reported to the IRD and subsequently exchanged with government authorities of the Reportable Jurisdictions.

To assist in identifying Unitholders (and/or its Controlling Persons of a Unitholder that is not a natural person) who are Reportable Persons, the Unitholders and prospective Unitholders (and/or its Controlling Persons) may be required by the Fund, the relevant sub-fund, the Manager, the Trustee or their agents to complete self-certification forms for verification of the Unitholders' (and/or its Controlling Persons') respective tax residency status.

A failure by a prospective investor to provide a duly completed self-certification will result in the subscription for Units being rejected.

By investing in the Fund and its sub-fund and/or continuing to invest in the Fund and its sub-fund, Unitholders acknowledge that they may be required to provide additional information to the Fund, the relevant sub-fund, the Manager, the Trustee and/or the sub-fund's agents in order for the Fund and its sub-fund to fulfil its obligations under the Ordinance. The Unitholder's information (and information pertaining to Controlling Persons of a Unitholder that are not natural persons), if reportable, may be communicated by the IRD to authorities in Reportable Jurisdictions..

Each Unitholder and prospective investor should consult its own professional advisor(s) on the administrative and substantive implications of the Ordinance on its current or proposed investment in the Fund and the relevant sub-fund.

Stamp Duty

No Hong Kong stamp duty should be payable in relation to the issue of Units or on the redemption of Units.

According to Section 19 (1A) of the Stamp Duty Ordinance, no Hong Kong stamp duty is payable where the sale or transfer of the Units is effected by extinguishing the Units or the sale or transfer is to the Manager who subsequently re-sells the Units within two months thereof.

Other types of sales or purchases or transfers of Units by Unitholders would be liable to Hong Kong stamp duty at 0.2% (normally borne by the buyer and seller in equal share) on the higher of the consideration amount or market value.

The PRC

If the Fund/sub-fund(s) is considered as a resident enterprise of Mainland China, it will be subject to Mainland China's Corporate Income Tax ("**CIT**") at the rate of 25% on its worldwide income. If the foreign company is considered as a non-tax resident enterprise with an establishment or place of business ("**PE**") in Mainland China, the profits and gains attributable to that PE would be subject to CIT at 25%.

The Manager and the Trustee intend to manage and operate the Fund/ sub-funds in such a manner that the Fund/ sub-funds would not be treated as tax resident enterprises of Mainland China or non-tax resident enterprises with a PE in Mainland China for CIT purposes, although this cannot be guaranteed. As such, it is expected that the Fund/ sub-funds should not be subject to CIT on an assessment basis and would only be subject to a 10% (unless there is a reduction or relief under the applicable double taxation agreement/arrangement) Mainland China withholding income tax ("**WIT**") to the extent that the Fund/ sub-funds may derive Mainland China sourced income.

Withholding Income Taxes

Under PRC laws and regulations, foreign investors (such as a sub-fund) may be subject to 10% WIT on Mainland China sourced income (such as dividends on, or interest income from, such investments in Mainland China). To date, WIT has been enforced on dividend payments from Mainland securities; as well as, interest from Mainland China bonds.

Nonetheless, the PRC CIT Law has exempted income tax on interest from government bonds in Mainland China.

The WIT may be reduced or waived by the relevant double tax agreements/arrangements, if applicable.

Interest / dividends

Interest income derived from government bonds issued by the Ministry of Finance ("**MOF**"), or bonds issued by local government of a province, autonomous region, municipality directly under the Central

Government, or municipality separately listed on the state plan, as approved by the State Council, is exempt from Mainland China WIT.

Unless a specific exemption is applicable, interest income and dividend income derived by foreign investors (such as a sub-fund) from Mainlad China entities are generally subject to WIT at 10%, which is subject to reduction under relevant double tax treaties (if any), and the Mainland China entity paying the interest or dividend should be the withholding agent.

Under the Arrangements between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (the "Mainland-HK Arrangements"), the WIT charged on interests received by the Hong Kong resident holders of debt instruments will be 7% of the gross amount of the interests, if Hong Kong tax residents are the beneficial owners of the interest under the Mainland-HK Arrangements. In order to qualify for this preferential rate, the Manager will need to perform assessment and filing for records for the relevant sub-fund with the Mainland China tax authorities in respect of the reduced WIT rate of 7% on interest income. Under the current practice, it is still unclear how the tax authorities would assess the sub-fund's beneficial ownership status on the interest. If the Mainland China tax authorities consider that the assessments are incorrect, they may deny the relevant sub-fund of the reduced WIT rate.If the relevant preferential rate is not allowed, WIT at 10% will generally be applicable to the interest income derived by the relevant sub-fund. Given the uncertainty on the availability of the reduced WIT rate, the relevant sub-fund has been making provision at a rate of 10% in respect of any interest income derived from Mainland China fixed income securities denominated in RMB.

Pursuant to the Mainland-HK Arrangements, the WIT charged on dividends received by the Hong Kong resident holders of shares issued by Mainland China resident companies will be 5% of the gross amount of the dividends, if Hong Kong tax residents are the beneficial owners and directly hold at least 25% of the equity of the company paying the dividends. Due to the Fund's investment restriction, a sub-fund will not hold more than 10% of any ordinary shares issued by any single Mainland China issuer. In this connection, dividends derived from A-Shares invested through QFII/RQFII will not benefit from the reduced tax rate of 5% and the general tax rate of 10% is applicable to the relevant sub-fund.

On 22 November 2018, the MoF and the State Administration of Taxation ("**SAT**") issued Caishui [2018] No. 108 on tax treatment for Overseas Institutional Investors ("**OIIs**") investing in the Mainland China bond market ("**Notice No. 108**").

Notice No. 108 mentioned that the interest income of bonds derived by OIIs in the Mainland China bond market is temporarily exempted from WIT for three years effective from 7 November 2018 to 6 November 2021. Unless otherwise disclosed in the relevant Appendix, in light of Notice No. 108 and having taken and considered independent professional tax advice and acting in accordance with such advice, no WIT provision will be made on unrealised interest income derived from debt securities issued or distributed in Mainland China received/receivable by the sub-funds until 7 November 2021.

Capital gains

A-Shares & B-Shares

The Mainland China income tax treatment should be governed by the general tax provisions of the PRC CIT Law. For an enterprise that is not a tax resident enterprise and has no PE in Mainland China for CIT purposes, a 10% WIT, subject to exemptions, would apply to capital gains derived from the disposal of Mainland securities. With that said, according to the "Notice on the issues of temporary exemption from the imposition of corporate income tax arising from gains from the transfer of equity investment assets such as Mainland China domestic stocks by QFII and RQFII" ("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") Caishui [2014] No.79 issued by the MOF, SAT and CSRC on 14 November 2014 (the "**Notice No. 79**"), Mainland China CIT are imposed on capital gains derived by QFII and RQFII from equity investment assets (including Mainland China domestic stocks) prior to 17 November 2014 in accordance with laws. The QFII/RQFIIs will be temporarily exempt from CIT on gains derived from the transfer of equity investment assets effective from 17 November 2014.

The Notice No. 79 is applicable to QFII/RQFIIs without a PE in Mainland China or QFII/RQFIIs that have a PE in Mainland China but their gains derived from the transfer of equity investment assets are not connected to such PE.

Pursuant to the "Notice about the tax policies related to the Shanghai-Hong Kong Stock Connect" (Caishui [2014] No. 81) ("**Notice No. 81**") and the "Notice about the tax policies related to the Shenzhen-Hong Kong Stock Connect" (Caishui [2016] No. 127) ("**Notice No. 127**") promulgated by the MOF, SAT and CSRC, CIT exemption is granted on capital gains derived by Hong Kong and overseas investors (including the relevant sub-fund) on the disposal of A Shares through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

It should be noted that the tax exemption granted under the Notice No. 79, Notice No. 81 and Notice No. 127 are temporary. As such, as and when the PRC authorities announce the expiry date of the exemption, the relevant Sub-funds may in future need to make provision to reflect taxes payable, which may have a substantial negative impact on the Net Asset Value of the Sub-funds.

At this point of time in practice, the Mainland China tax authorities have not strictly imposed collection of WIT on disposal gains derived by overseas investors (including the relevant sub-fund) from investment in B-Shares. The position in practice may change if the SAT expresses another view and/or that new official tax circulars are issued to provide further guidance.

<u>China A-Share access products ("**CAAPs**")</u>

The relevant sub-fund may from time to time invest in CAAPs in order to obtain exposure to A-shares. As the QFIIs/RQFIIs are the legal owners of the A-shares under PRC law with respect to such CAAPs, any Mainland China taxes arising from the QFIIs'/RQFIIs' investments in such securities would be legally borne by the QFII/RQFII directly. Given that any Mainland China tax liabilities accruing to the QFII/RQFII in respect of the securities to which the CAAPs are linked arise because of the trading activities of the relevant sub-fund, such tax liabilities may ultimately be recharged to and borne by the relevant sub-fund and would likely have an economic effect on the value of the relevant sub-fund.

According to Notice No. 79, QFII/RQFIIs will be temporarily exempt from WIT on gains derived from the transfer of equity investment assets effective from 17 November 2014. On the basis of the Notice No. 79, it is not expected that the issuers of any CAAPs would make any provision for potential tax liabilities and the Manager will not make any provision for the account of the relevant sub-fund in respect of WIT on capital gains derived through CAAPs with exposure to A-shares from 17 November 2014 onward. Please note that the tax exemption granted under the Notice No. 79 is temporary. As such, as and when the PRC authorities announce the expiration of such exemption, the issuers of CAAPs may need to commence provisioning for future potential tax liability, which would in turn adversely affect the Net Asset Value of the relevant sub-fund. Further, there is a possibility of the rules being changed and taxes being applied retrospectively which may result in a lower Net Asset Value as all tax liability will be passed by the issuer of the CAAPs to the relevant sub-fund.

<u>Mainland China Debt Securities</u>

There is no specific rules governing the CIT on capital gains derived by foreign investors from the transfers of Mainland China debt securities. The Notice No. 79 also does not cover gains derived from transfers of Mainland China debt securities. Based on the current interpretation of the SAT and the local tax authorities, gains derived by QFIIs and RQFIIs from disposal of debt securities in the PRC should not be treated as PRC sourced income thus should not be subject to PRC WIT.

In light of the uncertainty on the income tax treatment on capital gains on Mainland China debt securities and in order to meet this potential tax liability for capital gains Mainland China debt securities, the Manager reserves the right to provide for WIT on such gains or income and withhold the tax for the account of the sub-funds. The amount of provision will be disclosed in the financial statements of the sub-funds. Please refer to the sub-section on "Mainland China Tax Risk" of each of the sub-funds for further information in this regard.

<u>Investment in onshore bond market</u>

Pursuant to the Notice No. 108, bond interest income derived by foreign institutions from investing in the onshore bond market is temporarily exempted from WIT for the period from 7 November 2018 to 6 November 2021.

It should be noted that the tax exemption granted under the Notice No. 108 is temporary. As such, upon the expiry date of the exemption, the relevant sub-funds may need to make provision to reflect taxes payable, which may have a substantial negative impact on the Net Asset Value of the sub-funds.

Value Added Tax ("VAT") and Other Surtaxes

Accroding to Caishui [2016] No. 36 ("**Notice No. 36**"), with the final stage of VAT reform which came into effect on 1 May 2016, gains derived from the trading of Mainland securities is subject to VAT instead of Business Tax since from 1 May 2016.

Pursuant to Notice No. 36, VAT at the rate of 6% will be levied on the difference between the selling and purchase prices in trading of marketable securities in Mainland China, such as A-Shares, unless special exemption applies. Notice No. 36 also provides that gains derived by QFIIs from the trading of marketable securities are exempt from VAT. Pursuant to the "Supplementary Notice on the VAT Policy on Interbank Transactions and Other Financial Institutions" (Caishui [2016] No. 70) jointly issued by MOF and SAT on 30 June 2016 and which took effect retrospectively on 1 May 2016 ("**Notice No. 70**"), income derived by RQFIIs from trading of marketable securities is also exempt from VAT. Notice No. 70 also states that the gains derived from investment in China interbank local currency markets (including money market, bond market and derivatives market) by foreign investors, which are qualified by People's Bank of China ("**PBOC**"), are exempt from VAT since 1 May 2016. Based on Notice No. 36 and Notice No. 127, the gains derived from transfer of A-Shares through Shanghai-Hong Kong Stock Connect is exempt from VAT since 1 May 2016 and through Shenzhen-Hong Kong Stock Connect is exempt from VAT since 5 December 2016.

However, other than the VAT exemption in the paragraph above, Notice No. 36 shall apply to levy VAT at 6% on the difference between the selling and purchase prices in trading of those marketable securities. Where gains are derived from transfer of offshore Mainland China investment (e.g. H-Shares), VAT in general is not imposed as the purchase and disposal are often concluded and completed outside Mainland China.

Under prevailing VAT rules, it is not clear whether there is VAT exemption on capital gains derived by non-Mainland China tax resident enterprises from the trading (i.e. both buy and sales) of B-Shares. Under current practice no VAT is imposed on non-residents where both the purchase and sales of the China-B Shares are via the stock exchange market. The position in practice may change if the SAT expresses another view and/or that new official tax circulars are issued to provide further guidance.

Interest income received by QFIIs and RQFIIs from investments in Mainland China debt securities shall be subject to 6% VAT unless special exemption applies. According to Notice No. 36, deposit interest income is not subject to VAT and interest income earned on government bonds is exempted from VAT. In addition, according to Caishui [2016] No. 36 and Notice No. 70, interest income earned by financial institutions from the holding of financial bonds (i.e. bonds issued by Mainland China incorporated financial institutions in the inter-bank bond market or exchange market) is exempt from VAT. However, such exemption is technically not applicable to interest derived from bonds other than the aforesaid. Hence interest income from debt securities other than the aforesaid may be subject to VAT at 6%.

Notice No. 108 mentioned that the interest income of bonds derived by OIIs in the Mainland China bond market is temporarily exempted from VAT for three years effective from 7 November 2018 to 6 November 2021. Unless otherwise disclosed in the relevant Appendix, in light of Notice No. 108 and having taken and considered independent professional tax advice and acting in accordance with such advice, no VAT provision will be made on unrealised interest income derived from debt securities issued or distributed in Mainland China received/receivable by the sub-funds from 7 November 2018 to 6 November 2021.

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

If VAT is applicable, there are also other surtaxes (which include urban maintenance and construction tax, education surcharge and local education surcharge) that would amount to as high as 12% of VAT payable.

Stamp duty

Stamp duty under Mainland China laws generally applies to the execution and receipt of all taxable documents listed in PRC's Provisional Rules on Stamp Duty. Stamp duty is levied on the execution or receipt in the PRC of certain documents, including contracts for the sale of A-Shares and B-Shares traded on PRC stock exchanges. In the case of contracts for sale of A-Shares and B-Shares, such stamp duty is currently imposed on the seller but not on the purchaser, at the rate of 0.1% of the total sales value.

According to Notice No. 127, the borrowing and return of shares in relation to shares guarantee and short-selling by Hong Kong market investors through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect are exempt from stamp duty since 5 December 2016.

It should also be noted that there is a possibility of the Mainland China tax rules being changed and taxes being applied retrospectively. As such, it should be noted that the level of provision may be inadequate to meet actual Mainland China tax liabilities on investments made by the sub-funds. If the actual tax levied by the Mainland China tax authorities 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 sub-funds may suffer more than the tax provision amount as the sub-funds 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 then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the sub-funds, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the sub-funds. On the other hand, the actual tax liabilities may be lower than the tax provision made, in which 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. As a result, investors may be disadvantaged depending on the final rules of the relevant Mainland China tax authorities, the level of provision and when they subscribed and/or redeemed their Units. Please refer to the sub-section on "Mainland China Tax Risk" of each of the sub-funds for further information in this regard.

Tax obligations of the Unitholders

Individual Income Tax: Non-Mainland China individual Unitholders should not be subject to Mainland China's Individual Income Tax ("**IIT**") as a result of their investment in a sub-fund. There should be no Mainland China withholding taxes applicable to investment distributions from or gains realized on disposal of Units in a sub-fund as such distributions and gains should not be considered to be Mainland China-sourced (because it is expected that such sub-fund will not be regarded as a tax resident enterprise of Mainland China).

Unless specifically regulated, individual Unitholders who are domiciled in Mainland China or are non-Mainland China individual Unitholders who have resided in Mainland China for five consecutive full years will be subject to IIT at 20% on investment distributions derived from a sub-fund regardless of the status of the relevant sub-fund. In any case, Mainland China tax resident Unitholders or non-Mainland China individual Unitholders should seek their own tax advice on their tax position with regard to their investment in a sub-fund.

Corporate Income Tax: Corporate Unitholders who are considered to be non-tax resident enterprises without a PE in Mainland China should not be subject to CIT as a result of their investment in a sub-fund. There should also be no WIT applicable to investment distributions from a sub-fund to such Unitholders as such distributions would not be considered to be Mainland China-sourced (because it is expected that such sub-fund will not regarded as a tax resident enterprise of Mainland China).

Corporate Unitholders who are considered to be: (i) tax resident enterprises of Mainland China; or (ii) non-Mainland China tax resident enterprises who have a PE in Mainland China would be subject to CIT on investment distributions derived from a sub-fund that attributable to the Mainland China PE. In any case, Corporate Unitholders should seek their own tax advice on their tax position with regard to their investment in a sub-fund.

Various tax reform policies have been implemented by the PRC government in recent years, and existing tax laws and regulations may be revised or amended in the future. There is a possibility that the current tax laws, regulations and practice in the PRC will be changed with retrospective effect in the future and any such change may have an adverse effect on the asset value of a sub-fund. Moreover, there is no assurance that tax incentives currently offered to foreign companies, if any, will not be abolished and the existing tax laws and regulations will not be revised or amended in the future. Any changes in tax policies may reduce the after-tax profits of the companies in Mainland China which a sub-fund invests in, thereby reducing the income from, and/or value of the Units.

Prospective investors in the Fund are urged to consult their own tax advisers on the tax consequences to them of acquiring, holding, realising, transferring or redeeming Units in the Fund under the relevant laws of the jurisdictions to which they are subject, These consequences, including the availability of, and the value of, tax relief to Unitholders will vary with the law and practice of the Unitholders' country of citizenship, residence, domicile or incorporation and their personal circumstances.

FINANCIAL REPORTS

The Fund's financial year end is 31 December in each year. The annual audited annual financial reports (in English) of the Fund will also cover the following:

(i) the auditor's opinion as to whether the financial reports prepared for the relevant accounting period have been properly prepared in accordance with the relevant provisions of the Trust Deed and the Code;

(ii) the auditor's opinion as to whether a true and fair view is given of the disposition of the Fund and of the transactions of the Fund as at the end of the relevant accounting period;

(iii) the fact that, in the auditor's opinion, proper books and records have not been kept by the Fund and/or the financial reports prepared are not in agreement with the Fund's books and records (if applicable); and

(iv) the fact that the auditor has failed to obtain all the information and explanations which, to the best of the auditor's knowledge and belief, are necessary for the purposes of the audit (if applicable).

Separate audited financial reports (in English) in the currency of the relevant Class in the relevant sub-fund will be sent to Unitholders as soon as possible, and in any event within four months, after the end of the financial year of the relevant sub-fund. The issue date of the first annual financial reports of any sub-fund will be set out in the appendix of the relevant sub-fund.

The Manager will also send unaudited interim financial reports (in English) to Unitholders within two months after 30 June in each year. Such reports contain a statement of the Net Asset Value of the relevant sub-fund and of the investments comprising its portfolio. Once issued, the financial reports will be available for inspection at the Manager's office free of charge during normal working hours.

The Manager may elect to deliver or make available all such reports and other communications with Unitholders via electronic mail or an internet site established by or on its behalf, if Unitholders consent to electronic delivery of such information, as provided in the application form of the relevant sub-fund. Unitholders will be notified of where such reports, can be obtained. Such notices will be sent to Unitholders as soon as practicable and in any event within four months after the end of each financial year in the case of annual audited financial reports and within two months after 30 June in each year in the case of unaudited interim financial reports.

In the event the Manager decides to change the means to make available financial reports stated above to Unitholders, not less than one month's prior notice will be given to Unitholders.

The annual financial reports of the Fund will be prepared in accordance with IFRS and the interim financial reports will apply the same accounting policies and method of computation as are applied in the annual financial reports of the Fund. The Manager has determined to amortise the establishment costs over the first five accounting periods of the initial sub-fund. The Manager believes that such treatment is more equitable to the initial investors of the initial sub-fund than expensing the entire amount as incurred.

The Manager has considered the impact of such non-compliance with IFRS (in respect of the amortisation of the establishment expenses over the first five accounting periods of the initial sub-fund) and does not expect this issue to affect the results and the Net Asset Value of the Fund and the initial sub-fund materially. To the extent that the Fund's accounting basis deviates from IFRS, such non-compliance with IFRS may result in the auditor qualifying its opinion on those annual audited financial statements depending on the nature and level of materiality of the non-compliance. The Manager may make necessary adjustments in the financial reports of the relevant sub-fund for the financial reports to comply with IFRS and will include in the relevant sub-fund's annual financial reports a reconciliation note to reconcile values derived by applying the Fund's accounting policies.

Further, and to the extent the Fund's valuation policy deviates from IFRS, the Manager may make necessary adjustments in the financial reports of the Fund for the financial reports to comply with IFRS and will include in the Fund's annual financial reports a reconciliation note to reconcile values arrived at by applying the Fund's valuation rules.

PUBLICATION OF PRICES

The Net Asset Value per Unit of a sub-fund will be published daily in Hong Kong in the South China Morning Post and in the Hong Kong Economic Times and/or any other newspapers the Manager may determine and notify the Unitholders. The prices will be expressed exclusive of any subscription fee or redemption fee which may be payable on subscription or redemption.

VOTING RIGHTS

Either the Manager or the Trustee may convene meetings of Unitholders. In addition, Unitholders of 10% or more in value of the Units in issue may require a meeting to be convened. Unitholders will be given not less than 21 days' notice of any meeting. If a situation gives rise to potential conflicts of interest between different classes of Unitholders, class meetings will be held in accordance with the provisions of the Trust Deed.

The quorum for all meetings is Unitholders present in person or by proxy representing 10% of the Units for the time being in issue except for the purpose of passing an Extraordinary Resolution. The quorum for passing an Extraordinary Resolution is Unitholders present in person or by proxy representing 25% or more of the Units in issue.

At any meeting an Ordinary Resolution or an Extraordinary Resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman or by one or more Unitholders present in person or by proxy. Unless a poll is demanded, a declaration by the chairman that the resolution has been carried or carried unanimously or by a particular majority or the resolution has been lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

If a quorum is not present within half an hour from the appointed meeting time, the meeting will be adjourned for not less than 15 days. In the case of an adjourned meeting of which separate notice will be given, such Unitholders as are present in person or by proxy will form a quorum. Every individual Unitholder present in person, by proxy or by representative has one vote for every Unit of which he is the holder. In the case of joint Unitholders, the senior of those who tenders a vote (in person or by proxy) will be accepted and seniority is determined by the order in which the names appear on the register of Unitholders.

The Trustee, the Manager and their connected persons are prohibited from voting their beneficially owned Units at, or counted in the quorum for, a meeting at which they have a material interest in the business to be contracted by the Fund and/or a sub-fund.

TRANSFER OF UNITS

Subject as provided below, Units may be transferred by an instrument in writing in common form signed and stamped with adequate and sufficient stamp duty by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee before passing the form to the Registrar. The transferor will be deemed to remain the holder of the Units transferred until the name of the transferee is entered in the register of Unitholders in respect of such Units.

TRUST DEED

The Fund was established by a Trust Deed dated 12 January 2012 made between China Asset Management (Hong Kong) Limited as Manager and BOCI-Prudential Trustee Limited as Trustee and as amended.

The Trust Deed contains provisions for:

- the indemnification of the Manager and the Trustee in certain circumstances in the absence of any breach of trust on the part of the Manager or the Trustee (as the case may be) through fraud or negligence;

- the exculpation of liability of the Manager and the Trustee in certain circumstances, and generally for anything done in good faith under the provisions of the Trust Deed in the absence of breach of trust on the part of the Manager or the Trustee (as the case may be) through fraud or negligence, but neither the Manager nor the Trustee are indemnified against such liability by Unitholders or at Unitholders' expense; and

- the circumstances as to when the removal and retirement of the Trustee and Manager may be effected.

Unitholders and applicants are advised to consult the terms of the Trust Deed.

MODIFICATION OF TRUST DEED

The Trustee and the Manager may agree to modify the Trust Deed by supplemental deed provided that in the opinion of the Trustee such modification:

- is not materially prejudicial to the interests of Unitholders, does not operate to release to any material extent, the Trustee, the Manager or any other person from any responsibility to the Unitholders and (with the exception of the costs of preparing and executing the relevant supplemental deed) does not increase the costs and charges payable out of the assets of the Fund; or

- is necessary or desirable in order to comply with any fiscal, statutory, regulatory or official requirement;

  or

- is made to correct a manifest error.

In all other cases involving any material changes, Unitholders must approve by Extraordinary Resolution modifications to the Trust Deed and/or prior approval of the SFC is required.

For the avoidance of doubt, and notwithstanding the above, the approval of an Extraordinary Resolution is not required when a new sub-fund is established by the Trustee and the Manager.

TERMINATION OF THE FUND OR ANY SUB-FUND

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

The Trustee may terminate the Fund by notice in writing to the Manager in the following events, namely if:

- within 30 days of the Manager leaving office and no new manager is appointed; or
- if in the opinion of the Trustee, the Manager is incapable of performing or fails to perform its duties satisfactorily or does any other thing that is calculated to bring the Fund into disrepute or is harmful to the interest of the Unitholders; or
- if the Manager goes into liquidation (except a voluntary liquidation for the purposes of reconstruction or amalgamation) or becomes bankrupt or if a receiver is appointed over any of the assets of the Manager and not discharged within 60 days; or
- if the Trustee desires to retire and the Manager fails to find a new trustee qualified to act as trustee in the place of the retiring Trustee within three months from the date of retirement of the Trustee; or
- if it becomes illegal or, in the opinion of the Trustee, impracticable or inadvisable to continue the Fund.

The Trustee may also terminate the Fund if any law is passed that makes it illegal, or in the opinion of the Trustee, impracticable or inadvisable to continue the Fund.

The Manager may terminate the Fund or any sub-fund:

- if Unitholders of such sub-fund pass an Extraordinary Resolution approving the termination of the relevant sub-fund;
- if, on any date, in relation to any sub-fund, the net asset value of the Units outstanding in respect of such sub-fund is less than RMB10,000,000 or the equivalent in another currency (or such other amount disclosed in the relevant appendix of the relevant sub-fund);
- if any law is passed that makes it illegal or, in the opinion of the Manager, impracticable or inadvisable, in consultation with the SFC to continue the Fund or such sub-fund; or
- if the Fund and/or any sub-fund (as the case may be) ceases to be authorised by the SFC.

No less than one month's notice of any termination will be given to the Unitholders. Such notice will be submitted to the SFC for prior approval and will contain the reasons for the termination, alternatives available to Unitholders and the expected costs involved.

Upon termination of a sub-fund, the Manager will redeem all the assets then comprised in such sub-fund or such part of the sub-fund as decided upon by the Manager in its sole discretion. The Trustee will in relation to such sub-fund distribute to the Unitholders of such sub-fund in proportion to their respective holdings of such Units, all net cash proceeds derived from the redemption of Units in such sub-fund in an orderly manner, in accordance with the provisions set out in the Trust Deed.

Any unclaimed proceeds or other cash held by the Trustee upon termination of the Fund and/or any sub-fund (as the case may be) may at the expiration of 12 months from the date upon which the same were payable be paid into court subject to the right of the Trustee to deduct any expenses it may incur in making such payment.

DOCUMENTS AVAILABLE FOR INSPECTION

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

Copies of the current Trust Deed (together with any undertakings given to the SFC) may be obtained from the Manager at a cost of HK$300 each and may be inspected during normal working hours at the offices of the Manager free of charge.

ANTI-MONEY LAUNDERING REGULATIONS

As part of the Trustee's and the Manager's responsibility for the prevention of money laundering, the Trustee and/or the Manager may require a detailed verification of an investor's identity and the source of payment of application monies. Depending on the circumstances of each application, a detailed verification might not be required where:

- the applicant makes the payment from an account held in the applicant's name at a recognised financial institution; or

- the application is made through a recognised intermediary.

These exceptions will apply only if the financial institution or intermediary referred to above has its head office or is organised within a country that is a member of the Financial Action Task Force or recognised as having sufficient anti-money laundering regulations.

Each of the Trustee and the Manager reserves the right to request such information as is necessary to verify the identity of an applicant and the source of the payment. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Trustee and/or the Manager may refuse to accept the application and the subscription monies relating thereto.

The Trustee and the Manager also reserve the right to refuse to make any redemption payment to a Unitholder if the Trustee or the Manager suspects or are advised that the payment of redemption proceeds to such Unitholder might result in a breach of applicable anti-money laundering or other laws or regulations by any person in any relevant jurisdiction, or if such refusal is considered necessary or appropriate to ensure the compliance by the Fund or the Trustee or the Manager with any such laws or regulations in any applicable jurisdiction.

CERTIFICATION FOR COMPLIANCE WITH FATCA OR OTHER APPLICABLE LAWS

Each Unitholder (i) will 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 or a Sub-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 or the relevant Sub-Fund receives payments and/or (B) to satisfy reporting or other obligations under the IRS Code and the United States Treasury Regulations promulgated under the IRS Code, 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 or when such form, certificate or other information is no longer accurate, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction, that may be imposed by future legislation.

POWER TO DISCLOSE INFORMATION TO TAX AUTHORITIES

Subject to applicable laws and regulations in Hong Kong, the Fund, the relevant Sub-Funds, 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 US IRS and the IRD), certain information in relation to a Unitholder, including but not limited to the Unitholder’s name, address, jurisdiction of birth, tax residence, tax identification number (if any), social security 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 or the relevant Sub-Fund to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law relating to to the Inland Revenue (Amendment) (No.3) Ordinance, and regulation or agreement under FATCA).

CASH REBATES AND SOFT COMMISSIONS

Neither the Manager, the Investment Adviser nor any of their Connected Persons may retain cash or other rebates from a broker or dealer in consideration of directing transactions to them.

The Manager, the Investment Adviser and any of their Connected Persons may effect transactions by or through the agency of a broker or dealer with whom the Manager, the Investment Adviser or any of their Connected Persons have an arrangement under which that broker or dealer will from time to time provide to or procure for the Manager, the Investment Adviser or any of their Connected Persons, goods, services or other benefits, such as research and advisory services, computer hardware associated with specialized software or research services and performance measures etc., the nature of which is such that their provision can reasonably be expected to benefit the relevant sub-fund as a whole and may contribute to an improvement in the relevant sub-fund’s performance and that of the Manager, the Investment Adviser or any of their Connected Persons in providing services to the relevant sub-fund and for which no direct payment is made but instead the Manager, the Investment Adviser or any of their Connected Persons undertake to place business with that broker or dealer. For the avoidance of doubt, such goods and services do not include travel accommodation, entertainment, general administrative goods and services, general office equipment or premises, membership fees, employee salaries or direct money payments. The Manager shall procure that no such arrangements are entered into (i) unless the goods and services to be provided pursuant thereto are of demonstrable benefit to the Unitholders (taken as a body and in their capacity as such) whether by assisting the Manager and/or the Investment Adviser in their ability to manage the relevant sub-fund or otherwise; (ii) the transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates; (iii) the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer. Details of soft commission policies and arrangements will be reported regularly to the Trustee and will be disclosed in the Fund's financial reports.

CONFLICTS OF INTEREST

The Manager, the Investment Adviser and the Trustee and their respective delegates may from time to time act as trustee, administrator, registrar, investment manager or investment adviser, representative or otherwise as required from time to time in relation to, or be otherwise involved in or with, other funds and clients that have similar investment objectives to those of any sub-fund. It is, therefore, possible that any of them will, 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. Compliance procedures and measures such as segregation of duties and responsibilities together with different reporting lines and "Chinese walls" have been put in place by the Manager to minimise potential conflicts of interest. In any event, the Manager will ensure that all investment opportunities will be fairly allocated between and amongst the Fund (and its sub-funds) and the other funds managed by the Manager or the Investment Adviser and their clients.

Affiliate companies or connected persons of the Manager, the Investment Adviser or the Trustee may, through other investments, including other investment funds or managed accounts, have interests in the securities in which any sub-fund invests as well as interests in investments in which any sub-fund does not invest. The Manager or the Investment Adviser may contract with entities that provide certain technology, research, brokerage, consulting and other services that may have employees, principals and officers affiliated or connected with, or in common with, the Manager or the Investment Adviser. Further, the Manager may compensate placement agents or others for introducing investors to any sub-fund. It may also take such introductions into account as a factor in the selection of brokers to execute portfolio transactions for any sub-fund, subject to applicable law. All transactions carried out by or on behalf of the Fund or any sub-fund will be at arm's length and executed on the best available terms.

Where the Manager invests a Sub-Fund in shares or units of another collective investment scheme managed by the Manager or its Connected Persons, the manager of the scheme in which the investment is being made by the Sub-Fund must waive any management fee, preliminary or initial charge which it is entitled to charge for its own account in relation to the acquisition of shares or units and there must be no increase in the overall total management fees (or other costs and charges payable to the Manager or its Connected Persons) borne by the Sub-Fund resulting from the foregoing investment in the collective investment scheme managed by the Manager of its Connected Persons.

Prospective investors must also recognise that, as they have had no representation in the organisation process of the Fund, the terms of the Fund or the initial sub-fund relating to themselves and the Units have not been negotiated at arm's length. Unless an individual investor's counsel has reviewed this Explanatory Memorandum and advised the investor concerning an investment decision, the investors will not have been represented by independent counsel in connection with this offering. Interested investors should seek legal and accounting advice from independent persons prior to investing.

PERSONAL DATA

Personal data provided by the Unitholder on the application form, and details of transactions or dealings between Unitholders and the Fund will be used, stored, disclosed and transferred (in and outside Hong Kong) to such persons as the Fund considers necessary for any purpose in connection with services to be provided by such persons to the Fund and/or in connection with verifying the identity of the Unitholder.

A Unitholder has the right to request access to and correction of any personal data.

APPENDIX A
CHINAAMC SELECT RMB BOND FUND

DEFINITIONS

Save as provided below, the defined terms used in the Explanatory Memorandum have the same meaning in this **Appendix A**. In addition, the following expressions shall have the following meanings in this **Appendix A**:

"**Accounting Period**"	a 12-month period ending on 31 December of each calendar year, unless the Manager determines otherwise with the approval of the Trustee
"**Base Currency**"	RMB
"**Class A-DIST-HKD Units**"	Distributing Units denominated in HKD with a minimum subscription amount of HKD10,000, a minimum subsequent amount of HKD10,000 and a Minimum Holding of HKD10,000
"**Class A-DIST-RMB Units**"	Distributing Units denominated in RMB with a minimum subscription amount of RMB10,000, a minimum subsequent amount of RMB10,000 and a Minimum Holding of RMB10,000
"**Class A-DIST-USD Units**"	Distributing Units denominated in USD with a minimum subscription amount of USD1,000, a minimum subsequent amount of USD1,000 and a Minimum Holding of USD1,000
"**Class I-ACC-HKD Units**"	Accumulating Units denominated in HKD with a minimum subscription amount of HKD5,000,000, a minimum subsequent amount of HKD1,000,000 and a Minimum Holding of HKD5,000,000
"**Class I -ACC-RMB Units**"	Accumulating Units denominated in RMB with a minimum subscription amount of RMB5,000,000, a minimum subsequent subscription amount of RMB1,000,000 and a Minimum Holding of RMB5,000,000
"**Class I-ACC-USD Units**"	Accumulating Units denominated in USD with a minimum subscription amount of USD1,000,000, a minimum subsequent amount of USD100,000 and a Minimum Holding of USD1,000,000
"**Class I-DIST-HKD Units**"	Distributing Units denominated in HKD with a minimum subscription amount of HKD5,000,000, a minimum subsequent amount of HKD1,000,000 and a Minimum Holding of HKD5,000,000
"**Class I-DIST-RMB Units**"	Distributing Units denominated in RMB with a minimum subscription amount of RMB5,000,000, a minimum subsequent subscription amount of RMB1,000,000 and a Minimum Holding of RMB5,000,000

“**Class I-DIST-USD Units**”	Distributing Units denominated in USD with a minimum subscription amount of USD1,000,000, a minimum subsequent amount of USD100,000 and a Minimum Holding of USD1,000,000
“**Class I HKD Units**”	Class I-ACC-HKD Units and Class I-DIST-HKD Units
“**Class I RMB Units**”	Class I-ACC-RMB Units and Class I-DIST-RMB Units
“**Class I USD Units**”	Class I-ACC-USD Units and Class I-DIST-USD Units
“**Dealing Day**”	each HK & Mainland China Business Day in each calendar week
“**Dealing Deadline**”	4:00 p.m. (Hong Kong time) on the relevant Dealing Day
“**HK$” or “HKD**”	Hong Kong dollars, the lawful currency of Hong Kong
“HK & Mainland China Business Day”	a day (other than a Saturday) on which banks and stock exchanges in Hong Kong and Mainland China are open for normal business or such other day or days as the Manager and the Trustee may agree from time to time
“**Investment Adviser**”	China Asset Management Co., Ltd.
“**Sub-Fund**”	ChinaAMC Select RMB Bond Fund
“**Unit**”	a unit in the Sub-Fund
“**US$” or “USD**”	US dollars, the lawful currency of the United States of America
“**Valuation Day**”	each Dealing Day

INTRODUCTION

This **Appendix A** relates solely to ChinaAMC Select RMB Bond Fund.

The Sub-Fund, through the RQFII quota obtained by the Manager, invests principally (i.e. up to 100% of its net assets) in (i) RMB denominated fixed income instruments, including bonds, issued or distributed within Mainland China which (a) are denominated and settled in RMB and (b) are traded on the interbank bond market or are traded or transferred on the exchange market in Mainland China (“**PRC RMB Debt Securities**”) and (ii) fixed income funds (including money market funds) approved by the CSRC and offered to the public in Mainland China (collectively, “**PRC RMB Fixed Income Securities**”). The Mainland China bond market is currently comprised of three markets: the interbank bond market, the exchange market and the book-entry market trading over-the-counter at commercial banks. The Sub-Fund will focus on investing in the interbank bond market and the exchange market. The People’s Bank of China oversees the interbank bond market and the over-the-counter market whereas the CSRC is responsible for supervising the exchange market in relation to bond transactions.

Overview of the Bond Market in Mainland China

Please refer to Annex A for an overview of the bond market in Mainland China.

INVESTMENT OBJECTIVE AND STRATEGY

Investment Objective

The Sub-Fund seeks to achieve capital appreciation and income generation by principally (i.e. up to 100% of its Net Asset Value) investing in PRC RMB Fixed Income Securities.

The Sub-Fund currently does not intend to invest in RMB denominated debt instruments issued outside Mainland China, the Sub-Fund will seek the prior approval of the SFC and provide at least one month's prior written notice to Unitholders before investing in these instruments.

The PRC RMB Debt Securities that the Sub-Fund may invest in will be issued by (a) the PRC government, local governments, quasi-government organizations including policy banks or local government financing vehicles; and/or (b) corporations, provided that either the PRC RMB Debt Securities themselves or the issuers of such PRC RMB Debt Securities carry a credit rating grade of at least BBB- assigned by one of the local rating agencies recognized by the relevant authorities in the PRC or a credit rating grade of at least BBB- rated by Standard & Poor's, Baa3 rated by Moody's or equivalent ratings by other internationally recognized credit rating agencies of similar standing. Before investing in a PRC RMB Debt Security, the Manager will first consider the credit rating of such PRC RMB Debt Security and if such PRC RMB Debt Security is not rated, the Manager will consider the credit rating of the issuer of such PRC RMB Debt Security, which will be deemed as its credit rating. In the event that the credit ratings of the PRC RMB Debt Securities are downgraded to below BBB- (in the case of being assigned by one of the local rating agencies recognized by the relevant authorities in the PRC) or below BBB- /Baa3 (in the case of being assigned by an internationally recognized credit rating agency), the Manager will, having regard to the interests of the Unitholders, seek to dispose of all such downgraded PRC RMB Debt Securities gradually within a reasonable period of time in light of the prevailing market conditions.

The Sub-Fund will not invest in bonds with credit ratings below BBB- assigned by one of the local rating agencies recognized by the relevant authorities in the PRC or below BBB-/Baa3 assigned by an internationally recognized credit rating agency. Nor will the Sub-Fund invest in unrated securities (i.e. securities which neither themselves nor their issuers have a credit rating).

The Sub-Fund may invest up to 100% of its Net Asset Value in urban investment bonds (城投債) (i.e. debt instruments issued by local government financing vehicles ("LGFVs") and traded on the exchange market and interbank bond market in Mainland China). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investment or infrastructure projects.

The Sub-Fund may invest less than 30% of its Net Asset Value in convertible bonds.

Investment in investment funds including fixed income funds which are approved by CSRC and offered to the public in Mainland China will not exceed 10% of the Net Asset Value of the Sub-Fund.

The Sub-Fund will be actively managed by the Manager and will seek to rely on the professional judgment of the Manager in making decisions about the Sub-Fund's portfolio investments.

The Sub-Fund will not invest in any derivatives for hedging or non hedging purposes, and it will not invest in structured deposits structured products or asset backed securities (including asset backed commercial papers.

The Manager currently does not intend to enter into any securities lending, repurchase or reverse repurchase transactions in respect of the Sub-Fund. The Manager will seek the prior approval of the

SFC and provide at least one month's prior notice to Unitholders before the Manager engages in any such transactions and this Explanatory Memorandum will also be updated accordingly.

Principal Investment Strategies

The Sub-Fund will be actively managed by the Manager and will seek to rely on the professional judgment of the Manager in making decisions about the Sub-Fund's portfolio investments. Portfolio construction is based on the Manager's fundamental view of the RMB debt markets and is independent of bond market benchmarks. The Sub-Fund is not measured against a benchmark, since there is no benchmark available that appropriately reflects the strategy of the Manager. The Manager manages the Sub-Fund's investments as if such investments constituted the complete investment program of a prudent investor.

The Manager seeks to generate positive risk -adjusted returns in the fixed income portion of the Sub-Fund's portfolio via sector allocation, issue selection, duration, term-structure weighting, convertible bond selection, and individual security issuer selection, as explained in more detail below.

Duration strategy

Duration measures the sensitivity of bond prices to the change of interest rates (or yield). The Manager decides on a duration target based on a comprehensive analysis of domestic PRC and global macroeconomic factors as well as the general political environment. The Sub-Fund will adjust the duration risk of the investment portfolio based on expectations of PRC and global macroeconomic cycle and monetary policy. If RMB interest rates are expected to drop, the Sub-Fund will increase the average duration of the investment portfolio to better benefit from the capital gains from lower yield, and vice versa.

Term structure strategy

Term structure (or yield curve) represents the market's expectation of interest rates (or yields) with different maturities. The Manager closely monitors shifts in the yield curve, since the relationship between short, intermediate, and long maturity securities may change over time and impact the portfolio value. The Manager determines the implications of the relevant yield curve's shape, along with projections of central bank policy and market expectations, and formulates a yield curve strategy to be implemented. The Sub-Fund will adjust dynamically the allocation of short-term, medium-term, and long-term securities in the portfolio of the Sub-Fund based on the expected changes in the shape of the RMB yield curve so that, for example,

- the maturities of securities in the portfolio are highly concentrated at one point on the yield curve (bullet strategy); or
- the portfolio includes securities with maturities at the two extreme ends (barbell strategy); or
- the portfolio has approximately equal amounts of each maturity (ladder strategy)

Sector allocation strategy

The Sub-Fund will adjust the allocation of investment among and within government debts, quasi-government debts and debts that bear higher credit risk to seek better tax-adjusted and/or risk-adjusted returns among various investment instruments. The Manager continually analyzes the broad economic environment to determine the potential impact on sector performance. The Manager studies historical yield spreads, identifies the fundamental factors that influence yield spread relationships, and relates these findings to its projections to determine attractive alternatives. The Managers continually augments this process by providing detailed analyses of specific sectors.

Convertible bond selection strategy

The Sub-Fund may invest less than 30% of its Net Asset Value in convertible bonds, which generally are bonds that may be converted within a specified period into a set amount of common stock at a pre-stated price. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality. The market values of convertible securities tend to decline as interest rates increase and, conversely, to increase as interest rates decline. However, the convertible security's market value tends to reflect the market price of the common stock of the issuing company when that stock price is greater than the convertible's ''conversion price.'' The conversion price is defined as the predetermined price at which the convertible security could be exchanged for the associated stock. As the market price of the underlying common stock declines (other than in distressed situations), the price of the convertible security tends to be influenced more by the yield of the convertible security. Thus, it may not decline in price to the same extent as the underlying common stock. In the event of a liquidation of the issuing company, holders of convertible securities would generally be paid after the company's creditors, but before the company's common stockholders. Consequently, an issuer's convertible securities generally entail more risk than its debt securities, but less risk than its common stock. The Manager will take an active management strategy, emphasizing fundamental research to evaluate the underlying common stock of the convertible bond issuer, trying to pick companies having a better growth potential or a low valuation to capture upside potential. The Manager manages convertible securities by using a four-step investment process: (1) screen the convertible and high yield universe for bonds with attractive risk/reward characteristics; (2) analyze credit quality to confirm downside protection; (3) analyze fundamentals to identify catalysts for favorable performance; and (4) continually monitor the portfolio to determine whether each holding is maintaining its investment potential.

Individual security selection

The selection of the individual debt instruments begins with a thorough understanding of the issuer's financial position and, in the case of corporate debt instruments, the issuer's operations, competitive position, and the depth of its management. The investment team assesses the credit quality and the structure of the issuer's security and the price/yield relationship of the security on a historical basis relative to other securities in the sector of comparable quality. An internal risk rating is conducted and assigned to each credit purchased.

Asset Allocation

Currently, the Manager's policy is to allocate assets in the Sub-Fund in accordance with the indicative percentage as set out in the table below. The Manager's percentage of allocation of the assets in the Sub-Fund will be notified to Unitholders and potential investors by way of publication on the Manager's website (www.chinaamc.com.hk)[1] as soon as practicable.

Asset Class	Sub-Fund's percentage allocation (indicative only)
PRC RMB Fixed Income Securities	Up to 100%
RMB Cash or cash equivalents or short-term money market instruments (such as certificates of deposit, treasury bills and commercial papers)	No more than 30%

Under exceptional circumstances (e.g. in times of extreme volatility of the markets or during severe adverse market conditions), the Manager may temporarily hold a substantial portion of the Sub-Fund's assets in cash or cash equivalents, or invest in short-term money market instruments (such as certificates

[1] This website has not been reviewed by the SFC.

of deposit, treasury bills, commercial papers, and money market funds managed by a third party, the Manager, or its Connected Persons) to preserve the value of the assets in the investment portfolio of the Sub-Fund. The Manager will base the selection of these instruments on a thorough understanding of an issuer's credit condition, selecting only those issuers who are major financial institutions.

Use of Derivatives / Investment in Derivatives

The Sub-Fund will not use derivatives for any purposes.

MANAGEMENT OF THE SUB-FUND

The Manager has retained China Asset Management Co., Ltd. as Investment Adviser to provide non-binding investment advice in connection with the Sub-Fund's investments through conducting market research, gathering data, making recommendations, and providing other related advisory services to the Manager. As a non-discretionary investment adviser, it proposes or suggests investment ideas for the Manager to consider, but the ultimate decision (whether to accept, reject or otherwise) lies with the Manager. The day-to-day investment management activities of the Sub-Fund have not been delegated to the Investment Adviser and the Manager has sole overall responsibility for ensuring that the investment objectives, strategies, guidelines, and restrictions of the Sub-Fund are observed and complied with in all aspects.

The Investment Adviser is the parent company of the Manager established on 9 April 1998 with approval from the CSRC. The Investment Adviser is one of the first nation-wide fund management firms in Mainland China and is currently one of the largest fund management company in Mainland China in terms of assets under management (RMB 1006.6 billion as of 31 Decemeber 2018). The Investment Adviser's advisory fees will be reimbursed out of the Manager's management fee.

EXPENSES AND CHARGES

The subscription fee, conversion fee, management fee, trustee fee and custody fee may be increased up to the specified permitted maximum level under the Trust Deed by providing not less than one month's prior notice to Unitholders.

Subscription Fee

Unitholders may pay a subscription fee of up to 5% of the total subscription money received for by the investor or Unitholder. Investors should confirm the current subscription fee with their distributors.

No subscription fee is payable in respect of subscription for Class I HKD Units, Class I RMB Units and Class I USD Units.

Redemption Fee

Unitholders will not pay a redemption fee to redeem Units in the Sub-Fund.

Conversion Fee

Unitholder wishing to convert its Units into a New Class may pay a conversion fee of up to 1% of the total redemption proceeds of a Current Class. Investor should confirm the current conversion fee with their distributors. Subject to the maximum 1%, the Manager may change the conversion fee. No subscription fees payable upon subscription for Units in a New Class and no redemption fees will be charged upon redeeming Units from a Current Class into a New Class in the case of a conversion.

Management Fee

The Manager will be paid a management fee by the Sub-Fund up to 1.75% per annum (current level at 1.25% per annum for Class A-DIST-HKD Units, Class A-DIST-RMB Units and Class A-DIST-USD Units and 0.75% per annum for Class I HKD Units, Class I RMB Units and Class I USD Units) of the Net Asset Value of each class of Units of the Sub-Fund calculated on a daily basis and accrued as at the relevant Valuation Point and payable monthly in arrears in relation to Units.

Trustee Fee

The Trustee is entitled to receive from the Sub-Fund, an annual fee of up to 0.5% (current level up to 0.15% per annum) of the Net Asset Value of the Sub-Fund as at the relevant Valuation Point and subject to a minimum monthly fee of RMB 40,000 in relation to the Sub-Fund. This fee will be calculated and accrued on each Valuation Day and be paid monthly in arrears. The trustee fee described above represent the current fee rates applicable to the Sub-Fund (which includes the registrar fee) and does not include the fees payable for the services of any custodians appointed by the Trustee.

In addition, the Trustee received a one-time establishment fee of RMB20,000 in respect of the Sub-Fund. The Trustee is also entitled to receive transaction, processing and valuation fees and be paid or reimbursed for other applicable fees or expenses as agreed with the Manager.

Since the Trustee also acts as the Registrar of the Sub-Fund, the trustee fee (which already covers the registrar fee) may be changed by agreement in writing between the Manager and the Trustee. The Manager will give Unitholders at least one month's prior notice before proposing to increase the trustee fee from the current level to the maximum level as stated in the Trust Deed.

Custodian Fee

All custodian fees and charges payable by the Sub-Fund to the custodian will cover fees and charges incurred by the RQFII Local Custodian. The appointed Custodian and/or RQFII Local Custodian are entitled to recover from the Sub-Fund all out-of-pocket expenses, including telephone, photocopying and courier fees incurred in the performance of its duties in connection with the Sub-Fund. Pursuant to the fee letter entered into between the Trustee and the Custodian, the Custodian is entitled to (among others) transaction charges at customary market rates and a custody fee at different rates, largely depending on the markets where the Custodian is required to hold the Sub-Fund's assets. Annual custody fees of up to 0.3% (current level at 0.1% per annum) may be charged by the Custodian. Such fees and charges will be calculated monthly and will be paid monthly in arrears. The Custodian will also be entitled to reimbursement by the Sub-Fund for any out-of-pocket expenses incurred in the course of its duties.

The Trust Deed provides that Unitholders must approve by means of Extraordinary Resolution any increase of: (i) the management fee beyond the maximum level stated in the Trust Deed; and/or (ii) the trustee fee beyond the maximum level stated in the Trust Deed. Investors should note that at present there is no intention to increase these fees.

Establishment Costs

The costs of establishment of the Fund and the Sub-Fund were RMB750,000 and have been charged to the accounts of the Sub-Fund.

SUBSCRIPTION DETAILS

To apply for the Units in the Sub-Fund, the minimum subscription, Minimum Holding and minimum subsequent subscription applicable to the different Classes of Units are as follows:

Class	Minimum Subscription	Minimum Holding	Minimum Subsequent Subscription
Class A-DIST-HKD Units	HKD10,000	HKD10,000	HKD10,000
Class A- DIST-RMB Units	RMB10,000	RMB10,000	RMB10,000
Class A-DIST-USD Units	USD1,000	USD1,000	USD1,000
Class I HKD Units	HKD5,000,000	HKD5,000,000	HKD1,000,000
Class I RMB Units	RMB5,000,000	RMB5,000,000	RMB1,000,000
Class I USD Units	USD1,000,000	USD1,000,000	USD100,000

Except as otherwise provided, Units in the Sub-Fund will be issued on the relevant Dealing Day for applications, together with cleared application monies received by the Trustee (via the Manager or its distributors) prior to 4:00 p.m. (Hong Kong time) on the relevant Dealing Day. Investors should confirm the relevant cut-off times with their distributors.

For details regarding the procedure for the subscriptions, please refer to the section headed "**Purchase of Units**" in the Explanatory Memorandum.

SUBSCRIPTION OF UNITS

The Trustee issues Units at the direction of the Manager who has the exclusive right to offer and issue Units and the Manager (upon consultation with the Trustee) has sole discretion to accept or reject any subscription for Units.

Applications for subscription of Units may be made on each Dealing Day at the Net Asset Value per Unit of the Sub-Fund published daily in Hong Kong in the South China Morning Post, in the Hong Kong Economic Times and/or any other newspapers the Manager may determine and notify the Unitholders. The prices will be expressed exclusive of any subscription fee or redemption fee which may be payable on subscription or redemption.

Applications for subscription of Units (either by hand, facsimile, electronic mail, mail or courier) must be forwarded to, and received by, the Trustee (via the Manager or its distributors) by no later than the Dealing Deadline. Applications received after this deadline will be processed for subscription on the next Dealing Day.

The Subscription Price on any Dealing Day is the price per Unit ascertained by dividing the Net Asset Value of the Sub-Fund as at the Valuation Point in respect of the relevant Dealing Day by the number of Units in issue rounded down to the nearest two decimal places or in such manner and to any other number of decimal places the Manager may determine after consulting the Trustee and such amount of fiscal and purchase charges determined by the Manager.

The subscription amount payable for the number of Unit subscribed by an applicant, in respect of any Dealing Day, is due and payable to the Trustee (via the Manager or its distributors) no later than the Dealing Deadline, which is 4:00 pm (Hong Kong time) on the relevant Dealing Day.

The Trustee will send a contract note confirming to each applicant no later than two Business Days after the availability of the price per Unit, as is applicable, and as to whether the applicant's application for Units has been successful, either in whole or in part.

Minimum Subscription and Minimum Subsequent Subscription

The minimum subscription and minimum subsequent subscription per investor for each Class of Unit is set out above.

The Manager has sole discretion to determine the number of applications for the Units that will be accepted and whether to accept application from any applicant for less than the minimum subscription amount or minimum subsequent subscription amount.

Confirmation of Subscription

If the relevant application form and/or subscription monies is/are not received by the times stated above, the application will be held over to the next Dealing Day and Units will be issued at the relevant Subscription Price on that Dealing Day.

The Manager reserves the right to reject any application in whole or in part at its sole discretion, in which event the amount paid on application or the balance thereof (as the case may be) will be returned (without interest) as soon as practicable in the same currency paid on application at the risk and cost of the applicant.

Applications for Units will not be dealt with and Units will not be issued until receipt of confirmation that an applicant's funds have been cleared in full. Units are deemed to be issued on the relevant Dealing Day. Notwithstanding the above, the Sub-Fund may rely upon application orders received and may issue Units to investors according to such orders and invest the expected application amounts. If payment of funds is not cleared within 4 Business Day (or such period as the Manager may permit which may not exceed 14 days and notify the relevant applicant at the time of receipt of the application), the Manager reserves the right to cancel the transaction. In such circumstances, the Manager and/or the Trustee may charge a cancellation fee to represent administrative costs incurred in processing an application and may require the defaulting applicant to pay compensation for any loss directly or indirectly resulting from the failure by the applicant to make good settlement by the settlement date. Such charge may include, but is not limited to, the difference between the prices at issue and at cancellation of the Units concerned.

REDEMPTION OF UNITS

The procedures regarding the redemption of Units are described under the section headed "**Redemption of Units**" in the Explanatory Memorandum.

To be dealt with on a particular Dealing Day, the Trustee (via the Manager or its distributors) must receive a redemption request (either by hand, facsimile, electronic mail, mail or courier) before the Dealing Deadline. Investors should confirm the relevant cut-off times with their distributors. Redemption requests received after such time will be deemed to have been received on the next Dealing Day and will be dealt with accordingly. Unless the Manager in any particular case or generally otherwise agrees, a Unitholder may not redeem any Units of a Class in amounts of less than the following:

Class	**Minimum Redemption**
Class A-DIST-HKD Units	HKD10,000
Class A-DIST-RMB Units	RMB10,000
Class A-DIST-USD Units	USD1,000
Class I HKD Units	HKD100,000
Class I RMB Units	RMB100,000
Class I USD Units	USD10,000

The Redemption Price for a Class of Units on any Dealing Day is the price per Unit of such Class ascertained by dividing the Net Asset Value of the Sub-Fund of such Class as at the Valuation Point in respect of the Dealing Day by the number of Units of such Class in issue, rounded down to the nearest two decimal places or in such manner and to any other number of decimal places the Manager may determine after consulting the Trustee.

Unitholders may redeem their Units on any Dealing Day in whole or in part but the Manager may refuse a request for a partial redemption resulting in the Unitholder's holding in the Sub-Fund falling below the Minimum Holding of a particular Class of Units, and in such a situation, the Manager may require the Unitholder to redeem all its Units in such Class. The Trustee will send a contract note to each redeeming Unitholder no later than two Business Days after the availability of the price per Unit.

With respect to properly documented redemption requests received by the Trustee before the declaration of a suspension, redemption proceeds will normally be paid in the currency of the relevant Class within a period of seven HK & Mainland China Business Days from the relevant Dealing Day and in any event within one calendar month from the day on which the Trustee has received a properly documented redemption request.

Following the Manager's exercise of its powers described in the section headed "**Suspension of Calculation of Net Asset Value**", there will be a delay in the payment of redemption proceeds reflecting the period during which the Manager declared a suspension of the determination of Net Asset Value of the Sub-Fund with respect to any redemption requests received after the declaration of suspension. Any redemption money unclaimed after six years from the date of payment shall become part of the assets of the Sub-Fund.

All bank charges and costs incurred in the payment of the redemption proceeds to the Unitholder will be borne by the relevant Unitholder and deducted from the redemption proceeds. Any risks arising from delay in clearance of funds by banks will be borne by the relevant Unitholder.

No payments will be made to a person other than the registered Unitholder.

CONVERSION OF UNITS

Subject to the consent of the Manager, Unitholders have the right (subject to any suspension in the determination of the Net Asset Value of the Sub-Fund) to convert all or part of their Units of any class in the Sub-Fund into Units of any other class in the Sub-Fund or another sub-fund of the Fund by giving notice in writing or by facsimile to the Trustee (via the Manager or its distributors) before the Dealing Deadline.

CLASS CURRENCY AND CURRENCY CONVERSION

Whilst RMB is traded both onshore in Mainland China and offshore (primarily in Hong Kong), it is the same currency although currently traded at different rates. The exchange rate for the onshore RMB market in Mainland China is generally referred to as "CNY"; the exchange rate for the offshore RMB market in Hong Kong is generally referred to as 'CNH'. In respect of a Class of Units which is denominated in a currency other than RMB, the CNH rate will be used for the purposes of determining the Net Asset Value of such Class of Units.

DISTRIBUTIONS

Save for Class I-ACC-RMB Units, Class I-ACC-HKD Units and Class I-ACC-USD Units, the Manager currently intends to make distributions on a monthly basis. However there is no guarantee of regular distribution and (if distribution is made) the amount being distributed.

The Manager may at its discretion pay distributions out of the capital of the Sub-Fund or pay distributions out of gross income while charging / paying all or part of the Sub-Fund's fees and expenses to / out of the capital of the Sub-Fund. Where distributions are paid out of gross income while charging/ paying all or part of the Sub-Fund's fees and expenses to/ out of the capital of the Sub-Fund, this will result in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of capital.

Compositions of the distributions (if any) (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months would be made available by the Manager on request and also on the Manager's website (www.chinaamc.com.hk)[2]. Unitholders should be aware of the effects of making distributions out of capital and pay attention to the relevant risk disclosures as set under the section headed "Risks associated with distributions out of capital" under the section headed "Risk Factors" in this Appendix A. The Manager may amend the distribution policy subject to SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

For the avoidance of doubt, no distributions will be made in respect of Class I-ACC-RMB Units, Class I-ACC-HKD Units and Class I-ACC-USD Units as all interest and other income earned on the investment will be accumulated and re-invested into the Sub-Fund on behalf of Unitholders of such Classes of accumulating Units.

FINANCIAL REPORTS

The Sub-Fund's financial year end is 31 December in each year.

RISK FACTORS

Please refer to the following risk factors in relation to an investment in the Sub-Fund.

The Sub-Fund may be affected by the following risks, among others:

Debt Instruments Risks

[2] This website has not been reviewed by the SFC.

The Sub-Fund will invest in debt instruments. Debt instruments, such as notes and bonds, are subject to liquidity risk, credit risk, interest rate risk, credit rating risk, valuation risk, and downgrade risk.

Volatility and Liquidity Risk

The RMB denominated bond market is at a developing stage and the market capitalisation and trading volume may be lower than those of the more developed markets. The RMB denominated bond market may also be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations.

Also, there may not be a liquid or active market for the trading of RMB denominated bonds in the Shanghai Stock Exchange or the Shenzhen Stock Exchange. Therefore, the Sub-Fund may be subject to the risk of not being able to sell its bonds on the exchange on a timely basis, or will have to sell at a deep-discount to their face values. The Sub-Fund's value and liquidity will be adversely affected. The liquidity of the Sub-Fund will be affected by the liquidity of its investments and may be subject to restrictions imposed under Chinese regulations. In addition, the Manager may impose restrictions on the redemption of Units which may affect the liquidity of the Sub-Fund.

The price at which the fixed income securities are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates. Further, the bid and offer spreads of the price of fixed income securities in which the Sub-Fund invests may be large, and hence, the Sub-Fund may incur significant trading and realisation costs and losses may be suffered.

Credit Risk

Credit risk (sometimes known as issuer default risk) is the possibility that an issuer of an instrument will be unable or unwilling to make interest payments or repay principal when due, or to otherwise honour its obligations. The Sub-Fund is exposed to the credit/ default risk of issuers of debt instruments, fixed income instruments and deposits that the Sub-Fund may invest in. The debt instruments that the Sub-Fund invests in are typically unsecured debt obligations and are not supported by any collateral. The Sub-Fund will be fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

An issuer suffering an adverse change in its financial condition or future prospects could lower the credit quality of a security thereby increasing its credit risk, leading to greater price volatility of the security. This may have adverse effects on the value of a Sub-Fund's investments. If the Sub-Fund invests in lower rated debt instruments, greater risks will be assumed because of generally lower creditworthiness, liquidity, greater fluctuation in value and higher chance of default than higher investment rated debt instruments.

Interest Rate Risk

Investment in the Sub-Fund is subject to interest rate risk.There is a general inverse relationship between interest rate and price of debt instruments. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt instruments.

Changes in interest rates may affect the value of a security as well as the financial markets in general. Fixed income securities (such as bonds) are more susceptible to fluctuation in interest rates and may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes. If the debt securities held by the Sub-Fund fall in value, the Sub-Fund's value will also be adversely affected. On the other hand, shorter term debt securities are less sensitive to interest rate changes than longer term debt securities. However, this also means that shorter term debt securities usually offer lower yields.

Changes in macro-economic policies of PRC, such as the monetary and fiscal policy, will have an influence over capital markets which may cause changes to market interest rates, affecting the pricing of the bonds and thus the return of the Sub-Fund.

Credit Rating Risk

Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the securities and/or the issuers at all times. Ratings assigned by a rating agency are not absolute standards of credit quality and do not evaluate market risks. Rating agencies may fail to make timely changes in credit ratings and an issuer's current financial condition may be better or worse than a rating indicates.

As the credit ratings of the debt instruments of the Sub-Fund are largely assigned by the credit agencies in the PRC, the credit appraisal system in the PRC and the rating methodologies adopted by the local rating agencies might not be consistent with or might be different from other international rating agencies. As a result, such rating system may not provide an equivalent standard for comparison with securities rated by international credit rating agencies. Credit ratings given by the local rating agencies recognized by the relevant authorities in the PRC may therefore not be directly comparable with those given by other international rating agencies.

To the extent that the Sub-Fund invests in higher yield debt instruments, the Sub-Fund's success in achieving its investment objective may depend more heavily on the Manager's creditworthiness analysis than if the Sub-Fund invested exclusively in higher-quality and better rated securities.

Valuation Risk

Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuation turns out to be incorrect, this may affect the calculation of the Net Asset Value of the Sub-Fund.

The risk of mispricing or improper valuation and possibility that the debt instruments do not always perfectly track the value of securities they are designed to track can result in increased payments to counterparties or a loss in the value of the Sub-Fund. In the event of changing market conditions or other significant events, positive or negative impact could be larger.

Downgrade Risk

Downgrade risk is the risk that the credit rating of an issuer or a debt instrument may subsequently be downgraded or even fall below the Sub-Fund's minimum credit rating requirement for investing in a debt instrument due to changes in the financial strength of an issuer or changes in the credit rating of a debt instrument. Downgraded securities, and securities issued by issuers whose ratings may be downgraded, may be subject to higher risks, as they could be subject to higher volatility, liquidity and credit risk. In the event of downgrading in the credit ratings of a debt instrument or an issuer relating to a debt, the Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not be able to dispose of the debt instruments that are being downgraded. The Sub-Fund may continue to hold such investment, and higher risks may result. Unitholders may suffer substantial loss of their investments in the Sub-Fund.

Risk Associated with Urban Investment Bonds

The Sub-Fund may invest up to 100% of its Net Asset Value in urban investment bonds. In view of limitations on directly raising funds, local governments in Mainland China have set up numerous entities known as "Local Government Financing Vehicles" (LGFVs) to borrow and fund local development, public welfare investment and infrastructure projects. Urban investment bonds are issued by LGFVs. Local governments may be seen to be closely connected to urban investment bonds, as they are shareholders of the LGFVs issuing such bonds. However, urban investment bonds are typically not guaranteed by the relevant local governments or the central government of Mainland China. As such, local governments or the central government of Mainland China are not obliged to support any LGFVs in default. The LGFVs' ability to repay debts depends on various factors, including the nature of the business of such LGFVs, the financial strength of such LGFVs and the extent to which the relevant local governments are prepared to support such LGFVs. Slower revenue growth at some local governments may constrain their capacity to provide support, while regulatory constraints may also limit local governments' ability to inject land reserves into LGFVs. Further, local governments have taken on debt in various other forms, and recent analyses show that increased financing activities have posed a risk to local government finances. If a LGFV encounters financial difficulties, without the local government's support, there is a risk of possible defaults on payment of principal or interest of the urban investment bonds by the LGFV. This could result in substantial losses in the Sub-Fund's investments in debts issued by such LGFV, and as a result, the Sub-Fund's Net Asset Value could be adversely affected.

Sovereign Debt Risk

Investment in sovereign debt obligations issued or guaranteed by governments or their agencies of certain developing countries and certain developed countries involves a higher degree of political, social and economic risks. A government entity's willingness or ability to repay principal and interest due in a timely manner may be affected by various factors. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the Sub-Fund to participate in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

PRC / Single Country Risk

The Sub-Fund's investment may be concentrated in PRC RMB Fixed Income Securities. The value of the Sub-Fund may be more volatile than a fund having a more diverse portfolio of investments.

The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the markets in which the Sub-Fund invests. Market volatility and potential lack of liquidity due to low trading volumes in PRC debt markets may result in prices of securities traded on such markets fluctuating significantly, and may result in substantial volatility in the Unit price of the Sub-Fund. Also, the Sub-Fund investing in the PRC debt markets may be subject to settlement risks and custody risk. Chinese accounting standards and practices for investment instruments including debt securities may deviate significantly from international accounting standards. Currently, PRC entities are undergoing reform with the intention of increasing liquidity of debt instruments. However, the effects of such reform on the PRC debt market as a whole remain to be seen.

Investment Risk

The Sub-Fund mainly invests in PRC RMB Fixed Income Securities and these instruments may fall in value. Investors may suffer losses as a result. The Sub-Fund is not principal guaranteed and the purchase of its Units is not the same as investing directly in RMB debt income instruments or placing RMB funds on deposit with a bank. There is also no guarantee of dividend or distribution payments during the period an investor holds Units in the Sub-Fund.

Risk of Investing in Convertible Bonds

Convertible bonds are a hybrid between debt and equity, permitting holders to convert into shares in the company issuing the bond at a specified future date. As such, convertibles will be exposed to equity movement and greater volatility than straight bond investments. Investments in convertible bonds are subject to the same interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable straight bond investments. The prices of convertible bonds will be affected by the changes in the price of the underlying equity securities which in turn, may have an unfavourable impact on the Net Asset Value of the Sub-Fund.

Risk of Investing in Other Funds

Whilst the Sub-Fund may invest in funds approved by the CSRC and offered to the public in Mainland China, these are not regulated by the SFC. In addition to the Expenses and Charges charged by the Sub-Fund, investor should note that there may be additional costs involved when investing into these underlying funds, including fees and expenses charged by investment manager of these underlying funds as well as fees payable by the Sub-Fund during its subscription to or redemption from these underlying funds. Furthermore, there can be no assurance that 1) the liquidity of the underlying funds will always be sufficient to meet redemption request as and when made; and 2) investment objective and strategy of the underlying funds will be successfully achieved despite the due diligence procedures undertaken by the Manager in the selection and monitoring of the underlying funds. If the Sub-Fund invests in an underlying fund managed by the Manager or Connected Person of the Manager, potential conflict of interest may arise. The Manager will have regards to its obligations to the Sub-Fund and will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section headed "Conflicts of Interest" for details under the circumstances.

RMB Currency Risk

RMB is not a freely convertible currency and is subject to foreign exchange control policies and restrictions. There is no guarantee that RMB will not depreciate in future. The base currency of the Sub-Fund is RMB. If investors convert HKD, USD or any other currencies into RMB so as to invest in RMB-denominated Class of Units of the Sub-Fund and subsequently convert the RMB redemption proceeds in respect of redemption of such Units back into HKD, USD or any other currencies, they may suffer a loss if RMB depreciates against HKD, USD or such other currencies. Investors investing in non-RMB denominated Classes of Units may also suffer a loss in their investments if RMB depreciates against the currency of the relevant Class of Units, as the majority of the Sub-Fund's investments will be denominated in RMB. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investor's base currencies (for example HKD) will not depreciate. Any depreciation of the RMB could adversely affect the value of investors' investments in the RMB Classes of Units.

Foreign Currency Risk

Certain Classes of Units may be designated in a currency other than the Base Currency. The Net Asset Value of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the Base Currency and by changes in exchange rate controls. Changes in currency exchange rates may influence the value of certain Classes of Units in the Sub-Fund, certain investments acquired by the Sub-Fund, the dividends or interest earned and the gains and losses realised. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions.

Currency Conversion Risk

Where an investor subscribes for Units denominated in a non-RMB currency, the Manager will convert such subscriptions into RMB prior to investment at the applicable exchange rate and subject to the applicable spread. The Sub-Fund may incur costs as a result of the conversion. As RMB is not freely convertible, currency conversion is subject to availability of RMB at the relevant time (i.e. it is possible there is not sufficient RMB for currency conversion in case of sizeable subscriptions). As such, the Manager has the absolute discretion to reject any application made for Units denominated in a non-RMB currency where it determines that there is insufficient RMB for currency conversion.

Where an investor redeems Units denominated in a non-RMB currency, the Manager will sell the Sub-Fund's investments denominated in RMB and convert such proceeds into non-RMB currency at the applicable exchange rate and subject to the applicable spread. Again the Sub-Fund may incur costs as a result of the conversion. Currency conversion is also subject to the Sub-Fund's ability to convert the proceeds denominated in RMB into non-RMB currency which, in turn, might affect the Sub-Fund's ability to meet redemption requests from the Unitholders or delay the payment of redemption proceeds. However it is the current intention of the Manager that redemption proceeds will normally be paid in the currency of the relevant Class within a period of seven HK & Mainland China Business Days from the relevant Dealing Day and in any event within one calendar month from the day on which the Trustee has received a properly documented redemption request.

Currently, the RMB is traded in two markets: one in Mainland China, and one outside Mainland China (primarily in Hong Kong). The RMB traded in Mainland China is not freely convertible and is subject to exchange controls and certain requirements by the government of Mainland China. The RMB traded outside Mainland China, on the other hand, is subject to different regulatory requirements and is more freely tradable when compared to the RMB traded in Mainland China.

In calculating the Net Asset Value of Classes of Units denominated in a non-RMB currency, the Manager will apply the CNH rate for the offshore RMB market in Hong Kong. The CNH rate may be at a premium or discount to the exchange rate for the onshore RMB market in China (i.e. the CNY exchange rate); there may be significant bid and offer spreads due to supply and demand. Consequently, there may be significant trading costs incurred and investing in Classes of Units denominated in a non-RMB currency may suffer losses. The value of the Classes of Units denominated in a non-RMB currency is subject to fluctuation in the CNH rate. In particular, where the CNH rate is at a premium to the CNY exchange rate, any currency conversion at the CNH rate will adversely affect the value of the relevant Class of Units denominated in a non-RMB currency in RMB terms and increase the costs of acquiring investments in RMB terms for the Sub-Fund using subscription proceeds from such Class of Units.

RQFII Regime Risk

The RQFII regime is governed by rules and regulations as promulgated by the Mainland China authorities, i.e., the CSRC, the State Administration of Foreign Exchange ("**SAFE**") and the PBOC. Such rules and regulations may be amended from time to time and include (but are not limited to):

(i) the "Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors" issued by the CSRC, the PBOC and the SAFE and effective from 1 March 2013 (人民幣合格境外機構投資者境內證券投資試點辦法);

(ii) the "Implementation Rules for the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors" issued by the CSRC and effective from 1 March 2013 (關於實施《人民幣合格境外機構投資者境內證券投資試點辦法》的規定); and

(iii) the "Circular on Issues Related to the Administration of Domestic Securities Investment by Renminbi Qualified Foreign Institutional Investors" (中國人民銀行國家外匯管理局關於人民幣合格境外機構投資者境內證券投資管理有關問題的通知) issued by the SAFE and PBOC and effective on 5 September 2016 ("RQFII Measures"); and

(iv) any other applicable regulations promulgated by the relevant authorities.

The Sub-Fund’s ability to make the relevant investments or to fully implement or pursue its investment objective and strategy is subject to the applicable laws, rules and regulations (including restrictions on investments and repatriation of principal and profits) in the PRC, which are subject to change and such change may have potential retrospective effect.

The Sub-Fund is not a RQFII but may obtain access to RMB denominated fixed income instruments or other permissible investments directly using RQFII quotas of a RQFII. The Sub-Fund may invest directly in RQFII eligible securities investment via the RQFII status of the Manager.

Investors should note that RQFII status could be suspended or revoked, which may have an adverse effect on the Sub-Fund’s performance as the Sub-Fund may be required to dispose of its securities holdings.

In addition, certain restrictions imposed by the Chinese government on RQFIIs may have an adverse effect on the Sub-Fund’s liquidity and performance. The SAFE regulates and monitors the repatriation of funds out of the PRC by the RQFII pursuant to the RQFII Measures. Repatriations by RQFIIs in respect of an open-ended RQFII fund (such as the Sub-Fund) conducted in RMB are currently not subject to repatriation restrictions or prior approval, although authenticity and compliance reviews will be conducted, and monthly reports on remittances and repatriations will be submitted to SAFE by the RQFII Local Custodian. There is no assurance, however, that PRC 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 Sub-Fund’s ability to meet redemption requests from the Unitholders. Furthermore, as the RQFII Local Custodian’s review on authenticity and compliance is conducted on each repatriation, the repatriation may be delayed or even rejected by the RQFII Local Custodian in case of non-compliance with the RQFII 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.

RQFII quotas are generally granted to a RQFII. The rules and restrictions under RQFII regulations generally apply to the RQFII as a whole and not simply to the investments made by the Sub-Fund. It is provided in the RQFII Measures that the size of the quota may be reduced or cancelled by the SAFE if the RQFII is unable to use its RQFII quota effectively within one year since the quota is granted. If SAFE reduces the RQFII's quota, it may affect the Manager's ability to effectively pursue the investment strategy of the Sub-Fund. On the other hand, the SAFE is vested with the power to impose regulatory sanctions if the RQFII or the RQFII Local Custodian violates any provision of the RQFII Measures. Such violations could result in the revocation of the RQFII’s quota or other regulatory sanctions and may adversely impact on the portion of the RQFII’s quota made available for investment by the Sub-Fund.

A RQFII has the flexibility to allocate its RQFII quota granted by SAFE across different fund products under its management. The Sub-Fund does not have exclusive use of all the investment quota granted by SAFE to the RQFII. There can be no assurance that sufficient RQFII quota can be allocated to the Sub-Fund to meet all application for subscriptions to the Sub-Fund.

Investors should note that there can be no assurance that a RQFII will continue to maintain its RQFII status or to make available its RQFII quota, or the Sub-Fund will be allocated a sufficient portion of RQFII quotas from a RQFII to meet all applications for subscription to the Sub-Fund, or that redemption requests can be processed in a timely manner due to repatriation restrictions or adverse changes in relevant laws or regulations. Such restrictions may respectively result in a rejection of applications and a suspension of dealings of the Sub-Fund. In extreme circumstances, the Sub-Fund may incur significant losses if there is insufficient RQFII quota allocated for the Sub-Fund to make investments, the approval of the RQFII is being revoked/terminated or otherwise invalidated as the Sub-Fund may be prohibited from trading of relevant securities and repatriation of the Sub-Fund's monies, or if any of the key operators or parties (including RQFII Local Custodian/brokers) is bankrupt/in default and/or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities).

Currently it is intended that the Sub-Fund will obtain exposure to PRC RMB Fixed Income Securities and other permissible investments by using the RQFII quotas of the Manager.

The Custodian has been appointed by the Trustee to hold the assets of the Sub-Fund. The Manager (in its capacity as a RQFII) and the Custodian have appointed Bank of China Limited as the RQFII Local Custodian in respect of the RQFII securities, pursuant to relevant laws and regulations.

Securities including PRC RMB Fixed Income Securities and other permissible investments will be maintained by the RQFII Local Custodian pursuant to PRC regulations through securities accounts with the China Securities Depository and Clearing Corporation Limited, China Central Depository & Clearing Co. Ltd, Shanghai Clearing House Co., Ltd. or such other relevant depositories in such name as may be permitted or required in accordance with PRC law.

Investors should pay attention to the sections headed "RQFII Regime Risk" and "PRC Brokerage Risk" in this Appendix A. The Manager has obtained an opinion from PRC legal counsel to the effect that, as a matter of PRC laws:

(a) securities account(s) with the relevant depositories and RMB cash account(s) with the RQFII Local Custodian (respectively, the "securities account(s)" and the "cash account(s)") shall be opened for the sole benefit and use of the Sub-Fund in accordance with all applicable laws and regulations of the PRC and with approval from all competent authorities in the PRC;

(b) the assets held/credited in the securities account(s) (i) belong solely to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager (as RQFII holder), the RQFII Local Custodian and any PRC Broker(s) and from the assets of other clients of the Manager (as RQFII holder), the RQFII Local Custodian and any PRC Broker(s);

(c) the assets held/credited in the cash account(s) (i) become an unsecured debt owing from the RQFII Local Custodian to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager (as RQFII holder) and any PRC Broker(s), and from the assets of other clients of the Manager (as RQFII holder) and any PRC Broker(s);

(d) the Trustee, for and on behalf of the Sub-Fund is the only entity which has a valid claim of ownership over the assets in the securities accounts and the debt in the amount deposited in the cash account(s) of the Sub-Fund;

(e) if the Manager or any PRC Broker is liquidated, the assets contained in the securities account(s) and cash account(s) of the Sub-Fund will not form part of the liquidation assets of the Manager or such PRC Broker(s) in liquidation in the PRC; and

(f) if the RQFII Local Custodian is liquidated, (i) the assets contained in the securities account(s) of the Sub-Fund will not form part of the liquidation assets of the RQFII Local Custodian in liquidation in the PRC, and (ii) the assets contained in the cash account(s) of the Sub-Fund will form part of the liquidation assets of the RQFII Local Custodian in liquidation in the PRC and the Sub-Fund will become an unsecured creditor for the amount deposited in the cash account(s).

The current RQFII laws, rules and regulations are subject to change, which may take retrospective effect. In addition, there can be no assurance that the RQFII laws, rules and regulations will not be abolished. The Sub-Fund, which invests in the PRC markets through a RQFII, may be adversely affected as a result of such changes.

Cash deposited with the RQFII Local Custodian

Investors should note that cash deposited in the RMB cash account of the Sub-Fund with the RQFII Local Custodian will not be segregated but will be a debt owing from the RQFII Local Custodian to the Sub-Fund as a depositor. Such cash will be co-mingled with cash that belongs to other clients or creditors of the RQFII Local Custodian. In the event of bankruptcy or liquidation of the RQFII Local Custodian, the Sub-Fund will not have any proprietary rights to the cash deposited in such cash account, and the Sub-Fund will become an unsecured creditor, ranking pari passu with all other unsecured creditors, of the RQFII Local Custodian. The Sub-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 Sub-Fund will suffer.

Counterparty Risk

The Manager intends that the counterparties with which it deals on behalf of the Sub-Fund shall have reasonable financial soundness at the time of entering into the relevant transaction. Counterparties are assessed based on the risk management policies that the counterparties' default risk should be both diversified and minimized, and that the counterparties' performance does not adversely impact the Unitholders. Only counterparties which professional reputations are of high calibre and who are members in good standing with their respective industry associations and regulatory bodies would be approved for use by the Manager.

Semi-annual review for the appropriateness of the approved counterparties is also performed to ensure that they continue to meet the aforesaid selection criteria.

However, in the event of bankruptcy or insolvency of any of its counterparties, the Sub-Fund may experience delays in liquidating its positions and may, thereby, incur significant losses (including declines in the value of its investment) or the inability to redeem any gains on investment during the period in which the Sub-Fund seeks to enforce its rights, and fees and expenses incurred in enforcing its rights.

There is also the possibility that such transactions will be terminated due, for instance, to counterparty bankruptcy, supervening illegality or a retrospective change in the tax or accounting laws relative to those applicable at the time the transaction was entered into.

Investment in debt securities will expose the Sub-Fund to counterparty default risks. Exchange traded debt securities may be subject to counterparty risk, although such risk is mitigated by a centralised clearing system. On the other hand, the degree of counterparty risk may be higher in the interbank bond market (a quote-driven over-the-counter (OTC) market), where deals are negotiated between two counterparties through a trading system. The counterparty which has entered into a transaction with the Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

Political, Socioeconomic Policies

The Sub-Fund's investments may be sensitive to any significant change in political, social or economic policy in the markets in which the Sub-Fund invests. Such sensitivity may adversely affect the capital growth and thus the performance of these investments.

Exchange Control Risk

Government control in the PRC of currency conversion and future movements in exchange rates may adversely affect the operations and financial results of the companies invested in by the Sub-Fund.

Mainland China Tax Risk

General

Under the PRC CIT Law and its implementation rules, income derived from Mainland China by non-resident enterprises that have no establishment or place in Mainland China are subject to withholding tax. As such, the Sub-Fund's investments in PRC RMB Fixed Income Securities are subject to withholding tax on income (such as dividends on, or interest income from, such investments, as the case may be) derived from Mainland China, and such withholding tax may reduce the income from, and/or adversely affect the performance of the Sub-Fund. Nonetheless, the PRC Corporate Income Tax law has exempted income tax on interest from government bonds.

Capital Gains Tax

There are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of capital gains realized via RQFII quotas (which may have retrospective effect).Any increased tax liabilities on the Sub-Fund may adversely affect the Sub-Fund's value.

Legal and Regulatory Uncertainties

The interpretation and applicability of existing PRC tax laws may not be as consistent and transparent as those of more developed nations, and may vary from region to region. There is a possibility that the current tax laws, regulations, and practice in the PRC may be changed with retrospective effect in the future. Moreover, there is no assurance that tax incentives currently offered to foreign companies, if any, will not be abolished and the existing tax laws and regulations will not be revised or amended in the future. Any of these changes may reduce the income from, and/or value of, the Units.

There can be no guarantee that new tax laws, regulations, and practice in the PRC that may be promulgated in the future will not adversely impact the tax exposure of the Sub-Fund and/or its Unitholders.

Provision for Taxes

The Manager assesses the WIT provisioning of the Sub-Fund on an on-going basis. In light of the uncertainty on the income tax treatment on capital gains and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for WIT on such gains or income and withhold the tax for the account of the Sub-Fund.

After careful consideration of the Manager's reassessment and having taken and considered independent professional tax advice regarding the Sub-Fund's eligibility for treaty relief in the China-HK Arrangements and acting in accordance with such advice, the Manager considers that the Sub-Fund should qualify as a Hong Kong tax resident and the Sub-Fund should be able to enjoy a WIT exemption on capital gains derived from PRC RMB Fixed Income Securities under the China-HK Arrangements. As such, there is a change in the tax provision with respect to the Sub-Fund effective from 18 August 2014. In this connection, the Manager has determined, having taken independent professional tax advice and acting in accordance with such advice, that no WIT provision will be made on the gross realized and unrealized capital gains derived from the investments in PRC RMB Fixed Income Securities.

It should be noted that there are uncertainties in relation to the Manager's determination of WIT provision for PRC RMB Fixed Income Securities, including:

- The China-HK Arrangements may be changed in the future and the Sub-Fund may ultimately be required to pay WIT on capital gains derived from the investments in PRC RMB Fixed Income Securities.

- To date, the Sub-Fund has not obtained from the Inland Revenue Department ("IRD") a Hong Kong Tax Resident Certificate ("HKTRC")**,** which if the PRC tax authorities enforce the collection of WIT and require the Sub-Fund to provide a HKTRC in the future, the Manager will apply for a HKTRC on behalf of the Sub-Fund for relevant years. However, there is a risk that the Manager may not be able to obtain a HKTRC on behalf of the Sub-Fund;

- To date, the PRC tax authorities have not sought to enforce WIT collection on capital gains derived from the investments in PRC RMB Fixed Income Securities by RQFIIs such as the Manager for the Sub-Fund. If the PRC tax authorities start to enforce WIT collection on capital gains derived from the investments in PRC RMB Fixed Income Securities, the relief under the China-HK Arrangements is still subject to the final approval of the PRC tax authorities. Even if the Manager believes that the Sub-Fund should be eligible for such relief, the tax authorities may ultimately hold a different view.

For the above reasons, any WIT provision on capital gains made by the Sub-Fund may be less than the Sub-Fund's actual tax liabilities. Consequently, Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. If the Sub-Fund is required to pay WIT on capital gains which the Sub-Fund has not provided for, such WIT will be deducted from the Sub-Fund assets.

In addition, in light of Notice No. 108 and having taken and considered independent professional tax advice and acting in accordance with such advice, no WIT provision or VAT provision will be made on interest income derived from debt instruments issued or distributed in Mainland China received/receivable by the Sub-Fund for the period from 7 November 2018 to 6 November 2021 until Notice No. 108 ceases to apply.

Investors should note that the Net Asset Value of the Sub-Fund may suffer more than the tax provision amount as the Sub-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 then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund. On the other hand, the actual tax liabilities may be lower than the tax provision made, in which 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. As a result, investors may be disadvantaged depending on the final rules of the relevant PRC tax authorities, the level of provision and when they subscribed and/or redeemed their Units. Upon any future resolution of the above-mentioned tax exemption or further changes to tax law or policies, the Manager, will as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary. In addition, Unitholders may, depending on their own circumstances, be subject to PRC tax or taxes in other jurisdictions. The Sub-Fund would not be able to guarantee that taxes paid at the Sub-Fund's level will be attributable to any Unitholders for personal tax purposes. Upon any future resolution of the above mentioned tax exemption or future changes to tax law or policies, the Manager will, as soon as practicable, make relevant adjustments to the tax provisioning policy as it considers necessary. Investors should refer to the relevant risk factors disclosed in the section headed Taxation of this Explanatory Memorandum.

Settlement Risk

There are various transaction settlement methods in the interbank bond market, such as the delivery of security by the counterparty after receipt of payment by the Sub-Fund; payment by the Sub-Fund after delivery of security by the counterparty; or simultaneous delivery of security and payment by each party. Although the Manager may endeavour to negotiate terms which are favourable to the Sub-Fund (e.g. requiring simultaneous delivery of security and payment), there is no assurance that settlement risks can be eliminated. Where its counterparty does not perform its obligations under a transaction, the Sub-Fund will sustain losses.

The Sub-Fund may also invest in the PRC bond market via the exchange market and all bond trades will be settled through the China Securities Depository and Clearing Company Limited ("CSDCCL"). The CSDCCL is the PRC's only securities depository and clearing agency, registered in the State Administration for Industry and Commerce, and operates under the supervision of the relevant PRC authorities. As at the date of this Explanatory Memorandum, the total registered capital of CSDCCL is RMB 1.2 billion. There is a risk that CSDCCL may go into liquidation. The Shanghai Stock Exchange and Shenzhen Stock Exchange currently hold 50% of the registered share capital of CSDCCL, respectively.

CSDCCL has established a designated escrow account to retain securities to be delivered to a receiving participant or funds payable to a delivering participant before settlement.

If a participant defaults in payment of any sum payable to the CSDCCL, the CSDCCL has the power to apply the funds available towards the satisfaction of any amount due to CSDCCL either from (i) cash collateral provided by the defaulting participant; (ii) cash held in the joint guarantee fund contributed by the defaulting participant; or (ii) cash generated by the sale of securities. The defaulting party will be responsible for the expenses and any price differences resulting from the sale of the securities.

If a participant defaults in delivering securities, the CSDCCL is entitled to delay the payment due to the delivering participant until the outstanding obligation is satisfied. In addition, the CSDCCL may apply all or any securities (in lieu of the securities that are the subject of the delivery obligations) from the following sources to satisfy the obligations and liabilities of such participant to the CSDCCL:

(i) securities furnished by the defaulting party;
(ii) securities purchased using the funds in the designated escrow account; or
(iii) securities available to the CSDCCL from other alternative sources.

Although it is the intention of CSDCCL that it will deliver payment and securities to delivering participant and receiving participants, respectively, a delay may occur if either party fails to fulfill its payment or delivery obligation.

RQFII Custodian Risk

There is a risk that the Sub-Fund may suffer losses, whether direct or consequential, from the default or bankruptcy of the RQFII Local Custodian or disqualification of the same party from acting as a custodian. This may adversely affect the Sub-Fund in the execution or settlement of any transaction or in the transfer of monies or securities.

PRC Brokerage Risk

The execution and settlement of transactions or the transfer of any funds or securities may be conducted by brokers ("PRC Brokers") appointed by a RQFII. There is a risk that the Sub-Fund may suffer losses, whether direct or consequential, from the default or bankruptcy of the PRC Broker or disqualification of the same from acting as a broker. This may adversely affect the Sub-Fund in the execution or settlement of any transaction or in the transfer of any funds or securities. Reasonably competitive commission rates and prices of securities will generally be sought to execute the relevant transactions in PRC markets. It is possible that, in circumstances where only a single PRC Broker is appointed where it is considered appropriate to do so by the RQFII holder, the Sub-Fund may not necessarily pay the lowest commission or spread available, but the transaction execution will be consistent with best execution standards and in the best interest of the investors. Notwithstanding the foregoing, the RQFII holder will seek to obtain the best net results for the Sub-Fund, taking into account such factors as prevailing market conditions, price (including the applicable brokerage commission or dealer spread), size of order, difficulties of execution and operational facilities of the PRC Broker involved and the PRC Broker's ability to position efficiently the relevant block of securities.

Risks associated with Distributions out of Capital

Distributions may be paid out of the capital of the Sub-Fund. The Manager may at its discretion make distributions from capital or gross income while charging/ paying all or part of the Sub-Fund's fees and expenses to/ out of the capital of the Sub-Fund in respect of all or certain classes of the Sub-Fund. Unitholders should note that the distributions paid out of capital or effectively out of capital amount to a return or withdrawal of part of a Unitholder's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of the Sub-Fund's capital or (as the case may be) payment of distributions effectively out of the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Unit.

AN INVESTMENT IN THE SUB-FUND INVOLVES A RISK OF LOSS OF PRINCIPAL. UPON REPURCHASE OR LIQUIDATION, YOU MAY NOT RECOUP YOUR ENTIRE INVESTMENT.

APPENDIX B

CHINAAMC SELECT CHINA NEW ECONOMY FUND

DEFINITIONS

Save as provided below, the defined terms used in the Explanatory Memorandum have the same meaning in this **Appendix B**. In addition, the following expressions shall have the following meanings in this **Appendix B**:

"**Accounting Period**"	a 12-month period ending on 31 December of each calendar year, unless the Manager determines otherwise with the approval of the Trustee
"**Base Currency**"	HKD
"**Class A HKD Units**"	Units designated as Class A HKD Units and having the specific features as set out more particularly in this Appendix B
"Class A RMB Units"	Units designated as Class A RMB Units and having the specific features as set out more particularly in this Appendix B
"**Class I HKD Units**"	Units designated as Class I HKD Units and having the specific features as set out more particularly in this Appendix B
"Class I RMB Units"	Units designated as Class I RMB Units and having the specific features as set out more particularly in this Appendix B
"**Dealing Day**"	each Business Day in each calendar week
"**Dealing Deadline**"	5:00 p.m. (Hong Kong time) on the relevant Dealing Day
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Initial Offer Period"	such period as the Manager may respectively determine for each of the Classes of Units of the Sub-Fund
"Initial Offer Price"	RMB 10 for Class A RMB Units and Class I RMB Units
"**Onshore RMB Bonds**"	RMB denominated fixed income securities (including urban investment bonds) issued or distributed in Mainland China
"**Sub-Fund**"	ChinaAMC Select China New Economy Fund
"**Unit**"	a unit in the Sub-Fund
"**Valuation Day**"	each Dealing Day

INTRODUCTION

This **Appendix B** relates solely to ChinaAMC Select China New Economy Fund.

The Sub-Fund will primarily (i.e. not less than 70% of its net assets) invest in China-Related Companies (as defined in the section headed "Investment Objective and Strategy" below).

Where appropriate, the Sub-Fund may invest in Fixed Income Securities (as defined in the section headed "Investment Objective and Strategy" below).

INVESTMENT OBJECTIVE AND STRATEGY

Investment Objective

Primary Investment

The Sub-Fund seeks to achieve long term capital growth by primarily (i.e. not less than 70% of its Net Asset Value) investing in China-Related Companies (as defined below). To achieve the investment objective, not less than 50% of the Sub-Fund's Net Asset Value will be invested in equity securities which are (a) traded in Hong Kong dollars and (b) listed on the stock exchange of Hong Kong ("**HK Equity Securities**"). When investing in HK Equity Securities, the Sub-Fund will focus on investing in equities of companies which, in the opinion of the Manager, will likely benefit from innovations, use of new technologies or offering products and services that meet the demands of the new and evolving China economy ("**China-Related Companies**") with registered offices located in Mainland China or Hong Kong, and/or China-Related Companies that do not have their registered offices in Mainland China or Hong Kong but either (a) carry out a predominant proportion of their business activities in Mainland China or Hong Kong or (b) are holding companies which predominantly own companies with registered offices in Mainland China or Hong Kong. The Manager currently intends to maintain at all times that at least 50% of the Sub-Fund's Net Asset Value will be denominated in Hong Kong Dollars.

For the purpose of the Sub-Fund, the term "new and evolving China economy" describes a new economic growth model in the PRC which features the growth of industries and sectors that benefit from technological innovations, economic reforms or social structural reforms and the transition from an export-oriented and industrial economy to an economy which relies on domestic consumption and high value-added services.

The Sub-Fund may invest in such sectors that the Manager considers appropriate. The Sub-Fund may also invest in companies of any market capitalization including but not limited to large state-owned enterprises, blue chips or companies with small or medium market capitalization. In particular, the Sub-Fund may invest more than 30% of its Net Asset Value in companies with small or medium market capitalization.

Where appropriate, the Sub-Fund may invest up to 30% of its Net Asset Value in fixed income securities which may include but are not limited to Hong Kong dollar denominated fixed or floating rate instruments and convertible bonds which are issued or fully guaranteed by (1) the Hong Kong government, the Exchange Fund (as defined in the Exchange Fund Ordinance) or corporations, agencies or bodies wholly or partly owned by the Hong Kong government; or (2) companies listed on the stock exchange of Hong Kong ("**Fixed Income Securities**").

The Fixed Income Securities which the Sub-Fund may invest will carry a credit rating grade of at least BBB-/Baa3 or equivalent assigned by Standard & Poor's/Moody's or other credit rating agency of similar standing.

The Sub-Fund will not invest more than 10% of its Net Asset Value in fixed income securities issued and/or guaranteed by any single country (including its government or a public or local authority of that country) with a credit rating below investment grade. For the avoidance of doubt, the "credit rating" of the sovereign issuer should in general refer to the prevailing official credit rating of the relevant sovereign issuer assigned by an internationally recognized credit agency and, in the event of split ratings among such credit agencies, the highest credit rating accredited to the relevant sovereign issuer shall be deemed the reference credit rating.

The Sub-Fund may invest not more than 20% of its Net Asset Value in American depositary receipts and exchange traded funds on an ancillary basis.

The Sub-Fund may also invest not more than 20% of its Net Asset Value on an ancillary basis in (i) equities of companies listed on other stock exchanges around the world and/or (ii) funds that are authorized and/or not authorized by the SFC and invest directly in Mainland securities (including but not limited to A-Shares, bonds and such other financial instruments permitted under applicable PRC regulations). For the avoidance of doubt, the Sub-Fund's aggregate exposure to investments to securities issued in Mainland China market including but not limited to A-Shares, B-Shares, Onshore RMB Bonds and such other financial instruments permitted under applicable PRC regulations will not exceed 20% of its Net Asset Value. As part of the foregoing exposure to investments in securities issued in the Mainland China market, the Sub-Fund may gain exposure to the A-Share markets by investing via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (the "**Stock Connect**") or such other means as may be permitted under applicable laws and regulations from time to time.

To achieve the investment objective, the Sub-Fund will invest in equity securities of China-Related Companies which are non-HK Equity Securities, American depositary receipts and other collective investment schemes with direct exposure to China-Related Companies, subject to the above relevant limitations.

The Sub-Fund may have a limited exposure to investments denominated in RMB. In addition to the above investments, the Sub-Fund may invest up to 30% of its assets in cash or cash equivalents for defensive purposes. In particular, under exceptional circumstances (e.g. in times of extreme volatility of the markets or during severe adverse market conditions), the Manager may temporarily hold a substantial portion of the Sub-Fund's net assets in cash or cash equivalents, or invest in short-term money market instruments (such as bank deposits, certificates of deposit, commercial paper, treasury bills and money market funds managed by a third party, the Manager, or its Connected Persons) to preserve the value of the assets in the investment portfolio of the Sub-Fund.

The Sub-Fund may invest in financial derivative instruments for hedging purpose only and will not invest in any financial derivative instruments for non-hedging purpose.

The Manager currently does not intend to enter into any securities lending, repurchase or reverse repurchase transactions or asset-backed securities (including mortgage-backed securities) in respect of the Sub-Fund. The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to Unitholders before the Manager engages in any such transactions and this Explanatory Memorandum will also be updated accordingly.

Principal Investment Strategies

The Sub-Fund will be actively managed by the Manager and will seek to rely on the professional judgment of the Manager in making decisions about the Sub-Fund's portfolio investments. Portfolio construction is based on the Manager's fundamental view of the equity and debt markets in Mainland China and/or Hong Kong.

The Manager will primarily employ a top-down approach combined with a mix of qualitative and quantitative analysis in determining the asset allocation of the Sub-Fund among the different types of asset classes (including equities, bonds and cash).

The Manager aims to invest in companies which have strong earnings and growth prospects, demonstrate capability in profit generation, possess proven experience in management and provide good valuation.

For the purpose of identifying suitable investment targets, the Manager will carry out rigorous fundamental research and analysis and if necessary may conduct on-site visits and proprietary forecasts on investment targets. The Manager will then conduct financial analyses on potential investment targets and select companies with qualities described in the above paragraph for further assessment. In particular, the Manager will assess each target company from two perspectives, namely an aggregate industry-level perspective and a company-level perspective by taking into account the following factors:

Industry-level perspective:

- Development and growth prospects of a particular industry/sector; and
- Level of competition within a particular industry/sector.

Company-level perspective:

- Key corporate attributes, such as business model adopted by, comparative advantages enjoyed by and management style operated by the company; and
- Target company's valuation.

Where a company is selected for investment by the Sub-Fund, the Manager will determine the amount to be invested in such company based on the above assessment.

Asset Allocation

Currently, the Manager's policy is to allocate assets in the Sub-Fund in accordance with the indicative percentage as set out in the table below. The Manager's percentage of allocation of the assets in the Sub-Fund will be notified to Unitholders and potential investors by way of publication of the Sub-Fund's factsheet on the Manager's website (www.chinaamc.com.hk)[4] .

Asset Class	**Sub-Fund's percentage allocation (indicative only)**
HK Equity Securities	Not less than 50%
Fixed Income Securities, fixed income securities issued and/or guaranteed by any single country with a credit rating below investment grade, equities listed on other stock exchanges around the world (excluding stock exchanges in Mainland China) and/or funds that are authorized and/or not authorized by the SFC and invest directly in Mainland securities	Up to 30%
Cash or cash equivalents	Up to 30%

[4] This website has not been reviewed by the SFC.

The Manager will base the selection by the Sub-Fund of these above instruments on a thorough understanding of an issuer's credit condition or, as the case may be, a listed company's financial conditions.

Use of Derivatives / Investment in Derivatives

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

Stock Connect

The Shanghai-Hong Kong Stock Connect is a securities trading and clearing linked programme developed by the Stock Exchange of Hong Kong Limited ("**SEHK**"), Shanghai Stock Exchange ("**SSE**"), China Securities Depository and Clearing Corporation Limited ("**ChinaClear**") and Hong Kong Securities Clearing Company Limited ("**HKSCC**"). The Shenzhen-Hong Kong Stock Connect is a securities trading and clearing linked programme developed by the SEHK, Shenzhen Stock Exchange ("**SZSE**"), ChinaClear and HKSCC. The aim of Stock Connects is to achieve mutual stock market access between mainland China and Hong Kong.

The Shanghai-Hong Kong Stock Connect comprises a Northbound Shanghai Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shanghai Trading Link, Hong Kong and overseas investors (including the Sub-Fund), through their Hong Kong brokers and a securities trading service company to be established by the SEHK, may be able to trade eligible China A-Shares listed on SSE by routing orders to SSE.

The Shenzhen-Hong Kong Stock Connect comprises a Northbound Shenzhen Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shenzhen Trading Link, Hong Kong and overseas investors (including the Sub-Fund), through their Hong Kong brokers and a securities trading service company to be established by the SEHK, may be able to trade eligible China A-Shares listed on SZSE by routing orders to SZSE.

Eligible securities

Shanghai-Hong Kong Stock Connect

Hong Kong and overseas investors will be able to trade certain stocks listed on the SSE market (i.e. "**SSE Securities**"). These 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 these indices but which have corresponding China H-Shares listed on the Hong Kong Stock Exchange, except the following:

- SSE-listed shares which are not traded in RMB; and

- SSE-listed shares which are included in the "risk alert board".

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

Shenzhen-Hong Kong Stock Connect

Hong Kong and overseas investors will be able to trade certain stocks listed on the SZSE market (i.e."**SZSE Securities**"). These include any constituent stock of the SZSE Component Index and SZSE Small/Mid Cap Innovation Index which has a market capitalisation of RMB6 billion or above and all SZSE-listed shares of companies which have issued both China A-Shares and China H-Shares except for the following.

- SZSE-listed shares which are not traded in RMB; and
- SZSE-listed shares which are included in the "risk alert board".

At the initial stage of the Northbound Shenzhen Trading Link, investors eligible to trade shares that are listed on the ChiNext Board of SZSE under the Northbound Shenzhen Trading Link will be limited to institutional professional investors as defined in the relevant Hong Kong rules and regulations.

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

Trading quota

Trading under the Stock Connects will be subject to a daily quota.

Settlement and custody

The China A-Shares traded through Stock Connects are issued in scripless form, so investors will not hold any physical China A-Shares. Hong Kong and overseas investors who have acquired SSE Securities and SZSE Securities should maintain the SSE Securities and SZSE Securities with their brokers' or custodians' stock accounts with CCASS (the Central Clearing and Settlement System operated by HKSCC for the clearing securities listed or traded on the Hong Kong Stock Exchange).

Investor compensation

The Sub-Fund's investment in China A-Shares via the Stock Connects will neither be covered by Hong Kong's Investor Compensation Fund nor the China Securities Investor Protection Fund (中國投資者保護基金) in the PRC.

Further information about the Stock Connects is available online at the website: http://www.hkex.com.hk/chinaconnect

EXPENSES AND CHARGES

The subscription fee, conversion fee, management fee, trustee fee and custody fee may be increased up to the specified permitted maximum level under the Trust Deed by providing not less than one month's prior notice to Unitholders.

Subscription Fee

Unitholders may pay a subscription fee of up to 5% of the total subscription money received for by the investor or Unitholder. Investors should confirm the current subscription fee with their distributors.

No subscription fee is payable in respect of subscription for Class I HKD Units and Class I RMB Units.

Redemption Fee

Unitholders will not pay a redemption fee to redeem Units in the Sub-Fund.

Conversion Fee

Unitholder wishing to convert its Units into a New Class may pay a conversion fee of up to 1% (current level at 1%) of the total redemption proceeds of a Current Class. Investor should confirm the current conversion fee with their distributors. Subject to the maximum 1%, the Manager may change the conversion fee. No subscription fees payable upon subscription for Units in a New Class and no redemption fees will be charged upon redeeming Units from a Current Class into a New Class in the case of a conversion.

Management Fee

The Manager will be paid a management fee by the Sub-Fund up to 1.75% per annum (current level at 1.75% per annum for Class A HKD Units and Class A RMB Units and 1.0% per annum for Class I HKD Units and Class I RMB Units) of the Net Asset Value of each class of Units of the Sub-Fund calculated on a daily basis and accrued as at the relevant Valuation Point and payable monthly in arrears in relation to Units.

Where the Sub-Fund invests in funds which are managed by the Manager or its connected persons (the "**underlying funds**"), the Manager will procure that either the Sub-Fund or the underlying fund(s) will not charge any management fee in order to ensure no double-charging of management fees.

Trustee Fee

The Trustee is entitled to receive from the Sub-Fund, an annual fee of up to 0.5% (current level up to 0.15% per annum) of the Net Asset Value of the Sub-Fund as at the relevant Valuation Point and subject to a minimum monthly fee of HKD40,000 in relation to the Sub-Fund. This fee will be calculated and accrued on each Valuation Day and be paid monthly in arrears. The trustee fee described above represent the current fee rates applicable to the Sub-Fund (which includes the registrar fee) and does not include the fees payable for the services of any custodians appointed by the Trustee.

In addition, the Trustee has received a one-time establishment fee of HKD20,000 in respect of the Sub-Fund. The Trustee is also entitled to receive transaction, processing and valuation fees and be paid or reimbursed for other applicable fees or expenses as agreed with the Manager.

Since the Trustee also acts as the Registrar of the Sub-Fund, the trustee fee (which already covers the registrar fee) may be changed by agreement in writing between the Manager and the Trustee. The Manager will give Unitholders at least one month's prior notice before proposing to increase the trustee fee from the current level to the maximum level as stated in the Trust Deed.

Custodian Fee

The appointed Custodian is entitled to recover from the Sub-Fund all out-of-pocket expenses, including telephone, photocopying and courier fees incurred in the performance of its duties in connection with the Sub-Fund. Pursuant to the fee letter entered into between the Manager, Trustee and the Custodian, the Custodian is entitled to (among others) transaction charges at customary market rates and custody fees at different rates, largely depending on the investment instruments concerned as well as the markets where the Custodian is required to hold the Sub-Fund's assets. Annual custody fees of up to 0.10% per annum (current level up to 0.06% per annum) may be charged by the Custodian. Such fees and charges will be calculated monthly and will be paid monthly in arrears. The Custodian will also be entitled to reimbursement by the Sub-Fund for any out-of-pocket expenses incurred in the course of its duties.

The Trust Deed provides that Unitholders must approve by means of Extraordinary Resolution any increase of: (i) the management fee beyond the maximum level stated in the Trust Deed; and/or (ii) the trustee fee beyond the maximum level stated in the Trust Deed. Investors should note that at present there is no intention to increase these fees.

Establishment Costs

The costs of establishment of the Sub-Fund were approximately HKD420,000 and have been charged to the accounts of the Sub-Fund. The Manager has amortised the establishment expenses of the Sub-Fund over the first five accounting periods of the Sub-Fund (or such other period as determined by the Manager after consultation with the auditor to the Sub-Fund).

Ongoing Charges

It is the Manager's current intention to cap the ongoing charges of each class of Units of the Sub-Fund at 2.50% of the average Net Asset Value of the relevant class of Units of the Sub-Fund; any ongoing charges in excess of such figure will be borne by the Manager. The Manager has an absolute discretion to set the ongoing charges cap in respect of the relevant class of Units of the Sub-Fund at a rate below 2.50% of the average Net Asset Value of the relevant class of Units and no notice will be given to affected Unitholders. The Manager may increase the ongoing charges cap of 2.50% of the average Net Asset Value of the relevant class of Units of the Sub-Fund subject to the SFC's prior approval (if required) and on giving not less than one month's notice of such increase (or such other notice as may be approved by the SFC) to relevant Unitholders.

SUBSCRIPTION DETAILS

To apply for Units in the Sub-Fund, the minimum subscription, Minimum Holding and minimum subsequent subscription applicable to the different Classes of Units are as follows:

Class	Minimum Subscription	Minimum Holding	Minimum Subsequent Subscription
Class A HKD Units	HKD10,000	HKD10,000	HKD10,000
Class A RMB Units	RMB10,000	RMB10,000	RMB10,000
Class I HKD Units	HKD5,000,000	HKD5,000,000	HKD1,000,000
Class I RMB Units	RMB5,000,000	RMB 5,000,000	RMB 1,000,000

Class R RMB Units will be offered to investors in Mainland China only for subscription after the Sub-Fund obtains the approval of the CSRC for distribution in Mainland China under the Mainland-Hong Kong Mutual Recognition of Funds initiative and will not be offered in Hong Kong. Investors in Mainland China should refer to the supplementary offering document of the Sub-Fund distributed in Mainland China for details in relation Class R RMB Units.

Except as otherwise provided, Units in the Sub-Fund will be issued on the relevant Dealing Day for applications, together with cleared application monies received by the Trustee (via the Manager or its distributors) prior to 5:00 p.m. (Hong Kong time) on the relevant Dealing Day. Investors should confirm the relevant cut-off times with their distributors.

For details regarding the procedure for the subscriptions, please refer to the section headed "**Purchase of Units**" in the Explanatory Memorandum.

SUBSCRIPTION OF UNITS

The Trustee issues Units at the direction of the Manager who has the exclusive right to offer and issue Units and the Manager (upon consultation with the Trustee) has sole discretion to accept or reject any subscription for Units.

Applications for subscription of Units may be made on each Dealing Day at the Net Asset Value per Unit of the Sub-Fund published daily in Hong Kong in the South China Morning Post, in the Hong Kong Economic Times and/or any other newspapers the Manager may determine and notify the Unitholders. The prices will be expressed exclusive of any subscription fee or redemption fee which may be payable on subscription or redemption.

Applications for subscription of Units (either by hand, facsimile, electronic mail, mail or courier) must be forwarded to, and received by, the Trustee (via the Manager or its distributors) by no later than the Dealing Deadline. Applications received after this deadline will be processed for subscription on the next Dealing Day.

The Subscription Price on any Dealing Day is the price per Unit ascertained by dividing the Net Asset Value of the Sub-Fund as at the Valuation Point in respect of the relevant Dealing Day by the number of Units in issue rounded to the nearest four decimal places (with 0.00005 being rounded up) or in such manner and to any other number of decimal places the Manager may determine after consulting the Trustee and such amount of fiscal and purchase charges determined by the Manager.

The subscription amount payable for the number of Unit subscribed by an applicant, in respect of any Dealing Day, is due and payable to the Trustee (via the Manager or its distributors) no later than the Dealing Deadline, which is 5:00 pm (Hong Kong time) on the relevant Dealing Day.

The Trustee will send a contract note confirming to each applicant no later than two Business Days after the availability of the price per Unit, as is applicable, and as to whether the applicant's application for Units has been successful, either in whole or in part.

Minimum Subscription and Minimum Subsequent Subscription

The minimum subscription and minimum subsequent subscription per investor for each Class of Unit is set out above.

The Manager has sole discretion to determine the number of applications for Units that will be accepted and whether to accept applications from any applicant for less than the minimum subscription amount or minimum subsequent subscription amount.

Confirmation of Subscription

If the relevant application form and/or subscription monies is/are not received by the times stated above, the application will be held over to the next Dealing Day and Units will be issued at the relevant Subscription Price on that Dealing Day.

The Manager reserves the right to reject any application in whole or in part at its sole discretion, in which event the amount paid on application or the balance thereof (as the case may be) will be returned (without interest) as soon as practicable in the same currency paid on application at the risk and cost of the applicant.

Applications for Units will not be dealt with and Units will not be issued until receipt of confirmation that an applicant's funds have been cleared in full. Units are deemed to be issued on the relevant Dealing

Day. Notwithstanding the above, the Sub-Fund may rely upon application orders received and may issue Units to investors according to such orders and invest the expected application amounts. If payment of funds is not cleared within 4 Business Day (or such period as the Manager may permit which may not exceed 14 days and notify the relevant applicant at the time of receipt of the application), the Manager reserves the right to cancel the transaction. In such circumstances, the Manager and/or the Trustee may charge a cancellation fee to represent administrative costs incurred in processing an application and may require the defaulting applicant to pay compensation for any loss directly or indirectly resulting from the failure by the applicant to make good settlement by the settlement date. Such charge may include, but is not limited to, the difference between the prices at issue and at cancellation of the Units concerned.

REDEMPTION OF UNITS

The procedures regarding the redemption of Units are described under the section headed "**Redemption of Units**" in the Explanatory Memorandum.

For any redemption to be dealt with on a particular Dealing Day, the Trustee (via the Manager or its distributors) must receive a redemption request (either by hand, facsimile, electronic mail, mail or courier) before the Dealing Deadline. Investors should confirm the relevant cut-off times with their distributors. Redemption requests received after such time will be deemed to have been received on the next Dealing Day and will be dealt with accordingly. Unless the Manager in any particular case or generally otherwise agrees, a Unitholder may not redeem any Units of a Class in amounts of less than the following:

Class	**Minimum Redemption**
Class A HKD Units	HKD10,000
Class A RMB Units	RMB10,000
Class I HKD Units	HKD100,000
Class I RMB Units	RMB100,000

The Redemption Price for a Class of Units on any Dealing Day is the price per Unit of such Class ascertained by dividing the Net Asset Value of the Sub-Fund of such Class as at the Valuation Point in respect of the Dealing Day by the number of Units of such Class in issue, rounded to the nearest four decimal places (with 0.00005 being rounded up) or in such manner and to any other number of decimal places the Manager may determine after consulting the Trustee.

Unitholders may redeem their Units on any Dealing Day in whole or in part but the Manager may refuse a request for a partial redemption resulting in the Unitholder's holding in the Sub-Fund falling below the Minimum Holding of a particular Class of Units, and in such a situation, the Manager may require the Unitholder to redeem all its Units in such Class. The Trustee will send a contract note to each redeeming Unitholder no later than two Business Days after the availability of the price per Unit.

With respect to properly documented redemption requests received by the Trustee before the declaration of a suspension, redemption proceeds will normally be paid in the currency of the relevant Class within a period of five Business Days from the relevant Dealing Day. Under extreme market conditions, payment of investors' redemption proceeds may be delayed, but in any event redemption proceeds will be paid within one calendar month from the day on which the Trustee has received a properly documented redemption request.

Following the Manager's exercise of its powers described in the section headed "**Suspension of Calculation of Net Asset Value**", there will be a delay in the payment of redemption proceeds reflecting the period during which the Manager declared a suspension of the determination of Net Asset Value of the Sub-Fund with respect to any redemption requests received after the declaration of suspension. Any redemption money unclaimed after six years from the date of payment shall become part of the assets of the Sub-Fund.

All bank charges and costs incurred in the payment of the redemption proceeds to the Unitholder will be borne by the relevant Unitholder and deducted from the redemption proceeds. Any risks arising from delay in clearance of funds by banks will be borne by the relevant Unitholder.

No payments will be made to a person other than the registered Unitholder.

CONVERSION OF UNITS

Subject to the consent of the Manager, Unitholders have the right (subject to any suspension in the determination of the Net Asset Value of the Sub-Fund) to convert all or part of their Units of any class in the Sub-Fund into Units of any other class in the Sub-Fund or another sub-fund of the Fund by giving notice in writing or by facsimile to the Trustee (via the Manager or its distributors) before the Dealing Deadline.

Any requests to convert all or part of the Units of any class in the Sub-Fund into Units of another sub-fund of the Fund received by the Trustee (via the Manager or its distributors) after 4:00 pm (Hong Kong time) (in the case of a sub-fund of the Fund other than ChinaAMC Select Asia Bond Fund) or after the Dealing Deadline (in the case of ChinaAMC Select Asia Bond Fund) on a particular Dealing Day will be deemed to have been received on the next Dealing Day and will be dealt with accordingly. Investors should confirm the relevant cut-off times with their distributors.

General

Fractions of Units of the Sub-Fund may be issued rounded to the nearest four decimal places (with 0.00005 being rounded up).

VALUATION

The Net Asset Value is calculated by determining the value of the assets attributable to the Sub-Fund, including accrued income, and deducting all its liabilities. The resultant sum is divided by the total number of Units in issue at that time to give the Net Asset Value per Unit and adjusting the resultant sum to the nearest four decimal places (with 0.00005 being rounded up).

DISTRIBUTIONS

Unless the Manager otherwise determines, the Sub-Fund does not intend to pay any distributions or dividends, but intends to reinvest all of the Sub-Fund's income and gains. Any change in the distribution policy will be subject to the SFC's prior approval and not less than one month's prior notice will be given to the relevant Unitholders.

FINANCIAL REPORTS

The Sub-Fund's financial year end is 31 December in each year.

RISK FACTORS

Please refer to the following risk factors in relation to an investment in the Sub-Fund.

The Sub-Fund may be affected by the following risks, among others:

Risks relating to Equity Securities

Investment in equity securities is subject to general market risks and the prices of such securities may fluctuate. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, regional or global economic instability, currency and interest rate fluctuations and issuer-specific factors. If the market value of equity securities in which the Sub-Fund invests in goes down, the New Asset Value of the Sub-Fund may be adversely affected, and investors may suffer substantial losses.

Risk relating to Companies with Small or Medium Market Capitalization

The Sub-Fund may also invest in companies of any market capitalization including but not limited to companies with small or medium market capitalization. The stocks of companies with small or medium market capitalization may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger market capitalization companies in general.

Risk associated with the Stock Connect

The Stock Connect is a programme novel in nature. Investment in China A-Shares by the Sub-Fund via the Stock Connect may expose the Sub-Fund to the following additional risks:

Quota limitations - The Stock Connect is subject to quota limitations. Once the 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 Sub-Fund's ability to invest in China A-Shares through the relevant Stock Connect on a timely basis in order to pursue its investment strategies effectively.

Differences in trading day – The Stock Connect only operates on days when both 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 Mainland China market but Hong Kong investors (such as the Sub-Funds) cannot carry out any China A-Shares trading. The Sub-Fund may be subject to a risk of price fluctuations in China A-Shares during the time when the Stock Connect is not trading as a result.

Suspension risk - Each of the Hong Kong Stock Exchange, SSE and SZSE may suspend Northbound and/or Southbound trading in light of the market situation, subject to prior consent from the relevant regulators. Where a suspension in the Northbound trading through the Stock Connects is effected, the Sub-Fund's ability to access the PRC market will be adversely affected.

Operational risk - The Stock Connects provide a new channel for investors from Hong Kong and overseas to access the 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.

It should be appreciated that the securities regimes and legal systems of the two markets differ significantly and in order for the trial programme to operate, 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 Hong Kong Stock Exchange and exchange participants (i.e. a new order routing system ("China Stock Connect System") to be set up by the Hong Kong Stock Exchange to which exchange participants need to connect). There is no assurance that the systems of the Hong Kong Stock Exchange 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 Sub-Fund's ability to access the China A-Shares market (and hence to pursue its investment strategy) will be adversely affected.

Restrictions on selling imposed by front-end monitoring - PRC regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise SSE or SZSE will reject the sell order concerned. The Hong Kong Stock Exchange will carry out pre-trade checking on China A-Shares sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

If the Sub-Fund desires to sell certain China A-Shares it holds, it must transfer those China A-Shares to the respective accounts of its brokers before the market opens on the day of selling ("trading day"). If it fails to meet this deadline, it will not be able to sell those shares on the trading day. Because of this requirement, the Sub-Fund may not be able to dispose of holdings of China A-Shares in a timely manner.

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 Sub-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 will establish the clearing links and each will become a participant of each other to facilitate clearing and settlement of cross-boundary trades. For crossboundary 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 ChinaClear's liquidation. In that event, the Sub-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. Hong Kong and overseas investors (including the Sub-Fund) 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 as short as one business day only. Therefore, the Sub-Fund may not be able to participate in some corporate actions in a timely manner.

Hong Kong and overseas investors (including the Sub-Fund) are holding SSE Securities and SZSE Securities traded via the Stock Connects through their brokers or custodians. According to existing mainland China practice, multiple proxies are not available. Therefore, the Sub-Fund may not be able to appoint proxies to attend or participate in shareholders' meetings in respect of the SSE Securities and SZSE Securities.

No Protection by Investor Compensation Fund - Investment through the Stock Connects are conducted through broker(s), and is subject to the risks of default by such brokers' in their obligations. As disclosed in the section under the heading "Stock Connect" , the Sub-Fund's investments through Northbound trading under the Stock Connect are not covered by the Hong Kong's Investor Compensation Fund or the China Securities Investor Protection Fund. Therefore, the Sub-Fund is exposed to the risks of default of the broker(s) it engages in its trading in China A-Shares through the programme.

Regulatory risk - The Stock Connect is novel in nature, and will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC 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. Moreover, the current regulations are subject to change which may have potential retrospective effects. There can be no assurance that the Stock Connects will not be abolished.

The Sub-Fund, which may invest in the PRC markets through the Stock Connects, may be adversely affected as a result of such changes.

Beneficial ownership of China A-Shares through the Stock Connect – The SSE Securities and SZSE Securities are held by the Custodian / sub-custodian in accounts in the CCASS maintained by the HKSCC as central securities depositary in Hong Kong. HKSCC in turn holds the SSE Securities and SZSE Securities, as the nominee holder, through an omnibus securities account in its name registered with ChinaClear for the Stock Connect, notwithstanding that, under the Northbound trading investor identification model, the Sub-Fund is required to be assigned a unique number in a standard format and that the HKEx will forward to the SSE and SZSE client identification data in respect of the Sub-Fund from exchange participants that offer Northbound trading services. The precise nature and rights of the Sub-Fund as the beneficial owner of the SSE Securities and SZSE Securities through HKSCC as nominee holder is not well defined under Mainland China law. There is a lack of a clear definition of, and distinction between, "legal ownership" and "beneficial ownership" under Mainland China law and there have been few cases involving a nominee account structure in Mainland China courts. Therefore the exact nature and methods of enforcement of the rights and interests of the Sub-Fund under Mainland China law is uncertain. Because of this uncertainty, in the unlikely event that HKSCC becomes subject to winding up proceedings in Hong Kong it is not clear if the SSE Securities and SZSE Securities will be regarded as held for the beneficial ownership of the Sub-Fund or as part of the general assets of HKSCC available for general distribution to its creditors.

Concentration Risk

The Sub-Fund will focus its investments on China-Related Companies and such investments will increase the Sub-Fund's vulnerability to the economic, political or regulatory or tax developments of a single country such as China and is therefore subject to concentration risk. Also, the value of the Sub-Fund may be more volatile than a fund having a more diverse portfolio of investments, as the Sub-Fund is more susceptible to fluctuations in value resulting from unfavourable performance of China-Related Companies that the Sub-Fund invests in.

In general, the value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the markets in which the Sub-Fund invests.

Debt Instruments Risks

The Sub-Fund will invest in debt instruments. Debt instruments, such as notes and bonds, are subject to liquidity risk, credit risk, interest rate risk, credit rating risk, valuation risk, and downgrade risk.

Volatility and Liquidity Risk

Not all securities, such as debt securities held by the Sub-Fund are listed or actively traded. The debt securities in such markets may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations. Certain securities may be difficult or impossible to sell, and this would affect the Sub-Fund's ability to dispose of such securities at their fair price in times of adverse market conditions.

The price at which the fixed income securities are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates. Further, the bid and offer spreads of the price of fixed income securities in which the Sub-Fund invests may be large, and hence, the Sub-Fund may incur significant trading and realisation costs and losses may be suffered.

Credit Risk

Credit risk (sometimes known as issuer default risk) is the possibility that an issuer of an instrument will be unable or unwilling to make interest payments or repay principal when due, or to otherwise honour its obligations. The Sub-Fund is exposed to the credit/ default risk of issuers of debt instruments, fixed income instruments and deposits that the Sub-Fund may invest in. The debt instruments that the Sub-Fund invests in are typically unsecured debt obligations and are not supported by any collateral. The Sub-Fund will be fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

An issuer suffering an adverse change in its financial condition or future prospects could lower the credit quality of a security thereby increasing its credit risk, leading to greater price volatility of the security. This may have adverse effects on the value of a Sub-Fund's investments. If the Sub-Fund invests in lower rated debt instruments, greater risks will be assumed because of generally lower creditworthiness, liquidity, greater fluctuation in value and higher chance of default than higher investment rated debt instruments.

Interest Rate Risk

Investment in the Sub-Fund is subject to interest rate risk. There is a general inverse relationship between interest rate and price of debt instruments. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt instruments.

Changes in interest rates may affect the value of a security as well as the financial markets in general. Fixed income securities (such as bonds) are more susceptible to fluctuation in interest rates and may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes. If the debt securities held by the Sub-Fund fall in value, the Sub-Fund's value will also be adversely affected. On the other hand, shorter term debt securities are less sensitive to interest rate changes than longer term debt securities. However, this also means that shorter term debt securities usually offer lower yields.

Credit Rating Risk

Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the securities and/or the issuers at all times. Ratings assigned by a rating agency are not absolute standards of credit quality and do not evaluate market risks. Rating agencies may fail to make timely changes in credit ratings and an issuer's current financial condition may be better or worse than a rating indicates. The rating of an issuer is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is often a time lag in updating the credit ratings in response to recent credit events.

To the extent that the Sub-Fund invests in higher yield debt instruments, the Sub-Fund's success in achieving its investment objective may depend more heavily on the Manager's creditworthiness analysis than if the Sub-Fund invested exclusively in higher-quality and better rated securities.

Valuation Risk

Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuation turns out to be incorrect, this may affect the calculation of the Net Asset Value of the Sub-Fund.

The risk of mispricing or improper valuation and possibility that the debt instruments do not always perfectly track the value of securities they are designed to track can result in increased payments to counterparties or a loss in the value of the Sub-Fund. In the event of changing market conditions or other significant events, positive or negative impact could be larger.

Downgrade Risk

Downgrade risk is the risk that the credit rating of an issuer or a debt instrument may subsequently be downgraded or even fall below investment grade due to changes in the financial strength of an issuer or changes in the credit rating of a debt instrument. Downgraded securities, and securities issued by issuers whose ratings may be downgraded, may be subject to higher risks, as they could be subject to higher volatility, liquidity and credit risk. In the event of downgrading in the credit ratings of a debt instrument or an issuer relating to a debt, the Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not be able to dispose of the debt instruments that are being downgraded. The Sub-Fund may continue to hold such investment, and higher risks may result. Unitholders may suffer substantial loss of their investments in the Sub-Fund.

Sovereign Debt Risk

Investment in sovereign debt obligations issued or guaranteed by governments or their agencies of certain developing countries and certain developed countries involves a higher degree of political, social and economic risks. A government entity's willingness or ability to repay principal and interest due in a timely manner may be affected by various factors. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the Sub-Fund to participate in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

Risk associated with Fixed Income and Debt Instruments Rated Below Investment Grade or Unrated

The Sub-Fund may invest in fixed income and debt instruments which are below investment grade or which are unrated. Investors should note that such fixed income and debt instruments are generally subject to lower liquidity, higher volatility, higher credit risk and greater risk of loss of principal and interest than more highly-rated debt instruments. If the issuer of securities defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. The market for these securities may be less active, making it more difficult to sell the securities. Valuation of these securities is more difficult and thus the relevant Sub-Fund's prices may be more volatile.

In particular, the value of lower-rated or unrated corporate bonds is affected by investors' perceptions. When economic conditions appear to be deteriorating, lower rated or unrated corporate bonds may decline in market value due to investors' heightened concerns and perceptions over credit quality.

Risk of Investing in Convertible Bonds

Convertible bonds are a hybrid between debt and equity, permitting holders to convert into shares in the company issuing the bond at a specified future date. As such, convertibles will be exposed to equity movement and greater volatility than straight bond investments. Investments in convertible bonds are subject to the same interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable straight bond investments. The prices of convertible bonds will be affected by the changes in the price of the underlying equity securities which in turn, may have an unfavourable impact on the Net Asset Value of the Sub-Fund.

Mainland China Market Risk

The Sub-Fund may invest in Mainland China markets via indirect means. Investing in Mainland China markets involves certain risks and special considerations not typically associated with investment in more developed economies or markets, such as certain political, tax, economic, currency control, foreign exchange, liquidity, settltement, custody, legal and regulatory risks and the likelihood of a high degree of volatility. Market volatility and potential lack of liquidity in Mainland China debt and equity markets may result in prices of securities traded on such markets fluctuating significantly, and may result in substantial volatility in the Net Asset Value of the Sub-Fund. Also, Chinese accounting standards and practices for investment instruments including debt and equity securities may deviate significantly from international accounting standards. Currently, Mainland China entities are undergoing reform with the intention of increasing liquidity of debt and equity instruments. However, the effects of such reform on the Mainland China debt and equity market as a whole remain to be seen.

Investment Risk

The Sub-Fund mainly invests in equity securities and these securities may fall in value. Investors may suffer losses as a result. The Sub-Fund is not principal guaranteed and the purchase of its Units is not the same as investing directly in equity securities.

The Sub-Fund also invests in fixed income securities and these securities may fall in value. Investors may suffer losses as a result. The Sub-Fund is not principal guaranteed and the purchase of its Units is not the same as investing directly in fixed income securities or placing HKD funds on deposit with a bank.

Foreign Currency Risk

Certain underlying investments acquired by the Sub-Fund may be denominated in currencies (such as RMB) other than the Base Currency. Also, certain Classes of Units may be designated in a currency other than the Base Currency. The Net Asset Value of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the Base Currency and by changes in exchange rate controls. Changes in currency exchange rates may influence the value of certain Classes of Units in the Sub-Fund, certain investments acquired by the Sub-Fund, the dividends or interest earned and the gains and losses realised. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions.

Risks associated with RMB Classes of Units

(a) RMB currency risk

Starting from 2005, the exchange rate of the RMB is no longer pegged to the US dollar. The RMB has now moved to a managed floating exchange rate based on market supply and demand with reference to a basket of foreign currencies. The daily trading price of the RMB against other major currencies in the inter-bank foreign exchange market would be allowed to float within a narrow band around the central parity published by the People's Bank of China. As the exchange rates are based primarily on market forces, the exchange rates for RMB against other currencies, including Hong Kong dollars, are susceptible to movements based on external factors.

RMB is currently not a freely convertible and is subject to foreign exchange controls and restrictions of the Chinese government. The Chinese government's policies on exchange control and repatriation restrictions are subject to change and the investors' investment in the RMB Class of Units may be adversely affected.

The possibility that the appreciation of RMB will be accelerated cannot be excluded. On the other hand, non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investor's base currencies (for example HKD) will not depreciate. Any depreciation of the RMB could adversely affect the value of investors' investments in the RMB Classes of Units.

Under the current regulations, the rate at which RMB may be exchanged outside Mainland China (in the case of Hong Kong, the "CNH" rate) may be different from the exchange rate within Mainland China (the "CNY" rate) and such divergence may increase due to supply and demand. When calculating the value of the RMB Classes of Units, reference to the CNH rate rather than the CNY rate will be made and the value of the RMB Classes of Units thus calculated will be affected by fluctuations in the CNH rate. Although CNH and CNY represent the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

In respect of the RMB Classes of Units, where RMB depreciates against currencies of the non-RMB denominated underlying investments of the Sub-Fund, (i) investors may still suffer losses even if there are gains or no losses in the value of the non-RMB-denominated underlying investments; or (ii) investors may suffer additional losses if the non-RMB-denominated underlying investments of the Sub-Fund fall in value.

(b) Currency conversion risk for RMB Class of Units

While the Sub-Fund is denominated in another currency, the Sub-Fund may offer RMB denominated Class of Units.

Non RMB-based investors (e.g. Hong Kong investors) are exposed to foreign exchange risk. If investors are non RMB-based (e.g. Hong Kong) investors and convert other currencies into RMB so as to invest in the RMB Classes of Units and subsequently convert the RMB redemption proceeds back into other currencies, they may incur currency conversion costs and may suffer a loss as a result of foreign exchange risk.

The PRC government's imposition of restrictions on the repatriation of RMB out of Mainland China may limit the depth of the RMB market outside Mainland China and make it impossible for the Sub-Fund to hold sufficient amounts of RMB outside Mainland China to meet redemption requests in RMB.

Due to the exchange controls and restrictions applicable to RMB, the Sub-Fund may not be able to get sufficient amounts of RMB in a timely manner to meet redemption requests of the RMB Classes of Units as a substantial portion of its underlying investments are non-RMB denominated.

Under exceptional circumstances, there is a risk that payment of investors' redemption proceeds and/or dividend payment, if any, in RMB may be delayed due to exchange controls and restrictions applicable to RMB. Alternatively, the Manager may pay redemption proceeds and/or dividend payment in HKD under such circumstances.

Risk of Investing in Other Funds

The Sub-Fund may invest in RQFII Funds or other funds which may or may not be authorized by the SFC. In addition to the Expenses and Charges charged by the Sub-Fund, investor should note that there may be additional costs involved when investing into these underlying funds, including fees and expenses charged by investment manager of these underlying funds as well as fees payable by the Sub-Fund during its subscription to or redemption from these underlying funds. Furthermore, there can be no assurance that 1) the liquidity of the underlying funds will always be sufficient to meet redemption request as and when made; and 2) investment objective and strategy of the underlying funds will be successfully achieved despite the due diligence procedures undertaken by the Manager in the selection and monitoring of the underlying funds. If the Sub-Fund invests in an underlying fund managed by the Manager or Connected Person of the Manager, potential conflict of interest may arise. The Manager will have regards to its obligations to the Sub-Fund and will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section headed "Conflicts of Interest" for details under the circumstances.

Risks relating to Investment in ETFs Generally

The Sub-Fund may invest in ETFs and are subject to the following risks -

- *Passive investment risks*

  The ETF that the Sub-Fund invests in may not be "actively managed" and the manager of the relevant ETF does not attempt to select securities individually or to take defensive positions in declining markets due to the inherent investment nature of that ETF. Consequently, falls in the underlying index of the ETF are expected to result in a corresponding fall in the value of the Sub-Fund.

- *Tracking error risks*

  Factors such as fees and expenses of an ETF, the investment strategy used, imperfect correlation between the ETF's assets and the underlying securities within the relevant tracking index, rounding of share prices and adjustments to the tracking index may affect the ability of the manager of an ETF to achieve close correlation with the tracking index for the relevant ETF, although the manager of the relevant ETF is expected to monitor and seek to minimise tracking error. An ETF's returns may therefore deviate from that of its tracking index and as such, there can be no assurance of exact or identical replication at any time of the performance of the tracking index.

- *Underlying index related risks*

  There is no guarantee that the ETF will achieve a high degree of correlation to its underlying index and therefore achieve its investment objective. Market disruptions and regulatory restrictions could have an adverse effect on the ETF's ability to adjust its exposure to the required levels in order to track the underlying index. Errors in index data may occur from time to time and may not be identified and corrected for a period of time, and may have an adverse impact on the ETF and the Sub-Fund.

The securities that constitute the underlying index are changed by the index provider from time to time. Where the underlying index is rebalanced, any transaction costs arising from the ETF corresponding rebalancing will be borne by the ETF.

- *Trading risks*

  The trading prices of units/shares in an ETF may differ significantly from the net asset value of the units/shares of such ETF due to, disruptions to creations and realisations (for example, as a result of imposition of capital controls by a foreign government) and market factors such as supply and demand forces in the secondary trading market for units/shares in the ETF.

  As the Sub-Fund will pay certain charges (e.g. trading fees and brokerage fees) to buy or sell units on the The Stock Exchange of Hong Kong Limited (SEHK), the Sub-Fund may pay more than the Net Asset Value per unit when buying units on the SEHK, and may receive less than the Net Asset Value per unit when selling units on the SEHK.

  There can be no assurance that an active trading market will exist or maintain for units /shares of an ETF on any securities exchange on which units/shares of an ETF may trade. The units/shares of the ETFs in which the Sub-Fund invests may be traded at large discounts or premiums to their net asset value, which may in turn affect the Net Asset Value of the Sub-Fund.

- *Regulatory Policies Risks*

  Regulatory policies may affect the ability of the manager of an ETF to achieve close correlation with the tracking index for the relevant ETF. An ETF's returns may therefore deviate from that of its tracking index.

Risks relating to RQFII Funds

The Sub-Fund may invest in Mainland China domestic securities market indirectly through RQFII Funds which may be subject to the following risks -

(a) RMB Currency Risk

RQFII Funds primarily invest in Mainland securities that are denominated in RMB. RMB is not a freely convertible currency and is subject to foreign exchange control policies and restrictions. There is no guarantee that RMB will not depreciate in future. The base currency of the Sub-Fund is HKD. Therefore, if the Sub-Fund invests in interests of the RQFII Funds denominated in RMB, it will be exposed to fluctuations in the RMB exchange rate compared against the base currency of the Sub-Fund. If investors convert Hong Kong dollar or any other currency into RMB so as to invest in the RQFII Funds and subsequently convert the RMB redemption proceeds back into Hong Kong dollar or any other currency, they may suffer a loss if RMB depreciates against Hong Kong dollar or such other currency.

(b) RQFII Regime Risk

RQFII Funds is subject to the RQFII regime governed by rules and regulations as promulgated by the Chinese authorities, i.e., the CSRC, the State Administration of Foreign Exchange ("**SAFE**") and the People's Bank of China ("**PBOC**"). Investors should note that RQFII status could be suspended or revoked, which may have an adverse effect on the RQFII Funds' performance as the RQFII Funds may be required to dispose of its securities holdings.

In addition, certain restrictions imposed by the Chinese government on RQFIIs may have an adverse effect on the RQFII Funds' liquidity and performance. The SAFE regulates and monitors the repatriation of funds out of Mainland China by the RQFII pursuant to the RQFII Measures. Repatriations by RQFIIs in respect of an open-ended RQFII Fund conducted in RMB are currently not subject to repatriation restrictions or prior approval. There is no assurance, however, that PRC 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 RQFII Funds' ability to meet redemption requests from the Sub-Fund. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the control of a RQFII Fund's manager.

Investors should note that there can be no assurance that a RQFII will continue to maintain its RQFII status or to make available its RQFII quota, or each of the RQFII Funds that the Sub-Fund invests in will be allocated a sufficient portion of RQFII quotas from a RQFII to meet all applications for subscription to the RQFII Funds, or that redemption requests can be processed in a timely manner due to repatriation restrictions or adverse changes in relevant laws or regulations. Such restrictions may respectively result in a rejection of applications and a suspension of dealings of the RQFII Funds. In extreme circumstances, the RQFII Funds may incur significant losses if there is insufficient RQFII quota allocated for the RQFII Funds to make investments, the approval of the RQFII is being revoked/terminated or otherwise invalidated as the RQFII Funds may be prohibited from trading of relevant securities and repatriation of their monies, or if any of the key operators or parties (including RQFII custodian/brokers) is bankrupt/in default and/or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities).
There can be no assurance that the RQFII laws, rules and regulations will not be abolished. The RQFII Fund's ability to make the relevant investments or to fully implement or pursue its investment objective and strategy is subject to the applicable laws, rules and regulations (including restrictions on investments and repatriation of principal and profits) in Mainland China, which are subject to change and such change may have potential retrospective effect.

(c) Risks relating to A-Share market via RQFII Funds

The Sub-Fund may have exposure to the A-Share market through investment in RQFII Funds. The existence of a liquid trading market for A-Shares may depend on whether there is supply of, and demand for, such A-Shares. The price at which securities may be purchased or sold by the RQFII Funds and the net asset value of the RQFII Funds may be adversely affected if trading markets for A-Shares are limited or absent. The A-Share market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention). Market volatility and settlement difficulties in the A-Share markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may affect the value of the RQFII Funds as well as the Net Asset Value of the Sub-Fund.

Securities exchanges in Mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. In particular, trading band limits are imposed by the stock exchanges in Mainland China on A-Shares, where trading in any 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 managers of RQFII Funds to liquidate positions and can thereby expose the RQFII Funds to significant losses. Further, when the suspension is subsequently lifted, it may not be possible for the managers of RQFII Funds to liquidate positions at a favourable price.

(d) Risks relating to RQFII Funds that are exchange traded funds ("RQFII ETFs")

Investment in RQFII ETFs is subject to RMB Currency Risk and RQFII Regime Risk set out above.

RQFII ETFs typically seek to track a particular A-Share market index by directly investing in the A-Shares constituting such market index using RQFII quota. As with other exchange traded funds, RQFII ETFs are subject to tracking error risks (i.e. the returns of a RQFII ETF may deviate from the performance of the index it is designed to track) due to a number of factors.

The Sub-Fund will trade units in RQFII ETFs on the stock exchange of Hong Kong (where trading prices are affected by market factors such as demand and supply). The trading days or hours of Mainland China and Hong Kong stock markets are not exactly the same and this may affect the RQFII ETFs' ability to track the market index. Further, any suspension due to a trading band limit in the Mainland stock markets may render it impossible for the RQFII ETFs to acquire certain index security, increasing the tracking error. These factors may result in the RQFII ETFs' units being traded at a substantial premium or discount to their net asset value.

RQFII ETFs are novel in nature and involve cross-border transfer of funds. They may be riskier than traditional exchange traded funds investing directly in markets other than Mainland China. The operation of RQFII ETFs depends heavily on the expertise and infrastructure of the RQFII ETF's manager (or its mainland parent company). There is no assurance that the RQFII ETFs will be operated as envisaged and the Sub-Fund may sustain a loss in its investment.

(e) Investment in Mainland China bond markets via RQFII Funds

The Sub-Fund may have exposure to the Mainland China bond markets through investment in RQFII Funds. The Mainland China bond markets (including the exchange and interbank bond markets) are in a stage of development and the volume of trading may be lower than more developed markets. Liquidity of the bonds will be lower in the absence of an active secondary market. RQFII Funds investing in such market are therefore subject to liquidity risks and may suffer losses in trading Mainland China bonds. The bid and offer spreads of the prices of the Mainland China bonds may be large, so significant trading and realisation costs may be incurred.

The Mainland China bond markets are also subject to regulatory risks. Due to irregularities in the interbank bond market trading activities, the China Government Securities Depository Trust & Clearing Co. (the central clearing entity) suspended new account opening on the interbank bond market for specific types of products. Although RQFII Funds that are mutual funds offered to the public were not affected, there is no assurance that future regulatory actions will not affect such funds. If accounts are suspended, or cannot be opened, the RQFII Funds' ability to invest in the interbank bond market will be limited and they may suffer substantial losses as a result.

(f) Mainland China Tax Risk

RQFII funds' investment in Mainland China market is subject to Mainland China tax liabilities.

The interpretation and applicability of existing Mainland China's tax laws may not be as consistent and transparent as those of more developed nations, and may vary from region to region. There is a possibility that the current tax laws, regulations, and practice in Mainland China may be changed with retrospective effect in the future. Moreover, there is no assurance that tax incentives currently offered to foreign companies, if any, will not be abolished and the existing tax laws and regulations will not be revised or amended in the future. Any of these changes may reduce the income from, and/or value of, the RQFII Funds.

There can be no guarantee that new tax laws, regulations, and practice in Mainland China that may be promulgated in the future will not adversely impact the tax exposure of the RQFII Funds.

In light of the legal and regulatory uncertainties, managers of the RQFII Funds may make provision for taxes or to deduct or to withhold an amount on account of taxes (which may be payable by the RQFII Funds to the Mainland China tax authorities in respect of its investments in the relevant Mainland securities) from assets of the RQFII Funds. Any provision for taxes made by the managers of the RQFII Funds may be more or less than the RQFII Funds' actual Mainland China tax liabilities. If the RQFII Funds do not set aside enough to meet these tax obligations, then the shortfall may be debited from the RQFII Funds' assets to meet the actual Mainland China tax liabilities. As a result, the income from, and/or the performance of the RQFII Funds may be reduced/adversely affected.

Counterparty Risk

The Manager intends that the counterparties with which it deals on behalf of the Sub-Fund shall have reasonable financial soundness at the time of entering into the relevant transaction. Counterparties are assessed based on the risk management policies that the counterparties' default risk should be both diversified and minimized, and that the counterparties' performance does not adversely impact the Unitholders. Only counterparties which professional reputations are of high calibre and who are members in good standing with their respective industry associations and regulatory bodies would be approved for use by the Manager.

Semi-annual review for the appropriateness of the approved counterparties is also performed to ensure that they continue to meet the aforesaid selection criteria.

However, in the event of bankruptcy or insolvency of any of its counterparties, the Sub-Fund may experience delays in liquidating its positions and may, thereby, incur significant losses (including declines in the value of its investment) or the inability to redeem any gains on investment during the period in which the Sub-Fund seeks to enforce its rights, and fees and expenses incurred in enforcing its rights.

There is also the possibility that such transactions will be terminated due, for instance, to counterparty bankruptcy, supervening illegality or a retrospective change in the tax or accounting laws relative to those applicable at the time the transaction was entered into.

Investment in debt securities will expose the Sub-Fund to counterparty default risks. Exchange traded debt securities may be subject to counterparty risk, although such risk is mitigated by a centralised clearing system.

Hedging Risk

The Sub-Fund may acquire financial derivatives instruments for hedging and 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 Sub-Fund. Derivative instruments may be illiquid and are complex in nature. In adverse situations, the Sub-Fund's use of derivatives for hedging may become ineffective and the Sub-Fund may suffer significant losses. The price of a derivative instrument can be very volatile which may result in losses in excess of the amount invested in the derivative instruments by the Sub-Fund. A derivative instrument is subject to the risk that the counterparty of the instrument will not fulfil its obligations to the Sub-Fund, and this may result in losses to the Sub-Fund.

APPENDIX C

CHINAAMC SELECT HONG KONG CHINA OPPORTUNITIES FUND

DEFINITIONS

Save as provided below, the defined terms used in the Explanatory Memorandum have the same meaning in this **Appendix C**. In addition, the following expressions shall have the following meanings in this **Appendix C**:

"**Accounting Period**"	a 12-month period ending on 31 December of each calendar year, unless the Manager determines otherwise with the approval of the Trustee
"**Base Currency**"	HKD
"**Class A HKD Units**"	Units designated as Class A HKD Units and having the specific features as set out more particularly in this Appendix C
"**Class A RMB Units**"	Units designated as Class A RMB Units and having the specific features as set out more particularly in this Appendix C
"**Class I HKD Units**"	Units designated as Class I HKD Units and having the specific features as set out more particularly in this Appendix C
"**Class I RMB Units**"	Units designated as Class I RMB Units and having the specific features as set out more particularly in this Appendix C
"**Dealing Day**"	each Business Day in each calendar week
"**Dealing Deadline**"	4:00 p.m. (Hong Kong time) on the relevant Dealing Day
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"**Initial Offer Period**"	such period as the Manager may respectively determine for each of the Classes of Units of the Sub-Fund
"**Initial Offer Price**"	HKD10 for Class A HKD Units and Class I HKD Units; and RMB 10 for Class A RMB Units and Class I RMB Units
"**Sub-Fund**"	ChinaAMC Select Hong Kong China Opportunities Fund
"**Unit**"	a unit in the Sub-Fund
"**Valuation Day**"	each Dealing Day

INTRODUCTION

This **Appendix C** relates solely to ChinaAMC Select Hong Kong China Opportunities Fund.

INVESTMENT OBJECTIVE AND STRATEGY

Investment Objective

The Sub-Fund seeks to maximize capital growth by investing primarily (i.e. at least 70% of its net assets) in equity securities : which are (a) traded in Hong Kong dollars; (b) listed on the stock exchange of Hong Kong; and (c) China related ("**HK Equity Securities**").

The Sub-Fund will focus on investing in equities of China-related companies with registered offices located in Mainland China and/or Hong Kong, and/or China-related companies that do not have their registered offices in Mainland China or Hong Kong but either (a) carry out a predominant proportion of their business activities in Mainland China or Hong Kong, or (b) are holding companies which predominantly own companies with registered offices in Mainland China or Hong Kong.

The Sub-Fund may also invest up to 30% of its net assets in listed equity securities or equity related derivative instruments (including but not limited to participating notes, stock options and stock futures) issued by China-related companies which do not fulfil the criteria referred to in (a) or (b) in the second paragraph and are listed on the stock exchange in or outside Hong Kong.

The Sub-Fund may invest up to 30% of its net assets in fixed income securities issued and/or guaranteed by any single country (including its government or a public or local authority of such country) other than the PRC of any credit rating, of which not more than 10% of its net assets may be invested in such fixed income securities with a credit rating below investment grade.

The Sub-Fund may invest not more than 20% of its net assets in funds which are authorized by the SFC[5] and are eligible to invest directly in securities issued within Mainland China through qualified foreign institutional investors ("**QFII Funds**") or Renminbi qualified foreign institutional investors ("**RQFII Funds**"), in order to gain exposure to the PRC bond markets.

The Sub-Fund may invest up to 10% of its net assets in collective investment schemes which are not authorized by the SFC.

The Sub-Fund may have limited exposure to investments denominated in RMB.

The Sub-Fund may hold up to 30% of its net assets in cash, cash equivalent instruments, and short-term money market instruments (such as bank deposits, certificates of deposit, commercial paper, treasury bills and money market funds managed by a third party, the Manager, or its Connected Persons) on a temporary basis and for defensive purposes such as in times of extreme volatility of the markets or during severe adverse market conditions.

The Sub-Fund may invest in financial derivative instruments ("**FDIs**") for hedging or investment purposes to the extent permitted by the provisions set out under the section "Investment and Borrowing Restrictions" in the Explanatory Memorandum.

[5] SFC authorization is not a recommendation or endorsement of a product nor does it guarantee the commercial merits of a product or its performance. It does not mean the product is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

Principal Investment Strategies

In order to achieve the investment objective, the Sub-Fund may obtain exposure to China related listed equity securities through -

(a) direct investment of up to 100% of the Sub-Fund's net assets in HK Equity Securities;

(b) indirect investment in A-Shares and direct exposure to B-Shares which, in aggregate, account for no more than 20% of the Sub-Fund's net assets; or

(c) indirect investment of up to 10% of the Sub-Fund's net assets in HK Equity Securities or other listed equity securities relating to China such as investment funds or exchange traded funds (ETFs).

The Sub-Fund will not invest directly in A-Shares but may make indirect investment of up to 20% of the Sub-Fund's net assets in A-Shares by investing in (a) QFII Funds or RQFII Funds which are authorized by the SFC[6]; and/or (b) CAAPs (i.e. China A-Share access products being FDIs issued by a third party such as QFII ("**CAAP issuer**") which represents an obligation of the CAAP issuer to pay to the Sub-Fund an economic return equivalent to holding the underlying A-Shares and provide exposure to A-Shares in China) such as participatory notes. The Sub-Fund may invest not more than 10% of the Sub-Fund's net assets in CAAPs issued by any single CAAP Issuer. However, the Sub-Fund will not invest indirectly in B-Shares. The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to Unitholders should there be a change in the Sub-Fund's investment policy with respect to A-Shares and B-Shares.

The Manager currently does not intend to enter into any securities lending, repurchase or reverse repurchase transactions, other similar over-the-counter transactions, asset-backed securities or mortgage-backed securities in respect of the Sub-Fund. The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to Unitholders before the Manager engages in any such transactions.

The Sub-Fund will seek to rely on the professional judgment of the Manager in making decisions about the Sub-Fund's portfolio investments.Portfolio construction is based on the Manager's fundamental view of the equity markets and debt markets.

The Manager will primarily employ a top-down approach combined with a mix of qualitative and quantitative analysis in determining the asset allocation of the Sub-Fund among the different types of asset classes (including equities, bonds and cash).

The Manager aims to invest in companies which have strong earnings and growth prospects, demonstrate capability in profit generation, possess proven experience in management and provide good valuation.

For the purpose of identifying suitable investment targets, the Manager will carry out rigorous fundamental research and analysis and if necessary may conduct on-site visits and proprietary forecasts on investment targets. The Manager will then conduct financial analyses on potential investment targets and select companies with qualities described in the above paragraph for further assessment. In particular, the Manager will assess each target company from two perspectives, namely an aggregate industry-level perspective and a company-level perspective by taking into account the following factors:

[6] SFC authorization is not a recommendation or endorsement of a product nor does it guarantee the commercial merits of a product or its performance. It does not mean the product is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

Industry-level perspective:

- Development and growth prospects of a particular industry/sector; and
- Level of competition within a particular industry/sector.

Company-level perspective:

- Key corporate attributes, such as business model adopted by, comparative advantages enjoyed by and management style operated by the company; and
- Target company's valuation.

Where a company is selected for investment by the Sub-Fund, the Manager will determine the amount to be invested in such company based on the above assessment.

Asset Allocation

Currently, the Manager's policy is to allocate assets in the Sub-Fund in accordance with the indicative percentage as set out in the table below. The Manager's percentage of allocation of the assets in the Sub-Fund will be notified to Unitholders and potential investors by way of publication of the Sub-Fund's factsheet on the Manager's website (www.chinaamc.com.hk)[7] .

Asset Class	Sub-Fund's percentage allocation (indicative only)
HK Equity Securities	At least 70% of its net assets
Fixed income securities, collective investment schemes (including QFII Funds, RQFII Funds, ETFs and/or unauthorised funds), CAAPs, FDIs (including warrants) and cash and cash equivalents	Up to 30% of its net assets

The Manager will base the selection by the Sub-Fund of these above instruments on a thorough understanding of an issuer's credit condition or, as the case may be, a listed company's financial conditions.

Use of Derivatives / Investment in Derivatives

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

EXPENSES AND CHARGES

The subscription fee, conversion fee, management fee, trustee fee and custody fee may be increased up to the specified permitted maximum level under the Trust Deed by providing not less than one month's

[7] This website has not been reviewed by the SFC.

prior notice to Unitholders.

Subscription Fee

Unitholders may pay a subscription fee of up to 5% of the total subscription money received for by the investor or Unitholder. Investors should confirm the current subscription fee with their distributors.

No subscription fee is payable in respect of subscription for Class I HKD Units and Class I RMB Units.

Redemption Fee

Unitholders will not pay a redemption fee to redeem Units in the Sub-Fund.

Conversion Fee

Unitholder wishing to convert its Units into a New Class may pay a conversion fee of up to 1% (current level at 1%) of the total redemption proceeds of a Current Class. Investor should confirm the current conversion fee with their distributors. Subject to the maximum 1%, the Manager may change the conversion fee. No subscription fees payable upon subscription for Units in a New Class and no redemption fees will be charged upon redeeming Units from a Current Class into a New Class in the case of a conversion.

Management Fee

The Manager will be paid a management fee by the Sub-Fund up to 1.75% per annum (current level at 1.75% per annum for Class A HKD Units and Class A RMB Units and 1.0% per annum for Class I HKD Units and Class I RMB Units) of the Net Asset Value of each class of Units of the Sub-Fund calculated on a daily basis and accrued as at the relevant Valuation Point and payable monthly in arrears in relation to Units.

Where the Sub-Fund invests in funds which are managed by the Manager or its connected persons (the "**underlying funds**"), the Manager will procure that either the Sub-Fund or the underlying fund(s) will not charge any management fee in order to ensure no double-charging of management fees.

Trustee Fee

The Trustee is entitled to receive from the Sub-Fund, an annual fee of up to 0.5% (current level up to 0.15% per annum) of the Net Asset Value of the Sub-Fund as at the relevant Valuation Point and subject to a minimum monthly fee of HKD40,000 in relation to the Sub-Fund. This fee will be calculated and accrued on each Valuation Day and be paid monthly in arrears. The trustee fee described above represent the current fee rates applicable to the Sub-Fund (which includes the registrar fee) and does not include the fees payable for the services of any custodians appointed by the Trustee.

In addition, the Trustee has received a one-time establishment fee of HKD20,000 in respect of the Sub-Fund, which will be paid after the close of the Initial Offer Period of the Sub-Fund. The Trustee is also entitled to receive transaction, processing and valuation fees and be paid or reimbursed for other applicable fees or expenses as agreed with the Manager.

Since the Trustee also acts as the Registrar of the Sub-Fund, the trustee fee (which already covers the registrar fee) may be changed by agreement in writing between the Manager and the Trustee. The Manager will give Unitholders at least one month's prior notice before proposing to increase the trustee fee from the current level to the maximum level as stated in the Trust Deed.

Custodian Fee

The appointed Custodian is entitled to recover from the Sub-Fund all out-of-pocket expenses, including telephone, photocopying and courier fees incurred in the performance of its duties in connection with the Sub-Fund. Pursuant to the fee letter entered into between the Manager, Trustee and the Custodian, the Custodian is entitled to (among others) transaction charges at customary market rates and custody fees at different rates, largely depending on the investment instruments concerned as well as the markets where the Custodian is required to hold the Sub-Fund's assets. Annual custody fees of up to 0.10% per annum (current level up to 0.06% per annum) may be charged by the Custodian. Such fees and charges will be calculated monthly and will be paid monthly in arrears. The Custodian will also be entitled to reimbursement by the Sub-Fund for any out-of-pocket expenses incurred in the course of its duties.

The Trust Deed provides that Unitholders must approve by means of Extraordinary Resolution any increase of: (i) the management fee beyond the maximum level stated in the Trust Deed; and/or (ii) the trustee fee beyond the maximum level stated in the Trust Deed. Investors should note that at present there is no intention to increase these fees.

Establishment Costs

The costs of establishment of the Sub-Fund will be approximately HKD600,000 and will be charged to the accounts of the Sub-Fund. The Manager intends to amortise the establishment expenses of the Sub-Fund over the first five accounting periods of the Sub-Fund (or such other period as determined by the Manager after consultation with the auditor to the Sub-Fund).

Ongoing Charges

It is the Manager's current intention to cap the ongoing charges of each class of Units of the Sub-Fund at 2.50% of the average Net Asset Value of the relevant class of Units of the Sub-Fund; any ongoing charges in excess of such figure will be borne by the Manager. The Manager has an absolute discretion to set the ongoing charges cap in respect of the relevant class of Units of the Sub-Fund at a rate below 2.50% of the average Net Asset Value of the relevant class of Units and no notice will be given to affected Unitholders. The Manager may increase the ongoing charges cap of 2.50% of the average Net Asset Value of the relevant class of Units of the Sub-Fund subject to the SFC's prior approval (if required) and on giving not less than one month's notice of such increase (or such other notice as may be approved by the SFC) to relevant Unitholders.

SUBSCRIPTION DETAILS

To apply for Units in the Sub-Fund, the minimum subscription, Minimum Holding and minimum subsequent subscription applicable to the different Classes of Units are as follows:

Class	Minimum Subscription	Minimum Holding	Minimum Subsequent Subscription
Class A HKD Units	HKD10,000	HKD10,000	HKD10,000
Class A RMB Units	RMB10,000	RMB10,000	RMB10,000
Class I HKD Units	HKD5,000,000	HKD5,000,000	HKD1,000,000
Class I RMB Units	RMB5,000,000	RMB 5,000,000	RMB 1,000,000

The Manager may close subscriptions to the Sub-Fund before the end of the Initial Offer Period without prior notice if all subscription monies received reaches HKD 5 million.

It is expected that the first Dealing Day will fall on the first Business Day immediately following the close of the Initial Offer Period.

Except as otherwise provided, Units in the Sub-Fund will be issued on the relevant Dealing Day for applications, together with cleared application monies received by the Trustee (via the Manager or its distributors) prior to 4:00 p.m. (Hong Kong time) on the relevant Dealing Day. Investors should confirm the relevant cut-off times with their distributors.

For details regarding the procedure for the subscriptions, please refer to the section headed "**Purchase of Units**" in the Explanatory Memorandum.

SUBSCRIPTION OF UNITS

The Trustee issues Units at the direction of the Manager who has the exclusive right to offer and issue Units and the Manager (upon consultation with the Trustee) has sole discretion to accept or reject any subscription for Units.

Applications for subscription of Units may be made during the Initial Offer Period at the Initial Offer Price and on each Dealing Day at the Net Asset Value per Unit of the Sub-Fund published daily in Hong Kong in the South China Morning Post, in the Hong Kong Economic Times and/or any other newspapers the Manager may determine and notify the Unitholders. The prices will be expressed exclusive of any subscription fee or redemption fee which may be payable on subscription or redemption.

Applications for subscription of Units (either by hand, facsimile, electronic mail, mail or courier) must be forwarded to, and received by, the Trustee (via the Manager or its distributors) by no later than the Dealing Deadline. Applications received after this deadline will be processed for subscription on the next Dealing Day.

The Subscription Price on any Dealing Day is the price per Unit ascertained by dividing the Net Asset Value of the Sub-Fund as at the Valuation Point in respect of the relevant Dealing Day by the number of Units in issue rounded to the nearest four decimal places (with 0.00005 being rounded up) or in such manner and to any other number of decimal places the Manager may determine after consulting the Trustee and such amount of fiscal and purchase charges determined by the Manager.

The subscription amount payable for the number of Unit subscribed by an applicant, in respect of any Dealing Day, is due and payable to the Trustee (via the Manager or its distributors) no later than the Dealing Deadline, which is 4:00 pm (Hong Kong time) on the relevant Dealing Day.

The Trustee will send a contract note confirming to each applicant no later than two Business Days after the availability of the price per Unit, as is applicable, and as to whether the applicant's application for Units has been successful, either in whole or in part.

Minimum Subscription and Minimum Subsequent Subscription

The minimum subscription and minimum subsequent subscription per investor for each Class of Unit is set out above.

The Manager has sole discretion to determine the number of applications for Units that will be accepted and whether to accept applications from any applicant for less than the minimum subscription amount or minimum subsequent subscription amount.

Confirmation of Subscription

If the relevant application form and/or subscription monies is/are not received by the times stated above, the application will be held over to the next Dealing Day and Units will be issued at the relevant Subscription Price on that Dealing Day.

The Manager reserves the right to reject any application in whole or in part at its sole discretion, in which event the amount paid on application or the balance thereof (as the case may be) will be returned (without interest) as soon as practicable in the same currency paid on application at the risk and cost of the applicant.

Applications for Units will not be dealt with and Units will not be issued until receipt of confirmation that an applicant's funds have been cleared in full. Units are deemed to be issued on the relevant Dealing Day. Notwithstanding the above, the Sub-Fund may rely upon application orders received and may issue Units to investors according to such orders and invest the expected application amounts. If payment of funds is not cleared within 4 Business Day (or such period as the Manager may permit which may not exceed 14 days and notify the relevant applicant at the time of receipt of the application), the Manager reserves the right to cancel the transaction. In such circumstances, the Manager and/or the Trustee may charge a cancellation fee to represent administrative costs incurred in processing an application and may require the defaulting applicant to pay compensation for any loss directly or indirectly resulting from the failure by the applicant to make good settlement by the settlement date. Such charge may include, but is not limited to, the difference between the prices at issue and at cancellation of the Units concerned.

REDEMPTION OF UNITS

The procedures regarding the redemption of Units are described under the section headed "**Redemption of Units**" in the Explanatory Memorandum.

For any redemption to be dealt with on a particular Dealing Day, the Trustee (via the Manager or its distributors) must receive a redemption request (either by hand, facsimile, electronic mail, mail or courier) before the Dealing Deadline. Investors should confirm the relevant cut-off times with their distributors. Redemption requests received after such time will be deemed to have been received on the next Dealing Day and will be dealt with accordingly. Unless the Manager in any particular case or generally otherwise agrees, a Unitholder may not redeem any Units of a Class in amounts of less than the following:

Class	**Minimum Redemption**
Class A HKD Units	HKD10,000
Class A RMB Units	RMB10,000
Class I HKD Units	HKD100,000
Class I RMB Units	RMB100,000

The Redemption Price for a Class of Units on any Dealing Day is the price per Unit of such Class ascertained by dividing the Net Asset Value of the Sub-Fund of such Class as at the Valuation Point in respect of the Dealing Day by the number of Units of such Class in issue, rounded to the nearest four decimal places (with 0.00005 being rounded up) or in such manner and to any other number of decimal places the Manager may determine after consulting the Trustee.

Unitholders may redeem their Units on any Dealing Day in whole or in part but the Manager may refuse a request for a partial redemption resulting in the Unitholder's holding in the Sub-Fund falling below the Minimum Holding of a particular Class of Units, and in such a situation, the Manager may require the Unitholder to redeem all its Units in such Class. The Trustee will send a contract note to each redeeming Unitholder no later than two Business Days after the availability of the price per Unit.

With respect to properly documented redemption requests received by the Trustee before the declaration of a suspension, redemption proceeds will normally be paid in the currency of the relevant Class within a period of five Business Days from the relevant Dealing Day. Under extreme market conditions, payment of investors' redemption proceeds may be delayed, but in any event redemption proceeds will be paid within one calendar month from the day on which the Trustee has received a properly documented redemption request.

Following the Manager's exercise of its powers described in the section headed "**Suspension of Calculation of Net Asset Value**", there will be a delay in the payment of redemption proceeds reflecting the period during which the Manager declared a suspension of the determination of Net Asset Value of the Sub-Fund with respect to any redemption requests received after the declaration of suspension. Any redemption money unclaimed after six years from the date of payment shall become part of the assets of the Sub-Fund.

All bank charges and costs incurred in the payment of the redemption proceeds to the Unitholder will be borne by the relevant Unitholder and deducted from the redemption proceeds. Any risks arising from delay in clearance of funds by banks will be borne by the relevant Unitholder.

No payments will be made to a person other than the registered Unitholder.

CONVERSION OF UNITS

Subject to the consent of the Manager, Unitholders have the right (subject to any suspension in the determination of the Net Asset Value of the Sub-Fund) to convert all or part of their Units of any class in the Sub-Fund into Units of any other class in the Sub-Fund or another sub-fund of the Fund by giving notice in writing or by facsimile to the Trustee (via the Manager or its distributors) before the Dealing Deadline

General

Fractions of Units of the Sub-Fund may be issued rounded to the nearest four decimal places (with 0.00005 being rounded up).

VALUATION

The Net Asset Value is calculated by determining the value of the assets attributable to the Sub-Fund, including accrued income, and deducting all its liabilities. The resultant sum is divided by the total number of Units in issue at that time to give the Net Asset Value per Unit and adjusting the resultant sum to the nearest four decimal places (with 0.00005 being rounded up).

DISTRIBUTIONS

Unless the Manager otherwise determines, the Sub-Fund does not intend to pay any distributions or dividends, but intends to reinvest all of the Sub-Fund's income and gains. Any change in the distribution policy will be subject to the SFC's prior approval and not less than one month's prior notice will be given to the relevant Unitholders.

FINANCIAL REPORTS

The Sub-Fund's financial year end is 31 December in each year and the Sub-Fund's first audited report (in English) will cover the period beginning on the date of inception and ending on 31 December of the relevant year.

RISK FACTORS

Please refer to the following risk factors in relation to an investment in the Sub-Fund.

The Sub-Fund may be affected by the following risks, among others:

Risks relating to Equity Securities

Investment in equity securities is subject to market risk and the prices of such securities may be volatile. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, regional or global economic instability, currency and interest rate fluctuations. If the market value of equity securities in which the Sub-Fund invests in goes down, the New Asset Value of the Sub-Fund may be adversely affected, and investors may suffer substantial losses.

Concentration Risk

The Sub-Fund will focus its investments in China-related equities and is therefore subject to concentration risk. In other words, the Sub-Fund is likely to be more volatile than a broad-based fund, as the Sub-Fund is more susceptible to fluctuations in value resulting from limited number of holdings or from unfavourable performance in such equity that the Sub-Fund invests in.

Debt Instruments Risks

The Sub-Fund will invest in debt instruments. Debt instruments, such as notes and bonds, are subject to liquidity risk, credit risk, interest rate risk, credit rating risk, valuation risk, and downgrade risk. The Net Asset Value of the Sub-Fund may be adversely affected when the value of debt instruments falls.

Liquidity Risk

Not all securities, such as debt securities held by the Sub-Fund are listed or actively traded, and as a consequence tend to be less liquid and more volatile. This may result in the fluctuation in the price of such securities traded on such markets. Certain securities may be difficult or impossible to sell, and this would affect the Sub-Fund's ability to dispose of such securities at their fair price in times of adverse market conditions.

The price at which the fixed income securities are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates. Further, the bid and offer spreads of the price of fixed income securities in which the Sub-Fund invests may be large, and hence, the Sub-Fund may incur significant trading and realisation costs and losses may be suffered.

Credit Risk

Credit risk (sometimes known as issuer default risk) is the possibility that an issuer of an instrument will be unable or unwilling to make interest payments or repay principal when due, or to otherwise honour its obligations. The Sub-Fund is exposed to the credit/ insolvency risk of issuers of debt instruments, fixed income instruments and deposits that the Sub-Fund may invest in. The debt instruments that the Sub-Fund invests in are typically unsecured debt obligations and are not supported by any collateral. The Sub-Fund will be fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

An issuer suffering an adverse change in its financial condition or future prospects could lower the credit quality of a security thereby increasing its credit risk, leading to greater price volatility of the security. This may have adverse effects on the value of a Sub-Fund's investments. If the Sub-Fund invests in lower rated debt instruments, greater risks will be assumed because of generally lower creditworthiness, liquidity, greater fluctuation in value and higher chance of default than higher investment rated debt instruments.

Interest Rate Risk

There is a general inverse relationship between interest rate and price of debt instruments. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt instruments.
Changes in interest rates may affect the value of a security as well as the financial markets in general. Fixed income securities (such as bonds) are more susceptible to fluctuation in interest rates and may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes. If the debt securities held by a Sub-Fund fall in value, the Sub-Fund's value will also be adversely affected. On the other hand, shorter term debt securities are less sensitive to interest rate changes than longer term debt securities. However, this also means that shorter term debt securities usually offer lower yields.

Credit Rating Risk

Ratings assigned by a rating agency are not absolute standards of credit quality and do not evaluate market risks. Rating agencies may fail to make timely changes in credit ratings and an issuer's current financial condition may be better or worse than a rating indicates. The rating of an issuer is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is often a time lag in updating the credit ratings in response to recent credit events.

To the extent that the Sub-Fund invests in higher yield debt instruments, the Sub-Fund's success in achieving its investment objective may depend more heavily on the Manager's creditworthiness analysis than if the Sub-Fund invested exclusively in higher-quality and better rated securities.

Valuation Risk

Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may be adversely affected.

The risk of mispricing or improper valuation and possibility that the debt instruments do not always perfectly track the value of securities they are designed to track can result in increased payments to counterparties or a loss in the value of the Sub-Fund. In the event of changing market conditions or other significant events, positive or negative impact could be larger.

Downgrade Risk

Downgrade risk is the risk that the credit rating of an issuer or a debt instrument may subsequently be downgraded due to changes in the financial strength of an issuer or changes in the credit rating of a debt instrument. Downgraded securities, and securities issued by issuers whose ratings may be downgraded, may be subject to higher risks, as they could be subject to higher volatility, liquidity and credit risk. In the event of downgrading in the credit ratings of a debt instrument or an issuer relating to a debt, the Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not be able to dispose of the debt instruments that are being downgraded. The Sub-Fund may continue to hold such investment, and higher risks may result. Unitholders may suffer substantial loss of their investments in the Sub-Fund.

Sovereign Debt Risk

Investment in sovereign debt obligations issued or guaranteed by governments or their agencies of certain developing countries and certain developed countries involves a higher degree of risk. A government entity's willingness or ability to repay principal and interest due in a timely manner may be affected by various factors. In the event that a government entity defaults on its sovereign debt, holders of sovereign debt, including the Sub-Fund, may be requested to participate in the rescheduling of such debt and to extend further loans to the relevant government entity. Such events may negatively impact the performance of the Sub-Fund.

Mainland China Market Risk

The Sub-Fund may invest in Mainland China markets. Investing in Mainland China markets involves certain risks and special considerations not typically associated with investment in more developed economies or markets, such as certain political, tax, economic, foreign exchange, liquidity, legal and regulatory risk. Market volatility and potential lack of liquidity in PRC debt and equity markets may result in prices of securities traded on such markets fluctuating significantly, and may result in substantial volatility in the Net Asset Value of the Sub-Fund. Also, Chinese accounting standards and practices for investment instruments including debt and equity securities may deviate significantly from international accounting standards. Currently, PRC entities are undergoing reform with the intention of increasing liquidity of debt and equity instruments. However, the effects of such reform on the PRC debt and equity market as a whole remain to be seen.

Investment Risk

The Sub-Fund mainly invests in equity securities and these securities may fall in value. Investors may suffer losses as a result. The Sub-Fund is not principal guaranteed and the purchase of its Units is not the same as investing directly in equity securities.

The Sub-Fund also invests in fixed income securities and these securities may fall in value. Investors may suffer losses as a result. The Sub-Fund is not principal guaranteed and the purchase of its Units is not the same as investing directly in fixed income securities or placing HKD funds on deposit with a bank.

Risks relating to Investment in ETFs Generally

The Sub-Fund may invest in ETFs and are subject to the following risks -

- *Passive investment risks*

  The ETF that the Sub-Fund invests in may not be "actively managed" and the manager of the relevant ETF does not attempt to select securities individually or to take defensive positions in declining markets. Consequently, falls in the underlying index of the ETF are expected to result in a corresponding fall in the value of the Sub-Fund.

- *Tracking error risks*

  Factors such as fees and expenses of an ETF, imperfect correlation between the ETF's assets and the underlying securities within the relevant tracking index, rounding of share prices and adjustments to the tracking index may affect the ability of the manager of an ETF to achieve close correlation with the tracking index for the relevant ETF. An ETF's returns may therefore deviate from that of its tracking index.

- *Underlying index related risks*

  There is no guarantee that the ETF will achieve a high degree of correlation to its underlying index and therefore achieve its investment objective. Market disruptions and regulatory restrictions could have an adverse effect on the ETF's ability to adjust its exposure to the required levels in order to track the underlying index. Errors in index data may occur from time to time and may not be identified and corrected for a period of time, and may have an adverse impact on the ETF and the Sub-Fund.

  The securities that constitute the underlying index are changed by the index provider from time to time. Where the underlying index is rebalanced, any transaction costs arising from the ETF corresponding rebalancing will be borne by the ETF.

- *Trading risks*

  The trading prices of units/shares in an ETF may differ significantly from the net asset value of the units/shares of such ETF due to, disruptions to creations and realisations (for example, as a result of imposition of capital controls by a foreign government) and supply and demand forces in the secondary trading market for units/shares in the ETF.

There can be no assurance that an active trading market will exist or maintain for units /shares of an ETF on any securities exchange on which units/shares of an ETF may trade. The units/shares of the ETFs in which the Sub-Fund invests may be traded at large discounts or premiums to their net asset value, which may in turn affect the Net Asset Value of the Sub-Fund.

- *Regulatory Policies Risks*

  Regulatory policies may affect the ability of the manager of an ETF to achieve close correlation with the tracking index for the relevant ETF. An ETF's returns may therefore deviate from that of its tracking index.

Risk of Investing in Other Funds

The Sub-Fund may invest in other funds. In addition to the Expenses and Charges charged by the Sub-Fund, investor should note that there may be additional fees involved when investing into these underlying funds, including fees and expenses charged by investment manager of these underlying funds as well as fees payable by the Sub-Fund during its subscription to or redemption from these underlying funds. Furthermore, there can be no assurance that 1) the liquidity of the underlying funds will always be sufficient to meet redemption request as and when made; and 2) investment objective and strategy will be successfully achieved despite the due diligence procedures undertaken by the Manager in the selection and monitoring of the underlying funds. If the Sub-Fund invests in an underlying fund managed by the Manager or Connected Person of the Manager, potential conflict of interest may arise. The Manager will have regards to its obligations to the Sub-Fund and will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section headed "Conflicts of Interest" for details under the circumstances.

Foreign Currency Risk

It is because some Classes of Units or certain investments acquired by the Sub-Fund are denominated in currencies (such as RMB) different from the Base Currency, Unitholders may be affected favourably or unfavourably by the exchange rates between the Base Currency and currencies of those Units or investments acquired by the Sub-Fund. Changes in currency exchange rates may influence the value of certain Classes of Units in the Sub-Fund, certain investments acquired by the Sub-Fund, the dividends or interest earned and the gains and losses realised. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions.

Risks associated with RMB Classes of Units

(a) RMB currency risk

Starting from 2005, the exchange rate of the RMB is no longer pegged to the US dollar. The RMB has now moved to a managed floating exchange rate based on market supply and demand with reference to a basket of foreign currencies. The daily trading price of the RMB against other major currencies in the inter-bank foreign exchange market would be allowed to float within a narrow band around the central parity published by the People's Bank of China. As the exchange rates are based primarily on market forces, the exchange rates for RMB against other currencies, including Hong Kong dollars, are susceptible to movements based on external factors.

It should be noted that RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of the Chinese government. The Chinese government's policies on exchange control and repatriation restrictions are subject to change and the investors' investment in the RMB Class of Units may be adversely affected.

The possibility that the appreciation of RMB will be accelerated cannot be excluded. On the other hand, there is no assurance that the RMB will not be subject to devaluation. Any devaluation of the RMB could adversely affect the value of investors' investments in the RMB Classes of Units.

Under the current regulations, the rate at which RMB may be exchanged outside Mainland China (in the case of Hong Kong, the "CNH" rate) may be different from the exchange rate within Mainland China (the "CNY" rate) and such divergence may increase due to supply and demand. When calculating the value of the RMB Classes of Units, reference to the CNH rate rather than the CNY rate will be made and the value of the RMB Classes of Units thus calculated will be affected by fluctuations in the CNH rate. While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently. As such, CNH does not necessarily have the same exchange rate and may not move in the same direction as CNY.

In respect of the RMB Classes of Units, where RMB depreciates against currencies of the non-RMB denominated underlying investments of the Sub-Fund, (i) investors may still suffer losses even if there are gains or no losses in the value of the non-RMB-denominated underlying investments; or (ii) investors may suffer additional losses if the non-RMB-denominated underlying investments of the Sub-Fund fall in value.

(b) Currency conversion risk for RMB Class of Units

While the Sub-Fund is denominated in another currency, the Sub-Fund may offer RMB denominated Class of Units.

If investors are non RMB-based (e.g. Hong Kong) investors and convert other currencies into RMB so as to invest in the RMB Classes of Units and subsequently convert the RMB redemption proceeds back into other currencies, they may incur currency conversion costs and may suffer a loss if RMB depreciates against such other currencies.

The Mainland China government's imposition of restrictions on the repatriation of RMB out of China may limit the depth of the RMB market outside Mainland China and make it impossible for the Sub-Fund to hold sufficient amounts of RMB outside Mainland China to meet redemption requests in RMB.

Due to the exchange controls and restrictions applicable to RMB, the Sub-Fund may not be able to get sufficient amounts of RMB in a timely manner to meet redemption requests of the RMB Classes of Units as a substantial portion of its underlying investments are non-RMB denominated.

Even if the Sub-Fund aims to pay redemption proceeds to investors of the RMB Classes of Units in RMB, investors may not receive RMB upon redemption of their investments under extreme market conditions when there is not sufficient RMB for currency conversion. Under such circumstances and to the extent permitted by the applicable laws and regulations, the Manager may pay redemption proceeds in HKD. There is also a risk that payment of investors' redemption proceeds in RMB may be delayed when there is not sufficient RMB for currency conversion for settlement of the redemption proceeds. In any event, redemption proceeds will be paid within one calendar month from the day on which the Trustee has received a properly documented redemption request.

Risks associated with CAAPs

The policy and regulations imposed by the PRC government are subject to change and any such change may adversely impact the issuance of CAAPs invested by the Sub-Fund. Under the current system, each issuer of CAAPs ("CAAP issuer") is subject to an investment quota for A-Shares. If the relevant status of any issuer of CAAPs is revoked or if any CAAP issuer has insufficient investment quota, the CAAP issuer may cease to extend the duration of any CAAPs or to issue further CAAPs and the Sub-Fund may be required to dispose of its existing CAAPs.

As there may not be an active market for trading CAAPs, investment in CAAPs may be subject to the risk of illiquidity.

An investment in a CAAP is not a direct investment in the underlying A-Shares themselves but rather consists in a claim against the CAAP issuer for payment of the A-Shares return, as indicated above. An investment in CAAPs does therefore not entitle the holder of such instrument to any direct beneficial interest in A-Shares or any direct claim against the issuer of such A-Shares.

Further, the Sub-Fund will be exposed to the counterparty risk associated with the CAAP issuer because a CAAP is a payment obligation of the CAAP issuer, rather than a direct investment in A-Shares, the Sub-Fund may suffer losses if the CAAP issuer becomes insolvent, defaults or fails to perform its payment obligations under the CAAPs. Hence, the performance of a CAAP may differ from the price/performance of its underlying A-Shares.

Risks relating to QFII Funds/ RQFII Funds

The Sub-Fund may invest in the PRC domestic securities market indirectly through QFII Funds/ RQFII Funds which may be subject to the following risks -

(a) RMB Currency Risk

QFII Funds/ RQFII Funds primarily invest in PRC securities that are denominated in RMB. RMB is not a freely convertible currency and is subject to foreign exchange control policies and restrictions. There is no guarantee that RMB will not depreciate in future. The base currency of the Sub-Fund is HKD. Therefore, if the Sub-Fund invests in interests of the QFII Funds/ RQFII Funds denominated in RMB, it will be exposed to fluctuations in the RMB exchange rate compared against the base currency of the Sub-Fund. If investors convert Hong Kong dollar or any other currency into RMB so as to invest in the QFII Funds/ RQFII Funds and subsequently convert the RMB redemption proceeds back into Hong Kong dollar or any other currency, they may suffer a loss if RMB depreciates against Hong Kong dollar or such other currency.

(b) QFII/ RQFII Regime Risk

QFII Funds/ RQFII Funds is subject to the QFII/ RQFII regime governed by rules and regulations as promulgated by the mainland Chinese authorities, i.e., the CSRC, the State Administration of Foreign Exchange ("**SAFE**") and the People's Bank of China ("**PBOC**"). Investors should note that QFII/ RQFII status could be suspended or revoked, which may have an adverse effect on the QFII Funds'/ RQFII Funds' performance as the QFII Funds/ RQFII Funds may be required to dispose of its securities holdings.

The QFII regime is currently subject to repatriation restrictions. In addition, certain restrictions imposed by the Chinese government on RQFIIs may have an adverse effect on the RQFII Funds' liquidity and performance. The SAFE regulates and monitors the repatriation of funds out of Mainland China by the RQFII pursuant to the RQFII Measures. Repatriations by RQFIIs in respect of an open-ended RQFII Fund conducted in RMB are currently not subject to repatriation restrictions or prior approval. There is no assurance, however, that PRC 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 QFII Funds/ RQFII Funds' ability to meet redemption requests from the Sub-Fund. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the control of a QFII Fund's/ RQFII Fund's manager.

Investors should note that there can be no assurance that a QFII/ RQFII will continue to maintain its QFII/ RQFII status or to make available its QFII or RQFII quota, or each of the QFII Funds/ RQFII Funds that the Sub-Fund invests in will be allocated a sufficient portion of QFII or RQFII quotas from a QFII/ RQFII to meet all applications for subscription to the QFII Funds/ RQFII Funds, or that redemption requests can be processed in a timely manner due to repatriation restrictions or adverse changes in relevant laws or regulations. Such restrictions may respectively result in a rejection of applications and a suspension of dealings of the QFII Funds/ RQFII Funds. In extreme circumstances, the QFII Funds/ RQFII Funds 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 QFII/ RQFII investment restrictions, illiquidity of the Chinese domestic securities market, and/or delay or disruption in execution of trades or in settlement of trades.

The current QFII and RQFII laws, rules and regulations are subject to change, which may take retrospective effect. In addition, there can be no assurance that the QFII laws, RQFII laws, rules and regulations will not be abolished. The QFII Funds/ RQFII Funds, which invest in Mainland markets through QFIIs/ RQFIIs, may be adversely affected as a result of such changes.

(c) Risks relating to A-Share market via QFII Funds/ RQFII Funds

The Sub-Fund may have exposure to the A-Share market through investment in QFII Funds/ RQFII Funds. The existence of a liquid trading market for A-Shares may depend on whether there is supply of, and demand for, such A-Shares. The price at which securities may be purchased or sold by the QFII Funds/ RQFII Funds and the net asset value of the QFII Funds/ RQFII Funds may be adversely affected if trading markets for A-Shares are limited or absent. The A-Share market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention). Market volatility and settlement difficulties in the A-Share markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may affect the value of the QFII Funds/ RQFII Funds as well as the Net Asset Value of the Sub-Fund.

Securities exchanges in China typically have the right to suspend or limit trading in any security traded on the relevant exchange. In particular, trading band limits are imposed by the stock exchanges in China on A-Shares, where trading in any 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 managers of QFII Funds/ RQFII Funds to liquidate positions and can thereby expose the QFII Funds/ RQFII Funds to significant losses. Further, when the suspension is subsequently lifted, it may not be possible for the managers of QFII Funds/ RQFII Funds to liquidate positions at a favourable price.

(d) Risks relating to PRC bond markets via QFII Funds/ RQFII Funds

The Sub-Fund may have exposure to the PRC bond markets through investment in QFII Funds/ RQFII Funds. The PRC bond markets (including the exchange and interbank bond markets) are in a stage of development and the volume of trading may be lower than more developed markets. Liquidity of the bonds will be lower in the absence of an active secondary market. QFII Funds/ RQFII Funds investing in such market are therefore subject to liquidity risks and may suffer losses in trading PRC bonds. The bid and offer spreads of the prices of the PRC bonds may be large, so significant trading and realisation costs may be incurred.

QFII Funds/ RQFII Funds may invest in fixed income securities the credit ratings of which are assigned by the Chinese local credit rating agencies. The rating criteria and methodology used by such agencies may be different from those adopted by most of the established international credit rating agencies. Therefore, such rating system may not provide an equivalent standard for comparison with securities rated by international credit rating agencies. Therefore, QFII Funds/ RQFII Funds may be subject to additional risk of loss.

RMB denominated fixed income securities that QFII Funds/ RQFII Funds invest may have a lower credit rating or may be unrated. In general, fixed income securities that have a lower credit rating or that are unrated would generally be considered to have a higher degree of counterparty risk, credit risk and liquidity risk than higher rated, lower yielding securities and may be subject to greater fluctuation in value and higher chance of default. If the issuer of such securities defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. The market for these securities may be less active, making it more difficult to sell the securities. Valuation of these securities is more difficult and thus the prices of such QFII Funds/ RQFII Funds may be more volatile.

The Sub-Fund may have exposure to urban investment bonds through investment in QFII Funds/ RQFII Funds. Although local governments may be seen to be closely connected to urban investment bonds, such bonds are typically not guaranteed by local governments or the central government of the PRC. As such, local governments or the central government of the PRC are not obliged to support any Local Government Financing Vehicles" (LGFVs) in default. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the relevant QFII Funds/ RQFII Funds could suffer substantial loss and the net asset value of the relevant QFII Funds/ RQFII Funds could be adversely affected.

The PRC bond markets are also subject to regulatory risks. Due to irregularities in the interbank bond market trading activities, the China Government Securities Depository Trust & Clearing Co. (the central clearing entity) suspended new account opening on the interbank bond market for specific types of products.

QFII Funds/ RQFII Funds which invest in the PRC bond markets may also be subject to other risks including credit risk, interest rate risk, valuation risk, downgrade risk and sovereign debt risk. Please refer to "Credit Risk", "Interest Rate Risk", "Valuation Risk", "Downgrade Risk" and "Sovereign Debt Risk" under the section headed "Risk Factors" in Appendix C for further details.

Although QFII Funds/ RQFII Funds that are mutual funds offered to the public were not affected, there is no assurance that future regulatory actions will not affect such funds. If accounts are suspended, or cannot be opened, the QFII Funds/ RQFII Funds' ability to invest in the interbank bond market will be limited and they may suffer substantial losses as a result.

(e) Mainland China Tax Risk

QFII Funds/ RQFII Funds' investment in Mainland China market is subject to PRC tax liabilities.

The interpretation and applicability of existing PRC tax laws may not be as consistent and transparent as those of more developed nations, and may vary from region to region. There is a possibility that the current tax laws, regulations, and practice in the PRC may be changed with retrospective effect in the future. Moreover, there is no assurance that tax incentives currently offered to foreign companies, if any, will not be abolished and the existing tax laws and regulations will not be revised or amended in the future. Any of these changes may reduce the income from, and/or value of, the QFII Funds/ RQFII Funds.

There can be no guarantee that new tax laws, regulations, and practice in the PRC that may be promulgated in the future will not adversely impact the tax exposure of the QFII Funds/ RQFII Funds.

In light of the legal and regulatory uncertainties, managers of the QFII Funds/ RQFII Funds may make provision for taxes or to deduct or to withhold an amount on account of taxes (which may be payable by the QFII Funds/ RQFII Funds to the PRC tax authorities in respect of its investments in the relevant

PRC securities) from assets of the QFII Funds/ RQFII Funds. Any provision for taxes made by the managers of the QFII Funds/ RQFII Funds may be more or less than the RQFII Funds' actual PRC tax liabilities. If the QFII Funds/ RQFII Funds do not set aside enough to meet these tax obligations, then the shortfall may be debited from the QFII Funds'/ RQFII Funds' assets to meet the actual PRC tax liabilities. As a result, the income from, and/or the performance of the QFII Funds/ RQFII Funds may be reduced/adversely affected.

Counterparty Risk

The Manager intends that the counterparties with which it deals on behalf of the Sub-Fund shall have reasonable financial soundness at the time of entering into the relevant transaction. Counterparties are assessed based on the risk management policies that the counterparties' default risk should be both diversified and minimized, and that the counterparties' performance does not adversely impact the Unitholders. Only counterparties which professional reputations are of high calibre and who are members in good standing with their respective industry associations and regulatory bodies would be approved for use by the Manager.

Semi-annual review for the appropriateness of the approved counterparties is also performed to ensure that they continue to meet the aforesaid selection criteria.

However, in the event of bankruptcy or insolvency of any of its counterparties, the Sub-Fund may experience delays in liquidating its positions and may, thereby, incur significant losses (including declines in the value of its investment) or the inability to redeem any gains on investment during the period in which the Sub-Fund seeks to enforce its rights, and fees and expenses incurred in enforcing its rights.

There is also the possibility that such transactions will be terminated due, for instance, to counterparty bankruptcy, supervening illegality or a retrospective change in the tax or accounting laws relative to those applicable at the time the transaction was entered into.

Investment in debt securities will expose the Sub-Fund to counterparty default risks. Exchange traded debt securities may be subject to counterparty risk, although such risk is mitigated by a centralised clearing system.

Risks associated with Investment in FDIs

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

Hedging Risk

The Sub-Fund may acquire FDIs for hedging and 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 Sub-Fund. Derivative instruments may be illiquid and are complex in nature. In adverse situations, the Sub-Fund's use of derivatives for hedging may become ineffective and the Sub-Fund may suffer significant losses. The price of a derivative instrument can be very volatile which may result in losses in excess of the amount invested in the derivative instruments by the Sub-Fund. A derivative instrument is subject to the risk that the counterparty of the instrument will not fulfil its obligations to the Sub-Fund, and this may result in losses to the Sub-Fund.

AN INVESTMENT IN THE SUB-FUND INVOLVES A RISK OF LOSS OF PRINCIPAL. UPON REPURCHASE OR LIQUIDATION, YOU MAY NOT RECOUP YOUR ENTIRE INVESTMENT.

APPENDIX D

CHINAAMC SELECT ASIA BOND FUND

DEFINITIONS

Save as provided below, the defined terms used in the Explanatory Memorandum have the same meaning in this **Appendix D**. In addition, the following expressions shall have the following meanings in this **Appendix D**:

"**Accounting Period**"	a 12-month period ending on 31 December of each calendar year, unless the Manager determines otherwise with the approval of the Trustee
"**Base Currency**"	USD
"**Class A-ACC-HKD Units**"	Units designated as Class A-ACC-HKD Units and having the specific features as set out more particularly in this Appendix D
"**Class A-ACC-RMB Units**"	Units designated as Class A-ACC-RMB Units and having the specific features as set out more particularly in this Appendix D
"Class A-ACC-USD Units"	Units designated as Class A-ACC-USD Units and having the specific features as set out more particularly in this Appendix D
"**Class A-DIST-HKD Units**"	Units designated as Class A-DIST-HKD Units and having the specific features as set out more particularly in this Appendix D
"**Class A-DIST-RMB Units**"	Units designated as Class A-DIST-RMB Units and having the specific features as set out more particularly in this Appendix D
"Class A-DIST-USD Units"	Units designated as Class A-DIST-USD Units and having the specific features as set out more particularly in this Appendix D
"**Class I-ACC-HKD Units**"	Units designated as Class I-ACC-HKD Units and having the specific features as set out more particularly in this Appendix D
"**Class I-ACC-RMB Units**"	Units designated as Class I-ACC-RMB Units and having the specific features as set out more particularly in this Appendix D
"Class I-ACC-USD Units"	Units designated as Class I-ACC-USD Units and having the specific features as set out more particularly in this Appendix D
"Class I-DIST-HKD Units"	Units designated as Class I-DIST-HKD Units and having the specific features as set out more particularly in this Appendix D

"Class I-DIST-RMB Units"	Units designated as Class I-DIST-RMB Units and having the specific features as set out more particularly in this Appendix D
"Class I-DIST-USD Units"	Units designated as Class I-DIST-USD Units and having the specific features as set out more particularly in this Appendix D
"**Dealing Day**"	each Business Day in each calendar week
"**Dealing Deadline**"	5:00 p.m. (Hong Kong time) on the relevant Dealing Day
"Euro"	the unit of the single European currency;
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"**Japanese Yen**"	Japanese Yen, the lawful currency of Japan
"**Onshore RMB Bonds**"	RMB denominated fixed income securities (including urban investment bonds) issued or distributed in Mainland China
"**Sub-Fund**"	ChinaAMC Select Asia Bond Fund
"**Unit**"	a unit in the Sub-Fund
"US$" or "USD"	US dollars, the lawful currency of the United States of America
"**Valuation Day**"	each Dealing Day

INTRODUCTION

This **Appendix D** relates solely to ChinaAMC Select Asia Bond Fund.

Overview of the Bond Market in Mainland China

Please refer to Annex A for an overview of the bond market in Mainland China.

INVESTMENT OBJECTIVE AND STRATEGY

Investment Objective

The investment objective of the Sub-Fund is to seek to achieve long term return by investing primarily (i.e. not less than 70% of the Net Asset Value of the Sub-Fund) in fixed income and debt instruments issued or guaranteed by issuers domiciled in Asia and whose predominant business, in the opinion of the Manager, will benefit from or is related to the economic growth in Asia ("**Asian Bonds**").

The Sub-Fund may also invest less than 30% of its Net Asset Value in fixed income and debt instruments other than Asian Bonds and cash and cash equivalents.

The fixed income and debt instruments that the Sub-Fund may invest in will be issued by (a) governments or quasi-government organization; and/or (b) corporations.

While it is not the intention of the Manager to invest primarily in any single market/country in Asia, the Sub-Fund may, on an occasional basis, invest significantly but less than 70% of its Net Asset Value in fixed income and debt instruments issued or guaranteed by issuers domiciled or carrying out the predominant part of their economic activities in the PRC ("**PRC Bonds**"). Such PRC Bonds may be Onshore RMB Bonds or bonds issued outside of Mainland China.

The Sub-Fund may invest up to 15% of its Net Asset Value directly in Onshore RMB Bonds via the Manager's RQFII quota, investing in PRC interbank bond markets ("**China Interbank Bond Market**") under Foreign Access Regime (as defined below), Bond Connect (as defined below) and/or other means as may be permitted by the relevant regulations from time to time.The Sub-Fund may also invest up to 15% of its Net Asset Value in dim sum bonds (i.e. bonds issued outside of Mainland China but denominated in RMB).

Save and except the Onshore RMB Bonds, more than 30% (but not exceeding 70%) of the Sub-Fund's Net Asset Value may be invested in fixed income and debt instruments themselves or the issuers of such fixed income and debt instruments which are below investment grade (i.e. having a credit rating of Ba1 or BB+ or below rated by Moody's or Standard & Poor's or equivalent ratings by other internationally recognized credit rating agencies of similar standing) or unrated. In the case of a fixed income and debt instrument or the issuer of such fixed income and debt instrument has more than one credit ratings, it is below investment grade if all of its credit ratings are of Ba1 or BB+ or below rated by Moody's or Standard & Poor's or equivalent ratings by other internationally recognized credit rating agencies of similar standing. The Onshore RMB Bonds themselves or the issuers of such Onshore RMB Bonds will carry a credit rating of AA+ or above rated by China Chengxin International Credit Rating Co., Ltd or China Lianhe Credit Rating Co., Ltd or equivalent ratings by one of the local rating agencies recognized by the relevant authorities in Mainland China. For the purpose of the Sub-Fund, an "unrated fixed income/debt instrument" is defined as an instrument which neither the instrument itself nor its issuer has a credit rating. However, the Sub-Fund will not invest more than 10% of its Net Asset Value in securities issued and/or guaranteed by any single country (including its government or a public or local authority of that country) with a credit rating below investment grade. For the avoidance of doubt, the "credit rating" of the sovereign issuer should in general refer to the prevailing official credit rating of the relevant sovereign issuer assigned by an internationally recognized credit agency and, in the event of split ratings among such credit agencies, the highest credit rating accredited to the relevant sovereign issuer shall be deemed the reference credit rating.

The Sub-Fund may, in aggregate, invest up to 30% of its Net Asset Value in convertible bonds and, to the extent permitted by the Code and the provisions set out under the section "Investment and Borrowing Restrictions" in the Explanatory Memorandum, other funds which may or may not be authorized by the SFC. The Manager currently intends the Sub-Fund to only invest up to 5% of its Net Asset Value in convertible bonds.

Up to 30% of the Sub-Fund's Net Asset Value may be invested in debt instruments with loss-absorption features (including contingent convertible bonds (Additional Tier 1 and Tier 2 Capital Instruments), senior non-preferred debt securities, instruments issued under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules and other similar instruments that may be issued by banks or other financial institutions). These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

The Sub-Fund's aggregate exposure to investments (direct or indirect) to securities issued in Mainland China market including but not limited to A-Shares, B-Shares, Onshore RMB Bonds and such other financial instruments permitted under applicable PRC regulations will not exceed 20% of its Net Asset Value. For the avoidance of doubt, the Sub-Fund currently does not intend to invest in A-Shares or B-Shares. The approval of the SFC will be sought and at least one month's prior notice will be given to Unitholders should there be a change in such intention.

The Sub-Fund may hold up to 20% of its Net Asset Value in cash, cash equivalents, and short-term money market instruments under normal circumstances (such as bank deposits, certificates of deposit, commercial paper, treasury bills and money market funds managed by a third party, the Manager, or its Connected Persons); such holding may increase and account for less than 30% of its Net Asset Value for defensive purposes on a temporary basis under exceptional circumstances such as in times of extreme volatility of the markets or during severe adverse market conditions.

The Asian Bonds that the Sub-Fund invests in are mainly denominated in USD or other major currencies such as Japanese Yen and Euro.

The Sub-Fund will not have any substantial exposure to investments denominated in restricted currencies, notwithstanding the Sub-Fund may have a limited exposure to investments denominated in RMB.

The Sub-Fund may invest in financial derivative instruments ("**FDIs**") for hedging or investment purposes to the extent permitted by the Code and the provisions set out under the section "Investment and Borrowing Restrictions" in the Explanatory Memorandum.

The Sub-Fund will not invest in structured deposits, structured products, asset backed securities or mortgage backed securities. The Manager currently does not intend to enter into securities lending, repurchase or reverse repurchase transactions and other similar over-the-counter transactions in respect of the Sub-Fund. The approval of the SFC will be sought and at least one month's prior notice will be given to Unitholders should there be a change in such intention.

The Sub-Fund may borrow up to 10% of its total Net Asset Value on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses.

Principal Investment Strategies

1. National/Geographic Allocation Strategy

The Manager will determine the allocation of the Sub-Fund's investment among different countries and regions based on its fundamental view on the economic developments of the global markets, and upon analysing the macro-economic, fiscal and monetary policies as well as trends in bond markets and financial market conditions of different countries and regions.

2. Bond Investment Allocation Strategy

The Manager will, based on its research and understanding of the characteristics of economic cycles and their changing trends, analyse the relative investment value of different types of bonds, e.g. government bonds and credit bonds (which are non-sovereign bonds), in order to determine its bond investment allocation strategy in different stages of an economic cycle and make timely adjustment in accordance with the changes in different stages of an economic cycle, whereby investment opportunities in different developmental stages of an economy are effectively captured and preservation and appreciation of the Sub-Fund's assets can be achieved.

3. Credit Bond Selection Strategy

The Sub-Fund will obtain interest income by acquiring and holding credit bonds (which are non-sovereign bonds) with bearable credit risk and reasonable duration and yield. In addition, the Sub-Fund will adopt credit spread investment strategy and obtain gains from credit spread through internal and external ratings, research on yield curve, judgement on economic cycle.

4. Duration Strategy

The Sub-Fund will adjust the duration of the investment portfolio based on the Manager's expectations on the level of interest rates. If interest rates are expected to drop, the Sub-Fund will increase the average duration of the investment portfolio so as to better benefit from the capital gains arising from the increase in value of the bonds. When it is anticipated that interest rates will increase, the average duration of the portfolio will be reduced so as to avoid the risk arising from the decrease in value of the bonds.

5. Exchange Rate Strategy

The Sub-Fund will closely monitor the trends in exchange rates by conducting in-depth analysis on marco-economic conditions monetary policies, market environment and other factors which may affect the trends in exchange rates in different countries/regions and considering the research findings by the relevant foreign exchange research institutes. Upon determining the main trends in exchange rates, the Sub-Fund may acquire FDIs such as currency forwards, futures and options for hedging or investment purposes to the extent permitted by the provisions set out under the section "Investment and Borrowing Restrictions" in the Explanatory Memorandum in order to minimize the exchange rate risk.

6. FDI Investment Strategy

To achieve the investment objective of the Sub-Fund, the Sub-Fund will acquire FDIs, such as forwards, options and futures for hedging or investment purposes to the extent permitted by the provisions set out under the section "Investment and Borrowing Restrictions" in the Explanatory Memorandum.

Asset Allocation

Currently, the Manager's policy is to allocate assets in the Sub-Fund in accordance with the indicative percentage as set out in the table below. The Manager's percentage of allocation of the assets in the

Sub-Fund will be notified to Unitholders and potential investors by way of publication of the Sub-Fund's factsheet on the Manager's website (www.chinaamc.com.hk)[1] .

Asset Class	Sub-Fund's percentage allocation (indicative only)
Asian Bonds	Not less than 70% of the Net Asset Value of the Sub-Fund
Fixed income and debt instruments other than Asian Bonds and cash and cash equivalents	Less than 30% of the Net Asset Value of the Sub-Fund

Use of Derivatives / Investment in Derivatives

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

EXPENSES AND CHARGES

The subscription fee, conversion fee, management fee, trustee fee and custody fee may be increased up to the specified permitted maximum level under the Trust Deed by providing not less than one month's prior notice to Unitholders.

Subscription Fee

Unitholders may pay a subscription fee of up to 5% of the total subscription money received for by the investor or Unitholder. Investors should confirm the current subscription fee with their distributors.

No subscription fee is payable in respect of subscription for Class I-ACC-HKD Units, Class I A-ACC-RMB Units, Class I-ACC-USD Units, Class I-DIST-HKD Units, Class I-DIST-RMB Units and Class I-DIST-USD Units**.**

Redemption Fee

Unitholders will not pay a redemption fee to redeem Units in the Sub-Fund.

Conversion Fee

Unitholder wishing to convert its Units into a New Class may pay a conversion fee of up to 1% (current level at 1%) of the total redemption proceeds of a Current Class. Investor should confirm the current conversion fee with their distributors. Subject to the maximum 1%, the Manager may change the conversion fee. No subscription fees payable upon subscription for Units in a New Class and no redemption fees will be charged upon redeeming Units from a Current Class into a New Class in the case of a conversion.

Management Fee

The Manager will be paid a management fee by the Sub-Fund up to 1.20% per annum (current level at 1.20% per annum for Class A-ACC-HKD Units, Class A-ACC-RMB Units, Class A-ACC-USD Units, Class A-DIST-HKD Units, Class A-DIST-RMB Units and Class A-DIST-USD Units and 0.6% per

1 This website has not been reviewed by the SFC.

annum for Class I-ACC-HKD Units, Class I-ACC-RMB Units, Class I-ACC-USD Units, Class I-DIST-HKD Units, Class I-DIST-RMB Units and Class I-DIST-USD Units) of the Net Asset Value of each class of Units of the Sub-Fund calculated on a daily basis and accrued as at the relevant Valuation Point and payable monthly in arrears in relation to Units.

Where the Sub-Fund invests in funds which are managed by the Manager or its connected persons (the "**underlying funds**"), the Manager will procure that either the Sub-Fund or the underlying fund(s) will not charge any management fee in order to ensure no double-charging of management fees.

Trustee Fee

The Trustee is entitled to receive from the Sub-Fund, an annual fee of up to 0.5% (current level up to 0.14% per annum) of the Net Asset Value of the Sub-Fund as at the relevant Valuation Point and subject to a minimum monthly fee of USD6,000 in relation to the Sub-Fund. This fee will be calculated and accrued on each Valuation Day and be paid monthly in arrears. The trustee fee described above represent the current fee rates applicable to the Sub-Fund (which includes the registrar fee) and does not include the fees payable for the services of any custodians appointed by the Trustee.

In addition, the Trustee has received a one-time establishment fee of USD3,000 in respect of the Sub-Fund. The Trustee is also entitled to receive transaction, processing and valuation fees and be paid or reimbursed for other applicable fees or expenses as agreed with the Manager.

Since the Trustee also acts as the Registrar of the Sub-Fund, the trustee fee (which already covers the registrar fee) may be changed by agreement in writing between the Manager and the Trustee. The Manager will give Unitholders at least one month's prior notice before proposing to increase the trustee fee from the current level to the maximum level as stated in the Trust Deed.

Custodian Fee

The appointed Custodian is entitled to recover from the Sub-Fund all out-of-pocket expenses, including telephone, photocopying and courier fees incurred in the performance of its duties in connection with the Sub-Fund. Pursuant to the fee letter entered into between the Manager, Trustee and the Custodian, the Custodian is entitled to (among others) transaction charges at customary market rates and custody fees at different rates, largely depending on the investment instruments concerned as well as the markets where the Custodian is required to hold the Sub-Fund's assets. Annual custody fees of up to 0.10% per annum (current level up to 0.06% per annum) may be charged by the Custodian. Such fees and charges will be calculated monthly and will be paid monthly in arrears. The Custodian will also be entitled to reimbursement by the Sub-Fund for any out-of-pocket expenses incurred in the course of its duties.

The Trust Deed provides that Unitholders must approve by means of Extraordinary Resolution any increase of: (i) the management fee beyond the maximum level stated in the Trust Deed; and/or (ii) the trustee fee beyond the maximum level stated in the Trust Deed. Investors should note that at present there is no intention to increase these fees.

Establishment Costs

The costs of establishment of the Sub-Fund were approximately HKD350,000 and have been charged to the accounts of the Sub-Fund. The Manager has amortised the establishment expenses of the Sub-Fund over the first five accounting periods of the Sub-Fund (or such other period as determined by the Manager after consultation with the auditor to the Sub-Fund).

SUBSCRIPTION DETAILS

To apply for Units in the Sub-Fund, the minimum subscription, Minimum Holding and minimum subsequent subscription applicable to the different Classes of Units are as follows:

Class	Minimum Subscription	Minimum Holding	Minimum Subsequent Subscription
Class A-ACC-HKD Units	HKD10,000	HKD10,000	HKD10,000
Class A-ACC-RMB Units	RMB10,000	RMB10,000	RMB10,000
Class A-ACC-USD Units	USD 1,000	USD 1,000	USD 1,000
Class A-DIST-HKD Units	HKD10,000	HKD10,000	HKD10,000
Class A-DIST-RMB Units	RMB10,000	RMB10,000	RMB10,000
Class A-DIST-USD Units	USD 1,000	USD 1,000	USD 1,000
Class I-ACC-HKD Units	HKD5,000,000	HKD5,000,000	HKD1,000,000
Class I-ACC-RMB Units	RMB5,000,000	RMB 5,000,000	RMB 1,000,000
Class I-ACC-USD Units	USD 1,000,000	USD 1,000,000	USD 500,000
Class I-DIST-HKD Units	HKD5,000,000	HKD5,000,000	HKD1,000,000
Class I-DIST-RMB Units	RMB5,000,000	RMB 5,000,000	RMB 1,000,000
Class I-DIST-USD Units	USD 1,000,000	USD 1,000,000	USD 500,000

In addition to the above, the Manager has determined to create and establish Class R RMB Units and will offer such Class of Units to investors in Mainland China only for subscription after the Sub-Fund obtains the approval of the CSRC for distribution in Mainland China under the Mainland-Hong Kong Mutual Recognition of Funds initiative and will not be offered in Hong Kong. Investors in Mainland China should refer to the supplementary offering document of the Sub-Fund distributed in Mainland China for details in relation Class R RMB Units.

Except as otherwise provided, Units in the Sub-Fund will be issued on the relevant Dealing Day for applications, together with cleared application monies received by the Trustee (via the Manager or its distributors) prior to 5:00 p.m. (Hong Kong time) on the relevant Dealing Day. Investors should confirm the relevant cut-off times with their distributors.

For details regarding the procedure for the subscriptions, please refer to the section headed "**Purchase of Units**" in the Explanatory Memorandum.

SUBSCRIPTION OF UNITS

The Trustee issues Units at the direction of the Manager who has the exclusive right to offer and issue Units and the Manager (upon consultation with the Trustee) has sole discretion to accept or reject any subscription for Units.

Applications for subscription of Units may be made on each Dealing Day at the Net Asset Value per Unit of the Sub-Fund published daily in Hong Kong in the South China Morning Post, in the Hong Kong Economic Times and/or any other newspapers the Manager may determine and notify the Unitholders. The prices will be expressed exclusive of any subscription fee or redemption fee which may be payable on subscription or redemption.

Applications for subscription of Units (either by hand, facsimile, electronic mail, mail or courier) must be forwarded to, and received by, the Trustee (via the Manager or its distributors) by no later than the Dealing Deadline. Applications received after this deadline will be processed for subscription on the next Dealing Day.

The Subscription Price on any Dealing Day is the price per Unit ascertained by dividing the Net Asset Value of the Sub-Fund as at the Valuation Point in respect of the relevant Dealing Day by the number of Units in issue rounded to the nearest four decimal places (with 0.00005 being rounded up) or in such manner and to any other number of decimal places the Manager may determine after consulting the Trustee and such amount of fiscal and purchase charges determined by the Manager.

The subscription amount payable for the number of Unit subscribed by an applicant, in respect of any Dealing Day, is due and payable to the Trustee (via the Manager or its distributors) no later than the Dealing Deadline, which is 5:00 pm (Hong Kong time) on the relevant Dealing Day.

The Trustee will send a contract note confirming to each applicant no later than two Business Days after the availability of the price per Unit, as is applicable, and as to whether the applicant's application for Units has been successful, either in whole or in part.

Minimum Subscription and Minimum Subsequent Subscription

The minimum subscription and minimum subsequent subscription per investor for each Class of Unit is set out above.

The Manager has sole discretion to determine the number of applications for Units that will be accepted and whether to accept applications from any applicant for less than the minimum subscription amount or minimum subsequent subscription amount.

Confirmation of Subscription

If the relevant application form and/or subscription monies is/are not received by the times stated above, the application will be held over to the next Dealing Day and Units will be issued at the relevant Subscription Price on that Dealing Day.

The Manager reserves the right to reject any application in whole or in part at its sole discretion, in which event the amount paid on application or the balance thereof (as the case may be) will be returned (without interest) as soon as practicable in the same currency paid on application at the risk and cost of the applicant.

Applications for Units will not be dealt with and Units will not be issued until receipt of confirmation that an applicant's funds have been cleared in full. Units are deemed to be issued on the relevant Dealing Day. Notwithstanding the above, the Sub-Fund may rely upon application orders received and may issue Units to investors according to such orders and invest the expected application amounts. If payment of funds is not cleared within 4 Business Day (or such period as the Manager may permit which may not exceed 14 days and notify the relevant applicant at the time of receipt of the application), the Manager reserves the right to cancel the transaction. In such circumstances, the Manager and/or the Trustee may charge a cancellation fee to represent administrative costs incurred in processing an application and may require the defaulting applicant to pay compensation for any loss directly or indirectly resulting from the failure by the applicant to make good settlement by the settlement date. Such charge may include, but is not limited to, the difference between the prices at issue and at cancellation of the Units concerned.

REDEMPTION OF UNITS

The procedures regarding the redemption of Units are described under the section headed "**Redemption of Units**" in the Explanatory Memorandum.

For any redemption to be dealt with on a particular Dealing Day, the Trustee (via the Manager or its distributors) must receive a redemption request (either by hand, facsimile, electronic mail, mail or courier) before the Dealing Deadline. Investors should confirm the relevant cut-off times with their distributors. Redemption requests received after such time will be deemed to have been received on the next Dealing Day and will be dealt with accordingly. Unless the Manager in any particular case or generally otherwise agrees, a Unitholder may not redeem any Units of a Class in amounts of less than the following:

Class	**Minimum Redemption**
Class A-ACC-HKD Units	HKD10,000
Class A-ACC-RMB Units	RMB10,000
Class A-ACC-USD Units	USD 1,000
Class A-DIST-HKD Units	HKD10,000
Class A-DIST-RMB Units	RMB10,000
Class A-DIST-USD Units	USD 1,000
Class I-ACC-HKD Units	HKD100,000
Class I-ACC-RMB Units	RMB100,000
Class I-ACC-USD Units	USD 10,000
Class I-DIST-HKD Units	HKD100,000

Class I-DIST-RMB Units	RMB100,000
Class I-DIST-USD Units	USD 10,000

The Redemption Price for a Class of Units on any Dealing Day is the price per Unit of such Class ascertained by dividing the Net Asset Value of the Sub-Fund of such Class as at the Valuation Point in respect of the Dealing Day by the number of Units of such Class in issue, rounded to the nearest four decimal places (with 0.00005 being rounded up) or in such manner and to any other number of decimal places the Manager may determine after consulting the Trustee.

Unitholders may redeem their Units on any Dealing Day in whole or in part but the Manager may refuse a request for a partial redemption resulting in the Unitholder's holding in the Sub-Fund falling below the Minimum Holding of a particular Class of Units, and in such a situation, the Manager may require the Unitholder to redeem all its Units in such Class. The Trustee will send a contract note to each redeeming Unitholder no later than two Business Days after the availability of the price per Unit.

With respect to properly documented redemption requests received by the Trustee before the declaration of a suspension, redemption proceeds will normally be paid in the currency of the relevant Class within a period of five Business Days from the relevant Dealing Day. Under extreme market conditions, payment of investors' redemption proceeds may be delayed, but in any event redemption proceeds will be paid within one calendar month from the day on which the Trustee has received a properly documented redemption request.

Following the Manager's exercise of its powers described in the section headed "**Suspension of Calculation of Net Asset Value**", there will be a delay in the payment of redemption proceeds reflecting the period during which the Manager declared a suspension of the determination of Net Asset Value of the Sub-Fund with respect to any redemption requests received after the declaration of suspension. Any redemption money unclaimed after six years from the date of payment shall become part of the assets of the Sub-Fund.

All bank charges and costs incurred in the payment of the redemption proceeds to the Unitholder will be borne by the relevant Unitholder and deducted from the redemption proceeds. Any risks arising from delay in clearance of funds by banks will be borne by the relevant Unitholder.

No payments will be made to a person other than the registered Unitholder.

CONVERSION OF UNITS

Subject to the consent of the Manager, Unitholders have the right (subject to any suspension in the determination of the Net Asset Value of the Sub-Fund) to convert all or part of their Units of any class in the Sub-Fund into Units of any other class in the Sub-Fund or another sub-fund of the Fund by giving notice in writing or by facsimile to the Trustee (via the Manager or its distributors) before the Dealing Deadline.

Any requests to convert all or part of the Units of any class in the Sub-Fund into Units of another sub-fund of the Fund received by the Trustee (via the Manager or its distributors) after 4:00 pm (Hong Kong time) (in the case of a sub-fund of the Fund other than ChinaAMC Select China New Economy Fund) or after the Dealing Deadline (in the case of ChinaAMC Select China New Economy Fund) on a particular Dealing Day will be deemed to have been received on the next Dealing Day and will be dealt with accordingly. Investors should confirm the relevant cut-off times with their distributors.

General

Fractions of Units of the Sub-Fund may be issued rounded to the nearest four decimal places (with 0.00005 being rounded up).

VALUATION

The Net Asset Value is calculated by determining the value of the assets attributable to the Sub-Fund, including accrued income, and deducting all its liabilities. The resultant sum is divided by the total number of Units in issue at that time to give the Net Asset Value per Unit and adjusting the resultant sum to the nearest four decimal places (with 0.00005 being rounded up).

DISTRIBUTIONS

Save for Class A-ACC-HKD Units, Class I-ACC-HKD Units, Class A-ACC-RMB Units, Class I-ACC-RMB Units, Class A-ACC-USD Units and Class I-ACC-USD Units, the Manager currently intends to make distributions on a monthly basis However there is no guarantee of regular distribution and (if distribution is made) the amount being distributed.

The Manager may at its discretion pay distributions out of the capital of the Sub-Fund or pay distributions out of gross income while charging / paying all or part of the Sub-Fund's fees and expenses to / out of the capital of the Sub-Fund. Where distributions are paid out of gross income while charging/ paying all or part of the Sub-Fund's fees and expenses to/ out of the capital of the Sub-Fund, this will result in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of capital.

Compositions of the distributions (if any) (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months would be made available by the Manager on request and also on the Manager's website (www.chinaamc.com.hk)[2]. Unitholders should be aware of the effects of making distributions out of capital and pay attention to the relevant risk disclosures as set under the section headed "Risks associated with distributions out of capital" under the section headed "Risk Factors" in this Appendix D. The Manager may amend the distribution policy subject to SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

For the avoidance of doubt, no distributions will be made in respect of Class A-ACC-HKD Units, Class I-ACC-HKD Units, Class A-ACC-RMB Units, Class I-ACC-RMB Units, Class A-ACC-USD Units and Class I-ACC-USD Units as all interest and other income earned on the investment will be accumulated and re-invested into the Sub-Fund on behalf of Unitholders of such Classes of accumulating Units.

FINANCIAL REPORTS

The Sub-Fund's financial year end is 31 December in each year.

[2] This website has not been reviewed by the SFC.

RISK FACTORS

Please refer to the following risk factors in relation to an investment in the Sub-Fund.

The Sub-Fund may be affected by the following risks, among others:

Investment Risk

The Sub-Fund invests in fixed income securities and these securities may fall in value due to any of the key risk factors below. Investors may suffer losses as a result. The Sub-Fund is not principal guaranteed and the purchase of its distributing Units is not the same as investing directly in fixed income securities or placing HKD funds on deposit with a bank.

Debt Instruments Risks

The Sub-Fund will invest in debt instruments. Debt instruments, such as notes and bonds, are subject to liquidity risk, credit risk, interest rate risk, credit rating risk, valuation risk, and downgrade risk. The Net Asset Value of the Sub-Fund may be adversely affected when the value of debt instruments falls.

Concentration Risk

The Sub-Fund will focus its investments whose predominant business will benefit from or is related to the economic growth in Asia (such as the PRC) and is therefore subject to concentration risk. In other words, the value of the Sub-Fund may be more volatile than a broad-based fund having a more diverse portfolio of investments, as the Sub-Fund is more susceptible to fluctuations in value resulting from limited number of holdings or from unfavourable performance in such equity that the Sub-Fund invests in.

The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Asian market.

Volatility and Liquidity Risk

Not all securities, such as debt securities held by the Sub-Fund are listed or actively traded. The debt securities in such markets may be subject to higher volatility and lower liquidity compared to more developed markets.The prices of securities traded in such markets may be subject to fluctuations. Certain securities may be difficult or impossible to sell, and this would affect the Sub-Fund's ability to dispose of such securities at their fair price in times of adverse market conditions.

The price at which the fixed income securities are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates. Further, the bid and offer spreads of the price of fixed income securities in which the Sub-Fund invests may be large, and hence, the Sub-Fund may incur significant trading and realisation costs and losses may be suffered.

Credit Risk

Credit risk (sometimes known as issuer default risk) is the possibility that an issuer of an instrument will be unable or unwilling to make interest payments or repay principal when due, or to otherwise honour its obligations. The Sub-Fund is exposed to the credit/ default risk of issuers of debt instruments, fixed income instruments and deposits that the Sub-Fund may invest in. The debt instruments that the Sub-Fund invests in are typically unsecured debt obligations and are not supported by any collateral. The Sub-Fund will be fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

An issuer suffering an adverse change in its financial condition or future prospects could lower the credit quality of a security thereby increasing its credit risk, leading to greater price volatility of the security. This may have adverse effects on the value of a Sub-Fund's investments. If the Sub-Fund invests in lower rated debt instruments, greater risks will be assumed because of generally lower creditworthiness, liquidity, greater fluctuation in value and higher chance of default than higher investment rated debt instruments.

Interest Rate Risk

Investment in the Sub-Fund is subject to interest rate risk. There is a general inverse relationship between interest rate and price of debt instruments. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt instruments.

Changes in interest rates may affect the value of a security as well as the financial markets in general. Fixed income securities (such as bonds) are more susceptible to fluctuation in interest rates and may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes. If the debt securities held by the Sub-Fund fall in value, the Sub-Fund's value will also be adversely affected. On the other hand, shorter term debt securities are less sensitive to interest rate changes than longer term debt securities. However, this also means that shorter term debt securities usually offer lower yields.

Credit Rating Risk

Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the securities and/or the issuers at all times. Ratings assigned by a rating agency are not absolute standards of credit quality and do not evaluate market risks. Rating agencies may fail to make timely changes in credit ratings and an issuer's current financial condition may be better or worse than a rating indicates. The rating of an issuer is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is often a time lag in updating the credit ratings in response to recent credit events.

To the extent that the Sub-Fund invests in higher yield debt instruments, the Sub-Fund's success in achieving its investment objective may depend more heavily on the Manager's creditworthiness analysis than if the Sub-Fund invested exclusively in higher-quality and better rated securities.

Valuation Risk

Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuation turns out to be incorrect, this may affect the calculation of the Net Asset Value of the Sub-Fund.

The risk of mispricing or improper valuation and possibility that the debt instruments do not always perfectly track the value of securities they are designed to track can result in increased payments to counterparties or a loss in the value of the Sub-Fund. In the event of changing market conditions or other significant events, positive or negative impact could be larger.

Downgrade Risk

Downgrade risk is the risk that the credit rating of an issuer or a debt instrument may subsequently be downgraded due to changes in the financial strength of an issuer or changes in the credit rating of a debt instrument. Downgraded securities, and securities issued by issuers whose ratings may be downgraded, may be subject to higher risks, as they could be subject to higher volatility, liquidity and credit risk. In the event of downgrading in the credit ratings of a debt instrument or an issuer relating to a debt, the

Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not be able to dispose of the debt instruments that are being downgraded. The Sub-Fund may continue to hold such investment, and higher risks may result. Unitholders may suffer substantial loss of their investments in the Sub-Fund.

Sovereign Debt Risk

Investment in sovereign debt obligations issued or guaranteed by governments or their agencies of certain developing countries and certain developed countries involves a higher degree of political, social and economic risks. A government entity's willingness or ability to repay principal and interest due in a timely manner may be affected by various factors. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the Sub-Fund to participate in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

Credit Rating Agency Risk

The credit appraisal system in Mainland China and the rating methodologies employed in Mainland China may be different from those employed in other markets. Credit ratings given by the local rating agencies recognized by the relevant authorities in Mainland China may therefore not be directly comparable with those given by other international rating agencies.

Risk associated with Fixed Income and Debt Instruments Rated Below Investment Grade or Unrated

The Sub-Fund may invest in fixed income and debt instruments which are below investment grade or which are unrated. Investors should note that such fixed income and debt instruments are generally subject to lower liquidity, higher volatility, higher credit risk and greater risk of loss of principal and interest than more highly-rated debt instruments. If the issuer of securities defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. The market for these securities may be less active, making it more difficult to sell the securities. Valuation of these securities is more difficult and thus the relevant Sub-Fund's prices may be more volatile.

In particular, the value of lower-rated or unrated corporate bonds is affected by investors' perceptions. When economic conditions appear to be deteriorating, lower rated or unrated corporate bonds may decline in market value due to investors' heightened concerns and perceptions over credit quality.

Risks associated with China Interbank Bond Market

Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the China Interbank Bond Market may result in prices of certain debt securities traded on such market fluctuating significantly. The Sub-Fund investing in such market is therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the Sub-Fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

To the extent that the Sub-Fund transacts in the China Interbank Bond Market, the Sub-Fund may also be exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

For investments via the Foreign Access Regime and/or Bond Connect, the relevant filings, registration with PBOC and account opening have to be carried out via an onshore settlement agent, offshore custody agent, registration agent or other third parties (as the case may be). As such, the Sub-Fund is subject to the risks of default or errors on the part of such third parties.

Investing in the China Interbank Bond Market via Foreign Access Regime and/or Bond Connect is also subject to regulatory risks. The relevant rules and regulations on these regimes are subject to change which may have potential retrospective effect. In the event that the relevant Mainland China authorities suspend account opening or trading on the China Interbank Bond Market, the Sub-Fund's ability to invest in the China Interbank Bond Market will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective will be negatively affected.

Risk of Investing in Dim Sum Bonds

The dim sum bond market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the dim sum bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalisation of the offshore RMB (CNH) market by the relevant regulator(s).

Risk of Investing in Convertible Bonds

Convertible bonds are a hybrid between debt and equity, permitting holders to convert into shares in the company issuing the bond at a specified future date. As such, convertibles will be exposed to equity movement and greater volatility than straight bond investments. Investments in convertible bonds are subject to the same interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable straight bond investments.The prices of convertible bonds will be affected by the changes in the price of the underlying equity securities which in turn, may have an unfavourable impact on the Net Asset Value of the Sub-Fund.

Risks associated with investments in debt instruments with loss-absorption features

Debt instruments with loss-absorption features are subject to greater risks when compared to traditional debt instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of pre-defined trigger events (e.g. when the issuer is near or at the point of non-viability or when the issuer's capital ratio falls to a specified level), which are likely to be outside of the issuer's control. Such trigger events are complex and difficult to predict and may result in a significant or total reduction in the value of such instruments.

In the event of the activation of a trigger, there may be potential price contagion and volatility to the entire asset class. Debt instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.

The Sub-Fund may invest in contingent convertible debt securities, which are highly complex and are of high risk. Upon the occurrence of the trigger event, these securities may be converted into shares of the issuer (potentially at a discounted price), or may be subject to the permanent write-down to zero. Coupon payments on contingent convertible debt securities are discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

The Sub-Fund may also invest in senior non-preferred debt securities. While these instruments are generally senior to subordinated debt securities, they may be subject to write-down upon the occurrence of a trigger event and will no longer fall under the creditor ranking hierarchy of the issuer. This may result in total loss of principal invested.

Risks associated with the PRC

Country Concentration Risk: The exposure of the Sub-Fund is concentrated in the PRC and may be more volatile than funds which have diversed investment portfolio. The Sub-Fund may be adversely affected by the performance of Chinese Securities, may be subject to increased price volatility and may be more susceptible to adverse economic, market, political or regulatory events affecting the PRC generally.

Economic, political and social Risks: The economy of the PRC, which has been in a state of transition from a planned economy to a more market oriented economy, differs from the economies of most developed countries in many respects, including the level of government involvement, its state of development, its growth rate, control of foreign exchange, and allocation of resources.

Although the majority of productive assets in the PRC are still owned by the Chinese government at various levels, in recent years, the Chinese government has implemented economic reform measures emphasising utilisation of market forces in the development of the economy of the PRC and a high level of management autonomy. The economy of the PRC has experienced significant growth in the past few decades, but growth has been uneven both geographically and among various sectors of the economy. Economic growth has also been accompanied by periods of high inflation. The Chinese government has implemented various measures from time to time to control inflation and restrain the rate of economic growth.

For more than a few decades, the Chinese government has carried out economic reforms to achieve decentralisation and utilisation of market forces to develop the economy of the PRC. These reforms have resulted in significant economic growth and social progress. There can, however, be no assurance that the Chinese government will continue to pursue such economic policies or, if it does, that those policies will continue to be successful. Any such adjustment and modification of those economic policies may have an adverse impact on the securities market in the PRC as well as the underlying securities of the Sub-Fund. Further, the Chinese government may from time to time adopt measures to control the growth of the economy which may also have an adverse impact on the capital growth and performance of the Sub-Fund.

In cases of political and social changes and adverse diplomatic developments, additional government restrictions may also be imposed.

Laws and regulations Risk: The regulatory and legal framework for capital markets and joint stock companies in the PRC may not be as well developed as those of developed countries. The laws and regulations affecting securities markets are relatively new and evolving, and because of the limited volume of published cases and judicial interpretation and their non-binding nature, interpretation and enforcement of these regulations involve uncertainties. In addition, as the PRC legal system develops, no assurance can be given that changes in such laws and regulations, their interpretation or their enforcement will not have a material adverse effect on their business operations.

Restricted markets Risk: The Sub-Fund may invest in fixed income and debt instruments in respect of which the PRC imposes limitations or restrictions on foreign ownership or holdings. Such legal and regulatory restrictions or limitations may have adverse effects on the liquidity and performance of the Sub-Fund.

Potential Market Volatility Risk: Investors should note that the inter-bank bond market, the Shanghai Stock Exchange and the Shenzhen Stock Exchange in which the fixed income and debt instruments are traded are undergoing development. Market volatility may result in significant fluctuation in the prices of fixed income and debt instruments traded on such markets and thereby changes in the Net Asset Value of the Sub-Fund.

Accounting and reporting standards Risk: Accounting, auditing and financial reporting standards and practices applicable to companies in the PRC may be different to those standards and practices applicable to countries that have more developed financial markets. For example, there are differences in the valuation methods of properties and assets and in the requirements for disclosure of information to investors.

Taxation Risk: The Chinese Government has implemented a number of tax reform policies in recent years. The current tax laws and regulations may be revised or amended in the future. It should also be noted that there is a possibility of the PRC tax rules being changed and taxes being applied retrospectively. There is a risk that taxes may be levied in future on the Sub-Fund for which no provision is made, which may potentially cause a loss to the Sub-Fund.

Emerging Markets Risk

The Sub-Fund may invest in emerging markets which may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree volatility. Investments in emerging markets will be sensitive to any change in political, social or economic development 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. The securities markets of some of the emerging countries in which the Sub-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. Investment in such markets will 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, foreign exchange control, political changes, government regulation, social instability or diplomatic developments which could affect adversely the economies of emerging markets or the value of the Sub-Funds' investments. Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to some countries in which the Sub-Fund may invest may differ from those applicable in developed countries, for example, less information is available to investors and such information may be out of date.

Risk of Investing in Other Funds

The Sub-Fund may invest in other funds which may or may not be authorized by the SFC. In addition to the Expenses and Charges charged by the Sub-Fund, investor should note that there may be additional costs involved when investing into these underlying funds, including fees and expenses charged by investment manager of these underlying funds as well as fees payable by the Sub-Fund during its subscription to or redemption from these underlying funds. Furthermore, there can be no assurance that 1) the liquidity of the underlying funds will always be sufficient to meet redemption request as and when made; and 2) investment objective and strategy of the underlying funds will be successfully achieved despite the due diligence procedures undertaken by the Manager in the selection and monitoring of the underlying funds. If the Sub-Fund invests in an underlying fund managed by the Manager or Connected Person of the Manager, potential conflict of interest may arise. The Manager will have regards to its obligations to the Sub-Fund and will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section headed "Conflicts of Interest" for details under the circumstances.

Foreign Currency Risk

Certain underlying investments acquired by the Sub-Fund may be denominated in currencies other than the Base Currency. Also, certain Classes of Units may be designated in a currency (such as HKD or RMB) other than the Base Currency. The Net Asset Value of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the Base Currency and by changes in exchange rate controls.Changes in currency exchange rates may influence the value of certain Classes of Units in the Sub-Fund, certain investments acquired by the Sub-Fund, the dividends or interest earned and the gains and losses realised. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions.

Risks concerning Asian currencies

Insofar as the Sub-Fund invests in Asian region fixed income and debt instruments denominated in the relevant local currency, the Sub-Fund may be subject to additional exchange rate risks. Emerging markets may be subject to additional adverse political, social, economic, policy, foreign exchange, liquidity, tax, legal, regulatory and settlement risks, these factors may adversely affect the exchange rates of emerging market currencies and hence the value of the securities held by the Sub-Fund. As a result, currencies of emerging markets may be more volatile than major world currencies such as USD, Euro or British Pound.

Risks associated with RMB Classes of Units

(a) RMB currency risk

Starting from 2005, the exchange rate of the RMB is no longer pegged to the US dollar. The RMB has now moved to a managed floating exchange rate based on market supply and demand with reference to a basket of foreign currencies. The daily trading price of the RMB against other major currencies in the inter-bank foreign exchange market would be allowed to float within a narrow band around the central parity published by the People’s Bank of China. As the exchange rates are based primarily on market forces, the exchange rates for RMB against other currencies, including Hong Kong dollars, are susceptible to movements based on external factors.

RMB is currently not a freely convertible and is subject to foreign exchange controls and restrictions of the Chinese government. The Chinese government’s policies on exchange control and repatriation restrictions are subject to change and the investors’ investment in the RMB Class of Units may be adversely affected.

The possibility that the appreciation of RMB will be accelerated cannot be excluded. On the other hand, non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investor’s base currencies (for example HKD) will not depreciate. Any depreciation of the RMB could adversely affect the value of investors’ investments in the RMB Classes of Units.

Under the current regulations, the rate at which RMB may be exchanged outside Mainland China (in the case of Hong Kong, the “CNH” rate) may be different from the exchange rate within Mainland China (the “CNY” rate) and such divergence may increase due to supply and demand. When calculating the value of the RMB Classes of Units, reference to the CNH rate rather than the CNY rate will be made and the value of the RMB Classes of Units thus calculated will be affected by fluctuations in the CNH rate. Although CNH and CNY represent the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

In respect of the RMB Classes of Units, where RMB depreciates against currencies of the non-RMB denominated underlying investments of the Sub-Fund, (i) investors may still suffer losses even if there are gains or no losses in the value of the non-RMB-denominated underlying investments; or (ii) investors may suffer additional losses if the non-RMB-denominated underlying investments of the Sub-Fund fall in value.

(b) Currency conversion risk for RMB Class of Units

While the Sub-Fund is denominated in another currency, the Sub-Fund may offer RMB denominated Class of Units.

Non RMB-based investors (e.g. Hong Kong investors) are exposed to foreign exchange risk. If investors are non RMB-based (e.g. Hong Kong) investors and convert other currencies into RMB so as to invest in the RMB Classes of Units and subsequently convert the RMB redemption proceeds back into other currencies, they may incur currency conversion costs and may suffer a loss as a result of foreign exchange risk.

The PRC government's imposition of restrictions on the repatriation of RMB out of Mainland China may limit the depth of the RMB market outside Mainland China and make it impossible for the Sub-Fund to hold sufficient amounts of RMB outside Mainland China to meet redemption requests in RMB.

Due to the exchange controls and restrictions applicable to RMB, the Sub-Fund may not be able to get sufficient amounts of RMB in a timely manner to meet redemption requests or pay dividend to investors of the RMB Classes of Units as a substantial portion of its underlying investments are non-RMB denominated.

Under exceptional circumstances, there is a risk that payment of investors' redemption proceeds and/or dividend payment, if any, in RMB may be delayed due to exchange controls and restrictions applicable to RMB. Alternatively, the Manager may pay redemption proceeds and/or dividend payment in HKD under such circumstances.

RQFII Regime Risk

The Sub-Fund may suffer substantial losses if there is insufficient RQFII quota allocated for the Sub-Fund to make investments, the approval of the RQFII is being revoked/terminated or otherwise invalidated as the Sub-Fund may be prohibited from trading of relevant securities and repatriation of the Sub-Fund's monies, or if any of the key operators or parties (including RQFII Local Custodian/brokers) is bankrupt/in default and/or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities).

Currently it is intended that the Sub-Fund will obtain exposure to Onshore RMB Bonds, A-Shares and other permissible investments by using the RQFII quotas of the Manager. The Sub-Fund's ability to make the relevant investments or to fully implement or pursue its investment strategy is subject to the applicable laws, rules and regulations (including restrictions on investments and repatriation of principal and profits) in Mainland China, which are subject to change and such change may have potential retrospective effect.

Mainland China Tax Risk

General

Under the Mainland China's CIT Law and its implementation rules, income derived from Mainland China by non-resident enterprises that have no establishment or place in Mainland China are subject to withholding tax. As such, the Sub-Fund's investments in Onshore RMB Bonds and A-Shares are subject to withholding tax on income (such as dividends on, or interest income from, such investments, as the case may be) derived from Mainland China, and such withholding tax may reduce the income from, and/or adversely affect the performance of the Sub-Fund. Nonetheless, the PRC Corporate Income Tax law has exempted income tax on interest from government bonds.

Legal and Regulatory Uncertainties

There are risks and uncertainties associated with the current Mainland China tax laws, regulations and practice in respect of capital gains, interests and/or dividends derived from Mainland securities (which may have retrospective effect). Any increased tax liabilities on the Sub-Fund may adversely affect the Sub-Fund's value. The interpretation and applicability of existing Mainland China tax laws may not be as consistent and transparent as those of more developed nations, and may vary from region to region. There is a possibility that the current tax laws, regulations, and practice in Mainland China may be changed with retrospective effect in the future. Moreover, there is no assurance that tax incentives currently offered to foreign companies, if any, will not be abolished and the existing tax laws and regulations will not be revised or amended in the future. Any of these changes may reduce the income from, and/or value of, the Units.

There can be no guarantee that new tax laws, regulations, and practice in Mainland China that may be promulgated in the future will not adversely impact the tax exposure of the Sub-Fund and/or its Unitholders.

Provision for Taxes

The Manager assesses the WIT provisioning of the Sub-Fund on an on-going basis. In light of the uncertainty on the income tax treatment on capital gains and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for WIT on such gains or income and withhold the tax for the account of the Sub-Fund.

Based on professional and independent tax advice, the Manager will not make WIT provision for gross realised or unrealised capital gains derived from investments in of A-Shares.

After careful consideration of the Manager's reassessment and having taken and considered independent professional tax advice regarding the Sub-Fund's eligibility for treaty relief in the Mainland -HK Arrangements and acting in accordance with such advice, the Manager considers that the Sub-Fund should qualify as a Hong Kong tax resident and the Sub-Fund should be able to enjoy a WIT exemption on capital gains derived from Onshore RMB Bonds under the Mainland-HK Arrangements. In this connection, the Manager has determined, having taken independent professional tax advice and acting in accordance with such advice, that no WIT provision will be made on the gross realized and unrealized capital gains derived from the investment in Onshore RMB Bonds.

It should be noted that there are uncertainties in relation to the Manager's determination of WIT provision, including:

- The Mainland-HK Arrangements may be changed in the future and the Sub-Fund may ultimately be required to pay WIT on capital gains.

- To date, the Sub-Fund has not obtained from the Inland Revenue Department ("IRD") a Hong Kong Tax Resident Certificate ("HKTRC"), which if the Mainland China tax authorities enforce the collection of WIT and require the Sub-Fund to provide a HKTRC in the future, the Manager will apply for a HKTRC on behalf of the Sub-Fund for relevant years. However, there is a risk that the Manager may not be able to obtain a HKTRC on behalf of the Sub-Fund.

- To date, the Mainland China tax authorities have not sought to enforce WIT collection on capital gains derived by RQFIIs such as the Manager for the Sub-Fund. If the Mainland China tax authorities start to enforce WIT collection on capital gains, the relief under the Mainland-HK Arrangements is still subject to the final approval of the Mainland China tax authorities. Even if the Manager believes that the Sub-Fund should be eligible for such relief, the tax authorities may ultimately hold a different view.

For the above reasons, the Sub-Fund may be required to pay WIT on capital gains which the Sub-Fund has not provided for. Consequently, Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. If the Sub-Fund is required to pay WIT on capital gains which the Sub-Fund has not provided for, such WIT will be deducted from the Sub-Fund assets. Investors should note that the Net Asset Value of the Sub-Fund may suffer more than the tax provision amount as the Sub-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 then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund. Unitholders may, depending on their own circumstances, be subject to Mainland China tax or taxes in other jurisdictions. The Sub-Fund would not be able to guarantee that taxes paid at the Sub-Fund’s level will be attributable to any Unitholders for personal tax purposes. Upon any future resolution of the above mentioned tax exemption or future changes to tax law or policies, the Manager will, as soon as practicable, make relevant adjustments to the tax provisioning policy as it considers necessary. Investors should refer to the relevant risk factors disclosed in the section headed Taxation of this Explanatory Memorandum.

Counterparty Risk

The Manager intends that the counterparties with which it deals on behalf of the Sub-Fund shall have reasonable financial soundness at the time of entering into the relevant transaction. Counterparties are assessed based on the risk management policies that the counterparties’ default risk should be both diversified and minimized, and that the counterparties’ performance does not adversely impact the Unitholders. Only counterparties which professional reputations are of high calibre and who are members in good standing with their respective industry associations and regulatory bodies would be approved for use by the Manager.

Semi-annual review for the appropriateness of the approved counterparties is also performed to ensure that they continue to meet the aforesaid selection criteria.

However, in the event of bankruptcy or insolvency of any of its counterparties, the Sub-Fund may experience delays in liquidating its positions and may, thereby, incur significant losses (including declines in the value of its investment) or the inability to redeem any gains on investment during the period in which the Sub-Fund seeks to enforce its rights, and fees and expenses incurred in enforcing its rights.

There is also the possibility that such transactions will be terminated due, for instance, to counterparty bankruptcy, supervening illegality or a retrospective change in the tax or accounting laws relative to those applicable at the time the transaction was entered into.
Investment in debt securities will expose the Sub-Fund to counterparty default risks. Exchange traded debt securities may be subject to counterparty risk, although such risk is mitigated by a centralised clearing system.

Risks associated with investment in FDIs

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

Hedging Risk

The Sub-Fund may acquire FDIs for hedging and 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 Sub-Fund. Derivative instruments may be illiquid and are complex in nature. In adverse situations, the Sub-Fund's use of derivatives for hedging may become ineffective and the Sub-Fund may suffer significant losses. The price of a derivative instrument can be very volatile which may result in losses in excess of the amount invested in the derivative instruments by the Sub-Fund. A derivative instrument is subject to the risk that the counterparty of the instrument will not fulfil its obligations to the Sub-Fund, and this may result in losses to the Sub-Fund.

Risks associated with Distributions out of Capital

Distributions may be paid out of the capital of the Sub-Fund. The Manager may at its discretion make distributions from capital or gross income while charging/ paying all or part of the Sub-Fund's fees and expenses to/ out of the capital of the Sub-Fund in respect of all or certain classes of the Sub-Fund. Unitholders should note that the distributions paid out of capital or effectively out of capital amount to a return or withdrawal of part of a Unitholder's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of the Sub-Fund's capital or (as the case may be) payment of distributions effectively out of the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Unit.

AN INVESTMENT IN THE SUB-FUND INVOLVES A RISK OF LOSS OF PRINCIPAL. UPON REPURCHASE OR LIQUIDATION, YOU MAY NOT RECOUP YOUR ENTIRE INVESTMENT.

APPENDIX E

CHINAAMC SELECT FIXED INCOME ALLOCATION FUND

DEFINITIONS

Save as provided below, the defined terms used in the Explanatory Memorandum have the same meaning in this **Appendix E**. In addition, the following expressions shall have the following meanings in this **Appendix E**:

"**Accounting Period**"	a 12-month period ending on 31 December of each calendar year, unless the Manager determines otherwise with the approval of the Trustee
"**Base Currency**"	USD
"**Class A HKD Units**"	Units designated as Class A HKD Units and having the specific features as set out more particularly in this Appendix E
"**Class A RMB Units**"	Units designated as Class A RMB Units and having the specific features as set out more particularly in this Appendix E
"Class A USD Units"	Units designated as Class A USD Units and having the specific features as set out more particularly in this Appendix E
"**Class I HKD Units**"	Units designated as Class I HKD Units and having the specific features as set out more particularly in this Appendix E
"**Class I RMB Units**"	Units designated as Class I RMB Units and having the specific features as set out more particularly in this Appendix E
"Class I USD Units"	Units designated as Class I USD Units and having the specific features as set out more particularly in this Appendix E
"Class I-DIST-USD Units"	Units designated as Class I-DIST-USD Units and having the specific features as set out more particularly in this Appendix E
"**Dealing Day**"	each Business Day in each calendar week
"**Dealing Deadline**"	4:00 p.m. (Hong Kong time) on the relevant Dealing Day
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"**Onshore RMB Bonds**"	RMB denominated fixed income securities (including urban investment bonds) issued or distributed in Mainland China
"**RMB**" or "**Renminbi**"	renminbi, the lawful currency of the PRC
"**Sub-Fund**"	ChinaAMC Select Fixed Income Allocation Fund

"**Unit**"	a unit in the Sub-Fund
"US$" or "USD"	US dollars, the lawful currency of the United States of America
"**Valuation Day**"	each Dealing Day

INTRODUCTION

This **Appendix E** relates solely to ChinaAMC Select Fixed Income Allocation Fund.

INVESTMENT OBJECTIVE AND STRATEGY

Investment Objective

The Sub-Fund seeks to achieve capital appreciation by directly or indirectly investing not less than 70% of the Net Asset Value of the Sub-Fund in fixed income and debt instruments in markets worldwide.

The fixed income and debt instruments that the Sub-Fund may invest in will be issued or guaranteed by supranational bodies, governments, government agencies, local authorities, and companies in any sector ("**Global Fixed Income and Debt Instruments**"). These instruments may be fixed or floating rate instruments denominated in any currency, and may include bills, notes, and investment grade bonds (i.e. having a credit rating of Baa3 or BBB- or above by Standard & Poor's, Fitch, Moody's or another recognised credit rating agency), as well as cash deposits and certificate of deposits. Fixed income and debt instruments issued or guaranteed by issuers domiciled or carrying out the predominant part of their economic activities in the PRC invested by the Sub-Fund will carry a credit rating of AA+ or above rated by China Chengxin International Credit Rating Co., Ltd or China Lianhe Credit Rating Co., Ltd or equivalent ratings by one of the local rating agencies recognized by the relevant authorities in Mainland China. Less than 35% of the Sub-Fund's Net Asset Value will be invested in fixed income and debt instruments which are below investment grade or unrated or are high yield bonds. For the purpose of the Sub-Fund, an "unrated fixed income/debt instrument" is defined as an instrument which neither the instrument itself nor its issuer has a credit rating. Furthermore, the Sub-Fund will not invest more than 10% of its net asset value in securities issued and/or guaranteed by any single country (including its government or a public or local authority of that country) with a credit rating below investment grade. The Sub-Fund may also obtain indirect exposure to the fixed income and debt instruments via collective investment schemes. Where appropriate, the Sub-Fund may invest up to 40% of its Net Asset Value in money market funds which are authorised by the SFC, recognised jurisdiction schemes, or non-recognised jurisdiction schemes not authorised by the SFC, in accordance with the requirements of the Code, as amended by the SFC from time to time.

Up to 30% of the Sub-Fund's Net Asset Value may be invested in debt instruments with loss-absorption features (including contingent convertible bonds (Additional Tier 1 and Tier 2 Capital Instruments), senior non-preferred debt securities, instruments issued under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules and other similar instruments that may be issued by banks or other financial institutions).

While it is not the intention of the Manager to invest primarily in any single country/jurisdiction globally, the Sub-Fund's aggregate exposure to the Mainland China, including investments in offshore securities issued or guaranteed by issuers domiciled or carrying out the predominant part of their economic activities in the Mainland China and onshore Mainland China securities (as further detailed below) may, on an occasional basis, be significant, but will be less than 60% of the Sub-Fund's Net Asset Value. The Manager does not anticipate that the Sub-Fund will invest more than 30% of its Net Asset Value in any single country/jurisdiction other than the Mainland China.

The Sub-Fund's aggregate exposure to investments (direct or indirect) to securities issued in the Mainland China market including but not limited to A-Shares, B-Shares, Onshore RMB Bonds, and such other financial instruments permitted under applicable PRC regulations will not exceed 20% of its Net Asset Value. The Sub-Fund may invest in the foregoing securities via the Manager's RQFII quota, investing in PRC interbank bond markets under Foreign Access Regime, Bond Connect and/or other means as may be permitted by the relevant regulations from time to time.

For the avoidance of doubt, the Sub-Fund currently does not intend to invest directly in A-Shares or B-Shares. The approval of the SFC will be sought and at least one month's prior notice will be given to Unitholders should there be a change in such intention.

The Sub-Fund may hold up to 70% of its Net Asset Value in cash, cash deposits, certificates of deposit, commercial paper, treasury bills, money market funds managed by a third party, the Manager, or its Connected Persons and other cash equivalent instruments for liquidity management and/or defensive purposes on a temporary basis under exceptional circumstances such as in times of extreme volatility of the markets or during severe adverse market conditions.

The Sub-Fund may invest in financial derivative instruments ("**FDIs**") (including structured notes such as foreign exchange-linked, interest rate-linked and credit-linked notes) for hedging purposes only, to the extent permitted by the Code and the provisions set out under the section "Investment and Borrowing Restrictions" in the Explanatory Memorandum.

The Manager currently does not intend to enter into securities lending, repurchase or reverse repurchase transactions and other similar over-the-counter transactions in respect of the Sub-Fund. The approval of the SFC will be sought and at least one month's prior notice will be given to Unitholders should there be a change in such intention.

The Sub-Fund may borrow up to 10% of its total Net Asset Value on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses.

Asset Allocation

Currently, the Manager's policy is to allocate assets in the Sub-Fund in accordance with the indicative percentage as set out in the table below. The Manager's percentage of allocation of the assets in the Sub-Fund will be notified to Unitholders and potential investors by way of publication of the Sub-Fund's factsheet on the Manager's website (www.chinaamc.com.hk)[2] .

Asset Class	**Sub-Fund's percentage allocation (indicative only)**
Global Fixed Income and Debt Instruments	Not less than 70% of the Net Asset Value of the Sub-Fund
Cash and cash equivalents	Less than 40% of the Net Asset Value of the Sub-Fund (but up to 70% of the Net Asset Value of the Sub-Fund on a temporary basis for liquidity management and/or defensive purposes under exceptional circumstances)

Use of Derivatives / Investment in Derivatives

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

EXPENSES AND CHARGES

The subscription fee, conversion fee, management fee, trustee fee, custodian fee may be increased up to the specified permitted maximum level under the Trust Deed by providing not less than one month's prior notice to Unitholders.

[2] This website has not been reviewed by the SFC.

Subscription Fee

Unitholders may pay a subscription fee of up to 5% of the total subscription money received for by the investor or Unitholder. Investors should confirm the current subscription fee with their distributors.

No subscription fee is payable in respect of subscription for Class I HKD Units, Class I RMB Units, Class I USD Units and Class I-DIST-USD Units**.**

Redemption Fee

Unitholders will not pay a redemption fee to redeem Units in the Sub-Fund.

Conversion Fee

Unitholders wishing to convert their Units into a New Class may pay a conversion fee of up to 1% (current level at 1%) of the total redemption proceeds of a Current Class. Investor should confirm the current conversion fee with their distributors. Subject to the maximum level of 1%, the Manager may change the conversion fee. No subscription fees will be payable upon subscription for Units in a New Class and no redemption fees will be charged upon redeeming Units from a Current Class into a New Class in the case of a conversion.

Management Fee

The Manager will be paid a management fee by the Sub-Fund at 0.80% per annum for Class A HKD Units, Class A RMB Units, and Class A USD Units), and at 0.40% per annum for Class I HKD Units, Class I RMB Units, Class I USD Units and Class I-DIST-USD Units of the Net Asset Value of each class of Units of the Sub-Fund calculated on a daily basis and accrued as at the relevant Valuation Point and payable monthly in arrears in relation to Units.

Where the Sub-Fund invests in funds which are managed by the Manager or its connected persons (the "**underlying funds**"), the Manager will procure that either the Sub-Fund or the underlying fund(s) will not charge any management fee in order to ensure no double-charging of management fees.

Trustee Fee

The Trustee is entitled to receive from the Sub-Fund an annual fee of up to 0.5% (current level up to 0.14% per annum) of the Net Asset Value of the Sub-Fund as at the relevant Valuation Point and subject to a minimum monthly fee of USD6,000 in relation to the Sub-Fund. This fee will be calculated and accrued on each Valuation Day and be paid monthly in arrears. The trustee fee described above represent the current fee rates applicable to the Sub-Fund (which includes the registrar fee) and does not include the fees payable for the services of any custodians appointed by the Trustee.

In addition, the Trustee has received a one-time establishment fee of USD3,000 in respect of the Sub-Fund. The Trustee is also entitled to receive transaction, processing and valuation fees and be paid or reimbursed for other applicable fees or expenses as agreed with the Manager.

Since the Trustee also acts as the Adminitrator and Registrar of the Sub-Fund, the trustee fee (which already covers the adminstration fee and registrar fee) may be changed by agreement in writing between the Manager and the Trustee. The Manager will give Unitholders at least one month's prior notice before proposing to increase the trustee fee from the current level to the maximum level as stated in the Trust Deed.

Custodian Fee

The appointed Custodian is entitled to recover from the Sub-Fund all out-of-pocket expenses, including telephone, photocopying and courier fees incurred in the performance of its duties in connection with the Sub-Fund. Pursuant to the fee letter entered into between the Manager, Trustee and the Custodian, the Custodian is entitled to (among others) transaction charges at customary market rates and custody fees at different rates, largely depending on the investment instruments concerned as well as the markets where the Custodian is required to hold the Sub-Fund's assets. Annual custody fees of up to 0.10% per annum (current level up to 0.06% per annum) may be charged by the Custodian. Such fees and charges will be calculated monthly and will be paid monthly in arrears. The Custodian will also be entitled to reimbursement by the Sub-Fund for any out-of-pocket expenses incurred in the course of its duties.

The Trust Deed provides that Unitholders must approve by means of Extraordinary Resolution any increase of: (i) the management fee beyond the maximum level stated in the Trust Deed; and/or (ii) the trustee fee beyond the maximum level stated in the Trust Deed. Investors should note that at present there is no intention to increase these fees.

Establishment Costs

The costs of establishment of the Sub-Fund will be approximately HKD350,000 and will be charged to the accounts of the Sub-Fund. The Manager intends to amortise the establishment expenses of the Sub-Fund over the first five accounting periods of the Sub-Fund (or such other period as determined by the Manager after consultation with the auditor to the Sub-Fund).

SUBSCRIPTION DETAILS

To apply for Units in the Sub-Fund, the minimum subscription, Minimum Holding and minimum subsequent subscription applicable to the different Classes of Units are as follows:

Class	Minimum Subscription	Minimum Holding	Minimum Subsequent Subscription
Class A USD Units	USD2,000	USD2,000	USD2,000
Class A RMB Units	RMB10,000	RMB10,000	RMB10,000
Class A HKD Units	HKD10,000	HKD10,000	HKD10,000
Class I USD Units	USD1,000,000	USD1,000,000	USD1,000,000
Class I-DIST-USD Units	USD1,000,000	USD1,000,000	USD1,000,000
Class I RMB Units	RMB5,000,000	RMB5,000,000	RMB5,000,000
Class I HKD Units	HKD5,000,000	HKD5,000,000	HKD5,000,000

In addition to the above, the Manager has determined to create and establish Class R RMB Units, Class R RMB (Hedged) Units and Class R USD Units will offer such Classes of Units to investors in Mainland China only for subscription after the Sub-Fund obtains the approval of the CSRC for distribution in Mainland China under the Mainland-Hong Kong Mutual Recognition of Funds initiative. Such Classes of Units will not be offered in Hong Kong. Investors in Mainland China should refer to the supplementary offering document of the Sub-Fund distributed in Mainland China for details in relation to Class R RMB Units, Class R RMB (Hedged) Units and Class R USD Units.

Except as otherwise provided, Units in the Sub-Fund will be issued on the relevant Dealing Day for applications, together with cleared application monies received by the Trustee (via the Manager or its distributors) prior to 4:00 p.m. (Hong Kong time) on the relevant Dealing Day. Investors should confirm the relevant cut-off times with their distributors.

For details regarding the procedure for the subscriptions, please refer to the section headed "**Purchase of Units**" in the Explanatory Memorandum.

SUBSCRIPTION OF UNITS

The Trustee issues Units at the direction of the Manager who has the exclusive right to offer and issue Units and the Manager (upon consultation with the Trustee) has sole discretion to accept or reject any subscription for Units.

Applications for subscription of Units may be made on each Dealing Day at the Net Asset Value per Unit of the Sub-Fund published daily in Hong Kong in the South China Morning Post, in the Hong Kong Economic Times and/or any other newspapers the Manager may determine and notify the Unitholders. The prices will be expressed exclusive of any subscription fee or redemption fee which may be payable on subscription or redemption.

Applications for subscription of Units (either by hand, facsimile, electronic mail, mail or courier) must be forwarded to, and received by, the Trustee (via the Manager or its distributors) by no later than the Dealing Deadline. Applications received after this deadline will be processed for subscription on the next Dealing Day.

The Subscription Price on any Dealing Day is the price per Unit ascertained by dividing the Net Asset Value of the Sub-Fund as at the Valuation Point in respect of the relevant Dealing Day by the number of Units in issue rounded to the nearest four decimal places (with 0.00005 being rounded up) or in such manner and to any other number of decimal places the Manager may determine after consulting the Trustee and such amount of fiscal and purchase charges determined by the Manager.

The subscription amount payable for the number of Unit subscribed by an applicant, in respect of any Dealing Day, is due and payable to the Trustee (via the Manager or its distributors) no later than the Dealing Deadline, which is 4:00 pm (Hong Kong time) on the relevant Dealing Day.

The Trustee will send a contract note confirming to each applicant no later than two Business Days after the availability of the price per Unit, as is applicable, and as to whether the applicant's application for Units has been successful, either in whole or in part.

Minimum Subscription and Minimum Subsequent Subscription

The minimum subscription and minimum subsequent subscription per investor for each Class of Unit is set out above.

The Manager has sole discretion to determine the number of applications for Units that will be accepted and whether to accept applications from any applicant for less than the minimum subscription amount or minimum subsequent subscription amount.

Confirmation of Subscription

If the relevant application form and/or subscription monies is/are not received by the times stated above, the application will be held over to the next Dealing Day and Units will be issued at the relevant Subscription Price on that Dealing Day.

The Manager reserves the right to reject any application in whole or in part at its sole discretion, in which event the amount paid on application or the balance thereof (as the case may be) will be returned (without interest) as soon as practicable in the same currency paid on application at the risk and cost of the applicant.

Applications for Units will not be dealt with and Units will not be issued until receipt of confirmation that an applicant's funds have been cleared in full. Units are deemed to be issued on the relevant Dealing Day. Notwithstanding the above, the Sub-Fund may rely upon application orders received and may issue Units to investors according to such orders and invest the expected application amounts. If payment of funds is not cleared within 4 Business Days (or such period as the Manager may permit which may not exceed 14 calendar days and notify the relevant applicant at the time of receipt of the application), the Manager reserves the right to cancel the transaction. In such circumstances, the Manager and/or the Trustee may charge a cancellation fee to represent administrative costs incurred in processing an application and may require the defaulting applicant to pay compensation for any loss directly or indirectly resulting from the failure by the applicant to make good settlement by the settlement date. Such charge may include, but is not limited to, the difference between the prices at issue and at cancellation of the Units concerned.

REDEMPTION OF UNITS

The procedures regarding the redemption of Units are described under the section headed "**Redemption of Units**" in the Explanatory Memorandum.

For any redemption to be dealt with on a particular Dealing Day, the Trustee (via the Manager or its distributors) must receive a redemption request (either by hand, facsimile, electronic mail, mail or courier) before the Dealing Deadline. Investors should confirm the relevant cut-off times with their distributors. Redemption requests received after such time will be deemed to have been received on the next Dealing Day and will be dealt with accordingly. Unless the Manager in any particular case or generally otherwise agrees, a Unitholder may not redeem any Units of a Class in amounts of less than the following:

Class	**Minimum Redemption**
Class A USD Units	USD1,000
Class A RMB Units	RMB10,000
Class A HKD Units	HKD 10,000
Class I USD Units	USD10,000
Class I-DIST-USD Units	USD10,000
Class I RMB Units	RMB100,000
Class I HKD Units	HKD 100,000

The Redemption Price for a Class of Units on any Dealing Day is the price per Unit of such Class ascertained by dividing the Net Asset Value of the Sub-Fund of such Class as at the Valuation Point in respect of the Dealing Day by the number of Units of such Class in issue, rounded to the nearest four decimal places (with 0.00005 being rounded up) or in such manner and to any other number of decimal places the Manager may determine after consulting the Trustee.

Unitholders may redeem their Units on any Dealing Day in whole or in part but the Manager may refuse a request for a partial redemption resulting in the Unitholder's holding in the Sub-Fund falling below the Minimum Holding of a particular Class of Units, and in such a situation, the Manager may require the Unitholder to redeem all its Units in such Class. The Trustee will send a contract note to each redeeming Unitholder no later than two Business Days after the availability of the price per Unit.

With respect to properly documented redemption requests received by the Trustee before the declaration of a suspension, redemption proceeds will normally be paid in the currency of the relevant Class within a period of five Business Days from the relevant Dealing Day. Under extreme market conditions, payment of investors' redemption proceeds may be delayed, but in any event redemption proceeds will be paid within one calendar month from the day on which the Trustee has received a properly documented redemption request.

Following the Manager's exercise of its powers described in the section headed "**Suspension of Calculation of Net Asset Value**", there will be a delay in the payment of redemption proceeds reflecting the period during which the Manager declared a suspension of the determination of Net Asset Value of the Sub-Fund with respect to any redemption requests received after the declaration of suspension. Any redemption money unclaimed after six years from the date of payment shall become part of the assets of the Sub-Fund.

All bank charges and costs incurred in the payment of the redemption proceeds to the Unitholder will be borne by the relevant Unitholder and deducted from the redemption proceeds. Any risks arising from delay in clearance of funds by banks will be borne by the relevant Unitholder.

No payments will be made to a person other than the registered Unitholder.

CONVERSION OF UNITS

Subject to the consent of the Manager, Unitholders have the right (subject to any suspension in the determination of the Net Asset Value of the Sub-Fund) to convert all or part of their Units of any class in the Sub-Fund into Units of any other class in the Sub-Fund or another sub-fund of the Fund by giving notice in writing or by facsimile to the Trustee (via the Manager or its distributors) before the Dealing Deadline.

General

Fractions of Units of the Sub-Fund may be issued rounded to the nearest four decimal places (with 0.00005 being rounded up).

VALUATION

The Net Asset Value is calculated by determining the value of the assets attributable to the Sub-Fund, including accrued income, and deducting all its liabilities. The resultant sum is divided by the total number of Units in issue at that time to give the Net Asset Value per Unit and adjusting the resultant sum to the nearest four decimal places (with 0.00005 being rounded up).

DISTRIBUTIONS

In respect of the Class I-DIST-USD Units, the Manager currently intends to make distributions on a semi-annual basis (i.e. June and December each year). However there is no guarantee of regular distribution and (if distribution is made) the amount being distributed.

The Manager may at its discretion pay distributions out of the capital of the Sub-Fund or pay distributions out of gross income while charging / paying all or part of the Sub-Fund's fees and expenses to / out of the capital of the Sub-Fund. Where distributions are paid out of gross income while charging/ paying all or part of the Sub-Fund's fees and expenses to/ out of the capital of the Sub-Fund, this will result in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of capital.

Compositions of the distributions (if any) (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months would be made available by the Manager on request and also on the Manager's website (www.chinaamc.com.hk)[2]. Unitholders should be aware of the effects of making distributions out of capital and pay attention to the relevant risk disclosures as set under the section headed "Risks associated with distributions out of capital" under the section headed "Risk Factors" in this Appendix E. The Manager may amend the distribution policy from paying dividend out of capital / effectively out of capital to no longer paying dividend out of / effectively out of capital by informing existing Unitholders as soon as reasonably practicable.

For the avoidance of doubt, no distributions will be made in respect of Class A USD Units, Class A RMB Units, Class A HKD Units, Class I USD Units, Class I RMB Units and Class I HKD Units as all interest and other income earned on the investment will be accumulated and re-invested into the Sub-Fund on behalf of Unitholders of such Classes of accumulating Units.

FINANCIAL REPORTS

The Sub-Fund's financial year end is 31 December in each year and the Sub-Fund's first audited report (in English) will cover the period beginning on the date of inception and ending on 31 December of the relevant year.

RISK FACTORS

Please refer to the following risk factors in relation to an investment in the Sub-Fund.

The Sub-Fund may be affected by the following risks, among others:

Investment Risk

The Sub-Fund invests in fixed income securities and these securities may fall in value due to any of the key risk factors below. Investors may suffer losses as a result. The Sub-Fund is not principal guaranteed and the purchase of its distributing Units is not the same as investing directly in fixed income securities or placing HKD funds on deposit with a bank.

Debt Instruments Risks

The Sub-Fund will invest in debt instruments. Debt instruments, such as notes and bonds, are subject to liquidity risk, credit risk, interest rate risk, credit rating risk, valuation risk, and downgrade risk. The Net Asset Value of the Sub-Fund may be adversely affected when the value of debt instruments falls.

[2] This website has not been reviewed by the SFC.

Risk of Short-term Debt Instruments

The Sub-Fund will invest mainly in short-term debt instruments. The short-term debt instruments in which the Sub-Fund invests are very liquid with short maturities. Whilst the Sub-Fund may avoid potential risks associated with the holding of longer-term debt securities, this may also lead to the loss of opportunities for obtaining higher yields by investing in longer-term debt securities.

Short-term debt instruments are not risk-free and investing in the Sub-Fund is not the same as investing in money market funds or placing funds on deposit with a bank or deposit-taking company. The Manager has no obligation to redeem Units of the Sub-Fund at the Subscription Price.

As the Sub-Fund invests significantly in short-term debt instruments with short maturities, it means the turnover rates of the Sub-Fund's investments may be relatively high and the transaction costs incurred as a result of the purchase or sale of short-term debt instruments may also increase which in turn may have an impact on the net asset value of the Sub-Fund.

Volatility and Liquidity Risk

Not all securities, such as debt securities held by the Sub-Fund are listed or actively traded. The debt securities in such markets may be subject to higher volatility and lower liquidity compared to more developed markets.The prices of securities traded in such markets may be subject to fluctuations. Certain securities may be difficult or impossible to sell, and this would affect the Sub-Fund's ability to dispose of such securities at their fair price in times of adverse market conditions.

The price at which the fixed income securities are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates. Further, the bid and offer spreads of the price of fixed income securities in which the Sub-Fund invests may be large, and hence, the Sub-Fund may incur significant trading and realisation costs and losses may be suffered.

Credit Risk

Credit risk (sometimes known as issuer default risk) is the possibility that an issuer of an instrument will be unable or unwilling to make interest payments or repay principal when due, or to otherwise honour its obligations. The Sub-Fund is exposed to the credit/ default risk of issuers of debt instruments, fixed income instruments and deposits that the Sub-Fund may invest in. The debt instruments that the Sub-Fund invests in are typically unsecured debt obligations and are not supported by any collateral. The Sub-Fund will be fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

An issuer suffering an adverse change in its financial condition or future prospects could lower the credit quality of a security thereby increasing its credit risk, leading to greater price volatility of the security. This may have adverse effects on the value of a Sub-Fund's investments. If the Sub-Fund invests in lower rated debt instruments, greater risks will be assumed because of generally lower creditworthiness, liquidity, greater fluctuation in value and higher chance of default than higher investment rated debt instruments.

Interest Rate Risk

Investment in the Sub-Fund is subject to interest rate risk. There is a general inverse relationship between interest rate and price of debt instruments. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt instruments.

Changes in interest rates may affect the value of a security as well as the financial markets in general. Fixed income securities (such as bonds) are more susceptible to fluctuation in interest rates and may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes. If the debt securities held by the Sub-Fund fall in value, the Sub-Fund's value will also be adversely affected. On the other hand, shorter term debt securities are less sensitive to interest rate changes than longer term debt securities. However, this also means that shorter term debt securities usually offer lower yields.

Credit Rating Risk

Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the securities and/or the issuers at all times. Ratings assigned by a rating agency are not absolute standards of credit quality and do not evaluate market risks. Rating agencies may fail to make timely changes in credit ratings and an issuer's current financial condition may be better or worse than a rating indicates. The rating of an issuer is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is often a time lag in updating the credit ratings in response to recent credit events.

To the extent that the Sub-Fund invests in higher yield debt instruments, the Sub-Fund's success in achieving its investment objective may depend more heavily on the Manager's creditworthiness analysis than if the Sub-Fund invested exclusively in higher-quality and better rated securities.

Valuation Risk

Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuation turns out to be incorrect, this may affect the calculation of the Net Asset Value of the Sub-Fund.

The risk of mispricing or improper valuation and possibility that the debt instruments do not always perfectly track the value of securities they are designed to track can result in increased payments to counterparties or a loss in the value of the Sub-Fund. In the event of changing market conditions or other significant events, positive or negative impact could be larger.

Downgrade Risk

Downgrade risk is the risk that the credit rating of an issuer or a debt instrument may subsequently be downgraded due to changes in the financial strength of an issuer or changes in the credit rating of a debt instrument. Downgraded securities, and securities issued by issuers whose ratings may be downgraded, may be subject to higher risks, as they could be subject to higher volatility, liquidity and credit risk. In the event of downgrading in the credit ratings of a debt instrument or an issuer relating to a debt, the Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not be able to dispose of the debt instruments that are being downgraded. The Sub-Fund may continue to hold such investment, and higher risks may result. Unitholders may suffer substantial loss of their investments in the Sub-Fund.

Sovereign Debt Risk

Investment in sovereign debt obligations issued or guaranteed by governments or their agencies of certain developing countries and certain developed countries involves a higher degree of political, social and economic risks. A government entity's willingness or ability to repay principal and interest due in a timely manner may be affected by various factors. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the Sub-Fund to participate in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

Credit Rating Agency Risk

The credit appraisal system in Mainland China and the rating methodologies employed in Mainland China may be different from those employed in other markets. Credit ratings given by the local rating agencies recognized by the relevant authorities in Mainland China may therefore not be directly comparable with those given by other international rating agencies.

Risk associated with Fixed Income and Debt Instruments Rated Below Investment Grade or Unrated

The Sub-Fund may invest in fixed income and debt instruments which are below investment grade or which are unrated. Investors should note that such fixed income and debt instruments are generally subject to lower liquidity, higher volatility, higher credit risk and greater risk of loss of principal and interest than more highly-rated debt instruments. If the issuer of securities defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. The market for these securities may be less active, making it more difficult to sell the securities. Valuation of these securities is more difficult and thus the relevant Sub-Fund's prices may be more volatile.

In particular, the value of lower-rated or unrated corporate bonds is affected by investors' perceptions. When economic conditions appear to be deteriorating, lower rated or unrated corporate bonds may decline in market value due to investors' heightened concerns and perceptions over credit quality.

Risks associated with Structured Notes

The Sub-Fund may invest in structured notes (e.g. foreign exchange-linked, interest rate-linked and credit-linked note or other instruments which are linked to the performance of an underlying asset such as securities, indices or interest rates) for hedging purpose only. Such instruments are sometimes referred to as "structured products". 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 Sub-Fund.

These instruments will also be subject to insolvency or default risk of the issuers or counterparties. In addition, investment through structured products may lead to a dilution of performance of the Sub-Fund when compared to a fund investing directly in similar assets. Besides, many 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 Sub-Fund to the possibility of a loss exceeding the original amount invested.

Risks associated with China Interbank Bond Market

Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the China Interbank Bond Market may result in prices of certain debt securities traded on such market fluctuating significantly. The Sub-Fund investing in such market is therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the Sub-Fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

To the extent that the Sub-Fund transacts in the China Interbank Bond Market, the Sub-Fund may also be exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

For investments via the Foreign Access Regime and/or Bond Connect, the relevant filings, registration with PBOC and account opening have to be carried out via an onshore settlement agent, offshore custody agent, registration agent or other third parties (as the case may be). As such, the Sub-Fund is subject to the risks of default or errors on the part of such third parties.

Investing in the China Interbank Bond Market via Foreign Access Regime and/or Bond Connect is also subject to regulatory risks. The relevant rules and regulations on these regimes are subject to change which may have potential retrospective effect. In the event that the relevant Mainland China authorities suspend account opening or trading on the China Interbank Bond Market, the Sub-Fund's ability to invest in the China Interbank Bond Market will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective will be negatively affected.

Risk of Investing in Dim Sum Bonds

The dim sum bond market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the dim sum bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalisation of the offshore RMB (CNH) market by the relevant regulator(s).

Risk of Investing in Other Funds

The Sub-Fund may invest in other funds which may or may not be authorized by the SFC. In addition to the Expenses and Charges charged by the Sub-Fund, investor should note that there may be additional costs involved when investing into these underlying funds, including fees and expenses charged by investment manager of these underlying funds as well as fees payable by the Sub-Fund during its subscription to or redemption from these underlying funds. Furthermore, there can be no assurance that 1) the liquidity of the underlying funds will always be sufficient to meet redemption request as and when made; and 2) investment objective and strategy of the underlying funds will be successfully achieved despite the due diligence procedures undertaken by the Manager in the selection and monitoring of the underlying funds.

If the Sub-Fund invests in an underlying fund managed by the Manager or Connected Person of the Manager, potential conflict of interest may arise. The Manager will have regards to its obligations to the Sub-Fund and will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section headed "Conflicts of Interest" for details under the circumstances.

Risks associated with investments in debt instruments with loss-absorption features

Debt instruments with loss-absorption features are subject to greater risks when compared to traditional debt instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of pre-defined trigger events (e.g. when the issuer is near or at the point of non-viability or when the issuer's capital ratio falls to a specified level), which are likely to be outside of the issuer's control. Such trigger events are complex and difficult to predict and may result in a significant or total reduction in the value of such instruments.

In the event of the activation of a trigger, there may be potential price contagion and volatility to the entire asset class. Debt instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.

The Sub-Fund may invest in contingent convertible debt securities, which are highly complex and are of high risk. Upon the occurrence of the trigger event, these securities may be converted into shares of the issuer (potentially at a discounted price), or may be subject to the permanent write-down to zero. Coupon payments on contingent convertible debt securities are discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

The Sub-Fund may also invest in senior non-preferred debt securities. While these instruments are generally senior to subordinated debt securities, they may be subject to write-down upon the occurrence of a trigger event and will no longer fall under the creditor ranking hierarchy of the issuer. This may result in total loss of principal invested.

Risks associated with the PRC

Country Concentration Risk: The exposure of the Sub-Fund is concentrated in the PRC and may be more volatile than funds which have diversed investment portfolio. The Sub-Fund may be adversely affected by the performance of Chinese Securities, may be subject to increased price volatility and may be more susceptible to adverse economic, market, political or regulatory events affecting the PRC generally.

Economic, political and social Risks: The economy of the PRC, which has been in a state of transition from a planned economy to a more market oriented economy, differs from the economies of most developed countries in many respects, including the level of government involvement, its state of development, its growth rate, control of foreign exchange, and allocation of resources.

Although the majority of productive assets in the PRC are still owned by the Chinese government at various levels, in recent years, the Chinese government has implemented economic reform measures emphasising utilisation of market forces in the development of the economy of the PRC and a high level of management autonomy. The economy of the PRC has experienced significant growth in the past few decades, but growth has been uneven both geographically and among various sectors of the economy. Economic growth has also been accompanied by periods of high inflation. The Chinese government has implemented various measures from time to time to control inflation and restrain the rate of economic growth.

For more than a few decades, the Chinese government has carried out economic reforms to achieve decentralisation and utilisation of market forces to develop the economy of the PRC. These reforms have resulted in significant economic growth and social progress. There can, however, be no assurance that the Chinese government will continue to pursue such economic policies or, if it does, that those policies will continue to be successful. Any such adjustment and modification of those economic policies may have an adverse impact on the securities market in the PRC as well as the underlying securities of the Sub-Fund. Further, the Chinese government may from time to time adopt measures to control the growth of the economy which may also have an adverse impact on the capital growth and performance of the Sub-Fund.

In cases of political and social changes and adverse diplomatic developments, additional government restrictions may also be imposed.

Laws and regulations Risk: The regulatory and legal framework for capital markets and joint stock companies in the PRC may not be as well developed as those of developed countries. The laws and regulations affecting securities markets are relatively new and evolving, and because of the limited volume of published cases and judicial interpretation and their non-binding nature, interpretation and enforcement of these regulations involve uncertainties. In addition, as the PRC legal system develops, no assurance can be given that changes in such laws and regulations, their interpretation or their enforcement will not have a material adverse effect on their business operations.

Restricted markets Risk: The Sub-Fund may invest in fixed income and debt instruments in respect of which the PRC imposes limitations or restrictions on foreign ownership or holdings. Such legal and regulatory restrictions or limitations may have adverse effects on the liquidity and performance of the Sub-Fund.

Potential Market Volatility Risk: Investors should note that the inter-bank bond market, the Shanghai Stock Exchange and the Shenzhen Stock Exchange in which the fixed income and debt instruments are traded are undergoing development. Market volatility may result in significant fluctuation in the prices of fixed income and debt instruments traded on such markets and thereby changes in the Net Asset Value of the Sub-Fund.

Accounting and reporting standards Risk: Accounting, auditing and financial reporting standards and practices applicable to companies in the PRC may be different to those standards and practices applicable to countries that have more developed financial markets. For example, there are differences in the valuation methods of properties and assets and in the requirements for disclosure of information to investors.

Taxation Risk: The Chinese Government has implemented a number of tax reform policies in recent years. The current tax laws and regulations may be revised or amended in the future. It should also be noted that there is a possibility of the PRC tax rules being changed and taxes being applied retrospectively. There is a risk that taxes may be levied in future on the Sub-Fund for which no provision is made, which may potentially cause a loss to the Sub-Fund.

Emerging Markets Risk

The Sub-Fund may invest in emerging markets which may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree volatility. Investments in emerging markets will be sensitive to any change in political, social or economic development 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. The securities markets of some of the emerging countries in which the Sub-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. Investment in such markets will 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, foreign exchange control, political changes, government regulation, social instability or diplomatic developments which could affect adversely the economies of emerging markets or the value of the Sub-Funds' investments. Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to some countries in which the Sub-Fund may invest may differ from those applicable in developed countries, for example, less information is available to investors and such information may be out of date.

Foreign Currency Risk

Certain underlying investments acquired by the Sub-Fund may be denominated in currencies other than the Base Currency. Also, certain Classes of Units may be designated in a currency (such as HKD or RMB) other than the Base Currency. The Net Asset Value of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the Base Currency and by changes in exchange rate controls.Changes in currency exchange rates may influence the value of certain Classes of Units in the Sub-Fund, certain investments acquired by the Sub-Fund, the dividends or interest earned and the gains and losses realised. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions.

Risks associated with RMB Classes of Units

(a) RMB currency risk

Starting from 2005, the exchange rate of the RMB is no longer pegged to the US dollar. The RMB has now moved to a managed floating exchange rate based on market supply and demand with reference to a basket of foreign currencies. The daily trading price of the RMB against other major currencies in the inter-bank foreign exchange market would be allowed to float within a narrow band around the central parity published by the People's Bank of China. As the exchange rates are based primarily on market forces, the exchange rates for RMB against other currencies, including Hong Kong dollars, are susceptible to movements based on external factors.

RMB is currently not a freely convertible and is subject to foreign exchange controls and restrictions of the Chinese government. The Chinese government's policies on exchange control and repatriation restrictions are subject to change and the investors' investment in the RMB Class of Units may be adversely affected.

The possibility that the appreciation of RMB will be accelerated cannot be excluded. On the other hand, non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investor's base currencies (for example HKD) will not depreciate. Any depreciation of the RMB could adversely affect the value of investors' investments in the RMB Classes of Units.

Under the current regulations, the rate at which RMB may be exchanged outside Mainland China (in the case of Hong Kong, the "CNH" rate) may be different from the exchange rate within Mainland China (the "CNY" rate) and such divergence may increase due to supply and demand. When calculating the value of the RMB Classes of Units, reference to the CNH rate rather than the CNY rate will be made and the value of the RMB Classes of Units thus calculated will be affected by fluctuations in the CNH rate. Although CNH and CNY represent the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

In respect of the RMB Classes of Units, where RMB depreciates against currencies of the non-RMB denominated underlying investments of the Sub-Fund, (i) investors may still suffer losses even if there are gains or no losses in the value of the non-RMB-denominated underlying investments; or (ii) investors may suffer additional losses if the non-RMB-denominated underlying investments of the Sub-Fund fall in value.

(b) Currency conversion risk for RMB Class of Units

While the Sub-Fund is denominated in another currency, the Sub-Fund may offer RMB denominated Class of Units.

Non RMB-based investors (e.g. Hong Kong investors) are exposed to foreign exchange risk. If investors are non RMB-based (e.g. Hong Kong) investors and convert other currencies into RMB so as to invest in the RMB Classes of Units and subsequently convert the RMB redemption proceeds back into other currencies, they may incur currency conversion costs and may suffer a loss as a result of foreign exchange risk.

The PRC government's imposition of restrictions on the repatriation of RMB out of Mainland China may limit the depth of the RMB market outside Mainland China and make it impossible for the Sub-Fund to hold sufficient amounts of RMB outside Mainland China to meet redemption requests in RMB.

Due to the exchange controls and restrictions applicable to RMB, the Sub-Fund may not be able to get sufficient amounts of RMB in a timely manner to meet redemption requests or pay dividend to investors of the RMB Classes of Units as a substantial portion of its underlying investments are non-RMB denominated.

Under exceptional circumstances, there is a risk that payment of investors' redemption proceeds and/or dividend payment, if any, in RMB may be delayed due to exchange controls and restrictions applicable to RMB. Alternatively, the Manager may pay redemption proceeds and/or dividend payment in HKD under such circumstances.

RQFII Regime Risk

The Sub-Fund may suffer substantial losses if there is insufficient RQFII quota allocated for the Sub-Fund to make investments, the approval of the RQFII is being revoked/terminated or otherwise invalidated as the Sub-Fund may be prohibited from trading of relevant securities and repatriation of the Sub-Fund's monies, or if any of the key operators or parties (including RQFII Local Custodian/brokers) is bankrupt/in default and/or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities).

Currently it is intended that the Sub-Fund will obtain exposure to Onshore RMB Bonds and other permissible investments by using the RQFII quotas of the Manager. The Sub-Fund's ability to make the relevant investments or to fully implement or pursue its investment strategy is subject to the applicable laws, rules and regulations (including restrictions on investments and repatriation of principal and profits) in Mainland China, which are subject to change and such change may have potential retrospective effect.

Mainland China Tax Risk

General

Under the Mainland China's CIT Law and its implementation rules, income derived from Mainland China by non-resident enterprises that have no establishment or place in Mainland China are subject to withholding tax. As such, the Sub-Fund's investments in Onshore RMB Bonds are subject to withholding tax on income (such as interest income from, such investments, as the case may be) derived from Mainland China, and such withholding tax may reduce the income from, and/or adversely affect the performance of the Sub-Fund. Nonetheless, the PRC Corporate Income Tax law has exempted income tax on interest from government bonds.

Legal and Regulatory Uncertainties

There are risks and uncertainties associated with the current Mainland China tax laws, regulations and practice in respect of capital gains, interests and/or dividends derived from Mainland securities (which may have retrospective effect). Any increased tax liabilities on the Sub-Fund may adversely affect the Sub-Fund's value. The interpretation and applicability of existing Mainland China tax laws may not be as consistent and transparent as those of more developed nations, and may vary from region to region. There is a possibility that the current tax laws, regulations, and practice in Mainland China may be changed with retrospective effect in the future. Moreover, there is no assurance that tax incentives currently offered to foreign companies, if any, will not be abolished and the existing tax laws and regulations will not be revised or amended in the future. Any of these changes may reduce the income from, and/or value of, the Units.

There can be no guarantee that new tax laws, regulations, and practice in Mainland China that may be promulgated in the future will not adversely impact the tax exposure of the Sub-Fund and/or its Unitholders.

Provision for Taxes

The Manager assesses the WIT provisioning of the Sub-Fund on an on-going basis. In light of the uncertainty on the income tax treatment on capital gains and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for WIT on such gains or income and withhold the tax for the account of the Sub-Fund.

After careful consideration of the Manager's reassessment and having taken and considered independent professional tax advice regarding the Sub-Fund's eligibility for treaty relief in the Mainland -HK Arrangements and acting in accordance with such advice, the Manager considers that the Sub-Fund should qualify as a Hong Kong tax resident and the Sub-Fund should be able to enjoy a WIT exemption on capital gains derived from Onshore RMB Bonds under the Mainland-HK Arrangements. In this connection, the Manager has determined, having taken independent professional tax advice and acting in accordance with such advice, that no WIT provision will be made on the gross realized and unrealized capital gains derived from the investment in Onshore RMB Bonds.

It should be noted that there are uncertainties in relation to the Manager's determination of WIT provision, including:

- The Mainland-HK Arrangements may be changed in the future and the Sub-Fund may ultimately be required to pay WIT on capital gains.

- To date, the Sub-Fund has not obtained from the Inland Revenue Department ("IRD") a Hong Kong Tax Resident Certificate ("HKTRC"), which if the Mainland China tax authorities enforce the collection of WIT and require the Sub-Fund to provide a HKTRC in the future, the Manager will apply for a HKTRC on behalf of the Sub-Fund for relevant years. However, there is a risk that the Manager may not be able to obtain a HKTRC on behalf of the Sub-Fund.

- To date, the Mainland China tax authorities have not sought to enforce WIT collection on capital gains derived by RQFIIs such as the Manager for the Sub-Fund. If the Mainland China tax authorities start to enforce WIT collection on capital gains, the relief under the Mainland-HK Arrangements is still subject to the final approval of the Mainland China tax authorities. Even if the Manager believes that the Sub-Fund should be eligible for such relief, the tax authorities may ultimately hold a different view.

For the above reasons, the Sub-Fund may be required to pay WIT on capital gains which the Sub-Fund has not provided for. Consequently, Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. If the Sub-Fund is required to pay WIT on capital gains which the Sub-Fund has not provided for, such WIT will be deducted from the Sub-Fund assets. Investors should note that the Net Asset Value of the Sub-Fund may suffer more than the tax provision amount as the Sub-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 then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund. Unitholders may, depending on their own circumstances, be subject to Mainland China tax or taxes in other jurisdictions. The Sub-Fund would not be able to guarantee that taxes paid at the Sub-Fund's level will be attributable to any

Unitholders for personal tax purposes. Upon any future resolution of the above mentioned tax exemption or future changes to tax law or policies, the Manager will, as soon as practicable, make relevant adjustments to the tax provisioning policy as it considers necessary. Investors should refer to the relevant risk factors disclosed in the section headed Taxation of this Explanatory Memorandum.

Counterparty Risk

The Manager intends that the counterparties with which it deals on behalf of the Sub-Fund shall have reasonable financial soundness at the time of entering into the relevant transaction. Counterparties are assessed based on the risk management policies that the counterparties' default risk should be both diversified and minimized, and that the counterparties' performance does not adversely impact the Unitholders. Only counterparties which professional reputations are of high calibre and who are members in good standing with their respective industry associations and regulatory bodies would be approved for use by the Manager.

Semi-annual review for the appropriateness of the approved counterparties is also performed to ensure that they continue to meet the aforesaid selection criteria.

However, in the event of bankruptcy or insolvency of any of its counterparties, the Sub-Fund may experience delays in liquidating its positions and may, thereby, incur significant losses (including declines in the value of its investment) or the inability to redeem any gains on investment during the period in which the Sub-Fund seeks to enforce its rights, and fees and expenses incurred in enforcing its rights.

There is also the possibility that such transactions will be terminated due, for instance, to counterparty bankruptcy, supervening illegality or a retrospective change in the tax or accounting laws relative to those applicable at the time the transaction was entered into.
Investment in debt securities will expose the Sub-Fund to counterparty default risks. Exchange traded debt securities may be subject to counterparty risk, although such risk is mitigated by a centralised clearing system.

Risks associated with investment in FDIs

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

Hedging Risk

The Sub-Fund may acquire FDIs for hedging and 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 Sub-Fund. Derivative instruments may be illiquid and are complex in nature. In adverse situations, the Sub-Fund's use of derivatives for hedging may become ineffective and the Sub-Fund may suffer significant losses. The price of a derivative instrument can be very volatile which may result in losses in excess of the amount invested in the derivative instruments by the Sub-Fund. A derivative instrument is subject to the risk that the counterparty of the instrument will not fulfil its obligations to the Sub-Fund, and this may result in losses to the Sub-Fund.

Risks associated with Distributions out of Capital

Distributions may be paid out of the capital of the Sub-Fund. The Manager may at its discretion make distributions from capital or gross income while charging/ paying all or part of the Sub-Fund's fees and expenses to/ out of the capital of the Sub-Fund in respect of all or certain classes of the Sub-Fund.

Unitholders should note that the distributions paid out of capital or effectively out of capital amount to a return or withdrawal of part of a Unitholder's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of the Sub-Fund's capital or (as the case may be) payment of distributions effectively out of the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Unit.

AN INVESTMENT IN THE SUB-FUND INVOLVES A RISK OF LOSS OF PRINCIPAL. UPON REPURCHASE OR LIQUIDATION, YOU MAY NOT RECOUP YOUR ENTIRE INVESTMENT.

APPENDIX F

CHINAAMC SELECT MONEY MARKET FUND

DEFINITIONS

Save as provided below, the defined terms used in the Explanatory Memorandum have the same meaning in this **Appendix F**. In addition, the following expressions shall have the following meanings in this **Appendix F**:

"**Accounting Period**"	a 12-month period ending on 31 December of each calendar year, unless the Manager determines otherwise with the approval of the Trustee
"**Base Currency**"	HKD
"**Class A HKD Units**"	Units designated as Class A HKD Units and having the specific features as set out more particularly in this Appendix F
"Class A USD Units"	Units designated as Class A USD Units and having the specific features as set out more particularly in this Appendix F
"**Class B HKD Units**"	Units designated as Class B HKD Units and having the specific features as set out more particularly in this Appendix F
"Class B USD Units"	Units designated as Class B USD Units and having the specific features as set out more particularly in this Appendix F
"Class F HKD Units"	Units designated as Class F HKD Units and having the specific features as set out more particularly in this Appendix F
"**Class I HKD Units**"	Units designated as Class I HKD Units and having the specific features as set out more particularly in this Appendix F
"Class I USD Units"	Units designated as Class I USD Units and having the specific features as set out more particularly in this Appendix F
"**Dealing Day**"	each Business Day in each calendar week
"**Dealing Deadline**"	11:00 a.m. (Hong Kong time) on the relevant Dealing Day
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Initial Offer Period"	such period as the Manager may respectively determine for each of the Classes of Units of the Sub-Fund
"Initial Offer Price"	HKD 10 for Class B HKD Units and Class F HKD Units; USD 10 for Class A USD Units, Class B USD Units and Class I USD Units

"**Onshore RMB Money Market Instruments**"	RMB denominated money market instruments issued or distributed in Mainland China
"**RMB**" or "**Renminbi**"	renminbi, the lawful currency of the PRC
"**Sub-Fund**"	ChinaAMC Select Money Market Fund
"**Unit**"	a unit in the Sub-Fund
"US$" or "USD"	US dollars, the lawful currency of the United States of America
"**Valuation Day**"	each Dealing Day
"**Valuation Point**"	11:00 a.m. (Hong Kong time) on each Valuation Day, or such other time on each Valuation Day or such other Business Day as the Manager may determine from time to time with the approval of the Trustee

INTRODUCTION

This **<u>Appendix F</u>** relates solely to ChinaAMC Select Money Market Fund.

INVESTMENT OBJECTIVE AND STRATEGY

Investment Objective

The Sub-Fund's objective is to invest in short-term deposits, high quality money market instruments of varying maturities and such other securities as permitted by the Code. The Sub-Fund seeks to achieve long-term return in line with prevailing money market rates, with primary considerations of both capital security and liquidity, by investing not less than 70% of the Net Asset Value of the Sub-Fund in HK dollar and US dollar-denominated and settled short-term deposits and high quality money market instruments issued by governments, quasi-governments, international organizations, and financial institutions globally. The Sub-Fund will maintain a portfolio with weighted average maturity not exceeding 60 days and a weighted average life not exceeding 120 days and will not purchase an instrument with a remaining maturity of more than 397 days, or two years in the case of Government and other public securities.

The short-term deposits and high quality money market instruments that the Sub-Fund invests in may include but are not limited to government bills, certificates of deposit, commercial papers, fixed and floating rate short-term notes and bankers' acceptances. 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.

The Sub-Fund may also invest up to 10% of its Net Asset Value in money market funds which are authorized by the SFC or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC.

The Sub-Fund may also invest up to 30% of its Net Asset Value in short-term deposits and high quality money market instruments denominated in currency(ies) other than HKD and USD.

The Sub-Fund may also invest up to 3% of its Net Asset Value in fixed income and debt instruments which are below investment grade or unrated or are high yield bonds. For the purpose of the Sub-Fund, an "unrated fixed income/debt instrument" is defined as an instrument which neither the instrument itself nor its issuer has a credit rating.

The Sub-Fund will not invest more than 10% of its Net Asset Value in securities issued by or guaranteed by any single sovereign issuer that has a credit rating below investment grade or is unrated.

The aggregate value of the Sub-Fund's holding of instruments and deposits issued by a single entity will not exceed 10% of its Net Asset Value except: (i) where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%; or (ii) in the case of Government and other public securities (as defined in this Appendix), up to 30% may be invested in the same issue; or (iii) in respect of any deposit of less than USD1,000,000, where the Sub-Fund cannot otherwise diversify as a result of its size. For the purpose of this Sub-Fund, "Government and other public securities" means any investment issued by, or the payment of principal and interest on, which is guaranteed by a government, or any fixed-interest investment issued by its public or local authorities or other multilateral agencies.

The Sub-Fund's aggregate exposure to investments (direct or indirect) to securities issued in the Mainland China market including but not limited to RMB denominated high quality money market instruments issued or distributed in Mainland China ("**Onshore RMB Money Market Instruments**"), and such other financial instruments permitted under applicable PRC regulations will not exceed 10% of its Net Asset Value. The Sub-Fund may invest in the foregoing securities via the Manager's RQFII quota, investing in PRC interbank bond markets under Foreign Access Regime, Bond Connect and/or other means as may be permitted by the relevant regulations from time to time.

The Sub-Fund may borrow up to 10% of its Net Asset Value but only on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses. To manage the liquidity risks of the Sub-Fund, the Sub-Fund may enter into repurchase transactions for up to 10% of its Net Asset Value. For the avoidance of doubt, the amount of cash received by the Sub-Fund from borrowing and under repurchase transactions may not in aggregate exceed 10% of the Sub-Fund's Net Asset Value.

The Sub-Fund may invest in financial derivative instruments ("**FDIs**") for hedging purposes only, to the extent permitted by the Code.

The Manager currently does not intend to enter into securities lending or reverse repurchase transactions.The approval of the SFC will be sought and at least one month's prior notice will be given to Unitholders should there be a change in such intention.

Use of Derivatives / Investment in Derivatives

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

INVESTMENT AND BORROWING RESTRICTIONS

The investment and borrowing restrictions as set out in this Explanatory Memorandum under the section headed "***Investment and Borrowing Restrictions***" applies to the Sub-Fund with the following modifications, exemptions or additions pursuant to Chapter 8.2 of the Code:

(a) the Sub-Fund may only invest in short-term deposits and high quality money market instruments, and money market funds that are authorized by the SFC under 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC;

(b) the Sub-Fund shall maintain a portfolio with weighted average maturity not exceeding 60 days and a weighted average life not exceeding 120 days and must not purchase an instrument with a remaining maturity of more than 397 days, or two years in the case of Government and other public securities:

   (i) "**weighted average maturity**" is a measure of the average length of time to maturity of all the underlying securities in the Sub-Fund weighted to reflect the relative holdings in each instrument; and is used to measure the sensitivity of the Sub-Fund to changing money market interest rates;
   (ii) "**weighted average life**" is the weighted average of the remaining life of each security held in the Sub-Fund; and is used to measure the credit risk, as well as the liquidity risk;
   (iii) the use of interest rate resets in variable-notes or variable-rate notes generally should not be permitted to shorten the maturity of a security for the purpose of calculating weighted average life, but may be permitted for the purpose of calculating weighted average maturity;

(c) notwithstanding subparagraphs 1(a) and 1(c) under the section headed "***Investment and Borrowing Restrictions***" in this Explanatory Memorandum, the aggregate value of the Sub-Fund's holding of instruments and deposits issued by a single entity may not exceed 10% of the total Net Asset Value of the Sub-Fund except:

(i) where the entity is a substantial financial institution (as defined in the Code) and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%; or

(ii) in the case of Government and other public securities, up to 30% may be invested in the same issue; or

(iii) in respect of any deposit of less than US$ 1,000,000 or its equivalent in the Base Currency of the Sub-Fund, where the Sub-Fund cannot otherwise diversify as a result of its size;

(d) notwithstanding subparagraphs 1(b) and 1(c) under the section headed "***Investment and Borrowing Restrictions***" in this Explanatory Memorandum, the aggregate value of the Sub-Fund's investments in entities within the same group through instruments and deposits may not exceed 20% of its total Net Asset Value, except:

(i) in respect of cash deposit of less than US$1,000,000 or its equivalent in the base currency of the Sub-Fund, where the Sub-Fund cannot otherwise diversify as a result of its size;

(ii) where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%.

(e) notwithstanding the borrowing restrictions under the section headed "***Investment and Borrowing Restrictions***" in this Explanatory Memorandum, the Manager may borrow up to 10% of its total Net Asset Value but only on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses.

(f) the value of the Sub-Fund's holding of money market funds that are authorized by the SFC under 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC may not in aggregate exceed 10% of its total Net Asset Value;

(g) where the Sub-Fund may invest in asset-backed securities, the value of the Sub-Fund's holding of investments in the form of asset-backed securities may not exceed 15% of its total Net Asset Value;

(h) subject to paragraphs 5 and 6 under the section headed "***Investment and Borrowing Restrictions***" in this Explanatory Memorandum, the Sub-Fund may engage in sale and repurchase, and reverse repurchase transactions in compliance with the following additional requirements:

(i) the amount of cash received by the Sub-Fund under sale and repurchase transactions may not in aggregate exceed 10% of its total Net Asset Value;

(ii) the aggregate amount of cash provided to the same counterparty in reverse repurchase agreements may not exceed 15% of the Net Asset Value of the Sub-Fund;

(iii) collateral received may only be cash, high quality money market instruments and may also include, in the case of reverse repurchase transactions, government securities receiving a favourable assessment on credit quality; and

(iv) the holding of collateral, together with other investments of the Sub-Fund, must not contravene the investment limitations and requirements set out in 8.2 of the Code.

(i) the Sub-Fund may use financial derivative instruments for hedging purposes only;

(j) the currency risk of the Sub-Fund should be appropriately managed and any material currency risk that arises from investments of the Sub-Fund that are not denominated in its base currency shall be appropriately hedged; and

(k) the Sub-Fund must hold at least 7.5% of its total Net Asset Value in daily liquid assets and at least 15% of its total Net Asset Value in weekly liquid assets:

(i) daily liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within one Business Day; and (iii) amount receivable and due unconditionally within one Business Day on pending sales of portfolio securities; and

(ii) weekly liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within five Business Days; and (iii) amount receivable and due unconditionally within five Business Days on pending sales of portfolio securities.

EXPENSES AND CHARGES

The subscription fee, conversion fee, management fee, trustee fee, custodian fee may be increased up to the specified permitted maximum level under the Trust Deed by providing not less than one month's prior notice to Unitholders.

Subscription Fee

Unitholders may pay a subscription fee of up to 5% of the total subscription money received for by the investor or Unitholder. Investors should confirm the current subscription fee with their distributors.

No subscription fee is payable in respect of subscription for Class I HKD Units and Class I USD Units.

Redemption Fee

Unitholders will not pay a redemption fee to redeem Units in the Sub-Fund.

Conversion Fee

Unitholders wishing to convert their Units into a New Class may pay a conversion fee of up to 1% (current level at 1%) of the total redemption proceeds of a Current Class. Investor should confirm the current conversion fee with their distributors. Subject to the maximum level of 1%, the Manager may change the conversion fee. No subscription fees will be payable upon subscription for Units in a New Class and no redemption fees will be charged upon redeeming Units from a Current Class into a New Class in the case of a conversion.

Management Fee

The Manager will be paid a management fee by the Sub-Fund at 0.15% per annum for Class A HKD Units and Class A USD Units, at 0.10% per annum for Class B HKD Units and Class B USD Units, at 0.60% per annum for Class F HKD Units and at 0.05% per annum for Class I HKD Units and Class I USD Units of the Net Asset Value of each class of Units of the Sub-Fund calculated on a daily basis and accrued as at the relevant Valuation Point and payable monthly in arrears in relation to Units.

Trustee Fee

The Trustee is entitled to receive from the Sub-Fund an annual fee of up to 0.5% (current level up to 0.075% per annum) of the Net Asset Value of the Sub-Fund as at the relevant Valuation Point and subject to a minimum monthly fee of HKD 30,000 in relation to the Sub-Fund. This fee will be calculated and accrued on each Valuation Day and be paid monthly in arrears. The trustee fee described above represent the current fee rates applicable to the Sub-Fund (which includes the registrar fee) and does not include the fees payable for the services of any custodians appointed by the Trustee.

In addition, the Trustee has received a one-time establishment fee of HKD 23,400 (equivalent to USD3,000) in respect of the Sub-Fund. The Trustee is also entitled to receive transaction, processing and valuation fees and be paid or reimbursed for other applicable fees or expenses as agreed with the Manager.

Since the Trustee also acts as the Administrator and Registrar of the Sub-Fund, the trustee fee (which already covers the administration fee and registrar fee) may be changed by agreement in writing between the Manager and the Trustee. The Manager will give Unitholders at least one month's prior notice before proposing to increase the trustee fee from the current level to the maximum level as stated in the Trust Deed.

Custodian Fee

The appointed Custodian is entitled to recover from the Sub-Fund all out-of-pocket expenses, including telephone, photocopying and courier fees incurred in the performance of its duties in connection with the Sub-Fund. Pursuant to the fee letter entered into between the Manager, Trustee and the Custodian, the Custodian is entitled to (among others) transaction charges at customary market rates and custody fees at different rates, largely depending on the investment instruments concerned as well as the markets where the Custodian is required to hold the Sub-Fund's assets. Annual custody fees of up to 0.10% per annum (current level up to 0.025% per annum) may be charged by the Custodian. Such fees and charges will be calculated monthly and will be paid monthly in arrears. The Custodian will also be entitled to reimbursement by the Sub-Fund for any out-of-pocket expenses incurred in the course of its duties.

The Trust Deed provides that Unitholders must approve by means of Extraordinary Resolution any increase of: (i) the management fee beyond the maximum level stated in the Trust Deed; and/or (ii) the trustee fee beyond the maximum level stated in the Trust Deed. Investors should note that at present there is no intention to increase these fees.

Establishment Costs

The costs of establishment of the Sub-Fund were approximately HKD 507,000 and are charged to the accounts of the Sub-Fund. The Manager intends to amortise the establishment expenses of the Sub-Fund over the first five accounting periods of the Sub-Fund (or such other period as determined by the Manager after consultation with the auditor to the Sub-Fund).

SUBSCRIPTION DETAILS

To apply for Units in the Sub-Fund, the minimum subscription, Minimum Holding and minimum subsequent subscription applicable to the different Classes of Units are as follows:

Class	Minimum Subscription	Minimum Holding	Minimum Subsequent Subscription
Class A HKD Units	HKD1,000	HKD1,000	HKD1,000
Class A USD Units	USD 1,000	USD 1,000	USD 1,000
Class B HKD Units	HKD10,000	HKD10,000	HKD10,000
Class B USD Units	USD 10,000	USD 10,000	USD 10,000
Class F HKD Units	Nil	Nil	Nil
Class I HKD Units	HKD1,000,000	HKD1,000,000	HKD1,000,000
Class I USD Units	USD 1,000,000	USD 1,000,000	USD 1,000,000

It is expected that the first Dealing Day for each of the Classes of Units will fall on the first Business Day immediately following the close of the Initial Offer Period.

Except as otherwise provided, Units in the Sub-Fund will be issued on the relevant Dealing Day for applications, together with cleared application monies received by the Trustee (via the Manager or its distributors) prior to 11:00 a.m. (Hong Kong time) on the relevant Dealing Day. Investors should confirm the relevant cut-off times with their distributors.

For details regarding the procedure for the subscriptions, please refer to the section headed "**Purchase of Units**" in the Explanatory Memorandum.

SUBSCRIPTION OF UNITS

The Trustee issues Units at the direction of the Manager who has the exclusive right to offer and issue Units and the Manager (upon consultation with the Trustee) has sole discretion to accept or reject any subscription for Units.

Applications for subscription of Units may be made during the Initial Offer Period at the Initial Offer Price and on each Dealing Day at the Net Asset Value per Unit of the Sub-Fund published daily in Hong Kong in the South China Morning Post, in the Hong Kong Economic Times and/or any other newspapers the Manager may determine and notify the Unitholders. The prices will be expressed exclusive of any subscription fee or redemption fee which may be payable on subscription or redemption.

Applications for subscription of Units (either by hand, facsimile, electronic mail, mail or courier) must be forwarded to, and received by, the Trustee (via the Manager or its distributors) by no later than the Dealing Deadline. Applications received after this deadline will be processed for subscription on the next Dealing Day.

The Subscription Price on any Dealing Day is the price per Unit ascertained by dividing the Net Asset Value of the Sub-Fund as at the Valuation Point in respect of the relevant Dealing Day by the number of Units in issue rounded to the nearest four decimal places (with 0.00005 being rounded up) or in such manner and to any other number of decimal places the Manager may determine after consulting the Trustee and such amount of fiscal and purchase charges determined by the Manager.

The subscription amount payable for the number of Unit subscribed by an applicant, in respect of any Dealing Day, is due and payable to the Trustee (via the Manager or its distributors) no later than the Dealing Deadline, which is 11:00 a.m. (Hong Kong time) on the relevant Dealing Day.

The Trustee will send a contract note confirming to each applicant no later than two Business Days after the availability of the price per Unit, as is applicable, and as to whether the applicant's application for Units has been successful, either in whole or in part.

Minimum Subscription and Minimum Subsequent Subscription

The minimum subscription and minimum subsequent subscription per investor for each Class of Unit is set out above.

The Manager has sole discretion to determine the number of applications for Units that will be accepted and whether to accept applications from any applicant for less than the minimum subscription amount or minimum subsequent subscription amount.

Confirmation of Subscription

If the relevant application form and/or subscription monies is/are not received by the times stated above, the application will be held over to the next Dealing Day and Units will be issued at the relevant Subscription Price on that Dealing Day.

The Manager reserves the right to reject any application in whole or in part at its sole discretion, in which event the amount paid on application or the balance thereof (as the case may be) will be returned (without interest) as soon as practicable in the same currency paid on application at the risk and cost of the applicant.

Applications for Units will not be dealt with and Units will not be issued until receipt of confirmation that an applicant's funds have been cleared in full. Units are deemed to be issued on the relevant Dealing Day. Notwithstanding the above, the Sub-Fund may rely upon application orders received and may issue Units to investors according to such orders and invest the expected application amounts. If payment of funds is not cleared by the Dealing Deadline on the relevant Dealing Day, the Manager reserves the right to cancel the transaction. In such circumstances, the Manager and/or the Trustee may charge a cancellation fee to represent administrative costs incurred in processing an application and may require the defaulting applicant to pay compensation for any loss directly or indirectly resulting from the failure by the applicant to make good settlement by the settlement date. Such charge may include, but is not limited to, the difference between the prices at issue and at cancellation of the Units concerned.

REDEMPTION OF UNITS

The procedures regarding the redemption of Units are described under the section headed "**Redemption of Units**" in the Explanatory Memorandum.

For any redemption to be dealt with on a particular Dealing Day, the Trustee (via the Manager or its distributors) must receive a redemption request (either by hand, facsimile, electronic mail, mail or courier) before the Dealing Deadline. Investors should confirm the relevant cut-off times with their distributors. Redemption requests received after such time will be deemed to have been received on the next Dealing Day and will be dealt with accordingly. Unless the Manager in any particular case or generally otherwise agrees, a Unitholder may not redeem any Units of a Class in amounts of less than the following:

Class	**Minimum Redemption**
Class A HKD Units	HKD 1,000
Class A USD Units	USD 1,000
Class B HKD Units	HKD 1,000
Class B USD Units	USD 1,000
Class F HKD Units	Nil
Class I HKD Units	HKD 10,000
Class I USD Units	USD 10,000

The Redemption Price for a Class of Units on any Dealing Day is the price per Unit of such Class ascertained by dividing the Net Asset Value of the Sub-Fund of such Class as at the Valuation Point in respect of the Dealing Day by the number of Units of such Class in issue, rounded to the nearest four decimal places (with 0.00005 being rounded up) or in such manner and to any other number of decimal places the Manager may determine after consulting the Trustee.

Unitholders may redeem their Units on any Dealing Day in whole or in part but the Manager may refuse a request for a partial redemption resulting in the Unitholder's holding in the Sub-Fund falling below the Minimum Holding of a particular Class of Units, and in such a situation, the Manager may require the Unitholder to redeem all its Units in such Class. The Trustee will confirm the price of Unit to each redeeming Unitholder within the same Business Day for any redemption to be dealt with on a Dealing Day and send a contract note to each redeeming Unitholder within two Business Day after the availability of the price per Unit.

For Class A HKD Units, Class B HKD Units, Class F HKD Units and Class I HKD Units, with respect to properly documented redemption requests received by the Trustee before the declaration of a suspension, redemption proceeds will normally be paid in the currency of the relevant Class on or before the Business Day after the relevant Dealing Day to the distributor (or its nominee)'s account, after which the redemption proceeds will be transferred to the respective Unitholder within a period of three Business Days from the relevant Dealing Day. Under extreme market conditions, payment of investors' redemption proceeds may be delayed, but in any event redemption proceeds will be paid within one calendar month from the day on which the Trustee has received a properly documented redemption request.

For Class A USD Units, Class B USD Units and Class I USD Units, with respect to properly documented redemption requests received by the Trustee before the declaration of a suspension, redemption proceeds will normally be paid within a period of seven Business Days from the relevant Dealing Day. Under extreme market conditions, payment of investors' redemption proceeds may be delayed, but in any event redemption proceeds will be paid within one calendar month from the day on which the Trustee has received a properly documented redemption request.

Following the Manager's exercise of its powers described in the section headed "**Suspension of Calculation of Net Asset Value**", there will be a delay in the payment of redemption proceeds reflecting the period during which the Manager declared a suspension of the determination of Net Asset Value of the Sub-Fund with respect to any redemption requests received after the declaration of suspension. Any redemption money unclaimed after six years from the date of payment shall become part of the assets of the Sub-Fund.

All bank charges and costs incurred in the payment of the redemption proceeds to the Unitholder will be borne by the relevant Unitholder and deducted from the redemption proceeds. Any risks arising from delay in clearance of funds by banks will be borne by the relevant Unitholder.

No payments will be made to a person other than the registered Unitholder.

RESTRICTIONS OF REDEMPTION

With a view to protecting the interests of Unitholders, the Manager is entitled, with the approval of the Trustee, to limit the number of Units of the Sub-Fund redeemed on any Dealing Day to 10% of the total number of Units of the Sub-Fund in issue. In this event, the limitation will apply pro rata so that all Unitholders of the relevant Class or Classes of the Sub-Fund wishing to redeem Units of the Sub-Fund on that Dealing Day will redeem the same proportion of such Units, and Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, and will have priority on the next Dealing Day over subsequent redemption requests received in respect of such subsequent Dealing Day. If requests for redemption are so carried forward, the Trustee will inform the Unitholders concerned.

With a view to managing the liquidity of the Sub-Fund, achieving fair treatment of Unitholders, and safeguarding the interests of remaining Unitholders in case of sizeable redemptions, upon consultation with the Trustee from time to time, the Manager is also entitled to limit the amount of redemption request from an individual Unitholder on any Dealing Day to HKD10,000 or the equivalent in another currency under extreme market circumstances at the Manager's discretion. In this event, any Units not redeemed will be carried forward for redemption, subject to the same limitation. If requests for redemption are so carried forward, the Manager will promptly inform the Unitholders concerned.

CONVERSION OF UNITS

Conversion of units of any class in the Sub-Fund into Units of any other class in the Sub-Fund or another sub-fund of the Fund is not allowed.

General

Fractions of Units of the Sub-Fund may be issued rounded to the nearest four decimal places (with 0.00005 being rounded up).

VALUATION

Notwithstanding paragraph (a) in the section headed "Valuation" of this Explanatory Memorandum, except in the case of any interest in a collective investment scheme to which paragraph (b) in the section headed "Valuation" of this Explanatory Memorandum applies and subject as provided in paragraphs (c) and (e) in the section headed "Valuation" of this Explanatory Memorandum, all calculations based on the value of securities quoted, listed, traded or dealt in on any Securities Market shall be made by reference to the last traded price (as defined below) available on the principal securities exchange or if the last traded prices on the market are not available, the value of the securities shall be certified by such person, firm or institution dealing in or making a market in such securities as may be appointed for such purpose by the Manager or, if the Trustee so requires, by the Manager after consultation with the Trustee. In determining such prices the Manager and the Trustee may use and rely on electronic price feeds generated by price dissemination systems from any source or sources they may determine and have no liability to any Unitholders in respect of such reliance. If the electronic price feeds generated by such price dissemination systems reflect unusual price data and information, as determined in the opinion of the Manager, the Manager after consultation with the Trustee, will determine the fair value of the assets for the purposes of valuing the Net Asset Value of the Sub-Fund.

The Net Asset Value is calculated by determining the value of the assets attributable to the Sub-Fund, including accrued income, and deducting all its liabilities. The resultant sum is divided by the total number of Units in issue at that time to give the Net Asset Value per Unit and adjusting the resultant sum to the nearest four decimal places (with 0.00005 being rounded up).

DISTRIBUTIONS

Unless the Manager otherwise determines, the Sub-Fund does not intend to pay any distributions or dividends, but intends to reinvest all of the Sub-Fund's income and gains. Any change in the distribution policy will be subject to the SFC's prior approval and not less than one month's prior notice will be given to the relevant Unitholders.

FINANCIAL REPORTS

The Sub-Fund's financial year end is 31 December in each year and the Sub-Fund's first audited report (in English) will cover the period beginning on the date of inception and ending on 31 December of the relevant year.

RISK FACTORS

Please refer to the following risk factors in relation to an investment in the Sub-Fund.

The Sub-Fund may be affected by the following risks, among others:

Risks associated with investing in Money Market Funds

The purchase of a unit in the Sub-Fund is not the same as placing funds on deposit with a bank or deposit-taking company. The Sub-Fund does not guarantee principal and the Manager has no obligation to redeem units at the offer value. The Sub-Fund is not subject to the supervision of the Hong Kong Monetary Authority. The Sub-Fund does not have a constant Net Asset Value.

Risks associated with Bank Deposits

The Sub-Fund will invest in HKD and USD-denominated short-term deposits, which are subject to the credit risks of the financial institutions that offer and act as counterparties of such deposits. As such deposits may not be protected or fully protected under any deposit protection schemes, a default by the relevant financial institution in respect of the Sub-Fund's holdings in short-term deposits may result in losses to the Sub-Fund.

Investment Risk

The Sub-Fund invests in fixed income securities and these securities may fall in value due to any of the key risk factors below. Investors may suffer losses as a result. The Sub-Fund is not principal guaranteed and the purchase of its distributing Units is not the same as investing directly in fixed income securities or placing HKD funds on deposit with a bank.

Debt Instruments Risks

The Sub-Fund will invest in debt instruments. Debt instruments, such as notes and bonds, are subject to liquidity risk, credit risk, interest rate risk, credit rating risk, valuation risk, and downgrade risk. The Net Asset Value of the Sub-Fund may be adversely affected when the value of debt instruments falls.

Risk of Short-term Debt Instruments

The Sub-Fund will invest in short-term debt instruments. The short-term debt instruments in which the Sub-Fund invests are very liquid with short maturities. Whilst the Sub-Fund may avoid potential risks associated with the holding of longer-term debt securities, this may also lead to the loss of opportunities for obtaining higher yields by investing in longer-term debt securities.

Short-term debt instruments are not risk-free and investing in the Sub-Fund is not the same as placing funds on deposit with a bank or deposit-taking company. The Manager has no obligation to redeem Units of the Sub-Fund at the Subscription Price.

As the Sub-Fund invests significantly in short-term debt instruments with short maturities, it means the turnover rates of the Sub-Fund’s investments may be relatively high and the transaction costs incurred as a result of the purchase or sale of short-term debt instruments may also increase which in turn may have a negative impact on the net asset value of the Sub-Fund.

Concentration Risk

The Sub-Fund will invest primarily in HKD and USD-denominated instruments. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments.

Volatility and Liquidity Risk

Not all securities, such as debt securities held by the Sub-Fund are listed or actively traded. The debt securities in such markets may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations. Certain securities may be difficult or impossible to sell, and this would affect the Sub-Fund’s ability to dispose of such securities at their fair price in times of adverse market conditions.

The price at which the fixed income securities are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates. Further, the bid and offer spreads of the price of fixed income securities in which the Sub-Fund invests may be large, and hence, the Sub-Fund may incur significant trading and realisation costs and losses may be suffered.

Credit Risk

Credit risk (sometimes known as issuer default risk) is the possibility that an issuer of an instrument will be unable or unwilling to make interest payments or repay principal when due, or to otherwise honour its obligations. The Sub-Fund is exposed to the credit/ default risk of issuers of debt instruments, fixed income instruments and deposits that the Sub-Fund may invest in. The debt instruments that the Sub-Fund invests in are typically unsecured debt obligations and are not supported by any collateral.

The Sub-Fund will be fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

An issuer suffering an adverse change in its financial condition or future prospects could lower the credit quality of a security thereby increasing its credit risk, leading to greater price volatility of the security. This may have adverse effects on the value of a Sub-Fund's investments. If the Sub-Fund invests in lower rated debt instruments, greater risks will be assumed because of generally lower creditworthiness, liquidity, greater fluctuation in value and higher chance of default than higher investment rated debt instruments.

Interest Rate Risk

Investment in the Sub-Fund is subject to interest rate risk. There is a general inverse relationship between interest rate and price of debt instruments. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt instruments.

Changes in interest rates may affect the value of a security as well as the financial markets in general. Fixed income securities (such as bonds) are more susceptible to fluctuation in interest rates and may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes. If the debt securities held by the Sub-Fund fall in value, the Sub-Fund's value will also be adversely affected. On the other hand, shorter term debt securities are less sensitive to interest rate changes than longer term debt securities. However, this also means that shorter term debt securities usually offer lower yields.

Credit Rating Risk

Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the securities and/or the issuers at all times. Ratings assigned by a rating agency are not absolute standards of credit quality and do not evaluate market risks. Rating agencies may fail to make timely changes in credit ratings and an issuer's current financial condition may be better or worse than a rating indicates. The rating of an issuer is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is often a time lag in updating the credit ratings in response to recent credit events.

To the extent that the Sub-Fund invests in higher yield debt instruments, the Sub-Fund's success in achieving its investment objective may depend more heavily on the Manager's creditworthiness analysis than if the Sub-Fund invested exclusively in higher-quality and better rated securities.

Valuation Risk

Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuation turns out to be incorrect, this may affect the calculation of the Net Asset Value of the Sub-Fund.

The risk of mispricing or improper valuation and possibility that the debt instruments do not always perfectly track the value of securities they are designed to track can result in increased payments to counterparties or a loss in the value of the Sub-Fund. In the event of changing market conditions or other significant events, positive or negative impact could be larger.

Downgrade Risk

Downgrade risk is the risk that the credit rating of an issuer or a debt instrument may subsequently be downgraded due to changes in the financial strength of an issuer or changes in the credit rating of a debt instrument. Downgraded securities, and securities issued by issuers whose ratings may be downgraded, may be subject to higher risks, as they could be subject to higher volatility, liquidity and credit risk. In the event of downgrading in the credit ratings of a debt instrument or an issuer relating to a debt, the Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not be able to dispose of the debt instruments that are being downgraded. The Sub-Fund may continue to hold such investment, and higher risks may result. Unitholders may suffer substantial loss of their investments in the Sub-Fund.

Sovereign Debt Risk

Investment in sovereign debt obligations issued or guaranteed by governments or their agencies of certain developing countries and certain developed countries involves a higher degree of political, social and economic risks. A government entity's willingness or ability to repay principal and interest due in a timely manner may be affected by various factors. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the Sub-Fund to participate in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

Credit Rating Agency Risk

The credit appraisal system in Mainland China and the rating methodologies employed in Mainland China may be different from those employed in other markets. Credit ratings given by the local rating agencies recognized by the relevant authorities in Mainland China may therefore not be directly comparable with those given by other international rating agencies.

Risk associated with Fixed Income and Debt Instruments Rated Below Investment Grade or Unrated

The Sub-Fund may invest in fixed income and debt instruments which are below investment grade or which are unrated. Investors should note that such fixed income and debt instruments are generally subject to lower liquidity, higher volatility, higher credit risk and greater risk of loss of principal and interest than more highly-rated debt instruments. If the issuer of securities defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. The market for these securities may be less active, making it more difficult to sell the securities. Valuation of these securities is more difficult and thus the relevant Sub-Fund's prices may be more volatile.

In particular, the value of lower-rated or unrated corporate bonds is affected by investors' perceptions. When economic conditions appear to be deteriorating, lower rated or unrated corporate bonds may decline in market value due to investors' heightened concerns and perceptions over credit quality.

Risks associated with China Interbank Bond Market

Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the China Interbank Bond Market may result in prices of certain debt securities traded on such market fluctuating significantly. The Sub-Fund investing in such market is therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the Sub-Fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

To the extent that the Sub-Fund transacts in the China Interbank Bond Market, the Sub-Fund may also be exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

For investments via the Foreign Access Regime and/or Bond Connect, the relevant filings, registration with PBOC and account opening have to be carried out via an onshore settlement agent, offshore custody agent, registration agent or other third parties (as the case may be). As such, the Sub-Fund is subject to the risks of default or errors on the part of such third parties.

Investing in the China Interbank Bond Market via Foreign Access Regime and/or Bond Connect is also subject to regulatory risks. The relevant rules and regulations on these regimes are subject to change which may have potential retrospective effect. In the event that the relevant Mainland China authorities suspend account opening or trading on the China Interbank Bond Market, the Sub-Fund's ability to invest in the China Interbank Bond Market will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective will be negatively affected.

Risk of Investing in Dim Sum Bonds

The dim sum bond market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the dim sum bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalisation of the offshore RMB (CNH) market by the relevant regulator(s).

Emerging Markets Risk

The Sub-Fund may invest in emerging markets which may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree volatility. Investments in emerging markets will be sensitive to any change in political, social or economic development 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. The securities markets of some of the emerging countries in which the Sub-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. Investment in such markets will 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, foreign exchange control, political changes, government regulation, social instability or diplomatic developments which could affect adversely the economies of emerging markets or the value of the Sub-Funds' investments. Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to some countries in which the Sub-Fund may invest may differ from those applicable in developed countries, for example, less information is available to investors and such information may be out of date.

Foreign Currency Risk

Certain underlying investments acquired by the Sub-Fund may be denominated in currencies other than the Base Currency. Also, certain Classes of Units may be designated in a currency (such as USD) other than the Base Currency. The Net Asset Value of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the Base Currency and by changes in exchange rate controls. Changes in currency exchange rates may influence the value of certain Classes of Units in the Sub-Fund, certain investments acquired by the Sub-Fund, the dividends or interest earned and the gains and losses realised. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions.

RQFII Regime Risk

The Sub-Fund may suffer substantial losses if there is insufficient RQFII quota allocated for the Sub-Fund to make investments, the approval of the RQFII is being revoked/terminated or otherwise invalidated as the Sub-Fund may be prohibited from trading of relevant securities and repatriation of the Sub-Fund's monies, or if any of the key operators or parties (including RQFII Local Custodian/brokers) is bankrupt/in default and/or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities).

Currently it is intended that the Sub-Fund will obtain exposure to Onshore RMB Money Market Instruments and other permissible investments by using the RQFII quotas of the Manager. The Sub-Fund's ability to make the relevant investments or to fully implement or pursue its investment strategy is subject to the applicable laws, rules and regulations (including restrictions on investments and repatriation of principal and profits) in Mainland China, which are subject to change and such change may have potential retrospective effect.

Mainland China Tax Risk

General

Under the Mainland China's CIT Law and its implementation rules, income derived from Mainland China by non-resident enterprises that have no establishment or place in Mainland China are subject to withholding tax. As such, the Sub-Fund's investments in Onshore RMB Money Market Instruments are subject to withholding tax on income (such as interest income from, such investments, as the case may be) derived from Mainland China, and such withholding tax may reduce the income from, and/or adversely affect the performance of the Sub-Fund. Nonetheless, the PRC Corporate Income Tax law has exempted income tax on interest from government bonds.

Legal and Regulatory Uncertainties

There are risks and uncertainties associated with the current Mainland China tax laws, regulations and practice in respect of capital gains, interests and/or dividends derived from Mainland securities (which may have retrospective effect). Any increased tax liabilities on the Sub-Fund may adversely affect the Sub-Fund's value. The interpretation and applicability of existing Mainland China tax laws may not be as consistent and transparent as those of more developed nations, and may vary from region to region. There is a possibility that the current tax laws, regulations, and practice in Mainland China may be changed with retrospective effect in the future. Moreover, there is no assurance that tax incentives currently offered to foreign companies, if any, will not be abolished and the existing tax laws and regulations will not be revised or amended in the future. Any of these changes may reduce the income from, and/or value of, the Units.

There can be no guarantee that new tax laws, regulations, and practice in Mainland China that may be promulgated in the future will not adversely impact the tax exposure of the Sub-Fund and/or its Unitholders.

Provision for Taxes

The Manager assesses the WIT provisioning of the Sub-Fund on an on-going basis. In light of the uncertainty on the income tax treatment on capital gains and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for WIT on such gains or income and withhold the tax for the account of the Sub-Fund.

After careful consideration of the Manager's reassessment and having taken and considered independent professional tax advice regarding the Sub-Fund's eligibility for treaty relief in the Mainland -HK Arrangements and acting in accordance with such advice, the Manager considers that the Sub-Fund should qualify as a Hong Kong tax resident and the Sub-Fund should be able to enjoy a WIT exemption on capital gains derived from Onshore RMB Money Market Instruments under the Mainland-HK Arrangements. In this connection, the Manager has determined, having taken independent professional tax advice and acting in accordance with such advice, that no WIT provision will be made on the gross realized and unrealized capital gains derived from the investment in Onshore RMB Money Market Instruments.

It should be noted that there are uncertainties in relation to the Manager's determination of WIT provision, including:

- The Mainland-HK Arrangements may be changed in the future and the Sub-Fund may ultimately be required to pay WIT on capital gains.

- To date, the Sub-Fund has not obtained from the Inland Revenue Department ("IRD") a Hong Kong Tax Resident Certificate ("HKTRC"), which if the Mainland China tax authorities enforce the collection of WIT and require the Sub-Fund to provide a HKTRC in the future, the Manager will apply for a HKTRC on behalf of the Sub-Fund for relevant years. However, there is a risk that the Manager may not be able to obtain a HKTRC on behalf of the Sub-Fund.

- To date, the Mainland China tax authorities have not sought to enforce WIT collection on capital gains derived by RQFIIs such as the Manager for the Sub-Fund. If the Mainland China tax authorities start to enforce WIT collection on capital gains, the relief under the Mainland-HK Arrangements is still subject to the final approval of the Mainland China tax authorities. Even if the Manager believes that the Sub-Fund should be eligible for such relief, the tax authorities may ultimately hold a different view.

For the above reasons, the Sub-Fund may be required to pay WIT on capital gains which the Sub-Fund has not provided for. Consequently, Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. If the Sub-Fund is required to pay WIT on capital gains which the Sub-Fund has not provided for, such WIT will be deducted from the Sub-Fund assets. Investors should note that the Net Asset Value of the Sub-Fund may suffer more than the tax provision amount as the Sub-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 then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund. Unitholders may, depending on their own circumstances, be subject to Mainland China tax or taxes in other jurisdictions. The Sub-Fund would not be able to guarantee that taxes paid at the Sub-Fund's level will be attributable to any Unitholders for personal tax purposes. Upon any future resolution of the above mentioned tax exemption or future changes to tax law or policies, the Manager will, as soon as practicable, make relevant adjustments to the tax provisioning policy as it considers necessary. Investors should refer to the relevant risk factors disclosed in the section headed Taxation of this Explanatory Memorandum.

<u>Investment in onshore bond market</u>

On 22 November 2018, the MoF and the SAT issued Caishui [2018] No. 108 ("Notice No. 108") on tax treatment for OIIs investing in Mainland China bond market. Notice No. 108 mentioned that the interest income of the bonds derived by OIIs in the Mainland China bond market is exempted from WIT and VAT for three years effective from 7 November 2018 to 6 November 2021.

It should be noted that the tax exemption granted under the Notice No. 108 is temporary. As such, upon the expiry date of the exemption, the Sub-Fund may need to make provision to reflect taxes payable, which may have a substantial negative impact on the Net Asset Value of the Sub-Fund.

Counterparty Risk

The Manager intends that the counterparties with which it deals on behalf of the Sub-Fund shall have reasonable financial soundness at the time of entering into the relevant transaction. Counterparties are assessed based on the risk management policies that the counterparties' default risk should be both diversified and minimized, and that the counterparties' performance does not adversely impact the Unitholders. Only counterparties which professional reputations are of high calibre and who are members in good standing with their respective industry associations and regulatory bodies would be approved for use by the Manager.

Semi-annual review for the appropriateness of the approved counterparties is also performed to ensure that they continue to meet the aforesaid selection criteria.

However, in the event of bankruptcy or insolvency of any of its counterparties, the Sub-Fund may experience delays in liquidating its positions and may, thereby, incur significant losses (including declines in the value of its investment) or the inability to redeem any gains on investment during the period in which the Sub-Fund seeks to enforce its rights, and fees and expenses incurred in enforcing its rights.

There is also the possibility that such transactions will be terminated due, for instance, to counterparty bankruptcy, supervening illegality or a retrospective change in the tax or accounting laws relative to those applicable at the time the transaction was entered into.

Investment in debt securities will expose the Sub-Fund to counterparty default risks. Exchange traded debt securities may be subject to counterparty risk, although such risk is mitigated by a centralised clearing system.

Risks associated with Repurchase Transactions

In the event of the failure of the counterparty with which collateral has been placed, the Sub-Fund may suffer loss as there may be delays in recovering collateral placed out or the cash originally received may be less than the collateral placed with the counterparty due to inaccurate pricing of the collateral or market movements.

Risks associated with Investment in FDIs

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

Hedging Risk

The Sub-Fund may acquire FDIs for hedging and 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 Sub-Fund. Derivative instruments may be illiquid and are complex in nature. In adverse situations, the Sub-Fund's use of derivatives for hedging may become ineffective and the Sub-Fund may suffer significant losses. The price of a derivative instrument can be very volatile which may result in losses in excess of the amount invested in the derivative instruments by the Sub-Fund. A derivative instrument is subject to the risk that the counterparty of the instrument will not fulfil its obligations to the Sub-Fund, and this may result in losses to the Sub-Fund.

Risks associated with the Sub-Fund's Restrictions on Redemption

With a view to managing the liquidity risks of the Sub-Fund, achieving fair treatment of unitholders, and safeguarding the interests of remaining unitholders in case of sizeable redemptions, the Manager is entitled, with the approval of the Trustee, to limit the number of Units of the Sub-Fund redeemed on any Dealing Day to 10% of the total number of Units of the Sub-Fund in issue, and/or, upon consultation with the Trustee from time to time, to limit the amount of redemption request from an individual Unitholder on any Dealing Day to HKD10,000 or the equivalent in another currency under extreme market circumstances at the Manager's discretion. Where the Manager effects such limitation on redemption on a particular Dealing Day, redemption requests in excess of the relevant limit will not be dealt with on that Dealing Day. Payment of redemption proceeds will be processed based on the Dealing Day on which a redemption request is dealt with by the Manager.

Where the foregoing restrictions on redemption are effected, any Units not redeemed will be carried forward for redemption. The Manager is also entitled, with the approval of the Trustee, to apply the foregoing restriction on redemption on the following Dealing Day. As such, there is no guarantee that the whole of the deferred redemption request will be dealt with on the second relevant Dealing Day.

AN INVESTMENT IN THE SUB-FUND INVOLVES A RISK OF LOSS OF PRINCIPAL. UPON REPURCHASE OR LIQUIDATION, YOU MAY NOT RECOUP YOUR ENTIRE INVESTMENT.

ANNEX A

Overview of the Bond Market in Mainland China

Set out below is a chart showing a brief comparison between the interbank bond market and listed bond market in Mainland China:

	Interbank bond market	**Exchange bond market**
Size[3]	Approximately RMB 64,551.54 billion, 85.07% of the total bond market in Mainland China as of 29 December 2017	Approximately RMB 10,444.11 billion, 13.76% of the total bond market in Mainland China as of 29 December 2017
Major types of products being traded (and their issuers)	• Government Bonds (Ministry of Finance) • Central Bank Bills & Notes (Central Bank) • Policy Bank Bonds (policy banks such as China Development Bank, Agricultural Development Bank of China, Export-Import Bank of China) • Financial Bonds (financial institutions such as commercial banks) • Commercial Papers (non-financial corporations) • Mid-term Notes (Corporates and enterprises) • Enterprise Bonds (Majorly government-related, state-owned entities) • Asset-backed securities (corporations such as consumer finance companies) • Local government bonds (local government)	• Government Bonds (Ministry of Finance) • Corporate Bonds (listed companies) • Convertible Bonds (listed companies) • Enterprise Bonds (unlisted corporations) • Local government bonds (Local government) • Asset-backed securities (corporations such as consumer finance companies)

[3] Total outstanding nominal amount as of 29 December 2017 is RMB 75,876.68 billion including 730.51 billion counter booking bonds and 150.52 billion other long term bonds.

	• Panda bonds (i.e. RMB-denominated bonds issued by international financial institutions within the boundaries of China)	
Key market participants	Institutional investors (such as commercial banks, securities firms, funds and trust investment companies), QFIIs and RQFIIs	Both institutions and individuals, including QFIIs and RQFIIs
Trading and settlement mechanism	Trades through bilateral negotiation and settle trade-for-trade; settlement cycle: T+0 or T+1	Centralised trade matching with netting settlement; settlement cycle: T+1
Regulator(s)	The People's Bank of China (PBOC)	CSRC Stock Exchanges
Counterparty with whom investors will trade	The trading counterparty	China Securities Depository and Clearing Corporation Limited acting as the central counterparty to all securities transactions on the Shanghai and Shenzhen Stock Exchanges
Clearing method	China Central Depository & Clearing Co., Ltd or Shanghai Clearing House, depending on the type of securities	Centralised clearing through CSDCCL, which is also responsible for the registering of all bonds transactions traded in the listed bond market
Liquidity	Trading volume of over RMB 97.7 trillion in 2017 Trading volume of over RMB 124.0 trillion in 2016 Trading volume of over RMB 84.0 trillion in 2015 Trading volume of over RMB 38.9 trillion in 2014 Trading volume of over RMB 40.4 trillion in 2013	Trading volume of RMB 1.5 trillion in 2017 Trading volume of RMB 1.3 trillion in 2016 Trading volume of RMB 1.6 trillion in 2015 Trading volume of RMB 1.4 trillion in 2014 Trading volume of RMB 0.6 trillion in 2013
Any associated risks	Counterparty risk, Interest rate risk, Credit risk, Liquidity risk, Settlement risk	Counterparty risk, Interest rate risk, Credit risk, Liquidity risk, Settlement risk.
Any rating requirements?	None. However, market participants typically require a rating of at least "BBB" given by a local credit rating agency.	If upon listing a corporate bond or enterprise bond does not have a credit rating of at least "AA" given

		by a local credit rating agency, then such bond can only be traded on the fixed income electronic platform of the relevant exchange (固定收益證券綜合電子平臺), which is open only to institutional investors. Bonds that do not satisfy this minimum requirement cannot be traded via the quote-driven platform (競價交易系統), which is open to all investors, including retail investors.

Data source: Wind

The following table shows the major debt instruments in Mainland China and their respective issuers:

Major debt instruments	Issuer
China Government Bonds	Ministry of Finance
Central Bank Bills	Central Bank (PBOC)
Commercial Bank Bonds	Commercial Banks
Policy Bank Bonds	Policy banks such as China Development Bank, Agricultural Development Bank of China, Export-Import Bank of China
Commercial Papers, Mid-term Notes, Corporate Bonds	Corporates and enterprises
Enterprise Bonds	Majorly government-related, state-owned entities

Data source: Wind

The yield of the major RMB denominated instruments issued in Mainland China was in the range of 2.5% to 4.4% for government bonds and 2.9% to 13.0% for corporate bonds having an above A- onshore ratings , as at 29 December 2017 (Source: www.chinabond.com.cn).

Investors should note that this is not an indication of the expected return of any sub-fund. There is no assurance that a sub-fund's return will be correlated with the expected yield of its underlying investments.

Pursuant to the RQFII regulations, the relevant sub-fund may invest into the Mainland China bond market via the exchange market, namely Shanghai Stock Exchange and Shenzhen Stock Exchange, respectively. Corresponding to prevailing PRC laws and regulations, all bond trades transacted on the exchange market are settled centrally through the CSDCCL which is the centralised registrar and custodian for both exchanges.

The relevant sub-fund may invest the Mainland China RMB Debt Securities via the interbank bond market. All bond trades transacted on the interbank bond market are settled between the trading counterparties through CCDC which provides registrar, custodian and settlement services in respect of all RMB denominated bonds transacted on the interbank bond market.

Credit Rating Agencies in Mainland China

China Lianhe Credit Rating Co., Ltd., China Chengxin International Credit Rating Co, Ltd., Shanghai Brilliance Credit Rating & Investors Service Co., Ltd., Pengyuan Credit Rating Co., Ltd. and Dagong Global Credit Rating Co., Ltd. are the five major credit agencies in Mainland China (collectively, "Chinese Agencies"). Although the Chinese Agencies are not regulated by the relevant Mainland China regulatory authorities, they seek certificate or qualification from different regulators of relevant bond types to increase their own credibility. The Chinese Agencies have a combined market share of over 90% of the assignment of rating opinions on corporate bonds, convertible bonds, financial institutions, structured finance and short term financing papers in Mainland China.

In relation to the exchange bond market, the CSRC and its agencies regulate securities rating business activities according to law. The PBOC has issued guidance notes in relation to recognition of credit rating activities in the interbank bond market. As with other global rating agencies, they apply quantitative method and qualitative methods in their rating. Such credit ratings are subject to the credit rating agency's evaluation of the likelihood that the issuer will fulfil its repayment obligations. In contrast with international rating agencies, domestic credit rating agencies may take into account additional factors such as the importance of the corporate to the PRC central and local government and the potential support from the government. Although there are relatively stringent quality requirements for companies to issue bonds in Mainland China, domestic debt ratings cannot sufficiently reflect the full differences in credit quality among various issuers due to limited corporate default data available in the domestic PRC market.

Rating information and reports are available on the websites of the relevant credit rating agencies and other financial data providers.

China Interbank Bond Market

Overview

Foreign institutional investors (such as a Sub-Fund) can invest in China Interbank Bond Market via the Foreign Access Regime (as defined below) and/or the Bond Connect (as defined below).

Investment in China Interbank Bond Market via Foreign Access Regime

Pursuant to the "Announcement (2016) No 3" issued by the PBOC (中國人民銀行公告 [2016]第3號) on 24 February 2016, foreign institutional investors can invest in China Interbank Bond Market ("**Foreign Access Regime**") subject to other rules and regulations as promulgated by the PRC authorities, i.e., PBOC and SAFE). Such rules and regulations may be amended from time to time and include (but are not limited to):

(i) the "Implementation Rules for Filing by Foreign Institutional Investors for Investment in Interbank Bond Markets" (境外機構投資者投資銀行間債券市場備案管理實施細則) issued by the Shanghai Head Office of PBOC on 27 May 2016;

(ii) the "Circular concerning the Foreign Institutional Investors' Investment in Interbank bond market in relation to foreign currency control" (國家外匯管理局關於境外機構投資者投資銀行間債券市場有關外匯管理問題的通知) issued by SAFE on 27 May 2016; and

(iii) any other applicable regulations promulgated by the relevant authorities.

Under the prevailing regulations in Mainland China, foreign institutional investors who wish to invest directly in China Interbank Bond Market may do so via an onshore settlement agent, who will be responsible for making the relevant filings and account opening with the relevant authorities. There is no quota limitation.

In terms of fund remittance, foreign investors (such as a Sub-Fund) may remit investment principal in RMB or foreign currency into Mainland China for investing in the China Interbank Bond Market. An investor will need to remit investment principal matching at least 50% of its anticipated investment size within nine months after the completion of the filing with the Shanghai Head Office of PBOC, or else an updated filing will need to be made through the onshore settlement agent. For repatriation, where a Sub-Fund repatriates funds out of Mainland China, the ratio of RMB to foreign currency ("**Currency Ratio**") should generally match the original Currency Ratio when the investment principal was remitted into Mainland China, with a maximum permissible deviation of 10%.

Investment in China Interbank Bond Market via Northbound Trading Link under Bond Connect

Bond Connect is a new initiative launched in July 2017 for mutual bond market access between Hong Kong and Mainland ("**Bond Connect**") established by China Foreign Exchange Trade System & National Interbank Funding Centre ("**CFETS**"), CCDC, Shanghai Clearing House Co., Ltd, and Hong Kong Exchanges and Clearing Limited and Central Moneymarkets Unit.

Bond Connect is governed by rules and regulations as promulgated by the PRC authorities. Such rules and regulations may be amended from time to time and include (but are not limited to):

(i) the "Interim Measures for the Administration of Mutual Bond Market Access between Mainland China and Hong Kong (Decree No.1 [2017])" (內地與香港債券市場互聯互通合作管理暫行辦法(中國人民銀行令[2017]第1號)) issued by the PBOC on 21 June 2017;

(ii) the "Guide on Registration of Overseas Investors for Northbound Trading in Bond Connect" (中國人民銀行上海總部"債券通"北向通境外投資者准入備案業務指引) issued by the Shanghai Head Office of PBOC on 22 June 2017; and

(iii) any other applicable regulations promulgated by the relevant authorities.

Under the prevailing regulations in Mainland China, eligible foreign investors will be allowed to invest in the bonds circulated in the China Interbank Bond Market through the northbound trading of Bond Connect ("**Northbound Trading Link**"). There will be no investment quota for Northbound Trading Link.

Under the Northbound Trading Link, eligible foreign investors are required to appoint the CFETS or other institutions recognised by the PBOC as registration agents to apply for registration with the PBOC.

Pursuant to the prevailing regulations in Mainland , an offshore custody agent recognised by the Hong Kong Monetary Authority (currently, the Central Moneymarkets Unit) shall open omnibus nominee accounts with the onshore custody agent recognised by the PBOC (currently, the China Central Depository & Clearing Co., Ltd. and Interbank Clearing Company Limited). All bonds traded by eligible foreign investors will be registered in the name of Central Moneymarkets Unit, which will hold such bonds as a nominee owner.

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