E FUND SELECTION INVESTMENT SERIES

EXPLANATORY MEMORANDUM

April 2024

IMPORTANT INFORMATION FOR INVESTORS

Important: If you are in doubt about the contents of this Explanatory Memorandum, you should seek independent professional financial advice.

This Explanatory Memorandum comprises information relating to E Fund Selection Investment Series ("**Fund**") and its sub-funds ("**Sub-Funds**"). The Fund is an open-ended unit trust established as an umbrella unit trust under the laws of Hong Kong by a trust deed dated 14 August 2014 ("**Trust Deed**") between ICBC (Asia) Trustee Company Limited (工銀亞洲信託有限公司) ("**Trustee**") as trustee and E Fund Management (Hong Kong) Co., Limited ("**Manager**") as manager.

The Manager accepts full responsibility for the accuracy of the information contained in this Explanatory Memorandum and the Product Key Facts Statement of each Sub-Fund, and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this Explanatory Memorandum or the Product Key Facts Statement misleading. However, neither the delivery of this Explanatory Memorandum and the Product Key Facts Statement nor the offer or issue of Units shall under any circumstances constitute a representation that the information contained in this Explanatory Memorandum or the Product Key Facts Statement is correct as of any time subsequent to the date of publication. This Explanatory Memorandum and the Product Key Facts Statement may from time to time 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 and audited accounts of the Fund and the Sub-Fund(s) (if any) and any subsequent unaudited semi-annual accounts. Units of the Sub-Fund(s) are offered on the basis only of the information contained in this Explanatory Memorandum, the Product Key Facts Statement and (where applicable) the above mentioned annual reports and audited accounts and unaudited semi-annual accounts. 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 should be regarded as unauthorised and accordingly must not be relied upon.

Hong Kong Authorisation and Approval

The Fund and the Sub-Fund(s) have been authorised by the SFC pursuant to section 104 of the SFO. The SFC's authorisation is not a recommendation or endorsement of the Fund and the Sub-Fund(s) nor does it guarantee the commercial merits of the Fund and the Sub-Fund(s) or their performance. It does not mean the Fund or the Sub-Fund(s) is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

Selling restrictions

General: No action has been taken to permit an offering of Units of the Sub-Fund(s) or the distribution of this Explanatory Memorandum or the Product Key Facts Statement in any jurisdiction other than Hong Kong where action would be required for such purposes. Accordingly, this Explanatory Memorandum or the Product Key Facts Statement may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised. Further, Units of the Sub-Fund(s) may not be offered or sold, directly or indirectly, to any persons for reoffering or resale, in any jurisdiction where such action is not authorised. Receipt of this Explanatory Memorandum or the Product Key Facts Statement does not constitute an offer of Units of the Sub-Fund(s) in those jurisdictions in which it is illegal to make such an offer.

United States: In particular, potential investors should note the following:-

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

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

The Manager has obtained approval from the China Securities Regulatory Commission ("CSRC") for offering E Fund (HK) Select Bond Fund, a sub-fund of the Fund to investors in Mainland China under the Mainland- Hong Kong Mutual Recognition of Funds regime. The Manager has already issued Class M (RMB), Class M (hedged RMB) and Class M (USD) Units for this sub-fund subject to applicable laws and regulations. Class M (RMB), Class M (hedged RMB) and Class M (USD) Units will be available to investors in Mainland China (will be temporarily not offered to individual investors) only and will not be offered in Hong Kong. In respect of details in relation to Class M (RMB), Class M (hedged RMB) and Class M (USD) Units, please refer to E Fund (HK) Select Bond Fund's offering documents applicable to investors in Mainland China.

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 which they might encounter under the laws of the places of their incorporation, citizenship, residence or domicile and which might be relevant to the subscription, holding or disposal of Units.

Some of the information in this Explanatory Memorandum is a summary of corresponding provisions in the Trust Deed. Investors should refer to the Trust Deed for further details.

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-Fund will be achieved. Investors should read the Explanatory Memorandum, particularly the section headed "Risk Factors", and the section headed "Specific Risk Factors" in the relevant Appendix, before making their investment decisions.

Please note that this Explanatory Memorandum must be read together with the relevant Appendix and/or Addendum to this Explanatory Memorandum which relate to a specific Sub-Fund of the Fund. The Appendix and/or Addendum set out the details relating to the Sub-Fund

(which may include, without limitation, specific information on the Sub-Fund and additional terms, conditions and restrictions applicable to the Sub-Fund). The provisions of an Appendix and/or an Addendum supplement this Explanatory Memorandum.

Enquiries

Investors may contact the Manager for any enquiries or complaints in relation to the Fund and any Sub-Fund. To contact the Manager, investors may either:

- write to the Manager (address at Suites 3501-02, 35/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong); or
- call the Manager at telephone number at +852 3929 0960.

The Manager will handle or channel to the relevant party any enquiries or complaints from investors and revert to the investors accordingly.

Further Information

Investors may access the website of the Manager at www.efunds.com.hk for further information on the Fund and the Sub-Fund(s), including this Explanatory Memorandum and the Product Key Facts Statement, annual and semi-annual reports and latest Net Asset Values. This website has not been reviewed or authorised by the SFC.

TABLE OF CONTENTS

Heading **Page Number**

DIRECTORY OF PARTIES

Manager and QFI Holder

E Fund Management (Hong Kong) Co., Limited

Suites 3501-02, 35/F

Two International Finance Centre

8 Finance Street

Central

Hong Kong

Trustee, Registrar and Transfer Agent

ICBC (Asia) Trustee Company Limited

(工銀亞洲信託有限公司)

33/F, ICBC Tower, 3 Garden Road,

Central,

Hong Kong

Directors of the Manager

MA Jun

LOU Lizhou

WU Xinrong

FAN Yue

Gaohui HUANG

Xue WANG

SONG Kun

Custodian

Industrial and Commercial Bank of China (Asia) Limited 中國工商銀行(亞洲)有限公司

33/F, ICBC Tower,

3 Garden Road, Central,

Hong Kong

QFI Custodian

China Construction Bank Corporation

No. 25, Financial Street,

Xicheng District,

Beijing,

China

Auditors

Ernst & Young

27th floor, One Taikoo Place

979 King's Road

Quarry Bay

Hong Kong

Solicitors to the Manager

Deacons

5/F, Alexandra House

18 Chater Road

Central

Hong Kong

DEFINITIONS

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

"**Appendix**"	the appendix containing specific information in relation to a Sub-Fund or a Class or Classes of Units in relation thereto which is enclosed with this Explanatory Memorandum and which forms part of this Explanatory Memorandum
"**Accounting Date**"	31 December in each year or such other date or dates in each year as the Manager may from time to time select in respect of any Sub-Fund after consultation with the Trustee and notification to the Unitholders of such Sub-Fund.
"**Accounting Period**"	a period commencing on the date of establishment of the Fund or the relevant Sub-Fund (as the case may be) or on the date next following an Accounting Date of the relevant Sub-Fund and ending on the next succeeding Accounting Date for such Sub-Fund
"**Amortisation Period**"	in relation to the Fund and/or a Sub-Fund, such period as specified in the relevant Appendix over which establishment costs of the Fund and/or such Sub-Fund will be amortised
"Application Form"	the prescribed application form for the subscription of Units and for the avoidance of doubt, the Application Form does not form part of this Explanatory Memorandum
"**Authorised Distributor**"	any person appointed by the Manager to distribute Units of some or all of the Sub-Funds to potential investors
"**Base Currency**"	in relation to a Sub-Fund, means the currency of account of the Sub-Fund as specified in the relevant Appendix
"**Business Day**"	a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for normal banking business or such other day or days in relation to a Sub-Fund as the Trustee and Manager may determine from time to time and as specified in the relevant Appendix, provided 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 shall not be a Business Day unless the Manager and the Trustee determine otherwise
"**Cancellation Fee**"	cancellation fee of such amount as the Manager and the Trustee may from time to time determine to represent the administrative costs involved in processing the application for such Units being cancelled

	subject to a maximum amount of 3% of the subscription amount in respect of such Units
"**China A-Shares**"	shares issued by companies listed on the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Beijing Stock Exchange, traded in Renminbi and available for investment by Mainland Chinese investors, holders of the qualified foreign investors (QFI) status and other investors approved by the China Securities Regulatory Commission
"**Class**"	means any class of Units in issue in relation to a Sub-Fund
"**Class Currency**"	in relation to a Class in a Sub-Fund, means the currency of account of such Class as specified in the relevant Appendix
"**Code**"	the Overarching Principles Section and Section II- Code on Unit Trusts and Mutual Funds of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products or any handbook, guideline and code issued by the SFC, as may be amended from time to time
"**connected person**"	in relation to a company, means: (a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise, directly or indirectly, 20% or more of the total votes in that company; or (b) any person or company 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 that company forms part; or (d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c) above
"**Conversion Form**"	the prescribed conversion form for the conversion of Units and for the avoidance of doubt, the Conversion Form does not form part of this Explanatory Memorandum
"**Custodian**"	Industrial and Commercial Bank of China (Asia) Limited 中國工商銀行(亞洲)有限公司

"**Decimal Places**"	2 decimal places or such other decimal places as the Manager determines
"**Explanatory Memorandum**"	this Explanatory Memorandum including the Appendices, as each may be amended, updated or supplemented from time to time
"**Fund**"	E Fund Selection Investment Series
"**Hong Kong**"	Hong Kong Special Administrative Region of the People's Republic of China
"**HK$**" or "**HKD**"	Hong Kong Dollars, the lawful currency of Hong Kong
"**HKFRS**"	Hong Kong Financial Reporting Standards
"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
"**Initial Offer Period**"	in relation to a Sub-Fund or a Class or Classes of Units, such period as the Manager may determine for the purpose of making an initial offer of Units of such Sub-Fund or such Class or Classes and as specified in the relevant Appendix (if applicable)
"**Initial Offer Price**"	the price per Unit during the Initial Offer Period as determined by the Manager and as specified in the relevant Appendix (if applicable)
"**Investment Adviser**"	the investment adviser appointed in respect of a Sub-Fund, the details of which as specified in the relevant Appendix (if applicable)
"**IOP Deadline**"	4.00 p.m. (Hong Kong time) on the last Business Day of the Initial Offer Period of a Sub-Fund or a particular Class of Units or such other time on such Business Day or such other day as the Manager and the Trustee may from time to time determine and as specified in the relevant Appendix
"**Issue Price**"	the issue price of a Unit of a particular Class after the expiry of the Initial Offer Period calculated in accordance with the Trust Deed and as described below under "***Investing in the Fund - Issue Price***"

"**Local Newspapers**"	the Standard and the Hong Kong Economic Times, or such other English language and Chinese language daily newspapers as the Manager may determine and notify the Unitholders in advance and this Explanatory Memorandum will be updated accordingly to reflect such change
"Mainland China" or "Mainland Chinese"	All the customs territories of the People's Republic of China (not including Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan of the People's Republic of China for the purpose of this Explanatory Memorandum)
"**Manager**"	E Fund Management (Hong Kong) Co., Limited in its capacity as the manager of the Fund and its Sub-Funds or such other entity as may be appointed from time to time as the manager of the Fund and its Sub-Funds
"**Minimum Initial Subscription Amount**"	the minimum initial investment for Units in a Sub-Fund or a Class of Units and as specified in the relevant Appendix
"Minimum Holding Amount"	the minimum number or value of Units of any Sub-Fund or Class of Units which must be held by any Unitholder and as specified in the relevant Appendix
"**Minimum Redemption Amount**"	the minimum number or value of Units of any Sub-Fund or Class of Units to be redeemed by any Unitholder in respect of a partial redemption of Units and as specified in the relevant Appendix
"**Minimum Subsequent Subscription Amount**"	the minimum additional subscriptions for Units in a Sub-Fund or a Class of Units and as specified in the relevant Appendix
"**Minimum Subscription Level**"	the total minimum subscription amount, if applicable, to be received on or prior to the close of the Initial Offer Period and as specified in the relevant Appendix
"**Net Asset Value**"	in relation to a Sub-Fund means the net asset value of such Sub-Fund or, as the context may require, of a Unit of the Class or Classes relating to such Sub-Fund, calculated in accordance with the provisions of the Trust Deed and as summarised below under "***Valuation and Suspension - Calculation of Net Asset Value***"

"**Payment Period**"	such period as the Manager in consultation with the Trustee may determine within which payment for Units issued for cash after the Initial Offer Period for such Units is due, and as specified in the relevant Appendix
"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
"**Redemption Charge**"	the redemption charge (if any) payable upon redemption of Units and as specified in the relevant Appendix
"**Redemption Day**"	in relation to a Sub-Fund, or, as the context may require, of a particular Class relating to a Sub-Fund, such Business Day or such other day or days as the Manager and the Trustee may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for redemption of Units in that Sub-Fund or the relevant Class or Classes and as specified in the relevant Appendix
"Redemption Deadline"	in relation to a Redemption Day, such time by which a redemption request in respect of a Sub-Fund or a Class of Units must be received either on such Redemption Day or on such other Business Day or day as the Manager and the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of that Sub-Fund or the relevant Class may from time to time be sold and as specified in the relevant Appendix
"**Redemption Form**"	the prescribed redemption form for the redemption of Units and for the avoidance of doubt, the Redemption Form does not form part of this Explanatory Memorandum

"**Redemption Price**"	the price at which Units will be redeemed as determined in accordance with the Trust Deed and as described below under "***Redemption of Units - Redemption Price***"
"**Refund Period**"	7 Business Days from the relevant Subscription Day or close of the relevant Initial Offer Period (as the case may be) or such other period as specified in the relevant Appendix within which subscription moneys in respect of an application which was rejected or a Sub-Fund or a Class of Units which was not launched will be returned to the relevant applicant
"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
"**Registrar**"	ICBC (Asia) Trustee Company Limited in its capacity as registrar of the Fund and its Sub-Funds or such other entity as may be appointed from time to time as the registrar of the Fund and its Sub-Funds
"**RMB**" or "**Renminbi**"	Renminbi, the lawful currency of the People's Republic of China
"sale and 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
"**Semi-Annual Accounting Date**"	30 June in each year or such other date or dates in each year as the Manager may from time to time select in respect of any Sub-Fund and notify to the Trustee and the Unitholders of such Sub-Fund.
"**SFC**"	the Securities and Futures Commission of Hong Kong

"**SFO**"	the Securities and Futures Ordinance, Laws of Hong Kong (Chapter 571), as amended
"**Sub-Fund**"	a separate pool of assets of the Fund that is invested and administered separately
"**Subscription Charge**"	the subscription charge (if any) payable on the issue of Units and as specified in the relevant Appendix
"**Subscription Day**"	in relation to a Sub-Fund, or, as the context may require, of a particular Class relating to a Sub-Fund, such Business Day or such other day or days as the Manager and the Trustee may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for subscription of Units in that Sub-Fund or the relevant Class or Classes and as specified in the relevant Appendix
"Subscription Deadline"	in relation to a Subscription Day, such time by which an application for subscription in respect of a Sub-Fund or a Class of Units must be received either on such Subscription Day or on such other Business Day or day as the Manager and the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of that Sub-Fund or the relevant Class may from time to time be sold and as specified in the relevant Appendix
"substantial financial institution"	an authorized institution as defined in section 2(1) of the Banking Ordinance (Chapter 155 of Laws of Hong Kong) or a financial institution which is on an ongoing basis subject to prudential regulation and supervision, with a minimum net asset value of HK$2 billion or its equivalent in foreign currency
"**Switching Fee**"	the switching fee (if any) payable on the conversion of Units and as specified in the relevant Appendix
"**Transfer Agent**"	ICBC (Asia) Trustee Company Limited in its capacity as transfer agent of the Fund and its Sub-Funds or such other entity as may be appointed from time to time as the transfer agent of the Fund and its Sub-Funds
"**Trust Deed**"	the trust deed dated 14 August 2014 establishing the Fund and entered into by the Manager and the Trustee (as amended from time to time)
"**Trustee**"	ICBC (Asia) Trustee Company Limited (工銀亞洲信託有限公司) in its capacity as trustee of the Fund and its Sub-Funds or such other entity as may be appointed from time to time as the trustee of the Fund and its Sub-Funds

"**Unit**"	a unit in a Sub-Fund
"**Unitholder**"	a person registered as a holder of a Unit
"**U.S.**"	United States of America
"**USD**"	US Dollars, the lawful currency of the United States of America
"**Valuation Day**"	each Business Day on which the Net Asset Value of a Sub-Fund and/or the Net Asset Value of a Unit or a Class of Unit falls to be calculated and in relation to each Subscription Day or Redemption Day (as the case may be) of any Class or Classes of Units means either such Subscription Day or Redemption Day (as the case may be) or such other Business Day or day as the Manager and the Trustee may from time to time determine, either generally or in relation to a particular Sub-Fund or Class of Units, and as specified in the relevant Appendix
"**Valuation Point**"	the close of business in the last relevant market to close on a relevant Valuation Day or such other time on that day or such other day as the Manager and the Trustee may determine from time to time either generally or in relation to a particular Sub-Fund or Class of Units and as specified in the relevant Appendix.

THE FUND

The Fund is an open-ended unit trust established as an umbrella fund pursuant to the Trust Deed and governed by the laws of Hong Kong. All Unitholders are entitled to the benefit of, are bound by and deemed to have notice of the provisions of the Trust Deed.

The Fund is organised as an umbrella fund and details of each of its current Sub-Fund(s) and/or their respective Class or Classes of Units are set out in the relevant Appendix. Subject to any applicable regulatory requirements and approvals, the Manager may in its sole discretion create further Sub-Funds or determine to issue additional Classes or multiple Classes in relation to each Sub-Fund in the future.

Each Sub-Fund is established as a separate trust under the Trust Deed, and the assets of each Sub-Fund will be invested and administered separately from the assets of, and shall not be used to meet liabilities of, the other Sub-Fund(s).

The Base Currency of a Sub-Fund will be set out in the relevant Appendix. Each Class of Units within a Sub-Fund will be denominated in the Class Currency thereof, which may be the Base Currency of the Sub-Fund to which such Class relates or such other currency of account as specified in the relevant Appendix.

MANAGEMENT AND ADMINISTRATION OF THE FUND

Manager

The Manager of the Fund is E Fund Management (Hong Kong) Co., Limited.

The Manager was incorporated with limited liability in August 2008 in Hong Kong and is licensed to conduct Types 1 (Dealing in Securities), 4 (Advising on Securities) and 9 (Asset Management) Regulated Activities under Part V of the SFO with CE number ARO593. It is principally engaged in fund management and the provision of investment advisory services to corporations, institutions and individual investors.

The Manager is a wholly owned subsidiary of E Fund Management Co., Limited which was established on 17 April 2001. The parent company of the Manager is a fund management company licensed with China Securities Regulatory Commission and one of the largest asset managers in Mainland China, and is also qualified for managing investment portfolios for both the National Council for Social Security Fund and Ministry of Labour and Social Security of China Decree 23 compliant enterprise annuity schemes.

The Manager undertakes the management of the assets of the Fund. The Manager may appoint Investment Adviser and delegate any of its management functions in relation to assets of specific Sub-Funds to such Investment Adviser subject to prior SFC approval. In the event that an Investment Adviser is appointed by the Manager in respect of an existing Sub-Fund, at least one month's prior notice will be provided to Unitholders of such Sub-Fund and this Explanatory Memorandum and/or the relevant Appendix will be updated to include such appointment.

The Manager shall not be exempted from or indemnified against any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence for which it may be liable in relation to its duties, or be indemnified against such liability by Unitholders or at Unitholders' expense.

Directors of Manager

Details of the directors of the Manager are as follows:

MA Jun

Mr. Ma Jun, Master of Business Administration (EMBA). He is currently Deputy General Manager-level senior management of E Fund Management Co., Ltd., member of the Fixed Income Investment Committee, member of the Infrastructure Asset Management Committee, the Chairman of E Fund Management (Hong Kong) Co., Ltd., the Person-in-Charge of QFI business, and member of Product Approval Committee. Mr Ma has previously served under the Sales Department of Junan Securities Co., Ltd., he has also served as Deputy General Manager of the Investment Department of Shenzhen Zhongda Investment Co., Ltd., Analyst of GF Securities Co., Ltd. He has also served various roles in E Fund Management Co., Ltd. as Fund Manager, General Manager of the Fixed Income Department, General Manager of the Cash Management Department, and General Manager of the Fixed Income

Head Office, Assistant to the President, Director of Fixed Income Department, Chief Investment Officer of Fixed Income. He was also Director of E Fund Asset Management Co., Ltd.

LOU Lizhou

Ms. Lou Lizhou, Master of Business Administration (EMBA), Master of Economics. She is currently the Deputy General Manager-level senior management of E Fund Management Co., Ltd., member of the FOF Investment Committee, the Chairman of E Fund Asset Management Co., Ltd. and Director of E Fund Management (Hong Kong) Co., Ltd.Ms. Lou has previously served various roles in United Securities Co., Ltd. as Analyst of the Securities Business Department, Analyst of the Research Department, Senior Manager of the Brokerage Business Department. She has also served various roles in E Fund Management Co., Ltd. as the Manager of the Sales Support Center, the Assistant General Manager of the Marketing Department, the Deputy General Manager of the Marketing Department, and the General Manager of Guangzhou branch, the Manager of Beijing branch, Assistant to President, General Manager of E Fund Asset Management Co., Ltd.

WU Xinrong

Mr. Wu Xinrong, Master of Engineering. He is currently Executive General Manager of E Fund Management Co., Ltd., member of the Equity Investment Committee, and Director of E Fund Management (Hong Kong) Co., Ltd. Mr. Wu has previously served various roles in E Fund Management Co., Ltd. as Analyst, Manager of Investment Management Department, Fund Manager, Deputy General Manager of the Fund Investment Department, Deputy General Manager of the Research Department, General Manager of the Research Department, General Manager of the Fund Investment Department, Assistant to the President, General Manager of the Public Fund Investment Department, General Manager of the Equity Investment Head Office, Director of Equity Investment Department, Deputy General Manager-level senior management, Director of E Fund International Holdings Co., Ltd.

FAN Yue

Mr. Fan Yue, Master of Business Administration. Mr. Fan is currently Deputy General Manager-level senior management and the member of the Infrastructure Asset Management Committee of E Fund Management Co., Ltd., Vice Chairman of E Fund Asset Management Co. Ltd, and the Director of E Fund Management (Hong Kong) Co., Ltd. He has served in the Shenzhen Branch of the Industrial and Commercial Bank of China under International Business Department as section member, Office Manager and the Manager of the International Department of the China Securities Depository and Clearing Co.,Ltd. Shenzhen Branch. He has also served under the Shenzhen Stock Exchange as Assistant Director of the Beijing Center, Deputy Director of the Listing Department, Deputy Director of the Fund and Bond Department and Director of Fund Management Department.

Gaohui HUANG

Ms. Gaohui Huang, Master of Business Administration. She is the Deputy Chairwoman cum Chief Executive Officer of E Fund Management (Hong Kong) Co., Limited, Director of E Fund International Holdings Co., Ltd. Ms. Huang previously served in Guotai Junan Securities Co., Ltd and Century Securities Co., Ltd.

Xue WANG

Ms. Xue Wang, Master of Management. She is currently the Director and Co- Chief Executive Officer of E Fund Management (Hong Kong) Co., Limited. Prior to joining E Fund Management (Hong Kong) Co., Limited, Ms Wang was the Head of Beijing Branch and Rotating Secretary-General of the Retail Executive Committee of E Fund Management Co., Limited. She has also served under E Fund Asset Management Co., Limited as Senior Investment Manager of Institutional Business Department, General Manager of Institutional Business Department, and Assistant General Manager. She previously was the Business Manager of Wealth Management and Private Banking Department of the Head Office of China Construction Bank Corporation, and Marketing Manager of Asset Management Department of GF Securities Co.

SONG Kun

Mr. Song Kun, Master of Economics. He is currently a Board Member, CEO and CIO for alternative investment at E Fund Asset Management Co., Ltd., the Director of E Fund Management (Hong Kong) Co., Ltd. and the Executive Director and CEO of E Fund Private Equity Management Co., Ltd. Prior to his current role, he served various roles in E Fund Management Co., Ltd., such as Industry Researcher, Assistant Fund Manager, Fund Manager, Assistant General Manager of Mutual Fund Investment Department, Vice General Manager of Mutual Fund Investment Department and General Manager of Mutual Fund Investment Department.

Trustee, Registrar and Transfer Agent

The Trustee of the Fund is ICBC (Asia) Trustee Company Limited, which is a registered trust company in Hong Kong. The principal activity of the Trustee is the provision of trustee services.

The Trustee is a wholly-owned subsidiary of Industrial and Commercial Bank of China (Asia) Limited, which is a company incorporated in Hong Kong and a bank licensed under section 16 of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong). The Trustee is independent of the Manager within the meaning of Chapters 4.7 and 4.8 of the Code.

Under the Trust Deed, the Trustee shall take into its custody or under its control all the investments, cash and other assets forming part of the assets of each Sub-Fund and hold them in trust for the Unitholders of the relevant Sub-Fund in accordance with the provisions of the Trust Deed and, to the extent permitted by law, shall register cash and registrable assets in the name of or to the order of the Trustee and such investments, cash and other assets of the relevant Sub-Fund shall be dealt with as the Trustee may think proper for the purpose of providing for the safe keeping thereto. The Trustee may, from time to time appoint such person or persons (including a connected person) as custodian, co-custodians or sub-custodian in respect of the whole or any part of the assets of any Sub-Fund and may empower any such custodian or co-custodian to appoint, subject to no objection in writing from the Trustee, sub-custodians, in accordance with all applicable laws or regulations. The fees and expenses of such custodian, co-custodian, sub-custodians, nominees, agents, delegates or any persons appointed by the Trustee in relation to the relevant Sub-Fund shall be paid out of the relevant Sub-Fund.

The Trustee shall (A) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of agent, nominee, custodian, co-custodian or sub-custodian which are appointed for the custody and/or safekeeping of any of the investments, cash, assets or other property comprised in a Sub-Fund of the Fund (each a "**Correspondent**"); and (B) be satisfied that each Correspondent retained remains suitably qualified and competent on an ongoing basis to provide the relevant services to the Fund or any Sub-Fund. Provided that the Trustee has discharged its obligations set out in (A) and (B) 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. The Trustee shall use reasonable endeavours to recover any loss of investments and other assets arising from any default of a Correspondent

The Trustee shall not be responsible for any act or omission, insolvency, liquidation or bankruptcy of (a) Euroclear Bank S.A./N.V., Clearstream Banking, S.A. or any other such central depositary or clearing and settlement system in relation to any investment deposited with such central depositary or clearing and settlement system; or (b) any lender or a nominee appointed by the lender in whose name any assets of a Sub-Fund transferred to it are registered pursuant to a borrowing undertaken for the account of such Sub-Fund.

Under the Trust Deed, the Trustee and its directors, officers, employees, delegates and agents shall be entitled for the purpose of indemnity against any actions, proceedings, liabilities, costs, claims, damages, expenses (including all reasonable legal, professional and other similar expenses) or demands to which it may be put or asserted against or which it may incur or suffer whether directly or indirectly, or which are or may be imposed on the Trustee in performing its obligations, duties or functions, or exercising its powers, authorities or discretions under the Trust Deed or relating to a Sub-Fund, including those arising out of any liability in respect of agreements which the Trustee or the Manager may enter into with other service providers on behalf of a Sub-Fund, to have recourse to the assets of the relevant Sub-Fund or any part thereof but shall not have a right of recourse to the assets of any other Sub-Fund. Notwithstanding the foregoing, the Trustee shall not be exempted from or indemnified against any liability imposed under the laws of Hong Kong (including under the Trustee Ordinance) or for breach of trust through fraud or negligence for which it may be liable in relation to its duties, or be indemnified against such liability by Unitholders or at Unitholders' expense.

The Trustee also acts as the Registrar and Transfer Agent of the Fund and each Sub-Fund, to provide registrar and transfer agency services to the Fund and each Sub-Fund. As the Transfer Agent, the Trustee will be responsible for providing transfer agency services to the Fund and the Sub-Funds, including but not limited to, processing applications for the subscription, switching and redemption of the Units, including verifying the identity of applicants in accordance with applicable anti-money laundering legislation and maintaining the register of Unitholders. As the Registrar, the Trustee will be responsible for keeping and maintaining the register of Unitholders.

The Trustee may change the arrangements described above including by appointing an alternative registrar and/or transfer agent.

The Manager is solely responsible for making investment decisions in relation to the Fund and/or each Sub-Fund. The Trustee shall take reasonable care to ensure that the investment and borrowing limitations set out under the section headed "***Investment Considerations***" and any specific investment and borrowing limitations as set out in the relevant Appendix as they relate to a Sub-Fund and the conditions under which such Sub-Fund is authorised pursuant to the SFO are complied with and save for the aforesaid, the Trustee is not responsible and has no liability for any investment decision made by the Manager.

The Trustee is not responsible for the preparation or issue of this Explanatory Memorandum other than the disclosures on the profiles of the Trustee as set out herein.

Custodian

The Trustee has appointed Industrial and Commercial Bank of China (Asia) Limited ("ICBC (Asia)") as the Custodian of the Fund and the Sub-Funds.

ICBC (Asia) is a wholly-owned subsidiary of Industrial and Commercial Bank of China Limited which is one of the largest commercial banks in the world by market capitalization as at 31 December 2023. The Industrial and Commercial Bank of China Limited group ("ICBC Group") has reached approximately US$3.3 trillion assets under custody as at 31 December 2023. ICBC (Asia), being the flagship of ICBC Group outside Mainland China provides global custodian services to institutional clients and is a regional centre covering Asia-Pacific.

Pursuant to the Custodial Services Agreement between the Trustee and the Custodian (the "Custodial Services Agreement"), the Custodian will act as the custodian of the Fund's and the Sub-Funds' assets, which may be held directly by the Custodian or through its agents, sub-custodians, or delegates pursuant to the Custodial Services Agreement.

QFI Custodian

For Sub-Fund(s) that invest in debt securities issued within Mainland China, China A-Shares or other permissible investments in Mainland China through QFI regime, the relevant QFI is required to appoint a custodian in Mainland China for the custody of assets, pursuant to relevant laws and regulations. China Construction Bank Corporation ("CCB") has been appointed by the Manager together with the Custodian as the QFI Custodian in respect of the investments held by the relevant Sub-Fund(s).

CCB will be appointed as the custodian of the Fund's and the Sub-Funds' assets that are located in Mainland China.

CCB, headquartered in Beijing, is a large-scale joint stock commercial bank leading in Mainland China. Its predecessor China Construction Bank was established in October 1954. It was listed on Hong Kong Stock Exchange in October 2005 (Stock Code: 939) and the Shanghai Stock Exchange in September 2007 (Stock Code: 601939). At the end of 2022, CCB's market capitalization approximated US$158,541 million, ranking fourth among all listed banks in the world. CCB ranks second among global banks by Tier 1 capital.

CCB provides customers with comprehensive financial services, including corporate finance business, personal finance business and treasury and asset management business. With 14,356 banking outlets and 352,588 staff members, CCB serves 739 million personal and 9.35 million corporate customers. CCB has subsidiaries in various sectors, including fund management, financial leasing, trust, insurance, futures, pension and investment banking, with 24,094 staff members, and has nearly 200 overseas entities covering 31 countries and regions.

Authorised Distributors

The Manager may appoint one or more Authorised Distributor(s) to market, promote, sell and/or distribute Units of one or more Sub-Fund(s), and to receive applications for subscription, redemption and/or conversion of Units.

Where application for Units is made through an Authorised Distributor, Units may be registered in the name of a nominee company of the Authorised Distributor through whom the applicant applies for the Units. As a result of this arrangement, the applicant will be dependent on the person in whose name the applicant's Units are registered to take action on his/her behalf.

Investors who apply for subscription, redemption and/or conversion of Units through Authorised Distributor(s) should note that such Authorised Distributor(s) may impose earlier dealing deadlines for receiving instructions for subscriptions, redemptions or conversions. Investors should pay attention to the arrangements of the Authorised Distributor(s) concerned.

The Manager may pay or share any of the fees received by it (including any Subscription Charge, Redemption Charge, Switching Fee and management fees) with such Authorised Distributors. For the avoidance of doubt, any fees, costs and expenses payable to the Authorised Distributor(s) arising out of any advertisement or promotional activities in connection with the Fund or the Sub-Fund(s) will not be paid from the assets of the Fund or the Sub-Fund(s).

Other Service Providers

The Trustee or the Manager may appoint other service providers to provide services in respect of a Sub-Fund. Details of such other service providers (if any) are set out in the relevant Appendix.

INVESTMENT CONSIDERATIONS

Investment Objective and Policies

The investment objective and policies of each Sub-Fund and specific risks, as well as other important details, are set forth in the Appendix hereto relating to the Sub-Fund.

There may not be any fixed asset allocation by geographical locations for certain Sub-Funds. The expected asset allocations for a Sub-Fund (if any) are for indication only. In order to achieve the investment objectives, the actual asset allocations may in extreme market conditions (such as economic downturn or political turmoil in the markets in which a substantial portion of the assets of a Sub-Fund is invested or changes in legal or regulatory requirements or policies) vary significantly from the expected asset allocations.

Any changes in the investment objective and/or policy which are not immaterial changes will be subject to the prior approval of the SFC and notified to the affected Unitholders by at least one month's prior written notice (or such other notice period as agreed with the SFC). Set out below are the overriding principles and requirements that must be satisfied in order for any changes to be immaterial changes:

(a) the changes do not amount to a material change to the relevant Sub-Fund;

(b) there will be no material change or increase in the overall risk profile of the relevant Sub-Fund following the changes; and

(c) the changes do not materially prejudice the rights or interests of Unitholders of the relevant Sub-Fund.

Investment and Borrowing Restrictions

The Trust Deed sets out restrictions and prohibitions on the acquisition of certain investments by the Manager and borrowing restrictions. Unless otherwise disclosed in the relevant Appendix, each of the Sub-Funds is subject to the investment restrictions and borrowing restrictions set out in Schedule 1 to this Explanatory Memorandum.

Breach of Investment and Borrowing Restrictions

If the investment and borrowing restrictions for a Sub-Fund are breached, the Manager shall as a priority objective take all steps as are necessary within a reasonable period of time to remedy the situation, taking due account of the interests of the Unitholders of the relevant Sub-Fund.

Securities Lending, Sale and Repurchase and Reverse Repurchase Transactions

Unless otherwise disclosed in the Appendix of a Sub-Fund, the Manager will not enter into any securities financing transactions in respect of any Sub-Fund. Please refer to the relevant Appendix for further details on these transactions for each Sub-Fund.

Where it is disclosed in the relevant Appendix, a Sub-Fund may engage in securities lending, sale and repurchase and/or reverse repurchase transactions. A Sub-Fund may engage in securities lending, sale and repurchase and/or reverse repurchase transactions provided that they are in the best interests of Unitholders of the relevant Sub-Fund to do so and the associated risks have been properly mitigated and addressed. Information on a Sub-Fund's securities financing transactions will be included in the annual report of the Sub-Fund. A summary of the policy of the Manager in relation to securities financing transactions is set out in Schedule 2 to this Explanatory Memorandum.

Qualified Foreign Investor

The QFI regime is governed by rules and regulations as promulgated by the authorities in Mainland China, i.e., the CSRC, the SAFE and the PBOC. Such rules and regulations may be amended from time to time and include (but are not limited to):

(i) the "Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors" jointly issued by the CSRC, the PBOC and the SAFE on 25 September 2020 and effective from 1 November 2020 (《合格境外機構投資者和人民幣合格境外機構投資者境內證券期貨投資管理辦法》);

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

(iii) the "Regulations on Funds of Domestic Securities and Futures Investment by Foreign Institutional Investors" issued by PBOC and SAFE on 7 May 2020 and effective from 6 June 2020 (《境外機構投資者境內證券期貨投資資金管理規定》); and

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

Under the prevailing QFI regulations in Mainland China, foreign institutional investors who wish to invest directly in Mainland Chinese domestic securities market may apply for a QFI status. The QFI Holder has obtained a QFI status in Mainland China. The status or approval of the QFI Holder may be revoked or terminated or otherwise invalidated at any time by reason of a change in applicable law, regulations, policy, practice or other circumstances, an act or omission of the QFI Holder or for any other reasons. In such event, all the assets held by the QFI Holder for or on account of the Sub-Fund will be liquidated and repatriated to the Sub-Fund in accordance with applicable laws and regulations. The Sub-Fund may suffer loss as a result of such liquidation and repatriation.

Stock Connect

The Shanghai-Hong Kong Stock Connect is a securities trading and clearing linked program developed by Hong Kong Exchanges and Clearing Limited ("**HKEx**"), Shanghai Stock Exchange ("**SSE**") and China Securities Depository and Clearing Corporation Limited ("**ChinaClear**"), and the Shenzhen-Hong Kong Stock Connect is a securities trading and clearing links programme developed by the HKEx, the Shenzhen Stock Exchange ("**SZSE**") and ChinaClear. The aim of both programs are to achieve mutual market access between Mainland China and Hong Kong.

Both the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively the "**Stock Connect**") comprise of a Northbound Trading Link (for investment in Mainland Chinese shares) and a Southbound Trading Link (for investment in Hong Kong shares). Under the Northbound Trading Link, investors, through their Hong Kong brokers and a securities trading service company established by Stock Exchange of Hong Kong Limited ("**SEHK**"), may be able to place orders to trade eligible securities listed on SSE and SZSE by routing orders to SSE and/or SZSE. Under the Southbound Trading Link, eligible investors, may be able to place orders to trade eligible securities listed on SEHK by routing orders to SEHK.

Eligible securities

Under the Shanghai-Hong Kong Stock Connect, Hong Kong and overseas investors will be able to trade certain shares and ETFs listed on the SSE market (i.e. "**SSE Securities**"). The aforementioned shares include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed China A-Shares that are not included as constituent stocks of the relevant indices but which have corresponding H-Shares listed on SEHK, except the following:

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

(b) SSE-listed shares which are under risk alert.

Investors eligible to trade shares that are listed on the STAR Board of SSE under the Northbound Shanghai Trading Link will be limited to institutional professional investors as defined in the relevant Hong Kong rules and regulations.

In addition, Hong Kong and overseas investors are able to trade eligible SSE-listed ETFs that satisfy the relevant criteria at a regular review and are accepted as eligible ETFs for Northbound trading.

The list of eligible SSE Securities is subject to review from time to time.

Under the Shenzhen-Hong Kong Stock Connect, Hong Kong and overseas investors will be able to trade certain shares and ETFs listed on the SZSE market (i.e. "**SZSE Securities**"). The aforementioned shares include all the constituent stocks of the SZSE Component Index, SZSE Small/Mid Cap Innovation Index which have a market capitalization of RMB 6 billion or above and all SZSE-listed shares of companies which have issued both China A-Shares and H Shares, except the following:

(a) SZSE-listed shares which are not traded in RMB; and

(b) SZSE-listed shares which are under risk alert or under delisting arrangement.

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.

In addition, Hong Kong and overseas investors are able to trade eligible SZSE-listed ETFs that satisfy the relevant criteria at a regular review and are accepted as eligible ETFs for Northbound trading.

The list of eligible SZSE Securities is subject to review from time to time.

Trading day

Under the existing Northbound arrangements for Stock Connect, investors (including the relevant Sub-Fund(s)) will only be allowed to trade on the SSE market and the SZSE market on days where both the Mainland China and Hong Kong stock markets are open for trading.

Trading quota

Trading under Stock Connect will be subject to rules and regulations issued from time to time.

Trading under Stock Connect is subject to a daily quota ("**Daily Quota**"). Northbound Shanghai Trading Link, Northbound Shenzhen Trading Link, Southbound Shanghai Trading Link and Southbound Shenzhen Trading Link will be subject to a separate set of Daily Quota. The Daily Quota limits the maximum net buy value of cross-boundary trades under Stock Connect each day. The quotas do not belong to any of the Sub-Funds and are utilized on a first-come first-served basis.

Settlement and Custody

The Hong Kong Securities Clearing Company Limited ("**HKSCC**"), also a wholly-owned subsidiary of HKEx, and ChinaClear will be responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by their respective market participants and investors.

The SSE Securities and SZSE Securities traded through Stock Connect are issued in scripless form, so investors will not hold any SSE Securities and SZSE Securities in physical form.

Hong Kong and overseas investors can only hold SSE Securities and SZSE Securities through their brokers/custodians. Their ownership of such is reflected in their brokers/custodians' own records such as client statements.

Corporate actions and shareholders' meetings

Notwithstanding the fact that HKSCC does not claim proprietary interests in the SSE Securities and SZSE Securities held in its omnibus stock account in ChinaClear, ChinaClear as the share registrar for SSE and SZSE listed companies will still treat HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE Securities and SZSE Securities.

HKSCC will monitor the corporate actions affecting SSE Securities and SZSE Securities and keep the relevant brokers or custodians participating in CCASS (the Central Clearing and Settlement System operated by HKSCC for the clearing securities listed or traded on SEHK) ("**CCASS participants**") informed of all such corporate actions that require CCASS participants to take steps in order to participate in them.

SSE-/SZSE-listed companies usually announce their annual general meeting / extraordinary general meeting information about two to three weeks before the meeting date. A poll is called on all resolutions for all votes. HKSCC will advise CCASS participants of all general meeting details such as meeting date, time, venue and the number of resolutions.

Foreign shareholding restrictions

Pursuant to relevant rules and regulations, when holding China A-Shares through Stock Connect and/or QFI regime, Hong Kong and overseas investors are subject to the following shareholding restrictions:

- Single foreign investors' shareholding by any Hong Kong or overseas investor in a listed company must not exceed 10% of the total issued shares; and

- Aggregate foreign investors' shareholding by all Hong Kong and overseas investors in the China A-Share of a listed company must not exceed 30% of the total issued shares.

When aggregate foreign shareholding of an individual China A-Share exceeds the 30% threshold, the foreign investors concerned will be requested to sell the relevant China A-Shares on a last-in-first-out basis within 5 trading days. If the 30% threshold is exceeded due to trading via Stock Connect, SEHK will identify the exchange participant(s) concerned and require a force-sell. As a result, it is possible that the Sub-Fund may be required to unwind his position where it has invested in a China A-Share listed company in respect of which the aggregate foreign shareholding threshold has been exceeded.

The SSE, SZSE and the SEHK will issue notices or warnings as the aggregate foreign shareholding of an SSE Security or SZSE Security approaches 30%. Northbound Trading buying orders will be suspended once the aggregate foreign shareholding reaches 28% and will only resume when it drops to less than 26%. Northbound Trading sell orders will not be affected.

Currency

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

Trading fees

In addition to paying trading fees and stamp duties in connection with China A-Share trading, the relevant Sub-Fund(s) may be subject to new portfolio fees, dividend tax and tax concerned with income arising from stock transfers which are yet to be determined by the relevant authorities.

Under Stock Connect, Hong Kong and overseas investors will be subject to the fees and levies imposed by SSE, SZSE, ChinaClear, HKSCC or the relevant Mainland Chinese authority when they trade and settle SSE Securities and SZSE Securities. Further information about the trading fees and levies is available online at the website: http://www.hkex.com.hk/mutual-market/stock-connect?sc_lang=en. (*this website has not been reviewed by the SFC*).

Coverage of Investor Compensation Fund

Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong. Examples of default are insolvency, in bankruptcy or winding up, breach of trust, defalcation, fraud, or misfeasance.

For defaults occurring on or after 1 January 2020, the Investor Compensation Fund also covers investors' losses in relation to securities traded on a stock market operated by the SSE or the SZSE and in respect of which an order for sale or purchase is permitted to be routed through the Northbound Trading Link of a Stock Connect arrangement.

On the other hand, according to the Measures for the Administration of Securities Investor Protection Fund《證券投資者保護基金管理辦法》, the functions of China Securities Investor Protection Fund ("CSIPF", 中國投資者保護基金) include "indemnifying creditors as required by Mainland China's relevant policies in case a securities company is subjected to compulsory regulatory measures including dissolution, closure, bankruptcy and administrative takeover by the CSRC and custodian operation" or "other functions approved by the State Council". As far as the relevant Sub-Fund(s) are concerned, since they are carrying out Northbound trading through securities brokers in Hong Kong and these brokers are not brokers in Mainland China, therefore they are not protected by CSIPF in Mainland China.

Further information about Stock Connect is available online at the website:

https://www.hkex.com.hk/Mutual-Market/Stock-Connect?sc_lang=en (*this website has not been reviewed by the SFC*).

Liquidity Risk Management

The Manager has established a liquidity management policy which enables it to identify, monitor and manage the liquidity risks of different Sub-Funds and to ensure that the liquidity profile of the investments of each Sub-Fund will facilitate 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's liquidity policy takes into account the investment strategy; the dealing frequency; the underlying assets' liquidity; the ability to enforce redemption limitations; and fair valuation policies of the Sub-Funds. These measures seek to ensure fair treatment and transparency for all investors.

The following aspects of liquidity risk will be considered before investing in the underlying securities of the Sub-Funds:

- The volume and turnover in the security will be considered;
- (Where the price is determined by the market) the size of the issue and the portion of the issue that the Manager plans to invest in will be taken into account;
- The opportunity and timeframe to acquire or sell the securities will be evaluated;
- An independent analysis of historic bid and offer prices may indicate the relative liquidity and marketability of the instrument. In assessing the quality of secondary market activity analysis of the quality and number of intermediaries and market makers dealing in the transferable security concerned should be considered. If the security is assessed as insufficiently liquid to meet foreseeable redemption requests, the security must only be acquired or held if there are other sufficiently liquid securities in the portfolio to meet expected redemption requests.

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 stress testing carried out by the Manager to manage the liquidity risk of each Sub-Fund in times of exceptional market conditions.

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

- the Manager may limit the number of Units of any Sub-Fund redeemed on any Redemption 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***");

- the Manager may, in calculation of the Issue Price and the Redemption Price, add fiscal and purchase charges or deduct fiscal and sales charges such as taxes, governmental charges, brokerages (normally known as fiscal charges), to protect the interest of remaining Unitholders.

In practice, the Manager will consult the Trustee before the use of any liquidity risk management tools. Investors should note that there is a risk that the tools may be ineffective to manage liquidity and redemption risk.

Cross-trades

Cross-trades between Sub-Funds and/or other funds managed by the Manager or its affiliates may be undertaken where the Manager considers that, as part of its portfolio management, cross-trades between such Sub-Funds or funds would be in the best interests of the Unitholders to achieve the investment objective and policy of the relevant Sub-Fund. By conducting cross-trades, the Manager may achieve trading efficiencies and savings for the benefit of the Unitholders.

Such cross-trades will only be undertaken where the sale and purchase decisions are in the best interests of both clients and fall within the investment objective, restrictions and policies of both clients, and will be executed on arm's length terms at current market value and the reason for such trades shall be documented prior to execution, in accordance with the SFC's Fund Manager Code of Conduct.

RISK FACTORS

Investors should consider the following risks and any additional risk(s) relating to any specific Sub-Fund, contained in the relevant Appendix, before investing in any of the Sub-Funds. Investors should note that the decision whether or not to invest remains with them. If investors have any doubt as to whether or not a Sub-Fund is suitable for them, they should obtain independent professional financial advice.

Risk of not achieving investment objective

There is no assurance that the investment objective of the respective Sub-Fund will be achieved. Whilst it is the intention of the Manager to implement strategies which are designed to minimise potential losses, there can be no assurance that these strategies will be successful. It is possible that an investor may lose a substantial proportion or all of its investment in a Sub-Fund. As a result, each investor should carefully consider whether he can afford to bear the risks of investing in the relevant Sub-Fund.

Investment risk

Investments involve risks. Each Sub-Fund is not principal guaranteed. Investment in a Sub-Fund is not in the nature of a deposit in a bank account and is not protected by any government, government agency or other guarantee scheme which may be available to protect the holder of a bank deposit account. There is no guarantee that in any time period, particularly in the short term, a Sub-Fund's portfolio will achieve appreciation in terms of capital growth. Each Sub-Fund is subject to market fluctuations and to the risks inherent in all investments. The price of Units of any Sub-Fund and the income from them may go down as well as up.

Market risk

Market risk includes such factors as changes in economic environment, consumption pattern, lack of publicly available information of investments and their issuers and investors' expectations, which may have significant impact on the value of the investments. Usually, emerging markets tend to be more volatile than developed markets and may experience substantial price volatility. Market movements may therefore result in substantial fluctuations in the Net Asset Value per Unit of the relevant Sub-Fund. The price of Units and the distributions from them (if any) may go down as well as up.

There can be no assurance that an investor will achieve profits or avoid losses, significant or otherwise. The value of investments and the income derived from such investments may fall as well as rise and investors may not recoup the original amount invested in the Sub-Funds. In particular, the value of investments may be affected by uncertainties such as international, political and economic developments or changes in government policies. In falling equity markets, there may be increased volatility. Market prices in such circumstances may defy rational analysis or expectation for prolonged periods of time, and can be influenced by movements of large funds as a result of short-term factors, counter-speculative measures or other reasons and as a result, may have adverse impact to the relevant Sub-Fund and its investors.

Mainland China market risk

Investing in the Mainland China market is subject to the risks of investing in emerging markets generally and the risks specific to the Mainland China market.

Since 1978, the Mainland Chinese government has implemented economic reform measures which emphasise decentralisation and the utilisation of market forces in the development of the Mainland Chinese economy, moving from the previous planned economy system. However, many of the economic measures are experimental or unprecedented and may be subject to adjustment and modification. The investments in Mainland China may be affected by the changes in government policies, promulgation of foreign currency and monetary policies and tax regulations.

The regulatory and legal framework for capital markets and joint stock companies in Mainland China is still developing. Mainland Chinese accounting standards and practices may deviate significantly from international accounting standards. The possibility of error in the settlement and clearing systems of the Mainland Chinese securities markets under extreme circumstances cannot be ruled out.

Investments in equity interests of Mainland Chinese companies may be made through China A-Shares, B-Shares (i.e. shares issued by companies listed on the SSE or the SZSE, traded in foreign currencies and available for investment by Mainland Chinese investors and offshore investors) and H-Shares (i.e. shares issued by companies incorporated in Mainland China and listed on the Stock Exchange of Hong Kong and traded in Hong Kong dollars). The Mainland China stock market has in the past experienced substantial price volatility, and there is no assurance that such volatility will not occur in the future.

Investment in RMB denominated bonds may be made in Mainland China. As the number of these securities and their combined total market value are relatively small compared to more developed markets, investments in these securities may be subject to increased price volatility and lower liquidity.

Investors should also be aware that changes in Mainland Chinese taxation legislation could affect the amount of income which may be derived, and the amount of capital returned, from the investments of the relevant Sub-Fund. Laws governing taxation will continue to change and may contain conflicts and ambiguities.

Risks relating to debt securities

- *Credit risk*

  Investment in bonds or other debt securities involve credit risk of the issuers. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security or its issuer may also affect the security's liquidity, making it more difficult to sell. A Sub-Fund's investment is also subject to the risk that issuers may not make timely payments on principal and/or interests of the securities they issue. If the issuers of any of the securities in which the Sub-Fund's assets are invested default, the performance of the Sub-Fund will be adversely affected.

  The debt securities that a Sub-Fund invests in may be offered on an unsecured basis without collateral. In such circumstances, the relevant Sub-Fund will rank equally with other unsecured creditors of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer's assets will be paid to holders of the relevant fixed income instrument issued by it only after all secured claims have been satisfied in full. The relevant Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

  A Sub-Fund may hold cash and deposits in banks or other financial institutions and the extent of governmental and regulatory supervision may vary. The Sub-Fund might suffer a significant or even total loss in the event of insolvency of the banks or financial institutions.

- *Credit ratings risk*

  The ratings of debt securities by Moody's Investor Services, Standard & Poor's and Fitch's are a generally accepted barometer of credit risk. They are, however, subject to certain limitations from an investor's standpoint. The rating of an issuer is heavily weighted by past performance and does not necessarily reflect probable future conditions. Rating agencies might not always change their credit rating of an issuer in a timely manner to reflect events that could affect the issuer' ability to make scheduled payment on its obligations. In addition, there may be varying degrees of difference in credit risk of securities within each rating category.

- *Credit rating downgrading risk*

  The credit ratings of fixed-income securities by credit rating agencies are a generally accepted barometer of credit risk. They are, however, subject to certain limitations. For example, 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. Securities rated investment grade at the time the debt instrument is invested may be subject to the risk of being downgraded to below investment grade. The credit rating of a debt security or its issuer may subsequently be downgraded. In the event of such downgrading, a Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not dispose of the securities, subject to the investment objectives of the Sub-Fund. In the event of securities rated investment grade being downgraded to below investment grade, the Sub-Fund will also be subject to the lower rated risk outlined in the following paragraph.

- *Lower rated and unrated securities risk*

  A Sub-Fund may invest in securities which are BB+ or below as rated by one of the credit rating agencies in Mainland China or an internationally recognised credit rating agency at the time the debt instrument is invested or which are unrated. Investors should note that such securities would generally be considered to have a higher degree of counterparty risk, credit risk and liquidity risk than higher rated, lower yielding securities. The ability of the issuer to make timely interest and principal payments will be especially susceptible to uncertainties and adverse changes in its financial conditions. If the issuer of securities defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. Further, the market for these securities may be less active, making it more difficult to sell the securities at a price or time that the Sub-Fund wishes to do so. Valuation of these securities is more difficult. The values of these securities tend to be more volatile and sensitive to individual issuer developments and general economic conditions than the values of higher rated securities. As a result, the relevant Sub-Fund's prices may be more volatile.

- *Interest rates risk*

  Investment in a Sub-Fund may be subject to interest rate risk. Changes in interest rates may affect the value of a debt security as well as the financial markets in general. Debt 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.

- *Valuation risk*

  The value of debt securities that a Sub-Fund invests may be subject to the risk of mispricing or improper valuation, i.e. operational risk that the debt securities are not priced properly. Valuations of quoted or listed debt securities are primarily based on the valuations from independent third party sources where the prices are available. However, in the case where independent pricing information may not be available such as in extreme market conditions or break down in the systems of third party sources, the value of such debt securities may be based on certification by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager after consultation with the Trustee. Valuations in such circumstance may involve uncertainty and judgemental determination.

In the event of adverse market conditions where it is not possible to obtain any reference quotation from the market at the relevant time of valuation, the latest available quotations of the relevant debt securities may be used to estimate the fair market value. Alternatively, the Manager after consultation with the Trustee may, permit some other method of valuation to be used to estimate the fair market value of such debt securities including the use of quotation of other debt securities with very similar attributes. Such valuation methodology may not equal to the actual liquidation price due to liquidity and size constraints. If valuation is proven to be incorrect, this will affect the Net Asset Value calculation of the relevant Sub-Fund.

The valuation of unlisted debt securities is more difficult to calculate than listed debt securities. Normally, unlisted debt securities are valued at their initial value thereof equal to the amount expended out of the relevant Sub-Fund in the acquisition thereof (including in each case the amount of the stamp duties, commissions and other acquisition expenses) provided that the value of any such unlisted debt securities shall be determined on a regular basis by a professional person approved by the Trustee as qualified to value such unlisted debt securities. Such professional person may value the unlisted debt securities by reference to the prices of other comparable unlisted debt securities. The trading of unlisted debt securities may not be transparent and the prices of unlisted debt securities may not be openly displayed. There is a risk that such professional person is not aware of all the trading in unlisted debt securities and may use prices which may be historical only and may not reflect recent trading in the debt securities concerned. In such circumstance, the valuation of the unlisted debt securities may not be accurate as a result of incomplete price information. This would have impact on the calculation of the Net Asset Value of the relevant Sub-Fund.

- *Unlisted debt securities risk*

The debt securities in which a Sub-Fund invests may not be listed on a stock exchange or a securities market where trading is conducted on a regular basis. Even if the debt securities are listed, the market for such securities may be inactive and the trading volume may be low. In the absence of an active secondary market, the relevant Sub-Fund may need to hold the debt securities until their maturity date. If sizeable redemption requests are received, the relevant Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the relevant Sub-Fund may suffer losses in trading such securities.

- *Liquidity risk relating to debt securities*

The RMB denominated debt securities market is at a developing stage and the market capitalisation and trading volume may be lower than those of the more developed markets. Market volatility and potential lack of liquidity due to low trading volume in the RMB denominated debt securities market may result in prices of debt securities traded on such markets fluctuating significantly and may affect the volatility of a Sub-Fund's Net Asset Value.

The debt securities in which a Sub-Fund invests may not be listed on a stock exchange or a securities market where trading is conducted on a regular basis. Even if the debt securities are listed, the market for such securities may be inactive and the trading volume may be low. In the absence of an active secondary market, the relevant Sub-Fund may need to hold the debt securities until their maturity date. If sizeable redemption requests are received, the Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the Sub-Fund may suffer losses in trading such securities. The price at which the debt 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 debt securities in which a Sub-Fund invests may be high, and the Sub-Fund may therefore incur significant trading costs and may even suffer losses when selling such investments.

Equity investment risks

A Sub-Fund may invest directly or indirectly in equity securities. Investing in equity securities may offer a higher rate of return than those investing in short term and longer term debt securities. However, the risks associated with investments in equity securities may also be higher, because the investment performance of equity securities depends upon factors which are difficult to predict. As a result, the market value of the equity securities that it invests in may go down as well as up. Factors affecting the equity securities are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, and the business and social conditions in local and global marketplace. Securities exchanges typically have the right to suspend or limit trading in any security traded on the relevant exchange; a suspension will render it impossible to liquidate positions and can thereby expose the relevant Sub-Fund to losses.

Volatility risk

Prices of securities may be volatile. Price movements of securities are difficult to predict and are influenced by, among other things, changing supply and demand relationships, governmental trade, fiscal, monetary and exchange control policies, national, regional and international political and economic events, and the inherent volatility of the market place. A Sub-Fund's value will be affected by such price movements and could be volatile, especially in the short-term.

Risk relating to small- and mid-capped companies

A Sub-Fund may invest in the securities of small and/or mid-capped companies. Investing in these securities may expose such Sub-Fund to risks such as greater market price volatility, less publicly available information, and greater vulnerability to fluctuations in the economic cycle.

Risks of investing in IPO securities

A Sub-Fund may invest in initial public offers ("**IPOs**") securities. The prices of securities involved in IPOs are often subject to greater and more unpredictable price changes than more established securities. There is the risk that there are inadequate trading opportunities generally or allocations for IPOs which the Manager wishes or is able to participate in. Furthermore, the liquidity and volatility risks associated with investments or potential investments in IPO securities may be difficult to assess, due to the lack of trading history of such IPO securities. These risks may have adverse impact on the relevant Sub-Fund and its investors.

Risks of investing in other funds

A Sub-Fund may invest in underlying funds which are not regulated by the SFC. In addition to the expenses and charges charged by such Sub-Fund, investors should note that there are 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 relevant 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 and the selection and monitoring of the underlying funds. These factors may have adverse impact on the relevant Sub-Fund and its investors. If a Sub-Fund invests in an underlying fund managed by the Manager or connected person of the Manager, potential conflict of interest may arise. Please refer to the section headed "***General Information - Conflicts of Interest***" for details under the circumstances.

Borrowing Risks

The Trustee, on the instruction of the Manager, may borrow for the account of a Sub-Fund for various reasons, such as facilitating redemptions or to acquire investments for the account of the relevant Sub-Fund. Borrowing involves an increased degree of financial risk and may increase the exposure of the relevant Sub-Fund to factors such as rising interest rates, downturns in the economy or deterioration in the conditions of the assets underlying its investments. There can be no assurance that the relevant Sub-Fund will be able to borrow on favourable terms, or that the relevant Sub-Fund's indebtedness will be accessible or be able to be refinanced by the relevant Sub-Fund at any time.

Emerging markets risks

Certain countries or regions in which a Sub-Fund may invest are considered as emerging markets. Investments in emerging markets will be sensitive to any change in political, social or economic development in the country or region. Many emerging markets have historically been subject to political instability which may affect the value of securities in emerging markets to a significant extent. As emerging markets tend to be more volatile than developed markets, any holdings in emerging markets are exposed to higher levels of market risk.

The securities markets of some of the emerging markets in which a 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 markets 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. In addition, it may be difficult to obtain and enforce a judgment in a court in an emerging market.

Underlying investments of emerging market funds may also become illiquid which may constrain the Manager's ability to realise some or all of the portfolio. Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to some countries or regions in which a Sub-Fund may invest may differ from those applicable in developed countries or regions, for example, less information is available to investors and such information may be out of date.

Sovereign/government risks

Certain developing countries or regions and certain developed countries or regions are especially large debtors to commercial banks and foreign governments. Investment in debt obligations issued or guaranteed by governments or their agencies of such countries or regions may involve a high degree of risk. The willingness or ability of a governmental entity to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due and the relative size of the debt service burden to the economy as a whole.

Governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others agencies abroad to reduce principal and arrearage on their debts. However, failure to implement economic reforms or achieve a required level of economic performance or repay debts when due may result in the cancellation of these third parties' commitments to continuously lend funds to a governmental entity, which may further impair such debtor's ability or willingness to service its debt on a timely basis.

In case of default, holders of sovereign/government debts (including a Sub-Fund) may be requested to participate in the rescheduling of such debt and to extend further loans to the relevant governmental entities. In addition, a Sub-Fund may invest in securities issued or guaranteed by the government of a country or region with a sovereign/government credit rating below investment grade. The performance and value of the Sub-Fund could deteriorate should there be any adverse credit events in the sovereign/government, in particular if there is downgrading of the sovereign/government credit rating or a default or bankruptcy of a sovereign/government occurs. There are no bankruptcy proceedings by which sovereign/government debt on which a governmental entity has defaulted may be recovered in whole or in part.

Concentration risk

A Sub-Fund may invest only in a specific country/region/sector/asset class. A Sub-Fund's portfolio may not be well diversified in terms of the number of holdings and the number of issuers of securities that the Sub-Fund may invest in. Such Sub-Fund may be adversely affected by or depend heavily on the performance of those securities. Investors should also be aware that such Sub-Fund is likely to be more volatile than a broad-based fund, such as a global or regional equity or bond fund, as they are more susceptible to fluctuations in value resulting from limited number of holdings or from adverse conditions in their respective country/region/sector/asset class.

Settlement risk

Settlement procedures in emerging markets are frequently less developed and less reliable and may involve the relevant Sub-Fund's delivery of securities, or transfer of title to securities, before receipt of payment for their sale. A Sub-Fund may be subject to a risk of substantial loss if a securities firm defaults in the performance of its responsibilities. A Sub-Fund may incur substantial losses if its counterparty fails to pay for securities such Sub-Fund has delivered, or for any reason fails to complete its contractual obligations owed to such Sub-Fund. On the other hand, significant delays in settlement may occur in certain markets in registering the transfer of securities. Such delays could result in substantial losses for a Sub-Fund if investment opportunities are missed or if a Sub-Fund is unable to acquire or dispose of a security as a result.

Custodial 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 a Sub-Fund in investing and holding investments in such markets will be generally higher than in organised securities markets.

Counterparty risk

Counterparty risk involves the risk that a counterparty or third party will not fulfil its obligations to a Sub-Fund. A Sub-Fund may be exposed to the risk of a counterparty through investments such as bonds, futures and options. To the extent that a counterparty defaults on its obligations and a Sub-Fund is prevented from exercising its rights with respect to the investment in its portfolio, a Sub-Fund may experience a decline in the value and incur costs associated with its rights attached to the security. The Sub-Fund may sustain substantial losses as a result.

Currency and foreign exchange risk

A Sub-Fund may also issue Classes denominated in a currency other than the Base Currency of that Sub-Fund. A Sub-Fund may be invested in part in assets quoted in currencies other than its Base Currency or the relevant Class Currency. The performance of such Sub-Fund will therefore be affected by movements in the exchange rate between the currencies in which the assets are held and the Base Currency of such Sub-Fund or the relevant Class Currency. If the currency in which a security is denominated appreciates against the Base Currency of that Sub-Fund, the value of the security will increase. Conversely, a decline in the exchange rate of the currency would adversely affect the value of the security and under such circumstances the Sub-Fund's value may be adversely affected and investors may suffer a significant loss as a result. Since the Manager aims to maximise returns for such Sub-Fund in terms of its Base Currency, investors in such Sub-Fund may be exposed to additional currency risk. These risks may have adverse impact on the relevant Sub-Fund and its investors.

A Sub-Fund may, in part, seek to offset the risks associated with such exposure through foreign exchange transactions. The markets in which foreign exchange transactions are effected are highly volatile, highly specialised and highly technical. Significant changes, including changes in liquidity and prices, can occur in such markets within very short periods of time, often within minutes. Foreign exchange trading risks include, but are not limited to, exchange rate risk, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment, or particular transactions in foreign currency. These risks may have adverse impact on the relevant Sub-Fund and its investors.

Any changes in exchange control regulations may cause difficulties in the repatriation of funds. Dealings in a Sub-Fund may be suspended if the relevant Sub-Fund is unable to repatriate funds for the purpose of making payments on the redemption of Units. For further details on suspension of dealings in a Sub-Fund, please refer to the section headed "***Valuation and Suspension - Suspension***" below.

Derivative and structured product risk

A Sub-Fund may invest in derivatives such as options, futures and convertible securities, and in depositary receipts, participation rights and potentially through other instruments which are linked to the performance of securities or indices such as participation notes, equity swaps and equity linked notes, which 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 relevant 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 such Sub-Funds when compared to a fund investing directly in similar assets. Besides, many derivative and structured products involve an embedded leverage. This is because such instruments provide significantly larger market exposure than the money paid or deposited when the transaction is entered into, so a relatively small adverse market movement could expose the relevant Sub-Fund to the possibility of a loss exceeding the original amount invested.

Over-the-counter markets risk

Over-the-counter ("**OTC**") markets are subject to less governmental regulation and supervision of transactions (in which many different kinds of financial derivative instruments and structured products are generally traded) than organised exchanges. In addition, many of the protections afforded to participants on some organised exchanges, such as the performance guarantee of an exchange clearing house, may not be available in connection with transactions carried out on OTC markets. Therefore, a Sub-Fund entering into transactions on OTC markets will be subject to the risk that its direct counterparty will not perform its obligations under the transactions and that a Sub-Fund will sustain substantial losses as a result.

In addition, certain instruments traded on the OTC markets (such as customised financial derivatives and structured products) can be illiquid. The market for relatively illiquid investments tends to be more volatile than the market for more liquid investments. These risks may have adverse impact on the relevant Sub-Fund and its investors.

Hedging risk

The Manager is permitted, but not obliged, to use hedging techniques such as using futures, options and/or forward contracts to attempt to offset market and currency risks. There is no guarantee that hedging techniques will fully and effectively achieve their desired result. The success of hedging much depends on the Manager's expertise and hedging may become inefficient or ineffective. This may have adverse impact on the relevant Sub-Fund and its investors.

While a Sub-Fund may enter into such hedging transactions to seek to reduce risks, unanticipated changes in currency, interest rates and market circumstances may result in a poorer overall performance of a Sub-Fund. A Sub-Fund may not obtain a perfect correlation between hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the intended hedge or expose the relevant Sub-Fund to risk of loss.

Any expenses arising from such hedging transactions, which may be significant depending on prevailing market conditions, will be borne by the relevant Sub-Fund in relation to which they have been incurred.

Liquidity risk

Some of the markets in which a Sub-Fund invests may be less liquid and more volatile than the world's leading stock markets and this may result in the fluctuation in the price of securities traded on such markets. Certain securities may be difficult or impossible to sell, and this would affect the relevant Sub-Fund's ability to acquire or dispose of such securities at their intrinsic value. The Sub-Funds may encounter difficulties in valuing and/or disposing of assets at their fair price due to adverse market conditions and/or large-scale redemptions. This may also expose the Sub-Funds to liquidity risks. If sizeable redemption requests are received, the Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the Sub-Fund may suffer losses in trading such investments. As a result, this may have an adverse impact on the relevant Sub-Fund and its investors.

Difficulties in valuation of investments

Securities acquired on behalf of a Sub-Fund may subsequently become illiquid due to events relating to the issuer of the securities, market and economic conditions and regulatory sanctions. In cases where no clear indication of the value of a Sub-Fund's portfolio securities is available (for example, when the secondary markets on which a security is traded has become illiquid) the Manager may apply valuation methods to ascertain the fair value of such securities.

In addition, market volatility may result in a discrepancy between the latest available issue and redemption prices for the Sub-Fund and the fair value of the Sub-Fund's assets. To protect the interest of investors, the Manager may, after consultation with the Trustee, adjust the Net Asset Value of the Sub-Fund or the Units, if in the circumstances it considers that such adjustment is required to reflect more accurately the fair value of the Sub-Fund's assets.

Valuation of a 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.

Restricted markets risk

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

Legal, tax and regulatory risk

Legal, tax and regulatory changes could occur in the future. For example, the regulatory or tax environment for derivative instruments is evolving, and changes in their regulation or taxation may adversely affect the value of derivative instruments. Changes to the current laws and regulations will lead to changes in the legal requirements to which the relevant Sub-Fund may be subject, and may adversely affect the relevant Sub-Fund and its investors.

Risk of termination

A Sub-Fund may be terminated in certain circumstances which are summarised under the section "***General Information - Termination of Fund or a Sub-Fund***", including where, on any date, in relation to the Fund, the aggregate Net Asset Value of all Units outstanding thereunder shall be less than RMB50 million or its equivalent or in relation to a Sub-Fund, the aggregate Net Asset Value of the Units outstanding thereunder shall be less than RMB50 million or its equivalent (or other amounts disclosed in the Appendix). In the event of the termination of a Sub-Fund, such Sub-Fund would have to distribute to the Unitholders their pro rata interest in the assets of the Sub-Fund. It is possible that at the time of such sale or distribution, certain investments held by the relevant Sub-Fund will be worth less than the initial cost of acquiring such investments, resulting in a loss to the Unitholders. Moreover, any organisational expenses (such as establishment costs) with regard to the relevant Sub-Fund that had not yet been fully amortised would be debited against the Sub-Fund's assets at that time.

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 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. Similarly 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 financing charges and cash collateral it receives. It will be exposed to the risk of loss due to the failure or default of the issuer of the relevant security in which reinvestment is made. 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.

Risks associated with Stock Connect

The relevant Sub-Fund(s) may invest through Stock Connect. In addition to the "**Mainland China market risk**" above and "**Renminbi currency risk**" in the relevant Appendix, it is also subject to the following additional risks:

- The Stock Connect program enables Hong Kong and overseas investors to directly access eligible China A-Shares and ETFs through Hong Kong brokers. It is subject to regulations promulgated by regulatory authorities and implementation rules (e.g. trading rules) made by the stock exchanges in Mainland China and Hong Kong.
- 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 Stock Connect.
- The current regulations are subject to change which may be retrospective. There can be no assurance that Stock Connect will not be abolished. The relevant Sub-Fund(s), which may invest in Mainland China markets through Stock Connect, may be adversely affected as a result of such changes.

<u>Quota limitations</u>

- The Stock Connect is subject to quota limitations. In particular Stock Connect is subject to the Daily Quota which does not belong to the Fund and/or relevant Sub-Fund(s) and can only be utilised on a first-come-first serve-basis. Once the Daily Quota is exceeded, buy orders will be rejected (although investors will be permitted to sell their cross-boundary securities regardless of the quota balance). Therefore, quota limitations may restrict the relevant Sub-Fund(s)' ability to invest in China A-Shares or ETFs (as the case may be) through Stock Connect on a timely basis, and the relevant Sub-Fund(s) may not be able to effectively pursue its investment strategies.

Suspension risk

- It is contemplated that both SEHK and SSE and/or SZSE would reserve the right to suspend Northbound and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the Northbound trading through Stock Connect is effected, the relevant Sub-Fund's ability to access the Mainland China market (and hence its ability to pursue its investment strategy) will be adversely affected.

Differences in trading day

- Under the existing Northbound arrangements for Stock Connect, Stock Connect only operates on days when both the Mainland China and Hong Kong markets are open for trading.However, the misalignment between Stock Connect trading days and Mainland China market trading days still exists. So it is possible that there are occasions when it is a normal trading day for the Mainland China market but Hong Kong investors (such as the relevant Sub-Fund(s)) cannot carry out any trading. The relevant Sub-Fund(s) may be subject to a risk of price fluctuations during the time when the Mainland China markets are open for trading but the Hong Kong market is closed, and the Stock Connect is not trading as a result.

Operational risk

- The Stock Connect provides a new channel for investors from Hong Kong and overseas to access the Mainland China securities 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 program 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 program to operate, market participants may need to address issues arising from the differences on an on-going basis.

- Further, the "connectivity" in Stock Connect program requires routing of orders across the border. SEHK has set up an order routing system ("**China Stock Connect System**") to capture, consolidate and route the cross boundary orders input by exchange participants. There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems fail to function properly, trading in both markets through the program could be disrupted. The relevant Sub-Fund(s)' ability to access the Mainland China market (and hence to pursue its investment strategy) will be adversely affected.

Restrictions on selling imposed by front-end monitoring

- Mainland Chinese 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. SEHK will carry out pre-trade checking on all sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

- If the relevant Sub-Fund(s) desires to sell certain China A-Shares and/or ETFs (as the case may be) it holds, it must transfer those securities 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 securities on the trading day. Because of this requirement, the relevant Sub-Fund(s) may not be able to dispose of holdings of China A-Shares and/or ETFs (as the case may be) in a timely manner.

- However, the relevant Sub-Fund(s) may request a custodian to open a special segregated account ("**SPSA**") in CCASS to maintain its holdings under the enhanced pre-trade checking model. Each SPSA will be assigned a unique "Investor ID" by CCASS for the purpose of facilitating China Stock Connect System to verify the holdings of an investor such as the relevant Sub-Fund(s). Provided that there is sufficient holding in the SPSA when a broker inputs the relevant Sub-Fund(s)' sell order, the relevant Sub-Fund(s) will be able to dispose of its holdings (as opposed to the practice of transferring securities to the broker's account under the current pre-trade checking model for non-SPSA accounts). Opening of the SPSA accounts for the relevant Sub-Fund(s) will enable it to dispose of its holdings in a timely manner.

<u>Recalling of eligible securities</u>

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

<u>Clearing and settlement risk</u>

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

- As the national central counterparty of Mainland China's securities market, ChinaClear operates a comprehensive network of clearing, settlement and stock holding infrastructure. ChinaClear has established a risk management framework and measures that are approved and supervised by the CSRC. The chances of ChinaClear default are considered to be remote.

- 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 securities and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the relevant Sub-Fund(s) 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

- HKSCC will keep CCASS participants informed of corporate actions of SSE Securites or SZSE Securities. Hong Kong and overseas investors (including the relevant Sub-Fund(s)) are holding SSE Securites or SZSE Securities traded via Stock Connect program through their brokers or custodians. Hong Kong and overseas investors (including the relevant Sub-Fund(s)) 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 Securites or SZSE Securities may be as short as one business day only. Therefore, the relevant Sub-Fund(s) may not be able to participate in some corporate actions in a timely manner.

Investor Compensation

- Investment through the Stock Connect program is conducted through broker(s), and is subject to the risks of default by such brokers' in their obligations.
- For defaults occurring on or after 1 January 2020, Hong Kong's Investor Compensation Fund also covers investors' losses in relation to securities traded on a stock market operated by the SSE or the SZSE and in respect of which an order for sale or purchase is permitted to be routed through the Northbound Trading Link of a Stock Connect arrangement.
- On the other hand, since the relevant Sub-Fund(s) are carrying out Northbound trading through securities brokers in Hong Kong but not Mainland Chinese brokers, they are not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金) in Mainland China.

Risks associated with the ChiNext market and/or STAR market

The relevant Sub-Fund(s) may invest in the ChiNext market of the SZSE via the Shenzhen-Hong Kong Stock Connect and/or STAR market of the SSE via the Shanghai-Hong Kong Stock Connect. Investments in the ChiNext market and/or STAR market may result in significant losses for the relevant Sub-Fund(s) and their investors. The following additional risks apply:

Higher fluctuation on stock prices and liquidity risk

Listed companies on the ChiNext market and/or STAR market are usually of emerging nature with smaller operating scale. Listed companies on the ChiNext market and STAR market are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, companies listed in the ChiNext market and STAR market are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the main boards of the SSE and SZSE.

Over-valuation risk

Stocks listed on ChiNext market and/or STAR market may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

Differences in regulations

The rules and regulations regarding companies listed on ChiNext market and STAR market are less stringent in terms of profitability and share capital than those in the main boards.

Delisting risk

It may be more common and faster for companies listed on ChiNext market and/or STAR market to delist. ChiNext market and STAR market have stricter criteria for delisting compared to the main boards. This may have an adverse impact on the relevant Sub-Fund(s) if the companies that it invests in are delisted.

Distributions risk

Distributions may be made in respect of the Distribution Classes. However, there is no guarantee that such distributions will be made nor will there be a target level of distributions payout. A high distribution yield does not imply a positive or high return.

Subject to the disclosure in the relevant Appendix, distributions may be paid out of the capital of a Sub-Fund. The Manager may distribute out of the capital of a Sub-Fund if the net distributable income attributable to the relevant Distribution Class during the relevant period is insufficient to pay distributions as declared. **Investors should note that the payment of distributions out of capital represents a return or a withdrawal of part of the amount they originally invested or capital gain attributable to that amount. Distributions will result in an immediate decrease in the Net Asset Value of the relevant Units.**

The distribution amount and Net Asset Value of a hedged Unit Class may be adversely affected by differences in the interest rates of the Class Currency of the relevant hedged Unit Class and the Sub-Fund's Base Currency, resulting in an increase in the amount of distribution that is paid out of capital and hence a greater erosion of capital than other non-hedged Unit Classes.

For Accumulation Classes, the Manager does not intend to pay distributions. Accordingly, an investment in the Accumulation Classes may not be suitable for investors seeking income returns for financial or tax planning purposes.

Cross-Class liability

Multiple Classes of Units may be issued in relation to a Sub-Fund, with particular assets and liabilities of that Sub-Fund attributable to particular Classes. Where the liabilities of a particular Class exceed the assets pertaining to that Class, creditors pertaining to one class may have recourse to the assets attributable to other Classes. Although for the purposes of internal accounting, a separate account will be established for each Class, in the event of an insolvency or termination of that Sub-Fund (i.e. when the assets of that Sub-Fund are insufficient to meet its liabilities), all assets will be used to meet that Sub-Fund's liabilities, not just the amount standing to the credit of any individual Class. However, the assets of that Sub-Fund may not be used to satisfy the liabilities of another Sub-Fund.

Creation of Sub-Funds or New Classes of Units

Additional Sub-Funds or additional Classes of Units which may have different terms of investment may be established in the future without the consent of, or notification to existing Unitholders. In particular, such additional Sub-Funds or additional Classes may have different terms with regard to fees.

Non-compliance with HKFRS

The annual and semi-annual reports and accounts of a Sub-Fund will be prepared in accordance with the HKFRS. Investors should note that the valuation rules described in the section headed "***Valuation and Suspension – Calculation of Net Asset Value***" below may not necessarily comply with HKFRS. Under HKFRS, investments should be valued at fair value, and bid and ask pricing is considered to be representative of fair value for long and short listed investments respectively. However, under the valuation basis described in the section headed ***Valuation and Suspension – Calculation of Net Asset Value***" below, listed investments are expected to be valued normally at the last traded price or closing price instead of bid and ask pricing as required under HKFRS.

The cost of establishment of each Sub-Fund will be amortised over the Amortisation Period. Investors should note that this policy of amortisation is not in accordance with HKFRS. However, the Manager has considered the impact of such non-compliance and do not expect this issue to materially affect the results and Net Asset Value of a Sub-Fund. Further, the Manager believes that this policy is fairer and more equitable to the initial investors.

Foreign Account Tax Compliance

Sections 1471 – 1474 of the US Internal Revenue Code of 1986, as amended ("**US Code**") (commonly known as the Foreign Account Tax Compliance Act or "**FATCA**") will impose new rules with respect to certain payments to non-United States persons, such as 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 withholding at a 30% rate, unless the recipient of the payment satisfies certain requirements intended to enable the US Internal Revenue Service ("**US IRS**") to identify certain United States persons (within the meaning of the US Code) that own, directly or indirectly, Units in the Sub-Funds. To avoid such withholding on payments made to it, a foreign financial institution (an "**FFI**"), such as the Sub-Funds (and, generally, other investment funds organized outside the US), generally will be required to enter into an agreement (an "**FFI Agreement**") with the US IRS under which it will 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 US IRS.

In general, an FFI which does not sign an FFI Agreement and is not otherwise exempt will face a 30% withholding tax on "withholdable payments", including dividends, interest and certain derivative payments derived from US sources made on or after 1 July 2014. In addition, starting from 1 January 2019, gross proceeds such as sales proceeds and return of principal derived from stocks and debt obligations generating US source dividends or interest will be treated as "withholdable payments." It is expected that certain non-U.S. source payments attributable to amounts that would be subject to FATCA withholding (referred to as "foreign passthru payments") may also be subject to FATCA withholding starting the later of 31 December 2018 or the date of when foreign passthru payments is defined by the US IRS.

The Hong Kong government has entered into an intergovernmental agreement with the US ("**IGA**") for the implementation of FATCA, adopting "Model 2" IGA arrangements. Under these "Model 2" IGA arrangements, FFIs in Hong Kong (such as the Sub-Funds) would be subject to the terms of an FFI Agreement with the US IRS, register with the US IRS and comply with the terms of an FFI Agreement. Otherwise they will be subject to a 30% withholding tax on relevant US-sourced payments and other "withholdable payments" paid to them.

It is expected that FFIs in Hong Kong (such as the Sub-Funds) complying with the terms of an FFI Agreement (i) will generally not be subject to the above described 30% withholding tax; and (ii) will not be required to withhold tax on payments to "non-consenting US accounts" (i.e. certain accounts of which the holders do not consent to FATCA reporting and disclosure to the US IRS), but may be required to withhold tax on withholdable payments made to non-compliant FFIs.

The Sub-Funds will endeavour to satisfy the requirements imposed under FATCA and the terms of the FFI Agreement to avoid any withholding tax. The Sub-Funds have agreed to be subject to the terms of an FFI Agreement and have registered with the US IRS to be treated as "reporting financial institutions under a Model 2 IGA".

In the event that a Sub-Fund is not able to comply with the requirements imposed by FATCA or the terms of an FFI Agreement and such Sub-Fund does suffer US withholding tax on its investments as a result of non-compliance, the Net Asset Value of such Sub-Fund may be adversely affected and the Fund and such Sub-Fund may suffer significant loss as a result.

In the event a Unitholder does not provide the requested information and/or documentation related to FATCA, whether or not that actually leads to FATCA compliance failures by the relevant Sub-Fund, or a risk of the relevant Sub-Fund being subject to withholding tax under FATCA, the Manager on behalf of the Fund and each of such relevant Sub-Fund reserves the right to take any action and/or pursue all remedies at its disposal including, without limitation, (i) reporting the relevant information of such Unitholder to the US IRS (subject to applicable laws and regulations in Hong Kong); (ii) withholding or deducting any reasonable amount from such Unitholder's redemption proceeds or other distribution proceeds to the extent permitted by applicable laws and regulations; (iii) deeming such Unitholder to have given notice to redeem all his Units in the relevant Sub-Fund; and/or (iv) bringing legal action against such Unitholder for losses suffered by the Fund or the relevant Sub-Fund as a result of such withholding tax. The Manager in taking any such action or pursuing any such remedy shall act in good faith and on reasonable grounds and in accordance with all applicable laws and regulations.

In cases where Unitholders invest in the Sub-Fund through an intermediary, Unitholders are reminded to check whether such intermediary, if an FFI, is FATCA compliant and in accordance with all 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 and in respect of its investment in the Sub-Funds, as well as the potential impact of FATCA on the Sub-Funds.

Automatic Exchange of Financial Account Information

The Inland Revenue (Amendment) (No.3) Ordinance (the "**Ordinance**") was gazetted on 30 June 2016 and the Hong Kong Inland Revenue Department ("**IRD**") published guidance on 9 September 2016 for financial institutions ("**FIs**") to assist them in complying with the Common Reporting Standard obligations. This is the legislative framework for the implementation of the Standard for Automatic Exchange of Financial Account Information ("**AEOI**") in Hong Kong. The AEOI requires FIs in Hong Kong to collect information relating to non-Hong Kong tax residents holding accounts with FIs, and file such information with the IRD who in turn may exchange such information with the jurisdiction(s) in which that account holder is resident. Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has a Competent Authority Agreement ("**CAA**"); however, the

Fund, the Sub-Funds and/or its agents may further collect information relating to residents of other jurisdictions.

The AEOI rules as implemented in Hong Kong require the Fund and each Sub-Fund to, amongst other things: (i) register the Fund's status 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 "Reportable Accounts" for AEOI purposes; and (iii) report to the IRD 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 relevant jurisdictions with which Hong Kong has signed a CAA. Broadly, AEOI contemplates that Hong Kong FIs should report on: (i) individuals or entities that are tax resident in a jurisdiction with which Hong Kong has signed a CAA; and (ii) individuals who are tax resident in such other jurisdiction that are controlling certain entities. Under the Ordinance, details of Unitholders, including but not limited to their name, jurisdiction of birth, address, tax residence, account details, account balance/value, and income or sale or redemption proceeds, may be reported to the IRD and subsequently exchanged with government authorities in the relevant jurisdictions of tax residence.

By investing in the Fund and the relevant Sub-Fund(s) and/or continuing to invest in the Fund and the relevant Sub-Fund(s), Unitholders acknowledge that they may be required to provide additional information to the Fund, the relevant Sub-Fund(s), the Manager and/or the Fund's agents in order for the Fund and the relevant Sub-Fund(s) to comply with AEOI. The Unitholder's information (and information on beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such Unitholders that are not natural persons), may be communicated by the IRD to authorities in other jurisdictions.

If a Unitholder fails to provide the requested information pursuant to AEOI requirements, the Manager will act in good faith and on reasonable grounds when it decides to take actions and/or pursue remedies including, and without limitation to, mandatory redemption or withdrawal of the Unitholder concerned.

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

Conflicts of Interest; Other Activities of the Manager

Various potential and actual conflicts of interest may arise from the overall investment activities of the Manager and its connected persons for their own accounts and the accounts of others. The Manager and its connected persons may invest for their own accounts and for the accounts of clients in various instruments that have interests different from or adverse to the instruments that are owned by the relevant Sub-Fund. For more information, please refer to the section headed "***General Information - Conflicts of Interest***".

Effect of Substantial Redemptions

Substantial redemptions by Unitholders within a short period of time could require the relevant Sub-Fund to liquidate securities and other positions more rapidly than would otherwise be desirable, possibly reducing the value of its assets and/or disrupting its investment strategy. Further, it may be impossible to liquidate a sufficient amount of securities to meet redemptions because a significant part of the portfolio at any given time may be invested in securities for which the market is or has become illiquid. Reduction in the size of the relevant Sub-Fund could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the Sub-Fund's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

In view of the above, investment in any Sub-Fund should be regarded as long term in nature. The Sub-Funds are, therefore, only suitable for investors who can afford the risks involved. Investors should refer to the relevant Appendix for details of any additional risks specific to a Sub-Fund.

CSDR Cash Penalty Regime

New rules under the settlement discipline regime introduced under Regulation (EU) No 909/2014 (“CSDR”) which are intended to reduce the number of settlement fails within EU central securities depositories (such as Euroclear and Clearstream) entered into force on 1 February 2022. These measures include the introduction of a new cash penalties regime under which the participant within the relevant CSD responsible for a settlement fail will be required to pay a cash penalty which is in turn distributed to the other participant. This is intended to serve as an effective deterrent for participants that cause settlement fails. In certain circumstances, such penalties and related expenses will be borne (either directly or indirectly) out of the assets of the Sub-Fund on whose behalf the in-scope transaction was entered into, thus resulting in increased operational and compliance costs being borne by the relevant Sub-Fund.

INVESTING IN THE FUND

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 be denominated in a different Class Currency or may have a different charging structure with the result that the Net Asset Value attributable to each Class of Units of a Sub-Fund may differ. In addition, each Class of Units may be subject to different Minimum Initial Subscription Amount, Minimum Subsequent Subscription Amount, Minimum Holding Amount and Minimum Redemption Amount. Investors should refer to the relevant Appendix for the available Classes of Units and the applicable minimum amounts.

Initial Offer

Units of a Sub-Fund or a Class in a Sub-Fund will be offered for the first time at the Initial Offer Price during the Initial Offer Period of such Sub-Fund or such Class as specified in the relevant Appendix.

Minimum Subscription Level

The offering of a Class of Units or a Sub-Fund may be conditional upon the Minimum Subscription Level (if applicable) being received on or prior to the close of the Initial Offer Period.

In the event that the Minimum Subscription Level of a Class of Units or a Sub-Fund is not achieved or the Manager is of the opinion that it is not in the commercial interest of investors or not feasible, as a result of adverse market conditions or otherwise, to proceed with the relevant Class of Units or Sub-Fund, the Manager may in its discretion extend the Initial Offer Period for the relevant Class of Units or Sub-Fund or determine that the relevant Class of Units or the relevant Sub-Fund and the Class or Classes of Units relating to it will not be launched. In such event, the relevant Class of Units or the Sub-Fund and the Class or Classes of Units relating to it shall be deemed not to have commenced.

Notwithstanding the aforesaid, the Manager reserves the discretion to proceed with the issue of Units of the relevant Class of Units or Sub-Fund even if the Minimum Subscription Level has not been achieved.

Subsequent Subscription

Units are available for subscription on each Subscription Day after the expiry of the Initial Offer Period.

Issue Price

After the close of the Initial Offer Period, the Issue Price per Unit for any Class of a Sub-Fund on a Subscription Day will be calculated by reference to the Net Asset Value per Unit of that Class as at the Valuation Point on the Valuation Day in respect of that Subscription Day (for further details see "***Valuation and Suspension - Calculation of Net Asset Value***" below).

In calculating the Issue Price, the Manager may impose such amount (if any) as the Manager may estimate as an appropriate allowance to reflect the difference between (i) the prices at which the assets of the relevant Sub-Fund are to be valued and (ii) the total cost of acquiring such assets (including any stamp duty, other taxes, duties or governmental charges, brokerage, bank charges, transfer fees, or registration fees). For further details, please see "***Valuation and Suspension – Adjustment of Prices***" below.

The Issue Price shall be rounded down to the Decimal Places. Any amount corresponding to such rounding will accrue to the relevant Sub-Fund.

Subscription Charge

The Manager, its agents or delegates may charge a Subscription Charge on the issue of each Unit of a percentage of either (i) the Initial Offer Price or the Issue Price, as the case may be, of such Unit or (ii) the total subscription amount received in relation to an application, as the Manager may at its discretion determine. The maximum and current rate of Subscription Charge (if any) and the manner in which it will be imposed are specified in the relevant Appendix. For the avoidance of doubt, a lower maximum rate of Subscription Charge may be imposed in relation to the issue of Units of a Sub-Fund as compared to other Sub-Funds and also in relation to different Classes of Units of a Sub-Fund.

The Manager may at any time increase the rate of Subscription Charge provided that any increase in the rate of Subscription Charge above the maximum rate may only be made if such increase (i) will not impact on the existing investments of any Unitholder, and (ii) will be subject to any requirements of the Code.

The Manager may on any day differentiate between applicants or Classes of Units as to the amount of the Subscription Charge. The Subscription Charge will be retained by or paid to the Manager, its agents or delegates for their own absolute use and benefit.

Minimum Initial Subscription Amount and Minimum Subsequent Subscription Amount

Details of any Minimum Initial Subscription Amount and Minimum Subsequent Subscription Amount applicable to a Class of Unit or a Sub-Fund are set out in the relevant Appendix.

The Manager has the discretion to waive, change or accept an amount lower than the Minimum Initial Subscription Amount or Minimum Subsequent Subscription Amount from time to time, whether generally or in a particular case.

Application Procedures

Applications for subscription of Units may be made to the Manager or the Transfer Agent by completing the Application Form and sent by facsimile or any other electronic means to the Authorised Distributors or the Manager or the Transfer Agent at the business address or facsimile number on the Application Form. The Manager and/or the Transfer Agent may request further supporting documents and/or information to be provided together with the Application Form. The Application Form is available from the Manager and/or the Authorised Distributors.

In respect of Application Forms and subscription moneys in cleared funds which are received on or before the IOP Deadline, Units will be issued following the close of the Initial Offer Period. If Application Forms and/or application monies in cleared funds are received after the IOP Deadline, the relevant applications shall be carried forward to the next Subscription Day and shall be dealt with at the Issue Price at such Subscription Day.

Following the close of the Initial Offer Period, an Application Form received by the Manager or the Transfer Agent by the Subscription Deadline of a Subscription Day will be dealt with on that Subscription Day. If an application for Units is received after the Subscription Deadline in respect of a Subscription Day then the application will be held over until the next Subscription Day provided that the Manager may in the event of system failure which is beyond the reasonable control of the Manager or events of natural disaster after taking into account the interest of other Unitholders of the relevant Sub-Fund, exercise its discretion to accept an application in respect of a Subscription Day which is received after the Subscription Deadline if it is received prior to the Valuation Point relating to that Subscription Day. Notwithstanding the aforesaid, where in the Trustee's reasonable opinion, the Trustee's operational requirements cannot support accepting any such application, the Manager shall not exercise its discretion to accept any application.

Payment procedures

Payment for Units subscribed for cash during the Initial Offer Period and the Subscription Charge (if any) is due in cleared funds by the IOP Deadline. Following the close of the Initial Offer Period, payment for Units and the Subscription Charge (if any) is due at the expiry of the Payment Period.

If payment in full in cleared funds has not been received by the IOP Deadline or the relevant Payment Period (or such other period as the Manager may determine and disclose to the applicants), the Manager may (without prejudice to any claim in respect of the failure of the applicant to make payment when due) cancel any Units which may have been issued in respect of such application for subscription and the Manager must cancel the issue of the relevant Units if the Trustee so requires.

Upon such cancellation, the relevant Units shall be deemed never to have been issued and the applicant shall have no right to claim in respect thereof against the Manager or the Trustee, provided that: (i) no previous valuations of the relevant Sub-Fund shall be re-opened or invalidated as a result of the cancellation of such Units; (ii) the Manager and the Trustee may charge the applicant a Cancellation Fee to represent the administrative costs involved in processing the application for such Units from such applicant; and (iii) the Manager and the Trustee may require the applicant to pay (for the account of the relevant Sub-Fund in respect of each Unit so cancelled) the amount (if any), by which the Issue Price of each such Unit exceeds the Redemption Price of such Unit on the day of cancellation (if such day is a Redemption Day for the relevant class of Units) or the immediately following Redemption Day plus interest on such amount until receipt of such payment by the Trustee.

Payments for Units should be made in the Base Currency of the relevant Sub-Fund or where one or more Classes are issued in respect of a Sub-Fund, payment for Units of a Class should be made in the Class Currency of such Class. Subject to the agreement of the Manager, payment in other freely convertible currencies may be accepted. Where amounts are received in a currency other than the relevant Base Currency or Class Currency (as the case may be), they will be converted into the relevant Base Currency or Class Currency (as the case may be) at the cost of the relevant applicant and the proceeds of conversion (after deducting the costs of such conversion) will be applied in the subscription of Units in the relevant Sub-Fund or Class. Any conversion to the relevant Base Currency or Class Currency (as the case may be), will be at the prevailing market rate (whether official or otherwise) which the Manager deems appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange. Conversion of currency may be made at a premium or discount in exceptional circumstances such as where there is a huge fluctuation in the exchange rate. Currency conversion will be subject to availability of the currency concerned. Save for any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence of the Trustee or the Manager, none of the Manager, the Trustee or their respective agents or delegates will be liable to any Unitholder or any person for any loss suffered by such Unitholder arising from such currency conversion.

All payments should be made by cheque, direct transfer, telegraphic transfer or bank draft (or other manner as may be agreed by the Manager). Cheques and bank drafts should be crossed "a/c payee only, not negotiable" and made payable to the accounts specified in the Application Form, stating the name of the relevant Sub-Fund to be subscribed, and sent with the Application Form. Payment by cheque is likely to cause delay in receipt of cleared funds and Units generally will not be issued until the cheque is cleared. Any costs of transfer of subscription moneys to a Sub-Fund will be payable by the applicant.

All application moneys must originate from an account held in the name of the applicant. No third party payments shall be accepted. The applicant should provide sufficient evidence as to the source of payment as the Manager and the Trustee may from time to time require.

No money should be paid to an intermediary in Hong Kong who is not licensed or registered to carry on Type 1 Regulated Activity (dealing in securities) under Part V of the Securities and Futures Ordinance.

General

The Manager has an absolute discretion to accept or reject in whole or in part any application for Units.

If an application is rejected (either in whole or in part) or the Manager determines that the relevant Class of Units or the relevant Sub-Fund and the Class or Classes of Units related to it will not be launched, subscription moneys (or the balance thereof) will be returned within the Refund Period without interest and after deducting any of out-of-pocket fees and charges incurred by the Manager and the Trustee by cheque through the post or by telegraphic transfer to the bank account from which the moneys originated at the risk and expense of the applicant or in such other manner as the Manager and the Trustee may from time to time determine. Save for any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence of the Trustee or the Manager, none of the Manager, the Trustee or their respective delegates or agents will be liable to the applicant for any loss the applicant suffers as a result of the rejection or delay of any application.

Units issued by the Fund will be held for investors in registered form. Certificates will not be issued. A contract note will be issued upon acceptance of an applicant's application and will be forwarded to the applicant (at the risk of the person entitled thereto). In case of any error in a contract note, applicants should contact the relevant intermediaries or the Authorised Distributor promptly for rectification.

Fractions of a Unit (rounded down to the Decimal Places) may be issued. Any amount corresponding to such rounding will accrue to the relevant Sub-Fund.

Restrictions on Issue

No Units of a Sub-Fund or a Class will be issued where the determination of the Net Asset Value of that Sub-Fund or Class and/or the allotment or issuance of Units of that Sub-Fund or Class is suspended (for further details see "***Suspension***" below) or when the Manager determines, with prior notification to the Trustee, that subscriptions for such Sub-Fund or Class of Units are closed.

REDEMPTION OF UNITS

Redemption of Units

Subject to the restrictions (if any) as specified in the relevant Appendix, any Unitholder may redeem his Units on any Redemption Day in whole or in part. Save where there is a suspension of the determination of the Net Asset Value of the relevant Sub-Fund or Class and/or the redemption of Units of the relevant Sub-Fund or Class, a redemption request once given cannot be revoked without the consent of the Manager.

Redemption Price

Units redeemed on a Redemption Day will be redeemed at the Redemption Price calculated by reference to the Net Asset Value per Unit of the relevant Class as at the Valuation Point on the Valuation Day in respect of that Redemption Day (for further details, see "***Valuation and Suspension - Calculation of Net Asset Value***" below).

In calculating the Redemption Price, the Manager may deduct such amount (if any) as the Manager may estimate as an appropriate allowance to reflect (i) the difference between the price at which assets of the relevant Sub-Fund are to be valued and the net proceeds which would be received on sale of such assets and (ii) any relevant expenses (including stamp duty, other taxes, duties or governmental charges, brokerage, bank charges or transfer fees) which would be incurred for the account of the relevant Sub-Fund in realising assets or closing out positions to provide funds to meet any redemption request. For further details, please see "***Valuation and Suspension – Adjustment of Prices***" below.

The Redemption Price shall be rounded down to the Decimal Places. Any amount corresponding to such rounding will accrue to the relevant Sub-Fund.

If at any time during the period from the time as at which the Redemption Price is calculated and the time at which redemption proceeds are converted out of any other currency into the Base Currency of the relevant Sub-Fund or the Class Currency of the relevant Class there is an officially announced devaluation or depreciation of that currency, the amount payable to any relevant redeeming Unitholder may be reduced as the Manager considers appropriate to take account of the effect of that devaluation or depreciation.

Redemption Charge

The Manager may charge a Redemption Charge on the redemption of Units of a percentage of either (i) the Redemption Price per Unit; or (ii) the total redemption amount in relation to a redemption request, as the Manager may at its discretion determine. The maximum and current rate of Redemption Charge (if any) and the manner in which it will be imposed are specified in the relevant Appendix. For the avoidance of doubt, a lower maximum rate of Redemption Charge may be imposed in relation to the redemption of Units of a Sub-Fund as compared to other Sub-Funds and also in relation to different Classes of Units of a Sub-Fund.

The Manager may increase the rate of Redemption Charge payable up to or towards the maximum rate for a Sub-Fund or a Class of Units, on giving at least one month's prior written notice to the Unitholders. The maximum rate of Redemption Charge of a Sub-Fund or a Class of Units may be increased with the sanction of an extraordinary resolution of the Unitholders of the relevant Sub-Fund or Class of Units (as the case may be) and subject to the SFC's prior approval.

The Redemption Charge will be deducted from the amount payable to a Unitholder in respect of the redemption of Units. The Redemption Charge will be retained by or paid to the Manager for its own absolute use and benefit or, if so stated in the relevant Appendix, retained by the relevant Sub-Fund. Where the Redemption Charge is retained by the Manager, it may at its discretion, pay all or part of the Redemption Charge to its agents or delegates. The Manager shall be entitled to differentiate between Unitholders or Classes of Units as to the amount of the Redemption Charge (within the maximum rate of Redemption Charge).

Minimum Redemption Amount and Minimum Holding Amount

Details of any Minimum Redemption Amount and Minimum Holding Amount applicable to a Class of Unit or a Sub-Fund are set out in the relevant Appendix.

If a redemption request will result in a Unitholder holding Units of a Sub-Fund or a Class less than the Minimum Holding Amount for that Sub-Fund or Class, the Manager may deem such request to have been made in respect of all Units of the relevant Sub-Fund or Class held by that Unitholder.

The Manager has the discretion to waive, change or accept an amount lower than the Minimum Redemption Amount or Minimum Holding Amount from time to time, whether generally or in a particular case.

Redemption Procedures

Applications for redemption of Units may be made to the Transfer Agent or the Manager by completing the Redemption Form and sent by facsimile or any other electronic means to the Authorised Distributors or the Manager or the Transfer Agent at the business address or facsimile number on the Redemption Form. The Redemption Form is available from the Manager and/or the Authorised Distributors.

A Redemption Form received by the Manager or the Transfer Agent by the Redemption Deadline of a Redemption Day will be dealt with on that Redemption Day. If an application for redemption of Units is received after the Redemption Deadline in respect of a Redemption Day then the application will be held over until the next Redemption Day provided that the Manager may in the event of system failure which is beyond the reasonable control of the Manager or events of natural disaster after taking into account the interest of other Unitholders of the relevant Sub-Fund, exercise its discretion to accept a redemption request in respect of a Redemption Day which is received after the Redemption Deadline if it is received prior to the Valuation Point relating to that Redemption Day. Notwithstanding the aforesaid, where in the Trustee's reasonable opinion, the Trustee's operational requirements cannot support accepting any such redemption request, the Manager shall not exercise its discretion to accept any redemption request.

A request for redemption once given cannot be revoked without the consent of the Manager.

Payment of Redemption Proceeds

Redemption proceeds will normally be paid by direct transfer or telegraphic transfer in the Base Currency of the relevant Sub-Fund or the Class Currency of the relevant Class of Units to the pre-designated bank account of the Unitholder (at his risk and expense). No third party payments will be permitted. Any bank charges associated with the payment of such redemption proceeds will be borne by the redeeming Unitholder.

Redemption proceeds may be paid in a currency other than the relevant Base Currency or Class Currency if so requested by the relevant redeeming Unitholders and agreed by the Manager.

Where redemption proceeds are paid in a currency other than the relevant Base Currency or Class Currency, they will be converted from the relevant Base Currency or Class Currency at the cost of the relevant redeeming Unitholders. Any conversion from the relevant Base Currency or Class Currency, will be at the prevailing market rate (whether official or otherwise) which the Manager deems appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange. Conversion of currency may be made at a premium or discount in exceptional circumstances such as where there is a huge fluctuation in the exchange rate. Save for any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence of the Trustee or the Manager, none of the Manager, the Trustee or their respective agents or delegates will be liable to any Unitholder or any person for any loss suffered by such Unitholder arising from such currency conversion.

Redemption Proceeds will be paid as soon as practicable but in any event not exceeding one calendar month after the later of (i) the relevant Redemption Day and (ii) the day on which the Manager or the Transfer Agent receives the duly completed Redemption Form and such other documents and information as the Trustee, the Manager and/or the Transfer Agent may require, unless the market(s) in which a substantial portion of investments is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of the redemption proceeds within the aforesaid time period not practicable. In such case, payment of redemption proceeds may be deferred, but the extended time frame for payment should reflect the additional time needed in light of the specific circumstances in the relevant market(s).

The Manager or the Trustee, as the case may be, may, in its absolute discretion, delay payment to the Unitholder until (a) if required by the Trustee, the Manager or the Transfer Agent, the original of the Redemption Form duly signed by the Unitholder has been received; (b) where redemption proceeds are to be paid by telegraphic transfer, the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Trustee (or the Transfer Agent on behalf of the Trustee); and (c) the Unitholder has produced all documents or information required by the Trustee, the Manager and/or the Transfer Agent for the purpose of verification of identity.

The Manager or the Trustee, as the case may be, may, refuse to make a redemption payment to a Unitholder if either the Manager or the Trustee suspects or is advised that (i) such payment may result in a breach or violation of any anti-money laundering law or other laws or regulations by any person in any relevant jurisdiction; or (ii) such refusal is necessary or appropriate to ensure compliance by the Fund, the Manager, the Trustee or other service providers with any such laws or regulations in any relevant jurisdiction.

If the Manager or the Trustee is required or entitled by any applicable laws, regulations, direction or guidance, or by any agreement with any tax or fiscal authority to make withholdings from any redemption moneys payable to the Unitholder, the amount of such withholdings shall be deducted from the redemption moneys otherwise payable to such person, provided that the Manager or the Trustee is acting in good faith and on reasonable grounds.

Save for any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence of the Trustee or the Manager, neither the Manager nor the Trustee nor their agents shall be liable for any loss caused by any refusal or delay in making payment as a result of delay in receipt of proceeds of realisation of the investments of the relevant Sub-Fund.

The Trust Deed also provides for payment of redemption proceeds in specie with the consent of the relevant Unitholder.

Restrictions on Redemption

No Units of a Sub-Fund or a Class may be redeemed where the determination of the Net Asset Value of that Sub-Fund or Class and/or the redemption of Units of that Sub-Fund or Class is suspended (for further details see "***Valuation and Suspension - Suspension***" below).

With a view to protecting the interests of all Unitholders of a Sub-Fund, the Manager may, after consultation with the Trustee, limit the number of Units of such Sub-Fund redeemed on any Redemption Day (whether by sale to the Manager or by cancellation of Units) 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 of the relevant Sub-Fund who have validly requested to redeem Units of the same Sub-Fund on that Redemption Day will redeem the same proportion of such Units of that Sub-Fund. 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 succeeding Redemption Day and all following Redemption Days (in relation to which the Manager has the same power) until the original request has been satisfied in full. If requests for redemption are so carried forward, the Manager will inform the Unitholders concerned within 7 Business Days of such Redemption Day.

Compulsory redemption of Units

If the Manager or the Trustee suspects that Units of any Class are owned directly or beneficially by any person:

(a) in contravention of any laws or requirements of any jurisdiction, any governmental authority or any stock exchange on which such Units are listed; or

(b) in circumstances (whether directly or indirectly affecting such person and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager or the Trustee to be relevant) which in their opinion might result in the relevant Sub-Fund, the Fund, the Trustee and/or the Manager incurring any liability to taxation or suffering any other pecuniary disadvantage which the Sub-Fund, the Fund, the Trustee and/or the Manager might not otherwise have incurred or suffered,

the Manager or the Trustee may:

(i) give notice requiring the relevant Unitholder to transfer the Units to a person who would not be in contravention of the above restrictions within 30 days of the date of the notice; or

(ii) deem receipt of a redemption request in respect of such Units.

Where the Manager or the Trustee has given such notice and the Unitholder has failed to either (i) transfer the relevant Units within 30 days of the date of the notice, or (ii) establish to the satisfaction of the Manager or the Trustee (whose judgment is final and binding) that the relevant Units are not held in contravention of any of the restrictions set out above, the Unitholder is deemed to have given a redemption request in respect of the relevant Units on the expiry of 30 days from the date of the notice.

CONVERSION

Conversion of Units

Unless otherwise specified in the relevant Appendix, Unitholders shall be entitled (subject to such limitations as the Manager after consulting with the Trustee may impose) to convert all or part of their Units of any Class relating to a Sub-Fund (the "**Existing Class**") into Units of any other Class in the same Sub-Fund (the "**New Class**") available for subscription or conversion. A request for conversion will not be effected if as a result the relevant Unitholder would hold less than the Minimum Holding Amount of the Existing Class, or is prohibited from holding Units of the New Class.

In addition, specific limitations or restrictions may apply when a Unitholder intends to convert his Units into another Class or Sub-Fund. The relevant limitations or restrictions (if any) will be set out in the Appendix for the relevant Sub-Fund.

Switching Fee

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

(i) the Issue Price per Unit of the New Class as at the Valuation Point on the Valuation Day at which the Issue Price of such Units is ascertained; or

(ii) the total amount being converted into.

The maximum and current rate of Switching Fee (if any) and the manner in which it will be imposed are specified in the relevant Appendix. For the avoidance of doubt, a lower maximum rate of Switching Fee may be imposed in relation to the conversion of Units of a Sub-Fund as compared to other Sub-Funds and also in relation to different Classes of Units of a Sub-Fund.

The Switching Fee shall be deducted from the amount reinvested into the Sub-Fund relating to Units of the New Class and shall be retained by or paid to the Manager for its own absolute use and benefit.

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

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

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

N = <u>(E x R x F - SF)</u>

S

Where in either case:-

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

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

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

R is the Redemption Price per Unit of the Existing Class applicable on the relevant Redemption Day less any Redemption Charge imposed by the Manager.

S is the Issue Price per Unit for the New Class applicable on the Subscription Day for the New Class coincident with or immediately following the relevant Redemption Day for the Existing Class PROVIDED THAT where the issue of Units of the New Class is subject to the satisfaction of any conditions precedent to such issue then S shall be the Issue Price per Unit of the New Class applicable on the first Subscription Day for the New Class falling on or after the satisfaction of such conditions.

SF is a Switching Fee (if any).

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

Conversion Procedures

Applications for conversion of Units may be made to the Transfer Agent or the Manager by completing the Conversion Form and sent by facsimile or any other electronic means to the Authorised Distributors or the Manager or the Transfer Agent at the business address or facsimile number on the Conversion Form. The Conversion Form is available from the Manager and/or the Authorised Distributors.

Conversion Forms which is received by the Transfer Agent or the Manager by the Redemption Deadline applicable to the Existing Class or such later time as the Manager may think fit on a Redemption Day (but prior to the Valuation Point relating to the relevant Redemption Day) in relation to such Existing Class will be dealt with on that Redemption Day and Conversion Forms received after such time will be dealt with on the following Redemption Day in relation to such Existing Class. Conversion Forms may not be withdrawn without the consent of the Manager.

Depending on the Valuation Point of the relevant Sub-Fund and the time required to remit the conversion money, the day on which investments are converted into the New Class may be later than the day on which investments in the Existing Class are converted out or the day on which the instruction to convert is given.

Restrictions on Conversion

Units shall not be converted during any period when the determination of the Net Asset Value of any relevant Sub-Fund is suspended (for further details see "***Valuation and Suspension - Suspension***" below) or when the Manager determines, with prior notification to the Trustee, that subscriptions for Units of the New Class are closed.

VALUATION AND SUSPENSION

Calculation of Net Asset Value

The Net Asset Value of each Sub-Fund and the Net Asset Value per Unit of each Class will be calculated in accordance with the Trust Deed as at the Valuation Point on each Valuation Day. The Trust Deed provides among others that:-

(a) Listed Investments

The value of any investment (including unit, share or other interest in a collective investment scheme quoted, listed, traded or normally dealt in on a Securities Market but excluding unit, share or other interest in an unlisted collective investment scheme or a commodity) quoted, listed, traded or normally dealt in on a Securities Market shall at the discretion of the Manager be calculated by reference to the last traded price or closing price as calculated and published by the Securities Market (which, in the opinion of the Manager, provides the principal Securities Market for such investment) on which the investment is quoted, listed, traded or normally dealt in for such amount of such investment in accordance with its local rules and customs, at or immediately preceding the Valuation Point, as the Manager may consider in the circumstances to provide a fair criterion, provided that:-

(i) If the Manager in its discretion considers that the prices ruling on a Securities Market other than the principal Securities Market provide in all the circumstances a fairer criterion of value in relation to any such investment, it may, after consultation with the Trustee, adopt such prices.

(ii) If an investment is quoted, listed or normally dealt in on more than one Securities Market, the Manager shall adopt the price on the market which is considered the principal market for such investment.

(iii) In the case of any investment which is quoted, listed or normally dealt in on a Securities Market but in respect of which, for any reason, prices on that Securities Market may not be available at any relevant time, the value thereof shall be certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager after consultation with the Trustee.

(iv) There shall be taken into account interest accrued on interest-bearing investments up to (and including) the date as at which the valuation is made, unless such interest is included in the quoted or listed price.

(b) Unquoted Investments

The value of any investment (other than an interest in a collective investment scheme or a commodity) which is not quoted, listed or normally dealt in on a Securities Market shall be the initial value thereof equal to the amount expended out of the relevant Sub-Fund in the acquisition thereof (including in each case the amount of the stamp duties, commissions and other acquisition expenses) provided that the value of any such unquoted investments shall be determined on a regular basis by a professional person approved by the Trustee as qualified to value such unquoted investment. Such professional person may, with the approval of the Trustee, be the Manager.

(c) Cash, Deposits etc.

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

(d) Collective Investment Scheme

The value of each unit, share or other interest in any collective investment scheme (other than unit, share or other interest in a collective investment scheme quoted, listed, traded or normally dealt in on a Securities Market) shall be the net asset value per unit, share or other interest as at the same day the Net Asset Value of the relevant Sub-Fund is calculated, or if such collective investment scheme is not valued as at the same day, the last published net asset value per unit, share or other interest in such collective investment scheme (where available) or (if the same is not available) the latest available bid price for such a unit, share or other interest at or immediately preceding the Valuation Point.

If no net asset value, bid and offer prices or price quotations are available, the value of each unit, share or other interest shall be determined from time to time in such manner as the Trustee and the Manager shall determine.

(e) Other Valuation Methods

Notwithstanding paragraphs (a) to (d) above, the Manager may, after consultation with the Trustee adjust the value of any investment or permit some other method of valuation to be used if, having regard to currency, applicable rate of interest, maturity, marketability and other considerations it deems relevant, it considers that such adjustment or use of such other method is required to reflect the fair value thereof.

(f) Conversion to Base Currency

The value (whether of a borrowing or other liability, an investment or cash) otherwise than in the Base Currency of a Sub-Fund shall be converted into the Base Currency at the prevailing market rate (whether official or otherwise) which the Manager shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange. Conversion of currency may be made at a premium or discount in exceptional circumstances such as where there is a huge fluctuation in the exchange rate.

(g) Reliance on Price Data and Information provided through Electronic Price Feeds etc

Subject as provided below, when calculating the Net Asset Value of a Sub-Fund, price data and other information in relation to the value of any investment or the cost price or sale price thereof provided through electronic price feeds, mechanised or electronic systems of price or valuation, or valuation or pricing information which is provided by any valuer, third party valuation agent, intermediary or other third party appointed or authorised to provide valuations or pricing information of the investments or the assets of the Sub-Fund may be relied upon without verification, further enquiry or liability notwithstanding that the prices so used are not the last traded prices or closing prices.

(h) Appointment of a Third Party for Valuation

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.

Investors should note that, under HKFRS, investments should be valued at fair value and also that, under HKFRS, bid and offer pricing is considered to be representative of the fair value of investments. However, the valuation basis described above may deviate from the HKFRS which may lead to a different valuation had the valuation been performed in accordance with HKFRS. The Manager has considered the impact of such non-compliance and do not expect this issue to affect the results and Net Asset Value of a Sub-Fund materially. To the extent that the valuation basis adopted by the relevant Sub-Fund deviates from HKFRS, the Manager may make necessary adjustments in the annual financial statements for the financial statements to be in compliance with HKFRS.

The Manager may, after consultation with the Trustee, arrange for a revaluation of the Net Asset Value of a Unit of any Class if it considers that the Net Asset Value per Unit of the relevant Class calculated in relation to any Subscription Day or Redemption Day (as the case may be) does not accurately reflect the true value of such Unit. Any revaluation will be made on a fair and equitable basis.

Adjustment of Prices

In calculating the Issue Price, the Manager may add fiscal and purchase charges (see "***Investing in the Fund – Issue Price***" above) and in calculating the Redemption Price, the Manager may deduct fiscal and sale charges (see "***Redemption of Units – Redemption Price***" above).

The Manager will only make such adjustment to the Issue Price and Redemption Price with a view to protecting the interests of Unitholders under exceptional circumstances as determined by the Manager from time to time. The Manager will consult the Trustee prior to any adjustment in the Issue Price or Redemption Price and such adjustment would only be made where the Trustee has no objection to it. Exceptional circumstances for adjusting the Issue Price or Redemption Price may include (a) the aggregate net transactions (either net subscriptions or net redemptions) in Units having exceeded a pre-determined threshold set by the Manager from time to time; and/or (b) extreme market conditions which may have an unfavourable impact on the interests of existing Unitholders. In such circumstances the Net Asset Value per Unit of the relevant Class may be adjusted by an amount (not exceeding 1% of that Net Asset Value) which reflects the dealing costs that may be incurred by the relevant Sub-Fund and the estimated bid/offer spread of the assets in which the relevant Sub-Fund invests.

For the avoidance of doubt,

(a) the Issue Price and Redemption Price, prior to any adjustment, will be determined with reference to the same Net Asset Value per Unit of the relevant Class; and

(b) it is not the intention of the Manager to adjust the Issue Price upwards and the Redemption Price downwards for the same Subscription Day and Redemption Day; and

(c) any adjustment in the Issue Price or Redemption Price must be made on a fair and equitable basis.

Suspension

The Manager may, after consultation with the Trustee, having regard to the best interests of Unitholders, declare a suspension of the determination of the Net Asset Value of any Sub-Fund or of any Class of Units and/or the issuance, conversion and/or the redemption of Units for the whole or any part of any period during which:-

(a) there is a closure (other than customary weekend and holiday closing) of or the restriction or suspension of trading on any commodities market or Securities Market on which a substantial part of the investments of that Sub-Fund is normally traded or a breakdown in any of the means normally employed in ascertaining the prices of investments or the Net Asset Value of a Sub-Fund or the Issue Price or Redemption Price per Unit; or

(b) for any other reason the prices of investments held or contracted for by the Manager for the account of that Sub-Fund cannot, in the opinion of the Manager after consultation with the Trustee, reasonably, promptly or fairly be ascertained; or

(c) circumstances exist as a result of which, in the opinion of the Manager after consultation with the Trustee, it is not reasonably practicable to realise a substantial part of the investments held or contracted for the account of that Sub-Fund or it is not possible to do so without seriously prejudicing the interests of Unitholders of Units of the relevant Sub-Fund; or

(d) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, a substantial part of the investments of that Sub-Fund or the issue or redemption of Units of the relevant Class is delayed or cannot, in the opinion of the Manager after consultation with the Trustee, be carried out promptly at normal rates of exchange; or

(e) when a breakdown in the systems and/or means of communication usually employed in ascertaining the value of any of the investments or other assets of that Sub-Fund or the Net Asset Value of that Sub-Fund or the Issue Price or Redemption Price per Unit takes place or when for any other reason the value of any of the investments or other assets of that Sub-Fund or the Net Asset Value of that Sub-Fund or the Issue Price or Redemption Price per Unit cannot in the opinion of the Manager after consultation with the Trustee reasonably or fairly be ascertained or cannot be ascertained in a prompt or accurate manner; or

(f) when, in the opinion of the Manager after consultation with the Trustee, such suspension is required by law or applicable legal process; or

(g) where that Sub-Fund is invested in one or more collective investment schemes and the realisation of interests in any relevant collective investment scheme(s) (representing a substantial portion of the assets of the Sub-Fund) is suspended or restricted; or

(h) when the business operations of the Manager or the Trustee or any of their delegates in relation to the operations of that Sub-Fund are substantially interrupted or closed as a result of or arising from a force majeure event; or

(i) when the Unitholders or the Manager have resolved or given notice to terminate that Sub-Fund; or

(j) such other circumstance or situation exists as set out in the Appendix of that Sub-Fund.

If a suspension is declared, during such a period of suspension –

(a) where the suspension is in respect of the determination of the Net Asset Value, there shall be no determination of the Net Asset Value of the relevant Sub-Fund and the Net Asset Value per Unit of that Sub-Fund (or a Class thereof) (although an estimated Net Asset Value may be calculated and published) and any applicable issue or request for conversion or redemption of Units shall be similarly suspended. If a request for subscription, conversion or redemption of Units are received by the Manager during a period of suspension and not withdrawn, such request shall be treated as if it were received in time to be dealt with on the Subscription Day or the Redemption Day (as the case may be) next following the end of the said suspension and dealt with accordingly;

(b) where the suspension is in respect of the allotment or issue, conversion and/or the redemption of Units, there shall be no allotment, issue, conversion and/or redemption of Units. For the avoidance of doubt, the allotment, issue, conversion or redemption of Units may be suspended without suspending the determination of the Net Asset Value.

A suspension shall take effect forthwith upon the declaration thereof until the Manager shall declare the suspension at an end, except that the suspension shall terminate in any event on the day following the first Business Day on which (i) the condition giving rise to the suspension shall have ceased to exist; and (ii) no other condition under which suspension is authorised shall exist.

Whenever the Manager declares such a suspension it shall immediately notify the SFC of such suspension and shall, immediately after any such declaration and at least once a month during the period of such suspension, cause a notice to be published in the Local Newspapers or with the prior approval of the SFC, cause such notice to be published in any other media and/or cause a notice to be given to Unitholders of the Class relating to the relevant Sub-Fund and to all those (whether Unitholders or not) whose applications to subscribe for or redeem Units shall have been affected by such suspension stating that such declaration has been made.

DISTRIBUTION POLICY

The distribution policy adopted by a Sub-Fund is set out in the relevant Appendix of such Sub-Fund. A Sub-Fund may offer Classes of Units that accumulate income ("**Accumulation Classes**") or pay regular distributions out of net distributable income or capital or gross income of such Sub-Fund ("**Distribution Classes**").

Accumulation Classes

No distribution is intended to be made in respect of Accumulation Classes. Therefore, any net income and net realised capital gains attributable to Units of the Accumulation Classes will be reflected in their respective Net Asset Value.

Distribution Classes

For Distribution Classes, the Manager will declare and pay distributions in such amount, on such date and at such frequency as the Manager may determine. However, unless otherwise specified in the relevant Appendix, there is neither a guarantee that such distributions will be made nor will there be a target level of distributions payout.

The Manager will also have the discretion to determine if and to what extent distributions will be paid out of capital attributable to the relevant Distribution Class.

In the event that the net distributable income attributable to the relevant Distribution Class during the relevant period is insufficient to pay distributions as declared, the Manager may in its discretion determine such dividends be paid from capital. Payment of dividends out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of a Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Unit of the relevant Distribution Class.

The composition of the distributions (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months are available by the Manager on request and also on the Manager's website www.efunds.com.hk.Investors should note that the aforesaid website has not been reviewed or authorised by the SFC.

Distributions of a Distribution Class declared, if any, shall be distributed among the Unitholders of the relevant Distribution Class rateably in accordance with the number of Units held by them on the record date (such date as determined by the Manager and notified to the Trustee) in respect of the corresponding distribution. For the avoidance of doubt, only Unitholders whose names are entered on the register of Unitholders on such record date shall be entitled to the distribution declared in respect of the corresponding distribution.

Distributions may be paid in cash or may be applied to subscribe for additional Units in the relevant Class of the relevant Sub-Fund at the option of the Unitholder as indicated in its Application Form. Unitholders may change their distribution option by giving not less than 7 days' notice to the Manager.

Any payment of distributions in cash will normally be paid by direct transfer or telegraphic transfer in the Class Currency of the relevant Distribution Class to the pre-designated bank account of the Unitholder (at his risk and expense). No third party payments will be permitted.

The Manager may amend the dividend policy subject to obtaining the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

FEES AND EXPENSES

Manager's, Trustee's and Registrar's and Transfer Agent's Fee

The Manager is entitled to receive in respect of a Sub-Fund (or any Class thereof), a management fee calculated and accrued as at the Valuation Point on each Valuation Day and payable monthly in arrears as a percentage of the Net Asset Value of such Sub-Fund (or such Class) as at each Valuation Day at the rates as specified in the relevant Appendix subject to a maximum fee as specified in the relevant Appendix. The Manager may also pay a distribution fee to any distributor or sub-distributor of the Sub-Funds out of the relevant Sub-Fund's management fee. A distributor may re-allocate an amount of the distribution fee to the sub-distributors.

Trustee's and Custodian's fees

The Trustee is entitled to receive a fee which is charged as a percentage of the Net Asset Value of the relevant Sub-Fund on each Valuation Day, at the rates specified in the Appendix. The Trustee's fee is accrued as at the Valuation Point on each Valuation Day and payable monthly in arrears out of the assets of the relevant Sub-Fund. The fee payable to the Trustee is subject to a maximum rate as specified in the Appendix. The Trustee's fee is inclusive of the fees payable to the Registrar and Transfer Agent.

The fees charged by the Custodian in consideration for its service to E Fund (HK) China Equity Dividend Fund and E Fund (HK) Select Bond Fund are as further disclosed in the relevant Appendix. In respect of E Fund (HK) China Equity Dividend Fund, the Custodian's fee is inclusive of the fees payable to the QFI Custodian.

General Expenses

The Sub-Fund will bear the costs (including those set out below) which are directly attributable to it.

Such costs include but are not limited to the costs of investing and realising the investments of the Sub-Fund, the fees and expenses of the custodian, registrar and the auditors, valuation costs, legal fees, the expenses incurred by the Manager and the Trustee in establishing the Sub-Fund and costs in connection with the initial issue of Units or a Class of Units, the costs incurred in connection with the preparation of supplemental deeds or any listing or regulatory approval, the costs of holding meetings of Unitholders and of giving notices to Unitholders, the costs incurred in terminating the Sub-Fund, the fees and expenses of the Trustee which are agreed by the Manager in connection with time and resources incurred by the Trustee reviewing and producing documentation in connection with the operation of the Sub-Fund including the filing of annual returns and other statutory information required to be filed with any relevant regulatory authority and the costs incurred in the preparation and printing of any explanatory memorandum, all costs incurred in publishing the Net Asset Value of the Sub-Fund, Net Asset Value per Unit, Issue Price and Redemption Price of Units, all costs of preparing, printing and distributing all statements, accounts and reports, the expenses of preparing and printing any offering document, and any other expenses, deemed by the Manager, after consulting the Auditors, to have been incurred in compliance with or connection with any change in or introduction of any law or regulation or directive (whether or not having the force of law) of any governmental or other regulatory authority or with any code relating to unit trusts.

Performance Fee

The Manager may charge a performance fee in respect of a Sub-Fund (or any Class thereof), payable out of the assets of the relevant Sub-Fund (or the relevant Class). If a performance fee is charged, further details will be provided in the Appendix for the relevant Sub-Fund, including the current rate of the performance fee payable and the basis of calculation of such fee.

The Manager reserves the right to waive or rebate any fees to which it is entitled, whether in part or in full and whether in respect of a particular investor or generally. The Manager may share any fees it receives with any person(s) as it deems appropriate.

No promotional expenses charged to the Sub-Funds

The Sub-Funds will not be responsible for any promotional expenses including those incurred by any marketing agents and any fees imposed by such marketing agents on their customers investing in the Sub-Funds will not be paid (either in whole or in part) out of the Sub-Funds. These promotional expenses would be borne by the Manager.

Notice for Fee Increase

Unitholders shall be given not less than one month's prior notice should there be any increase of the management fee, performance fee or Trustee's fee from the current level to the maximum level. Any increase in the maximum level of the management fee, performance fee or Trustee's fee of a Sub-Fund (or any Class thereof) shall be subject to the SFC's prior approval and the sanction of extraordinary resolution of the Unitholders of such Sub-Fund (or such Class).

Establishment Costs

The establishment costs of the Fund and the initial Sub-Fund are of such amount as set out in the Appendix of the initial Sub-Fund and will be borne by the initial Sub-Fund. The establishment costs will be amortised over the Amortisation Period. Where subsequent Sub-Funds are established in the future, the Manager may determine that the unamortised establishment costs of the Fund or a part thereof may be re-allocated to such subsequent Sub-Funds.

The establishment costs 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 the Amortisation Period.

Investors should also note that under HKFRS, establishment costs should be expensed as incurred and that amortisation of the expenses of establishing Sub-Funds is not in accordance with HKFRS; however, the Manager has considered the impact of such non-compliance and has considered that it will not have a material impact on the financial statements of Sub-Funds. To the extent that the accounting basis adopted by a Sub-Fund deviates from HKFRS, the Manager may make necessary adjustments in the annual financial statements for the financial statements to be in compliance with HKFRS.

Transactions with Connected Persons, Cash Rebates and Soft Dollars

All transaction carried out by or on behalf of the Fund or a Sub-Fund must be executed at arm’s length and in the best interests of the Unitholders of the relevant Sub-Fund. In particular, any transactions between the Sub-Fund and the Manager, the Investment Adviser or any of their connected persons as principal may only be made with the prior written consent of the Trustee. All such transactions will be disclosed in the annual report of the Fund and/or the relevant Sub-Fund. In transacting with brokers or dealers connected to the Manager, the Investment Adviser of the Sub-Fund, the Trustee or any of their connected persons, the Manager must ensure that:

(a) such transactions are on arm’s length terms;
(b) it uses due care in the selection of such brokers or dealers and ensures that they are suitably qualified in the circumstances;
(c) transaction execution must be consistent with applicable best execution standards;
(d) the fee or commission paid to any such broker or dealer in respect of a transaction must not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature;
(e) it monitors 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 shall be disclosed in the annual report of the Fund and/or the relevant Sub-Fund.

None of the Manager, the Investment Adviser or any of their connected persons will retain cash or other rebates from brokers or dealers in consideration of directing transactions for a Sub-Fund to such brokers or dealers, save that goods and services (soft dollars) as described in the paragraph below may be retained. Any such cash commission or rebates received from any such brokers or dealers shall be for the account of the relevant Sub-Fund.

The Manager, the Investment Adviser and/or any of their connected persons reserves the right to effect transactions by or through 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 from time to time provide to or procure for the Manager, the Investment Adviser and/or any of their connected persons goods or services 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. The Manager shall procure that no such arrangements are entered into unless (i) 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. Such goods and services may include research and advisory services, economic and political analysis, portfolio analysis including valuation and performance measurement, market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publications. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

TAXATION

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.

The following summary of Hong Kong taxation is of a general nature, is for information purposes only, and is not intended to be an exhaustive list of all of the tax considerations that may be relevant to a decision to purchase, own, redeem or otherwise dispose of Units. This summary does not constitute legal or tax advice and does not purport to deal with the tax consequences applicable to all categories of Unitholders. Prospective Unitholders should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, redeeming or disposing of Units both under the laws and practice of Hong Kong and the laws and practice of their respective jurisdictions. The information below is based on the law and practice in force in Hong Kong at the date of this Explanatory Memorandum. The relevant laws, rules and practice relating to tax are subject to change and amendment (and such changes may be made on a retrospective basis). As such, there can be no guarantee that the summary provided below will continue to be applicable after the date of this Explanatory Memorandum. Furthermore, tax laws can be subject to different interpretations and no assurance can be given that relevant tax authorities will not take a contrary position to the tax treatments described below.

Hong Kong Taxation

The Fund/ Sub-Fund(s)

(a) *Profits Tax*:

As the Fund and the Sub-Fund(s) have been authorised, as a collective investment scheme constituted as a unit trust by the SFC under Section 104 of the SFO, profits of the Fund and the Sub-Fund(s) are exempt from Hong Kong Profits Tax.

(b) *Stamp Duty*:

No Hong Kong stamp duty is payable by the Fund or Sub-Fund(s) on issue of Units.

No Hong Kong stamp duty is payable on redemption of Units where the Units are extinguished or where the Units are transferred to the Manager who subsequently re-sells the Units within two months thereof.

Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, transfer of Hong Kong stocks to the Fund / Sub-Fund(s) in exchange for issue of Units or transfer of Hong Kong stocks from the Fund / Sub-Fund(s) in consideration for redemption of Units is exempt from Hong Kong stamp duty, subject to application.

Hong Kong stamp duty is ordinarily payable on the sale or purchase of Hong Kong stock. "Hong Kong stock" is defined as "stock" the transfer of which is required to be registered in Hong Kong.

<u>The Unitholders</u>

(a) *Profits Tax*:

Unitholders are generally not subject to any Hong Kong profits tax on distributions by the Fund or Sub-Fund(s) in accordance with the practice of the Inland Revenue Department of Hong Kong (as at the date of this Explanatory Memorandum). Hong Kong profits tax (which is currently charged at the rate of 16.5% for corporations, and 15% for individuals or unincorporated business) will arise on any gains or profits made on the sale, redemption or other disposal of the Units where such transactions form part of a trade, profession or business carried on by a Unitholder in Hong Kong, such gains or profits are sourced in Hong Kong and such Units are not capital assets to the Unitholders. Unitholders should take advice from their own professional advisers as to their particular tax position.

There is no withholding tax on dividends and interest in Hong Kong.

(b) *Stamp Duty*:

No Hong Kong stamp duty is payable by a Unitholder in relation to subscription of newly issued Units.

No Hong Kong stamp duty is payable on redemption of Units where the Units are extinguished or where the Units are transferred to the Manager who subsequently re-sells the Units within two months thereof.

Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, transfer of Hong Kong stocks to the Fund / Sub-Fund(s) in exchange for issue of Units or transfer of Hong Kong stocks from the Fund / Sub-Fund(s) in consideration for redemption of Units is exempt from Hong Kong stamp duty, subject to application.

Other types of sales or purchases or transfers of the Units by the Unitholders should be liable to Hong Kong stamp duty of 0.13% (borne by each of the buyer and seller) on the higher of the consideration amount or market value. In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of Units.

Other Jurisdiction(s)

Please refer to the relevant Appendix on taxation requirements in other jurisdiction(s) that may be applicable to a Sub-Fund.

FATCA: Investors should refer to “Foreign Account Tax Compliance” in the section headed “***Risk Factors***” for disclosures regarding compliance with the regulations under the United States Foreign Account Tax Compliance Act.

GENERAL INFORMATION

Reports and Accounts

The Fund's and each Sub-Fund's financial year end is on the Accounting Date in each year.

As an alternative to the distribution of printed audited accounts and unaudited semi-annual reports, the Manager will notify Unitholders where the annual report and audited accounts (in English only) can be obtained (in printed and electronic forms) within four months after the Accounting Date, and where the unaudited semi-annual accounts (in English only) can be obtained (in printed and electronic forms) within two months after the Semi-Annual Accounting Date in each year. Once issued, hardcopies of the reports and accounts are available upon request of Unitholders free of charge at any time during normal business hours on any Business Day at the office of the Manager. Copies of the accounts and reports may be posted to investors on request.

The Manager intends to adopt HKFRS in drawing up the annual accounts of the Fund and Sub-Funds. It should however be noted that in amortising the establishment costs of the Fund in accordance with the section headed "**Establishment Costs**", possible deviation from such accounting standards may occur but the Manager does not expect this issue to be material under normal circumstances. The Manager may make necessary adjustments in the annual accounts in order to comply with HKFRS and to include a reconciliation note in the Fund's audited accounts.

Publication of Prices

For Units offered in Hong Kong, the Issue Price and Redemption Price for each Class of a Sub-Fund will be published on each Business Day of that Sub-Fund on the Manager's website at www.efunds.com.hk or in any appropriate manner. Please note that the aforesaid website has not been reviewed or authorised by the SFC.

Termination of Fund or a Sub-Fund

The Fund shall continue for an unlimited period unless it is earlier terminated in one of the ways provided under the Trust Deed and as summarised below.

Termination by the Trustee

The Fund may be terminated by the Trustee by notice in writing to the Manager and the Unitholders if:-

(a) the Manager shall go into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation), becomes bankrupt or if a receiver is appointed over any of their assets and not discharged within 60 days;

(b) in the opinion of the Trustee the Manager shall be incapable of performing or shall in fact fail to perform its duties satisfactorily or shall do any other thing which in the opinion of the Trustee is calculated to bring the Fund into disrepute or to be harmful to the interests of the Unitholders;

(c) any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable in consultation with the relevant regulatory agencies (the SFC in Hong Kong) to continue the Fund;

(d) the Manager shall, have ceased to be the manager and, within a period of 30 days thereafter, no other qualified corporation shall have been appointed by the Trustee as successor manager; or

(e) the Trustee shall have notified the Manager of its desire to retire as Trustee and the Manager shall fail to find a qualified corporation to act as a trustee in place of the Trustee within 60 days therefrom.

Termination by the Manager

The Fund, any Sub-Fund and/or any Class of Units (as the case may be) may be terminated by the Manager in its discretion by notice in writing to the Trustee and the Unitholders if:-

(a) on any date, in relation to the Fund, the aggregate Net Asset Value of all Units outstanding hereunder shall be less than RMB50 million or its equivalent or, in relation to any Sub-Fund, the aggregate Net Asset Value of the Units outstanding hereunder in respect of such Sub-Fund shall be less than RMB50 million or its equivalent or such other amount stated in the relevant Appendix or, in relation to any Class of Units, the aggregate Net Asset Value of the Units of such class outstanding hereunder in respect of such Class shall be less than RMB50 million or its equivalent or such other amount stated in the relevant Appendix;

(b) in the opinion of the Manager, it is impracticable or inadvisable to continue the Fund, a Sub-Fund and/or any Class of Units (as the case may be) (including without limitation, a situation where it is no longer economically viable to operate the Fund, the Sub-Fund or the relevant Class of Units);

(c) if any law shall be passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable in consultation with the relevant regulatory agencies (the SFC in Hong Kong) to continue the Fund and/or any Sub-Fund and / or any Class of Units of a Sub-Fund; or

(d) the occurrence of any other event(s) or in such other circumstance(s) as set out in the relevant Appendix of the Sub-Fund.

In cases of termination on notice, no less than one month's notice will be given to Unitholders.

Further, a Sub-Fund or a Class of Units may be terminated by an extraordinary resolution of the Unitholders of the Sub-Fund or the Unitholders of the relevant Class (as the case may be) on such date as the extraordinary resolution may provide. At least twenty one days' notice shall be given to the Unitholders in respect of a meeting of Unitholders where such extraordinary resolution will be tabled.

Any unclaimed proceeds or other cash held by the Trustee upon termination of the Fund, a Sub-Fund or a Class of Units, as the case may be, may at the expiration of twelve months from the date upon which the same were payable be paid into court subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

Trust Deed

The Fund was established under the laws of Hong Kong by the Trust Deed. All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Trust Deed.

The Trust Deed contains provisions for the indemnification of the parties and their exculpation from liability in certain circumstances. Any indemnity expressly given to the Trustee or to the Manager in the Trust Deed is in addition to and without prejudice to any indemnity allowed by law. However, the Trustee and the Manager shall not be exempted from any liability to Unitholders imposed under Hong Kong law or breaches of trust through fraud or negligence, nor may they be indemnified against such liability by Unitholders or at Unitholders' expense. Unitholders and intending applicants are advised to consult the terms of the Trust Deed for further details.

Voting Rights

Meetings of Unitholders may be convened by the Manager or the Trustee, and the 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.

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 shall be Unitholders present in person or by proxy representing 25% or more of the Units in issue. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting should 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. On a poll every 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.

Transfer of Units

Subject as provided below, Units may be transferred by an instrument in writing in common form signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee.

The duly stamped instrument of transfer, any necessary declarations, other documents that may be required by the Manager, the Trustee or the Registrar or in consequence of any legislation (including any anti-money laundering legislation) shall be left with the Registrar for registration. 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.

Each instrument of transfer must relate to a single class of Units only. No Units may be transferred if, as a result, either the transferor or the transferee would hold Units having a value less than the Minimum Holding Amount (if any) of the relevant Class as specified in the relevant Appendix.

The Manager or the Trustee may refuse to enter or cause to be entered the name of a transferee in the register or recognise a transfer of any Units if either of them believes that such will result in or is likely to result in the contravention of any applicable laws or requirements of any jurisdiction, any governmental authority or any stock exchange on which such Units are listed, including without limitation any anti-money laundering or anti-terrorist financial laws or regulations.

Anti-Money Laundering Regulations

As part of the Manager’s and the Trustee’s responsibility for the prevention of money laundering, the Manager/Trustee (through the Transfer Agent) may require a detailed verification of an investor's identity and the source of payment of application moneys. Depending on the circumstances of each application, a detailed verification might not be required where:-

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

(b) the application is made through a recognised intermediary.

These exceptions will only apply if the financial institution or intermediary referred to above is within a jurisdiction recognised as having sufficient anti-money laundering regulations. The Manager, the Trustee and the Transfer Agent nevertheless reserve the right to request such information as is necessary to verify the identity of an applicant and the source of payment.

In the event of delay or failure by the applicant to produce any documents or information required for verification of identity or legitimacy of the subscription monies, the Manager, the Trustee or the Transfer Agent may refuse to accept the application and the subscription moneys relating thereto. Further, they may delay in paying any redemption proceeds if an applicant for Units delays in producing or fails to produce any documents or information required for the purposes of verification of identity. The Manager, the Trustee or the Transfer Agent may refuse to make payment to the Unitholder if either of them suspects or is advised that (i) such payment may result in a breach or violation of any anti-money laundering law or other laws or regulations by any person in any relevant jurisdiction; or (ii) such refusal is necessary or appropriate to ensure compliance by the Fund, the Manager, the Trustee, the Transfer Agent or other service providers with any such laws or regulations in any relevant jurisdiction.

Conflicts of Interest

The Manager, the Investment Adviser (if any), the Trustee and the Custodian (if any) and their respective connected persons may from time to time act as trustee, administrator, transfer agent, manager, custodian or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients including those which have similar investment objectives to those of any Sub-Fund or contract with or enter into financial, banking or other transaction with one another or with any investor of the Sub-Funds, or any company or body any of whose shares or securities form part of any Sub-Fund or may be interested in any such contract or transaction. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Fund and the Sub-Funds. The Manager will take all reasonable steps to identify, prevent, manage and monitor any actual or potential conflicts of interest including conducting all transactions in good faith at arm's length and in the best interests of the Fund and the Sub-Funds on normal commercial terms. If such conflicts arise, each will, at all times, act in accordance with the terms of the Trust Deed and have regard in such event to its obligations to the Fund, the Sub-Funds and the Unitholders and will endeavour to ensure that such conflicts are managed and minimised so far as reasonably practicable and that measures are adopted that seek to ensure such conflicts are resolved fairly, taking into account the interests of Unitholders of the relevant Sub-Fund as a whole.

The Manager may also act as the investment manager of other funds whose investment objectives, investment approach and investment restrictions are similar to those of a Sub-Fund. The Manager or any of its connected persons may invest in, directly or indirectly, or manage or advise other investment funds or accounts which invest in assets which may also be purchased or sold by a Sub-Fund. 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. Neither the Manager nor its connected persons is under any obligation to offer investment opportunities of which any of them become aware to any Sub-Fund or to account to any Sub-Fund in respect of (or share with any Sub-Fund or to inform any Sub-Fund of) any such transactions or any benefit received by any of them from any such transaction, but will allocate such opportunities fairly between the relevant Sub-Fund and other clients. Where the Manager invests the assets of a Sub-Fund in shares or units of a collective investment scheme managed by the Manager or any of its connected persons, the manager of the scheme in which the investment is being made by such Sub-Fund must waive any preliminary or initial charge and redemption charge which it is entitled to charge for its own account in relation to such investment by the relevant Sub-Fund.

The Manager reserves the right for itself and its connected persons to co-invest on its own or for other funds and/or other clients with any Sub-Fund, although any such co-investment must be made on terms no better than those in which the relevant Sub-Fund is investing. Further, the Manager and any of its connected persons may hold and deal in Units of any Sub-Fund or in investments held by any Sub-Fund either for their own account or for the account of their clients.

Subject to the restrictions and requirements applicable from time to time, the Manager, any Investment Advisers as may be appointed by the Manager or any of their respective connected persons may deal with any Sub-Fund as principal provided that dealings are carried out in good faith and effected on best available terms negotiated on an arm's length basis and in the best interests of the Unitholders of the relevant Sub-Fund. Any transactions between a Sub-Fund and the Manager, the Investment Advisers as may be appointed by the Manager or any of their connected persons as principal may only be made with the prior written consent of the Trustee. All such transactions must be disclosed in the Sub-Fund's annual report.

In effecting the following transactions, the Manager shall ensure that the relevant requirements under the heading entitled "Transactions with Connected Persons, Cash Rebates and Soft Dollars" in the section "Fees and Expenses" are complied with:

(a) transactions for the account of any Sub- Fund with brokers or dealers connected to the Manager, the Investment Adviser of such Sub-Fund or their connected persons; and

(b) transactions by or through 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 from time to time provide to or procure for the Manager, the Investment Adviser and/or any of their connected persons goods or services for which no direct payment is made.

The services of the Trustee and its connected persons provided to the Fund and the Sub-Funds are not deemed to be exclusive and each of them shall be free to render similar services to others so long as its services hereunder are not impaired thereby and to retain for its own use and benefit all fees and other monies payable in respect of any of the arrangements described above. Each of the Trustee and its connected persons shall not be deemed to be affected with notice of or to be under any duty to disclose to the Fund, any Sub-Fund, any Unitholder or any other relevant party any fact or information which comes to its notice in the course of it rendering similar services to other parties or in the course of its business in any other capacity or in any manner whatsoever, otherwise than in the course of carrying out its duties under the Trust Deed or as required by any applicable laws and regulations for the time being in force. None of the Trustee and its connected persons shall be liable to account to the Fund or any Sub-Fund or any investor of the Fund or the Sub-Fund for any profit or benefit made or derived thereby or in connection therewith (including in situations set out above).

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

Facsimile Instructions

Investors should be reminded that if they choose to send the Application Forms, Redemption Forms or Conversion Forms by facsimile or such other means, they bear their own risk of such Application Forms, Redemption Forms or Conversion Forms not being received. Investors should note that the Fund, the Sub-Funds, the Manager, the Trustee, the Transfer Agent and their respective agents and delegates accept no responsibility for any loss caused as a result of non-receipt or illegibility of any Application Form, Redemption Form or Conversion Form sent by facsimile or other means, or for any loss caused in respect of any action taken as a consequence of such instructions believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a transmission report produced by the originator of such transmission discloses that such transmission was sent.

Investors should therefore for their own benefit confirm with the Manager, the Trustee or the Transfer Agent safe receipt of an application.

Forfeiture of Unclaimed Proceeds or Distributions

If any redemption proceed or distribution remains unclaimed six years after the relevant Redemption Day or distribution date, as the case may be, (a) the Unitholder and any person claiming through, under or in trust for the Unitholder forfeits any right to the proceed or distribution; and (b) the amount of the proceed or distribution will become part of the relevant Sub-Fund unless such Sub-Fund shall have been terminated in which case such amount shall be paid into a court of competent jurisdiction subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

Market Timing

The Manager does not authorise practices connected to market timing and it reserves the right to reject any applications for subscriptions or switching of Units from a Unitholder which it suspects to use such practices and take, as the case may be, the necessary measures to protect the Unitholders of the Sub-Funds.

Market timing is to be understood as an arbitrage method through which a Unitholder systematically subscribes, redeems or switches Units within a short time period, by taking advantage of time differences and/or imperfections or deficiencies in the method of determination of the Net Asset Value of the concerned Sub-Funds.

Certification for Compliance with FATCA or Other Applicable Laws

Each investor (i) shall be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Fund 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 US IRS Code and the United States Treasury Regulations promulgated under the US 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 US, Hong Kong (including any law, rule and requirement relating to AEOI) or any other jurisdiction, including reporting obligations that may be imposed by future legislation.

Power to Disclose Information to Authorities

Subject to applicable laws and regulations in Hong Kong, the Fund, the relevant Sub-Fund, the Trustee or the Manager or any of their authorised person(s) (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the 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 (including any law, rule and requirement relating to AEOI) or regulation or any agreement with a tax authority (including, but not limited to, any applicable law, regulation or agreement under FATCA).

Investors should refer to "***Foreign Account Tax Compliance***" in the section headed "RISK FACTORS" for disclosures regarding compliance with the regulations under the United States Foreign Account Tax Compliance Act.

Personal Data

Pursuant to the provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong, "**PDPO**"), the Trustee, the Manager, or any of their respective delegates (each a "**Data User**") may collect, hold, use personal data of individual investors in the Fund and the Sub-Funds only for the purposes for which such data was collected and shall comply with personal data protection principles and requirements as set out in the PDPO and all other applicable regulations and rules governing personal data use in Hong Kong from time to time. Accordingly, each Data User shall take all practicable steps to ensure that personal data collected, held and processed by them are protected against unauthorized or accidental access, processing, erasure or other use.

Documents Available for Inspection

Copies of the following documents are available for inspection during normal working hours at the offices of the Manager free of charge and copies thereof may be obtained from the Manager upon payment of a reasonable fee:-

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

(b) all material contracts (as specified in the relevant Appendix); and

(c) the latest annual reports and audited accounts and unaudited semi-annual accounts (if any) of the Fund and the Sub-Funds.

SCHEDULE 1 - INVESTMENT AND BORROWING RESTRICTIONS

1. Investment limitations applicable to each Sub-Fund

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 or no cash deposits may be made 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 Schedule 1 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 Schedule 1.

(b) subject to sub-paragraphs 1(a) and 4.4(c) of this Schedule 1, 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 Schedule 1, "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 Schedule 1.

(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 would be unduly burdensome and the cash deposits arrangement would not compromise investors' interests.

For the purposes of this sub-paragraph 1(c), "cash deposits" generally refer to those that are repayable on demand or have the right to be withdrawn by the 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 (subject to the foregoing, 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 Schedule 1;

(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 Schedule 1 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 Schedule 1. Notwithstanding the aforesaid, the investments by a Sub-Fund in Qualified Exchange Traded Funds shall be subject to sub-paragraph 1(e) of this Schedule 1 and the relevant investment limits in Qualified Exchange Traded Funds by 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 Schedule 1 apply and where investments are made in unlisted REITs, which are either companies or collective investment schemes, then the requirements under sub-paragraphs 1(e) and (g)(i) of this Schedule 1 apply respectively; and

(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 Schedule 1 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 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 any 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 Schedule 1, lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements as set out in sub-paragraphs 5.1 to 5.4 of this Schedule 1 are not subject to the limitations in this sub-paragraph 2(e);

(f) acquire any asset or engage in any transaction which involves the assumption of any liability by the 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 from 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 Schedule 1.

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 authorised 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 Schedule 1, 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 Schedule 1.

4. Use of financial derivative instruments

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 Schedule 1 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 Schedule 1, 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 Schedule 1.

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 Schedule 1, 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 valuation agent, the Manager or the Trustee or their nominee(s), agent(s) or delegate(s) (as the case may be) independent of the issuer of the financial derivative instruments through measures such as the establishment of a valuation committee or engagement of third party service. The financial derivative instruments can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the 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 Schedule 1, 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 counterparty's discretion, require physical delivery of the underlying assets, the Sub-Fund shall hold the underlying assets in sufficient quantity at all times to meet the delivery obligation. If the Manager considers the underlying assets to be liquid and tradable, the 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 Schedule 1 shall apply to embedded financial derivative. For the purposes of this Explanatory Memorandum, an "**embedded financial derivative**" is a financial derivative instrument that is embedded in another security.

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 Schedule 1, 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 – the collateral is of high credit quality provided that, in the event the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral, such collateral shall be replaced immediately;

(d) Haircut – the collateral is subject to a prudent haircut policy;

(e) Diversification – the collateral is appropriately diversified so as to avoid concentrated exposure to any single entity and/or entities within the same group. 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 Schedule 1;

(f) Correlation – the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty or the issuer of the financial derivative instruments, or the counterparty of securities financing transactions in such a way that would undermine the effectiveness of the collateral. For this purpose, securities issued by the counterparty or the issuer of the financial derivative instruments, or the counterparty of securities financing transactions or any of their related entities should not be used as collateral;

(g) Management of operational and legal risks – the Manager has appropriate systems, operational capabilities and legal expertise for proper collateral management;

(h) Independent custody – the collateral is held by the Trustee or by duly appointed nominee, agent or delegate;

(i) Enforceability – the collateral is readily accessible or enforceable by the Trustee without further recourse to the issuer of the financial derivative instruments, or the counterparty of the securities financing transactions;

(j) Re-investment of collateral – unless otherwise specified in the relevant Appendix and subject to prior consultation with the SFC, and in compliance with the applicable laws and regulations, 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 8.2(f) and 8.2(n) of the Code;

(iv) cash collateral received is not allowed to be further engaged in any securities financing transactions;

(v) when the cash collateral received is reinvested into other investment(s), such investment(s) is/are not allowed to be engaged in any securities financing transactions;

(k) the collateral is free of prior encumbrances; and

(l) the collateral generally does not include (i) structured products whose payouts rely on embedded financial derivatives or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitized products; or (iv) unlisted collective investment schemes.

Further details relating to the collateral policy of the Fund and/or Sub-Funds are disclosed in Schedule 3.

7. **<u>Borrowing and Leverage</u>**

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 Schedule 1 are not borrowings for the purpose of, and are not subject to the limitations in this sub-paragraph 7.1.

Leverage from the use of financial derivative instruments

7.2 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.

7.3 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.

7.4 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.

SCHEDULE 2 - SUMMARY OF POLICY OF SECURITIES FINANCING TRANSACTIONS

The summary of policy of securities financing transactions set out in this Schedule 2 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.

Sale and Repurchase Transactions

Where a Sub-Fund enters into sale and repurchase transactions it sells securities such as bonds for cash and simultaneously agrees to repurchase the securities from the counterparty at a pre-determined future date for a predetermined price. A sale and repurchase transaction is economically similar to secured borrowing, with the counterparty of the relevant Sub-Fund receiving securities as collateral for the cash that it lends to the relevant Sub-Fund.

Where a Sub-Fund enters into reverse repurchase transactions it acquires securities such as bonds by cash and simultaneously agrees to sell the securities to the counterparty at a pre-determined future date for a predetermined price. A reverse repurchase transaction is economically similar to secured lending with the relevant Sub-Fund receiving securities as collateral for the cash it lends to the counterparty.

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

Any incremental income generated 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, will be credited to the account of the relevant Sub-Fund. Such direct and indirect expenses shall include fees charged by parties such as custodian bank, international clearing organisations or agents operating or administering such transactions from time to time. Such fees and expenses 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.

Details (such as information on income, direct and indirect costs, fees, entities to which such costs and fees are paid and the relationship of the entities with the Manager, the Trustee or the relevant Sub-Fund) of the sale and repurchase transactions and/or reverse repurchase transactions will be disclosed in the Fund's annual reports and semi-annual reports.

Eligible Counterparties

Please refer to Schedule 3 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 Schedule 3 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

The Manager currently does not intend to carry out any sale and repurchase and reverse repurchase transactions in respect of the Sub-Fund with or through a connected person of the Manager or the Trustee. Where sale and repurchase and reverse repurchase transactions are carried out through a connected person in the future, such transactions shall be effected on normal commercial terms negotiated at arm's length. Relevant details including fees paid by a Sub-Fund will be disclosed in the connected party transaction section of the annual reports.

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.

SCHEDULE 3 – COLLATERAL VALUATION AND MANAGEMENT POLICY

The Manager employs a collateral management policy in relation to collateral received in respect of securities financing transactions and OTC financial derivative transactions entered into in respect of a Sub-Fund.

A Sub-Fund may receive collateral from a counterparty to a securities financing transaction or OTC derivative transaction in order to reduce its counterparty risk exposure, subject to the investment restrictions and requirements applicable to collateral under Schedule 1.

Nature and quality of the collateral

In general, the Manager approves collateral based on various criteria: the liquidity of the collateral, market risk associated with the collateral (e.g. based on the price volatility of the collateral), issuer risk, time to maturity of the collateral, etc. A Sub-Fund may receive both cash and non-cash collateral from a counterparty. Cash collateral acceptable to the Manager includes (but does not limit to) cash, cash equivalents (e.g. certificate of deposits, commercial papers, etc.) and other money market instruments. Non-cash collateral may comprise of various long/short term government bonds and corporate bonds rated BBB- or above by an internationally recognized credit rating agency or unrated bonds which are approved by the Manager, equity securities traded on a stock exchange, etc. The Manager will seek to achieve diversification of the portfolio of collateral to avoid concentrated exposure and correlation between the counterparty and the issuer of the collateral.

Criteria for selecting counterparties

The Manager has counterparty selection policies and control measures to manage the credit risks of counterparties of securities financing transactions and OTC derivative 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 counterparty of securities financing transactions must be financial institutions which are subject to ongoing prudential regulation and supervision.

The counterparties of OTC derivative 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.

Please refer to the Sub-Fund Appendix for any credit rating requirement (if any) on counterparties.

Valuation of collateral

The Manager has put in place a collateral valuation system to monitor the change in value of the security collaterals provided to the counterparty which will be marked-to-market on a daily basis by the counterparty and/or the Sub-Fund and where either of the parties disagrees with the value of the security collateral determined by the other party, the security collateral will be valued by a pre-appointed third party, such as the custodian.

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 Schedule 1.

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. For the securities acquired through a reverse repurchase transaction or by cash obtained from a sale and repurchase transaction, a Sub-Fund will not use them as collateral of another sale and repurchase transaction.

Cash obtained in sale and repurchase transactions will be closely monitored by the Manager and will be used for liquidity management, re-investment and hedging purposes. Where cash received by a Sub-Fund is used for re-investment, such cash may only be re-invested subject to the relevant requirements set out in the relevant Appendix and applicable investment restrictions in securities within the ambit of the investment objective and policies of the relevant Sub-Fund.

Subject to the applicable restrictions in respect of collateral in Schedule 1, unless otherwise specified in the relevant Appendix and subject to prior consultation with the SFC, and in compliance with the applicable laws and regulations, cash collateral received by a Sub-Fund 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 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 a securities financing transaction or an OTC derivative 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.

APPENDIX 1 – E FUND (HK) CHINA EQUITY DIVIDEND FUND

*This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the E Fund (HK) China Equity Dividend Fund ("**Sub-Fund**"), a sub-fund of the Fund.*

PRINCIPAL TERMS

DEFINITIONS

Terms used in this Appendix shall, unless otherwise defined herein or unless the context otherwise requires, have the same meaning as provided for in the Explanatory Memorandum.

"Amortisation Period"	the first 5 Accounting Periods from the date of launch of the Sub-Fund or such other period as the Manager after consultation with the Auditors shall determine
"Base Currency"	HKD
"Business Day"	a day (other than a Saturday or Sunday) 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 Trustee and Manager may determine from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks and stock exchanges in Hong Kong or Mainland China are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
"Class"	Class A (accumulation)(HKD) Units, Class A (distribution)(HKD) Units, Class I (accumulation)(HKD) Units, Class I (distribution)(HKD) Units, Class X (accumulation)(HKD) Units, Class A (accumulation)(USD) Units,

Class A (distribution)(USD) Units,

Class I (accumulation)(USD) Units,

Class I (distribution)(USD) Units,

Class X (accumulation)(USD) Units,

Class X (accumulation)(RMB) Units.

"Class Currency"	HKD for Class A (accumulation)(HKD) Units, Class A (distribution)(HKD) Units, Class I (accumulation)(HKD) Units, Class I (distribution)(HKD) Units, and Class X (accumulation)(HKD) Units. USD for Class A (accumulation)(USD) Units, Class A (distribution)(USD) Units, Class I (accumulation)(USD) Units, Class I (distribution)(USD) Units, and Class X (accumulation)(USD) Units. RMB for Class X (accumulation)(RMB) Units.
"CSRC"	China Securities Regulatory Commission
"Initial Offer Period"	such period as the Manager may determine
"Payment Period"	no more than 1 Business Day after the relevant Subscription Day on which the relevant Units are issued
"PBOC"	People's Bank of China
"Mainland Chinese Securities"	China A-Shares, Renminbi denominated corporate and government bonds, securities investment fund and warrants listed on any stock exchanges in Mainland China
"Redemption Day"	each Business Day or such other day or days as the Manager and the Trustee may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for

	redemption of Units in the Sub-Fund or the relevant Class or Classes in the Sub-Fund
“Redemption Deadline”	4:00 p.m. (Hong Kong time) on the relevant Redemption Day by which a redemption request in respect of the Sub-Fund or a Class of Units must be received or such other time or on such other Business Day or day as the Manager and the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of the Sub-Fund or the relevant Class may from time to time be sold
“**QFI**”	a qualified foreign investor approved pursuant to the relevant Mainland Chinese regulations (as amended from time to time), including both qualified foreign institutional investor (QFII) (i.e. QFI to make investment in Mainland China market by remitting foreign currencies) and RMB qualified foreign institutional investors (RQFII) (i.e. QFI to make investment in Mainland China market by remitting offshore RMB), as the case may be, or as the context may require, the QFI regime
“**QFI Custodian**”	China Construction Bank Corporation
“**QFI Holder**”	E Fund Management (Hong Kong) Co., Limited
“**SAFE**”	the State Administration of Foreign Exchange
“Sub-Fund”	E Fund (HK) China Equity Dividend Fund
“Subscription Day”	each Business Day or such other day or days as the Manager and the Trustee may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for subscription of Units in the Sub-Fund or the relevant Class or Classes in the Sub-Fund
“Subscription Deadline”	4:00 p.m. (Hong Kong time) on the relevant Subscription Day by which an application for subscription in respect of the Sub-Fund or a Class of Units must be received or such other time or on such other Business Day or day as the Manager and the Trustee may from time to time determine

generally or in relation to any particular jurisdiction in which Units of the Sub-Fund or the relevant Class may from time to time be sold

"Valuation Day" each Business Day on which the Net Asset Value of the Sub-Fund and/or the Net Asset Value of a Unit or a Class of Unit of the Sub-Fund falls to be calculated and in relation to each Subscription Day or Redemption Day (as the case may be) of any Class or Classes of Units means either such Subscription Day or Redemption Day (as the case may be) or such other Business Day or day as the Manager and the Trustee may from time to time determine, either generally or in relation to a particular Class of Units

INVESTMENT CONSIDERATIONS

Investment Objective E Fund (HK) China Equity Dividend Fund seeks to achieve long-term capital appreciation primarily through equity-based investments in equity and equity-related securities of companies which are incorporated in, have their area of primary activity in or are related to the growth of Mainland China's economy and are expected to achieve high dividend returns.

Investment Policies The Sub-Fund seeks to invest at least 70% of its net assets in equity or equity-related securities of companies whose activities are closely related to the economic development and growth of Mainland China. These companies may be listed in developed or emerging markets (including stock exchanges of Mainland China, Hong Kong, Singapore, Taiwan and U.S.). Equity and equity-related securities include but are not limited to common stocks, preference shares, American Depository Receipts and Global Depository Receipts. The Sub-Fund may invest in equity or equity-related securities of companies of any capital size which satisfies the requirements set out in this paragraph.

For equity investments, the Sub-Fund does not focus on any particular market sector or industry and may invest in shares issued by companies of any level of capitalisation.

The Sub-Fund may invest less than 20% of its Net Asset Value in the onshore market of Mainland China which may be gained directly through the QFI status of the Manager and/or Stock Connect (or similar mutual market access programme to China A-Shares). Exposure to the onshore market of Mainland China through the QFI status of the Manager will be less than 20% of the Sub-Fund's Net Asset Value. For the avoidance of doubt, the Sub-Fund's exposure to the onshore market of Mainland China will be limited to investment in China A-Shares only.

Up to 30% of the Sub-Fund's net assets in aggregate may be invested in (i) other equity and equity-related securities issued by companies whose activities are not closely related to the economic development and growth of Mainland China; (ii) other investments, including but not limited to money market instruments, cash and cash based instruments (e.g. bank certificates of deposit, bank deposits and negotiated term deposits with banks) or exchange-traded funds; (iii) other collective investment schemes; (iv) convertible bonds (which may be RMB denominated) (the Sub-Fund may hold listed equities from the conversion of the convertible bonds but will not hold equities that are unlisted) and/or (v) derivatives such as options, warrants and futures for investment purposes (please refer to the sub-section headed ***"Investment and Borrowing Restrictions"*** in the section headed ***"Investment Considerations"*** in the main part and Schedule 1 of the Explanatory Memorandum for further details).

The Sub-Fund may also invest in derivatives such as options, warrants and futures for hedging purposes.

The Sub-Fund will not invest in: (i) urban investment bonds (城投債); (ii) debt instruments that are rated BB+ or below by one of the credit rating agencies in Mainland China or an internationally recognized credit agency or unrated; and (iii) securities issued and/or guaranteed by a single sovereign issuer which is rated BB+ or below (as rated by an internationally recognized credit rating agency) or unrated.

The following is an indicative asset allocation of the Sub-Fund. Investors should note that the Manager may at any time adjust the allocation having regard to prevailing market conditions in future.

Type of instruments	**Percentage limits (of the Sub-Fund's Net Asset Value)**
Equity or equity-related securities of companies whose activities are closely related to the economic development and growth of Mainland	**70 – 100%**

China (i) Equities listed on stock exchanges including Hong Kong, Singapore, Taiwan and U.S. (ii) China A-Shares (listed on stock exchanges of Mainland China)	0 – 100% 0 – < 20% (less than 20% through the QFI status of the Manager)
(i) Other equity and equity-related securities issued by companies whose activities are not closely related to the economic development and growth of Mainland China; **(ii) other investments, including but not limited to money market instruments, cash and cash based instruments (e.g. bank certificates of deposit, bank deposits and negotiated term deposits with banks) or exchange-traded funds;** **(iii) other collective investment schemes;** **(iv) convertible bonds (which may be RMB denominated) (the Sub-Fund may hold listed equities from the conversion of the convertible bonds but will not hold equities that are unlisted); and/or** **(v) derivatives such as options, warrants and futures for investment purposes.**	**0 – 30%**

It is not the Manager's current intention to invest in asset-backed securities (including asset-backed commercial papers) or mortgage-backed securities for the account of the Sub-Fund. If there is a change in such intention, the prior approval of the SFC will be sought and at least one month's prior written notice will be given to the relevant Unitholders of the Sub-Fund.

Investment and Borrowing Restrictions	The Sub-Fund is subject to the investment and borrowing restrictions as set out in the Explanatory Memorandum under the heading "***Investment and Borrowing Restrictions***" and Schedule 1.
Use of Derivatives	The Sub-Fund may acquire financial derivative instruments for hedging and investment purposes. The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's latest available Net Asset Value.
Securities Financing Transactions	The Manager currently does not intend to enter into any securities financing 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.

SPECIFIC RISK FACTORS

In addition to the relevant risks mentioned in the "*Risk Factors*" section in the Explanatory Memorandum, investors should also take note of the following risks associated with investment in the Sub-Fund.

Investment risk	The Sub-Fund mainly invests in equity or equity-related securities related to the Mainland China market 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 debt securities. There is also no guarantee of dividend or distribution payments during the period an investor holds Units in the Sub-Fund.
Mainland China market / Single market investment	Insofar as the Sub-Fund invests substantially in securities related to Mainland China market, it will be subject to risks inherent in the Mainland China market and additional concentration risks. Please refer to the risk factors headed "***Mainland China market risk***" and "***Concentration risk***" in the main part of the Explanatory Memorandum.
Equity securities risks	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 goes down, its Net Asset Value may be adversely affected, and investors may suffer substantial losses. Please refer to the risk factor headed "***Volatility risk***" in the main part of the Explanatory Memorandum.

Risks associated with small-capitalisation / mid-capitalisation companies

The stock of small-capitalisation / mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalization companies in general.

Risk relating to depositary receipts

The Sub-Fund may invest in depositary receipts such as American Depositary Receipts (ADR) and such exposure may generate additional risks compared to a direct exposure to the corresponding underlying stocks. Depositary receipts are instruments that represent shares in companies trading outside the markets in which the depositary receipts are traded. Accordingly there is a risk that the underlying shares may be subject to political, inflationary, exchange rate or custody risks. In particular, as the consequence of the intervention of the depositary bank issuing the depositary receipt and the risk of non-segregation under applicable law of the depositary bank who hold the underlying stock as collateral and its own assets. Although segregation is an integral part of the depositary agreement regulating the issuance of the depositary receipts, there could be a risk that underlying shares would not be attributed to holders of depositary receipts in case of bankruptcy of the depositary bank. In such case, the likeliest scenario would be the trading suspension and thereafter a freeze of the price of the depositary receipts impacted by such bankruptcy event. Bankruptcy events in respect of the depositary banks issuing the depositary receipts may negatively affect the performance and/or the liquidity of the Sub-Fund. There are fees related to depositary receipts, for example fees charged by banks for the custody of depositary receipts, which may impact the performance of the depositary receipts. Also, holders of depositary receipts are not direct shareholders of the underlying company and generally do not have voting and other shareholder rights as shareholders do. The Sub-Fund may also be subject to liquidity risk as depositary receipts are often less liquid than the corresponding underlying stocks.

Risk relating to preference shares

An investment in preference shares involves additional risks that are not typically associated with an investment in common stocks. Generally, holders of preference shares have no voting rights with respect to the issuer unless preferred dividends have been in arrears for a specified number of periods, at which time the preference share holders may have the right to elect a number of directors to the issuer's board. Generally, once the issuer pays all the arrearages, the preference share holders no longer have voting rights. In certain circumstances, an issuer of preference shares may redeem the shares prior to a specified date. A special redemption by the issuer may negatively impact the return of the shares held by the Sub-Fund. Preference shares may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer.

Preference shares are subordinated to bonds and other debt instruments in a company's capital structure in terms of priority to corporate income and liquidation payments and therefore will be subject to greater credit risk than those debt instruments. Preference shares may be substantially less liquid than many other securities, including common stocks. The value and performance of the Sub-Fund may be adversely affected as a result.

Dividend risk

There is no assurance that dividends will be declared and paid in respect of the securities held by the Sub-Fund. The rate of dividend in respect of such securities will depend on the performance of the relevant companies as well as other factors beyond the control of the Manager, including but not limited to the dividend policy of the relevant companies.

In addition, whether or not distributions will be made by the Sub-Fund is at the discretion of the Manager taking into account various factors. There can be no assurance that the distribution yield of the Sub-Fund is the same as that of the underlying securities.

Foreign exchange control risk

The Renminbi is not currently a freely convertible currency and is subject to exchange control imposed by the Mainland Chinese government. Such control of currency conversion and movements in the Renminbi exchange rates may adversely affect the operations and financial results of companies in Mainland China. Insofar as a Sub-Fund's assets are invested in Mainland China, it will be subject to the risk of the Mainland Chinese government's imposition of restrictions on the repatriation of funds or other assets out of Mainland China, limiting the ability of the relevant Sub-Fund to satisfy payments to investors. Under exceptional circumstances, payment of redemptions and/or dividend payment in Renminbi may be delayed due to exchange controls and restrictions applicable to Renminbi.

Renminbi exchange risk

Starting from 2005, the exchange rate of the Renminbi is no longer pegged to the US dollar. The Renminbi 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 Renminbi 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 Renminbi against other currencies, including US dollars and Hong Kong dollars, are susceptible to movements based on external factors. It should be noted that the Renminbi is currently not a freely convertible currency as it is subject to foreign exchange control policies of the Mainland Chinese government. The possibility that the appreciation of Renminbi will be accelerated cannot be excluded. On the other hand, there can be no assurance that the Renminbi will not be subject to devaluation. Any devaluation of the Renminbi could adversely affect the value of investors' investments in the relevant Sub-Fund. Given the base currency of the Sub-Fund is in HKD, investors may be adversely affected by changes in the exchange rates of the Renminbi. Further, the Mainland Chinese government's imposition of restrictions on the repatriation of Renminbi out of Mainland China may limit the depth of the Renminbi market in Hong Kong and reduce the liquidity of the relevant Sub-Fund. The Mainland Chinese government's policies on exchange control and repatriation restrictions are subject to change, and the Sub-Fund's or the investors' position may be adversely affected. Although offshore Renminbi (CNH) and onshore Renminbi (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

Convertible bonds

The Sub-Fund may invest in convertible bonds. Convertibles are a hybrid between debt and equity, permitting holders to convert into shares or stocks in the company issuing the bond at a specified future date. Prior to conversion, convertible bonds have the same general characteristics as non-convertible debt securities and the market value of convertible bonds tends to decline as interest rates increase and increase as interest rates decline. However, while convertible bonds generally offer lower interest or dividend yields than non-convertible debt securities of similar quality, the price of a convertible bond will normally vary with changes in the price of the underlying stock. Therefore, investors should be prepared for greater volatility than straight bond investments, with an increased risk of capital loss.

The values of convertible bonds may also be affected by changes in the credit rating, liquidity or financial condition of the issuer. The Sub-Fund may also be exposed to the credit and insolvency risks of the issuers of the bonds. Further, convertible bonds may have call provisions and other features which may give rise to the risk of a call and that the value and performance of the Sub-Fund may also be adversely affected as a result.

Investors should also note the interest rate risk associated with investments in debt instruments. Please refer to the risk factor headed "***Interest rates risk***" under the section headed "***Risk Factors***" in the main part of the Explanatory Memorandum for details.

Renminbi currency risk

RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of and repatriation restrictions imposed by the Mainland Chinese government. If such policies change in future, the Sub-Fund's or the investors' position may be adversely affected.

QFI risk

The Sub-Fund is not a QFI but may obtain access to equity securities or other permissible investments directly using QFI status of a QFI. The Sub-Fund may invest directly in QFI eligible securities investment via the QFI status of the Manager.

Investors should note that QFI 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, and the Sub-Fund may suffer substantial losses. In addition, certain restrictions imposed by the Mainland Chinese government on QFIs may have an adverse effect on the Sub-Fund's liquidity and performance.

Repatriations by QFI in respect of the Sub-Fund are currently not subject to repatriation restrictions or prior approval, although a review on authenticity and compliance will be conducted on each remittance and repatriation by the QFI Custodian. There is no assurance, however, that Mainland Chinese 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 QFI Custodian's review on authenticity and compliance is conducted on each repatriation, the repatriation may be delayed or even rejected by the QFI Custodian in case of non-compliance with the QFI rules and regulations. In such case, it is expected that redemption proceeds will be paid to the redeeming Unitholder as soon as practicable and after the completion of the repatriation of funds concerned.

It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the Manager's control. Please refer to the section headed "***Qualified Foreign Investors***" under "**INVESTMENT CONSIDERATIONS**" in the main part of this Explanatory Memorandum for further details on the QFI rules.

The rules and restrictions under QFI regulations generally apply to the QFI as a whole and not simply to the investments made by the Sub-Fund.Under the QFI rules, the CSRC, PBOC and SAFE are vested with the power to impose regulatory sanctions if the QFI or the QFI Custodian violates any provision of the QFI rules. In addition to the regulatory sanctions imposed by CSRC, PBOC and SAFE, SSE, SZSE and other PRC self-disciplinary authorities may also have the right to adopt self-disciplinary measures and disciplinary punishments in accordance with its detailed rules. Any violations could result in the revocation of the QFI's status or other regulatory sanctions or disciplinary punishments etc. and may adversely impact on the investment by the Sub-Fund.

Investors should note that there can be no assurance that a QFI will continue to maintain its QFI status to meet all applications for subscription to the Sub-Fund, or that redemption requests can be processed in a timely manner due to repatriation regulations or adverse changes in relevant laws or regulations. The aforementioned circumstances 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 due to the revocation of the QFI's status, limited investment capabilities, or may not be able to fully implement or pursue its investment objective or strategy, due to QFI investment restrictions, illiquidity of the Mainland Chinese domestic securities market, and/or delay or disruption in execution of trades or in settlement of trades.

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

Application of QFI rules

The QFI rules described under "***QFI risk***" above enable Renminbi and/or foreign currencies to be remitted into and repatriated out of Mainland China. Their application may depend on the interpretation given by the relevant Mainland Chinese authorities. Any changes to the relevant rules may have an adverse impact on investors' investment in the Sub-Fund. In the worst scenario, the Manager may determine that the Sub-Fund shall be terminated if it is not legal or viable to operate the Sub-Fund because of changes to the application of the relevant rules.

Cash deposited with the QFI Custodian

Investors should note that cash deposited in the cash account of the Sub-Fund with the QFI Custodian will not be segregated but will be a debt owing from the QFI 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 QFI Custodian. In the event of bankruptcy or liquidation of the QFI 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 QFI 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 may suffer substantial losses as a result.

Mainland Chinese brokerage risk

The execution and settlement of transactions or the transfer of any funds or securities may be conducted by brokers ("Mainland Chinese Brokers") appointed by the QFI. There is a risk that the Sub-Fund may suffer losses from the default, bankruptcy or disqualification of the Mainland Chinese Brokers. In such event, the Sub-Fund may be adversely affected in the execution or settlement of any transaction or in the transfer of any funds or securities.

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

Risk of investing in other funds

The Sub-Fund may invest in underlying funds which may not be regulated by the SFC. In addition to the expenses and charges charged by the Sub-Fund, investors should note that there are additional fees involved when investing into these underlying funds, including fees and expenses charged by investment managers 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 and the selection and monitoring of the underlying funds. These factors may have adverse impact on the relevant Sub-Fund and its investors. If a Sub-Fund invests in an underlying fund managed by the Manager or connected person of the Manager, potential conflict of interest may arise. Please refer to the section headed "***Conflicts of Interest***" for details under the circumstances.

Risks relating to China A-Shares market

The existence of a liquid trading market for China A-Shares may depend on whether there is supply of, and demand for, such China A-Shares. The price at which securities may be purchased or sold by the Sub-Fund and the Net Asset Value of the Sub-Fund may be adversely affected if trading markets for China A-Shares are limited or absent. The China A-Share market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention). Market volatility and settlement difficulties in the China A-Share markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may affect the 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 China A-Shares, where trading in any China A-Share security on the relevant stock exchange may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. A suspension will render it impossible for the Manager to liquidate positions and can thereby expose the Sub-Fund to significant losses. Further, when the suspension is subsequently lifted, it may not be possible for the Manager to liquidate positions at a favourable price.

Risks associated with Stock Connect

Insofar as the Sub-Fund invests through Stock Connect, investors should refer to the associated risks set out in the risk factors "***Risks associated with Stock Connect***" and "***Risks associated with the ChiNext market and/or STAR market***" under the section headed "***Risk Factors***" in the main part of the Explanatory Memorandum.

Derivative risk

The use of financial derivative instruments may expose the Sub-Fund to additional risks including volatility risk, credit risk, liquidity risk, management risk, valuation risk and counterparty risk. The Sub-Fund may invest in derivatives and its use of financial derivative instruments in hedging and/or for investment purposes may become ineffective and/or cause the Sub-Fund to suffer significant loss. Please refer to the risk factor headed "***Derivative and structured product risk***" in the main part of the Explanatory Memorandum.

Options and warrants risk

The Sub-Fund may invest in options and warrants for hedging and investment purposes. Such trading involves risks substantially similar to those involved in trading margined securities in that options and warrants are speculative and highly leveraged, in that a movement in the price of the underlying securities may result in a profit or loss which is higher in proportion to the amount invested in the options and/or warrants. Specific market movements of the securities underlying an option and/or warrant cannot accurately be predicted. The purchaser of an option and/or warrant is subject to the risk of losing the entire purchase price of the option and/or warrant.

Writing of call options risk

The Sub-Fund may sell ("write") options. The risk involved in writing a call option is that the option could be exercised when there has been an increase in the market value of the underlying security upon which the underlying security would then be sold by the Sub-Fund at a lower price than its current market value. Writing call options is a highly specialized activity and although it may increase total return it may also entail significantly greater than ordinary investment risk and as a result the Sub-Fund may suffer significant loss.

Futures risk

The Sub-Fund may enter into futures contracts for hedging and on an unhedged basis. The low margins normally required in entering into futures contracts permit a very high degree of leverage. As a result, a relatively small movement in the price of a futures contract may result in a profit or loss which is high in proportion to the amount of funds actually placed as margin and may result in unquantifiable further loss exceeding any margin deposited.

Futures prices in many contracts on futures exchanges is subject to daily price fluctuation restrictions, commonly referred to as "daily limits", which prohibit the execution of futures trades on any given day outside a prescribed price range based on the previous day's closing prices. Daily limits do not limit ultimate losses but may make it costly or impossible for the Manager to liquidate a futures position against which the market is moving. A series of "limit moves", in which the market price moves the "daily limit" with little or no trading taking place, could subject the Sub-Fund to major losses.

Other risks	Investors should note the relevant Mainland Chinese tax considerations that apply to the Sub-Fund. Investors should refer to the risk factor headed "***Mainland Chinese taxation***" in the section headed "***Taxation***" in the Appendix. In particular, the Mainland Chinese government's macro-economic policies and controls (including its monetary and fiscal policies) will have significant influence over the capital markets in Mainland China. Changes in fiscal policies may have an adverse impact on the pricing of equity securities held by the Sub-Fund. The return of the Sub-Fund will be adversely affected as a result.

INVESTING IN THE FUND AND REDEMPTION OF UNITS

Classes of Units

Class	**Class A (accumulation)(HKD) & Class A (distribution)(HKD)**	**Class A (accumulation)(USD) & Class A (distribution)(USD)**	**Class I (accumulation)(HKD) & Class I (distribution)(HKD) & Class X (accumulation)(HKD)**	**Class I (accumulation)(USD) & Class I (distribution)(USD) & Class X (accumulation)(USD)**	**Class X (accumulation)(RMB)**
Initial Offer Price (exclusive of preliminary charge)	HKD100	USD10	HKD100	USD10	RMB100
Minimum Initial Subscription Amount	HKD10,000	USD1,000	HKD1,000,000	USD100,000	RMB1,000,000
Minimum Subsequent Subscription Amount	Units with aggregate minimum value of HKD10,000	Units with aggregate minimum value of USD1,000	Units with aggregate minimum value of HKD1,000,000	Units with aggregate minimum value of USD100,000	Units with aggregate minimum value of RMB1,000,000

Minimum Redemption Amount	HKD10,000	USD1,000	HKD1,000,000	USD100,000	RMB1,000,000
Minimum Holding Amount	Units with aggregate minimum value of HKD10,000	Units with aggregate minimum value of USD1,000	Units with aggregate minimum value of HKD1,000,000	Units with aggregate minimum value of USD100,000	Units with aggregate minimum value of RMB1,000,000

The Manager will make an application with the CSRC for offering the Sub-Fund to investors in Mainland China under the Mainland-Hong Kong Mutual Recognition of Funds regime. The Manager may issue Class M (Acc) USD and Class M (Acc) RMBUnits for the Sub-Fund in due course subject to applicable laws and regulations. Class M (Acc) USD and Class M (Acc) RMBUnits will be available to investors in Mainland China only and will not be offered in Hong Kong. In respect of details in relation to Class M (Acc) USD and Class M (Acc) RMB Units, please refer to the Sub-Fund's offering documents applicable to investors in Mainland China.

CONVERSION

Units of the Sub-Fund may not be converted into units of any other sub-funds of the Fund (if any) and units relating to other sub-funds of the Fund (if any) will not be able to be converted into Units of the Sub-Fund. Units of a particular Class may not be converted to Units of other Classes.

DISTRIBUTION POLICY

The Manager retains the discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends.

Class A (accumulation)(HKD) Units, Class A (accumulation)(USD) Units, Class I (accumulation)(HKD) Units, Class I (accumulation)(USD) Units, Class X (accumulation)(HKD) Units, Class X (accumulation)(USD) Units and Class X (accumulation)(RMB) Units are Accumulation Classes. There is no dividend distribution for Accumulation Classes of Units.

Class A (distribution)(HKD) Units, Class A (distribution)(USD) Units, Class I (distribution)(HKD) Units, and Class I (distribution)(USD) Units are Distribution Classes. For Distribution Classes of Units, dividends, if declared, will only be paid to holders subject to the Manager' discretion on a monthly basis. There is no guarantee of regular distribution and if distribution is made the amount being distributed. Investors should note that dividends, if any, may be paid from income and/or out of capital of the Sub-

Fund. If there is a change of the distribution policy 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.

Please refer to the section headed "***Distribution Policy***" and the risk factor headed "***Distributions risk***" in the main part of the Explanatory Memorandum for further details.

FEES AND EXPENSES

Fees payable by investors:

Class	**Class A (accumulation)(HKD), Class A (accumulation)(USD), Class A (distribution)(HKD), & Class A (distribution)(USD)**		**Class I (accumulation)(HKD), Class I (accumulation)(USD), Class I (distribution)(HKD), & Class I (distribution)(USD)**		**Class X (accumulation)(HKD), Class X (accumulation)(USD), & Class X (accumulation)(RMB)**	
	Current	**Maximum**	**Current**	**Maximum**	**Current**	**Maximum**
Subscription Charge (% of Issue Price)	Up to 3%	3%	Up to 3%	3%	Up to 3%	3%
Redemption Charge (% of Redemption Price)	Nil	3%	Nil	3%	Nil	3%
	The Redemption Charge (if any) will be retained by the Manager.					
Switching Fee	Not applicable	3%	Not applicable	3%	Not applicable	3%

Fees and expenses payable from assets of the Sub-Fund:

Class	**Class A (accumulation)(HKD), Class A (accumulation)(USD),**	**Class I (accumulation)(HKD), Class I (accumulation)(USD),**	**Class X (accumulation)(HKD), Class X (accumulation)(USD),**

	Class A (distribution)(HKD), & Class A (distribution)(USD)		Class I (distribution)(HKD), & Class I (distribution)(USD)		& Class X (accumulation)(RMB)	
	Maximum	**Current**	**Maximum**	**Current**	**Maximum**	**Current**
Management Fee (% Net Asset Value of the relevant class per annum)	3%	1.8%	3%	1.5%	3%	Nil
Trustee Fee (% Net Asset Value of the Sub-Fund per annum)	Up to 1.0%, current rate being 0.11% (inclusive of fees payable to the Transfer Agent and Registrar).					
Custody Fee	Up to 0.08% (as a percentage of the month-end market value (if unavailable, its nominal value) of the Sub-Fund's investments in custody) (inclusive of fees payable to the Custodian and the QFI Custodian) Subject to a minimum monthly fee (Trustee fee and Custody fee collectively) of HKD40,000.					
Performance Fee	Not applicable					
General Expenses	Please refer to the section headed "***General Expenses***" for further details.					

TAXATION

Mainland Chinese Taxation

The following summary of Mainland Chinese taxation is of a general nature, for information purposes only, and is not intended to be an exhaustive list of all of the tax considerations that may be relevant to a decision to purchase, own, redeem or otherwise dispose of Units. This summary does not constitute legal or tax advice and does not purport to deal with the tax consequences applicable to all categories of investors. Prospective investors should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, redeeming or disposing of Units both under the laws and practice of Mainland China and the laws and practice of their respective jurisdictions. The information below is based on the law and practice in force in Mainland China at the date of this Appendix. The relevant laws, rules and practice relating to tax are subject to change and amendment (and such changes may be made on a retrospective basis). As such, there can be no guarantee that the summary provided below will continue to be applicable after the date of this Appendix. Furthermore, tax laws can be subject to different interpretations and no assurance can be given that relevant tax authorities will not take a contrary position to the tax treatments described below.

By investing in securities (including China A-Shares) issued by Mainland Chinese tax resident enterprises, irrespective of whether such securities are issued or distributed onshore ("onshore Mainland Chinese securities") or offshore ("offshore Mainland Chinese securities", and together with onshore Mainland Chinese securities, the "Onshore and Offshore Mainland Chinese Securities"), the Sub-Fund may be subject to Mainland Chinese taxes.

Corporate Income Tax ("CIT")

If the Fund or the Sub-Fund is considered as a tax resident enterprise of Mainland China, it will be subject to Mainland Chinese CIT at 25% on its worldwide taxable income. If the Fund or the Sub-Fund is considered as a non-tax resident enterprise with an establishment or place of business ("PE") in the Mainland China, the profits attributable to that PE would be subject to CIT at 25%.

The Manager and the Trustee intend to manage and operate the Fund and the Sub-Fund in such a manner that the Fund and the Sub-Fund should 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.

Unless a specific exemption or reduction is available under current Mainland Chinese tax laws and regulations or relevant tax treaties, non-tax resident enterprises without PE in Mainland China are subject to CIT on a withholding basis ("WIT"), generally at a rate of 10%, to the extent it directly derives Mainland Chinese sourced passive income. Mainland Chinese sourced passive income (such as dividend income or interest income) may arise from investments in the Onshore and Offshore Mainland Chinese Securities. The entity distributing such Mainland Chinese sourced passive income is required to withhold WIT. Accordingly, the Fund or the Sub-Fund may be subject to WIT and/or other Mainland

Chinese taxes on any cash dividends, distributions and interests it receives from its investment in Onshore and Offshore Mainland Chinese Securities.

Dividends

Under current regulations in Mainland China, foreign investors (such as the Fund and the Sub-Fund) may invest in onshore Mainland Chinese securities, generally, only through a QFI (in this section and for the Sub-Fund referred to as the "relevant QFI"). Since only the relevant QFI's interests in onshore Mainland Chinese securities are recognised under Mainland Chinese laws, any tax liability would, if it arises, be payable by the relevant QFI. However under the terms of the arrangement between the relevant QFI and the Fund, the relevant QFI will pass on any tax liability to the Fund for the account of the Sub-Fund. As such, the Fund is the ultimate party which bears the risks relating to any Mainland Chinese taxes which are so levied by the relevant Mainland Chinese tax authority. Under current Mainland Chinese tax laws and regulations, a relevant QFI is subject to a WIT of 10% on cash dividends, distributions and interest from the Mainland Chinese securities unless exempt or reduced under current Mainland Chinese tax laws and regulations or relevant tax treaties.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the "Arrangement"), the tax charged on dividends received by the non-resident holders of shares issued by Mainland Chinese 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, subject to the approval of the Mainland Chinese tax authorities. Due to the Sub-Fund's investment restriction, the Sub-Fund will not hold more than 10% of any ordinary shares issued by any single issuer. In this connection, dividends derived from A-Shares invested through QFI will not be able to benefit from the reduced tax rate of 5% and the general tax rate of 10% will be applicable to the Sub-Fund.

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 Ministry of Finance of the People's Republic of China ("the MoF"), the

State Taxation Administration of the People's Republic of China ("STA") and the China Securities Regulatory Commission ("CSRC") on 14 November 2014 and 5 November 2016 respectively, dividends received by Hong Kong and overseas investors (including the Sub-Fund) from China A-Share investment via Stock Connect will be subject to 10% WIT and the company distributing the dividend has the withholding obligation. If the recipient of the dividend is entitled to a lower treaty rate, it can apply to the tax bureau in-charge of the payer for a refund.

Interests

Under Mainland Chinese CIT Law, interests derived from government bonds issued by the in-charge Finance 103 Bureau of the State Council shall be exempt from Mainland Chinese income tax under the CIT Law.

Unless a specific exemption / reduction is applicable, for recipients that are non-tax residents without a PE in Mainland China under the CIT Law, a WIT is levied on the payment of interests on debt instruments issued by Mainland Chinese tax residents, including bonds issued by enterprises established within Mainland China. The general WIT rate applicable is 10%.

Under the Arrangement, the tax charged on interests received by the non-resident holders of debt instruments (including enterprises and individuals) will be 7% of the gross amount of the interests, if Hong Kong tax residents are the beneficial owners under the Arrangement, subject to the approval of Mainland Chinese tax authorities.

As the Sub-Fund seeks to achieve its investment objective by investing through the Manager's (which is a Hong Kong tax resident) QFI status, the interest derived from such investment may be subject to the reduced tax rate of 7% under the Arrangement. In order to qualify for this preferential rate, approval of the Mainland Chinese tax authority is required. The Manager will further assess and seek to apply for approval from the Mainland Chinese tax authorities in relation to the Sub-Fund, although this cannot be guaranteed. If the required approval is not obtained, the general rate of 10% will be applicable to the Sub-Fund on interests.

Stock Connect

Pursuant to Notice No. 81 and Notice No. 127, Mainland Chinese corporate income tax will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including the Sub-Fund) on the trading of China A-Shares shares through the Stock Connect. Based on Notice No. 81 and Notice No. 127 and having taken and considered independent professional tax advice, no provision for gross realised or unrealised capital gains derived from trading of China A-Shares via Stock Connect is made by the Manager on behalf of the Sub-Fund.

QFIs

The "Notice on the temporary exemption of Corporate Income Tax on capital gains derived from the transfer of Mainland Chinese equity investment assets such as Mainland Chinese domestic stocks by QFII and RQFII" (Caishui [2014] No.79) promulgated by the MOF, the SAT and the CSRC on 14 November 2014 (the "Notice No. 79") states that (i) Mainland Chinese corporate income tax will be imposed on capital gains obtained by QFIs from the transfer of Mainland Chinese equity investment assets (including Mainland Chinese domestic stocks) realised prior to 17 November 2014 in accordance with laws; and (ii) QFIs (without an establishment or place of business in Mainland China or having an establishment in Mainland China but the income so derived in China is not effectively connected with such establishment) will be temporarily exempt from corporate income tax on gains derived from the transfer of Mainland Chinese equity investment assets (including China A-Shares) effective from 17 November 2014.

Pursuant to the Notice No. 79, the Manager, having taken and considered independent professional tax advice, does not make WIT provision for gross realised or unrealised capital gains derived from trading of China A-Shares via QFI from 17 November 2014 onwards.

As for the gross realised capital gains derived from trading of China A-Shares via QFI before 17 November 2014, certain tax relief is applicable to Hong Kong tax residents under the Arrangement . One type of such relief under the Arrangement is that capital gains derived by a Hong Kong tax resident from transfer of shares of a Mainland Chinese tax resident company would be taxed in Mainland China only if:

• 50% or more of the Mainland Chinese tax resident company's assets are comprised, directly or indirectly, of immovable property situated in Mainland China (an "immovable properties-rich company"); or 104

• the Hong Kong tax resident holds at least 25% of the shares of the Mainland Chinese tax resident company at any time within the 12 months before the alienation.

Pursuant to the relevant Mainland Chinese tax regulations, to enjoy relief under the Arrangement, a Hong Kong tax resident should submit to the relevant Mainland Chinese tax authority a Hong Kong Tax Resident Certificate (a "HKTRC") issued by the Inland Revenue Department of Hong Kong (the "IRD").

The Manager has applied to the IRD on behalf of the Sub-Fund for the HKTRCs and has obtained HKTRCs for the Sub-Fund for each calendar year since the Sub-Fund's inception date to the calendar year ended 31 December 2014. The HKTRCs have been submitted to Shanghai tax authority for the purpose of applying tax relief on gross realised capital gains derived from trading of China A-shares which are non-immovable properties-rich companies under the Arrangement.

At the request of the Shanghai tax authority, the Manager, as RQFII at the relevant time, submitted the requested information and documents on behalf of the Sub-Fund to Mainland Chinese tax authorities in October 2015 to report the WIT payable on gross realised capital gains derived from trading of immovable properties-rich China A-shares and apply for WIT exemption on gross realised capital gains derived from trading of China A-shares which are non-immovable properties-rich companies under the Arrangement. The documents submitted include the HKTRCs for the Sub-Fund as described above, as part of the application for the Shanghai tax authority's approval for the eligibility of the Sub-Fund to benefit from the Arrangement.

The Shanghai tax authority completed the review on the Sub-Fund's aforesaid tax reporting and tax treaty applications and issued a document on its official web-site notifying the Sub-Fund of the tax treaty application result. According to the document, Shanghai tax authority indicates that it agrees with the Sub-Fund's tax treaty application submitted. As such, gross realised capital gains derived by the Sub-Fund from transfer of China A-Shares prior to 17 November 2014 are exempted from WIT, except for China A-Shares issued by immovable properties-rich companies, under the

Arrangement. Subsequently the Sub-Fund paid WIT on gross realised capital gains arising from the Sub-Fund's disposal of China A-Shares issued by immovable properties-rich companies for the period from the inception of the Sub-Fund up to and including 14 November 2014. Having taken and considered independent professional tax advice, as at the date of this Explanatory Memorandum, no further tax provision is made on capital gains arising from the Sub-Fund's disposal of China A-Shares during such period.

Unitholders should note that the aforesaid tax filing and tax treaty application are made in accordance with the prevailing tax rules and practices of the Shanghai tax authority at the time of submission. The Net Asset Value of the Sub-Fund may require further adjustment to take into account any retrospective application of new tax regulations and development, including change in interpretation of the relevant regulations by Mainland Chinese tax authority.

There is a possibility of Mainland Chinese tax rules, regulations and practice being changed and taxes being applied retrospectively. There are also risks and uncertainties associated with the current Mainland Chinese tax laws, regulations and practice. As such, any WIT provision on capital gains made by the Manager in respect of the Sub-Fund may be more or less than the Sub-Fund's actual tax liabilities. If no provision is made by the Manager in relation to all or part of the actual tax levied by the STA in future, investors should note that the Net Asset Value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional amount of 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 those borne before the actual tax liabilities are levied.

Business Tax ("BT") and other surtaxes

The revised PRC Provisional Regulations of Business Tax ("BT Law") which came into effect on 1 January 2009 stipulates that gains derived by taxpayers from the trading of marketable securities would be subject to BT at 5%.

Caishui [2005] 155 states that gains derived by QFIs from the trading of PRC marketable securities (including A-Shares and other PRC listed securities) are exempt from BT. The new PRC BT law which came into effect on 1 January 2009 has not changed this exemption treatment at the time of this Explanatory Memorandum. Since QFIs are qualified foreign investors which are allowed to make investments in the Mainland Chinese domestic capital markets, there should be a basis to make reference to the exemption treatment of Caishui [2005] 155 on QFIs. However, it is not clear whether a similar exemption would be extended to QFIs.

For marketable securities other than those trading under QFIs, the new BT law shall apply to levy BT at 5% on the difference between the selling and buying prices of those marketable securities. However, capital gains derived from trading of offshore Mainland Chinese marketable securities (e.g. H-Shares) are not subject to BT.

The new BT law does not specifically exempt BT on interest earned by non-financial institution. Hence, interest on both government and corporate bonds in theory should be subject to 5% BT. As such, 5% BT may apply on interest income derived on bond investments.

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

In addition, urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), educational surcharge (currently at the rate of 3%) and local educational surcharge (currently at the rate of 2%) are imposed based on the BT liabilities.

Stamp duty

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

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

If the actual applicable tax rate levied by STA is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may suffer more than the tax provision amount as the Sub-Fund will ultimately have to bear the additional tax liabilities. In this case, the then existing and new Unitholders will be disadvantaged. On the other hand, if the actual applicable tax rate levied by STA is lower than that provided for by the Manager so that there is an excess in the tax provision amount, Unitholders who have redeemed their Units before STA's ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager's overprovision. In this case, the then existing and new Unitholders may benefit if the difference between the tax provision and the actual taxation liability under that lower tax rate can be returned to the account of the Sub-Fund as assets thereof. Notwithstanding the above provisions, Unitholders who have already redeemed their Units in the Sub-Fund before the return of any overprovision to the account of the Sub-Fund will not be entitled or have any right to claim any part of such overprovision.

Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund.

It is possible that the current tax laws, regulations and practice in Mainland China will change, including the possibility of taxes being applied retrospectively, and that such changes may result in higher taxation on Mainland Chinese investments than currently contemplated.

GENERAL INFORMATION

Additional Documents Available for Inspection

In addition to the documents listed in the Explanatory Memorandum under the heading "***Documents Available for Inspection***", the following documents of the Sub-Fund are available for inspection during normal working hours at the offices of the Manager free of charge and copies thereof may be obtained from the Manager upon payment of a reasonable fee:-

(a) the Custodial Services Agreement between the Trustee and the Custodian;

(b) the RQFII Custodian Agreement between the Manager (as QFI Holder) and the QFI Custodian;

(c) the Sub-custody Agreement between the Custodian and the QFI Custodian; and

(d) the Participation Agreement between the Manager (as QFI Holder), the Trustee, the Custodian and the QFI Custodian

Qualified Foreign Investor

The QFI regime is governed by rules and regulations as promulgated by the Mainland Chinese authorities, i.e., the CSRC, the SAFE and the PBOC. Please refer to the section headed "***Qualified Foreign Investor***" under "**INVESTMENT CONSIDERATIONS**" in the main part of this Explanatory Memorandum for more details.

Currently it is intended that the Sub-Fund will obtain exposure to equity securities and other permissible investments by using the status of the QFI Holder (i.e. the Manager).

The Manager has appointed, together with the Custodian, China Construction Bank Corporation as the QFI Custodian in respect of the QFI assets, pursuant to relevant laws and regulations. Please refer to "***Management and Administration of the Fund –QFI Custodian***" above for details of the QFI Custodian.

Securities in the onshore Mainland China market will be maintained by the QFI Custodian pursuant to Mainland Chinese regulations through securities accounts with the China Central Depository & Clearing Co., Ltd, China Securities Depository and Clearing Corporation Limited, Shanghai Clearing House or such other relevant depositories in such name as may be permitted or required in accordance with Mainland Chinese law.

Investors should pay attention to the sections headed "***QFI risk***", ***"Application of QFI rules", "Cash deposited with the QFI Custodian"*** and "***Mainland Chinese brokerage risk***" under the "**Specific Risk Factors**" above.

The Manager has obtained an opinion from Mainland Chinese legal counsel to the effect that, as a matter of Mainland Chinese laws:

(a) securities accounts with the relevant depositories and RMB special deposit accounts with the QFI Custodian (respectively, the "**securities accounts**" and the "**cash accounts**") shall be opened in the joint names of the Manager and the Sub-Fund for the sole benefit and use of the Sub-Fund in accordance with all applicable laws and regulations of Mainland China and with approval from all competent authorities in Mainland China;

(b) the assets held/credited in the securities accounts (i) belong solely to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager (as QFI Holder), the Custodian, the QFI Custodian and any Mainland Chinese Broker(s) and from the assets of other clients of the Manager (as QFI Holder), the Custodian, the QFI Custodian and any Mainland Chinese Broker(s);

(c) the assets held/credited in the cash accounts (i) become an unsecured debt owing from the QFI Custodian to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager (as QFI Holder) and any Mainland Chinese Broker(s), and from the assets of other clients of the Manager (as QFI Holder) and any Mainland Chinese 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 accounts of the Sub-Fund;

(e) if the Manager (as QFI Holder) or any Mainland Chinese Broker is liquidated, the assets contained in the securities accounts and cash accounts of the Sub-Fund will not form part of the liquidation assets of the Manager (as QFI Holder) or such Mainland Chinese Broker(s) in liquidation in Mainland China; and

(f) if the QFI Custodian is liquidated, (i) the assets contained in the securities accounts of the Sub-Fund will not form part of the liquidation assets of the QFI Custodian in liquidation in Mainland China, and (ii) the assets contained in the cash accounts of the Sub-Fund will form part of the liquidation assets of the QFI Custodian in liquidation in Mainland China and the Sub-Fund will become an unsecured creditor for the amount deposited in the cash accounts.

Further and subject to the Code, 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 Sub-Fund, including assets deposited in the securities accounts and cash accounts with the QFI Custodian, and holds the same in trust for the Unitholders;

(ii) the Trustee registers the assets of the Sub-Fund, including assets deposited in the securities accounts and cash accounts with the QFI Custodian, to the order of the Trustee; and

(iii) the QFI Custodian shall only look to the Trustee for instructions (through the Custodian) and solely act in accordance with such instructions, provided however, the QFI Custodian shall be permitted to act on the instructions given by the Manager or given by the Manager jointly with the Trustee (through the Custodian) if the Manager is duly authorised by the Trustee, as provided under the Participation Agreement between the Manager (as QFI Holder), the Trustee, the Custodian and the QFI Custodian, save as otherwise required under applicable regulations.

The Manager, as the QFI Holder of the Sub-Fund, will be responsible for ensuring that all transactions and dealings will be dealt with in compliance with the Trust Deed (where applicable) as well as the relevant laws and regulations applicable to the QFI Holder. If any conflicts of interest arise, the Manager will have regard in such event to its obligations to the Sub-Fund and will endeavour to ensure that such conflicts are resolved fairly.

Appendix dated June 2024

APPENDIX 2 – E FUND (HK) SELECT BOND FUND

This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the E Fund (HK) Select Bond Fund ("Sub-Fund"), a sub-fund of the Fund.

PRINCIPAL TERMS

DEFINITIONS

Terms used in this Appendix shall, unless otherwise defined herein or unless the context otherwise requires, have the same meaning as provided for in the Explanatory Memorandum.

"Amortisation Period" the first 5 Accounting Periods from the date of launch of the Sub-Fund or such other period as the Manager after consultation with the Auditors shall determine

"Base Currency" USD

"Business Day" a day (other than a Saturday or Sunday) on which banks and stock exchanges in Hong Kong are open for normal business or such other day or days as the Trustee and Manager may determine from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks and stock exchanges in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise

"Class" Class A (accumulation) (RMB) Units,

Class A (distribution) (RMB) Units,

Class I (accumulation) (RMB) Units,

Class I (distribution) (RMB) Units,

Class A (accumulation) (hedged RMB) Units,

Class A (distribution) (hedged RMB) Units, Class I (accumulation) (hedged RMB) Units,

Class I (distribution) (hedged RMB) Units,

Class X (accumulation) (hedged RMB) Units,

Class A (accumulation) (HKD) Units,

Class A (distribution) (HKD) Units,

Class I (accumulation) (HKD) Units,

Class I (distribution) (HKD) Units,

Class X (accumulation) (HKD) Units,

Class A (accumulation) (USD) Units,

Class A (distribution) (USD) Units,

Class I (accumulation) (USD) Units,

Class I1 (distribution) (USD) Units,

Class I2 (distribution) (USD) Units and

Class X (accumulation) (USD) Units

Class A is offered to the retail public in Hong Kong.

Class I (except (accumulation) (USD) Units) and Class X are offered to institutional / professional investors only.

Effective from October 13, 2022

The name of the former Class I (accumulation) (USD) Units is amended to Class I2 (distribution) (USD) Units.

The name of the former Class I (distribution) (USD) Units is modified to Class I1 (distribution) (USD) Units.

New Class I (accumulation) (USD) Units are added. Class I (accumulation) (USD) Units are only available to institutional investors.

"Class Currency" RMB for Class A (accumulation) (RMB) Units,

Class A (distribution) (RMB) Units, Class I (accumulation) (RMB) Units, Class I (distribution) (RMB) Units, Class A (accumulation) (hedged RMB) Units, Class A (distribution) (hedged RMB) Units, Class I (accumulation) (hedged RMB) Units, Class I (distribution) (hedged RMB) Units and Class X (accumulation) (hedged RMB) Units

	USD for Class A (accumulation) (USD) Units, Class A (distribution) (USD) Units, Class I (accumulation) (USD) Units, Class I1 (distribution) (USD) Units, Class I2 (distribution) (USD) Units and Class X (accumulation) (USD) Units HKD for Class A (accumulation) (HKD) Units, Class A (distribution) (HKD) Units, Class I (accumulation) (HKD) Units, Class I (distribution) (HKD) Units and Class X (accumulation) (HKD) Units
"Initial Offer Period"	such period as the Manager may determine
"Payment Period"	no more than 1 Business Day after the relevant Subscription Day on which the relevant Units are issued
"Redemption Day"	each Business Day or such other day or days as the Manager and the Trustee may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for redemption of Units in the Sub-Fund or the relevant Class or Classes in the Sub-Fund
"Redemption Deadline"	4:00 p.m. (Hong Kong time) on the relevant Redemption Day by which a redemption request in respect of the Sub-Fund or a Class of Units must be received or such other time or on such other Business Day or day as the Manager and the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of the Sub-Fund or the relevant Class may from time to time be sold
"Sub-Fund"	E Fund (HK) Select Bond Fund
"Subscription Day"	each Business Day or such other day or days as the Manager and the Trustee may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for subscription of Units in the Sub-Fund or the relevant Class or Classes in the Sub-Fund
"Subscription Deadline"	4:00 p.m. (Hong Kong time) on the relevant Subscription Day by which an application for subscription in respect of the Sub-Fund or a Class of

	Units must be received or such other time or on such other Business Day or day as the Manager and the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of the Sub-Fund or the relevant Class may from time to time be sold
"Valuation Day"	each Business Day on which the Net Asset Value of the Sub-Fund and/or the Net Asset Value of a Unit or a Class of Unit of the Sub-Fund falls to be calculated and in relation to each Subscription Day or Redemption Day (as the case may be) of any Class or Classes of Units means either such Subscription Day or Redemption Day (as the case may be) or such other Business Day or day as the Manager and the Trustee may from time to time determine, either generally or in relation to a particular Class of Units

INVESTMENT CONSIDERATIONS

Investment Objective

The investment objective of E Fund (HK) Select Bond Fund is to achieve long term capital growth through investing globally in a portfolio consisting primarily of investment grade debt securities denominated in offshore RMB, USD, EUR or HKD which aim to generate a steady flow of income in addition to capital appreciation for the Sub-Fund.

Investment Policies

Debt securities in general

The Sub-Fund will invest not less than 70% of its net asset value in a portfolio of USD, EUR or HKD denominated offshore investment grade debt securities issued or traded in the global debt securities markets such as but not limited to Hong Kong and Singapore; and where the Manager believes such debt securities are being traded at significant discount to their underlying intrinsic values.

The Sub-Fund may also invest in emerging markets.

The Sub-Fund may invest in onshore Mainland Chinese debt securities for up to 20% of its net asset value via Bond Connect. It may also invest not more than 30% of its net asset value in "Dim Sum" bonds (i.e. bonds issued outside Mainland China but denominated in RMB).

The debt securities in which the Sub-Fund may invest shall include, but are not limited to, listed and unlisted bonds, government bonds, convertible and non-convertible bonds, fixed and floating rate bonds and high-yield bonds. Up to 100% of the Sub-Fund's net asset value may be invested in convertible bonds (issued and/or guaranteed by issuers such as corporations, financial institutions and banks).

The Sub-Fund may invest less than 30% of its net asset value in debt instruments with loss absorption features (such as Additional Tier 1 capital notes and Tier 2 capital notes, subordinated debt instruments etc.). These instruments may be subject to contingent write-down on the occurrence of trigger event(s). The Sub-Fund will not invest in contingent convertible bonds.

The Sub-Fund may invest in debt securities rated investment grade, below investment grade or unrated. The aggregate investment in below investment grade securities and/or unrated securities will be limited to 30% of the Sub-Fund's net asset value. For a debt security which itself does not have a credit rating, the Manager will assess the debt security by reference to the credit rating of the issuer, the guarantor or the keepwell provider. "Investment grade" refers to at least Baa3 by Moody's or BBB- by Standard & Poor's or equivalent ratings as rated by one of the international credit rating agencies, or (in relation to onshore Mainland Chinese debt securities) by Mainland Chinese credit rating agencies. "Unrated" refers neither the bond itself nor its issuer has a credit rating.

In the event the credit ratings of a security comprising the Sub-Fund's portfolio are downgraded from investment grade to below investment grade or unrated, the Sub-Fund may continue to hold or divest from such instruments but will not make any additional investment of such instruments. The Sub-Fund will not invest more than 10% of its net asset value in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) which is below investment grade and/or unrated.

The Sub-Fund will invest in a broadly diversified portfolio of debt securities with no fixed duration, term structure or industry sector weightings in the allocation of assets in developed markets. Selection of investments will be determined by the availability of attractive investment opportunities.

The Sub-Fund's investment horizon is not restricted geographically and the Sub-Fund may invest in global debt securities. The Manager may invest significantly in any one region or country, for example, Hong Kong and Singapore.

Equity securities

The Sub-Fund may also invest less than 30% of its net asset value in shares listed on Hong Kong, Singapore or U.S. stock exchanges (including American Depositary Receipts and preference shares). In the event that the Sub-Fund hold listed equities from the conversion of the convertible bonds, the aggregate exposure in equities will be less than 30% of the Sub-Fund's net asset value. The Sub-Fund will not hold equities that are unlisted.

Financial derivative instruments and other investments

The Sub-Fund may also invest in units in any unit trust or shares in any mutual fund corporation or any other collective investment scheme (including those managed by the Manager or its connected persons) authorised by the SFC or in eligible schemes and may hold cash, deposits, and other money market instruments (such as but not limited to treasury bills, commercial papers, certificates of deposit as considered appropriate by the Manager). The Sub-Fund will not invest more than 30% of its net asset value in such instruments/investments.

The Sub-Fund may invest in financial derivative instruments 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 main part and Schedule 1 of the Explanatory Memorandum. The Sub-Fund will not invest in collateralised and/or securitised products (such as asset backed securities, mortgage backed securities and asset backed commercial papers).

Investment Strategy

The Manager seeks to achieve long term capital growth mainly through the active management of USD, EUR or HKD denominated debt securities issued or traded in the global debt securities markets.

Investment and Borrowing Restrictions

The Sub-Fund is subject to the investment and borrowing restrictions as set out in the Explanatory Memorandum under the heading "***Investment and Borrowing Restrictions***" and Schedule 1.

Use of Derivatives

The Sub-Fund may acquire financial derivative instruments for hedging and investment purposes.

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

Securities Financing Transactions

The Manager currently intends to enter into sale and repurchase transactions and/or reverse repurchase transactions outside Mainland China in respect of the Sub-Fund, subject to the restrictions herein. The Manager will not enter into any securities lending or other securities financing transactions in respect of the Sub-Fund. Where necessary, 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 the policy on such transactions in respect of the Sub-Fund.

The Manager may, on behalf of the Sub-Fund, enter into sale and repurchase transactions and/or reverse repurchase transactions outside Mainland China for up to 40% of the Net Asset Value of the Sub-Fund with a view to creating additional income. For the avoidance of doubt, the Sub-Fund's borrowing may be up to 10% of its Net Asset Value.

A summary of the policy in respect of the Sub-Fund's securities financing transactions are set out in Schedule 2 of the Explanatory Memorandum.

Notwithstanding the requirements on re-investment of cash collateral as described in Schedule 3 of the Explanatory Memorandum, the Sub-Fund may re-invest the cash collateral received from sale and repurchase transactions in investments other than those set out in 7.36(j) of the Code provided that the following requirements are met:

1. the re-investment, together with the Sub-Fund's net derivative exposure, do not in aggregate exceed 50% of the Sub-Fund's Net Asset Value;

2. the re-investment is consistent with the Sub-Fund's investment objective and strategies;

3. the re-investment is limited to securities which are sufficiently liquid and of good quality; and

4. the re-investment is subject to the corresponding investment restrictions and limitations applicable to such investments or exposure as set out in Chapter 7 of the Code and complies with Notes (3) and (4) to 7.36(j) of the Code.

Re-investment of cash collateral received from sale and repurchase transactions in compliance with the above requirements shall not be subject to the limitation in 7.21 of the Code which allows borrowing of the Sub-Fund of up to 10% of the Net Asset Value.

In addition, the Manager will seek to appoint independent counterparties with credit rating of BBB- or above (by Moody's or Standard & Poor's, or any other equivalent ratings by recognized credit rating agencies) or licensed corporation with the SFC or registered institution with the Hong Kong Monetary Authority.

SPECIFIC RISK FACTORS

Investors should take note of the following risks mentioned in the "*Risk Factors*" section in the Explanatory Memorandum: "Risk of not achieving investment objective", "Investment risk", "Market risk", "Credit risk", "Credit ratings risk", "Interest rates risk", "Valuation risk", "Unlisted debt securities risk", "Equity investment risks", "Volatility risk", "Risk relating to small- and mid-capped companies", "Risks of investing in IPO securities", "Risks of investing in other funds", "Borrowing risks", "Emerging markets risk", "Sovereign/government risks", "Concentration risk", "Settlement risk", "Custodial risk", "Counterparty risk", "Currency and foreign exchange risk", "Derivative and structured product risk", "Over-the-counter markets risk", "Hedging risk", "Liquidity risk", "Difficulties in valuation of investments" , "Restricted markets risk", "Legal, tax and regulatory risk", "Risk of termination", "Distributions risk", "Cross-Class liability", "Creation of Sub-Funds or New Classes of Units", "Non-compliance with HKFRS", "Foreign Account Tax Compliance", "Conflicts of Interest; Other Activities of the Manager", "Effect of Substantial Redemptions". In addition, investors should also take note of the following risks associated with investment in the Sub-Fund.

Investment risk

The Sub-Fund mainly invests in debt securities and these securities may fall in value due to any of the risk factors below. 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 debt securities. There is also no guarantee of dividend or distribution payments during the period an investor holds Units in the Sub-Fund.

Credit risk of issuers / counterparties

Investment in debt securities is subject to the counterparty risk of the issuers which may be unable or unwilling to make timely payments on principal and/or interest. In general, debt securities that are below investment grade or that are unrated will be more susceptible to the credit risk of the issuers. Please refer to the risk factor below headed "***Below investment grade and unrated securities risk***". In the event of a default or credit rating downgrading of the issuers, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against such issuers as they may be incorporated outside Hong Kong and subject to laws in other jurisdictions.

Investors should note the limitations of credit ratings set out under the risk factor headed "***Credit rating downgrading risk***" below.

Please also refer to the risk factor headed "***Credit risk***" under the section headed "***Risk Factors***" in the main part of the Explanatory Memorandum for details.

Below investment grade or unrated securities risk

The Sub-Fund may invest in high yield debt securities, which are debt securities below investment grade as rated by one of the internationally recognised credit rating agencies or Manland Chinese credit rating agencies and unrated debt securities. Below investment grade / unrated securities would generally be considered to have a higher degree of general market risk, risk of loss of principal and interest, counterparty risk, credit risk, volatility risk and liquidity risk than higher rated, lower yielding securities. The ability of the issuer to make timely interest and principal payments will be especially susceptible to uncertainties and adverse changes in its financial conditions. If the issuer of securities defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. Further, the market for these securities may be less active, making it more difficult to sell the securities at a price or time that the Sub-Fund wishes to do so. Valuation of these securities is more difficult. The values of these securities tend to be more volatile and sensitive to individual issuer developments and general economic conditions than the values of higher rated securities. As a result, the Sub-Fund's prices may be more volatile.

Credit rating downgrading risk	The credit ratings of fixed-income securities by credit rating agencies are a generally accepted barometer of credit risk. They are, however, subject to certain limitations. For example, 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. Securities rated investment grade at the time the debt instrument is invested may be subject to the risk of being downgraded. The credit rating of a debt security or its issuer may subsequently be downgraded. In the event of such downgrading, a Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not dispose of the securities, subject to the investment objectives of the Sub-Fund. In the event of securities rated investment grade at the time the debt instrument is invested are being downgraded, the Sub-Fund will also be subject to the risks associated with below investment grade in the preceding paragraph.
Risks relating to credit rating	Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.
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 Mainland Chinese rating agencies may therefore not be directly comparable with those given by other international rating agencies.
Volatility and Liquidity risk	The debt securities in which the Sub-Fund invests may not be listed on a stock exchange or a securities market where trading is conducted on a regular basis. Even if the debt securities are listed, the market for such securities may be inactive and the trading volume may be low and the prices of securities traded in such markets may be subject to fluctuations. In the absence of an active secondary market, the Sub-Fund may need to hold the debt securities until their maturity date. If sizeable redemption requests are received, the Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the Sub-Fund may suffer losses in trading such securities. The price at which the debt

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 debt securities in which the Sub-Fund invests may be high, and the Sub-Fund may therefore incur significant trading costs and may even suffer losses when selling such investments.

Valuation risk

Valuation of a 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 value of debt securities may be affected by changing market conditions or other significant market events affecting valuation. For example, in the event of downgrading of an issuer, the value of the relevant debt securities may decline rapidly.

In particular, the value of below investment grade or unrated corporate bonds is affected by investors' perceptions. When economic conditions appear to be deteriorating, or where an adverse event happens to the issuer, the bond may not be objectively priced and below investment grade or unrated corporate bonds may decline in market value due to investors' heightened concerns and perceptions over credit quality.

Sovereign/government debt risk

The Sub-Fund's investment in securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign/government 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/government debt issuers.

Interest rate risk

Investors should also note the interest rate risk associated with investments in debt instruments. Please refer to the risk factor headed "***Interest rates risk***" under the section headed "***Risk Factors***" in the main part of the Explanatory Memorandum for details.

Concentration risk

Although the Sub-Fund's investment horizon is not restricted geographically and the Sub-Fund may invest in global debt securities, the Manager may invest significantly in debt securities concentrated in any one region or country, for example, Hong Kong and Singapore. Therefore, the value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting those markets and the value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments.

Emerging market 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/control, political and economic uncertainties, legal and taxation risks, settlement risks, custodian risk and the likelihood of a high degree of volatility. Please refer to the risk factor headed "***Emerging markets risk***" under the section headed "***Risk Factors***" in the main part of the Explanatory Memorandum for details.

"Dim Sum" bonds

The offshore RMB ("CNH") bond market, also known as "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 CNH markets by the relevant regulators.

Convertible bonds

The Sub-Fund may invest up to 100% of the Sub-Fund's Net Asset Value in convertible bonds. Convertibles are a hybrid between debt and equity, permitting holders to convert into shares or stocks in the company issuing the bond at a specified future date. While convertible bonds generally offer lower interest or dividend yields than non-convertible debt securities of similar quality, the price of a convertible bond will normally vary with changes in the price of the underlying stock. 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. Prior to conversion, convertible bonds have the same general characteristics as non-convertible debt securities and the market value of convertible bonds tends to decline as interest rates increase and increase as interest rates decline. Investors should be prepared for exposure to equity movement and greater volatility than straight bond investments, with an increased risk of capital loss.

The values of convertible bonds may also be affected by changes in the credit rating, liquidity or financial condition of the issuer. The Sub-Fund may also be exposed to the credit and insolvency risks of the issuers of the bonds. Further, convertible bonds may have call provisions and other features which may give rise to the risk of a call and that the value and performance of the Sub-Fund may also be adversely affected as a result.

Investors should also note the interest rate risk associated with investments in debt instruments. Please refer to the risk factor headed "***Interest rates risk***" under the section headed "***Risk Factors***" in the main part of the Explanatory Memorandum for details.

Risks associated with Bond Connect

Bond Connect was launched in July 2017 for mutual bond market access between Hong Kong and Mainland China established by China Foreign Exchange Trade System & National Interbank Funding Centre ("**CFETS**"), China Central Depository & Clearing Co., Ltd, Shanghai Clearing House, and HKEx and Central Moneymarkets Unit.

Under the prevailing regulations in Mainland China, eligible overseas investors will be allowed to invest in the bonds circulated in the interbank bond market through the northbound trading of Bond Connect ("**Bond Connect Northbound Trading Link**"). There will be no investment quota for the Bond Connect Northbound Trading Link.

Under the Bond Connect Northbound Trading Link, eligible overseas 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 China, 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 Securities Depository & Clearing Co., Ltd and Interbank Clearing Company Limited). All bonds traded by eligible overseas investors will be registered in the name of Central Moneymarkets Unit, which will hold such bonds as a nominee owner.

For investments via 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 via 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 Chinese authorities suspend account opening or trading on the interbank bond market, the Sub-Fund's ability to invest in the interbank bond market will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective will be negatively affected.

There is no assurance that the trading platforms and operational systems of Bond Connect will function properly or will continue to be adapted to changes and developments in the market. In the event that the relevant platforms and systems fail to function properly, trading through Bond Connect may be disrupted. The Sub-Fund's ability to trade through Bond Connect (and hence to pursue its investment strategy) may therefore be adversely affected. In addition, where the Sub-Fund invests through Bond Connect, it may be subject to risks of delays inherent in the order placing and/or settlement systems.

There is no specific written guidance by Mainland Chinese tax authorities on the treatment of income tax and other tax categories payable in respect of trading via Bond Connect. Hence it is uncertain as to the Sub-Fund's tax liabilities for trading in via Bond Connect.

Risks associated with investments in debt instruments with loss-absorption features (LAP)

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 a pre-defined trigger event (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.

Dividend risk

There is no assurance that dividends will be declared and paid in respect of the securities held by the Sub-Fund. The rate of dividend in respect of such securities will depend on the performance of the relevant companies as well as other factors beyond the control of the Manager, including but not limited to the dividend policy of the relevant companies.

In addition, whether or not distributions will be made by the Sub-Fund is at the discretion of the Manager taking into account various factors. There can be no assurance that the distribution yield of the Sub-Fund is the same as that of the underlying securities.

Foreign exchange risk

Because the Sub-Fund's assets and liabilities and/or the value of a Class of Units may be denominated in currencies different from the Sub-Fund's Base Currency, the Net Asset Value of the Sub-Fund may be affected unfavourably by exchange control regulations or changes in the exchange rates between the Sub-Fund's Base Currency and these currencies. Please refer to the risk factor headed "***Currency and foreign exchange risk***" under the section headed "***Risk Factors***" in the main part of the Explanatory Memorandum for details.

RMB currency risk and RMB denominated Classes risk

RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of and repatriation restrictions imposed by the Mainland Chinese government. If such policies change in future, the Sub-Fund's or the investors' position may be adversely affected.

There is no assurance that RMB will not be subject to devaluation, in which case the value of investors' investments will be adversely affected. If investors convert HKD or any other currency into RMB so as to invest in the Sub-Fund and subsequently convert the RMB redemption proceeds back into HKD or any other currency, they may suffer a loss if RMB depreciates against HKD or other currency.

The Sub-Fund offers RMB denominated Classes of Units.

Where an investor subscribes for Units denominated in RMB, the Manager may (where appropriate) convert such subscriptions into a non-RMB currency prior to investment at the applicable exchange rate and subject to the applicable spread. Where an investor redeems Units denominated in RMB, the Manager will sell the Sub-Fund's investments (which may be denominated in a non-RMB currency) and convert such proceeds into RMB at the applicable exchange rate and subject to the applicable spread.

Currency conversion is also subject to the Sub-Fund's ability to convert the proceeds into RMB which may also affect the Sub-Fund's ability to meet redemption requests from Unitholders in RMB denominated Classes of Units or to make distributions, and may delay the payment of redemption proceeds or dividends under exceptional circumstances. As RMB is not freely convertible and is subject to exchange controls and restrictions, currency conversion is subject to availability of RMB at the relevant time. The Sub-Fund may not have sufficient RMB for its investments. Further, in case of sizeable redemption requests for the RMB Classes, the Manager has the absolute discretion to delay any payment in respect of redemption of the RMB Classes (for a period not exceeding one calendar month of receipt of a properly documented redemption request).

Non-RMB based investors who invest in RMB denominated Classes are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currency will not depreciate. Any depreciation of RMB could adversely affect the value of investors' investment in the RMB denominated Classes of Units.

The RMB is traded in both the onshore and offshore markets. While both onshore RMB ("CNY") and offshore RMB ("CNH") represent the same currency, they are traded in different and separate markets which operate independently. Therefore CNY and CNH do not necessarily have the same exchange rate and their movement may not be in the same direction. Any divergence between CNH and CNY may adversely impact investors. When calculating the Net Asset Value of Units of a RMB denominated Class, the Manager will apply the exchange rate for offshore RMB market in Hong Kong, i.e. the CNH exchange rate, which may be at a premium or discount to the exchange rate for onshore RMB market in Mainland China, i.e. the CNY exchange rate. Consequently, there may be significant trading costs incurred and investors investing in Classes of Units denominated in RMB may suffer losses.

For unhedged RMB denominated Classes, since the Unit prices are denominated in RMB, but the Sub-Fund will have limited RMB-denominated underlying investments and its base currency is USD, so even if the prices of underlying investments and/or value of the Base Currency rise or remain stable, investors may still incur losses if RMB appreciates against the currencies of the underlying investments and/or the Base Currency more than the increase in the value of the underlying investments and/or the Base Currency.

Hedged RMB denominated Classes risk

For hedged RMB denominated Classes, investors have to bear the associated hedging costs which may be significant depending on prevailing market conditions. If the counterparties of the instruments used for hedging purpose default, investors of the hedged RMB denominated Classes may be exposed to RMB currency exchange risk on an unhedged basis and in which case investors may be subject to the risks of investing in RMB denominated Classes on an unhedged basis as outlined in the paragraph above. Also there is no guarantee that the hedging strategy will fully and effectively eliminate the currency exposure.

Hedged RMB denominated Classes will hedge the Sub-Fund's Base Currency back to RMB, on a best effort basis, with an objective to align the performance of the hedged RMB denominated Classes to that of the equivalent Class denominated in the Sub-Fund's Base Currency. This strategy may preclude the hedged RMB denominated Classes from benefiting from any potential gain resulting from the appreciation of the Base Currency against RMB. Please refer to the risk factor headed "***Hedging risk***" in the main part of the Explanatory Memorandum for further details.

Eurozone and European Country Risk

The Sub-Fund may invest in securities issued by issuers based in or with substantial operations in the European Union (the "EU"). Investments in Europe may be subject to a number of risks arising from a recent financial crisis in Europe. In light of the ongoing concerns on the sovereign debt risk of certain countries within the Eurozone, the Sub-Fund's investments in the region may be subject to higher volatility, liquidity, currency and default risks. While the governments of many European countries, the European Commission, the European Central Bank, the International Monetary Fund and other authorities are taking measures (such as undertaking economic reforms and imposing austerity measures on their citizens) to address the current fiscal conditions and concerns in Europe, these measures may not have the desired effect, and the future stability and growth of Europe is therefore uncertain. It is possible that a country may leave the Eurozone and return to a national currency, and as a result may leave the EU and/or that the Euro will cease to exist in its current form and/or lose its legal status in one or more countries in which it currently has such status. It is also possible that the credit rating of a country or sovereign may be downgraded. The effect of such potential events on the Sub-Fund which invests in instruments predominantly tied to Europe is impossible to predict. The impact of the above adverse events may be significant and may adversely affect the value of Sub-Fund investing in securities issued by issuers based in or with substantial operations in Europe, and investors may suffer significant loss.

Equity securities risks

Investment in equity securities is subject to general 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, issuer-specific factors, regional or global economic instability, currency and interest rate fluctuations. If the market value of equity securities in which the Sub-Fund invests goes down, its Net Asset Value may be adversely affected, and investors may suffer substantial losses. Please refer to the risk factor headed "***Volatility risk***" in the main part of the Explanatory Memorandum.

Risk relating to depositary receipts

The Sub-Fund may invest in depositary receipts such as American Depositary Receipts (ADR) and such exposure may generate additional risks compared to a direct exposure to the corresponding underlying stocks. Depositary receipts are instruments that represent shares in companies trading outside the markets in which the depositary receipts are traded. Accordingly there is a risk that the underlying shares may be subject to political, inflationary, exchange rate or custody risks. In particular, as the consequence of the intervention of the depositary bank issuing the depositary receipt and the risk of non-segregation under applicable law of the depositary bank who hold the underlying stock as collateral and its own assets. Although segregation is an integral part of the depositary agreement regulating the issuance of the depositary receipts, there could be a risk that underlying shares would not be attributed to holders of depositary receipts in case of bankruptcy of the depositary bank. In such case, the likeliest scenario would be the trading suspension and thereafter a freeze of the price of the depositary receipts impacted by such bankruptcy event. Bankruptcy events in respect of the depositary banks issuing the depositary receipts may negatively affect the performance and/or the liquidity of the Sub-Fund. There are fees related to depositary receipts, for example fees charged by banks for the custody of depositary receipts, which may impact the performance of the depositary receipts. Also, holders of depositary receipts are not direct shareholders of the underlying company and generally do not have voting and other shareholder rights as shareholders do. The Sub-Fund may also be subject to liquidity risk as depositary receipts are often less liquid than the corresponding underlying stocks.

Risk relating to preference shares

An investment in preference shares involves additional risks that are not typically associated with an investment in common stocks. Generally, holders of preference shares have no voting rights with respect to the issuer unless preferred dividends have been in arrears for a specified number of periods, at which time the preference share holders may have the right to elect a number of directors to the issuer's board. Generally, once the issuer pays all the arrearages, the preference share holders no longer have voting rights. In certain circumstances, an issuer of preference shares may redeem the shares prior to a specified date. A special redemption by the issuer may negatively impact the return of the shares held by the Sub-Fund. Preference shares may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer.

Preference shares are subordinated to bonds and other debt instruments in a company's capital structure in terms of priority to corporate income and liquidation payments and therefore will be subject to greater credit risk than those debt instruments. Preference shares may be substantially less liquid than many other securities, including common stocks. The value and performance of the Sub-Fund may be adversely affected as a result.

Distribution out of capital

Distributions may be paid out of capital of the Sub-Fund. The distribution amount and Net Asset Value of a hedged unit class may be adversely affected by differences in the interest rates of the class currency of the relevant hedged unit class and the Sub-Fund's base currency, resulting in an increase in the amount of distribution that is paid out of capital and hence a greater erosion of capital than other non-hedged unit classes. Investors should refer to the risk factor headed "***Distributions risk***" in the main part of the Explanatory Memorandum for details of the risks associated with distribution of dividends out of capital.

Risk of Investing in Other Funds

The Sub-Fund may invest in underlying funds to pursue its investment objective, and those underlying funds may not be regulated by the SFC. Further the Manager does not have control of the investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved which may have a negative impact to the Net Asset Value of the Sub-Fund. Please refer to the risk factor headed "***Risks of investing in other funds***" in the main part of the Explanatory Memorandum for details. 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. Please refer to the section headed "***Conflicts of Interest***" for details under the circumstances.

Risks relating to sale and repurchase agreements

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.

Market risk and counterparty risk

In respect of the collateral which has been placed with the counterparty, there is a risk that the value of the collateral placed with the counterparty is higher than that of the cash originally received owing to factors including the value of the collateral placed having exceeded the cash received, market appreciation of the value of the collateral or an improvement in the credit rating of the issuer of the collateral. Whilst the increased value of collateral, which is to be marked to market on a daily basis, could be fully protected by requiring a return of the collateral and/or margin calls to the counterparty, investors must note that if the counterparty of such transactions becomes insolvent or refuses to honour its obligations to return the relevant securities, the Sub-Fund would experience delays in recovering its securities and may possibly incur a capital loss.

The security collateral provided by the Sub-Fund to the counterparty is normally marked to market daily by the counterparty and/or the Sub-Fund and where either of the parties disagrees with the value of the security collateral determined by the other party, the security collateral will be valued by a pre-appointed third party agent. It is worth noting that the counterparty is subject to a higher risk in a repurchase transaction (such as risk of default by the Sub-Fund to repurchase the security from the counterparty at a pre-determined future date). In the event that the value of the collateral placed with the counterparty falls by a value that exceeds the threshold pre-determined by the counterparty, due to factors including adverse market movements or a downgrade in the credit rating of the collateral, the Sub-Fund may be required to top up the value by changing the security collateral or provide a margin. Although the Sub-Fund may be required to post a margin for maintaining such transaction, the Sub-Fund may terminate the transaction at any time in order to avoid any further margin or risk.

Re-investment risk

Cash obtained in sale and repurchase transactions may be re-invested in securities subject to the restrictions applicable to the Sub-Fund. While it is the intention of the Manager to generate additional income for the Sub-Fund through reinvestment of cash, it is possible that the Sub-Fund may suffer loss of some or the entire re-invested amount.

Risks relating to reverse repurchase agreements

In the event of the failure of the counterparty with which cash has been placed, the Sub-Fund may suffer loss as there may be delay in recovering cash placed out or difficulty in realising collateral or proceeds from the sale of the collateral may be less than the cash placed with the counterparty due to inaccurate pricing of the collateral or market movements.

Market risk and counterparty risk

In respect of the cash which has been advanced to the counterparty, there is a risk that the value of the collateral acquired by the Sub-Fund is lower than that of the cash originally lent owing to factors including market depreciation of the value of the collateral or a decline in the credit rating of the issuer of the collateral. Whilst the decreased value of collateral, which is to be marked to market on a daily basis could be fully protected by requiring additional collateral from the counterparty, investors must note that if the counterparty of such transactions becomes insolvent or refuses to honour its obligations to buy back the relevant securities, the Sub-Fund would experience delays in recovering the sum lent and may possibly incur a capital loss.

The security collateral provided by the counterparty to the Sub-Fund is normally marked to market daily by the counterparty and/or the Sub-Fund and where either of the parties disagrees with the value of the security collateral determined by the other party, the security collateral will be valued by a pre-appointed third party agent. It is worth noting that the Sub-Fund is subject to a higher risk in a reverse repurchase transaction (such as risk of default by the counterparty to repurchase the security from the Sub-Fund at a pre-determined future date). In the event that the value of the collateral acquired by the Sub-Fund increases by a value that exceeds the threshold pre-determined by the counterparty, due to factors including favourable market movements or an improvement in the credit rating of the collateral, the Sub-Fund may be required to return part of the collateral or provide a margin. Although the Sub-Fund may be required to post a margin for maintaining such transaction, the Sub-Fund may terminate the transaction at any time in order to avoid any further margin or risk.

Hedging / derivative risk The use of financial derivative instruments may expose the Sub-Fund to additional risks including volatility risk, credit risk, liquidity risk, management risk, valuation risk, counterparty risk and over-the-counter transaction risk. The leverage element/component of a financial derivative instrument can result in a loss significantly greater than the amount invested in the financial derivative instrument by the Sub-Fund. Exposure to financial derivative instruments may lead to a high risk of significant loss by the Sub-Fund. The Sub-Fund may invest in derivatives for hedging or investment purposes to the extent permitted by the Code and in adverse situations its use of financial derivative instruments may become ineffective and/or cause the Sub-Fund to suffer significant loss. For further details, please refer the relevant risk factors headed ***"Hedging risk***" and "***Derivative and structured product risk***" in the main part of the Explanatory Memorandum.

Options and warrants risk The Sub-Fund may invest in options and warrants for hedging and investment purposes. Such trading involves risks substantially similar to those involved in trading margined securities in that options and warrants are speculative and highly leveraged, in that a movement in the price of the underlying securities may result in a profit or loss which is higher in proportion to the amount invested in the options and/or warrants. Specific market movements of the securities underlying an option and/or warrant cannot accurately be predicted. The purchaser of an option and/or warrant is subject to the risk of losing the entire purchase price of the option and/or warrant.

Writing of call options risk The Sub-Fund may sell ("write") options. The risk involved in writing a call option is that the option could be exercised when there has been an increase in the market value of the underlying security upon which the underlying security would then be sold by the Sub-Fund at a lower price than its current market value. Writing call options is a highly specialized activity and although it may increase total return it may also entail significantly greater than ordinary investment risk and as a result the Sub-Fund may suffer significant loss.

Futures risk The Sub-Fund may enter into futures contracts for hedging and on an unhedged basis. The low margins normally required in entering into futures contracts permit a very high degree of leverage. As a result, a relatively small movement in the price of a futures contract may result in a profit or loss which is high in proportion to the amount of funds actually placed as margin and may result in unquantifiable further loss exceeding any margin deposited.

Futures prices in many contracts on futures exchanges is subject to daily price fluctuation restrictions, commonly referred to as "daily limits", which prohibit the execution of futures trades on any given day outside a prescribed price range based on the previous day's closing prices. Daily limits do not limit ultimate losses but may make it costly or impossible for the Manager to liquidate a futures position against which the market is moving. A series of "limit moves", in which the market price moves the "daily limit" with little or no trading taking place, could subject the Sub-Fund to major losses.

INVESTING IN THE FUND AND REDEMPTION OF UNITS

Classes of Units

Class	Class A (accumulation) (RMB), Class A (distribution) (RMB), Class A (accumulation) (hedged RMB), Class A (distribution) (hedged RMB)	Class A (accumulation) (USD), Class A (distribution) (USD)	Class A (accumulation) (HKD), Class A (distribution) (HKD)	Class I (accumulation) (RMB), Class I (distribution) (RMB), Class I (accumulation) (hedged RMB), Class I (distribution) (hedged RMB)	Class I (accumulation) (USD), Class I1 (distribution) (USD), Class I2 (distribution) (USD)	Class I (accumulation) (HKD), Class I (distribution) (HKD)
Initial Offer Price **(exclusive of preliminary charge)**	RMB100	USD10	HKD100	RMB100	USD10	HKD100
Minimum Initial Subscription Amount	RMB100	USD10	HKD100	RMB1,000,000	USD100,000	HKD100
Minimum Subsequent Subscription Amount	Units with aggregate minimum value of RMB100	Units with aggregate minimum value of USD10	Units with aggregate minimum value of HKD100	Units with aggregate minimum value of RMB1,000,000	Units with aggregate minimum value of USD100,000	Units with aggregate minimum value of HKD100
Minimum Redemption Amount	RMB100	USD10	HKD100	RMB1,000,000	USD100,000	HKD100
Minimum Holding Amount	RMB100	USD10	Units with aggregate minimum value of HKD100	Units with aggregate minimum value of RMB1,000,000	Units with aggregate minimum value of USD100,000	Units with aggregate minimum value of HKD100

Class	Class X (accumulation) (hedged RMB)	Class X (accumulation) (USD)	Class X (accumulation) (HKD)
Initial Offer Price **(exclusive of preliminary charge)**	RMB100	USD10	HKD100
Minimum Initial Subscription Amount	RMB1,000,000	USD100,000	HKD1,000,000
Minimum Subsequent Subscription Amount	Units with aggregate minimum value of RMB1,000,000	Units with aggregate minimum value of USD10,000	Units with aggregate minimum value of HKD1,000,000
Minimum Redemption Amount	RMB100	USD10	HKD100
Minimum Holding Amount	Units with aggregate minimum value of RMB100	Units with aggregate minimum value of USD10	Units with aggregate minimum value of HKD100

The Manager has obtained approval from the CSRC for offering the Sub-Fund to investors in Mainland China under the Mainland-Hong Kong Mutual Recognition of Funds regime. The Manager may issue Class M (RMB), Class M (hedged RMB) and Class M (USD) Units subject to applicable laws and regulations. Class M (RMB), Class M (hedged RMB) and Class M (USD) Units will be available to investors in Mainland China (will be temporarily not offered to individual investors) only and will not be offered in Hong Kong. In respect of details in relation to Class M (RMB), Class M (hedged RMB) and Class M (USD) Units, please refer to the Sub-Fund's offering documents applicable to investors in Mainland China.

CONVERSION

Units of the Sub-Fund may not be converted into units of any other sub-funds of the Fund (if any) and units relating to other sub-funds of the Fund (if any) will not be able to be converted into Units of the Sub-Fund. Units of a particular Class may not be converted to Units of other Classes.

DISTRIBUTION POLICY

The Manager retains the discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends.

Class A (accumulation) (RMB) Units, Class I (accumulation) (RMB) Units, Class A (accumulation) (hedged RMB) Units, Class I (accumulation) (hedged RMB) Units, Class X (accumulation) (hedged RMB) Units, Class A (accumulation) (USD) Units, Class I (accumulation) (USD) Units, Class X (accumulation) (USD) Units, Class A (accumulation) (HKD) Units, Class I (accumulation) (HKD) Units and Class X (accumulation) (HKD) Units are Accumulation Classes. There is no dividend distribution for Accumulation Classes of Units.

Class A (distribution) (RMB) Units, Class I (distribution) (RMB) Units, Class A (distribution) (hedged RMB) Units, Class I (distribution) (hedged RMB) Units, Class A (distribution) (USD) Units, Class I1 (distribution) (USD) Units, Class I2 (distribution) (USD) Units, Class A (distribution) (HKD) Units and Class I (distribution) (HKD) Units are Distribution Classes.

For Class A (distribution) (RMB) Units, Class I (distribution) (RMB) Units, Class A (distribution) (hedged RMB) Units, Class I (distribution) (hedged RMB) Units, Class A (distribution) (USD) Units, Class A (distribution) (HKD) Units, Class I1 (distribution) (USD) Units and Class I (distribution) (HKD) Units, dividends, if declared, will only be paid to holders subject to the Manager' discretion on a monthly basis.

For Class I2 (distribution) (USD) Units, dividends, if declared, will only be paid to holders subject to the Manager's discretion on an annual basis.

There is no guarantee of regular distribution and if distribution is made the amount being distributed. Investors should note that dividends, if any, may be paid from income and/or out of capital of the Sub-Fund. If there is a change of the distribution policy 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.

Please refer to the section headed "***Distribution Policy***" and the risk factor headed "***Distributions risk***" in the main part of the Explanatory Memorandum for further details.

FEES AND EXPENSES

<u>Fees payable by investors</u>:

Class	**Class A (accumulation) (RMB),**	**Class I (accumulation) (RMB),**	**Class X (accumulation) (hedged RMB),**
	Class A (distribution) (RMB),	**Class I (distribution) (RMB),**	**Class X (accumulation) (USD),**
	Class A (accumulation) (hedged RMB),	**Class I (accumulation) (hedged RMB),**	**Class X (accumulation) (HKD)**

	Class A (distribution) (hedged RMB), Class A (accumulation) (USD), Class A (distribution) (USD), Class A (accumulation) (HKD), Class A (distribution) (HKD)		Class I (distribution) (hedged RMB), Class I (accumulation) (USD), Class I1 (distribution) (USD), Class I2 (distribution) (USD), Class I (accumulation) (HKD), Class I (distribution) (HKD)			
	Current	**Maximum**	**Current**	**Maximum**	**Current**	**Maximum**
Subscription Charge (% of Issue Price)	Up to 3%	3%	Up to 3%	3%	Up to 3%	3%
Redemption Charge (% of Redemption Price)	Nil	3%	Nil	3%	Nil	3%
	The Redemption Charge (if any) will be retained by the Manager.					
Switching Fee	Not applicable	3%	Not applicable	3%	Not applicable	3%

<u>Fees and expenses payable from assets of the Sub-Fund</u>:

Class	Class A (accumulation) (RMB), Class A (distribution) (RMB), Class A (accumulation) (hedged RMB), Class A (distribution) (hedged RMB), Class A (accumulation) (USD), Class A (distribution) (USD), Class A (accumulation) (HKD), Class A (distribution) (HKD)		Class I (accumulation) (RMB), Class I (distribution) (RMB), Class I (accumulation) (hedged RMB), Class I (distribution) (hedged RMB), Class I (accumulation) (USD), Class I1 (distribution) (USD), Class I2 (distribution) (USD), Class I (accumulation) (HKD), Class I (distribution) (HKD)		Class X (accumulation) (hedged RMB), Class X (accumulation) (USD), Class X (accumulation) (HKD)	
	Current	**Maximum**	**Current**	**Maximum**	**Current**	**Maximum**
Management Fee (% Net Asset Value of the relevant class per annum)	1.00%	3%	0.5 %	3%	0.25%	3%
Performance Fee	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Trustee Fee	Up to 1.0%, current rate being 0.11% (inclusive of fees payable to the Transfer Agent and Registrar)					

Custody Fee	Up to 0.08% (as a percentage of the month-end market value (if unavailable, its nominal value) of the Sub-Fund's investments in custody) Subject to a minimum monthly fee (Trustee fee and Custody fee collectively) of USD5,000.
General Expenses	Please refer to the section headed "***General Expenses***" for further details.

TAXATION

Please refer to the section headed "***Taxation***" in the main part of the Explanatory Memorandum for further details.

GENERAL INFORMATION

Please refer to the section headed "***General Information***" in the main part of the Explanatory Memorandum for further details.