

i Capital Master Fund

EXPLANATORY MEMORANDUM

24 January 2020

IMPORTANT INFORMATION FOR INVESTORS

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

C19(a)

This Explanatory Memorandum comprises information relating to *i Capital Master Fund* (“**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 17 July 2017 (“**Trust Deed**”) between BOCI-Prudential Trustee Limited (“**Trustee**”) as trustee and Capital Dynamics Asset Management (HK) Private Limited (“**Manager**”) as manager.

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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.

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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.

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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.

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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.

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 countries 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:

OP7.4

- write to the Manager (address at Suite 701, 7th Floor, Chinachem Leighton Plaza, 29 Leighton Road, Causeway Bay, Hong Kong); or
- call the Manager at telephone number at +852 2153 1455.

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.capitaldynamics.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 by the SFC.

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DIRECTORY OF PARTIES

C3(a)
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C3(g)

Manager

Capital Dynamics Asset Management (HK)
Private Limited
Suite 701, 7th Floor, Chinachem Leighton Plaza,
29 Leighton Road,
Causeway Bay,
Hong Kong

Trustee and Registrar

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

Directors of the Manager

Tan Teng Boo
Wu Xiongwei
Wu Chin-Shan, Richard

Custodian

Bank of China (Hong Kong) Limited
14/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

Solicitors to the Manager

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

Auditors

PricewaterhouseCoopers
21/F, Edinburgh Tower
15 Queen's 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 July 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. The first Accounting Date of the Fund is 31 July 2018	C17
“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	C5
“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	
"Class"	means any class of Units in issue in relation to a Sub-Fund	C5
“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	C5
“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: <ul style="list-style-type: none"> (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”	Bank of China (Hong Kong) Limited	C3(b)
“Explanatory Memorandum”	this Explanatory Memorandum including the Appendices, as each may be amended, updated or supplemented from time to time	
“Fund”	<i>i Capital Master Fund</i>	C1
“Government and other public securities”	any investment issued by, or the payment of principal and interest on, which is guaranteed by a government, or any fixed-interest investment issued by its public or local authorities or other multilateral agencies	
“Hong Kong”	Hong Kong Special Administrative Region of the PRC	
“HK\$” or “HKD”	Hong Kong Dollars, the lawful currency of Hong Kong	
“HKFRS”	Hong Kong Financial Reporting Standards	
“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 Delegate”	an entity that has been delegated the investment management function of all or part of the assets, the details of which are as specified in the relevant Appendix (if applicable)	3.9A C3(c)
“IOP Deadline”	5.00 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 <i>“Investing in the Fund - Issue Price”</i>	
“Manager”	Capital Dynamics Asset Management (HK) Private 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	C3(a)
“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	C4
“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	C4
“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 <i>“Valuation and Suspension - Calculation of Net Asset Value”</i>	
“PRC” or “mainland China”	the People’s Republic of China excluding Hong Kong, Macau and Taiwan for purpose of this Explanatory Memorandum, and a reference to “China” includes mainland China and Hong Kong	
“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	C14(a)
“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	C7
“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”	14 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	
“Registrar”	BOCI-Prudential Trustee Limited in its capacity as the registrar of the Fund or such other entity as may be appointed from time to time to act as registrar of the Fund	
“REITs”	real estate investment trusts	
“Reverse Repurchase Transactions”	transactions whereby a Sub-Fund purchases securities from a counterparty of Sale and Repurchase Transactions and agrees to sell such securities back at an agreed price in the future	
“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”	31 January 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. The first Semi-Annual Accounting Date of the Fund is 31 January 2018	
“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	C14(a)
“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	C7
“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	C14(a)
“Trust Deed”	the trust deed dated 17 July 2017 establishing the Fund and entered into by the Manager and the Trustee (as amended from time to time)	
“Trustee”	BOCI-Prudential Trustee Limited 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	C3(b)
“Unit”	a unit in a Sub-Fund	
“Unitholder”	a person registered as a holder of a Unit	

“U.S.”	United States of America
“US\$” or “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

C7

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.

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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.

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MANAGEMENT AND ADMINISTRATION OF THE FUND

Manager

C3(a)

Capital Dynamics Asset Management (HK) Private Limited ("CDHK") is the Manager of the Fund. The Manager was incorporated as a limited liability company incorporated on 21 December 2009 in Hong Kong and is regulated by the SFC. The Manager is licensed to carry on the Type 9 (asset management) regulated activity. Its principal activity is to provide asset management service to corporations, institutions and individual investors.

The Manager is a wholly owned subsidiary of Capital Dynamics Global Private Limited ("CD Global"). CD Global, a company incorporated in Singapore, is the holding company of a fund management and investment advisory group ("Capital Dynamics group") with offices in Hong Kong, Shanghai, Kuala Lumpur, Singapore and Sydney. Capital Dynamics Sdn Bhd and Capital Dynamics Asset Management Sdn Bhd are licensed by the Securities Commission of Malaysia. Capital Dynamics (S) Private Limited is regulated by the Monetary Authority of Singapore. Capital Dynamics (Australia) Ltd is licenced by the Australian Securities and Investments Commission. The group set up a representative office in Shanghai in 2013 and Capital Dynamics Investment Management and Advisory (Shanghai) Co. Ltd ("CD China"), a wholly foreign-owned enterprise in 2015. CD China will commence business as a fund manager upon obtaining the relevant licences.

The Manager undertakes the management of the assets of the Fund. The Manager may appoint Investment Delegate and delegate any of its management functions in relation to assets of specific Sub-Funds to such Investment Delegate subject to prior SFC approval. In the event that an Investment Delegate 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:

Tan Teng Boo

Teng Boo is the founder, group managing director and controlling shareholder of the Capital Dynamics group. With over 30 years of experience in the investment industry, he manages the group's global investment mandates. Teng Boo is responsible for the performance of the group's business. He first started off as a journalist and after that he was working in rubber processing and stock broking companies before founding Capital Dynamics in 1988. He graduated with a Bachelor of Arts degree (Honours) majoring in Economics from Sussex University, England in 1977.

Teng Boo is the Managing Director of the Manager and is licensed with the SFC as a responsible officer of the Manager for the Type 9 (asset management) regulated activity.

Wu Xiongwei

Xiongwei obtained a Bachelor of Arts Degree in Economics from Hunan University in Changsha, China, in 1999 and a Masters of Arts in Economics from the same university in 2002. Prior to joining

the Manager, he was working as an investment manager with Hang Seng Investment Management Ltd from July 2008 to October 2014 where he managed various SFC-authorised funds.

Xiongwei is the Executive Director of the Manager and is licensed with the SFC as a responsible officer of the Manager for the Type 9 (asset management) regulated activity.

Wu Chin-Shan, Richard

Chin-Shan graduated with a Bachelor of Arts Degree in Economics from the University of Chicago in 1994 and a Masters of Business Administration in Finance from The Anderson School at University of California, Los Angeles in 1999. From June 2006 to March 2010, he was a Type 9 Responsible Officer with Prosperity Capital Ltd, Hong Kong. Between 1994 and 2004, he worked as an equity research analyst in JPMorgan Securities in Hong Kong and as a corporate finance analyst at BancAmerica Securities in both Hong Kong and Los Angeles, analysing various sectors.

Chin-Shan is the Executive Director of the Manager and is licensed with the SFC as a responsible officer of the Manager for the Type 9 (asset management) regulated activity.

Trustee

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

Under the Trust Deed, the Trustee shall take into 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 safekeeping thereto. The Trustee may, from time to time appoint such person or persons (including a connected person) as custodian, co-custodians, sub-custodian, delegate, nominee or agent in respect of the whole or any part of the assets of any Sub-Fund and may empower any such person to appoint, with no objection in writing from the Trustee, sub-custodians, nominees, agents and/or delegates. 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, if approved by the Manager, be paid out of the relevant Sub-Fund.

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

The Trustee shall (A) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of agent, nominee, delegate, 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 the 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. The Trustee shall remain liable for any act or omission of any Correspondent which is a connected person of the Trustee as if the same were the act or omission of the Trustee. 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.

4.5(i)

The Trustee shall not be responsible for: (a) any act, omission, insolvency, liquidation or bankruptcy of Euroclear Bank S.A./N.V., Clearstream Banking, S.A. or any other such central depository or clearing system in relation to any investment deposited with such central depository or clearing

system; or (b) any act or omission of 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 may incur or suffer in performing its obligations or functions relating to 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 Manager is solely responsible for making investment decisions in relation to the Fund and/or each Sub-Fund having regard to the relevant Sub-Fund's investment objectives and policies and investment restrictions. 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 other than as provided above, 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 and therefore accepts no responsibility for any information contained in this Explanatory Memorandum other than information relating specifically to the Trustee and neither the Trustee nor any of its directors, officers or employees accepts any responsibility or liability for any information contained in this document.

Custodian

C3(b)

Bank of China (Hong Kong) Limited ("BOCHK") has been appointed as the custodian of the Fund.

BOCHK was incorporated in Hong Kong on 16 October, 1964. As a locally incorporated licensed bank, it was re-structured to the present form since 1 October 2001 by combining the businesses of ten of the twelve banks in Hong Kong originally belonging to the Bank of China Group. In addition, it holds shares in BOC Credit Card (International) Limited and various subsidiaries engaging in specialized business areas.

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

With an extensive branch network and servicing more than 600,000 corporates and several million retail customers, BOCHK is the second largest banking group in Hong Kong. It offers a full range of banking services, including global custody and also fund-related services for institutional clients. BOCHK is also present in most of the ASEAN countries to better service the local and international communities.

Pursuant to the Custodian Agreement, BOCHK will act as the custodian of the Fund's assets, which will be held directly by the Custodian or through its agents, sub-custodians, or delegates pursuant to

the Custodian Agreement. The appointment of the Custodian may be terminated by not less than ninety (90) days' notice in writing. The Trustee reserves the right to change the custodian arrangements described above by agreement with the Custodian, subject to the terms of the Custodian Agreement.

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

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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 material changes in the investment objectives, policies and restrictions of a Sub-Fund (including expansion in the purpose or extent of use of financial derivative instruments for investment purposes) 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 and borrowing restrictions set out in Schedule 1 to this Explanatory Memorandum.

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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.

7.41

Securities Lending, Sale and Repurchase and Reverse Repurchase Transactions

Unless otherwise disclosed in the relevant Appendix, the Manager currently does not intend to enter into any Securities Financing Transactions or other similar over-the-counter transactions in respect of any of the Sub-Funds. 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.

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Investment via Subsidiary

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

7.3A

LIQUIDITY RISK MANAGEMENT

The Manager has established a liquidity management policy which enables it to identify, monitor and manage the liquidity risks of the Fund and to ensure that the liquidity profile of the investments of the Fund will facilitate compliance with the Fund's obligation to meet redemption requests and other payment obligations. 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.

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

The liquidity management policy involves monitoring the profile of investments held by the Fund on an on-going basis to ensure that such investments are appropriate to the redemption policy as stated under the section "Redemption of Units", and will facilitate compliance with the 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 the Fund under normal and exceptional market conditions.

Investors should note that, as a tool for liquidity risk management, the Manager may limit the number of Units redeemed during any Redemption Day to 10% of the total number of Units of the relevant Sub-Fund in issue, subject to the conditions set out under the heading "Restrictions on Redemption" in the section "Redemption of Units". Such limitation, if imposed, would restrict the ability of a Unitholder to redeem in full the Units he intends to redeem on a particular Redemption Day. The Manager may also, subject to the restrictions in Schedule 1, borrow in respect of a Sub-Fund to meet redemption requests.

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 advice.

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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.

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 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 lower liquidity, 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 initial public offers ("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 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 and do not guarantee the creditworthiness of the securities and/or issuers at all times. 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's 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 rating assigned to a security or an issuer may be re-evaluated and updated based on recent market events or specific developments. As a result, investment grade securities may be subject to the risk of being downgraded to below investment grade securities. Similarly, an issuer having an investment grade rating may be downgraded, for example, as a result of deterioration of its financial conditions. In the event of downgrading in the credit ratings of a security or an issuer relating to a security, 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 relevant Sub-Fund. In the event of investment grade securities being downgraded to below investment grade securities and such securities continued to be held by the Sub-Fund, the Sub-Fund will also be subject to the below investment grade securities risk outlined in the following paragraph.

- *Below investment grade and unrated securities risk*

A Sub-Fund may invest in securities which are below investment grade 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 and may be subject to greater fluctuation in value and higher chance of default. If the issuer of securities defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. The market for these securities may be less active, making it more difficult to sell the securities. Valuation of these securities is more difficult and thus the relevant Sub-Fund's prices may be more volatile.

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

- *Interest rates 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.

Risks of investing in other funds

A Sub-Fund may invest in underlying funds which are not regulated by the SFC and will be subject to the risks associated with the underlying funds. In addition to the expenses and charges charged by such Sub-Fund, investor 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 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 region. Many emerging countries have historically been subject to political instability which may affect the value of securities in emerging markets to a significant extent. As emerging markets tend to be more volatile than developed markets, any holdings in emerging markets are exposed to higher levels of market risk.

The securities markets of some of the emerging countries in which 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 countries are not as large as the more established securities markets and have a substantially lower trading volume. Investment in such markets will be subject to risks such as market suspension, restrictions on foreign investment and control on repatriation of capital.

There are also possibilities of nationalisation, expropriation or confiscatory taxation, foreign exchange control, political changes, government regulation, social instability or diplomatic developments which could affect adversely the economies of emerging markets or the value of the Sub-Funds' investments. In addition, it may be difficult to obtain and enforce a judgment in a court in an emerging country.

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 in which a Sub-Fund may invest may differ from those applicable in developed countries, for example, less information is available to investors and such information may be out of date.

Sovereign risks

Certain developing countries and certain developed countries 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 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 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 with a sovereign 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, in particular if there is downgrading of the sovereign credit rating or a default or bankruptcy of a sovereign occurs. There are no bankruptcy proceedings by which sovereign 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 countries 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.

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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 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. 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.

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. As a result, this may have adverse impact on the relevant Sub-Fund and its investors.

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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 some instruments may be evolving, and changes in their regulation or taxation may adversely affect the value of such 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 HKD 10 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 HKD 10 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.

Distributions risk

The Manager is not obliged to pay distributions but may decide to make distributions in respect of the Distribution Classes of a Sub-Fund (as disclosed in the Appendix). 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.**

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 does 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 (referred to as “**FATCA**”) of the US Internal Revenue Code of 1986, as amended (“**IRS Code**”) impose new rules with respect to certain payments to United States and non-United States persons, such as the Fund and/or the Sub-Funds, including interest and dividends from securities of US issuers. All such payments may be subject to withholding tax at a 30% rate, unless the recipient of the payment satisfies certain requirements intended to enable the US Internal Revenue Service (“**IRS**”) to identify United States persons (within the meaning of the IRS Code) with interests in such payments. To avoid such withholding on payments made to it, a foreign financial institution (an “**FFI**”), such as the Fund and/or the Sub-Funds (and, generally, other investment funds resident in Hong Kong), 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 comply with FATCA provisions may face a 30% withholding tax on all “withholdable payments” derived from US sources, including US-source dividends and interest. It is possible that certain non-US 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, though the definition of “foreign passthru payments” in US Treasury Regulations is currently pending.

The Hong Kong government has entered into an intergovernmental agreement with the US (“**IGA**”) for the implementation of FATCA, adopting a “Model 2” IGA arrangement. Under this “Model 2” IGA arrangement, FFIs in Hong Kong would be required to register with the US IRS and comply with the terms of an FFI Agreement to avoid a 30% withholding tax on withholdable payments to them. It is expected that FFIs in Hong Kong complying with the FFI Agreement will generally not be subject to the above described 30% withholding tax within the meaning of the IGA.

The Fund and/or Sub-Funds are registered with the US IRS as participating / reporting FFI and are subject to the terms of an FFI Agreement with the US IRS and to perform the relevant due diligence, withholding and reporting obligation.

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

Unitholders may be required to provide information and certification for the Fund or the relevant Sub-Fund to comply with relevant FATCA obligations and failure to do so may result in the Unitholders not being able to invest in the Fund and/or the relevant Sub-Fund. In the event a Unitholder (account holder) does not provide the requested information and/or documentation, whether or not that actually

leads to compliance failures by the Fund and/or a Sub-Fund, or a risk of the Fund and/or a Sub-Fund being subject to withholding tax under FATCA, the Manager, the Fund and/or each of such relevant Sub-Fund reserve the right to take any action and/or pursue all remedies at its disposal including as far as legally permitted, without limitation, (i) reporting the relevant information of such Unitholder to the US IRS; and/or (ii) withholding or deducting from such Unitholder's redemption proceeds or distributions to the extent permitted by applicable laws and regulations. The Manager and/or the Fund in taking any such action or pursuing any such remedy shall act in good faith and on reasonable grounds and in accordance with the constitutive documents (i.e. the Trust Deed).

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

Automatic Exchange of Financial Account Information

The Inland Revenue (Amendment) (No.3) Ordinance and subsequent related Hong Kong legislation (collectively, the "Ordinance") is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information ("AEOI"). The AEOI requires financial institutions ("FI") in Hong Kong to collect information relating to non-Hong Kong tax residents holding accounts with FIs and controlling persons of certain entities holding accounts with FIs, and report the relevant information to the Hong Kong Inland Revenue Department ("IRD") for exchange such information with the jurisdiction(s) in which that account holder or the controlling person is tax resident. Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has a Competent Authority Agreement ("CAA"). With the passage of the Inland Revenue (Amendment) (No. 2) Ordinance 2017 and subsequent legislation, the number of reportable jurisdictions has increased effective 1 July 2017 to include a number of jurisdictions with which Hong Kong does not currently have a CAA. In light of the foregoing, the Fund, the Sub-Funds and/or its agents may further collect information relating to residents of other jurisdictions which currently do not have a CAA with Hong Kong. .

The Fund and each Sub-Fund are required to comply with the requirements of AEOI as implemented by Hong Kong, which means that the Fund, each Sub-Fund and/or its agents shall collect and provide to the IRD tax information relating to Unitholders, their controlling person, and prospective investors.

The AEOI requires the Fund and each Sub-Fund to, amongst other things: (i) register the Fund's status as a "Reporting Financial Institution" with the IRD if reportable accounts are maintained; (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) certain entities controlled by individuals who are tax resident in such other jurisdiction. Under the Ordinance, details of Unitholders, including but not limited to their name, jurisdiction of birth, address, tax residence, taxpayer identification number, 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/or continuing to invest in the Fund, Unitholders acknowledge that they are required to enable the Fund to comply with AEOI by providing the required information to the Fund, the relevant Sub-Fund, the Manager and/or the Fund's agents in order to open an account. Moreover, Unitholders acknowledge that they may be required to provide additional information to the Fund, the Sub-Funds, the Manager and/or the Fund's agents in order for the Fund and the Sub-Funds 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. The

failure of a Unitholder to provide any requested information, may result in the Fund, the relevant Sub-Fund, the Manager and/or other agents of the Fund taking any action and/or pursue remedies at their disposal including, without limitation, mandatory redemption or withdrawal of the Unitholder concerned, insofar as legally permitted.

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.

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.

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.

C5

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.

C7

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 (i) the difference between the last traded price (or the mean between the last available bid and asked prices) of the investments of the relevant Sub-Fund and the latest available asked price of such investment and (ii) fiscal and purchase charges (including any stamp duty, other taxes, duties or governmental charges, brokerage, bank charges, transfer fees, or registration fees) which would be incurred for the account of the relevant Sub-Fund in investing an

amount equal to that Net Asset Value per Unit. For further details, please see “*Valuation and Suspension – Adjustment of Prices*” below.

The Issue Price shall be rounded to the nearest 4 decimal places with 0.00005 being rounded up. Any amount corresponding to such rounding will accrue to the relevant Sub-Fund.

Subscription Charge

The Trust Deed provides that the Manager, its agents or delegates may charge a Subscription Charge. If a Subscription Charge is levied, the maximum rate is 5% of the total subscription amount received in relation to an application. However, in practice, the Manager does not intend to levy such Subscription Charge. Where an Authorised Distributor charges a Subscription Charge, the Manager will directly pay any Subscription Charge to the relevant Authorised Distributor.

C14(a)

Minimum Initial Subscription Amount and Minimum Subsequent Subscription Amount

C4

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 directly by completing the Application Form and sent by post to the Manager at the business addresses on the Application Form. The Manager and/or the Trustee may request further supporting documents and/or information to be provided together with the Application Form. The Application Form is available from the Manager.

C9

The original Application Form is required unless otherwise determined by the Manager and the Trustee. Further, subsequent subscription applications may be sent by such other means (including all electronic means) as determined by the Manager and the Trustee from time to time.

In respect of Application Forms and subscription moneys in cleared funds which are received on or before the IOP Deadline, provided an account has been opened with the Manager for the investor in connection with investment in the Fund, Units will be issued to the investor by the Trustee at the direction of the Manager (who has the exclusive right to determine the issue of such Units) 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 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.

Investors may also subscribe for Units through Authorised Distributors appointed by the Manager. Where investors subscribe through Authorised Distributors, they should pay attention to the applicable dealing procedures which can be obtained from the relevant Authorised Distributors. In particular, Authorised Distributors may impose an earlier dealing cut-off time than the Subscription Deadline. Any request submitted after the Authorised Distributors’ dealing cut-off time will be dealt with on the next Subscription Day in general.

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 in cleared funds by the relevant Subscription Deadline.

Applications will generally be accepted on a Subscription Day only if cleared funds have been received on or prior to such Subscription Day in relation to which Units are to be issued.

However, for subsequent subscriptions, the Manager may in its discretion rely upon application orders received, and instruct the Trustee to issue Units to investors according to such orders, without receipt of cleared funds. In such circumstances, if payment in cleared funds is not made within 4 Business Days following the relevant Subscription Day (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 or bank draft is likely to cause delay in receipt of cleared funds and Units generally will not be issued until the cheque or bank draft 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 SFO.

C12

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 the receipt of cleared funds 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 Manager, the relevant intermediaries or the Authorised Distributor promptly for rectification.

C6

Fractions of a Unit (rounded to the nearest 4 decimal places with 0.00005 being rounded up) 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. The Manager shall give notice pursuant to applicable regulatory requirements as disclosed under the section "***Suspension***" below.

C11

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 and the Trustee.

C7

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 last traded price (or the mean between the last available bid and asked prices) of the investments of the relevant Sub-Fund and the latest available bid price of such investment and (ii) fiscal and sale charges (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 to the nearest 4 decimal places with 0.00005 being rounded up. 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 up to a maximum rate of 5% of the total redemption amount in relation to a redemption request. The 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.

C14(a)

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.

For the purpose of calculating the Redemption Charge payable on a partial redemption of a Unitholder’s holding, Units subscribed earlier in time are deemed to be redeemed prior to Units subscribed later in time unless the Manager and the Trustee agree otherwise.

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 the relevant Sub-Fund. 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.

C4

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 directly to the Manager by completing the Redemption Form and sent by post to the Manager at the business address on the Redemption Form. The Redemption Form is available from the Manager.

C9

A Redemption Form received by the Manager 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.

The original Redemption Form is required unless otherwise determined by the Manager and the Trustee. Further, the redemption request may be sent by such other means (including all electronic means) as determined by the Manager and the Trustee from time to time.

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

Investors may also redeem Units through Authorised Distributors through which the Units were subscribed. Where investors redeem through Authorised Distributors, they should pay attention to the applicable dealing procedures which can be obtained from the relevant Authorised Distributors. In particular, Authorised Distributors may impose an earlier dealing cut-off time than the Redemption Deadline. Any request submitted after the Authorised Distributors' dealing cut-off time will be dealt with on the next Redemption Day in general.

Payment of Redemption Proceeds

C9

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.

Unless otherwise specified in the relevant Appendix relating to a Sub-Fund and subject to the approval of the Manager, and to applicable limits on foreign exchange, redemption proceeds can be paid in a currency other than the relevant Base Currency or Class Currency. 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. In addition, the Manager may after consultation with the Trustee and, with the consent of the relevant redeeming Unitholders, pay redemption proceeds in a currency other than the relevant Class Currency if due to any foreign exchange control or restriction or regulatory requirement or policy, the relevant Class Currency is not available or not sufficient for payment of the redemption proceeds.

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.

Save as otherwise disclosed in the relevant Appendix for a Sub-Fund, 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 receives the duly completed and signed original Redemption Form and such other documents and information as the Manager and/or the Trustee 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 money 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).

C10

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 Manager or the Trustee, 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 and (c) the Unitholder has produced all documents or information required by the Manager and/or the Trustee 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).

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With a view to protecting the interests of all Unitholders of a Sub-Fund, the Manager may with the approval of 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 5 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 country, 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, acting in good faith and in compliance with any applicable laws and regulations:

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- (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

C9

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 or into Units of another Sub-Fund (the “**New Class**”) available for subscription or conversion. Unless the Manager and the Trustee otherwise agrees, Units of a Class can only be converted into Units of the same Class of another Sub-Fund.

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

C14(a)

A conversion request will be treated as a redemption from the Existing Class and a subscription into the New Class.

Accordingly, the Switching Fee applicable to a conversion of Units comprises (i) the Redemption Charge for redemption of the Existing Class and (ii) the Subscription Charge for subscription into the New Class, if any.

The Redemption Charge is subject to a maximum rate of 5% of the total redemption amount for redemption of the Existing Class. The Redemption Charge will be deducted from the proceeds of redemption of the Existing Class and retained by the Existing Class. Please refer to the section “Redemption of Units – Redemption Charge” for details on the Redemption Charge.

As disclosed in the section “*Investing in the Fund – Subscription Charge*”, although the Trust Deed provides for a Subscription Charge of up to a maximum rate is 5% of the total subscription amount, in practice, the Manager does not intend to levy a Subscription Charge. Where an Authorised Distributor charges a Subscription Charge in relation to a subscription into the New Class, the Manager will directly pay any Subscription Charge to the relevant Authorised Distributor.

The current rate of Switching Fee (if any) and the manner in which it will be imposed are specified in the relevant Appendix.

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

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

Where in either case:-

N is the number of Units of the New Class to be issued, provided that amounts lower than the smallest fraction of a Unit of the New Class shall be ignored and shall be retained by the 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 the applicable Switching Fee (if any) calculated on the basis set out above.

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

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Applications for conversion of Units may be made to the Manager by completing the Conversion Form and sent by post to the Manager at the business address on the Conversion Form. The Conversion Form is available from the Manager.

Conversion Forms which are received by 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 and the Trustee.

The original Conversion Form is required unless otherwise determined by the Manager and the Trustee. Further, the conversion request may be sent by such other means (including all electronic means) as determined by the Manager and the Trustee from time to time.

Investors may also submit a switching request through Authorised Distributors. Where investors submit a switching request through Authorised Distributors, they should pay attention to the applicable dealing procedures which can be obtained from the relevant Authorised Distributors. In particular, Authorised Distributors may impose an earlier dealing cut-off time than the Redemption Deadline applicable to the Existing Class. Any request submitted after the Authorised Distributors’ dealing cut-off time will be dealt with on the next Redemption Day in general.

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:-

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(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 relevant Securities Market 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 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 adopt such prices after consultation with the Trustee.
- (ii) If an investment is quoted, listed or normally dealt in on more than one Securities Market, the Manager shall adopt the last traded price or last published closing price on the Securities Market from which the security was originally acquired (and where there has been a change of depositary in respect of such security, the Securities Market on which the security is currently traded).
- (iii) For an investment where only a single external pricing source is available, the price shall be obtained for that source as the Manager may, after consultation with the Trustee, deem appropriate.
- (iv) 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.
- (v) 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 after 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

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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.

The Net Asset Value per Unit shall be rounded to the nearest 4 decimal places with 0.00005 being rounded up. Any amount corresponding to such rounding will accrue to the relevant Fund or Class.

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. Where necessary the Manager will seek the view of 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

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10.6

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 to carry out a Scheme of Amalgamation involving that Investment 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 after any such declaration 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 an appropriate manner (including via the Manager's website) 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.

10.7

DISTRIBUTION POLICY

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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.capitaldynamics.hk*. Investors should note that the aforesaid website has not been reviewed 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 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’ written notice to the Manager prior to the distribution record date. 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

Management 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 rate of 1.5% per annum.

C14(b)

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.

C14(b)

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.

Trustee Fee

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 and subject to a minimum monthly fee (if any) as specified in the relevant Appendix. The Trustee's fee is calculated and 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 of 1.5% per annum and a monthly minimum fee.

C14(b)

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

Custodian Fees

Pursuant to the fee letter entered into between the Trustee and the Custodian, the Custodian is entitled to (among others) transaction charges at customary market rates and custody fees at different rates, largely depending on the investment instruments concerned as well as the markets where the Custodian is required to hold the Fund's assets. Such fees will be calculated monthly and will be paid monthly in arrears, or any other mutually agreed frequency. The Custodian will also be entitled to reimbursement by the Fund for any out-of-pocket expenses or third-party charges incurred in the course of its duties.

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).

C14(c)

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.

C14(b)

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.

General Expenses

Each Sub-Fund will bear the costs (including those set out below) which are directly attributable to it. Where such costs are not directly attributable to a Sub-Fund, such costs will be allocated amongst the Sub-Funds in proportion to the respective Net Asset Value of all the Sub-Funds.

C14(b)

Such costs include but are not limited to the costs of investing and realising the investments of the Sub-Funds, 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 Fund and Sub-Funds 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 Fund or any 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 any 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 a 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.

For so long as the Fund and such Sub-Funds are authorised by the SFC, no advertising or promotional expenses shall be charged to the Sub-Funds so authorised.

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

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transactions between the Sub-Fund and the Manager, the Investment Delegate 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 Delegate of the relevant 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 Delegate 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 Delegate 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 Delegate 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 Delegate and/or any of its connected persons goods or services for which no direct payment is made but instead the Manager, the Investment Delegate and/or any of their connected persons undertakes to place business with that 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 Delegate 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 Delegate, 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.

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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.

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The following summary is of a general nature and for information purposes only. It 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.

The Fund or Sub-Fund(s), the Manager or any of their respective affiliates will not accept any responsibility for providing tax advice to any prospective Unitholder.

Hong Kong Taxation

The Fund/ Sub-Fund(s)

(a) Profits Tax:

Under the current law and practice in Hong Kong, during such time as the Fund and the Sub-Fund(s) remain authorised as a collective investment scheme constituted as a unit trust by the SFC under Section 104 of the SFO, the profits of the Fund and the Sub-Fund(s) are exempt from Hong Kong Profits Tax.

(b) Stamp Duty:

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. If the Fund / Sub-Fund(s) invest in Hong Kong stock, then the Fund will be subject to Hong Kong Stamp Duty.

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.

The Unitholders

(a) Profits Tax:

Unitholders should generally not be subject to any Hong Kong profits tax on distributions by the Fund or Sub-Fund(s) in accordance with the current law and practice of the Inland Revenue Department of Hong Kong. Hong Kong profits tax (which is currently charged at the rate of 16.5% for corporations, and 15% for individuals or unincorporated businesses with the first HK\$2 million of assessable profits, subject to certain conditions being met, charged at 8.25% for corporations and 7.5% for unincorporated businesses) 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 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:*

Hong Kong Stamp Duty is ordinarily payable on the sale and purchase of Hong Kong stock. “Hong Kong stock” is defined as “stock” the transfer of which is required to be registered in Hong Kong. Units are regarded as “Hong Kong stock” for these purposes.

No Hong Kong ad valorem stamp duty is payable by a Unitholder in relation to an issue of Units or on the redemption of Units when the Units are extinguished upon redemption.

No Hong Kong stamp duty is payable where the sale or transfer of the Unit is 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.

Other types of sales or purchases or transfers of the Units by the Unitholders should be liable to Hong Kong Stamp Duty of 0.1% (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.

GENERAL INFORMATION

Reports and Accounts

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

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As an alternative to the distribution of printed annual reports and audited accounts and unaudited semi-annual reports, the Manager will notify Unitholders where the annual reports and audited accounts can be obtained (in printed and electronic forms) within four months after the Accounting Date, and where the unaudited semi-annual accounts 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 shall be sent to investors on request.

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The Manager intends to adopt HKFRS in drawing up the annual accounts of the Fund and Sub-Funds and the semi-annual accounts will apply the same accounting policies and method of computation as are applied in the annual accounts of the Fund and the 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.

11.6A

Publication of Prices

The Issue Price and Redemption Price for each Class of a Sub-Fund will be published on each Subscription Day and Redemption Day of that Sub-Fund on the Manager's website www.capitaldynamics.hk. Investors should note that the aforesaid website has not been reviewed by the SFC.

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Termination of Fund or a Sub-Fund

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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 upon terms previously approved in writing by the Trustee), becomes bankrupt or if a receiver is appointed over any of their assets and not discharged within 60 days;
- (b) in the reasonable 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 reasonable opinion of the Trustee impracticable or inadvisable in consultation with the relevant regulatory agencies (the SFC) 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 still fails to find a qualified corporation to act as the new trustee in place of the Trustee within 180 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 HKD 10 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 HKD 10 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 HKD 10 million or its equivalent or such other amount stated in the relevant Appendix;
- (b) in the reasonable 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 reasonable opinion of the Manager impracticable or inadvisable in consultation with the relevant regulatory agencies (the SFC) 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.

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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.

C1

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 at which an extraordinary resolution is to be proposed and not less than 14 days' notice of any meeting at which an ordinary resolution is to be proposed.

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 country, 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, or will require the Fund or a Sub-Fund to register with any governmental or regulatory authority.

Anti-Money Laundering Regulations

As part of the Manager's and the Trustee's responsibility for the prevention of money laundering, the Manager or the Trustee 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 country recognised as having sufficient anti-money laundering regulations. The Manager and the Trustee 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 or the Trustee 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 or the Trustee 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 or other service providers with any such laws or regulations in any relevant jurisdiction.

Conflicts of Interest

OP4.2

The Manager, the Investment Delegate (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 delegate, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of any Sub-Fund. 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. Each will, at all times, have regard in such event to its obligations to the Fund and the Sub-Funds and will endeavour to ensure that such conflicts are resolved fairly and taking into account investors' interests. Compliance procedures and measures such as segregation of duties and responsibilities together with different reporting lines and "Chinese walls" have been put in place to minimize potential conflicts of interest. In any event, the Manager shall ensure that all investment opportunities will be fairly allocated.

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. 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 on an equitable basis between the Fund and other clients. Where the Manager invests 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 Delegates 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 and 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 Delegates 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.

10.11

In effecting transactions for the account of any Sub-Fund with brokers or dealers connected to the Manager, the Investment Delegate of such Sub-Fund or their connected persons; and transactions by or through a broker or dealer with whom the Manager, the Investment Delegate 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 Delegate and/or any of their connected persons goods or services for which no direct payment is made, the Manager shall ensure that it complies with the requirements under the heading entitled "*Transactions with Connected Persons, Cash Rebates and Soft Dollars*" in the section "*Fees and Expenses*".

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10.12

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 Delegate of such Sub-Fund or with 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 best interests of the Unitholders of the relevant Sub-Fund, having regard to the prevailing commercial rate for a deposit of similar type, size and term negotiated at arm's length in accordance with ordinary and normal course of business.

10.10

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 IRS Code, the United States Treasury Regulations promulgated under the IRS Code and AEOI rules, 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, whenever there is a change in circumstance, in accordance with its terms or subsequent amendments, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction that may be imposed by future legislation.

Power to Disclose Information to Tax Authorities

Subject to applicable laws and regulations in Hong Kong, the Fund, the relevant Sub-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(s) of tax residence, taxpayer identification number(s) (if any), social security number (if any) and certain information relating to the Unitholder's holdings, account balance/value, and income or sale or redemption proceeds, to enable the Fund or the relevant Sub-Fund to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law, regulation or agreement under FATCA and any AEOI rules).

Facsimile or Electronic Instructions

The Manager and Registrar will generally act on faxed or any other electronic instructions for subsequent subscription or conversion applications but may require signed original instructions. However, the Manager or Registrar may refuse to act on faxed or any other electronic instructions until the original written instructions are received. The Manager or Registrar may, in its absolute discretion, determine whether or not original instructions are also required in respect of subsequent subscription or redemption or conversion applications sent by facsimile or any other electronic means by applicants or Unitholders.

Applicants or Unitholders should be reminded that if they choose to send the instruction pertaining to subsequent subscription or conversion applications by facsimile or any other electronic means, they bear their own risk of such instructions not being received, or being illegible. Applicants or Unitholders should note that the Fund, the Manager, the Trustee and the Registrar and their respective agents and delegates accept no responsibility for any loss caused as a result of non-receipt or illegibility of any instruction sent by facsimile or any other electronic means or any amendment to such instruction or for any loss caused in respect of any action taken as a consequence of such faxed or any other electronic instructions believed in good faith to have originated from properly authorized persons. This is notwithstanding the fact that a facsimile or any other electronic transmission report produced by the originator of such transmission discloses that such transmission was sent. Applicants or Unitholders should therefore for their own benefit confirm with the Manager or the Registrar safe receipt of an instruction.

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

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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

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

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

For the avoidance of doubt, restrictions and limitations on counterparty as set out in sub-paragraphs 1(a), 1(b) and 4.4(c) of this Schedule 1 will not apply to financial derivative instruments that are:

Note (3) to
7.1

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

The requirements under this sub-paragraph 1(a) will also apply in the case of sub-paragraphs 6(e) and (j) of this Schedule 1.

Note (4) to
7.1

- (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: 7.1A
 - (i) investments in securities issued by those entities;
 - (ii) exposure to those entities through underlying assets of financial derivative instruments; and
 - (iii) net counterparty exposure to those entities arising from transactions of over-the-counter financial derivative instruments.

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

Note (2) to
7.1A

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: 7.1B
Note (2) to 7.1B
- (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. Note (1) to 7.1B
- (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. 7.2, 7.40
- (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. 7.3
- (f) the value of the Sub-Fund's total holding of Government and other public securities of the same issue exceeding 30% of the latest available Net Asset Value of such Sub-Fund (save that the Sub-Fund may invest all of its assets in Government and other public securities in at least six different issues). For the avoidance of doubt, Government and other public securities will be regarded as being of a different issue if, even though they are issued by the same person, they are issued on different terms whether as to repayment dates, interest rates, the identity of the guarantor, or otherwise. 7.4
7.5
Note (2) to 7.5
- (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 7.11
- (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, 7.11A

provided that:

- | | | |
|-----|--|-------------------------------|
| (A) | no investment may be made in any underlying scheme the investment objective of which is to invest primarily in any investment prohibited by Chapter 7 of the Code; | 7.11B |
| (B) | where an underlying scheme's objective is to invest primarily in investments restricted by Chapter 7 of the Code, such investments may not be in contravention of the relevant limitation. For the avoidance of doubt, 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; | 7.11B
Note (3) to
7.11B |
| (C) | the underlying scheme's objective may not be to invest primarily in other collective investment scheme(s); | Note (4) to
7.11B |
| (D) | all initial charges and redemption charges on the underlying scheme(s) must be waived if the underlying scheme is managed by the Manager or its Connected Persons; and | 7.11C |
| (E) | the Manager or any person acting on behalf of the 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. | 7.11D |

For the avoidance of doubt:

- | | | |
|------|---|--|
| (aa) | unless otherwise provided under the Code, the spread requirements under sub-paragraphs 1(a), (b), (d) and (e) of this Schedule 1 do not apply to investments in other collective investment schemes by a Sub-Fund; | "Investment
in other
schemes" in
Ch. 7 |
| (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; | Note to
"Investment
in other
schemes" in
Ch. 7 |
| (cc) | where investments are made in listed REITs, the requirements under sub-paragraphs 1(a), (b) and (d) of this Schedule 1 apply and where investments are made in unlisted REITs, which are either companies or collective investment schemes, then the requirements under sub-paragraphs 1(e) and (g)(i) of this Schedule 1 apply respectively; and | Note
to 7.14 |
| (dd) | where 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. | Note (2)
to 7.28(a) |

2. Investment prohibitions applicable to each Sub-Fund

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; 7.10
- (b) invest in any type of real estate (including buildings) or interests in real estate (including any options or rights but excluding shares in real estate companies and interests in REITs); 7.14
- (c) make short sales unless (i) the liability of the 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; 7.15
7.16
Note to 7.15
- (d) carry out any naked or uncovered short sale of securities; Note to 7.15
- (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); 7.17
- (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; 7.18
7.18A
- (g) invest in any security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5%, or collectively they own more than 5%, of the total nominal amount of all the issued securities of that class; 7.19
- (h) invest in any security where a call is to be made for any sum unpaid on that security, unless the call could be met in full out of cash or near cash from the 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. 7.20

3. Feeder Funds

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 – 7.12

- (a) such underlying scheme (“**master fund**”) must be authorized by the SFC;
- (b) no increase in the overall total of initial charges, redemption charges, management fees, or any other costs and charges payable to the Manager or any of its connected

persons borne by the Unitholders or by the feeder fund may result, if the master fund in which the feeder fund invests is managed by the Manager or by a connected person of the Manager;

- (c) notwithstanding proviso (C) to sub-paragraph 1(g) of this 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: 7.25
- (a) they are not aimed at generating any investment return; Note (1) to 7.25
 - (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. Note (2) to 7.25
- 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. Note (3) to 7.26
Notes (2) to 7.26
- 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. 7.27

- 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: 7.28
- (a) the underlying assets consist solely of shares in companies, debt securities, money market instruments, units/shares of collective investment schemes, deposits with Substantial Financial Institutions, Government and other public securities, highly-liquid physical commodities (including gold, silver, platinum and crude oil), financial indices, interest rates, foreign exchange rates, currencies, or other asset classes acceptable to the SFC, in which the 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 valuation agent 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. 7.29
- 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: 7.30
- (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. 7.31

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. 7.32

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. 7.33

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. 7.34

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. 7.35

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: 7.36

- (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 – any re-investment of collateral received for the account of the relevant Sub-Fund shall be subject to the following requirements:
 - (i) cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorized under 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the Code. For this purpose, money market instruments refer to securities normally dealt in on the money markets, including government bills, certificates of deposit, commercial papers, short-term notes and bankers' acceptances, etc. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments must be taken into account;
 - (ii) non-cash collateral received may not be sold, re-invested or pledged;
 - (iii) the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in sub-paragraphs 7(b) and 7(j) of this Schedule 1;
 - (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. **Money Market Funds**

In the exercise of its investment powers in relation to a Sub-Fund which is a money market fund (“**Money Market Fund**”) authorised by the SFC under 8.2 of the Code, the Manager shall ensure that the core requirements as set out in paragraphs 1, 2, 4, 5, 6, 9, 10.1 and 10.2 of this Schedule 1 shall apply with the following modifications, exemptions or additional requirements:-

- (a) subject to the provisions set out below, a Money Market Fund may only invest in short-term deposits and high quality money market instruments (i.e. securities normally dealt in on the money markets including government bills, certificates of deposit, commercial papers, short-term notes, bankers’ acceptances, asset-backed securities such as asset-backed commercial papers), and money market funds that are authorised by the SFC under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC; 8.2(e)
- (b) a Money Market Fund shall maintain a portfolio with weighted average maturity not exceeding 60 days and a weighted average life not exceeding 120 days and must not purchase an instrument with a remaining maturity of more than 397 days (or two years in the case of Government and other public securities). For the purposes herein; 8.2(f)
 - (i) “**weighted average maturity**” is a measure of the average length of time to maturity of all the underlying securities in a Money Market Fund weighted to reflect the relative holdings in each instrument; and is used to measure the sensitivity of the Money Market Fund to changing money market interest rates; and
 - (ii) “**weighted average life**” is the weighted average of the remaining life of each security held in a Money Market Fund; and is used to measure the credit risk, as well as the liquidity risk,

provided that the use of interest rate resets in variable-notes or variable-rate notes generally should not be permitted to shorten the maturity of a security for the purpose of calculating weighted average life, but may be permitted for the purpose of calculating weighted average maturity;

- (c) notwithstanding sub-paragraphs 1(a) and 1(c) of this Schedule 1, the aggregate value of a Money Market Fund's holding of instruments issued by a single entity, 8.2(g)

together with any deposits held with that same issuer may not exceed 10% of the latest available Net Asset Value of such Money Market Fund except:-

- (i) the value of a Money Market Fund's holding of instruments and deposits issued by a single entity may be increased to 25% of the latest available Net Asset Value of such Money Market Fund if the entity is a Substantial Financial Institution, provided that the total value of such holding does not exceed 10% of the entity's share capital and non-distributable capital reserves; or
 - (ii) up to 30% of a Money Market Fund's latest available Net Asset Value may be invested in Government and other public securities of the same issue; or
 - (iii) in respect of any deposit of less than US\$1,000,000 or its equivalent in the Base Currency of the relevant Money Market Fund where such Money Market Fund cannot otherwise diversify as a result of its size;
- (d) notwithstanding sub-paragraphs 1(b) and 1(c) of this Schedule 1, the aggregate value of a Money Market Fund's investments in entities within the same group through instruments and deposits may not exceed 20% of its latest available Net Asset Value provided that:
- 8.2(g)(a)
- (i) the aforesaid limit will not apply in respect of cash deposit of less than US\$ 1,000,000 or its equivalent in the Base Currency of such Money Market Fund, where it cannot otherwise diversify as a result of its size;
 - (ii) where the entity is a Substantial Financial Institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%;
- (e) the value of a Money Market Fund's holding of money market funds that are authorised under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC may not in aggregate exceed 10% of its latest available Net Asset Value;
- 8.2(i)
- (f) the value of a Money Market Fund's holding of investments in the form of asset-backed securities may not exceed 15% of its latest available Net Asset Value;
- 8.2(j)
- (g) subject to paragraphs 5 and 6 of this Schedule 1, a Money Market Fund may engage in Sale and Repurchase Transactions, and Reverse Repurchase Transactions in compliance with the following additional requirements:
- 8.2(k)
- (i) the amount of cash received by the Money Market Fund under Sale and Repurchase Transactions may not in aggregate exceed 10% of its latest available Net Asset Value;
 - (ii) the aggregate amount of cash provided to the same counterparty in reverse repurchase agreements may not exceed 15% of the latest available Net Asset Value of the Money Market Fund;
 - (iii) collateral received may only be cash, high quality money market instruments and may also include, in the case of Reverse Repurchase Transactions, government securities receiving a favourable assessment on credit quality; and

- (iv) the holding of collateral, together with other investments of the Money Market Fund, must not contravene the investment limitations and requirements set out in the other provisions of this paragraph 7 of this Schedule 1;
- (h) a Money Market Fund may use financial derivative instruments for hedging purposes only; 8.2(l)
- (i) the currency risk of an Money Market Fund should be appropriately managed and any material currency risk that arises from investments of the Money Market Fund that are not denominated in its Base Currency shall be appropriately hedged; 8.2(m)
- (j) a Money Market Fund must hold at least 7.5% of its latest available Net Asset Value in daily liquid assets and at least 15% of its latest available Net Asset Value in weekly liquid assets. For the purposes herein: 8.2(n)
 - (i) daily liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within one Business Day; and (iii) amount receivable and due unconditionally within one Business Day on pending sales of portfolio securities; and
 - (ii) weekly liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within five Business Days; and (iii) amount receivable and due unconditionally within five Business Days on pending sales of portfolio securities.

8. **Index Funds**

- 8.1 In the exercise of its investment powers in relation to a Sub-Fund the principal objective of which is to track, replicate or correspond to a financial index or benchmark (“**Underlying Index**”), with an aim of providing or achieving investment results or returns that closely match or correspond to the performance of the Underlying Index (“**Index Fund**”), the Manager shall ensure that the core requirements in paragraphs 1, 2, 4, 5, 6, 9.1, 10.1 and 10.3 of this Schedule 1 shall apply with the modifications or exceptions as set out in sub-paragraphs 8.2 to 8.4 below. 8.6(g)
- 8.2 Notwithstanding sub-paragraph 1(a) of this Schedule 1, more than 10% of the latest available Net Asset Value of an Index Fund may be invested in constituent securities issued by a single entity provided that:- 8.6(h)(i), (ii)
 - (a) it is limited to any constituent securities that each accounts for more than 10% of the weighting of the Underlying Index; and
 - (b) the Index Fund’s holding of any such constituent securities may not exceed their respective weightings in the Underlying Index, except where weightings are exceeded as a result of changes in the composition of the Underlying Index and the excess is only transitional and temporary in nature,
- 8.3 Investment restrictions in sub-paragraphs 8.2(a) and (b) of this Schedule 1 do not apply if: 8.6(h)(a)

- (a) an Index Fund adopts a representative sampling strategy which does not involve the full replication of the constituent securities of the Underlying Index in the exact weightings of such Underlying Index;
- (b) the strategy is clearly disclosed in the relevant Appendix of the Index Fund;
- (c) the excess of the weightings of the constituent securities held by the Index Fund over the weightings in the Underlying Index is caused by the implementation of the representative sampling strategy;
- (d) any excess weightings of the Index Fund's holdings over the weightings in the Underlying Index must be subject to a maximum limit reasonably determined by the Index Fund after consultation with the SFC. In determining this limit, the Index Fund must consider the characteristics of the underlying constituent securities, their weightings and the investment objectives of the Underlying Index and any other suitable factors;
- (e) limits laid down for the Index Fund pursuant to sub-paragraph 8.3(d) must be disclosed in the relevant Appendix of the Index Fund; and
- (f) disclosure must be made in the Index Fund's interim and annual financial reports as to whether the limits imposed for the Index Fund itself pursuant to sub-paragraph 8.3(d) of this Schedule 1 have been complied with in full.

8.4 Subject to approval of the SFC, the investment restrictions in sub-paragraphs 1(b) and (c) of this Schedule 1 may be modified and the 30% limit in sub-paragraph 1(f) of this Schedule 1 may be exceeded, and an Index Fund may invest all of its assets in Government and other public securities in any number of different issues despite sub-paragraph 1(f) of this Schedule 1. 8.6(h)(b)
8.6(i)

9. **Borrowing and Leverage**

The expected maximum level of leverage of each Sub-Fund is as follows:

Cash borrowing

9.1 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 9.1. 7.21

9.2 Notwithstanding sub-paragraph 9.1 of this Schedule 1, a Money Market Fund may borrow only on a temporary basis for the purposes of meeting redemption requests or defraying operating expenses. 8.2(h)

Leverage from the use of financial derivative instruments

9.3 A Sub-Fund may also be leveraged through the use of financial derivative instruments and its expected maximum level of leverage through the use of financial derivative instruments (i.e. expected maximum net derivative exposure) is set out in the relevant Appendix.

9.4 In calculating the net derivative exposure, derivatives acquired for investment purposes that would generate incremental leverage at the portfolio level of the relevant Sub-Fund are converted into their equivalent positions in their underlying assets. The net derivative exposure is calculated in accordance with the requirements and guidance by the SFC which may be updated from time to time.

9.5 The actual level of leverage may be higher than such expected level in exceptional circumstances, for example when there are sudden movements in markets and/or investment prices.

10. Name of Sub-Fund

10.1 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. 7.42

10.2 The name of a Money Market Fund must not appear to draw a parallel between the Money Market Fund and the placement of cash on deposit. 8.2(c)

10.3 The name of an Index Fund must reflect the nature of an index fund. 8.6(m)

APPENDIX 1 – I CAPITAL CHINA FUND

This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the i Capital China 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	C5
“Class Currency”	USD	
“Initial Offer Period”	the period commencing 9.00 a.m. (Hong Kong time) on 16 October 2017 to 5.00 p.m. (Hong Kong time) on 30 November 2017 (or such other dates as the Manager may determine)	
“Redemption Day”	the last Business Day of every week 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	C7
“Redemption Deadline”	3 p.m. (Hong Kong time) on the relevant Redemption Day (or, if such day is not a Business Day, the immediately preceding Business 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”	<i>i</i> Capital China Fund	C1
“Subscription Day”	the last Business Day of every week 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	C7
“Subscription Deadline”	3 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”	a Subscription Day or a Redemption Day (as the case may be) or such	C7

other day as the Manager and the Trustee may from time to time determine

INVESTMENT CONSIDERATIONS

Investment Objective The Sub-Fund seeks to achieve long-term capital appreciation by primarily investing in equity securities issued by companies listed in Hong Kong, Shanghai and/or Shenzhen.

C2

Investors should note that the Sub-Fund's allocation between instruments in the mainland China and the Hong Kong markets may change significantly from time to time. This may result in the Sub-Fund's investment portfolio becoming more concentrated on either the mainland China market or the Hong Kong market from time to time.

Investment Policies The Sub-Fund's investment strategy is driven by the Manager's long term value investing philosophy. The Manager adapts its value investing approach by considering political and economic factors, and aims at drawing on the intrinsic value of a company having regard to the principle of margin of safety (the difference between the intrinsic value of a stock and its market price) as its core investment philosophy. The Sub-Fund's investment horizon will not be restricted by sector or market cap.

C2

The Sub-Fund aims to invest predominantly in listed securities whilst maintaining a cash buffer on a temporary basis (pending suitable investment opportunities and also for defensive purposes). The actual asset allocation is driven by the Manager's value investing philosophy which is based on two components: namely the valuation of a listed company AND its market price. When the Manager considers the market is undervalued and there are appropriate investment opportunities whereby listed companies are trading below their fair value, the Sub-Fund may invest as much as 98% of its Net Asset Value in listed equity securities. In times of extreme market conditions such as when there are speculative bubbles in the mainland China and/or Hong Kong markets where the Manager considers that securities are overvalued and/or the mainland China or the Hong Kong economy is overheating, the Sub-Fund's assets may invest up to 100% in cash/cash equivalent products on a temporary basis (such as money market instruments) in order to mitigate risk and/or maintain liquidity of the Sub-Fund.

In seeking to achieve the long term capital appreciation investment objective of the Sub-Fund, the Manager may consider a broad variety of factors and circumstances in the selection of securities and construction of the Sub-Fund's portfolio. Such factors may include, but are not limited to, a company's profitability, debt, valuation, growth prospects, actual or future cash flows, volatility, availability and liquidity of securities, sector outlook or prospects, the overall economic, political, tax and regulatory environment affecting the relevant securities and markets in mainland China and/or Hong Kong.

Under normal market conditions, at least 70% of the Sub-Fund's Net Asset Value will be invested in equity securities listed in Hong Kong, and/or Shanghai and/or Shenzhen. These equity securities are: (i) China A-Shares via the Shanghai - Hong Kong Stock Connect and the

Shenzhen - Hong Kong Stock Connect, (ii) shares listed on the Stock Exchange of Hong Kong Limited, (iii) China B-Shares listed on the Stock Exchanges of Shanghai and Shenzhen.

Less than 30% of the Sub-Fund's Net Asset Value will be invested in debt securities issued by companies listed in Hong Kong, Shanghai and/or Shenzhen; or issued by the mainland China and/or Hong Kong governments. Such debt securities may be listed on a stock exchange and/or traded in a bond market. However, the Sub-Fund will not invest in onshore mainland China debt securities.

The Sub-Fund may also invest less than 30% of its Net Asset Value in equity securities listed outside Hong Kong, Shanghai and/or Shenzhen if such securities are issued by companies whose business is related to the economies of mainland China and/or Hong Kong. These securities may be listed on various stock exchanges including but not limited to stock exchanges in the United States, London or Singapore.

The Sub-Fund may in aggregate invest less than 30% of its Net Asset Value in one or more underlying collective investment scheme(s). These schemes may be managed by the Manager or its connected persons or other third parties, and shall mainly invest in mainland China or Hong Kong related equity and/or debt securities. For schemes which are eligible schemes (i.e. a UCITS¹ scheme which is domiciled in Luxembourg, Ireland or the United Kingdom) or authorised by the SFC, investment in each such scheme shall be less than 30% of the Sub-Fund's Net Asset Value. For schemes which are non-eligible schemes and not authorised by the SFC, the Sub-Fund's aggregate investment in such schemes may not exceed 10% of the Sub-Fund's Net Asset Value.

The Sub-Fund will not invest in corporate bonds or government bonds which are rated below BBB by an internationally recognised credit rating agency (such as Fitch, Moody's or Standard and Poor's) and/or unrated securities.

The Sub-Fund will not invest more than 10% of its Net Asset Value in securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) which is rated non-investment grade (by an internationally recognised credit rating agency including Fitch, Moody's or Standard and Poor's) and/or unrated sovereign issuer.

The Sub-Fund will not be leveraged, short sell or invest in derivatives.

Investor profile

The Sub-Fund is intended for investors with medium to high risk tolerance who are seeking to access capital growth over a long term investment horizon, and can tolerate short term volatility and fluctuations in returns.

Note: (i) the investor profile information is provided for reference only; (ii) before making any investment decisions, investors should consider their own specific circumstances, without limitation, their own risk

¹ An "Undertaking for Collective Investments in Transferable Securities" regulated in the European Union.

tolerance level, financial circumstances and investment objective etc; and (iii) if in doubt, investors should consult their financial tax and legal advisors.

Shanghai-Hong Kong Stock Connect / Shenzhen-Hong Kong Stock Connect (collectively referred to as the “Stock Connects”)

The Shanghai-Hong Kong Stock Connect is a securities trading and clearing links programme developed by Hong Kong Exchanges and Clearing Limited (“**HKEX**”), 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 HKEX, the SZSE and ChinaClear. The aim of the Stock Connects is to achieve mutual stock market access between the PRC and Hong Kong.

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

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

Eligible Securities

(i) Shanghai-Hong Kong Stock Connect

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

- SSE-listed shares which are not traded in RMB; and
- SSE-listed shares which are under risk alert.

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

(ii) Shenzhen-Hong Kong Stock Connect

Under the Shenzhen-Hong Kong Stock Connect, Hong Kong and overseas investors (including the Sub-Fund) are able to trade certain eligible shares listed on the SZSE market (i.e. “**SZSE Securities**”). These include all the constituent stocks of the SZSE Component Index and SZSE Small/Mid Cap Innovation Index which has a market capitalisation of not less than RMB 6 billion, and all the SZSE-listed China A-Shares which have corresponding H Shares listed on SEHK,

except the following:

- SZSE-listed shares which are not traded in RMB; and
- SZSE-listed shares which are under risk alert or under delisting arrangement.

At the initial stage of the Shenzhen-Hong Kong Stock Connect, investors eligible to trade shares that are listed on the ChiNext Board under Northbound trading will be limited to institutional professional investors (which the Sub-Fund will qualify as such) as defined in the relevant Hong Kong rules and regulations.

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

Trading Days

Investors (including the Sub-Fund) will only be allowed to trade on the SSE market and the SZSE market on days where both the PRC and Hong Kong stock markets are open for trading and banking services are available in both markets on the corresponding settlement days.

Trading Quota

Trading under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect will be subject to a daily quota (“**Daily Quota**”). Northbound Shanghai Trading Link under the Shanghai-Hong Kong Stock Connect, Northbound Shenzhen Trading Link under the Shenzhen-Hong Kong Stock Connect, Southbound Hong Kong Trading Link under the Shanghai-Hong Kong Stock Connect and Southbound Hong Kong Trading Link under the Shenzhen-Hong Kong Stock Connect will be respectively subject to a separate set of Daily Quota.

The Daily Quota limits the maximum net buy value of cross-boundary trades under each of the Stock Connects each day. The Northbound Daily Quota is currently set at RMB13 billion for each of the Stock Connects.

SEHK will monitor the quota and publish the remaining balance of the Northbound Daily Quota at scheduled times on the HKEX’s website.

Settlement and Custody

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

The China A-Shares traded through Stock Connects are issued in scripless form, so investors will not hold any physical China A-Shares. Hong Kong and overseas investors who have acquired SSE Securities or SZSE Securities through Northbound trading should maintain the SSE Securities or SZSE Securities with their brokers’ or custodians’ stock accounts with CCASS (the Central Clearing and Settlement System

operated by HKSCC for the clearing securities listed or traded on SEHK).

Corporate Actions and Shareholders' Meetings

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

It is expected that the same arrangement will apply to the Shenzhen-Hong Kong Stock Connect notwithstanding the relevant rules and regulations relating to SZSE Securities are not available yet.

HKSCC will monitor the corporate actions affecting SSE Securities and SZSE Securities and keep the relevant brokers or custodians participating in CCASS ("**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 information regarding their annual general meetings/extraordinary general meetings 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

The China Securities Regulatory Commission (the "**CSRC**") stipulates that, when holding China A-Shares through the Stock Connects, Hong Kong and overseas investors are subject to the following shareholding restrictions:

- shares held by a single foreign investor (such as the Sub-Fund) investing in a listed company must not exceed 10% of the total issued shares of such listed company; and
- total shares held by all foreign investors (i.e. Hong Kong and overseas investors) who make investment in a listed company must not exceed 30% of the total issued shares of such listed company.

When the aggregate foreign shareholding of an individual China A-Share reaches 26%, SSE or SZSE, as the case may be, will publish a notice on its website (<http://www.sse.com.cn/disclosure/disclosure/qfii> for SSE and <http://www.szse.cn/main/disclosure/news/qfii/> for SZSE). If the aggregate foreign shareholding exceeds the 30% threshold, the foreign investors concerned will be requested to sell the shares on a last-in-first-out basis within five trading days.

Currency

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

RMB to trade and settle SSE Securities and SZSE Securities.

Trading Fees

Under the Stock Connects, Hong Kong and overseas investors will be subject to the fees and levies imposed by SSE, SZSE, ChinaClear, HKSCC or the relevant PRC 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/eng/market/sec_tradinfra/chinaconnect/chinaconnnect.htm

Investor Compensation

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.

Currently, as for Northbound trading, according to the SFO, the Investor Compensation Fund will only cover products traded in Hong Kong's recognised securities market (i.e. SEHK) and recognised futures market (i.e. Hong Kong Futures Exchange Limited or "HKFE"). Since default matters in Northbound trading via the Stock Connects do not involve products listed or traded in SEHK or HKFE, they will not be covered by the Investor Compensation Fund.

Therefore, the Sub Fund's investments through Northbound trading under Stock Connects are not currently covered by Hong Kong's Investor Compensation Fund. Legislative amendments have been proposed to cover Northbound trading, and are expected to take effect in 2020.

On the other hand, since the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not PRC brokers, therefore it is not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金) in the PRC.

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

http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnnect.htm

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

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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***".

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Use of Derivatives

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

Securities Financing Transactions

The Manager currently does not intend to enter into any Securities Financing Transactions or other similar over-the-counter transactions in respect of the Sub-Fund. The approval of the SFC will be sought and at

C2

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.

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Equity market risks

The Sub-Fund invests primarily in equity securities and investors should note the associated risks. Please refer to the risk factor “**Equity investment risks**” under the “**Risk Factors**” section in the main part of the Explanatory Memorandum. In relation to risks associated with small-capitalisation/ mid-capitalisation companies, please refer to the risk factor “**Risk relating to small- and mid-capped companies**” in the main part of the Explanatory Memorandum.

Single market / concentration risk

The Sub-Fund invests substantially in the mainland China and Hong Kong markets (or in either of those markets). This will lead to the Sub-Fund being subject to additional concentration risks. It may be more volatile than funds for which the investments are more broadly based. Please refer to the risk factor headed “**Concentration risk**” under the “**Risk Factors**” section in the main part of the Explanatory Memorandum.

Risks associated with dynamic asset allocation of the equity investment portion

Investors should note that the Sub-Fund's allocation between shares in the mainland China and the Hong Kong markets may change significantly from time to time. This may result in the Sub-Fund's investment portfolio becoming more concentrated on either the mainland China or Hong Kong markets from time to time. This may impact the Sub-Fund's risk profile as the two markets involve different risks, and may result in adverse impacts on investors. As the Sub-Fund's investments may be periodically rebalanced, the Sub-Fund may also incur greater transaction costs than a fund with static allocation strategy.

Such dynamic asset allocation of the Sub-Fund's equity investments may not achieve the desired results under all circumstances and market conditions.

Currency risk

Underlying investments of the Sub-Fund may be denominated, or may from time to time be predominantly denominated, in currencies (including RMB) other than the Base Currency of the Sub-Fund (i.e. USD). The Net Asset Value of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the Base Currency and by changes in exchange rate controls.

Performance fee risk

The Sub-Fund is charged a performance fee. Investors should note that this could adversely impact their investments. Please refer to the heading “**Performance Fee**” under the section “**Fees and Expenses**” below for the calculation methodology and the relevant risks.

Given there is no equalisation or series unit arrangements for the

calculation of the performance fee, a redeeming Unitholder may still incur a performance fee in respect of his investments, even though he has suffered a loss of investment capital..

Further, as the calculation of the Net Asset Value per Unit will take account of unrealised appreciation as well as realised gains, a performance fee may be paid on unrealised gains which may subsequently never be realised. The performance fee may also create an incentive for the Manager to make investments for the Sub-Fund which are riskier than would be the case in the absence of a fee based on the performance of the Sub-Fund.

**Risks associated with
Shanghai-Hong Kong
Stock Connect and
Shenzhen-Hong Kong
Stock Connect
(collectively referred to as
the “Stock Connects”)**

Quota limitations –

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

Suspension risk –

Each of the SEHK, SSE and SZSE reserves 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 the Stock Connects is effected, the Sub-Fund’s ability to access the PRC market will be adversely affected.

Differences in trading days –

The Stock Connects only operate on days when both the PRC and Hong Kong stock markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the PRC stock markets but Hong Kong investors (such as the Sub-Fund) cannot carry out any China A-Shares trading. Due to the differences in trading days, the Sub-Fund may be subject to a risk of price fluctuations in China A-Shares on a day that the PRC stock markets are open for trading but the Hong Kong stock market is closed.

Operational risk –

The Stock Connects provide a channel for investors from Hong Kong and overseas to access the PRC stock markets directly.

The Stock Connects are premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this programme subject to meeting certain information technology capability, risk management and other requirements as may

be specified by the relevant exchange and/or clearing house.

Market participants generally have configured and adapted their operational and technical systems for the purpose of trading China A-Shares through the Stock Connects. However, it should be appreciated that the securities regimes and legal systems of the two markets differ significantly and in order for the programme to operate, market participants may need to address issues arising from the differences on an on-going basis.

Further, the “connectivity” in the Stock Connects 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 failed to function properly, trading in both markets through the programme could be disrupted. The Sub-Fund’s ability to access the China A-Shares market (and hence to pursue its investment strategy) will be adversely affected.

Restrictions on selling imposed by front-end monitoring –

PRC regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise SSE or SZSE will reject the sell order concerned. SEHK will carry out pre-trade checking on China A-Share sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

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

However, the Sub-Fund may request a custodian to open a special segregated account (“SPSA”) in CCASS to maintain its holdings in China A-Shares 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 Sub-Fund. Provided that there is sufficient holding in the SPSA when a broker inputs the Sub-Fund’s sell order, the Sub-Fund will be able to dispose of its holdings of China A-Shares (as opposed to the practice of transferring China A-Shares to the broker’s account under the current pre-trade checking model for non-SPSA accounts). Opening of the SPSA accounts for the Sub-Fund will enable it to dispose of its holdings of China A-Shares in a timely manner.

Recalling of eligible stocks –

When a stock is recalled from the scope of eligible stocks for trading via

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

Clearing and settlement risk –

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

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

Participation in corporate actions and shareholders' meetings –

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

Currency risk –

As the Sub-Fund is denominated in US dollars, the performance of the Sub-Fund may be affected by movements in the exchange rate between RMB (i.e. the currency in which SSE Securities and SZSE Securities are traded and settled) and US dollars. Subject to its investment policy, the

Sub-Fund may, but is not obliged to, seek to hedge foreign currency risks. However, even if undertaken, such hedging may be ineffective. On the other hand, failure to hedge foreign currency risks may result in the Sub-Fund suffering from exchange rate fluctuations. For further details on exchange risk, please see risk factor “Foreign Exchange Risk” above).

No Protection by Investor Compensation Fund –

Investments through the Stock Connects are conducted through brokers, and are subject to the risks of default by such brokers’ in their obligations. Currently, the Sub-Fund’s investments through Northbound trading under the Stock Connects are not covered by the Hong Kong’s Investor Compensation Fund. The Sub-Fund is exposed to the risks of default of the broker(s) it engages in its trading in China A-Shares through the Stock Connects. Further, since the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not PRC brokers, it is not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金) in the PRC.

Regulatory risk –

The Stock Connects are novel in nature, and the Stock Connects will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connects.

It should be noted that the regulations are untested and there is no certainty as to how they will be applied. Moreover, the current regulations are subject to change. There can be no assurance that the Stock Connects will not be abolished. The Sub-Fund, which may invest in the PRC stock markets through the Stock Connects, may be adversely affected as a result of such changes.

Risks associated with the Small and Medium Enterprise Board of the SZSE (“SME Board”) and/or ChiNext Board of the SZSE (“ChiNext Board”)

The Sub-Fund may have exposure to stocks listed on SME Board and/or ChiNext Board.

Higher fluctuation on stock prices - Listed companies on the SME Board and/or ChiNext Board are usually of emerging nature with smaller operating scale. Hence, they are subject to higher fluctuation in stock prices and liquidity and have higher risks and turnover ratios than companies listed on the Main Board of the SZSE (“**Main Board**”).

Over-valuation risk - Stocks listed on SME Board and/or ChiNext Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

Differences in regulation - The rules and regulations regarding companies listed on ChiNext Board are less stringent in terms of profitability and share capital than those in the Main Board and SME Board.

Delisting risk - It may be more common and faster for companies listed on the SME Board and/or ChiNext Board to delist. This may have an adverse impact on the Sub-Fund if the companies that it invests in are delisted.

Investments in the SME Board and/or ChiNext Board may result in significant losses for the Sub-Fund and its investors.

Mainland China market risks

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

Since 1978, the PRC 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. Any significant change in PRC's political, social or economic policies may have a negative impact on investments in mainland China.

The regulatory and legal framework for capital markets and joint stock companies in the PRC may not be as well developed as those of developed countries. Accounting standards and practices in mainland China may deviate significantly from international accounting standards. The settlement and clearing systems of the securities markets in mainland China may not be well tested and may be subject to increased risks of error or inefficiency.

The PRC stock market has in the past experienced substantial price volatility, and there is no assurance that such volatility will not occur in the future.

Investors should also be aware that changes in the PRC 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.

Specific 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. Further, the securities exchanges may from time to time introduce measures that could lead to suspension of trading in general on the securities exchanges as a result of market events. 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 investment in emerging markets

The Sub-Fund may have exposure to securities in mainland China being an emerging market, and may be subject to additional risks. Emerging markets may be subject to higher volatility than more developed markets. For the risks associated with investment in emerging markets, please refer to the risk factor headed “**Emerging Markets Risks**” under the “**Risk Factors**” section in the main part of the Explanatory Memorandum.

An emerging market may impose control or restrictions on foreign exchange and repatriation of capital. Exchange control regulations and any changes in such regulations may cause difficulties in the repatriation of funds. Investors may be adversely affected if the Sub-Fund is unable to repatriate funds for the purpose of making payments on the realisation of Units.

Renminbi currency risk

The Sub-Fund is denominated in USD but may substantially invest in securities denominated in Renminbi. Therefore, it may be subject to Renminbi currency risks.

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.

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 Sub-Fund.

Further, the PRC government’s imposition of restrictions on the repatriation of Renminbi out of mainland China may limit the depth of the Renminbi market outside the PRC and reduce the liquidity of the Sub-Fund (insofar as the Sub-Fund is required to convert USD to or from Renminbi) or meet realisation requests in Renminbi (if required). In addition, under the current regulations, the rate at which Renminbi may be exchanged outside the PRC (in the case of Hong Kong, the “CNH” rate) may be different from the exchange rate within the PRC (the “CNY” rate) and such divergence may increase due to supply and

demand. In calculating the value of non-RMB denominated or settled assets and the prices of Units, the Manager will normally apply the CNH rate, and the value of the Sub-Fund thus calculated will be affected by fluctuations in the CNH rate.

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 PRC government. The PRC 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. Under exceptional circumstances, payment of redemptions may be delayed due to exchange controls and restrictions applicable to Renminbi.

Risks of debt securities

The Sub-Fund may invest in debt securities and investors should note the associated risks. Please refer to the risk factor **"Risks relating to debt securities"** under the **"Risk Factors"** section in the main part of the Explanatory Memorandum.

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 have a lower credit rating will be more susceptible to the credit risk of the issuers. 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 foreign laws.

The credit rating of a debt instrument or its issuer may subsequently be downgraded. In the event of such downgrading, the value of the Sub-Fund may be adversely affected. The Manager may or may not be able to dispose of the debt instruments that are being downgraded. Investors should note the limitations of credit ratings set out under the risk factors headed **"Credit rating downgrading risk"** in the main part of the Explanatory Memorandum.

The Sub-Fund invests in debt instruments which are generally offered on an unsecured basis without collateral, and will rank equally with other unsecured debts of the relevant counterparty. As a result, if the counterparty becomes bankrupt, proceeds from the liquidation of the counterparty's assets will be paid to holders of debt instruments only after all secured claims have been satisfied in full. The Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

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. 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 lower-rated 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 lower rated corporate bonds may decline in market value due to investors' heightened concerns and perceptions over credit quality.

Interest rate risk

Investors should also note the interest rate risk associated with investments in debt instruments. In general, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. 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.

Sovereign 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 issuers may not be able or willing to repay the principal and/or interest when due or may request the Sub-Fund to participate in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers. Please refer to the risk factor headed "**Sovereign risks**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum for details.

"Dim Sum" bonds

The offshore RMB 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 offshore RMB markets by the relevant regulators.

Risk of investing in other funds

The Sub-Fund may invest in other funds. In addition to the expenses and charges applicable to 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 manager of these underlying funds as well as fees payable by the Sub-Fund during its subscription to or redemption from these underlying funds. Furthermore, there can be no assurance that 1) the liquidity of the underlying funds will always be sufficient to meet redemption request as and when made; and 2) investment objective and strategy will be successfully achieved despite the due diligence procedures undertaken by the Manager and the selection and monitoring of the underlying funds. The Sub-Fund may sustain a loss in its investments in other funds.

Early termination risk

The ongoing charges of the Sub-Fund not incorporating performance fee will be capped at 2.90% of the average Net Asset Value of the Sub-Fund over a 12-month period. The capped ongoing charges may not be successful in seeking to ensure that the Sub-Fund can operate in an economically viable manner.

In the event that the Manager considers that it is impracticable or inadvisable to continue the Sub-Fund or it is no longer feasible to maintain a capped ongoing charges figure for the continual operation of the Sub-Fund, the Sub-Fund may be terminated by the Manager in accordance with the provisions of the Sub-Fund's constitutive documents.

There is no guarantee that investors in the Sub-Fund may recoup their capital under such circumstances.

INVESTING IN THE SUB-FUND AND REDEMPTION OF UNITS

Classes of Units

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Minimum Subscription Level

Class	Class A
Initial Offer Price	US\$1.00
Minimum Initial Subscription Amount	US\$1,000
Minimum Subsequent Subscription Amount	US\$1,000
Minimum Redemption Amount	US\$1,000
Minimum Holding Amount	US\$1,000

C4

PAYMENT OF REDEMPTION PROCEEDS

C9

Notwithstanding the disclosure stated in the main part of the Explanatory Memorandum under the section "*Redemption of Units - Payment of Redemption Proceeds*", redemption proceeds in respect of redemption of Units of the Sub-Fund will be paid as soon as practicable but in any event not exceeding one calendar month after the day on which the Manager receives the duly completed and

signed original Redemption Form and such other documents and information as the Manager and/or the Trustee 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 money within the aforesaid time period not practicable.

CONVERSION

Unitholders shall be entitled to convert all or part of their Units of a Class of the Sub-Fund into Units of another Class in the Sub-Fund or into Units of another Sub-Fund available for subscription or conversion. Units of a Class can only be converted into Units of the same Class of another Sub-Fund.

DISTRIBUTION POLICY

Class A : no distribution. Any income received will be accumulated and reflected in the Unit price.

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FEES AND EXPENSES

Fees payable by investors:

C14(a)

Class	Class A
Subscription Charge*	Nil
	* Where an Authorised Distributor charges a Subscription Charge, the Manager will directly pay any Subscription Charge to the relevant Authorised Distributor.
Redemption Charge (% of Redemption amount)	5% for Units held for 1 year or less; N/A for Units held for more than 1 year**
	** The Redemption Charge will be retained by the Sub-Fund. Where the holding period for specific Units in a Sub-Fund is 1 year or less, the Redemption Charge will be levied if the Units are redeemed. Such charge will be levied on the relevant Units on a “ <i>first-in-first-out basis</i> ” (i.e. Units issued first will be deemed to be redeemed first).
Switching Fee ^ (% of switching out amount)	5% for switching out of Units held for 1 year or less; Nil for switching out of Units held for more than 1 year ***
	***Note that the holding period in determining whether a Redemption Charge is payable is <i>specific to a particular sub-fund</i> . For example, if an investor switches out from another sub-fund and switches into this Sub-Fund, the holding period will start afresh for this Sub-Fund from the point of switching. For the avoidance of doubt, if an investor switches between Classes of the Sub-Fund, the holding period will be based on the investor’s holding in the Sub-Fund (not a particular Class), and will not start afresh from the point of switching.
	^ For the avoidance of doubt, the Switching Fee will be charged for switching between Classes of the Sub-Fund and switching between sub-funds of the Fund that are authorised by the SFC (if any).

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

C14(b)

Class	Class A Current
Management Fee (% Net Asset Value of the relevant Class per annum)	1.5% (150 basis points)
Trustee Fee (% Net Asset Value of the Sub-Fund per annum)	Up to 0.15% (15 basis points)

The Trustee Fee is subject to a minimum monthly fee of USD5,000.

Custodian Fee (% Net Asset Value of the Sub- Fund per annum)	Up to 0.0275% (2.75 basis points)
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Performance Fee	(i) Performance fee calculation
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Performance fee is payable annually on a high-on-high basis (i.e. when the Net Asset Value per Unit as at the last Valuation Day of a performance period exceeds the High Water Mark (as defined below)) in accordance with the following formula:

$$(A-B) \times C \times D$$

where:

“A” is the Net Asset Value per Unit (before deduction of any provision for the performance fee and any distribution declared or paid in respect of that performance period) as at the last Valuation Day of a performance period.

“B” is the **High Water Mark**, which is the higher of:

- (i) the Initial Offer Price; and
- (ii) the Net Asset Value per Unit as at the end of any previous performance period in respect of which a performance fee was paid (after deduction of fees including any performance fee and any distribution declared or paid in respect of that performance period).

Where a performance fee is payable for a performance period, the Net Asset Value per Unit on the last Valuation Day of that performance period will be set as the High Water Mark for the next performance period.

“(A-B)” means the outperformance of Net Asset Value per Unit, i.e. the amount by which the increase in Net Asset Value per Unit during the relevant performance period exceeds the High Water Mark.

“C” is the rate of performance fee payable (i.e. 10% (1000 basis points)).

“D” is the number of Units in issue as at the last Valuation Day of the relevant performance period.

Each performance period corresponds to the financial year of the Sub-Fund, except that the first performance period is from the first Valuation Day following the close of the Initial Offer Period to the last Valuation Day of the Sub-Fund’s financial year.

Any performance fee payable shall be paid to the Manager as soon as practicable after the end of the relevant performance period.

(ii) Performance fee accrual

The performance fee shall be accrued on each Valuation Day throughout a performance period. If the Net Asset Value per Unit exceeds the High Water Mark, a performance fee accrual will be made. If not, no performance fee accrual will be made. On each Valuation Day, the accrual made on the previous Valuation Day will be reversed and a new performance fee accrual will be calculated and made in accordance with the above. If the Net Asset Value per Unit on a Valuation Day is lower than or equal to the High Water Mark, all provision previously accrued performance fee will be reversed and no performance fee will be accrued.

The price of Units subscribed for or redeemed during a performance period will be based on the Net Asset Value per Unit (after accrual of performance fee as calculated in accordance with the above). Depending upon the performance of the Sub-Fund during the year, the price at which Unitholders subscribe for or redeem Units at different times will be affected by the performance of the Sub-Fund and this could have a positive or negative effect on the performance fee borne by them.

There is no equalisation arrangement in respect of the calculation of performance fee. That means there is no adjustment of equalisation credit or equalisation losses on an individual Unitholder basis based on the timing the relevant Unitholder subscribes or redeems the relevant Units during a performance period. The Unitholder may be advantaged or disadvantaged as a result of this calculation methodology.

For instance, a Unitholder will be advantaged if he subscribes to the Sub-Fund during a performance period when the Net Asset Value per Unit is below the High Water Mark, and redeems prior to the end of such performance period when the Net Asset Value per Unit has increased up to but does not exceed the High Water Mark at the time of his redemption, and thus, no performance fee is payable even though he has made a profit.

Likewise, a Unitholder will be disadvantaged if he subscribes to the Sub-Fund during a performance period when the Net Asset Value per Unit is above the High Water Mark and redeems prior to or at the end of such performance period when the Net Asset Value per Unit at the time of redemption has decreased but remains above the High Water Mark. Under such circumstances, he has paid the performance fee despite of a

loss as his subscription price of the Units has taken into account a provision for the performance fee.

(iii) Illustrative examples

The examples below are shown for illustration purposes only and may contain simplifications.

Assumptions:

- The Initial Offer Price for the relevant Unit is USD100.
- The performance fee payable is 10% of the appreciation in the Net Asset Value per Unit during the relevant Performance Period above the High Water Mark per Unit (i.e. outperformance of the Net Asset Value per Unit).

(I) First Performance Period

(Net Asset Value per Unit above High Water Mark at the end of Performance Period – performance fee payable)

Investor A subscribes for 20 Units during the initial offer period at the Initial Offer Price. Thereafter, investor B subscribes for 10 Units within the first Performance Period at an Issue Price of USD105. The High Water Mark is the Initial Offer Price: USD100.

By the end of the first Performance Period, the Net Asset Value per Unit is USD108. The outperformance of Net Asset Value per Unit is thus USD8. The number of Units in issue on this Valuation Day is 30.

The total performance fee would be calculated as:

$$\{(USD108-USD100) \times 10\% \} \times 30 \text{ Units} = USD24.$$

At the end of the first Performance Period, the Net Asset Value per Unit will be reduced by $USD24 / 30 = USD0.8$. In effect, Investor A bore $USD0.8 \times 20 = USD16$ and Investor B bore $USD0.8 \times 10 = USD8$ as the performance fee in respect of the first Performance Period.

(II) Second Performance Period

(Net Asset Value per Unit below High Water Mark on a particular Valuation Day – no performance fee accrual; Net Asset Value per Unit below High Water Mark at the end of performance period – no performance fee payable)

At the start of the second Performance Period, the High Water Mark is USD107.2 (being the Net Asset Value per Unit at the end of the last Performance Period in respect of which a performance fee was paid (after deduction of performance fee)).

Mid-way through the second Performance Period, the Net Asset Value per Unit is USD106. Investor A redeems his Units. Investor C subscribes for 10 Units. On this Valuation Day, the Net Asset Value per Unit is below the High Water Mark. Therefore, no performance fee is accrued in respect of the Unit redeemed by Investor A.

At the end of the second Performance Period, the Net Asset Value per Unit becomes USD107. There has been no outperformance of Net Asset Value per Unit. No performance fee is therefore payable in the second Performance Period.

Ongoing Charges

The ongoing charges of the Sub-Fund not incorporating performance fee will be capped at 2.90% of the average Net Asset Value of the Sub-Fund over a 12-month period. Any ongoing expenses in excess of 2.90% will be borne by the Manager. For the avoidance of doubt, any performance fee payable to the Manager is excluded from this cap. Where the performance fee is levied, the component in the ongoing charges figure which does not include performance fee will be capped at the percentage stated above.

If there is any change to the cap on ongoing charges, the Manager shall provide at least one month's prior written notice to investors and obtain the SFC's prior approval (where applicable).

Establishment Costs

The establishment costs of the Fund and the Sub-Fund are approximately HK\$1,500,000 and will be borne by the Sub-Fund. The establishment costs will be amortised over the Amortisation Period.

General Expenses

Please refer to the section headed “*General Expenses*” for further details.

TAXATION

PRC Tax

1. Investment in China A-Shares via Stock Connect

Corporate Income Tax (“CIT”)

In respect of equity interest investments which are acquired through Stock Connect, such as China A-Shares, the Ministry of Finance, the State Taxation Administration (“STA”) and the China Securities Regulatory Commission have issued the following circulars to clarify the relevant corporate income tax liabilities:-

Pursuant to the Circular on the Taxation Policy of the Pilot Programme for the Mutual Stock Market Access between Shanghai and Hong Kong Stock Markets under Caishui [2014] No.81 (“Circular No. 81”) and Circular Concerning the Tax Treatment for the Pilot Programme of the Shenzhen-Hong Kong Stock Connect under Caishui [2016] No. 127 (“Circular No. 127”), in respect of trading of China A-Shares through Stock Connect:

- corporate income tax shall be exempt on a temporary basis on the gains realised by Hong Kong market investors (including corporate and individual investors) from the transfer of China A-Shares listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange; and
- Hong Kong market investors are required to pay

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withholding income tax (“WIT”) on dividend and bonus of China A-Shares at a standard WIT rate of 10%, which will be withheld and paid to the relevant PRC tax authority by the respective listed companies.

Value Added Tax (“VAT”)

Pursuant to Caishui [2016] No. 36 and Circular No. 127, in respect of trading of China A-Shares through Stock Connect, Value-added Tax shall be exempt on the gains realised by Hong Kong market investors (including corporate and individual investors) from the transfer of China A-Shares listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange. Dividend income or profit distributions on equity investment derived from China are not included in the taxable scope of VAT.

Stamp duty

Stamp duty under the PRC 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-Shares traded on the PRC stock exchanges. In the case of contracts for sale of China A-Shares, such stamp duty is currently imposed on the seller but not on the purchaser, at the rate of 0.1%.

It is the intention of the Manager to operate the affairs of the Manager and the Sub-Fund such that they are not PRC tax resident enterprises and have no permanent establishment (“PE”) in the PRC for PRC corporate income tax purposes, although this cannot be guaranteed. Any PRC tax imposed in respect of the securities invested by the relevant Sub-Fund will be passed on to the Sub-Fund and the value of the Sub-Fund will be reduced accordingly.

The Manager, pursuant to Circular No. 81 and Circular No. 127, has also decided that the relevant Sub-Fund will not withhold any amount of realised or unrealised gains on its investments in China A-Shares through Stock Connect as tax provisions.

2. Investment in China B-Shares and H-Shares

Corporate Income Tax (“CIT”)

Under current PRC tax law, there are no specific rules or regulations governing the taxation of the disposal of these securities. Hence, the tax treatment for investment in China B-shares and H-shares is governed by the general taxing provisions of the CIT Law. Under such general taxing provision, the Sub-Fund could be technically subject to 10% WIT on the PRC sourced capital gains, unless exempt or reduced under relevant double tax treaties.

However, for China B-Shares and H-Shares invested by the Sub-Fund directly, there may be practical difficulty for the PRC tax authorities in imposing and collecting WIT on such capital gains. The 10% WIT has not been strictly enforced by local tax bureau on capital gains derived by non- tax resident enterprises of the PRC from the trading of these

securities.

Unless a specific exemption or reduction is applicable, for recipients that are non-tax resident enterprises and without PE in the PRC under the CIT Law (such as the Sub-Fund), WIT is levied on the payment of dividend on China B-shares and H-shares. The general rate applicable is 10% (for non-residents) and the entity distributing such dividend is required to withhold such WIT for the non-PRC resident recipients.

Value Added Tax (“VAT”)

The current VAT regulations do not provide for VAT exemption on capital gains derived from trading of China B-Shares. Having said that, the PRC tax authorities have not actively collected VAT from non-tax resident enterprises of the PRC on gains realized from China B-Shares in practice. Where capital gains are derived from trading of H-Shares, VAT in general is not imposed as the purchase and disposal are often concluded and completed outside the PRC. Dividend income or profit distributions on equity investment derived from China are not included in the taxable scope of VAT.

Stamp duty

Stamp duty under the PRC 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 B-Shares traded on the PRC stock exchanges. In the case of contracts for sale of China B-Shares, such stamp duty is currently imposed on the seller but not on the purchaser, at the rate of 0.1%.

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

If the actual applicable tax amount levied by the 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 existing and new Unitholders will be disadvantaged.

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

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