BOCOM INTERNATIONAL FUND

EXPLANATORY MEMORANDUM

November 2025

交銀國際資產管理有限公司
BOCOM INTERNATIONAL ASSET MANAGEMENT LIMITED

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IMPORTANT INFORMATION FOR INVESTORS

This Explanatory Memorandum comprises information relating to BOCOM International Fund, an umbrella unit trust established under the laws of Hong Kong by a trust deed dated 27th October 2010, as amended from time to time, between BOCOM International Asset Management Limited (the "**Manager**") as the manager and Bank of Communications Trustee Limited (the "**Trustee**") as the trustee.

The Manager accepts full responsibility for the accuracy of the information contained in this Explanatory Memorandum at the date of publication, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement misleading. However, neither the delivery of this Explanatory Memorandum nor the offer or issue of Units shall under any circumstances constitute a representation that the information contained in this Explanatory Memorandum is correct as of any time subsequent to such date. This Explanatory Memorandum may from time to time be updated. Intending applicants for Units should ask the Manager if any supplements to this Explanatory Memorandum or any later Explanatory Memorandum have been issued.

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

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

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

In particular:-

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

Potential applicants for Units should inform themselves as to (a) the possible tax consequences, (b) the legal requirements and (c) any foreign exchange restrictions or exchange control requirements 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.

ENQUIRIES AND COMPLAINTS

If you have any enquiries or complaints relating to your investment in a Sub-Fund, please contact the Complaints Officer of the Manager at the address listed in the section headed "ADMINISTRATION" of this Explanatory Memorandum, or by telephone (852) 2977-9225 or fax (852) 2259-9283.

The Manager will respond to any enquiry or complaint in writing as soon as possible, and in any event within 14 days from the date of receipt of such enquiry or complaint.

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", before making their investment decisions.

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

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ADMINISTRATION

Manager
BOCOM International Asset Management Limited
9/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

Trustee and Registrar
Bank of Communications
Trustee Limited
1st Floor
Far East Consortium Building
121 Des Voeux Road Central
Central
Hong Kong

Directors of the Manager
SHENG Jie
DONG Yanran
ZHAO Honghao

Auditors
KPMG
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Solicitors to the Manager
Deacons
5th Floor
Alexandra House
18 Chater Road
Central
Hong Kong

DEFINITIONS

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

"Accounting Date"	Means 31st December in each year or such other date or dates in each year as the Manager may from time to time specify in respect of any Sub-Fund and notify to the Trustee and the Unitholders of such Sub-Fund
"Accounting Period"	Means a period commencing on the date of establishment of the relevant Sub-Fund 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
"A-Shares"	Means shares issued by companies listed on the SSE or the SZSE, traded in RMB and available for investment by domestic (Chinese) investors, holders of the QFII status, RQFII status and foreign strategic investors approved by the CSRC
"Authorised Distributor"	Means any person appointed by the Manager to distribute Units of some or all of the Sub-Funds to potential investors
"B-Shares"	Means shares issued by companies listed on the SSE or the SZSE, traded in foreign currencies and available for investment by domestic (Chinese) investors and foreign investors
"Business Day"	Means a day (other than a Saturday) on which banks in Hong Kong are open for normal banking business or such other day or days as the Manager and the Trustee may agree from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks 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
"CSRC"	Means China Securities Regulatory Commission
"Connected person"	Means, in relation to the Manager:

	(a)	any person, company or fund beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of the Manager or able to exercise, directly or indirectly, 20% or more of the total votes in the Manager; or
	(b)	any person, company or fund controlled by a person who or which meets one or both of the descriptions given in (a); or
	(c)	any member of the group of which the Manager forms part; or
	(d)	any director or officer of the Manager or of any of its connected persons as defined in (a), (b) or (c) above

"Dealing Day"	Means such days as described in the Appendices for the relevant Sub-Funds
"Dealing Deadline"	Means such time on the relevant Dealing Day or on such other Business Day as the Manager may from time to time with the approval of the Trustee determine, as described in the Appendices for the relevant Sub-Funds
"Explanatory Memorandum"	Means this Explanatory Memorandum including the Appendices, as each may be amended, updated or supplemented from time to time
"Fund"	Means BOCOM International Fund
"Government and other public securities"	means any investment issued by, or the payment of principal and interest on, which is guaranteed by a government, or any fixed-interest investment issued by its public or local authorities or other multilateral agencies
"Hong Kong"	Means Hong Kong Special Administrative Region of the PRC
"HK$"	Means Hong Kong Dollars, the lawful currency of Hong Kong

"H-Shares"	Means shares issued by companies incorporated in the PRC and listed on The Stock Exchange of Hong Kong Limited
"Issue Price"	Means in respect of each Sub-Fund the issue price per Unit as more fully described in the section headed "PURCHASE OF UNITS"
"Mainland China" or "PRC"	Means the People's Republic of China excluding Hong Kong, Macau and Taiwan for the purposes of this document
"Manager"	Means BOCOM International Asset Management Limited
"Net Asset Value"	Means the net asset value of the Fund or a Sub-Fund or of a Unit, as the context may require, calculated in accordance with the provisions of the Trust Deed as summarised below under the section headed "VALUATION"
"PBOC"	Means People's Bank of China
"QFII"	Means qualified foreign institutional investors approved pursuant to the relevant PRC regulations (as amended from time to time)
"Redemption Price"	Means the price at which Units will be redeemed as more fully described in the section headed "REDEMPTION OF UNITS"
"Registrar"	Means Bank of Communications Trustee Limited in its capacity as registrar of the Fund
"reverse repurchase transactions"	Means transactions whereby a Sub-Fund purchases securities from a counterparty of sale and repurchase transactions and agrees to sell such securities back at an agreed price in the future
"RMB" or "Renminbi"	Means renminbi, the lawful currency of the PRC

"RQFII"	Means RMB qualified foreign institutional investors approved pursuant to the relevant PRC regulations (as amended from time to time)
"sale and repurchase transactions"	Means transactions whereby the 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
"SAT"	Means the State Administration of Taxation of the PRC
"securities financing transactions"	Means collectively securities lending transactions, sale and repurchase transactions and reverse repurchase transactions
"securities lending transactions"	Means transactions whereby the Sub-Fund lends its securities to a security-borrowing counterparty for an agreed fee
"SFC"	Means the Securities and Futures Commission of Hong Kong
"SFO"	Means the Securities and Futures Ordinance, Laws of Hong Kong (Chapter 571)
"SSE"	Means Shanghai Stock Exchange
"Sub-Fund"	Means a sub-fund of the Fund
"Substantial financial institution"	Has the same meaning as in the SFC's Code on Unit Trust and Mutual Funds, as may be amended from time to time.
"SZSE"	Means Shenzhen Stock Exchange
"Trust Deed"	Means the trust deed dated 27th October 2010 establishing the Fund and entered into by the Manager and the Trustee, as amended from time to time
"Trustee"	Means Bank of Communications Trustee Limited in its capacity as trustee of the Fund
"Unit"	Means a unit in a Sub-Fund
"Unitholder"	Means a person registered as a holder of a Unit

"US$"	Means the lawful currency of the United States of America
"Valuation Day"	Means such days as are described in the Appendix for the relevant Sub-Fund
"Valuation Point"	Means such time on the relevant Valuation Day as described in the Appendix for the relevant Sub-Fund to calculate the Net Asset Value

INTRODUCTION

BOCOM International Fund is a unit trust established 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.

BOCOM International Fund is an umbrella unit trust currently offering 3 Sub-Funds, namely the BOCOM International Dragon Core Growth Fund, BOCOM International China Dynamic Fund and BOCOM International Money Market Fund (USD). The Manager may create further Sub-Funds in the future. Investors should contact the Manager to obtain the latest offering document relating to the available Sub-Fund(s).

Multiple classes of Units may be issued in respect of each Sub-Fund and the Manager may create additional classes of Units for any Sub-Fund in its sole discretion in the future. The assets of a Sub-Fund are invested and administered separately from the assets of the other Sub-Funds issued. The details of the Sub-Funds and/or the new class or classes of Units related thereto that are on offer are set out in the Appendices to this Explanatory Memorandum.

INFORMATION RELATING TO SUB-FUNDS

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

For information relating to the BOCOM International Dragon Core Growth Fund (including its investment objective) investors should refer to Appendix I hereto. Investors should also refer to the relevant general risk factors set out under the section headed “RISK FACTORS” in the main body of this Explanatory Memorandum as well as the specific risk factors applicable to this Sub-Fund set out in Appendix I hereto under the heading “Specific Risk Factors” before making any investment decisions in relation to this Sub-Fund.

For information relating to the BOCOM International China Dynamic Fund (including its investment objective) investors should refer to Appendix II hereto. Investors should also refer to the relevant general risk factors set out under the section headed “RISK FACTORS” in the main body of this Explanatory Memorandum as well as the specific risk factors applicable to this Sub-Fund set out in Appendix II hereto under the heading “Specific Risk Factors” before making any investment decisions in relation to this Sub-Fund.

For information relating to the BOCOM International Money Market Fund (USD) (including its investment objective) investors should refer to Appendix III hereto.

Investors should also refer to the relevant general risk factors set out under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum as well as the specific risk factors applicable to this Sub-Fund set out in Appendix III hereto under the heading "Specific Risk Factors" before making any investment decisions in relation to this Sub-Fund.

MANAGEMENT OF THE FUND

The Manager

The Manager of the Fund is BOCOM International Asset Management Limited.

BOCOM International Asset Management Limited seeks to provide quality investment services to unit trust and high net worth clients as well as institutional clients. The Manager is a wholly-owned subsidiary of the BOCOM International Holdings Company Ltd., which is the international investment banking and securities business flagship of the Bank of Communications Co., Ltd.

With the approval of the PBOC, the CSRC and the SFC, BOCOM International Holdings Co. Ltd, formerly known as BCOM Securities Co. Ltd, commenced its business in September 1999.

To accomplish the Bank of Communications' business strategy and diversification needs, BCOM Securities Co. Ltd underwent a comprehensive business restructuring in early 2007 and was transformed into the BOCOM International group which is still wholly owned by the Bank of Communications Co., Ltd. BOCOM International Holdings Co. Ltd has three wholly owned subsidiaries, namely BOCOM International (Asia) Limited, BOCOM International Securities Limited, and BOCOM International Asset Management Limited.

The Manager was set up in May 2007 and is licensed to carry on Types 1 (Dealing in Securities), 4 (Advising on Securities) and 9 (Asset Management) Regulated Activities under Part V of the SFO.

The Manager undertakes the management of the assets of the Fund. The Manager may appoint sub-managers or investment advisers in relation to specific Sub-Funds subject to prior SFC approval. Where investment management functions are delegated to third parties, the Manager will ensure that there is on-going supervision and regular monitoring of the competence of the delegates. Notwithstanding that investment management functions may be delegated to sub-managers or investment advisers, the ultimate responsibility for the investment management of the Fund and/or specific Sub-Funds and the obligations of a management company under the SFC's Code on Unit Trusts and Mutual Funds will remain with the Manager. The remuneration of such sub-managers and investment advisers will be borne by the Manager.

A brief biography of each of the directors of the Manager is as follows:

Ms. SHENG Jie

Ms. SHENG has been appointed as Deputy Chief Executive Officer of BOCOM International since March 2024. She is also a director of various subsidiaries of BOCOM International. Ms. SHENG holds a doctorate degree and worked at Beijing University of Technology and Beijing Institute of Technology from April 2009 to August 2016. From August 2016 to November 2018, she was corporate director and general manager of human resources of the predecessor of Huarong Investment Stock Corporation Limited. In February 2020, she joined BOCOM International. She was the head of strategic clients department of BOCOM International from May 2020 to February 2021, has served as the head of science and technology innovation investment department of BOCOM International since February 2021, and the general manager of BOCOM International (Shanghai) Equity Investment Management Co., Ltd and the general manager of BOCOM International STI Private Fund Management (Shanghai) Co., Ltd. since January 2022.

Ms. DONG Yanran

Ms. Dong joined BOCOM International Holdings Company Limited in 2021 and is currently director of BOCOM International Asset Management. Ms. Dong has worked in Strategic Client Department, Science and Technology Innovation Investment Department, Asset Management Department, and also served as the investment advisor of Shanghai Company. She has led a number of equity project investments and equity fund launches, and spearheaded the launch of the first Hong Kong limited partnership fund managed by BOCOM International. Prior to joining BOCOM International, Ms. Dong worked at the headquarters of China Post Group. Ms. Dong holds undergraduate and postgraduate degrees from Peking University and a double degree in economics from Peking University.

Mr.ZHAO Honghao

Mr. ZHAO Honghao currently serves as the Deputy Head of the Global Investment Department of BOCOM International. Mr. Zhao has approximately 17 years of experience in the financial industry. From July 2017 to October 2024, he was employed by BOCOM International Private Equity Fund Management (Shenzhen) Co., Ltd., during which he cumulatively established and managed 11 private equity investment funds, including 9 Qualified Foreign Limited Partner (QFLP) funds and 1 Qualified Domestic Investment Enterprise (QDIE) fund. From July 2008 to June 2017, he worked at the Beijing Branch of the Bank of Communications and held multiple positions successively, covering corporate credit, international business, asset management business, bill business, and retail consumer lending business. Mr. Zhao holds a Bachelor's degree in Management from Renmin University of China and a Master of Business Administration (EMBA) degree from Peking University.

The Trustee and Registrar

Bank of Communications Trustee Limited ("**BoCom Trustee**"), which is a registered trust company in Hong Kong, has been appointed as Trustee and Registrar of the Fund. Under the Trust Deed, the Trustee is responsible for the safe-keeping of the assets of the Fund and shall take into its custody or under its control all the investments, cash and other assets forming part of the assets of each Sub Fund and hold them in trust for the Unitholders of the relevant Sub-Fund in accordance with the provisions of the Trust Deed and, to the extent permitted by law, such investments, cash and registrable assets shall be registered in the name of or to the order of the Trustee. All such investments, cash and other assets shall be dealt with as the Trustee may think proper for the purpose of providing for the safe keeping thereto. The Trustee shall in respect of any investment or other assets of a Sub- Fund which by nature cannot be held in custody, maintain a proper record of such investments or assets in its books under the name of that Sub-Fund. The Trustee is also responsible for monitoring the compliance by the Manager with the requirements of the Trust Deed. As the Registrar of the Fund, BoCom Trustee is responsible for maintaining the register of Unitholders.

BoCom Trustee is a trust company founded in Hong Kong in 1981, and is a registered trust company within the meaning of the Trustee Ordinance (Cap. 29) of the Laws of Hong Kong. BoCom Trustee is a subsidiary of Bank of Communications, Co., Ltd., a bank licensed under section 16 of the Banking Ordinance (Cap. 155) of the Laws of Hong Kong.

The Authorised Distributor

The Manager may appoint one or more Authorised Distributor(s) to distribute Units of one or more Sub-Fund(s), and to receive applications for subscription, redemption and/or switching of Units on the Manager's behalf.

CLASSES OF UNITS

Different classes of Units may be offered for each Sub-Fund. Although the assets attributable to each class of Units of a Sub-Fund will form one single pool, each class of Units may have a different charging structure with the result that the Net Asset Value attributable to each class of Units of a Sub-Fund may differ. In addition, each class of Units may be subject to different minimum initial and subsequent subscription amounts and holding amounts, and minimum redemption and switching amounts. Investors should refer to the relevant Appendix for the available classes of Units and the applicable minimum amounts. The Manager may in its discretion agree to accept applications for subscription, redemption and switching of certain classes below the applicable minimum amounts.

DEALING DAY AND DEALING DEADLINE

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

The Authorised Distributor(s) may impose different dealing deadlines for receiving instructions for subscriptions, redemptions or switching. Investors should pay attention to the arrangements of the Authorised Distributor(s) concerned.

PURCHASE OF UNITS

Initial Offer

Details of the initial offer of Units are set forth in the Appendix relating to the relevant Sub-Fund.

Subsequent Subscription

Following the close of the initial offer period, Units will be issued at the prevailing Issue Price per Unit. The Issue Price on any Dealing Day will be the Net Asset Value of the relevant Sub-Fund as at the Valuation Point in respect of the Dealing Day divided by the number of Units then in issue, rounded down to 3 decimal places. Any rounding adjustment shall be retained for the benefit of the relevant Sub-Fund. In calculating the Issue Price, the Manager may impose surcharges to compensate for the difference between the price at which assets of the relevant Sub-Fund are to be valued and the total cost of acquiring such assets including other relevant expenses such as taxes, governmental charges, brokerages, etc.

Unless otherwise disclosed in the Appendix of a Sub-Fund, applications for subscription of any class of Units in a Sub-Fund (together with application moneys in cleared funds), if received prior to the Dealing Deadline and accepted by the Manager, will be dealt with on that Dealing Day. Applications received after the Dealing Deadline in relation to a Dealing Day will be held over until the next Dealing Day. The Manager has the discretion to accept applications and/or application moneys received after the

Dealing Deadline provided that they are received before the Valuation Point relating to the relevant Dealing Day.

Units may not be issued during the period of any suspension of the determination of the Net Asset Value relating to such class of Units of a Sub-Fund (for details see the heading entitled "**Suspension of Calculation of Net Asset Value**" in the section headed "**VALUATION**").

Application Procedure

To purchase Units an investor should complete the application form, which may be obtained from the Manager or Authorised Distributors (the **"Application Form"**), and return the original Application Form to the Manager or Authorised Distributors (details of which as set out in the Application Form).

Applications will generally be accepted on a Dealing Day only if cleared funds have been received on or prior to such Dealing Day in relation to which Units are to be issued. Notwithstanding the above, a Sub-Fund may rely upon application orders received, even prior to receipt of application moneys, and may issue Units to investors according to such orders and invest the expected application amounts. If payment is not cleared within 3 Business Days following the relevant Dealing Day (or such other date as the Manager shall determine and notify the relevant applicant at the time of receipt of the application), the Manager reserves the right to cancel the transaction. In such circumstances, an investor may be required to settle the difference between the prices at issue and at cancellation of the Units concerned and in addition the appropriate cancellation fees and charges.

The Application Form may also be sent by facsimile provided the original follows promptly. Investors should be reminded that if they choose to send the Application Forms by facsimile, they bear their own risk of such applications not being received. Investors should note that the Fund, the Sub-Funds, the Manager, the Trustee and their respective agents and delegates accept no responsibility for any loss caused as a result of non-receipt or illegibility of any application sent by facsimile or for any loss caused in respect of any action taken as a consequence of such facsimile instructions believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a facsimile transmission report produced by the originator of such transmission discloses that such transmission was sent. Investors should therefore for their own benefit confirm with the Manager safe receipt of an application.

Each applicant whose application is accepted will be sent a contract note confirming details of the purchase of Units but no certificates will be issued.

The Manager, at its discretion, is entitled to impose a preliminary charge of up to 5% on the Issue Price of each Unit, and the current rates are described in the relevant

Appendix for each Sub-Fund. The Manager may retain the benefit of such charge or may re-allow or pay all or part of the preliminary charge (and any other fees received) to intermediaries or such other persons as the Manager may at its absolute discretion determine. The Manager also has discretion to waive the preliminary charge in whole or in part in relation to any subscription for Units whether generally or in a particular case.

Investment Minima

Details of the minimum initial subscription, minimum holding, minimum subsequent subscription and minimum redemption amounts applicable to each class of Units in each Sub-Fund are set out in the relevant Appendix.

The Manager has the discretion to waive, change or accept an amount lower than the above amounts, whether generally or in a particular case.

Payment Procedure

Subscription moneys should normally be paid in the relevant base currency as disclosed in the relevant Appendix. Subject to the agreement of the Trustee, and to applicable limits on foreign exchange, arrangements can be made for applicants to pay for Units in most other major currencies and in such cases, the cost of currency conversion and any exchange rate risk will be borne by the applicant. Applicants may also be required to pay a handling fee to the Trustee in respect of such currency conversion.

All payments should be made by cheque, direct transfer, telegraphic transfer or banker’s draft. Cheques and banker's drafts should be crossed “A/C Payee Only, Not Negotiable” and made payable to “Bank of Communications Trustee Limited - IFS Clients A/C”, stating the name of the relevant Sub-Fund to be subscribed, and sent with the Application Form. Payment by cheque is likely to cause delay in receipt of cleared funds and Units generally will not be issued until the cheque is cleared. Any costs of transfer of application moneys to a Sub-Fund will be payable by the applicant.

Details of relevant payment methods are set out in the Application Form.

All application moneys must originate from an account held in the name of the applicant. No third party payments shall be accepted.

No money should be paid to any intermediary in Hong Kong who is not licensed by or registered with the SFC to conduct Type 1 (Dealing in Securities) regulated activity under Part V of the SFO.

General

All holdings will be registered and certificates are not issued. Evidence of title will be the entry on the register of Unitholders. Unitholders should therefore be aware of the importance of ensuring that the Manager and the Trustee are informed of any change to the registered details.

Fractions of Units may be issued rounded down to the nearest 3 decimal places. Application moneys representing smaller fractions of a Unit will be retained by the relevant Sub-Fund. The Manager reserves the right to reject any application in whole or in part. In the event that an application is rejected, application moneys will be returned without interest 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 applicants (or in such other manner determined by the Manager). A maximum of 4 persons may be registered as joint Unitholders.

REDEMPTION OF UNITS

Redemption Procedure

Unitholders who wish to redeem their Units may do so on any Dealing Day by submitting a redemption request to the Manager or Authorised Distributors before the Dealing Deadline for the relevant Sub-Fund, as defined in the relevant Appendix. Unless otherwise stated in the Appendix of the relevant Sub-Fund, redemption requests received after the Dealing Deadline will be carried forward and dealt with on the next Dealing Day, subject to the Manager's discretion to accept late redemption requests but provided that such late redemption requests are received before the Valuation Point relating to the relevant Dealing Day.

Partial redemptions may be effected subject to any minimum redemption amount for each class of Units of a Sub-Fund as disclosed in the relevant Appendix or as the Manager may determine from time to time whether generally or in a particular case.

If a request for redemption will result in a Unitholder holding Units in a class to the value of less than the minimum holding amount of that class as set out in the relevant Appendix of a Sub-Fund, the Manager may deem such request to have been made in respect of all the Units of that class held by that Unitholder. The Manager has the discretion to waive the requirement for a minimum holding of Units, whether generally or in a particular case.

A redemption request must be given in writing (and, if sent by facsimile, the original must follow promptly by mail), and must specify (i) the name of the Sub-Fund and the number of Units to be redeemed (ii) the relevant class of Units to be redeemed (iii) the name(s) of the registered holder(s); and (iv) the payment instructions for the redemption proceeds. Please refer to the Redemption Form for details. Investors should be reminded that if they choose to send redemption requests by facsimile, they bear their own risk of the requests not being received or illegible. Investors should note that the Fund, the Sub-Funds, the Manager, the Trustee and their respective agents and delegates accept no responsibility for any loss caused as a result of non-receipt or illegibility of any redemption request sent by facsimile or for any loss caused in respect of any action taken as a consequence of such facsimile instructions believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a facsimile transmission report produced by the originator of such transmission discloses that such transmission was sent. Investors should therefore for their own benefit confirm with the Manager safe receipt of a request.

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

Payment of Redemption Proceeds

The Redemption Price on any Dealing Day shall be the price per Unit ascertained by dividing the Net Asset Value of the relevant Sub-Fund as at the Valuation Point in respect of the Dealing Day by the number of Units then in issue rounded down to 3 decimal places. Any rounding adjustment shall be retained by the relevant Sub-Fund. Such price shall be calculated in the base currency of the relevant Sub-Fund and quoted by the Manager in such base currency and in such other currency or currencies at the Manager's discretion (with prior notice to the Trustee) by converting such price to its equivalent in such other currency or currencies at the same rate as the Manager shall apply in calculating the Net Asset Value as at the Valuation Point. In calculating the Redemption Price, the Manager may impose deductions to compensate for the difference between the price at which assets of the relevant Sub-Fund are to be valued and the net proceeds which would be received on sale of such assets and for the relevant expenses such as taxes, governmental charges, brokerages, etc.

The Manager may at its option impose a redemption charge of up to 4% of the Redemption Price of the relevant class of Units to be redeemed. The redemption charge, if any, is described in the relevant Appendix. The Manager may on any day in its sole and absolute discretion differentiate between Unitholders as to the amount of the redemption charge to be imposed (within the permitted limit).

The amount due to a Unitholder on the redemption of a Unit pursuant to the paragraphs above shall be the Redemption Price per Unit, less any redemption charge and any rounding adjustment in respect thereof. The rounding adjustment aforesaid in relation to the redemption of any Units shall be retained as part of the relevant Sub-Fund. The redemption charge shall be retained by the Manager for its own use and benefit.

Redemption proceeds will not be paid to any redeeming Unitholder until (a) unless otherwise agreed by the Trustee, the written original of the redemption request (in the required form) duly signed by the Unitholder has been received and (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.

The Manager or the Trustee, as the case may be, may, in its absolute discretion, refuse to make a redemption payment to a Unitholder if (i) the Manager or the Trustee, as the case may be, suspects or is advised that the payment of any redemption proceeds to such Unitholder may result in a breach or violation of any anti-money laundering law by any person in any relevant jurisdiction or other laws or regulations by any person in any relevant jurisdiction, or such refusal is considered necessary or appropriate to ensure the compliance by the Fund, the Manager, the Trustee or its other service providers with any such laws or regulations in any relevant jurisdiction; or (ii) there is a delay or failure by the redeeming Unitholder in producing any information or documentation required by the Trustee and/or the Manager or their respective duly authorised agent for the purpose of verification of identity.

In the event that there is a delay in receipt by the Manager or the Trustee of the proceeds of realisation of the investments of the relevant Sub-Fund to meet redemption requests, the Manager or the Trustee may delay the payment of the relevant portion of the amount due on the redemption of Units. If the Manager or the Trustee is required by the laws of any relevant jurisdiction to make a withholding from any redemption moneys payable to the holder of a Unit the amount of such withholding shall be deducted from the redemption moneys otherwise payable to such person. Where the market(s) in which a substantial portion of the investments of the relevant Sub-Fund is made is subject to such legal or regulatory requirements (such as foreign currency controls) rendering the payment of such amounts not practicable, payment may be delayed but the extended time frame for payment should reflect the additional time needed in light of the specific circumstances in the relevant markets.

Subject as mentioned above and so long as relevant account details have been provided, redemption proceeds will be paid in the base currency of the relevant Sub-Fund by direct transfer or telegraphic transfer, normally within 5 Business Days after the relevant Dealing Day (or as otherwise specified in the Appendix of the relevant Sub-Fund) and in any event within one calendar month of the relevant Dealing Day or (if later) receipt of a properly documented request for redemption of Units. Unless the Manager and the Trustee otherwise agree, redemption proceeds will only be paid to a bank account that bears the name of the redeeming Unitholder. If relevant account details are not provided, redemption proceeds will be paid to the redeeming Unitholder (or, in the case of joint Unitholders, either to all Unitholders or the first-named Unitholder as indicated by the relevant Unitholders on the Application and/or Redemption Forms) at the Unitholder's risk by cheque in the base currency of the relevant Sub-Fund and sent to the redeeming Unitholder at the last known address held in the records of the Registrar.

Subject to the agreement of the Trustee or the Manager, and to applicable limits on foreign exchange, redemption proceeds can be paid in a currency other than the base currency of a Unit at the request and expense of the Unitholder. In such circumstances, the Trustee or the Manager shall use such currency exchange rates as it may from time to time determine. None of the Manager, the Trustee or their respective agents or delegates will be liable to any Unitholder for any loss suffered by any person arising from the said currency conversion.

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

Redemption requests for the payment to a third party will not be accepted unless approval is obtained from the Trustee or additional supporting documents as may be required by the Trustee are provided. Where a request provides for the redemption proceeds to be paid to any person other than the registered Unitholder(s) or to be paid by telegraphic transfer to a bank account, the signature of the Unitholder or (in the case of joint Unitholders) each Unitholder on that redemption request must be verified to the satisfaction of the Trustee.

Bank charges (if any) incurred in making payment will be borne by the Unitholder and accordingly will be deducted from the redemption proceeds.

SWITCHING BETWEEN SUB-FUNDS

Unitholders have the right (subject to such limitations as the Manager after consulting with the Trustee may impose) to switch all or part of their Units of any class relating to a Sub-Fund into Units relating to another Sub-Fund by giving notice in writing to the Manager or Authorised Distributors. A request for switching will not be effected if as a result the relevant holder would hold less than the minimum holding of Units of the relevant class prescribed by, or is prohibited from holding Units of that Sub-Fund under, the relevant Appendix. Unless the Manager otherwise agrees, Units of a class can only be switched into Units of the same class of another Sub-Fund.

Units shall not be switched during any period when the determination of the Net Asset Value of any relevant Sub-Fund is suspended.

Requests for switching received prior to the Dealing Deadline for a Dealing Day will be dealt with on that Dealing Day. Neither the Manager nor the Trustee shall be responsible to any Unitholder for any loss resulting from the non-receipt of a request for switching or any amendment to a request for switching prior to receipt. Notices to switch may not be withdrawn without the consent of the Manager.

The rate at which the whole or any part of a holding of Units relating to a Sub-Fund (the **"Existing Sub-Fund"**) will be switched to Units relating to another Sub-Fund (the **"New Sub-Fund"**) will be determined in accordance with the following formula:

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

Where:

N is the number of Units of the relevant class of the New Sub-Fund to be issued.

E is the number of Units of the relevant class of the Existing Sub-Fund to be switched.
F is the currency conversion factor determined by the Manager for the relevant Dealing Day as representing the effective rate of exchange between the base

currency of the relevant class of Units of the Existing Sub-Fund and the base currency of the relevant class of Units of the New Sub-Fund.

R is the Redemption Price per Unit of the relevant class of the Existing Sub-Fund applicable on the relevant Dealing Day less any Redemption Charge imposed by the Manager.

S is the Issue Price per Unit for the relevant class of the New Sub-Fund applicable on the Dealing Day of the New Sub-Fund or immediately following the relevant Dealing Day PROVIDED THAT where the issue of Units of the New Sub-Fund is subject to the satisfaction of any conditions precedent to such issue then S shall be the Issue Price per Unit of the relevant class of the New Sub-Fund applicable on the first Dealing Day for the New Sub-Fund falling on or after the satisfaction of such conditions.

SF is a switching charge per Unit (if any).

The Manager has a right to impose a switching charge of up to 1% of the Issue Price of the Units of the New Sub-Fund in relation to the switching of Units and the current rates are set out in the relevant Appendix.

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

If there is, at any time during the period from the time as at which the Redemption Price per Unit of the Existing Sub-Fund is calculated and the time at which any necessary transfer of funds from the Existing Sub-Fund to the New Sub-Fund, a devaluation or depreciation of any currency in which any investment of the Existing Sub-Fund is denominated or normally traded, the Redemption Price per Unit of the Existing Sub-Fund shall be reduced as the Manager considers appropriate to take account of the effect of that devaluation or depreciation and the number of Units of the New Sub-Fund which will arise from that switch shall be recalculated as if that reduced Redemption Price had been the Redemption Price ruling for redemption of Units in the Existing Sub-Fund on the relevant Dealing Day.

Restrictions on redemption and switching

The Manager may suspend the redemption or switching of Units or delay the payment of redemption proceeds during any periods in which the determination of the Net Asset Value of the relevant Sub-Fund is suspended (for details see the heading entitled "Suspension of Calculation of Net Asset Value" in the section headed "VALUATION").

Any Unitholder may at any time after such a suspension has been declared and before lifting of such suspension withdraw any request for the redemption of Units of such class by notice in writing to the Manager or Authorised Distributors.

With a view to protecting the interests of Unitholders, the Manager is entitled, after consultation with the Trustee, to limit the number of Units of a Sub-Fund redeemed on any Dealing 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 Dealing Day will redeem the same proportion of such Units of that Sub-Fund. Notwithstanding the limitation, holdings of Units may be redeemed in full if (i) such holdings so requested to be redeemed are in aggregate of not more than 1% of the total number of Units of any class of a Sub-Fund in issue and (ii) it is in the opinion of the Manager after consultation with the Trustee, that the application of such limitation would be unduly onerous or unfair to the Unitholder or Unitholders concerned. 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 Dealing Day and all following Dealing Days (in relation to which the Manager has the same power) until the original request has been satisfied in full. If requests for redemption are so carried forward, the Manager will inform the Unitholders concerned within 7 days of such Dealing Day.

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, the case 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 and 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.

VALUATION

The value of the net assets of each Sub-Fund will be determined as at each Valuation Point in accordance with the Trust Deed. The Net Asset Value of a Sub-Fund shall be calculated by valuing the assets of such Sub-Fund in accordance with the provisions of the Trust Deed and deducting the liabilities attributable to such Sub-Fund in accordance with the provisions of the Trust Deed. The Trust Deed provides (inter alia) that:-

(a) except in the case of any interest in a collective investment scheme to which paragraph (b) applies or a commodity, and subject as provided in paragraph (f) below, all calculations based on the value of investments quoted, listed or dealt in on any stock exchange, over-the-counter market or securities market (**"Securities Market"**) shall be made by reference to the last bid price on the principal Securities Market for such investments, at or immediately preceding the Valuation Point, provided that if the Manager in its discretion considers that the prices ruling on a Securities Market other than the principal Securities Market provide in all the circumstances a fairer criterion of value in relation to any such investment, it may adopt such prices; and in determining such prices the Manager and the Trustee shall be entitled to use and rely on without verification electronic price feeds from such source or sources as they may from time to time determine notwithstanding the prices used are not the last bid prices;

(b) subject as provided in paragraphs (c) and (f) below, the value of each interest in any collective investment scheme shall be the net asset value per Unit or share as at the same day, or if such collective investment scheme is not valued as at the same day, the last published Net Asset Value per Unit or share in such collective investment scheme (where available) or (if the same is not available) the last published redemption or bid price for such Unit or share at or immediately preceding the Valuation Point;

(c) if no Net Asset Value, bid and offer prices or price quotations are available as provided in paragraph (b) above, the value of the relevant investment shall be determined from time to time in such manner as the Manager shall determine with the approval of the Trustee;

(d) the value of any investment which is not quoted, listed or normally dealt in on a market shall be the initial value thereof equal to the amount expended out of the Sub-Fund in the acquisition of such investment (including in each case the amount of stamp duties, commissions and other acquisition expenses) provided that the Manager may with the approval of the Trustee and shall at the request of the Trustee cause a revaluation to be made by a professional person approved by the Trustee as qualified to value such investment;

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

(f) notwithstanding the foregoing, the Manager may with the consent of the Trustee adjust the value of any investment or permit some other method of valuation to be used if, having regard to relevant circumstances, the Manager considers that such adjustment or use of such other method is required to reflect the fair value of the investment;

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

(g) 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 rate (whether official or otherwise) which the Manager or the Trustee shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange;

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

If there is any error in the pricing of units/shares, the error should be corrected as soon as possible and any necessary action should be taken to avoid further error. The Trustee should be informed of any pricing error in a timely manner.

For any error that results in an incorrect price of 0.5% or more of a Sub-Fund's net asset value per unit, or accounts for less than 0.5% of the Sub-Fund’s net asset value per unit or net asset value individually but amounts to 0.5% of the Sub-Fund’s net asset value per unit or net asset value or more in aggregate for incidences that occur in a simultaneous or recurring manner, such errors should be reported to the Trustee and the SFC immediately.

Unitholders (either subscribing or redeeming and including former unitholders) affected by any valuation error mentioned above shall be compensated for the loss incurred when total loss to individual unitholders (either subscribing or redeeming) is more than HK$100 or such lesser amount as the Manager may decide and unitholders may be compensated in such manner as the Manager should determine with the approval of the Trustee.

Suspension of Calculation of Net Asset Value

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

(a) there is a closure of or the restriction or suspension of trading on any commodities market or securities market on which a substantial part of the investments of the relevant Sub-Fund is normally traded or a breakdown in any of the means normally employed by the Manager or the Trustee (as the case may be) in ascertaining the prices of investments or the Net Asset Value of the relevant 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 any 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 the relevant class; or

(d) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, the investments of that Sub-Fund or the issue or redemption of Units of the relevant class in the Sub-Fund 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 redemption of interests in a relevant collective investment scheme is suspended or restricted; or

(h) when the business operations of the Manager, 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 pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riot, strikes or acts of God; or

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

Such suspension shall take effect forthwith upon the declaration thereof and thereafter there shall be no determination of the Net Asset Value of the relevant Sub-Fund 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, and immediately and at least once a month during the period of such suspension, publish a notice in the Hong Kong Economic Times and the Standard.

No Units in the relevant Sub-Fund may be issued, redeemed or switched during such a period of suspension.

INVESTMENT AND BORROWING RESTRICTIONS

The Trust Deed sets out restrictions and prohibitions on the acquisition of certain investments by the Manager. Unless otherwise disclosed in the Appendix for each Sub-Fund and agreed by the SFC, each of the Sub-Fund(s) is subject to the following principal investment restrictions:-

(a) the aggregate value of a Sub-Fund's investments in, or exposure to, any single entity (other than Government and other public securities) through the following may not exceed 10% of the latest available Net Asset Value of the relevant Sub-Fund:

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

For the avoidance of doubt, restrictions and limitations on counterparty as set out in sub-paragraphs (a) and (aa) in this section headed "Investment and Borrowing Restrictions" and paragraph (4)(c) in the sub-section headed "Use of Financial Derivative Instruments" will not apply to financial derivative instruments that are:

(A) transacted on an exchange where the clearing house performs a central counterparty role; and

(B) marked-to-market daily in the valuation of their financial derivative instrument positions and subject to margining requirements at least on a daily basis.

The requirements under this sub-paragraph (a) will also apply in the case of sub-paragraphs (1)(e) and (1)(j) of the sub-section headed "Collateral".

(aa) subject to sub-paragraph (a) in this section headed "Investment and Borrowing Restrictions" and paragraph (4)(c) in the sub-section headed "Use of Financial Derivative Instruments", the aggregate value of the Sub-Fund's investments in, or exposure to, entities within the same group through the following may not exceed 20% of the latest available Net Asset Value of the relevant Sub-Fund:

(i) investments in securities issued by those entities;

(ii) exposure to those entities through underlying assets of financial derivative instruments; and

(iii) net counterparty exposure to those entities arising from transactions of over-the-counter financial derivative instruments.

For the purposes of sub-paragraphs (aa) and (ab) of this section headed "Investment and Borrowing Restrictions", "entities within the same group" generally means entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognised accounting standards.

The requirements under this sub-paragraph (aa) will also apply in the case of sub-paragraphs (1)(e) and (1)(j) of the sub-section headed "Collateral".

(ab) the value of the Sub-Fund's cash deposits made with the same entity or entities within the same group may not exceed 20% of the latest available Net Asset Value of the relevant Sub-Fund. Such 20% limit may be exceeded in the following circumstances:

(i) cash held before the launch of the Sub-Fund and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested; or

(ii) cash proceeds from liquidation of investments prior to the merger or termination of the Sub-Fund, whereby the placing of cash deposits with various financial institutions would not be in the best interests of investors; or

(iii) cash proceeds received from subscriptions pending investments and cash held for the settlement of redemption and other payment obligations, whereby the placing of cash deposits with various financial institutions be unduly burdensome and the cash deposits arrangement would not compromise investors' interests.

For the purposes of this sub-paragraph (ab), "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.

(b) a Sub-Fund may not hold more than 10% (when aggregated with the holdings of all the other Sub-Funds) of any ordinary shares issued by any single entity;

(c) not more than 15% of the Net Asset Value of a Sub-Fund may consist of securities and other financial products or instruments that are not listed, quoted or dealt in on a 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;

(d) (i) not more than 10% of the Net Asset Value of a Sub-Fund may consist of shares or units in other collective investment schemes (**"managed funds"**) which are non-eligible schemes (as defined under the Code on Unit Trusts and Mutual Funds, or the **"Code"**) and not authorised by the SFC ; (ii) not more than 30% of the Net Asset Value of a Sub-Fund may consist of shares or units in a managed fund which is an eligible scheme (as defined under the Code) or an SFC-authorised scheme; provided that :

(1) no investment may be made in a managed fund the investment objective of which is to primarily invest in any investment prohibited under this section;

(2) where the investment objective of such managed fund is to invest primarily in investments restricted under this section, such investments may not be in contravention of the relevant limitation;

(3) a managed fund's objective may not be to invest primarily in other managed fund(s);

(4) all initial charges and redemption charges on the managed fund must be waived if the managed fund is managed by the Manager or any of its connected persons; and

(5) the Manager or any person acting on behalf of the relevant Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by such managed fund or its manager, or any quantifiable monetary benefits in connection with investments in such managed fund.

For the avoidance of doubt, a Sub-Fund may invest in managed fund(s) authorized by the SFC under Chapter 8 of the Code (except for hedge funds under 8.7 of the Code), eligible scheme(s) (as permitted by the SFC for the purpose of sub-paragraph (d)(ii) of this section headed "Investment and Borrowing Restrictions") of which the net derivative exposure does not exceed 100% of its total net asset value, and exchange traded funds satisfying the requirements in the note (B) below of this sub-paragraph (d) in compliance with sub-paragraphs (d)(i) and (d)(ii) of this section headed "Investment and Borrowing Restrictions".

In addition:

(A) Unless otherwise provided under the Code, the spread requirements under sub-paragraphs (a), (aa), (b) and (c) of this section headed "Investment and Borrowing Restrictions" do not apply to investments in other managed fund(s) by a Sub-Fund.

(B) Unless otherwise disclosed in the Appendix of a Sub-Fund, the investment by a Sub-Fund in an exchange traded fund that is: (i) authorised by the SFC under 8.6 or 8.10 of the Code; or (ii) listed and regularly traded on internationally recognized stock exchanges open to the public (nominal listing not accepted) and:

- 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
- 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,

will be considered and treated as listed securities for the purposes of and subject to the requirements in sub-paragraph (d) of this section headed "Investment and Borrowing Restrictions". Notwithstanding the aforesaid, the investments by a Sub-Fund in the above exchange traded funds shall be subject to sub-paragraph (c) of this section headed "Investment and Borrowing Restrictions" and the relevant investment limits in the above exchange traded funds by a Sub-Fund shall be consistently applied.

(C) Where investments are made in listed REITs, the requirements under sub-paragraphs (a), (aa) and (b) of this section headed "Investment and Borrowing Restrictions"apply and where investments are made in unlisted REITs, which are either companies or collective investment schemes, then the requirements under sub-paragraphs (c) and (d) of this section headed "Investment and Borrowing Restrictions"apply respectively.

(D) 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 (a), (aa), (ab) and (e) of this section headed "Investment and Borrowing Restrictions" provided that the index is in compliance with the requirements under 8.6(e) of the Code.

(e) notwithstanding sub-paragraphs (a), (aa), and (b) above, not more than 30% of the Net Asset Value of a Sub-Fund may consist of Government and other public securities of the same issue; and

(f) subject to paragraph (e) above, a Sub-Fund may be fully invested in Government and other public securities in at least six different issues; and

(g) if the name of a Sub-Fund indicates a particular objective, investment strategy, geographic region or market, the Sub-Fund will, 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.

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.

The Manager shall not on behalf of any Sub-Fund(s):-

(i) invest in a security of any class in any company or body if any director or officer of the Manager individually owns more than 1/2% of the total nominal amount of all the issued securities of that class or collectively own more than 5% of those securities;

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

(iii) make short sales if as a consequence the liability of such Sub-Fund to deliver securities would exceed 10% of the Net Asset Value of such Sub-Fund (and for this purpose securities sold short must be actively traded on a market where short selling is permitted);

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

(v) may not 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;

(vi) subject to sub-paragraph (c) of this section headed “Investment and Borrowing Restrictions”, make a loan out of that Sub-Fund except to the extent that the acquisition of an investment or the making of a deposit might constitute a loan. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements as set out in the sub-section headed “Securities Financing Transactions” of this section headed “Investment and Borrowing Restrictions” are not subject to the foregoing limitation;

(vii) subject to sub-paragraph (c) of this section headed “Investment and Borrowing Restrictions”, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person in respect of borrowed money. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements as set out in the sub-section headed “Securities Financing Transactions” of this section headed “Investment and Borrowing Restrictions” are not subject to the foregoing limitation;

(viii) acquire any asset or engage in any transaction for the account of that Sub-Fund which involves the assumption of any liability 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; or

(ix) apply any part of a Sub-Fund in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call is due to be made unless such call could be met in full out of cash or near cash forming part of such Sub-Fund 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 paragraphs (5) and (6) of the “Use of Financial Derivative Instruments” sub-section of this section headed “Investment and Borrowing Restrictions” and shall not be entitled without the consent of the Trustee to apply any part of the relevant Sub-Fund in the acquisition of any other investment which is in the opinion of the Trustee likely to involve the Trustee in any liability (contingent or otherwise).

Unless otherwise disclosed below or in the relevant Appendix, the Manager may borrow up to 10% of the latest available Net Asset Value of a Sub-Fund to acquire investments, to redeem Units or to pay expenses relating to the relevant Sub-Fund. For this purpose, back-to-back loans do not count as borrowing. The assets of a Sub-Fund may be charged or pledged as security for, and to the same extent as, any such borrowings.

For the avoidance of doubt, securities lending transactions or repurchase transactions are not borrowings for the purpose of, and are not subject to the borrowing restrictions set out above.

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

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 the section headed “Investment and Borrowing Restrictions” 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;

(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;

(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-paragraph (a) and (ab) in the section headed "Investment and Borrowing Restrictions", the aggregate value of a Money Market Fund's holding of instruments issued by a single entity, 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 (aa) and (ab) in the section headed "Investment and Borrowing Restrictions", 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:

(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;

(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;

(g) subject to the sections headed "Securities Financing Transactions", "Collateral", "Summary of Policy of Securities Financing Transactions" and "Collateral Valuation and Management Policy", a Money Market Fund may engage in sale and repurchase transactions, and reverse repurchase transactions in compliance with the following additional requirements:

(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 section headed "Money Market Funds";

(h) a Money Market Fund may use financial derivative instruments for hedging purposes only;

(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;

(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:

  (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.

Notwithstanding provisions in the section "Investment and Borrowing Restrictions", a Money Market Fund may borrow only on a temporary basis for the purposes of meeting redemption requests or defraying operating expenses.

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.

Use of Financial Derivative Instruments

(1) A Sub-Fund may acquire financial derivative instruments for hedging purposes. For the purposes of this paragraph (1), financial derivative instruments are generally considered as being acquired for hedging purposes if they meet all the following criteria:

  (a) they are not aimed at generating any investment return;
  (b) they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss or risks arising from the investments being hedged;
  (c) although they may not necessarily reference to the same underlying assets, they should relate to the same asset class with high correlation in

terms of risks and return, and involve taking opposite positions, in respect of the investments being hedged; and

(d) they exhibit price movements with high negative correlation with the investments being hedged under normal market conditions.

The Manager, where it deems necessary, shall cause hedging arrangement to be adjusted or re-positioned, with due consideration on the fees, expenses and costs, to enable the relevant Sub-Fund to meet its hedging objective in stressed or extreme market conditions.

(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. For the avoidance of doubt, financial derivative instruments acquired for hedging purposes under paragraph (1) of this "Use of Financial Derivative Instruments" sub-section will not be counted towards the 50% limit referred to in this paragraph (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. In calculating the net derivative exposure, the positions of financial derivative instruments acquired by a Sub-Fund for investment purposes are converted into the equivalent position in the underlying assets of the financial derivative instruments, taking into account the prevailing market value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

(3) Subject to paragraphs (2) and (4) of of this "Use of Financial Derivative Instruments" sub-section, a Sub-Fund may invest in financial derivative instruments provided that the exposure to the underlying assets of the financial derivative instruments, together with the other investments of the Sub-Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets and investments as set out in sub-paragraphs (a), (aa), (ab), (d), (e) , (f), and (ii) of the section headed "Investment and Borrowing Restrictions".

(4) The financial derivative instruments invested by a Sub-Fund shall be either listed/quoted on a stock exchange or dealt in over-the-counter market and comply with the following provisions:

(a) the underlying assets consist solely of shares in companies, debt securities, money market instruments, units/shares of collective investment schemes, deposits with substantial financial institutions, Government and other public securities, highly-liquid physical commodities (including gold, silver, platinum and crude oil), financial indices, interest rates, foreign exchange rates, currencies, or other asset classes acceptable to the SFC, in which the Sub-Fund may invest according to its investment objectives and policies;

(b) the counterparties to transactions of over-the-counter financial derivative instruments or their guarantors are substantial financial institutions or such other entity acceptable to the SFC;

(c) subject to sub-paragraphs (a) and (aa) of this section headed “Investment and Borrowing Restrictions”, 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 respective agents and delegates (as the case may be) independent of the issuer of the financial derivative instruments through such measures as may be established from time to time. The financial derivative instruments can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Sub-Fund's initiative. Further, the 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.

(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 paragraph (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.

(6) Subject to paragraph (5) above, a transaction in financial derivative instruments which gives rise to a future commitment or contingent commitment of a Sub-Fund shall be covered as follows:

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

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

(7) The requirements under paragraphs (1) to (6) of this "Use of Financial Derivative Instruments" sub-section shall apply to embedded financial derivative. For the purposes of this Explanatory Memorandum, an "**embedded financial derivative**" is a financial derivative instrument that is embedded in another security, namely the host contract.

Securities Financing Transactions

(1) A Sub-Fund may engage in securities lending transactions or repurchase and reverse repurchase transactions (collectively the "**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.

(2) A Sub-Fund shall have at least 100% collateralisation 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.

(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.

(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.

Unless otherwise disclosed below or in the relevant Appendix, the Manager does not currently intend to enter into securities financing transactions for any of the Sub-Funds. Prior approval will be sought from the SFC and at least one month prior notice will be given to Unitholders should there be a change in such intention. The Explanatory Memorandum will be updated accordingly.

Collateral

(1) In order to limit the exposure to each counterparty as set out in sub-paragraph (4)(c) of the sub-section "Use of Financial Derivative Instruments" and paragraph (2) of the sub-section headed "Securities Financing Transactions", a

Sub-Fund may receive collateral from such counterparty, provided that the collateral complies with the requirements set out below:

(a) Liquidity – the collateral is sufficiently liquid and tradable in order that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing;

(b) Valuation – the collateral is marked-to-market daily by using independent pricing sources;

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

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

(e) Diversification – the collateral is appropriately diversified so as to avoid concentrated exposure to any single entity and/or entities within the same group. A Sub-Fund's exposure to the issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in sub-paragraphs (a), (aa), (ab), (d), (e) , (f), and (ii) of the section headed "Investment and Borrowing Restrictions";

(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 8.2(f) and 8.2(n) of the Code;
   (iv) cash collateral received is not allowed to be further engaged in any securities financing transactions;
   (v) when the cash collateral received is reinvested into other investment(s), such investment(s) is/are not allowed to be engaged in any securities financing transactions;

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

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

Summary of Policy of Securities Financing Transactions

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

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

Securities Financing Transactions

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

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

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

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

Revenues and Expenses

All revenues arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities financing transactions, shall be returned to the relevant sub-fund. Such direct and indirect expenses shall include any fees charged by parties such as custodian bank, international clearing organisations or agents operating or administering such transactions, as well as fees and expenses payable to securities lending agents engaged for the relevant sub-fund from time to time. Such fees and expenses of any securities lending agents engaged for the relevant sub-fund, will be at normal commercial rates and will be borne by the relevant sub-fund in respect of which the relevant party has been engaged. The relevant Sub-Fund may incur interest expenses as a result of entering into sale and repurchase transactions, which will be agreed between the Sub-Fund and its counterparty with reference to factors such as the credit quality and time to maturity of the underlying asset, the credit rating of the counterparty, the prevailing interest rates, the term of the sale and repurchase agreement.

Details on such transactions, including information on the revenues generated under such transactions shall be disclosed in the annual and interim financial reports of the relevant sub-fund, along with entities to whom direct and indirect operational costs and fees relating to such transactions are paid.

Eligible Counterparties

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

Collateral

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

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

Maximum and expected level of securities financing transactions

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

Types of assets that may be subject to securities financing transactions

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

Connected person(s) arrangement

The Manager currently does not intend to carry out any securities financing transactions, including repurchase transactions, in respect of a sub-fund with or through a connected person of the Manager or the Trustee.

Safekeeping arrangement

Assets received

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

Assets provided

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

Collateral Valuation and Management Policy

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

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

Nature and quality of the collateral

A Sub-Fund may receive both cash and non-cash collateral from a counterparty. Cash collateral may include cash, cash equivalents and money market instruments. Non-cash collateral may comprise of government or corporate bonds whether investment grade / non-investment grade, long/short term bonds, listed or traded in any regulated markets.

Criteria for selecting counterparties

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

The counterparty of securities financing transactions must be financial institutions which are subject to ongoing prudential regulation and supervision.

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

The Manager will seek to appoint a counterparty to a securities financing transaction and an OTC derivative transaction with a minimum credit rating of A- or above (by Moody's or Standard & Poor's, or any other equivalent ratings by recognized credit rating agencies). The Manager will also monitor and conduct periodic review on the counterparties' ability and strength in the specific market (e.g. by reference to the counterparties' market share).

Valuation of collateral

The Manager has also put in place a collateral valuation system to monitor the change in value of the security collaterals provided to the counterparty. The collateral received is valued daily by independent pricing source on a mark-to-market basis. Where either of the parties to a securities financing transaction disagrees with the value of the security collateral determined by the other party, the security collateral will be valued by a pre-appointed third party, such as the custodian.

Enforceability of collateral

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

Haircut policy

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

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

Diversification and correlation of collateral
Collateral must be sufficiently diversified. The exposures of a Sub-Fund to the collateral issuers are monitored in accordance with the relevant restrictions on exposure to a single entity and/or entities within the same group as set out in the section headed “Investment and Borrowing Restrictions”.

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

Cash collateral reinvestment policy
A Sub-Fund shall not sell, pledge or re-invest any non-cash collateral received by it.

Subject to the applicable restrictions in respect of collateral in the "Collateral" sub-section above, cash collateral received by a Sub-Fund may be reinvested in short-term deposits, high quality money market instruments and money market funds authorized under 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC.

Up to 100% of the cash collateral received by a Sub-Fund may be reinvested.

For the securities acquired by the cash obtained from a securities financing transaction, the sub-fund will not use them as collateral of another securities financing transaction to acquire more cash.

<u>Safe-keeping of collateral</u>
Any non-cash assets received by a Sub-Fund from a counterparty on a title transfer basis (whether in respect of a securities financing transaction or an OTC derivative transaction) should be held by the Trustee or its duly appointed nominee, agent or delegate. This is not applicable in the event that there is no title transfer in which case the collateral will be held by a third party custodian which is unrelated to the provider of the collateral.

A description of collateral holdings of each Sub-Fund will be disclosed in its interim 7.38
and annual financial reports as required under Appendix E of the Code.

Assets provided by a Sub-Fund on a title transfer basis shall no longer belong to the Sub-Fund. The counterparty may use those assets at its absolute discretion. Assets provided to a counterparty other than on a title transfer basis shall be held by the Trustee or its duly appointed nominee, agent or delegate.

LIQUIDITY RISK MANAGEMENT

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

The oversight of the liquidity risk management function will be performed by senior management. Quarterly risk management reports should also involve content of liquidity risk management. The day-to-day liquidity risk management of the Sub-Funds is carried out by the Manager's liquidity risk management function which is functionally independent from the portfolio investment function and the Head of Risk Management supervises the liquidity risk management function. Exceptions on liquidity risk related issues will be escalated to the senior management.

The Manager would regularly assess the liquidity of each Sub-Fund's assets under the current and likely future market conditions. In particular, for high yield or unrated debt securities and emerging market assets, the Manager intends to maintain a more diversified investment portfolio with different levels of liquidity and avoid concentrating investment in any one investment, particularly investments which are less liquid. The Manager may also set an internal limit as to each individual investment that may be held by a Sub-Fund.

The Manager may also be in regular communication with distributors and substantial investors of the relevant Sub-Fund in order to receive updates on investor profile and their historical and expected redemption patterns. Through such communication, the Manager can make better assessment as to the expected redemptions (especially substantial redemptions) from the relevant Sub-Fund in the future.

The Manager may use a range of quantitative metrics and qualitative factors in assessing the liquidity of a Sub-Fund's assets including the following:

- the volume and turnover in the security;
- (where the price is determined by the market) the size of the issue and the portion of the issue that the Manager plans to invest in;
- the cost and timeframe to acquire or sell the securities;
- an independent analysis of historic bid and offer prices which may indicate the relative liquidity and marketability of the security; and
- the quality and number of intermediaries and market makers dealing in the security concerned.

The Manager will classify the assets of each Sub-Fund into different liquidity categories, where applicable. For example, for a Sub-Fund which invests in bonds, the liquidity of the bonds will be categorised into 3 categories: (1) highly liquid bonds; (2) moderately liquid bonds; and (3) less liquid bonds.

The Manager will also perform liquidity stress testing on each Sub-Fund on an ongoing basis; normally on a monthly basis but in times of adverse market conditions or during the period where there are large redemption requests, the stress tests will be performed on a daily basis, if necessary.

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

- the Manager may, with the approval of the Trustee, limit the number of Units of the relevant Sub-Fund redeemed on any Dealing Day to 10% of the total number of Units of the relevant Sub-Fund in issue, subject to the conditions under the heading entitled "Restrictions on redemption and switching" in the section headed "SWITCHING BETWEEN SUB-FUNDS". If such limitation is imposed, this would restrict the ability of a Unitholder to redeem in full the Units he intends to redeem on a particular Dealing Day;

- the Manager may suspend redemption under exceptional circumstances as set out under the heading entitled "Suspension of Calculation of Net Asset Value" in the section headed “VALUATION”. During such period of suspension, Unitholders would not be able to redeem their investments in the relevant Sub-Fund; and

- the Manager may, in calculation of the Issue Price and the Redemption Price, impose surcharges (see “PURCHASE OF UNITS – Subsequent Subscription”) or deductions (see “REDEMPTION OF UNITS – Payment of Redemption Proceeds”) to protect the interest of remaining Unitholders.

- the Manager and the Sub-Funds’ major investors (i.e. investors with holdings exceeding 20% of the relevant Sub-Fund’s NAV) had reached a mutual understanding that, such major investors should inform the Manager with one week’s prior notice before making massive redemption (i.e. where the net redemption amount exceeds 10% of the Sub-Fund's NAV) so as to ensure the Manager to process redemptions in an orderly manner.

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

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.

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.

(i) General investment risk - Each Sub-Fund’s investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of the repayment of principal.

(ii) PRC market risks

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

Economic, social and political risks
Since 1978, the PRC government has implemented economic reform measures which emphasise decentralisation and the utilisation of market forces in the development of the PRC 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 the PRC market.

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

Volatility and liquidity risks
Investments in equity interests of PRC companies may be made through China A-Shares, B-Shares and H-Shares. As the number of these securities and their combined total market value are relatively small compared to more developed markets, investments in these securities may be subject to increased price volatility and lower liquidity.

Currency risk
The PRC government's control of currency conversion and movements in the Renminbi exchange rates may also adversely affect the operations and financial results of companies in the PRC.

Taxation risk
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 Company. Laws governing taxation will also continue to change and may contain conflicts and ambiguities.

(iii) Emerging markets risk - Various countries in which a Sub-Fund may invest are considered as emerging markets. 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. 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, and the risks of investing in countries with smaller capital markets, such as limited liquidity, price volatility, restrictions on foreign investment, market suspension and repatriation of capital, and the risks associated with emerging economies, including legal and taxation risks, settlement risks, custody risk, currency risks/control, high inflation and interest rates and political and economic uncertainties.

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.

(iv) Currency risk - Underlying investments of a Sub-Fund may be denominated in currencies other than the base currency of the Sub-Fund. Also, a class of Units may be designated in a currency other than the base currency of a Sub-Fund. The Net Asset Value of such Sub-Funds may be affected unfavourably by fluctuations in the exchange rates between these currencies and the base currency of the Sub-Fund and by changes in exchange rate controls.

(v) Interest rates risk - Changes in interest rates may affect the value of a 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.

(vi) Credit risk - 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 payments on the securities they issue.

(vii) 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 losses.

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.

(viii) Concentration risk - Certain Sub-Funds may invest only in a specific country/region/sector. Although each Sub-Fund's portfolio will be well diversified in terms of the number of holdings, investors should be aware that such Sub-Funds are likely to be more volatile than a broad-based fund, such as a global or regional equity fund, as they are more susceptible to fluctuations in value resulting from adverse conditions in their respective countries.

(ix) Hedging risk - The Manager is permitted, but not obliged, to use hedging techniques to attempt to offset market risks. There is no guarantee that hedging techniques will achieve their desired result.

(x) 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 Sub-Fund's ability to acquire or dispose of such securities at their intrinsic value.

(xi) Derivative and structured product risk - The Sub-Funds may invest in derivatives such as options, futures and convertible securities, and in depositary receipts, participation rights and potentially through other instruments which are linked to the performance of securities or indices such as participation notes, equity swaps and equity linked notes, which are sometimes referred to as "structured products". Investment in these instruments can be illiquid, if there is no active market in these instruments. Such instruments are complex in nature, therefore there are risks of mispricing or improper valuation and possibilities that these instruments do not always perfectly track the value of the securities, rates or indices they are designed to track. Improper valuations can result in increased payments to counterparties or a loss of value to the relevant Sub-Funds. The instruments will also be subject to insolvency or default risk of the issuers or counterparties. In addition, investment through structured products may lead to a dilution of performance of such Sub-Funds when compared to a fund investing directly in similar assets. Besides, as many derivative and structured products provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can result not only in the loss of the entire investment, but may also expose the Sub-Funds to the possibility of a loss exceeding the original amount invested.

(xii) 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.

(xiii) Credit ratings risk – A Sub-Fund may invest in securities that have been designated by credit rating agencies with a credit rating of at least investment grade. Investors should be aware that credit ratings assigned by a rating agency are subject to limitations and do not guarantee the creditworthiness of the security and/or issuers at all times. Credit rating agencies may fail to make timely changes in credit ratings to reflect an issuer's current financial condition.

(xiv) Downgrading risk – A Sub-Fund may hold securities that may be impacted by a downgraded credit rating. 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 be able to dispose of the securities that are being downgraded, subject to the investment objectives of the relevant Sub-Fund. In the event of investment grade securities being downgraded to below investment grade securities, the Sub-Fund will also be subject to the below investment grade securities risk outlined in the following paragraph.

(xv) Below investment grade and unrated debt securities risk – A Sub-Fund may invest in debt securities rated below investment grade (in the case where the credit rating is designated/assigned by an internationally recognised credit agency) or rated BB+ or below by a Mainland credit agency (in the case the credit rating is designated/assigned by a PRC credit rating agency) or unrated. Investors should note that such securities are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than high-rated securities.

(xvi) Risk of termination - A Sub-Fund may be terminated in certain circumstances which are summarised under the section "Termination of the Fund or any Sub-Fund". 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, the investment objective of the Sub-Fund may not be fully achieved, and 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.

(xvii) Restricted markets risk - The Sub-Funds may invest in securities in jurisdictions (including China) which impose limitations or restrictions on foreign ownership or holdings. In such circumstances, the Sub-Funds 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.

(xviii) 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 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.

(xix) *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.

(xx) Foreign Account Tax Compliance Act of the United States ("**US**") - Sections 1471 – 1474 of the United States Internal Revenue Code of 1986, as amended ("**US IR Code**") (commonly known as the "**US FATCA**") imposed rules that aim at combating tax evasion by US taxpayers that hold financial interests in certain non-US (i.e., foreign) entities that are defined under FATCA as foreign financial institutions ("**FFI**"), such as the Sub-Funds and other professionally managed foreign investment funds. Effectively, FATCA requires FFIs to enter into an agreement (an "**FFI Agreement**") with the US Internal Revenue Service ("**US IRS**") under which the FFIs will agree to identify its direct or indirect owners who are US persons for US FATCA purpose (within the meaning of the US IR Code) and report certain information concerning such US person owners to the US IRS.

In general, an FFI which does not sign an FFI Agreement or is not otherwise exempt as an FFI under US FATCA will face a punitive 30% withholding tax on all "withholdable payments" derived from US sources, including dividends, interest and certain derivative payments with effect from 1 July 2014. In addition, starting from 1 January 2019, gross proceeds such as sales proceeds from stocks and debt obligations generating US source dividends or interest will be treated as "withholdable payments." It is expected that certain non-US source payments attributable to amounts that would be subject to US FATCA withholding (referred to as "foreign passthru payments", to be defined) may also be subject to US FATCA withholding starting 1 January 2019, or the date of publication in the Federal Register of US final regulations defining the term "foreign pass-thru payment", if later.

The Hong Kong government signed an intergovernmental agreement with the US ("**IGA**") for the implementation of US FATCA on 13 November 2014, adopting "Model 2" IGA arrangements. Under the "Model 2" IGA, FFIs in Hong Kong (such as the Fund and the Sub-Funds) that are not exempt otherwise would be required to enter into the FFI Agreement with the US IRS, register with the US IRS and comply with the terms of FFI Agreement.

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

Each of the Sub-Funds is registered with the US IRS as a Reporting Foreign Financial Institution in a Model 2 IGA Jurisdiction and therefore falls within the scope of the FATCA regulations. In order to protect Unitholders from the effect of any penalty withholding, it is the intention of all the Sub-Funds to be compliant with the FATCA regulations.

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

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

Each Unitholder and prospective investor should consult with his own tax advisor as to the potential impact of US FATCA in its own tax situation and in respect of its investment in the Fund and the Sub-Funds, as well as the potential impact of US FATCA on the Fund and the Sub-Funds.

(xxi) Risks Associated with Collateral Management and Re-investment of Cash Collateral

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

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

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.

EXPENSES AND CHARGES

Management Fee

The Manager is entitled to receive a management fee accrued daily and payable monthly in arrears out of each Sub-Fund as a percentage of the Net Asset Value of each class of Unit in a Sub-Fund as at each Valuation Day at the rates set out in the Appendix for the relevant Sub-Fund subject to a maximum fee of 1.5% per annum.

The Manager shall pay the fees of any sub-investment manager and investment adviser to which it has appointed. Any such sub-investment managers and investment adviser will not receive any remuneration directly from any Sub-Fund.

Unitholders shall be given not less than one month’s prior notice should there be any increase of the management fee from the current level to the maximum level permitted in the Trust Deed (i.e. 1.75% per annum). Any proposed increase in the management fee beyond the maximum level permitted in the Trust Deed (i.e. 1.75% per annum) will require an extraordinary resolution of Unitholders as well as prior approval from the SFC.

Trustee Fee

The Trustee is entitled to a Trustee's fee, payable out of the assets of each Sub-Fund is based on the Net Asset Value of the relevant Sub-Fund at the rate set out in relevant Appendix for the Sub-Fund subject to a maximum fee of 0.35% per annum and/or a minimum annual fee as agreed between Trustee and the Manager. The Trustee's fee is accrued daily and is payable monthly in arrears.

Where the Trustee acts as the Registrar to any of the Sub-Fund, it is entitled to an annual maintenance fee to be payable out of the relevant Sub-Fund's assets, as disclosed in the relevant Appendix.

Unitholders shall be given not less than one month's prior notice should there be any increase of the Trustee's fee from the current level up to the maximum level permitted in the Trust Deed (i.e. 1% per annum). Any proposed increase in the Trustee's fee beyond the maximum level permitted in the Trust Deed (i.e. 1% per annum) will require an extraordinary resolution of Unitholders as well as prior approval from the SFC.

Establishment Costs

As at the date of this Explanatory Memorandum, the establishment costs for the Fund, the BOCOM International Dragon Core Growth Fund, and the BOCOM International China Dynamic Fund have been fully amortised.

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 a period of five Accounting Periods (or such other period as determined by the Manager with the approval of the Auditors).

General

Each Sub-Fund will bear the costs set out in the Trust Deed 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.

Each Sub-Fund will bear the cost of (a) all stamp and other duties, taxes, governmental charges, brokerages, commissions, exchange costs and commissions, bank charges, transfer fees and expenses, registration fees and expenses, transaction fees of the Trustee, custodian or sub-custodian and proxy fees and expenses, collection fees and expenses, insurance and security costs, and any other costs, charges or expenses payable in respect of the acquisition, holding and realisation of any investment or other property or any cash, deposit or loan (including the claiming or collection of income or other rights in respect thereof and including any fees or expenses charged or incurred by the Trustee or the Manager or any connected person in the event of the Trustee or the Manager or such connected person rendering services or effecting transactions giving rise to such fees or expenses), (b) the fees and expenses of the Auditors and the Registrar, (c) fees charged by the Trustee in connection with valuing the assets of the Sub-Fund or any part thereof, calculating the issue and redemption prices of Units of the Sub-Fund and preparing financial statements, (d) all legal charges incurred by the Manager or the Trustee in connection with the Sub Fund, (e) out-of-pocket expenses incurred by the Trustee wholly and exclusively in the performance of its duties, (f) the expenses of or incidental to the preparation of deeds supplemental to the Trust Deed, (g) the expenses of holding meetings of Unitholders and of giving notices to Unitholders, (h) the costs and expenses of obtaining and maintaining a listing for the Units of the Sub-Fund on any stock exchange or exchanges selected by the Manager and approved by the Trustee and/or in obtaining and maintaining any approval or authorisation of the Sub-Fund or in complying with any undertaking given, or agreement entered into in connection with, or any rules governing such listing, approval or authorisation, and (i) without prejudice to the generality of the foregoing, all costs incurred in publishing the issue and redemption prices of Units of the Sub-Fund, all costs of preparing, printing and distributing all statements, accounts and reports pursuant to the provisions of the Trust Deed (including the Auditors' fees and Trustee's fee), the expenses of preparing and printing any explanatory memorandum, and any other expenses, deemed by the Manager, after consulting the Trustee, to have been incurred in compliance with or in 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 the provisions of 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.

Cash Rebates and Soft Commissions

Neither the Manager, any sub-manager nor 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 commissions) may be retained if, such goods and services are of demonstrable benefit to the Unitholders, and the transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates. Any such cash commission or rebates received from any such brokers or dealers shall be for the account of the relevant Sub-Fund. Details of any such commission policies and practices of the Manager, any sub-manager, including a description of the goods and services received by them will be disclosed in the annual and semi-annual report and accounts of the relevant Sub-Fund. The availability of soft commissions shall not be the sole or primary purpose to perform or arrange the foregoing transaction(s) with such broker or dealer.

In effecting transactions for the account of a Sub-Fund with brokers or dealers connected to the Manager or any sub-manager or the Trustee/Custodian or their connected persons, the Manager will ensure that it complies with the following requirements:

(a) such transactions should be on arm's length terms;
(b) it will use due care in the selection of brokers or dealers and ensure that they are suitably qualified in the circumstances;
(c) transaction execution must be consistent with applicable best execution standards;
(d) the 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 will monitor such transactions to ensure compliance with its obligations; and
(f) the nature of such transactions and the total commissions and other quantifiable benefits received by such broker or dealer shall be disclosed in the relevant Sub-Fund's annual report.

All transactions carried out by or on behalf of the Sub-Funds must be executed at arm's length and in the best interests of the Unitholders. The Manager and/or any of its connected person reserves the right to effect transactions by or through the agency of another person with whom the Manager and/or any of its connected person has an arrangement under which that party will from time to time provide to or procure for the Manager and/or any of its connected person goods, services or other benefits (such as research and advisory services, computer hardware associated with specialised software or research services and performance measures) the nature of which is such that their provision (a) can reasonably be expected to benefit the relevant Sub-Fund as a whole and (b) may contribute to an improvement in the performance of the relevant Sub-Fund or of the Manager and/or any of its connected person in providing services to the relevant Sub-Fund. None of the relevant Sub-Fund, the Manager or any of its connect person would make any direct payment for such goods, services or benefits but instead the Manager and/or any of its connected person undertakes to place business with that party. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

If cash forming part of the relevant Sub-Fund's assets is deposited with the Trustee / Custodian, the Manager, any sub-manager or any of their connected persons (being an institution licensed to accept deposits), such cash deposit shall be maintained in a manner that is in the best interests of the Unitholders, 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.

Where the relevant Sub-Fund borrows funds from the Trustee, the Custodian, the Manager or any connected persons of these companies in accordance with the borrowing restrictions set out in the section headed "Borrowing Restrictions", the interest charged and fees levied in connection with the borrowed funds must not be higher than the prevailing commercial rate for a similar loan.

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.

Hong Kong

During such period as the Fund and any of its Sub-Funds are authorised by the SFC pursuant to section 104 of the SFO then, under present Hong Kong law and practice:-

(a) The Fund and the Sub-Funds are not expected to be subject to Hong Kong tax in respect of any of its authorised activities.

(b) No tax will be payable by Unitholders in Hong Kong in respect of dividends or other income distributions of any Sub-Fund so authorised or in respect of any capital gains arising on a sale, redemption or other disposal of Units of such Sub-Fund, except that Hong Kong profits tax may arise where such transactions form part of a trade, profession or business carried on in Hong Kong.

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

Automatic Exchange of Financial Account Information

The Inland Revenue (Amendment) (No.3) Ordinance (the "**Ordinance**") came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information ("**AEOI**") (or also referred to as the Common Reporting Standard ("**CRS**")). The AEOI requires financial institutions ("**FI**") in Hong Kong to collect information relating to non-Hong Kong tax residents holding accounts with FIs, and to file such information with the Hong Kong Inland Revenue Department ("**IRD**") who in turn will exchange such information with the jurisdiction(s) in which that account holder is resident. Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has signed a Competent Authority Agreement ("**CAA**"); however, the Fund, the Sub-Funds, the Manager, the Trustee and/or its agents may further collect information relating to residents of other jurisdictions.

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

The AEOI rules as implemented by Hong Kong require the Fund and the Sub-Funds to, amongst other things: (i) register the Fund's status as a "Reporting Financial Institution" with the IRD; (ii) conduct due diligence on its accounts (i.e., Unitholders) to identify whether any such accounts are considered "Reportable Accounts" for AEOI purposes; and (iii) report to the IRD information on such Reportable Accounts. The IRD is expected on an annual basis to transmit the information reported to it to the government authorities of the relevant jurisdictions with which Hong Kong has signed a CAA (i.e. the "**Reportable Jurisdictions**"). Broadly, AEOI contemplates that Hong Kong FIs should report on: (i) individuals or entities that are tax resident in the Reportable Jurisdictions; and (ii) certain entities controlled by individuals who are tax resident in the Reportable Jurisdictions. Under the Ordinance, details of Unitholders, including but not limited to their name, date of birth, 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 Reportable Jurisdictions.

By investing in the Fund and the relevant Sub-Funds and/or continuing to invest in the Fund and the relevant Sub-Funds, Unitholders acknowledge that they may be required to provide additional information to the Fund, the relevant Sub-Funds, the Manager, the Trustee and/or agents of the Fund and the Sub-Funds in order for the Fund and the relevant Sub-Funds to comply with AEOI. The Unitholder's information (and/or 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 the Reportable Jurisdictions.

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-Funds.

REPORTS AND ACCOUNTS

The Fund's financial year end is on 31st December in each year. The Manager will procure printed and electronic copies of the annual report and audited accounts (available in English only) to be made available to Unitholders free of charge as soon as possible, and in any event within four months, after the end of the Fund's financial year.

The Manager also procures unaudited semi-annual reports (available in English only) to be made available free of charge within two months after 30th June in each year.

Printed copies of the Fund's annual audited reports and semi-annual unaudited reports will be available from the address of the Manager as set out in the section headed "ADMINISTRATION".

Electronic copies will be available on www.bocomgroup.com. Please note that the website has not been reviewed by the SFC.

The Manager will notify Unitholders of the availability of the printed and electronic copies of the annual audited reports and the semi-annual unaudited reports on or before their issue within the relevant timeframes above (i.e. four months for annual audited reports and two months for semi-annual unaudited reports from the end of the financial period they cover). If the Manager decides in the future to limit the availability of financial reports to only either printed or electronic copies, one month's prior notice will be given to investors.

DISTRIBUTION OF INCOME

Unless otherwise described in the relevant Appendix, the Manager does not intend to make any distribution of income.

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

Any payment of distributions will be made in the base currency of the relevant classes by direct transfer into the appropriate bank account or by cheque at the risk of the Unitholders (or in such other manner as may be agreed with the Manager). Any distribution which is not claimed for six years will be forfeited and become part of the assets of the relevant Sub-Fund.

VOTING RIGHTS

Meetings of Unitholders may be convened by the Manager or the Trustee, and the Unitholders of 10% or more in value of the Units in issue may require a meeting to be convened. Unitholders will be given not less than 21 days' notice of any meeting.

The quorum for all meetings is Unitholders present in person or by proxy representing 10% of the Units for the time being in issue except for the purpose of passing an extraordinary resolution. The quorum for passing an extraordinary resolution shall be Unitholders present in person or by proxy representing 25% or more of the Units in issue. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting should be adjourned for not less than 15 days. In the case of an adjourned meeting of which separate notice will be given, such Unitholders as are present in person or by proxy will form a quorum. On a show of hands, every individual Unitholder present in person or by representative has one vote; 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. A poll may be demanded by the Chairman or one or more Unitholders present in person or by proxy.

PUBLICATION OF PRICES

The Net Asset Value per Unit of each Sub-Fund at each Valuation Day will be available online at www.bocomgroup.com. Please note that the website has not been reviewed by the SFC.

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 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 (if any) of the relevant class as set out in the relevant Appendix.

COMPULSORY REDEMPTION OR TRANSFER OF UNITS

The Manager or the Trustee may require a Unitholder to transfer the Unitholder's Units or may redeem such units in accordance with the Trust Deed if it shall come to the notice of the Manager or the Trustee that the Unitholder holds such Units (a) in breach of the law 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 Unitholder 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 the opinion of the Manager or the Trustee, might result in the Fund and/or any Sub-Fund in relation to such class of Units incurring any liability to taxation or suffering any other pecuniary disadvantage which the Fund or the Sub-Fund might not otherwise have incurred or suffered.

TRUST DEED

The Fund was established under the laws of Hong Kong by a Trust Deed dated 27th October 2010 made between BOCOM International Asset Management Limited as Manager and Bank of Communications Trustee Limited as Trustee.

The Trust Deed contains *inter alia* provisions for the indemnification of the parties and their exculpation from liability in certain circumstances. For the avoidance of doubt, the Trustee or the Manager (as the case may be) shall not be exempted from any liability to unitholders imposed under Hong Kong law or breaches of trust through fraud or negligence, nor may it 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.

Copies of the Trust Deed (together with any supplemental deeds) may be obtained from the Manager on payment of a reasonable fee and may be inspected during normal working hours at the offices of the Manager or the Trustee free of charge.

TERMINATION OF THE FUND OR ANY SUB-FUND

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

The Fund may be terminated by the Trustee on notice in writing, provided that the Trustee shall certify that in its opinion the proposed termination is in the interest of Unitholders,

(a) if the Manager goes into liquidation or if a receiver is appointed over any of their assets and not discharged within 60 days; or

(b) if in the opinion of the Trustee, the Manager is incapable of performing or fails 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; or

(c) if any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue the Fund; or

(d) within 30 days of the Manager leaving office, no new manager is appointed; or

(e) no new trustee is appointed within six months of the Trustee giving notice of its desire to retire.

The Fund and/or any of the Sub-Funds or the class(es) of Units of a Sub-Fund may be terminated by the Manager on notice in writing if:

(a) on any date, in relation to the Fund, the aggregate Net Asset Value of all Units outstanding thereunder shall be less than HK$10,000,000 or in relation to a Sub-Fund, the aggregate Net Asset Value of the Units of the relevant class outstanding thereunder shall be less than HK$10,000,000 (or other amounts disclosed in the Appendix); or

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

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

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

Further, the Sub-Fund or a class or classes of the Sub-Fund may be terminated by an extraordinary resolution of the Unitholders of the Sub-Fund or the Unitholders of the relevant class or classes (as the case may be) on such date as the extraordinary resolution may provide.

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.

ANTI-MONEY LAUNDERING REGULATIONS

As part of the Manager's/Trustee's responsibility for the prevention of money laundering, the Manager/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 information required for verification purposes, the Manager or the Trustee may refuse to accept the application and the subscription moneys relating thereto and refuse to pay any redemption proceeds if an applicant for Units delays in producing or fails to produce any information required for the purposes of verification of identity or source of fund.

CONFLICTS OF INTEREST

The Manager and the Trustee may from time to time act as trustee, administrator, registrar, manager, custodian, investment manager or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients 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. Each will, at all times, have regard in such event to its obligations to the Fund and will endeavour to ensure that such conflicts are resolved fairly. In any event, the Manager shall ensure that all investment opportunities will be fairly allocated.

CERTIFICATION FOR COMPLIANCE WITH US FATCA OR OTHER APPLICABLE

LAWS

Each Unitholder (i) will be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Fund or a Sub-Fund (A) to prevent withholding (including, without limitation, any withholding taxes required under US FATCA) or qualify for a reduced rate of withholding (or mitigate backup withholding) in any jurisdiction from or through which the Fund and the relevant Sub-Funds receives payments and/or (B) to satisfy reporting or other obligations under US IR Code and the United States Treasury Regulations promulgated under the US IR Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority in any jurisdiction, (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments or when such form, certification or other information is no longer accurate, and (iii) will otherwise comply with any reporting obligations imposed by the US, Hong Kong or any other jurisdiction (including under AEOI), including reporting obligations that may be imposed by future legislation or future applicable laws.

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, taxpayer identification number (if any), and certain information relating to the Unitholder's holdings, account balance/value, and income or sale or redemption proceeds, to enable the Fund or the relevant Sub-Funds 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 AEOI or US FATCA).

Investors should refer to the risk factor headed “(xix) Foreign Account Tax Compliance Act of the United States” in the section headed “RISK FACTORS” for disclosures regarding compliance with the regulations under the United States Foreign Account Tax Compliance Act.”

PERSONAL DATA

Pursuant to the provisions of the Personal Data (Privacy) Ordinance (Chapter 468 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 (as amended from time to time) and all other applicable regulations and rules governing personal data use in Hong Kong from time to time. Accordingly, each Data User shall take all practicable steps to ensure that personal data collected, held and processed by them are protected against unauthorized or accidental access, processing, erasure or other use.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal working hours at the offices of the Manager or the Trustee free of charge and copies thereof may be obtained from the Manager upon payment of a reasonable fee (except that printed copies of the latest financial reports of the Fund as described in sub-paragraph (c) below will be provided to Unitholders free of charge upon request):-

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

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

(c) the latest financial reports of the Fund.

INFORMATION AVAILABLE ONLINE

The Manager will make the following available on its website at www.bocomgroup.com:

(a) this Explanatory Memorandum together with any Appendices hereto (as amended and supplemented from time to time);

(b) the Product Key Facts Statement of each Sub-Fund;

(c) circulars, notices and announcements issued in relation to the Fund or a Sub-Fund;

(d) the latest audited annual reports and semi-annual unaudited reports of the Fund; and

(e) the latest NAV of each Sub-Fund.

Please note that the website has not been reviewed by the SFC.

APPENDIX I

BOCOM International Dragon Core Growth Fund

Base Currency

The base currency of the Sub-Fund is HK$.

Investment Objective and Policy

The Sub-Fund seeks to deliver long-term capital growth through investing at least 70% of its latest available Net Asset Value in H-Shares, red-chips[1] and other companies listed on the Hong Kong Stock Exchange which have considerable interests in the Greater China region (inclusive of Mainland China, Hong Kong, Macau and Taiwan).

The Sub-Fund does not intend to focus on a particular industry or sector, and may invest in securities issued by companies of any market size and in such proportions as the Manager deems appropriate.

The Manager may re-balance the portfolio of the Sub-Fund as frequently as daily.

The remaining assets of the Sub-Fund (less than 30% of its net asset value) may consist of cash, deposits, money market funds and investment grade[2] debt securities denominated in HK$, RMB or US$ when appropriate.

As ancillary investment in other equity and equity related securities of companies which have considerable interests in the Greater China region, the Sub-Fund may also invest not more than 20% of its net asset value in A-Shares via the Shanghai-Hong Kong Stock Connect and/or the Shenzhen-Hong Kong Stock Connect ("**Stock Connect**"), and not more than 10% of its net asset value in equity securities listed in the United States.

Under exceptional circumstances (e.g. market crash or major crisis), the Sub-Fund may invest temporarily up to 100% in liquid assets such as deposits, treasury bills, certificates of deposit, short-term commercial papers for cash flow management.

However, the Sub-Fund will not invest more than 10% of its Net Asset Value in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) which is below investment grade.

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[1] "Red-chips" refer to companies controlled by PRC corporations that are incorporated outside the PRC and listed on the Hong Kong Stock Exchange.
[2] "Investment grade" means Baa3 or above by Moody's or BBB- or above by Standard & Poor's or equivalent ratings by other internationally recognised credit rating agencies.

The Sub-Fund does not invest in B-Shares in the PRC or A-Share market access products. Further, the Sub-Fund does not invest in structured products as part of its investment policy.

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

The Manager will give at least one month's prior notice (or such other notice period as may be agreed with the SFC from time to time) to investors should there be any changes to the investment objective and policy as stated above.

Specific Risk Factors

In addition to the risk factors set out in the main body of the Explanatory Memorandum under the section headed "RISK FACTORS", in particular the risk factors headed "General investment risk", "Currency risk", "Interest rates risk", "Credit risk", "Counterparty risk", "PRC market risks", "Emerging markets risk", "Concentration risk", "Liquidity risk", "Credit ratings risk", "Downgrading risk", "Below investment grade and unrated securities risk" and "Valuation risk", investors should also be aware that the Sub-Fund is subject to the following specific risks:

Equity market risk - The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

Concentration risk: The Sub-Fund invests primarily in securities of companies having considerable interests in the Greater China region listed on the Hong Kong Stock Exchange. As a result, the Sub-Fund's investments are concentrated in the Greater China region. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Greater China market.

China and emerging markets risk: Due to the focus of the Sub-Fund's investments in the Greater China region, the Sub-Fund is subject to risks relating to investments in emerging markets generally as well as risks specific to the PRC market, which may entail higher liquidity, currency, volatility, political and economic uncertainties, settlement, custody, and legal and taxation risks for the Sub-Fund.

Debt securities risk: As the Sub-Fund is permitted to hold debt securities under its investment policy, the Sub-Fund may also be exposed to risks associated with credit ratings of debt securities, downgrading risk and risks associated with investments in below investment grade and unrated securities. Investors should be aware that credit ratings assigned by a rating agency are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times. Credit rating agencies may fail to make timely changes to credit ratings to reflect an issuer's current financial condition. Additionally, a security may be downgraded which may adversely affect the Sub-Fund's investment value in such security. A security which is below investment grade or is unrated may also entail higher credit, liquidity and volatility risks.

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

Risk relating to China A-Shares: The Sub-Fund may invest in China A-Shares. High market volatility and potential settlement difficulties in the equity markets in Mainland China may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of the Sub-Fund.

Securities exchanges in Mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the Sub-Fund.

Risks associated with the Stock Connect: The Stock Connect is a mutual market access programme that allows investment in eligible SSE and SZSE-listed shares through the SEHK and eligible Hong Kong-listed shares through the SSE and SZSE. The Sub-Fund's investments through the Stock Connect may be subject to the following risks.

Quota Limitations

The Stock Connect is subject to quota limitations. In particular, once the remaining balance of the Northbound Daily Quota drops to zero or the Northbound Daily Quota is exceeded during the opening call session, new buy orders will be rejected (though investors will be allowed to sell their cross-boundary securities regardless of the quota balance). The Sub-Fund's ability to invest in China A-Shares through the Stock Connect may be affected.

Suspension Risk

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

Differences in Trading Day

The Stock Connect will only operate on days when both the Mainland China and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days, so it is possible that there are occasions when it is a normal trading day for the Mainland China market but Hong Kong investors (such as the Sub-Fund) cannot carry out any China A-Shares trading.

Operational Risk

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

Further, the "connectivity" in the Stock Connect requires routing of orders across the border. This requires the development of new information technology systems on the part of the SEHK and exchange participants. There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems fail to function properly, trading in both markets through the programme could be disrupted.

Recalling of Eligible Stocks

If a stock is recalled from the scope of eligible stocks for trading via the Stock Connect, the stock can only be sold and cannot be bought. This limits the scope of eligible stocks in which the Sub-Fund may invest.

Clearing and Settlement Risk

The Hong Kong Securities Clearing Company Limited ("**HKSCC**") and China Securities Depository and Clearing Corporation Limited ("**CSDCCL**") establish clearing links and each has become a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house. Should the remote event of CSDCCL default occur and the CSDCCL 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 the CSDCCL. HKSCC will in good faith seek recovery of the outstanding stocks and monies from the CSDCCL through available legal channels or through the CSDCCL'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 the CSDCCL.

Regulatory Risk

The Stock Connect is subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in Mainland China and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connect, and these new regulations may have potential retrospective effect. The regulations are untested and there is no certainty as to how they will be applied, and are subject to change. There can be no assurance that the Stock Connect will not be abolished.

Coverage of Investor Compensation Fund

Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong. For defaults occurring on or after 1 January 2020, the Investor Compensation Fund also covers investors' losses in relation to securities traded on a stock market operated by the SSE or the SZSE and in respect of which an order for sale or purchase is permitted to be routed through the northbound link of a Stock Connect arrangement. On the other hand, since the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not Mainland brokers, it is not protected by the China Securities Investor Protection Fund (中國投資者保護基金) in Mainland China. Therefore, the Sub-Fund is exposed to the risks of default of the broker(s) it engages in its trading in China A-Shares through the programme.

Mainland China tax risk: There are risks and uncertainties associated with the current Mainland China tax laws, regulations and practice in respect of realised and/or unrealised capital gains on China A-Shares traded via Stock Connect (which may have retrospective effect). Any increased tax liabilities on the Sub-Fund may adversely affect its value.

Based on professional and independent tax advice, the Sub-Fund will not make tax provisions with respect to realised and/or unrealised capital gains on China A-Shares traded via Stock Connect.

RMB currency and conversion risk: RMB is currently not freely convertible and is subject to exchange control policies and restrictions.

Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (for example Hong Kong Dollar) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Sub-Fund.

Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

Mainland China Tax Implications

1. <u>Corporate Income Tax ("CIT")</u>

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

It is the intention of the Manager to manage and operate the affairs of the Manager and the Sub-Fund such that they should not be treated as PRC TRE or non-PRC TRE with PE in the PRC for CIT purposes, although this cannot be guaranteed.

As such, it is expected that the Sub-Fund would be subject to CIT at a rate of 10% on a withholding tax basis ("WHT") in the PRC to the extent the Sub-Fund directly derives PRC sourced income in respect of its investments in the PRC.

a) Capital gains on disposal of A-Shares via Stock Connect

Provided that the Sub-Fund is not a PRC TRE or has no PE in the PRC, a 10% WHT would be imposed on the PRC-sourced capital gains derived by it, unless exempt or reduced under the laws and regulations or relevant tax treaty entered into by the PRC.

Pursuant to the “Notice about the tax policies related to the Shanghai-Hong Kong Stock Connect” (CaiShui [2014] No. 81) (“Notice No. 81”) promulgated by the Ministry of Finance of Mainland China (“MOF”), the State Taxation Administration of Mainland China (“STA”) and the China Securities Regulatory Commission (“CSRC”) on 31 October 2014, CIT, Business Tax (replaced by Value Added Tax, “VAT”), and Individual Income Tax ("IIT") are temporarily exempted on gains realised by Hong Kong market investors (i.e., the Sub-Fund) on the trading of A-Shares through Shanghai-Hong Kong Stock Connect.

Pursuant to the “Notice about the tax policies related to the Shenzhen-Hong Kong Stock Connect” (CaiShui [2016] No. 127) (“Notice No. 127”) promulgated by the MOF, the STA and the CSRC on 5 November 2016, CIT and IIT are temporarily exempted on gains realised by Hong Kong market investors (i.e., the Sub-Fund) on the trading of A-Shares through Shenzhen-Hong Kong Stock Connect.

b) Dividends

Unless a specific exemption or reduction is available under current PRC tax laws and regulations or relevant tax treaties, non-PRC TRE without PE in the PRC are subject to WHT, generally at a rate of 10%, to the extent it directly derives PRC sourced passive income (i.e., dividend income) arising from investment in PRC.

Under Notice No. 81, the Sub-Fund is subject to WHT at 10% on dividends received from A-Shares traded via Shanghai-Hong Kong Stock Connect, unless reduced under a double tax treaty with Mainland China upon application to and obtaining approval from the competent Mainland China authority.

Under Notice No. 127, the Sub-Fund is subject to WHT at 10% on dividends received from A-Shares traded via Shenzhen-Hong Kong Stock Connect, unless reduced under a double tax treaty with Mainland China upon application to and obtaining approval from the competent Mainland China authority.

2. <u>VAT</u>

a) Capital gains on disposal of A-Shares via Stock Connect

CaiShui [2016] No.36 (“Notice No. 36”) stipulates that gains derived by taxpayers from the trading of marketable securities would be subject to VAT at 6%. It also stipulates that VAT is temporarily exempt on capital gains derived by Hong Kong market investors (i.e., the Sub-Fund) on the trading of A-Shares through the Stock Connect.

Under Notice No. 127, VAT is temporarily exempt on capital gains derived by Hong Kong market investors (including the Sub-Funds) on the trading of A-Shares through Shenzhen-Hong Kong Stock Connect.

b) Dividends

Dividend income on equity investments derived from the PRC is not within the taxable scope of VAT.

3. Stamp Duty (“SD”)

Pursuant to SD Law which came into effect on 1 July 2022, SD is levied on the execution or receipt in the PRC of certain documents, including contracts for the sale of A-Shares traded on the PRC stock exchanges, at the rate of 0.1%.

Pursuant to the “Announcement on Reducing Stamp Duty on Securities Transactions by Half” (“Announcement No. 39”) promulgated by the MOF and the STA on 27 August 2023, the SD on securities transactions (i.e., A-Shares) was reduced by half (i.e., 0.05%) from 28 August 2023 onwards.

In the case of contracts for sale of PRC A-Shares, such stamp duty is currently imposed on the seller but not on the purchaser.

4. General

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

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 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 the Sub-Fund invests in, thereby reducing the income from, and/or value of the Units.

Unitholders should seek independent professional advice on their positions regarding the investment in any Sub-Fund.

Investment Minima

Minimum Initial Subscription Amount	HK$10,000

Minimum Subsequent Subscription Amount	HK$2,000
Minimum Holding	1,000 Units
Minimum Redemption	200 Units

Fees and Charges

Payable by Unitholders

Preliminary Charge (% of Issue Price)	Up to 5%
Redemption Charge (% of Redemption Price)	Up to 4%
Switching Charge (% of Issue Price of the relevant Sub-Fund being switched into)	Up to 1%

Payable by the Sub-Fund

Management Fee (% Net Asset Value of the Sub-Fund)	1.5% p.a.
Trustee Fee (% Net Asset Value of the Sub-Fund)	0.30% to 0.35% p.a., subject to a minimum annual fee of HK$350,000 for this Sub-Fund[4]. No annual maintenance fee is separately charged by the Trustee.

[4] As noted under the section headed "Expenses and Charges - Trustee Fee" above, the applicable Trustee Fee is levied on the Net Asset Value of the Sub-Fund. The actual rate of the Trustee Fee is calculated on a sliding scale within the range of 0.30% to 0.35% p.a., commencing from 0.35% p.a. and reducing thereafter.

Establishment Costs

As at the date of this Explanatory Memorandum, the costs of establishment of the BOCOM International Fund and BOCOM International Dragon Core Growth Fund (initial Sub-Fund) have been fully amortised.

Dealing Day

Every Business Day

Dealing Deadline

5:00 p.m. on the relevant Dealing Day. The Authorised Distributor(s) may impose different dealing deadlines for receiving instructions for subscriptions, redemptions or switching. Investors should pay attention to the arrangements of the Authorised Distributor(s) concerned.

Subscription, Redemption and Switching of Units

For details regarding the procedures for subscription, redemption and switching, see the main part of the Explanatory Memorandum under the sections headed "PURCHASE OF UNITS", "REDEMPTION OF UNITS" and "SWITCHING BETWEEN SUB-FUNDS".

Distributions

No distributions will be made.

Valuation

Valuation Day will be the Dealing Day and the Valuation Point is the close of business in the last relevant market to close on each Dealing Day.

APPENDIX II

BOCOM International China Dynamic Fund

Definitions

The defined terms used in this Appendix II have the following meanings:-

"HK & PRC Business Day"	Means a Business Day on which banks in Hong Kong and the PRC are open for business, or such other day or days as the Manager and the Trustee may agree from time to time.
"PRC Securities"	Means RMB financial instruments which are allowed to be invested by RQFIIs from time to time and which may include (i) shares (excluding China B-Shares) listed on the stock exchanges in the PRC; (ii) bonds listed on the stock exchanges in the PRC; (iii) convertible bonds listed on the stock exchanges in the PRC; (iv) securities investment funds; (v) warrants listed on the stock exchanges in the PRC; (vi) interbank bonds; (vii) stock index futures and (viii) any other financial instruments permitted for the purposes of the RQFII scheme by CSRC, PBOC and other authorities in the PRC from time to time
"RQFII Custodian"	Means HSBC Bank (China) Company Limited
"RQFII Holder"	Means BOCOM International Asset Management Limited in its capacity as a RQFII holder
"SAFE"	Means the State Administration of Foreign Exchange
"Sub-Fund"	Means BOCOM International China Dynamic Fund.
"Urban Investment Bonds"	(城投債), means debt instruments issued by local government financing vehicles ("**LGFVs**") in the PRC exchange-traded bond markets and inter-bank bond market. These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects.

Base Currency

The base currency of the Sub-Fund is RMB.

Investment Objective and Policy

Investment Objective

The Sub-Fund seeks to provide investors with capital growth by investing primarily in A-Shares of PRC companies through the RQFII status of the Manager.

Investment Policy

The Sub-Fund seeks to achieve its investment objective by investing 70% to 95% of its Net Asset Value in A-Shares of PRC companies listed in the PRC securities markets, currently SSE and SZSE, and/or convertible bonds trading on the interbank bond market and/or the exchange bond market issued or distributed within the PRC directly through the Manager's RQFII status.

The Sub-Fund may also invest 5% to 30% of its Net Asset Value in RMB denominated and settled fixed income securities trading on the interbank bond market and/or the exchange bond market which include bonds issued or distributed within the PRC by governments, quasi-government organizations, financial institutions and other corporations, for example, government bonds and notes, corporate bonds, financial bonds and commercial papers. The Sub-Fund may hold up to 25% of its Net Asset Value in cash in RMB.

Unless otherwise specified herein, when investing the assets of the Sub-Fund, the Manager does not intend to have an investment focus in terms of industry or sector. The Sub-Fund may invest in securities issued by companies of any market size and in such proportions as the Manager deems appropriate.

Under exceptional circumstances (e.g. market crash or major crisis), the Sub-Fund may invest temporarily up to 100% in liquid assets such as deposits, treasury bills, certificates of deposit, short-term commercial papers for cash flow management.

It is intended that the Sub-Fund will only invest in fixed income securities which are rated Baa3 or above by Moody's or BBB- or above by Standard & Poor's or A- or above by Dagong Global Credit Rating Co., Ltd or equivalent ratings by recognised credit rating agencies or major local credit rating agencies, or fixed income securities issued by issuers with such credit rating. The Sub-Fund will not invest in fixed income securities which do not fulfil the foregoing criteria. In the event of credit rating downgrading of the fixed income securities or their issuers, the Sub-Fund may hold fixed income securities which are, or the issuers of which are, rated BB+ or below or unrated by major local credit rating agencies, provided that the Sub-Fund's exposure to such fixed income securities are limited to 30% of the Sub-Fund's Net Asset Value.

For the avoidance of doubt, the Manager will first consider the credit rating of a fixed income security itself, and only if it is not available, the Manager will then consider the credit rating of its issuer, which will become the implied rating of the fixed income security, if applicable. For the purpose of the Sub-Fund, an “unrated” security is defined as a security which neither the security itself nor its issuer has a credit rating.

An indicative investment allocation of the Sub-Fund is set out below:

Type of investment	**Exposure in terms of percentage of the Sub-Fund’s Net Asset Value (indicative only)**
A-Shares of PRC companies and/or convertible bonds	70-95%
RMB denominated and settled fixed income securities	5-30%
Cash in RMB	0-25%

The Sub-Fund will not invest in equity and/or debt securities issued or distributed outside the PRC. The Sub-Fund will not invest in any municipal bonds or Urban Investment Bonds.

The Manager currently does not intend to enter into securities financing transactions in respect of the Sub-Fund. The Manager will seek the prior approval of the SFC and provide at least one month’s prior notice to Unitholders before the Manager engages in any such transactions and this Explanatory Memorandum will also be updated accordingly.

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

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

Investment Strategy

The Manager has formulated the following equity securities investment strategy, fixed income securities investment strategy and convertible bonds investment strategy to achieve the Sub-Fund’s investment objective:-

Equity securities investment strategy

The Manager aims to invest in the industries which are expected to have rapid growth under the economic development of the PRC, and to select individual stocks among such industries.

- Industry selection

The Manager will conduct research on the overall macro economy and the prospects and market valuation in respect of individual sectors, in order to assess the investment values of each industry. On this basis, the Manager will identify relevant sectors with reference their market capitalisation in the overall market, and make adjustment to the Sub-Fund's investments allocation among such sectors.

- <u>Portfolio construction</u>

  Portfolio construction is based on a combination of top-down and bottom-up fundamental analysis. The Manager will seek to invest in stocks which have intrinsic advantage and potentials. The Manager will make use of its research resources to analyse a company's fundamental situation in various dimensions, such as its competitive advantage, market position, growth prospects, quality of earnings and corporate governance structure.

<u>Fixed income securities investment strategy</u>

When investing in RMB denominated and settled fixed income securities, the Manager will base on its analysis on the interest rates trend in the medium to long term, together with analysis on the macro economy, monetary and fiscal market environment and the expected yield, liquidity and credit risks pertaining to different types of fixed income securities. The Manager will seek to select fixed income securities which are liquid, having a reasonable risk level and relatively higher yield taking into account their credit quality. Each fixed income security is expected to be selected by considering various factors including but not limited to interest rate expectation, yield curve structure and duration, as follows:

- <u>Interest rate expectation</u>

  The Manager will focus and formulate its expectation on the movements in interest rate based on its analysis on the macro economy, monetary and fiscal market environment.

- <u>Yield curve structure</u>

  The Manager will develop models on the expected yield curve of various types of fixed income instruments, and determine the trend on price movements by using these models to conduct valuation. The Manager will construct a portfolio by selecting fixed income instruments in the market based on expected yield, liquidity, risk-and-return analysis and principals of fixed income valuation.

- <u>Duration</u>

  The Manager will analyse the quantitative correlation between duration and price fluctuations of fixed income securities, and adjust the duration risk of the fixed income investment portfolio based on the Manager's expectation on the interest rate cycle.

Convertible bonds investment strategy

Convertible bonds will be selected based on the fixed income securities investment strategy set out above. When the convertible bonds are due to be converted into equity investments, the Manager will consider the expected return and the liquidity of the relevant convertible bonds, in determining whether to dispose of the convertible bonds, to dispose of the equity investments upon conversion, or to continue to hold the equity investments as converted.

Investment and Borrowing Restrictions

The Sub-Fund shall adhere to the general investment and borrowing restrictions set out in the main body of the Explanatory Memorandum.

The RQFII Custodian

As the Sub-Fund invests in China A-Shares and fixed income instruments issued within the PRC through RQFII, the relevant RQFII is required to appoint a custodian in the PRC for the custody of assets, pursuant to relevant laws and regulations.

Pursuant to the Trust Deed, the Trustee may appoint any persons (including connected persons of the Trustee) to act as delegate, agent, nominee, custodian or co-custodian and may empower any such custodian or co-custodian to with no objection in writing from the Trustee appoint, sub-custodians and with prior consent in writing of the Trustee appoint, RQFII Custodian (each such delegate, agent, nominee, custodian or co-custodian and sub-custodian, a "**Correspondent**"). The Trustee shall (A) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of the Correspondents which are appointed for the custody and/or safekeeping of any of the investments, assets or other property comprised in the Fund; and (B) be satisfied that such Correspondents remain suitably qualified and competent on an ongoing basis to provide the relevant service to the Fund or the Sub-Fund. Provided that the Trustee has discharged its obligations set out in (A) and (B) the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any Correspondent that is not a connected person of the Trustee. The Trustee shall remain liable for any act or omission of any Correspondent that is a connected person of the Trustee as if the same were the act or omission of the Trustee.

In this connection, HSBC Bank (China) Company Limited ("**HSBC China**") has been appointed by the Manager, together with the Trustee, as the RQFII Custodian in respect of the investments held by the Sub-Fund. For the purposes herein, "**Correspondents**" shall include the RQFII Custodian, and the RQFII Custodian is not a connected person of the Trustee.

The RQFII Custodian will be appointed as the custodian of the Sub-Fund's assets that are located in the PRC.

HSBC China started operations on 2 April 2007 as a wholly-foreign-owned bank solely owned by The Hongkong and Shanghai Banking Corporation Limited. With its headquarters based in Shanghai, HSBC China incorporated the previous mainland China offices of The Hongkong and Shanghai Banking Corporation Limited.

Established in Hong Kong and Shanghai in 1865, The Hongkong and Shanghai Banking Corporation Limited is the founding member of the HSBC Group – one of the world's largest banking and financial services organisations with around 6,900 offices in over 80 countries and territories – and its flagship in the Asia-Pacific region. The Hongkong and Shanghai Banking Corporation Limited is the largest bank incorporated in the Hong Kong Special Administrative Region and one of the HKSAR's three note-issuing banks. Currently, HSBC China has 150 outlets and is considered as one of the most fast-expanding foreign banks in China in terms of the number of outlets.

Having a large and experienced team in providing the comprehensive custody services including B-Share, QFII, RQFII and China Inter-bank Bond Market ("**CIBM**") schemes for the foreign institutional investors, HSBC China maintains leading position in terms of the cross-border custody business.

HSBC China is the first foreign bank to conduct bond settlement agency business in China CIBM market as well as the first RQFII foreign custodian bank.

The RQFII Custodian is entitled to an RQFII Custodian fee, payable out of assets of the Sub-Fund, based on the Net Asset Value of the Sub-Fund at a rate of 0.10% per annum. Such fee is accrued as at each Valuation Day and is payable monthly in arrears. The RQFII Custodian will be entitled to reimbursement by the Sub-Fund for any out-of-pocket expenses incurred in the course of their duties.

Overview of the China A-Share Market and Fixed Income Securities Market

Please refer to Annex A for an overview of the China A-Shares market and fixed income securities market in the PRC.

Renminbi Qualified Foreign Institutional Investor (RQFII)

Under prevailing RQFII regulations in the PRC, foreign institutional investors who wish to invest directly in the PRC domestic securities market may apply for a RQFII licence. The RQFII Holder (i.e. the Manager) has obtained a RQFII licence in the PRC. Currently it is intended that the Sub-Fund will obtain exposure to RMB denominated fixed income securities issued within Mainland China, China A-Shares and other permissible investments by using the RQFII license of the RQFII Holder (i.e. the Manager).

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

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

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

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

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

The RQFII Holder and the Trustee have appointed HSBC Bank (China) Company Limited as the RQFII Custodian in respect of the RQFII securities, pursuant to relevant laws and regulations.

Securities including RMB denominated fixed income securities issued within the PRC, China A-Shares and other permissible investments will be maintained by the RQFII Custodian pursuant to PRC regulations through securities accounts with the China Securities Depository and Clearing Corporation Limited in such name as may be permitted or required in accordance with PRC law.

Investors should pay attention to the risk factors headed "RQFII risk", "Application of RQFII rules", "Cash deposited with the RQFII Custodian" and "PRC brokerage risk" under the section headed "Specific Risk Factors". The Manager has obtained an opinion from PRC legal counsel to the effect that, as a matter of PRC laws:

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

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

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

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

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

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

Further, the Trustee has put in place proper arrangements to ensure that:

(i) the Trustee takes into its custody or under its control the assets of the Sub-Fund, including assets deposited in the securities account(s) and cash account(s) with the RQFII Custodian, and holds the same in trust for the Unitholders;

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

(iii) the RQFII Custodian will look to the Trustee for instructions and solely act in accordance with such instructions, save as otherwise required under applicable regulations.

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

PRC Tax Provisions

For further details relating to PRC taxes and the associated risks, please refer to the risk factor headed "PRC tax risk considerations" under the section headed "Specific Risk Factors".

On 14 November 2014, the Ministry of Finance of the PRC, the SAT and the CSRC issued "Caishui [2014] No. 79 - The Circular Concerning the issue of temporary exemption from the imposition of capital gain tax arising from gains from the transfer of equity investment assets such as PRC domestic stocks by QFII and RQFII" (the "**Caishui 2014/79 Circular**"). Pursuant to the Caishui 2014/79 Circular, effective from 17 November 2014, capital gains realised by a QFII or RQFII, which does not have an establishment or place in the PRC or have an establishment or place in the PRC but the income so derived in the PRC is not effectively connected with such establishment, from trading of China-A Shares are exempt from Enterprise Income Tax ("**EIT**").

Accordingly, from 17 November 2014 onwards until further notice, the Sub-Fund will not set aside any provision for tax derived from the gross realised and unrealised capital gains from dealings in China-A Shares by the Sub-Fund through the Manager's RQFII status.

On 22 November 2018, the Ministry of Finance of the PRC, the SAT and the CSRC issued "Caishui [2018] No. 108 - Circular on the EIT and Value-Added Tax ("VAT") policy for foreign institutions to invest in the onshore bond market" (the "**Caishui 2018/108 Circular**"). Pursuant to the Caishui 2018/108 Circular, bond interest income derived by foreign institutions investing in the onshore bond market is temporarily exempted from EIT, VAT and other surtaxes for the period from 7 November 2018 to 6 November 2021.

During the period from 7 November 2018 to 6 November 2021, no tax provision will be made on bond coupon interest income derived from PRC.

In respect of the PRC fixed income securities acquired by the Manager on behalf of the Sub-Fund through the Manager's RQFII status, the Manager will not set aside any provision for tax for the Sub-Fund's gross realized and unrealized capital gains derived from trading of PRC fixed income securities since the Sub-Fund's inception.

Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, any sums withheld in excess of the tax liability incurred or is expected to be incurred by the Sub-Fund shall be released and transferred to the Sub-Fund's accounts forming part of the Sub-Fund's assets. In case of any shortfall between the provisions and actual tax liabilities, which will be debited from the Sub-Fund's assets, the Sub-Fund's asset value will be adversely affected. The amount of tax provisions for the account of the Sub-Fund will be disclosed in the annual reports of the Fund and/or the Sub-Fund.

The Manager will assess the tax provision approach on an on-going basis. Should the PRC tax policies change, the Manager may decide to set aside provision to meet any potential tax liability in the future.

Specific Risk Factors

In addition to the risk factors set out in the main body of the Explanatory Memorandum under the section headed "RISK FACTORS", in particular the risk factors headed "General investment risk", "Emerging markets risk", "Currency risk", "Interest rates risk", "Credit risk", "Concentration risk", "Liquidity risk", "Counterparty risk", "Credit ratings risk", "Downgrading risk" and "Valuation risk", investors should also be aware that the Sub-Fund is subject to the following specific risks:

- *China market risks*

  Single country investment: Insofar as the Sub-Fund invests substantially in securities issued in the PRC, it will be subject to risks inherent in the China market and additional concentration risks. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the PRC market. Please refer to the risk factors headed "PRC market risks" and "Concentration risk" in the main part of the Explanatory Memorandum.

  Risks relating to dependence upon trading on PRC securities markets: The existence of a liquid trading market for China A-Shares and/or fixed income securities may depend on whether there is supply of, and demand for, such securities. The price at which the 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 such securities are limited or absent. Investors should note that the SSE and SZSE on which China A-Shares are traded are undergoing development and the market capitalisation of, and trading volumes on, those stock exchanges are lower than those in more developed markets. The China A-Share market, the interbank bond market and/or the exchange bond market may be more volatile and unstable (for examples due to the risk of suspension of a particular stock or government intervention) than those in more developed markets. Market volatility and settlement difficulties in such markets may result in significant fluctuations in the prices of the securities traded on such markets and thereby may affect the value of the Sub-Fund.

- *RQFII risk*: The Sub-Fund is not a RQFII but may obtain access to RMB denominated fixed income securities, China A-Shares or other permissible investments directly using RQFII status of a RQFII. The Sub-Fund may invest directly in RQFII eligible securities investment via the RQFII status of the RQFII Holder (i.e. the Manager). The following risks are relevant to the RQFII regime:

Risks regarding RQFII status

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

Investors should note that there can be no assurance that a RQFII will continue to maintain its RQFII status , or that redemption requests can be processed in a timely manner due to repatriation requirements or adverse changes in relevant laws or regulations, or any of the key operators or parties (including RQFII Custodian/ PRC brokers) will not be bankrupt/in default and/or disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities). Such restrictions may respectively result in a rejection of applications and a suspension of dealings of the Sub-Fund. In extreme circumstances, the Sub-Fund may incur significant losses due to limited investment capabilities, or may not be able to fully implement or pursue its investment objective or strategy, due to RQFII investment restrictions, illiquidity of the Mainland China securities market, and/or delay or disruption in execution of trades or in settlement of trades.

Repatriation and liquidity risks

In addition, certain restrictions imposed by the Chinese government on RQFIIs may have an adverse effect on the Sub-Fund's liquidity and performance. The SAFE regulates and monitors the repatriation of funds out of the PRC by the RQFII participants. Repatriations in RMB conducted by RQFIIs in respect of an open-ended RQFII fund (such as the Sub-Fund) are currently not subject to any lock-up periods, prior approval or other repatriation restrictions, although authenticity and compliance reviews will be conducted, and monthly reports on remittances and repatriations will be submitted to SAFE by the RQFII Custodian. There is no assurance, however, that PRC rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Any restrictions on repatriation of the invested capital and net profits may impact on the Sub-Fund's ability to meet redemption requests from the Unitholders. Furthermore, as the RQFII Custodian's review on authenticity and compliance is conducted on each repatriation, the repatriation may be delayed or even rejected by the RQFII Custodian in case of non-compliance with the RQFII regulations. In such case, it is expected that redemption proceeds will be paid to the redeeming Unitholder as soon as practicable after completion of the repatriation of funds concerned. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the Manager's control.

- *Application of RQFII rules*: The application of the RQFII regulations may depend on the interpretation given by the relevant Chinese authorities. Any changes to the relevant rules and regulations may have an adverse impact on investors' investment in the Sub-Fund. In the worst scenario, the Manager may determine that the Sub-Fund shall be terminated if it is not legal or viable to operate the Sub-Fund because of changes to the application of the relevant rules.

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

- *Renminbi exchange risk*: Starting from 2005, the exchange rate of the RMB is no longer pegged to the US$. The RMB has now moved to a managed floating exchange rate based on market supply and demand with reference to a basket of foreign currencies. The daily trading price of the RMB against other major currencies in the inter-bank foreign exchange market would be allowed to float within a narrow band around the central parity published by the People's Bank of China. As the exchange rates are based primarily on market forces, the exchange rates for RMB against other currencies, including US$ and HK$, are susceptible to movements based on external factors. It should be noted that the RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of the Chinese government. The possibility that the appreciation of RMB will be accelerated cannot be excluded. On the other hand, there can be no assurance that RMB will not be subject to devaluation. Any devaluation of RMB could adversely affect the value of investors' investments in the relevant Sub-Fund. Investors whose base currency is not RMB may be adversely affected by changes in the exchange rates of RMB.

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

  Further, the PRC government's imposition of restrictions on the repatriation of RMB out of China may limit the depth of the RMB market in Hong Kong and reduce the liquidity of the Sub-Fund. The Chinese government's policies on exchange control and repatriation restrictions are subject to change, and the Sub-Fund's or the investors' position may be adversely affected.

- *Renminbi currency risk*: RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of and repatriation restrictions imposed by the Chinese government. Such control of currency conversion and movements in the RMB exchange rates may adversely affect the operations and financial results of companies in the PRC. As the Sub-Fund's assets are invested in the PRC, it will be subject to the risk of the PRC government's imposition of restrictions on the repatriation of funds or other assets out of the country, limiting the ability of the Sub-Fund to satisfy payments to investors. If such policies change in future, the Sub-Fund's or the investors' position may be adversely affected.

- *Currency conversion risk* – Where an investor subscribes for Units denominated in a non-RMB currency, the Manager will convert such subscriptions into RMB prior to investment at the applicable exchange rate and subject to the applicable spread. Where an investor redeems Units denominated in a non-RMB currency, the Manager will sell the Sub-Fund's investments denominated in RMB and convert such proceeds into non-RMB currency at the applicable exchange rate and subject to the applicable spread.

  As RMB is not freely convertible, currency conversion is also subject to availability of RMB at the relevant time (i.e. it is possible there is not sufficient RMB for currency conversion in case of sizeable subscriptions in non-RMB classes). The Manager has the absolute discretion to reject any application made in non-RMB currency funds (whether such application is in relation to a RMB class) where it determines that there is not sufficient RMB for currency conversion. In case of redemptions, currency conversion is also subject to the Sub-Fund's ability to convert the proceeds denominated in RMB into non-RMB currency which, in turn, might affect the Sub-Fund's ability to meet redemption requests from the Unitholders or delay the payment of redemption proceeds.

  In calculating the Net Asset Value of Units of non-RMB class, the Manager will apply the CNH rate (i.e. the exchange rate for the offshore RMB market in Hong Kong). The CNH rate may be at a premium or discount to the exchange rate for the onshore RMB market in the PRC (i.e. the CNY exchange rate); there may be significant bid and offer spreads. Consequently, there may be significant trading costs incurred and investing in classes of Units denominated in a non-RMB currency may suffer losses.

- *Cash deposited with the RQFII Custodian*: Investors should note that cash deposited in the cash account of the Sub-Fund with the RQFII Custodian will not be segregated but will be a debt owing from the RQFII Custodian to the Sub-Fund as a depositor. Such cash will be co-mingled with cash that belongs to other clients or creditors of the RQFII Custodian. In the event of bankruptcy or liquidation of the RQFII Custodian, the Sub-Fund will not have any proprietary rights to the cash deposited in such cash account, and the Sub-Fund will become an unsecured creditor, ranking pari passu with all other unsecured creditors, of the RQFII Custodian. The Sub-Fund may face difficulty and/or encounter delays in recovering such debt, or may not be able to recover it in full or at all, in which case the Sub-Fund will suffer.

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

- *PRC tax risk considerations*:

  EIT:

  If the Sub-Fund is considered as a PRC tax resident, it will be subject to PRC EIT at 25% on its worldwide income; if the Sub-Fund is considered as non-resident in the PRC but has a permanent establishment ("**PE**") in the PRC, the profits attributable to that PE would be subject to PRC EIT at 25%. If the Sub-Fund is a non PRC tax resident in the PRC and has no PE, it will be subject to EIT on a withholding basis in the PRC in respect of its PRC sourced income.

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

  (i) Dividend and interest

  Unless a specific exemption or reduction is available under current PRC tax laws and regulations or relevant tax treaties, non-tax resident enterprises without PE in the PRC are subject to Withholding Income Tax ("WIT"), generally at a rate of 10%, to the extent it directly derives PRC sourced passive income. PRC sourced passive income (such as dividend income or interest income) may arise from investments in the PRC securities. Accordingly, the Sub-Fund is generally subject to WIT at 10% on any cash dividends, distributions and interest it receives from its investment in PRC securities.

  In respect of interest, under the CIT Law, interests derived from government bonds issued by the in-charge Finance Bureau of the State Council and/or local government bonds approved by the State Council are exempt from PRC income tax.

  Pursuant to the Caishui 2018/108 Circular, the bond interest income derived by foreign institutions investing in the onshore bond market is temporarily exempted from PRC EIT for the period from 7 November 2018 to 6 November 2021.

  Pursuant to the Announcement No. 34 promulgated by the MOF and the STA on 22 November 2021, the bond interest income derived by foreign institutions investing in the onshore bond market is temporarily exempted from EIT for the period from 7 November 2021 to 31 December 2025.

(ii) *Capital gains*

Capital gains derived from trading of A-Shares via RQFII

Pursuant to the Caishui 2014/79 Circular, capital gains realised by a QFII or RQFII, which does not have an establishment or place in the PRC or have an establishment or place in the PRC but the income so derived in the PRC is not effectively connected with such establishment, from trading of China-A Shares are exempt from PRC EIT from 17 November 2014 onwards.

Capital gains derived from trading of fixed income securities

Specific rules governing taxes on RQFIIs' and qualified foreign institutional investors' gains derived from the disposal of PRC fixed income securities have yet to be announced. Based on verbal comments from the PRC tax authorities, gains realized by foreign investors from investment in PRC fixed income securities are non-PRC sourced income and thus should not be subject to PRC WIT. However, there are no written tax regulations issued by the PRC tax authorities to confirm that interpretation. As a matter of practice, the PRC tax authorities have not levied PRC WIT on capital gains realised by foreign investors from the trading of fixed income securities.

Pursuant to Caishui 2014/79 Circular and aforementioned PRC tax authorities' interpretation of the PRC WIT implication on capital gains realised from trading of PRC fixed income securities, the Manager will not provide for any PRC WIT on the gross unrealised and realised capital gains derived from the trading of China A-Shares and fixed income securities through RQFII. The Manager reserves the right to provide for PRC WIT on gross realised and unrealised capital gains derived from the trading of PRC equity investment (including China A shares) and fixed income securities if the abovementioned temporary exemption is removed or if the PRC tax authorities changed their interpretation.

VAT and other surtaxes:

Pursuant to Caishui [2016] No.36 ("Circular 36"), with effect from 1 May 2016, gains realised by taxpayers from (i) trading of marketable securities and (ii) interest income would generally be subject to PRC VAT at 6% unless there is specific exemption.

Under Circular 36 and Caishui [2016] No.70, gains realised by QFIIs and RQFIIs from trading of PRC securities are exempted from PRC VAT. In addition, Circular 36 also provides that coupon interest income received from PRC government bonds or local government bonds and deposit interest income are exempt from PRC VAT.

Pursuant to the Caishui 2018/108 Circular, the bond interest income derived by foreign institutions investing in the onshore bond market is temporarily exempted from PRC VAT for the period from 7 November 2018 to 6 November 2021.

Pursuant to the Announcement No. 34 promulgated by the MOF and the STA on 22 November 2021, the bond interest income derived by foreign institutions investing in the onshore bond market is temporarily exempted from CIT and VAT for the period from 7 November 2021 to 31 December 2025.

The interest income derived from PRC fixed income instruments other than (i) interest income from PRC government bonds issued by the Ministry of Finance or approved local government bonds and (ii) interest income from PRC fixed income instruments derived for the period from 7 November 2018 to 31 December 2025 is technically subject to 6% VAT.

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

If VAT is applicable, there are also other local surtaxes (including Urban Maintenance and Construction Tax, Education Surcharge and Local Education Surcharge, etc) that could amount to as high as 12% of the VAT payable.

- *Risks associated with the Small and Medium Enterprise ("SME") board and/or the ChiNext Board*: The Sub-Fund may invest in and/or have exposure to the SME Board and/or the ChiNext Board via the Shenzhen-Hong Kong Stock Connect scheme. Investments in the SME board and/or ChiNext Board may result in significant losses for the Sub-Fund and its investors. The following additional risks apply:

  (i) 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").

  (ii) 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.

  (iii) 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.

  (iv) 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.

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 Mainland China of certain documents, including contracts for the sale of China A-Shares and China B-Shares traded on the PRC stock exchanges, at the rate of 0.1%.

Pursuant to the "Announcement on Reducing Stamp Duty on Securities Transactions by Half" ("Announcement No. 39") promulgated by the MOF and the STA on 27 August 2023, the SD on securities transactions (i.e., A-Shares) is reduced by half (i.e., 0.05%) from 28 August 2023 onwards.

In the case of contracts for sale of China A-Shares and China B-Shares, such stamp duty is currently imposed on the seller but not on the purchaser.

General:

The PRC tax rules and practices are subject to change. There is a possibility that the PRC tax authorities may change their view and interpretation of the provisions in the PRC CIT Law. In light of the uncertainty, the Manager reserves the right to make provisions in respect of a Sub-Fund for any potential tax obligations. With the uncertainties under the applicable PRC tax laws and the possibility of such laws being changed and taxes being applied retrospectively, any provision for taxation made by the Manager may be excessive or inadequate to meet actual PRC tax liabilities on gains derived from PRC securities. Consequently, investors may be advantaged or disadvantaged depending upon the final outcome of how such capital gains will be taxed, the level of provision and when they subscribed and/or redeemed their Units in/from the relevant Sub-Fund.

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

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.

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

- *Risks relating to China A-Shares*

High market volatility and potential settlement difficulties in the equity markets in China may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of the Sub-Fund.

Risks relating to equity securities: The Sub-Fund may invest in China A-Shares. Investment in equity securities is subject to market risk. The prices of such securities may be volatile and the value of such investments may be affected by a number of uncertainties such as investment sentiment, international, political and economic developments, regional or global economic instability, changes in government policies, issue-specific factors or currency and interest rate fluctuations. 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. If the market value of the equity securities in which the Sub-Fund invests goes down, the Sub-Fund's Net Asset Value may be adversely affected, and the investors may suffer substantial losses.

Risks relating to suspension of the China A-Share market: Securities exchanges in China typically have the right to suspend or limit trading in any security traded on the relevant exchange; a suspension will render it impossible for the Manager to liquidate positions and can thereby expose the Sub-Fund to losses. Under such circumstances, dealings of the Sub-Fund's Units may be suspended, and the payment of redemption proceeds may be delayed.

- *Credit risk of issuers / counterparties*: Investment in RMB denominated fixed income 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 the event of a default or credit rating downgrading of the issuers, valuation of the Sub-Fund's portfolio may become more difficult, 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.

  Investors should note the limitations of credit ratings set out under the risk factor headed "Downgrading risk" under the section headed "RISK FACTORS" in the main part of the Explanatory Memorandum. In addition, the Sub-Fund may invest in securities the credit ratings of which are assigned by the Chinese local credit rating agencies. However, the rating criteria and methodology used by such agencies may be different from those adopted by most of the established international credit rating agencies. Therefore, such rating system may not provide an equivalent standard for comparison with securities rated by international credit rating agencies.

  RMB denominated fixed income securities are offered on an unsecured basis without collateral, and will rank equally with other unsecured debts 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 fixed income securities 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.

- *Risk of credit rating not the only selection criterion*: The credit rating of a fixed income security or that of its issuer is not the only selection criterion for investment by the Sub-Fund. Investors should therefore note that even if all the fixed income securities the Sub-Fund currently invests in have, or the issuers of which have, a credit rating of Baa3 or above by Moody's or BBB- or above by Standard & Poor's or A- or above by Dagong Global Credit Rating Co., Ltd or equivalent ratings by recognised credit rating agencies or major local credit rating agencies, there is no assurance that (a) such fixed income securities or their issuers will continue to have such credit rating, and/or (b) such fixed income securities or their issuers will continue to be rated. Moreover, the Manager may or may not, in its sole discretion, dispose of fixed income securities which, or the issuers of which, fall below the above credit rating. The Manager will take into account factors including liquidity and maturity date of the relevant fixed income securities and market sentiment towards the fixed income securities at the relevant time to determine whether (and when) disposing of a fixed income security which, or the issuer of which, falls below the above credit rating is in the financial interest of the Sub-Fund.

- *Credit rating agency risk*: The credit appraisal system in the PRC and the rating methodologies employed in the PRC may be different from those employed in other markets. Credit ratings given by Mainland rating agencies may therefore not be directly comparable with those given by other international rating agencies.

- *Counterparty and settlement risk*: Investment in fixed income securities will expose the Sub-Fund to counterparty default risks. Fixed income securities traded on the interbank bond market or the exchange traded bond market in the PRC may be subject to counterparty risk, although such risk is mitigated by a centralised clearing system. On the other hand, the degree of counterparty risk may be higher in the interbank bond market, where deals are negotiated between two counterparties through a trading system. The counterparty which has entered into a transaction with the Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

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

  The Sub-Fund may invest in the PRC bond market via the exchange market and all bond trades will be settled through the China Securities Depository and Clearing Corporation Limited ("**CSDCCL**"). The CSDCCL is registered in the State Administration for Industry and Commerce, and operates under the supervision of the relevant PRC authorities.

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

If a participant defaults in delivering securities, the CSDCCL is entitled to delay the payment due to the delivering participant until the outstanding obligation is satisfied. In addition, the CSDCCL may apply all or any securities (in lieu of the securities that are the subject of the delivery obligations) from the following sources to satisfy the obligations and liabilities of such participant to the CSDCCL: (i) securities furnished by the defaulting party; (ii) securities purchased using the funds in the designated escrow account; or (iii) securities available to the CSDCCL from other alternative sources.

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

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

  The fixed income 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 fixed income 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 fixed income 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 fixed income securities are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates. Further, the bid and offer spreads of the price of fixed income securities in which the Sub-Fund invests may be high, and the Sub-Fund may therefore incur significant trading costs and may even suffer losses when selling such investments.

- *PRC brokerage risk*: The execution and settlement of transactions or the transfer of any funds or securities may be conducted by brokers ("**PRC Brokers**") and/or the RQFII Custodian appointed by the RQFII. There is a risk that the Sub-Fund may suffer losses from the default, bankruptcy or disqualification of the PRC Brokers and/or the RQFII Custodian. In such event, the Sub-Fund may be adversely affected in the execution or settlement of any transaction or in the transfer of any funds or securities. Subject to the applicable laws and regulations in the PRC, the Manager will make arrangements to ensure that the PRC Brokers and RQFII Custodian have appropriate procedures to properly safe-keep the Sub-Fund's assets.

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

- *Valuation risk to fixed income securities:* The value of fixed income 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 fixed income securities may decline rapidly.

  In particular, the value of lower-rated or unrated corporate bonds or commercial papers issued by corporations or financial institutions of lower credit ratings is affected by investors' perceptions. When economic conditions appear to be deteriorating, or where an adverse event happens to the issuer, lower rated or unrated corporate bonds or commercial papers issued by corporations or financial institutions of lower credit ratings may decline in market value due to investors' heightened concerns and perceptions over credit quality.

- *Convertible bonds*: The Sub-Fund may invest in convertible bonds. Convertible bonds are a hybrid between debt and equity, permitting holders to convert into shares or stocks in the company issuing the bond at a specified future date. Prior to conversion, convertible bonds have the same general characteristics as non-convertible fixed income securities and the market value of convertible bonds tends to decline as interest rates increase and increase as interest rates decline. However, while convertible bonds generally offer lower interest or dividend yields than non-convertible fixed income securities of similar quality, they enable the Sub-Fund to benefit from increases in the market price of the underlying stock, and hence the price of a convertible bond will normally vary with changes in the price of the underlying stock. Therefore, investors should be prepared for greater volatility than straight bond investments, with an increased risk of capital loss, but with the potential of higher returns. Investments in convertible bonds are subject to the same interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable straight bond investments.

- *Other risks*: Investment in the Sub-Fund is subject to risks that apply to equity securities and risks that apply to fixed income securities, including the credit risk of the issuers and interest rate risk. Further, investors should note the relevant PRC tax risk considerations that apply to the Sub-Fund.

  In particular, the Chinese government's macro-economic policies and controls (including its monetary and fiscal policies) will have significant influence over the capital markets in China. Changes in fiscal policies, such as interest rates policies, may have an adverse impact on the pricing of fixed income securities held by the Sub-Fund. The return of the Sub-Fund will be adversely affected as a result.

Available Classes

The following classes of Units are available for sale in Hong Kong:

Class	Class Currency	
Class R	RMB	HK$
Class I	RMB	HK$

Investment Minima

Class	Class R		Class I	
Currency	**RMB**	**HK$**	**RMB**	**HK$**
Minimum Initial Subscription Amount	RMB10,000	HK$10,000	RMB1,000,000	HK$1,000,000
Minimum Subsequent Subscription Amount	RMB5,000	HK$5,000	RMB200,000	HK$200,000
Minimum Holding *(aggregate minimum value of Units)*	RMB5,000	HK$5,000	RMB500,000	HK$500,000
Minimum Redemption *(aggregate minimum value of Units)*	RMB2,000	HK$2,000	RMB100,000	HK$100,000

Fees and Charges

Payable by Unitholders

Preliminary Charge (% of Issue Price)	**All Classes:** Up to 3%
Redemption Charge (% of Redemption Price)	**All Classes:** Nil
Switching Charge (% of Issue Price of the Units of the New Sub-Fund in relation to the switching of Units)	**All Classes:** Up to 1%

Payable by the Sub-Fund

Management Fee (% Net Asset Value of the Sub-Fund)	**Class R**: 0.5% p.a. **Class I**: 0.5% p.a.
Trustee Fee (% Net Asset Value of the Sub-Fund)	**All Classes:** Up to 1% p.a., current rate being 0.11% p.a., subject to a minimum monthly fee of RMB 18,000 for this Sub-Fund.
RQFII Custodian Fee (% Net Asset Value of the Sub-Fund)	**All Classes:** 0.10% p.a.

Establishment Costs

The costs of establishment of the Sub-Fund are approximately HK$450,000 and are borne by the Sub-Fund and amortised up to 19 August 2019.

Dealing Day

Every HK & PRC Business Day.

For the avoidance of doubt, if due to unexpected circumstances (such as a number 8 typhoon signal or a black rainstorm warning), the original scheduled Dealing Day would not be a HK & PRC Business Day, the HK & PRC Business Day immediately following the original scheduled Dealing Day will be the Dealing Day.

Dealing Deadline

5:00 p.m. on the relevant Dealing Day. The Authorised Distributor(s) may impose different dealing deadlines for receiving instructions for subscriptions, redemptions or switching. Investors should pay attention to the arrangements of the Authorised Distributor(s) concerned.

Subscription, Redemption and Switching of Units

Subject as otherwise agreed by the Trustee, subscription moneys should be paid in the class currency of the relevant class as disclosed above. For details regarding the procedures for subscription, redemption and switching, see the main part of the Explanatory Memorandum under the sections headed “PURCHASE OF UNITS”, “REDEMPTION OF UNITS” and “SWITCHING BETWEEN SUB-FUNDS”.

Distributions

Dividends, if declared, will be distributed on an annual basis (i.e. December each year) in the class currency of the relevant class. It is the current intention of the Manager that only the net income (the income net of expenses) of the Sub-Fund may be distributed. No distribution will be paid out of the Sub-Fund's capital.

Valuation

Valuation Day will be the Dealing Day and the Valuation Point is the close of business in the last relevant market to close on each Dealing Day.

In relation to the valuation of the net assets of the Sub-Fund, notwithstanding the section headed "VALUATION" of the Explanatory Memorandum, calculations based on the value of investments (other than interests in collective investment schemes and commodities) quoted, listed or dealt in on any stock exchange or securities market shall be made by reference to the last available closing price on the principal stock exchange or securities market for such investments, at or immediately preceding the Valuation Point, and the calculations based on the value of investments (other than interests in collective investment schemes and commodities) quoted, listed or dealt in on any over-the-counter market shall be made by reference to the last available mid-market price on the principal over-the-counter market for such investments, at or immediately preceding the Valuation Point, provided that if the Manager in its discretion considers that the prices ruling on a stock exchange, over-the-counter market or securities market ("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; and in determining such prices the Manager and the Trustee shall be entitled to use and rely on without verification electronic price feeds from such source or sources as they may from time to time determine notwithstanding the prices used are not the last available closing price or mid-market price, as the case may be.

Documents Available for Inspection

Please refer to the section headed "DOCUMENTS AVAILABLE FOR INSPECTION" in the main part of the Explanatory Memorandum and the following are the material contracts in respect of this Sub-Fund:

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

- the Participation Agreement between the Manager (as RQFII Holder), the Trustee and the RQFII Custodian.

APPENDIX III

BOCOM International Money Market Fund (USD)

Base Currency

The base currency of the Sub-Fund is US$.

Investment Objective and Policy

Investment Objective

The investment objective of the Sub-Fund is to preserve capital and provide an investment vehicle for the investor to seek returns in USD in line with the prevailing money market rates available from a managed portfolio of short term deposits and high quality money market investments, while offering ready availability of monies.

Investment Policy

The Sub-Fund seeks to achieve its investment objective by investing not less than 70% of its latest available Net Asset Value in USD denominated short term deposits, high quality money market instruments issued by governments, quasi-governments, international organizations, financial institutions and other institutions. The money market instruments in which the Sub-Fund may invest include but are not limited to commercial papers, certificates of deposits, bills (including commercial bills), notes, other money market instruments and other high quality and short term debt securities (including bonds and fixed and floating rate securities).

In assessing whether a money market instrument is of high quality, the credit quality and the liquidity profile of the money market instrument will be considered.

The Sub-Fund will only invest in instruments which meet the minimum credit ratings ("Minimum Credit Ratings") as follows:

- For short-term instruments, a rating of at least P-3 or above from Moody’s, A-3 or above from Standard & Poor’s, F3 or above from Fitch or an equivalent rating from any internationally recognized credit rating agency, or at least A-1 from a Mainland China rating agency.

- While the Sub-Fund does not intend to invest in fixed income and debt securities with a long term to maturity remaining at the time of investment, long term credit ratings will be considered where the Sub-Fund invests in fixed income and debt securities which have been rated long term credit ratings, but have a shorter term to maturity remaining (subject to the requirements on remaining maturity, weighted average maturity and weighted average life of the portfolio of the Sub-Fund as set out below). For such securities, the minimum credit rating is at least BBB- (from Standard & Poor’s and Fitch) or Baa3 (from Moody’s) or an equivalent rating from any internationally recognized credit rating agency, or at least AA+ from a Mainland China rating agency.

In the event of split ratings, the highest rating will apply. For instruments which are not themselves rated, the Sub-Fund will consider the credit rating of issuer of the relevant instrument. If the issuer is not rated, the Sub-Fund will consider the credit rating of the issuer's banking group or the guarantors. If the instrument itself, the issuer, the issuer's banking group and the guarantors are all unrated, the security will be classified as unrated. For the avoidance of doubt, the Sub-Fund will not invest in unrated instruments.

It is the Manager's intention that the majority of the instruments invested by the Sub-Fund are rated (or, if the instrument itself is not rated, as assessed and determined by the Manager in the manner described above) higher than the Minimum Credit Ratings.

The Manager will also assess the liquidity profile of instruments based on various factors, including but not limited to, liquidation horizon, time to maturity and bid-ask spread of such instruments. Only instruments which fulfil the Manager's liquidity requirements will be included in the portfolio of the Sub-Fund.

The Sub-Fund will maintain a portfolio with weighted average maturity not exceeding 60 days and a weighted average life not exceeding 120 days. The Sub-Fund will not purchase an instrument with a remaining maturity of more than 397 days, or two years in the case of government and other public securities.

There is no specific geographical allocation of the country of issue of the high quality money market instruments or short-term deposits.

The aggregate value of the Sub-Fund's holding of instruments and deposits issued by a single entity will not exceed 10% of the total Net Asset Value of the Sub-Fund except: (i) where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%; or (ii) in the case of government and other public securities, up to 30% may be invested in the same issue; or (iii) in respect of any deposit of less than USD1,000,000, where the Sub-Fund cannot otherwise diversify as a result of its size.

The Sub-Fund may invest not more than 10% of its Net Asset Value in money market funds which are authorised by the SFC or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC.

The Sub-Fund may borrow up to 10% of its net asset value but only on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses. The Sub-Fund will not invest in any convertible bonds, instruments with loss absorption features or urban investment bonds.

The Sub-Fund may acquire financial derivative instruments ("FDI") (including but not limited to currency swaps and interest rate swaps) for hedging purposes only.

Investment and Borrowing Restrictions

The Sub-Fund shall adhere to the investment and borrowing restrictions set out in the section “Money Market Funds” in the main body of the Explanatory Memorandum.

Securities Financing Transactions

Subject to any requirements set out in the section “Money Market Funds” in the main body of the Explanatory Memorandum:

- The Sub-Fund may engage in sale and repurchase transactions provided that the amount of cash received by the Sub-Fund under sale and repurchase transactions will not in aggregate exceed 10% of its total net asset value.

- The Sub-Fund may engage in reverse repurchase transactions provided that the aggregate amount of cash provided to the same counterparty in reverse repurchase agreements may not exceed 15% of the net asset value of the Sub-Fund.

The Manager currently does not intend to carry out any securities lending in respect of the Sub-Fund.

Specific Risk Factors

In addition to the risk factors set out in the main body of the Explanatory Memorandum under the section headed “RISK FACTORS”, in particular the risk factors headed “General investment risk”, “Credit rating agency risk”, “Valuation risk”, “Currency risk”, investors should also be aware that the Sub-Fund is subject to the following specific risks:

- *Short-term instruments risk:* The Sub-Fund invests primarily in fixed income and debt securities with short maturities. This means the turnover rates of the Sub-Fund’s investments may be relatively high and the transaction costs incurred as a result of the purchase or sale of such securities may increase which in turn may have a negative impact on the net asset value of the Sub-Fund.

- *Interest rates risk:* The fixed income and debt securities in which the Sub-Fund may invest are interest rate sensitive and subject to interest rate risk, which means that their value will fluctuate as interest rate fluctuate. In general, the prices of fixed income and debt securities rise when interest rates fall, whilst their prices fall when interest rates rise.

- *Credit risk:* The Sub-Fund is exposed to the credit/default risk of issuers of the fixed income and debt securities it invests in, as well as that of the issuer’s banking group or its guarantors.

- *Credit ratings risk:* Credit ratings assigned by a rating agency are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer, the issuer's banking group, or its guarantors at all times.

- *Downgrading risk:* The credit rating of a fixed income and debt instrument, its issuer, the issuer's banking group, or its guarantors 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 fixed income and debt securities that are being downgraded.

- *Sovereign risk:* The Sub-Fund may invest in fixed income and debt securities issued by governments, quasi-government organisations and/or supranational institutions and thus may be exposed to political, social and economic risks and credit risk of such governments, quasi-government organisations and/or supranational institutions. 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. There may not be any bankruptcy proceedings by which the Sub-Fund could enforce its rights against a defaulted government or a supranational institution in whole or in part.

- *Risks associated with bank deposits:* The Sub-Fund will invest in USD-denominated and non-USD-denominated short-term deposits, which are subject to the credit risks of the financial institutions that offer and act as counterparties of such deposits. As such deposits may not be protected or fully protected under any deposit protection schemes, a default by the relevant financial institution in respect of the Sub-Fund's holdings in short-term deposits may result in losses to the Sub-Fund.

- *Credit risk of issuers / counterparties:* Investment in fixed income and 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 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.

- *Risks associated with securities financing transactions:* The Sub-Fund may engage in sale and repurchase and reverse repurchase transactions, and may be subject to the following risks:

  <u>*Risks relating to sale and repurchase transactions*</u>

  The Sub-Fund may enter into sale and repurchase transactions with respect to securities. Sale and repurchase transactions involve credit risk to the extent that the Sub-Fund's counterparties may avoid such obligations in bankruptcy or insolvency proceedings, thereby exposing the Sub-Fund to unanticipated losses. The amount of credit risk incurred by the relevant Sub-Fund with respect to a particular sale and repurchase transaction will depend in part on the extent to which the obligation of the Sub-Fund's counterparty is secured by sufficient collateral. In the event of the failure of the counterparty with which collateral has been placed, the Sub-Fund may suffer loss as there may be delays in recovering collateral placed out or the cash originally received may be less than the collateral placed with the counterparty due to inaccurate pricing of the collateral or market movements.

Risks relating to reverse repurchase transactions

The Sub-Fund may enter into reverse repurchase transactions. If the seller of securities to the Sub-Fund under a reverse repurchase transaction defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Sub-Fund will seek to dispose of such securities, which action could involve costs or delay. If the seller becomes insolvent and subject to liquidation or reorganisation under applicable bankruptcy or other laws, the Sub-Fund's ability to dispose of the underlying securities may be restricted or the Sub-Fund may have difficulty in realising collateral. It is possible, in a bankruptcy or liquidation scenario, that the Sub-Fund may not be able to substantiate its interest in the underlying securities.

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

In addition, if a seller defaults on its obligation to repurchase securities under a reverse repurchase transaction, the Sub-Fund may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities may be less than the cash placed with the counterparty due to inaccurate pricing of the collateral or market movements.

- *Derivative risk*: The Sub-Fund may invest in FDI for hedging purpose. Risks associated with FDI include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund. Exposure to FDI may lead to a higher risk of significant loss by the Sub-Fund. Further, there is no guarantee that hedging techniques will achieve their desired result.

- *Risk of the Sub-Fund's investment strategy*: The Sub-Fund's investment strategy may not achieve the desired results under all circumstances and market conditions.

Available Classes

The following classes of Units are available for sale in Hong Kong:

Class	**Class Currency**	
	US$	
	Acc	*Dis*
Class A	Y	N
Class B	Y	N
Class C	Y	N
Class I	Y	Y

"Acc" denotes classes which accumulate income and "Dis" denotes classes which may distribute income. Please refer to the section headed "Distributions" below for details.

Y = Available
N = Not available

Investment Minima

	Class A	**Class B**	**Class C**	**Class I**	
	US$				
	Acc	*Acc*	*Acc*	*Acc*	*Dis*
Minimum Initial Subscription Amount	US$ 1	US$ 1	US$ 1,000	US$ 10,000	US$ 10,000
Minimum Subsequent Subscription Amount	US$ 0.01	US$ 0.01	US$ 10	US$ 100	US$ 100
Minimum Holding *(aggregate minimum value of Units)*	US$ 1	US$ 1	US$ 1,000	US$ 10,000	US$ 10,000
Minimum Redemption *(aggregate*	Nil	Nil	Nil	Nil	Nil

minimum value of Units)					

Fees and Charges

Payable by Unitholders

Preliminary Charge (% of Issue Price)	**All Classes:** Up to 1%
Redemption Charge (% of Redemption Price)	**All Classes:** Nil
Switching Charge (% of Issue Price of the Units of the New Sub-Fund in relation to the switching of Units)	**All Classes:** Up to 1%

Payable by the Sub-Fund

Management Fee (% Net Asset Value of the Sub-Fund)	**Class A:** 0.30% p.a. **Class B:** 0.60% p.a. **Class C:** Nil **Class I:** 0.10% p.a.
Trustee Fee (% Net Asset Value of the Sub-Fund)	**All Classes:** 0.05% p.a. (subject to a minimum annual fee of US$3,500 for this Sub-Fund). No annual maintenance fee is separately charged by the Trustee.

Establishment Costs

The costs of establishment of the Sub-Fund are estimated to be approximately US$30,000 and will be borne by the Sub-Fund and amortised over a period of five Accounting Periods (or such other period as determined by the Manager with the approval of the Auditors). The establishment costs include the one-off set up fee of approximately US$3,000 which is payable to the Trustee for the establishment of the Sub-Fund.

Dealing Day

Every Business Day

Dealing Deadline

10:00 a.m. on the relevant Dealing Day. The Authorised Distributor(s) may impose different dealing deadlines for receiving instructions for subscriptions, redemptions or switching but no later than the official dealing deadline of 10:00 a.m.. Investors should pay attention to the arrangements of the Authorised Distributor(s) concerned.

Payment Deadline for Subscriptions

No later than 1:30 p.m. on the relevant Dealing Day on which an application for subscription is made and the relevant Units are issued (or such other time as the Manager with the approval of the Trustee may determine)

Subscription, Redemption and Switching of Units

Subject as otherwise agreed by the Trustee, subscription moneys should be paid in the class currency of the relevant class as disclosed above. For details regarding the procedures for subscription, redemption and switching, see the main part of the Explanatory Memorandum under the sections headed "PURCHASE OF UNITS", "REDEMPTION OF UNITS" and "SWITCHING BETWEEN SUB-FUNDS".

Distributions

In respect of Class I US$ (Dis), dividends, if declared, will be distributed in cash at a frequency at the discretion of the Manager in the class currency of the relevant class. It is the current intention of the Manager that only the net income (the income net of expenses) of the Sub-Fund may be distributed. No distribution will be paid out of the Sub-Fund's capital.

In respect of the other classes, no distributions will be made.

Valuation

Valuation Day will be the Dealing Day and the Valuation Point is the close of business in the last relevant market to close on each Dealing Day.

As set out in the section "REDEMPTION OF UNITS – Payment of Redemption Proceeds" above, in calculating the Redemption Price, the Manager may make adjustments including deducting fiscal and sale charges.

The Manager will only make such adjustments to the Redemption Price with a view to protecting the interests of Unitholders under exceptional circumstances as determined by the Manager from time to time. The Manager will consult the Trustee prior to any adjustment in the Redemption Price and such adjustment would only be made where the Trustee has no objection to it. Exceptional circumstances for adjusting the Redemption Price may include (a) the aggregate 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 to compensate for the difference between the price at which assets of the relevant Sub-Fund are to be valued and the net proceeds which would be received on sale of such assets or the early termination of any deposit comprised in the Sub-Fund and for the relevant expenses such as taxes, governmental charges, brokerages, bank charges, transfer fees, etc.

As a result of such adjustment, the Redemption Price will be lower than the Redemption Price which otherwise would be if such adjustment has not been made.

For the avoidance of doubt, the Redemption Price, prior to any adjustment, will be determined with reference to the same Net Asset Value per Unit of the relevant Class. Any adjustment in the Redemption Price must be made on a fair and equitable basis.

ANNEX A

(A) Overview of the China A-Shares Market

The Stock Exchanges in Mainland China

Mainland China has two stock exchanges, located in Shanghai and Shenzhen respectively. SSE was established on 26 November1990 and started trading on 19 December of the same year. SZSE was established on 1 December 1990. The two exchanges are under the direct management of the CSRC. Their main functions include: to provide premises and facilities for securities trading; to develop the business rules of the exchanges; to accept listing applications and arrange for the listing of securities; to organize and supervise securities trading; to regulate exchange members and listed companies; to manage and disclose market information.

SSE adopts an electronic trading platform. The trading of all exchange-traded securities are required to be submitted to the exchange's matching engine which automatically matches orders based on price priority and time priority. The SSE's new trading system has a peak order processing capacity of 80,000 transactions per second. It has a bilateral transactions capacity of over 120 million which is equivalent to the size of daily turnover of RMB1.2 trillion by a single market. The system also has parallel scalability.

The SZSE, assuming the mission to build China's multi-level capital market system, has fully supported small and middle size enterprise development, and promoted the implementation of the national strategy of independent innovation. In May 2004, it officially launched the Small and Medium Enterprise ("**SME**") board; in January 2006, it started a pilot program for shares trading of non-listed companies of the Zhongguancun Science Park; it officially launched Growth Enterprises Market ("**GEM**") board in October 2009. After years of development, the SZSE has basically established a multi-level capital market system architecture consisting the above market boards and systems.

After years of sustained development, the two exchanges have made great achievements in terms of products and quantity listed. Now the listed products include: China A-Shares, China B-Shares, open-ended funds, close-ended funds, exchange traded funds and bonds. Currently, there are derivatives such as warrants and index futures and fixed income products listed on the SSE and SZSE.

The regulatory agency of each stock exchange is its Stock Exchange Council. The Council consists of member directors and non-member directors. The highest decision-making body of an exchange is the General Assembly; however, the Council decides the business agenda of the exchange. The Council reports to the General Assembly, and assumes the following powers:

- To convene the General Assembly, report to the General Assembly, the implementation of the resolutions of the General Assembly;
- To enact, amend the relevant business rules of the Stock Exchange;

- To approve the general work plan submitted by its Chief Executive Officer, budget plan and the draft final accounts;
- To approve the membership admission and approve the sanction of members;
- To decide the stock exchange's internal structure;
- Other powers conferred by the General Assembly.

Development of the China A-Shares market

In the 80s of last century, with huge demand of public capital from the national economic development, the State started a pilot reform program adopting the joint-stock system, commencing first in Shanghai, Shenzhen and several other cities. After the Reform and Opening up China's first stock - "Shanghai Feile Audio-Visual" was born in November 1984.

Then in 1990, the SSE and SZSE officially opened, marking the official start of the rapid development of the Chinese stock market. The China A-Share markets in SSE and SZSE commenced on 19 December 1990 and 1 December 1990 respectively. Initially, trading in A-Shares are restricted to domestic investors only while China B-Shares are available to both domestic (since 2001) and foreign investors. However, after reforms were implemented in December 2002, foreign investors are now allowed (with limitations) to trade in China A-Shares under the qualified foreign institutional investor program which was launched in 2003 and the RQFII program which was launched in 2011.

After years of development, the China A-Share market has since grown to become influential on the global market. The participants in the China A-Share market include retail investors, institutional investors and listed companies. The total market capitalization of the two exchanges combined as at 31 May 2019 has reached RMB52.3 trillion, and the floating market capitalization has reached RMB42.9 trillion.

(B) Overview of the Fixed Income Securities Market

The PRC bond market consists of three markets: (i) the interbank bond market regulated by the PBOC and functions as a wholesale market for institutional investors; (ii) the exchange bond market regulated by the CSRC and targets non-bank institutions and individual investors; and (iii) the bank over-the-counter market regulated by the PBOC and targets non-financial institutions and individual investors. However, the current size and trading volume of the bank over-the-counter market is much smaller than the interbank bond market and the exchange bond market.

The China Central Depository & Clearing Co., Ltd ("**CCDC**") acts as the central custodian of all marketable RMB bonds. For the exchange bond market, it adopts a two-level custody system, with the CCDC acting as the primary custodian and the CSDCCL acting as the secondary custodian.

The main features of the different PRC bond markets are set out in the table below.

	Interbank Bond Market	**Exchange Bond Market**
Size	In 2017, 74.29% of all bond transactions (Data source: www.chinabond.com.cn; www.sse.com.cn; www.szse.com.cn)	In 2017, 25.71% of all bond transactions (Data source: www.chinabond.com.cn; www.sse.com.cn; www.szse.com.cn)
Major types of products being traded	Government bonds, central bank bills, financial bonds, enterprise bonds, commercial papers, mid-term notes, asset backed securities, panda bonds (i.e. RMB-denominated bonds issued by international financial institutions within the boundaries of China)	Treasury bonds, government bonds, listed company bonds, enterprise bonds, convertible bonds and asset backed securities
Key market participants	Institutional investors (such as commercial banks, securities firms, funds and trust investment companies), qualified foreign institutional investors (QFIIs), RQFIIs	Individuals and non-bank institutions (such as insurance companies and funds), qualified foreign institutional investors (QFIIs), RQFIIs
Trading and settlement mechanism	Trades through bilateral negotiation and settle trade-for-trade; settlement cycle: T+0 or T+1	Centralised trade matching with netting settlement; settlement cycle: T+1
Regulator(s)	PBOC	CSRC
Counterparty	The trading counterparty	CSDCCL acting as the central counterparty to all securities transactions on the SSE and SZSE
Central Clearing Entity (if any)	CCDC or Shanghai Clearing House, depending on the type of securities	CSDCCL
Liquidity of Market	High	Medium to low

	Interbank Bond Market	Exchange Bond Market
Associated Risks	Counterparty risk Credit risk of bond issuers Liquidity risk (Please refer to the risk factors "Counterparty and settlement risk", "Credit risk of issuers / counterparties" and "Liquidity risk" under the section headed "Specific Risk Factors" in this Appendix for details.)	Counterparty risk Credit risk of bond issuers Liquidity risk (Please refer to the risk factors "Counterparty and settlement risk", "Credit risk of issuers / counterparties" and "Liquidity risk" under the section headed "Specific Risk Factors" in this Appendix for details.)
Minimum rating requirements (if any)	No minimum rating requirement	AA for the exchange trading platform which is accessible by qualified foreign institutional investors (QFIIs) and RQFIIs; no minimum rating requirement for the electronic trading platform

The common types of fixed income securities and their issuers are set out below.

Debt Securities	Issuer
Central Bank Notes/Bills	PBOC
Government Bonds, Treasury Bonds	Ministry of Finance
Policy Bank Bonds	three policy banks (China Development Bank, Agriculture Development Bank of China, and The Export-Import Bank of China)
Enterprise Bonds (企業債)	enterprises (mostly state-owned)
Commercial Paper （短期融資券）/ Medium-Term Notes （中期票據）	non-financial enterprises
Corporate Bonds (公司債)	corporations

PRC Credit Rating Agencies

Some global rating agencies (such as Moody's, Standard & Poor's and Fitch) assign ratings to Chinese treasury bonds and non-treasury bonds denominated in foreign currencies.

The major domestic credit rating agencies in China include:

- Dagong Global Credit Rating Co., Ltd;
- China Chengxin International Credit Rating Co., Ltd (in partnership with Moody's);
- China Chengxin Security Rating Co., Ltd;
- China Lianhe Credit Rating Co., Ltd (in partnership with Fitch Ratings); and
- Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.

The domestic ratings agencies mainly provide credit ratings to publicly listed and interbank market bonds. The definition and methodology of ratings vary among domestic credit agencies.

In relation to the exchange bond market, the CSRC and its agencies regulate securities rating business activities according to law. The PBOC has issued guidance notes in relation to recognition of credit rating agencies in the interbank bond market. As with other global rating agencies, they apply quantitative method and qualitative methods in their rating. Such credit ratings are subject to the credit rating agency's evaluation of the likelihood that the issuer will fulfil its repayment obligations. In contrast with international rating agencies, domestic credit rating agencies may take into account additional factors such as the importance of the corporate to the PRC central and local government and the potential support from the government. Rating information and reports are available on the websites of the relevant credit rating agencies and other financial data providers.