**Important – If you are in any doubt about the contents of this offering document, you should seek independent professional financial advice.**

# *DCI Investment Trust*

## EXPLANATORY MEMORANDUM

# Da Cheng Overseas China Concept Fund

**a sub-fund under the DCI Investment Trust**

***MANAGER***
**Da Cheng International Asset Management Company Limited**

**October 2026**

# IMPORTANT INFORMATION

This Explanatory Memorandum relates to the offer in Hong Kong of units (the "**Units**") in the Da Cheng Overseas China Concept Fund (the "Sub-Fund"), a sub-fund of DCI Investment Trust (the "**Trust**"), an open ended umbrella unit trust established under Hong Kong law by a trust deed dated 30 December 2011 (the "**Trust Deed**") between Da Cheng International Asset Management Company Limited (the "**Manager**") and BOCI-Prudential Trustee Limited (the "**Trustee**"), and as amended and restated on 30 April 2019 and as further amended from time to time.

The information contained in this Explanatory Memorandum has been prepared to assist potential investors in making an informed decision in relation to investing in the Sub-Fund. It contains important facts about the Units offered in accordance with this Explanatory Memorandum.

A product key facts statement which contains the key features and risks of the Sub-Fund is also issued by the Manager and such product key facts statement shall form part of this Explanatory Memorandum, and shall be read, in conjunction with, this Explanatory Memorandum.

The Manager accepts full responsibility for the accuracy of the information contained in this Explanatory Memorandum and confirm, having made all reasonable enquiries, that to the best of its knowledge and belief, there are no other facts the omission of which would make any statement misleading. However, neither the delivery of this Explanatory Memorandum 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 the date of its publication. This Explanatory Memorandum may from time to time be updated.

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 Trust and the Sub-Fund are authorized by the Securities and Futures Commission (the "**SFC**") in Hong Kong under Section 104 of the SFO. SFC authorisation is not a recommendation or endorsement of the Sub-Fund nor does it guarantee the commercial merits of the Sub-Fund 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.

You should consult your financial adviser, consult your tax advisers and take legal advice as appropriate as to whether any governmental or other consents are required, or other formalities need to be observed, to enable you to acquire Units as to whether any taxation effects, foreign exchange restrictions or exchange control requirements are applicable and to determine whether any investment in the Sub-Fund is appropriate for you.

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 and, accordingly, the Explanatory Memorandum does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer is not authorized or to any person to whom it is unlawful to make such offer or solicitation.

Neither the Trust nor the Sub-Fund is registered as an investment company with the United States Securities and Exchange Commission. Units have not been, and will not be, registered under the United States Securities Act of 1933 or any other United States Federal or State law and accordingly Units are not offered to, and may not be transferred to or acquired by, US persons (including without limitation US citizens and residents as well as business entities organized under United States' law).

The information given in this Explanatory Memorandum is provided for guidance only. Prospective applicants for the Units should inform themselves as to the relevant legal requirements of applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

This Explanatory Memorandum may refer to information and materials included in websites, including the Manager's website (http://www.dcfund.com.hk) (this website has not been reviewed by the SFC). Such information and materials do not form part of the Explanatory Memorandum and they have not been reviewed by the SFC or any regulatory body. Investors should note that the information provided in websites may be updated and changed periodically without any notice to any person. The Manager's website has not been reviewed by the SFC.

Any investor enquiries or complaints should be submitted in writing to the Manager's office (Suites 3513-3519 Jardine House, Central, Hong Kong) and the Manager will issue a written response within 14 Business Days of receipt of the enquiry or complaint.

## DIRECTORY

*Directors of the Manager*
**TAN Xiaogang**
**XIAO Jian**
**ZHAO Bing**
**XU Zijie**

*Manager*
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*Trustee and Registrar*
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**KPMG**
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10 Chater Road,
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## DEFINITIONS

In this Explanatory Memorandum, unless the context requires otherwise, the following expressions have the meanings set out below. Other capitalised terms used, but not defined, have the meaning given to those terms in the Trust Deed.

"**Base Currency**" means, in respect of the Sub-Fund, HKD.

"**Business Day**" means a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for general business or such other day or days as the Trustee and the Manager may agree from time to time, provided that, where as a result of a Typhoon Number 8 or higher 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 with the consent of the Trustee otherwise determines.

"**China Concept Stocks**" means shares issued by:

(a) companies domiciled in the PRC, Hong Kong or Macau but listed on a stock exchange outside of the PRC; and

(b) companies domiciled, and listed on a stock exchange, outside of the PRC, whose:

(i) operations or assets are based mainly in the PRC, Hong Kong and/or Macau;

(ii) management or ownership is mainly controlled by an entity that is established or incorporated in the PRC, Hong Kong or Macau; or

(iii) revenues or profits are mainly derived from the PRC, Hong Kong and/or Macau,

including but not limited to H-Shares, S-Chips and P-Chips.

"**Code**" means the Code on Unit Trusts and Mutual Funds issued by the SFC (as amended, or replaced, from time to time).

"**Connected Person**" has the meaning as set out in the Code which at the date of the Explanatory Memorandum means in relation to a company:

(a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise directly or indirectly, 20% or more of the total votes in that company; or

(b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or

(c) any member of the group of which that company forms part; or

(d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c).

"**CSRC**" means the China Securities Regulatory Commission.

"**Custodian**" means Bank of China (Hong Kong) Limited, acting in its capacity as custodian of the investments and uninvested cash of the Sub-Fund.

"**Dealing Day**" means the days on which Units are subscribed for or redeemed, and in respect of the Sub-Fund, a day (other than a Saturday) on which banks in Hong Kong are open for general business and/or such other day or days as the Manager may from time to time determine with the approval of the Trustee.

"**Dealing Deadline**" means in respect of the Sub-Fund, 4:00pm on the relevant Dealing Day.

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

"**Government and other Public Securities**" has the meaning as set out in the Code which at the date of the main body of this Explanatory Memorandum 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.

"**H-Shares**" means shares of companies incorporated in the PRC which are listed on The Stock Exchange of Hong Kong Limited.

"**Hong Kong dollars**" or "**HKD**" means the currency of Hong Kong.

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China.

"**Manager**" means Da Cheng International Asset Management Company Limited.

"**Net Asset Value**" means the net asset value of the Sub-Fund or, as the context may require, the net asset value of a Unit, in accordance with the provisions of the Trust Deed.

"**P-Chips**" means shares of companies incorporated outside the PRC which are listed on The Stock Exchange of Hong Kong Limited and which have their business operations in the PRC.

"**PRC**" or "**China**" means The People's Republic of China excluding, for the purposes of interpretation of this Explanatory Memorandum, Hong Kong, Macau and Taiwan.

"**Redemption Price**" means the price at which Units will be redeemed as described in the sections headed "How to redeem the Units" under "How do I redeem my Units" below.

"**Registrar**" means BOCI-Prudential Trustee Limited as registrar of the Trust.

"**Renminbi**", "**RMB**" **or** "**¥**" means Renminbi Yuan, the currency of the PRC.

"**S-Chips**" means shares of companies incorporated outside the PRC which are listed on the Singapore Exchange Limited and which have their business operations in the PRC.

"**SFC**" means the Securities and Futures Commission of Hong Kong or its successors.

"**SFO**" means the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong.

"**Sub-Fund**" means the Da Cheng Overseas China Concept Fund.

"**Subscription Price**" means the price at which Units will be issued as described in the section headed "How much are the Units" under "How to Purchase the Units" below.

"**Trust**" means the DCI Investment Trust.

"**Trust Deed**" means the trust deed dated 30 December 2011 between the Manager and the Trustee constituting the Trust, as amended and restated on 30 April 2019 and as further amended from time to time.

"**Trust Fund**" means all the property held by the Trust, except for amounts to be distributed, in each case in accordance with the Trust Deed.

"**Trustee**" means BOCI-Prudential Trustee Limited.

"**Unit**" means a unit in the Sub-Fund.

"**Unitholder**" means a person entered on the register of holders as the holder of a Unit.

"**US dollars**" or "**USD**" means the currency of the United States.

"**Valuation Day**" means each Dealing Day.

"**Valuation Point**" means the close of business in the last relevant market to close on each Valuation Day.

## SUMMARY

### *Introduction*

DCI Investment Trust is an umbrella trust established under the laws of Hong Kong pursuant to a Trust Deed dated 30 December 2011 between the Trustee and the Manager, as amended and restated on 30 April 2019 and as further amended from time to time. All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Trust Deed.

The Sub-Fund, the third sub-fund of the Trust, has been authorised as a collective investment scheme in the form of a unit trust by the SFC under Section 104 of the SFO and the Code. SFC authorisation is not a recommendation or endorsement of the Sub-Fund nor does it guarantee the commercial merits of the Sub-Fund 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.

Under the Trust Deed, different sub-funds may be established and the assets of the Trust are separated into different sub-funds. Each sub-fund has its own investment objective and policies. More than one class of units may be offered in relation to a particular sub-fund, which may have different terms, including different currencies of denomination. Additional classes of Units and/or additional sub-funds may be created in the future. As of the date of this Explanatory Memorandum, the Trust has five sub-funds, namely the Da Cheng China Balanced Fund, the Da Cheng Overseas China Concept Fund, the Da Cheng Money Market Fund, the Da Cheng Hong Kong Dollar Money Market Fund and the Da Cheng Short Term Bond Fund. Da Cheng Overseas China Concept Fund (the "**Sub-Fund**") is described in this Explanatory Memorandum.

### *Key information on the Sub-Fund*

*Set out below is a summary of key information in respect of the Sub-Fund which should be read together with the full text of this Explanatory Memorandum and the product key facts statement of the Sub-Fund.*

| | |
|---|---|
| **Name of the Sub-Fund** | Da Cheng Overseas China Concept Fund |
| **Launch Date** | 7 March 2016 |
| **Investment Minima** | <u>HKD Class A Units</u><br><br>Minimum initial investment: HKD 10,000<br>Minimum subsequent investment: HKD 10,000<br>Minimum holding: HKD 10,000<br>Minimum redemption: HKD 10,000<br><br><u>HKD Class I Units</u><br><br>Minimum initial investment: HKD 8,000,000<br>Minimum subsequent investment: HKD 100,000<br>Minimum holding: HKD 8,000,000<br>Minimum redemption: HKD 100,000<br><br><u>USD Class A Units</u><br><br>Minimum initial investment: USD 1,000<br>Minimum subsequent investment: USD 1,000<br>Minimum holding: USD 1,000<br>Minimum redemption: USD 1,000 |

| | |
|---|---|
| | USD Class I Units<br><br>Minimum initial investment: USD 1,000,000<br>Minimum subsequent investment: USD 10,000<br>Minimum holding: USD 1,000,000<br>Minimum redemption: USD 10,000<br><br>RMB Class A Units / RMB Class A (Hedged) Units<br><br>Minimum initial investment: RMB 10,000<br>Minimum subsequent investment: RMB 10,000<br>Minimum holding: RMB 10,000<br>Minimum redemption: RMB 10,000<br><br>RMB Class I Units / RMB Class I (Hedged) Units<br><br>Minimum initial investment: RMB 8,000,000<br>Minimum subsequent investment: RMB 100,000<br>Minimum holding: RMB 8,000,000<br>Minimum redemption: RMB 100,000<br><br>EUR Class A Units / EUR Class A (Hedged) Units<br><br>Minimum initial investment: EUR 1,000<br>Minimum subsequent investment: EUR 1,000<br>Minimum holding: EUR 1,000<br>Minimum redemption: EUR 1,000<br><br>EUR Class I Units / EUR Class I (Hedged) Units<br><br>Minimum initial investment: EUR 1,000,000<br>Minimum subsequent investment: EUR 10,000<br>Minimum holding: EUR 1,000,000<br>Minimum redemption: EUR 10,000<br><br>AUD Class A Units / AUD Class A (Hedged) Units<br><br>Minimum initial investment: AUD 1,000<br>Minimum subsequent investment: AUD 1,000<br>Minimum holding: AUD 1,000<br>Minimum redemption: AUD 1,000<br><br>AUD Class I Units / AUD Class I (Hedged) Units<br><br>Minimum initial investment: AUD 1,000,000<br>Minimum subsequent investment: AUD 10,000<br>Minimum holding: AUD 1,000,000<br>Minimum redemption: AUD 10,000<br><br>NZD Class A Units / NZD Class A (Hedged) Units<br><br>Minimum initial investment: NZD 1,000<br>Minimum subsequent investment: NZD 1,000<br>Minimum holding: NZD 1,000<br>Minimum redemption: NZD 1,000<br><br>NZD Class I Units / NZD Class I (Hedged) Units<br><br>Minimum initial investment: NZD 1,000,000 |

| | | |
|---|---|---|
| | | Minimum subsequent investment: NZD 10,000<br>Minimum holding: NZD 1,000,000<br>Minimum redemption: NZD 10,000 |
| **Base Currency** | | HKD |
| **Dealing Frequency** | | Daily |
| **Dividend Policy** | | The Manager may at its discretion pay dividends semi-annually in June and December each year. Dividends may be paid out of capital, or out of gross income and all or part of the fees and expenses may be charged to capital at the Manager's discretion, resulting in an increase in distributable income for the payment of dividends and therefore, dividends may be paid effectively out of capital. This may result in an immediate reduction of Net Asset Value per Unit.<br><br>Dividends will be paid in the currency of the relevant class of Units. |
| **Parties** | **Manager** | Da Cheng International Asset Management Company Limited |
| | **Trustee & Registrar** | BOCI-Prudential Trustee Limited |
| | **Custodian** | Bank of China (Hong Kong) Limited |
| **Management Fee** | | Class A Units: 1.50% (per annum of the Net Asset Value attributable thereto)<br><br>Class I Units: 0.80% (per annum of the Net Asset Value attributable thereto) |
| **Performance Fee** | | N/A |
| **Trustee Fee** | | 0.15% for the first HKD250 million in Net Asset Value, 0.125% for the next HKD250 million in Net Asset Value, and 0.11% for the remaining balance of the Net Asset Value, subject to a monthly minimum of HKD35,000, reduced to HKD17,500 for the first 6 months of the launch of the Sub-Fund |
| **Custody Fee** | | Up to 0.10% per annum of the Net Asset Value |
| **Preliminary Charge** | | Up to 5% of the subscription price |
| **Redemption Charge** | | Nil |
| **Switching Fee** | | Up to 2% of the redemption price of each Unit switched |
| **Other Fees and Expenses** | | Please refer to the section headed "Fees and Expenses" |
| **Financial Year End** | | 31 December |
| **Website** | | http://www.dcfund.com.hk |

## INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTION

### *Investment objective*

The objective of the Sub-Fund is to achieve long-term capital growth in the value of assets by investing in companies which the Manager believes will benefit from the economic growth and development of China. The Sub-Fund will seek to achieve its investment objective by primarily investing in China Concept Stocks, which are listed on stock exchanges outside the PRC.

There can be no assurance that the Sub-Fund will achieve its investment objective.

### *Investment strategy*

Introduction

The Sub-Fund will invest at least 70% of its Net Asset Value in China Concept Stocks. The Sub-Fund will not hold more than 30% of its Net Asset Value in cash or cash equivalents and money market instruments.

The Sub-Fund will seek to achieve its investment objective by primarily investing directly in China Concept Stocks, which are equities issued by:

(a) companies domiciled in the PRC, Hong Kong or Macau but listed on a stock exchange outside of the PRC; and

(b) companies domiciled, and listed on a stock exchange, outside of the PRC, whose:

(i) operations or assets are based mainly in the PRC, Hong Kong and/or Macau;

(ii) management or ownership is mainly controlled by an entity that is established or incorporated in the PRC, Hong Kong or Macau; or

(iii) revenues or profits are mainly derived from the PRC, Hong Kong and/or Macau,

including but not limited to H-Shares, S-Chips and P-Chips.

The Sub-Fund may also gain indirect exposure to China Concept Stocks by investing in exchange traded funds (ETFs), unlisted funds and real estate investment trusts (REITs).

The Sub-Fund may invest less than 30% of its Net Asset Value in China A-Shares and B-Shares directly through the Manager's status as a renminbi qualified foreign institutional investor (RQFII)/ qualified foreign institutional investor (QFII) and the Stock Connect (i.e. the mutual stock market access between Mainland China and Hong Kong, comprising the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect) or indirectly through investing in ETFs listed in or outside of the PRC and other eligible collective investment scheme as defined under the Code.

For the purpose of the Sub-Fund, such ETFs are considered and treated as collective investment schemes for the purposes of and subject to the requirements in Chapter 7.11, 7.11A and 7.11B of the Code.

The Sub-Fund's investment portfolio will be determined using value investing strategies and fundamental, bottom-up research approach, meaning that each stock will be selected by the Manager for inclusion in the Sub-Fund's equity portfolio based on its individual merits. The Manager will look for undervalued securities with potential for capital appreciation over the long term. While

effective stock selection is the key to the performance of the Sub-Fund, exposure to industry sectors will also be monitored as part of the portfolio construction process.

The Sub-Fund will not invest in unlisted equities of companies domiciled in the PRC, bonds or debt securities. The Sub-Fund will also not invest in financial derivative instruments, structured products or asset-backed securities, nor will it enter into any securities lending, repurchase or reverse repurchase transactions or similar over-the-counter transactions. If this changes in the future, the prior approval of the SFC (if required) will be sought and not less than one month's notice will be provided to Unitholders before the Sub-Fund enters into any such transaction.

No benchmark

The performance of the Sub-Fund will not be measured by reference to a pre-selected benchmark such as a stock or bond market index. In other words, the portfolio of the Sub-Fund will not be constructed by reference to a benchmark of any particular stock or bond market indices. The Manager will employ a combination of top-down and bottom-up strategies to determine the holdings of the Sub-Fund in order to maximize performance.

**What is the RQFII regime?**

Under current regulations in the PRC mainland, foreign investors can invest in the domestic securities market via various ways, including through certain foreign institutional investors that have obtained status as a QFII or a RQFII from the CSRC for the purpose of investing in the PRC mainland's domestic securities markets, or via Stock Connect, Foreign Access Regime and Bond Connect.

On 25 September 2020, the CSRC issued the Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors (in Chinese《合格境外機構投資者和人民幣合格境外機構投資者境內證券期貨投資管理辦法》) and its implementing rules (collectively, the "New QFI Measures"), which, with effect from 1 November 2020, consolidated the current QFII and RQFII programs into one. As of the date of this Appendix, the RQFII regime is governed by (i) the "Regulations on Capital Management of Domestic Securities and Futures Investments by Foreign Institutional Investors" jointly issued by the PBOC and the SAFE and effective from 6 June 2020 (in Chinese《境外機構投資者境內證券期貨投資資金管理規定》); (ii) the New QFI Measures; and (iii) any other applicable regulations promulgated by the relevant authorities (collectively, the "RQFII Regulations").

The Manager has obtained RQFII status pursuant to the RQFII Regulations. Starting from 1 November 2020 when the New QFII Measures took effect, the Manager is able to select whether to use foreign convertible currencies or RMB to make investment under the RQFII regime.

All of the Sub-Fund's assets in the PRC mainland (including onshore PRC cash deposits and other investments) will be held by the PRC sub-custodian. A securities account has been opened with the China Securities Depository and Clearing Co., Ltd (中國證券登記結算有限責任公司) (the "CSDCC") in the joint names of the Manager (as the RQFII holder) and the Sub-Fund. A special RMB cash account has been established and maintained with the PRC sub-custodian in the joint names of the Manager (as the RQFII holder) and the Sub-Fund. The PRC sub-custodian shall, in turn, have a cash clearing account with CSDCC for trade settlement according to applicable regulations.

There are specific risks associated with the RQFII regime and investors' attention is drawn to the risk factors under "Risks related to the RQFII regime" in the section on "Risk Factors" below.

**Stock Connect**

The Stock Connect is a securities trading and clearing linked programme developed by the HKEX, the SSE, the SZSE and the CSDCC, with an aim to achieve mutual stock market access between

Mainland China and Hong Kong. It comprises the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.

Each of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect comprises a Northbound Trading Link and a Southbound Trading Link. Under the Northbound Trading Link, Hong Kong and overseas investors (including the Sub-Fund), through their Hong Kong brokers and securities trading service companies (in Shanghai and Qianhai Shenzhen respectively) established by the Stock Exchange and the HKSCC, are able to trade eligible shares listed on the SSE or the SZSE by routing orders to the SSE or the SZSE (as the case may be). Under the Southbound Trading Link, eligible investors, through Mainland Chinese securities firms and securities trading service companies established by the SSE and the SZSE, are able to trade eligible shares listed on the Stock Exchange by routing orders to the Stock Exchange.

*Eligible securities*

Initially, Hong Kong and overseas investors are only able to trade certain stocks listed on the SSE market (the "SSE Securities") and the SZSE market (the "SZSE Securities"). SSE Securities include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed A-Shares that are not included as constituent stocks of the relevant indices but which have corresponding H Shares listed on the Stock Exchange, except the following:

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

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

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

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

b) SZSE-listed shares which are included in the "risk alert board".

At the initial stage of Shenzhen-Hong Kong Stock Connect, shares listed on the ChiNext Board of SZSE under Northbound Trading Link will be limited to institutional professional investors. Subject to resolution of related regulatory issues, other investors may subsequently be allowed to trade such shares.

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

*Trading day*

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

*Trading quota*

Trading under the Stock Connect will be subject to a daily quota ("Daily Quota"), which will be separate for Northbound and Southbound trading, for each of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect. The Daily Quota limits the maximum net buy value of cross-boundary trades under the Stock Connect each day. The quotas do not belong to any Sub-Fund and are utilised on a first-come-first-serve basis. The Stock Exchange monitors the quota and publishes the remaining balance of the Northbound Daily Quota at scheduled times on the HKEX's website. The Daily Quota may change in future. The Manager will not notify investors in case of a change of quota.

*Settlement and Custody*

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

*Corporate actions and shareholders' meetings*

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

*Currency*

Hong Kong and overseas investors (including the Sub-Fund) will trade and settle SSE Securities and SZSE Securities in RMB only.

*Trading fees and taxes*

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

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

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

***Investment restrictions***

Unless otherwise approved by the SFC, the following principal investment restrictions apply to each Sub-Fund under the Trust authorised by the SFC:

(a) the aggregate value of a Sub-Fund's investments in, or exposure to, any single entity through the following may not exceed 10% of the Net Asset Value of such Sub-Fund:

  (1) investments in securities issued by such entity;

  (2) exposure to such entity through underlying assets of financial derivative instrument ("FDI"); and

  (3) net counterparty exposure to such entity arising from transactions of over-the-counter FDIs;

(b) subject to (a) above and Chapter 7.28(c) of the Code and unless otherwise approved by the SFC, the aggregate value of a Sub-Fund's investments in, or exposure to, entities within the same group through the following may not exceed 20% of the Net Asset Value of the Sub-Fund:

  (1) investments in securities issued by such entities;

  (2) exposure to such entities through underlying assets of FDIs; and

  (3) net counterparty exposure to such entities arising from transactions of over-the-counter FDIs;

(c) unless otherwise approved by the SFC, the value of a Sub-Fund's cash deposits made with the same entity or entities within the same group may not exceed 20% of the Net Asset Value of the Sub-Fund, unless:

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

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

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

(d) ordinary shares issued by a single entity held for the account of a Sub-Fund, when aggregated with other holdings of ordinary shares issued by a single entity held for the account of all other Sub-Funds under the Trust collectively, may not exceed 10% of the nominal amount of the ordinary shares issued by a single entity;

(e) not more than 15% of the total Net Asset Value of a Sub-Fund may be invested in securities and other financial products or instruments that are neither listed, quoted nor dealt in on a stock exchange, over-the-counter market or other organised securities market which is open to the international public and on which such securities are regularly traded;

(f) notwithstanding (a), (b) and (d), not more than 30% of the total Net Asset Value of a Sub-Fund may be invested in Government and other Public Securities of the same issue;

(g) subject to (f), a Sub-Fund may fully invest in Government and other Public Securities in at least six different issues;

(h) unless otherwise approved by the SFC, a Sub-Fund may not invest in physical commodities;

(i) for the avoidance of doubt, exchange traded funds that are:

(1) authorised by the SFC under 8.6 or 8.10 of the Code; or

(2) listed and regularly traded on internationally recognized stock exchanges open to the public (nominal listing not accepted) and (i) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under Chapter 8.6 of the Code; or (ii) the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under Chapter 8.10 of the Code,

may either be considered and treated as (x) listed securities for the purposes of and subject to the requirements in paragraphs (a), (b) and (d) above; or (y) collective investment schemes for the purposes of and subject to the requirements in paragraph (j) below. However, the investments in exchange traded funds shall be subject to paragraph (e) above and the relevant investment limits in exchange traded funds by a Sub-Fund should be consistently applied and clearly disclosed in this Explanatory Memorandum. For the purpose of this Sub-Fund, investments in exchange traded funds are considered and treated as collective investment schemes for the purposes of and subject to the requirements in paragraph (j) below;

(j) where a Sub-Fund invests in shares or units of other collective investment schemes ("managed funds"),

(1) the value of such Sub-Fund's investment in units or shares in managed funds which are non-eligible schemes (as determined by the SFC) and not authorised by the SFC, may not in aggregate exceed 10% of the total Net Asset Value of the

Sub-Fund; and

(2) such Sub-Fund may invest in one or more managed funds which are either schemes authorised by the SFC or eligible schemes (as determined by the SFC), but the value of the Sub-Fund's investment in units or shares in each such managed fund may not exceed 30% of the total Net Asset Value of the Sub-Fund, unless the managed fund is authorised by the SFC and its name and key investment information are disclosed in the Explanatory Memorandum of the Sub-Fund,

provided that in respect of (1) and (2) above:

(i) the objective of each managed fund may not be to invest primarily in any investment prohibited by Chapter 7 of the Code, and where that managed fund's objective is to invest primarily in investments restricted by Chapter 7 of the Code, such investments may not be in contravention of the relevant limitation prescribed by Chapter 7 of the Code. For the avoidance of doubt, a Sub-Fund may invest in scheme(s) authorised by the SFC under Chapter 8 of the Code (except for hedge funds under Chapter 8.7 of the Code), eligible scheme(s) (as determined by the SFC) of which the net derivative exposure (as defined in the Code) does not exceed 100% of its total Net Asset Value, and exchange traded funds satisfying the requirements in paragraph (i) above in compliance with paragraph (j)(1) and (j)(2);

(ii) where the managed funds are managed by the same management company as that of a Sub-Fund that invests in them, or by other companies within the same group that the Manager belongs to, then paragraphs (a), (b), (d) and (e) above are also applicable to the investments of the managed fund;

(iii) the objective of the managed funds may not be to invest primarily in other collective investment scheme(s);

(iv) where an investment is made in any managed fund(s) managed by the Manager or any of its Connected Persons, all initial charges and redemption charges on the managed fund(s) must be waived; and

(v) the Manager or any person acting on behalf of the Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by a managed fund or the management company of a managed fund, or quantifiable monetary benefits in connection with investments in any managed fund;

(k) a Sub-Fund may invest 90% or more of its total Net Assets Value in a single collective investment scheme and may be authorised as a feeder fund by the SFC. In this case:

(1) the underlying scheme ("master fund") must be authorised by the SFC;

(2) the Explanatory Memorandum must state that:

(i) the Sub-Fund is a feeder fund into the master fund;

(ii) for the purpose of complying with the investment restrictions, the Sub-Fund and its master fund will be deemed a single entity;

(iii) the Sub-Fund's annual report must include the investment portfolio of the master fund as at the financial year end date; and

(iv) the aggregate amount of all the fees and charges of the Sub-Fund and its underlying master fund must be clearly disclosed;

(3) unless otherwise approved by the SFC, no increase in the overall total of initial

charges, redemption charges, management company's annual fee, or any other costs and charges payable to the Manager or any of its Connected Persons borne by the Holders or by the Sub-Fund may result, if the master fund in which the Sub-Fund invests is managed by the Manager or by its Connected Person; and

(4) notwithstanding paragraph (j)(iii) above, the master fund may invest in other collective investment scheme(s) subject to the investment restrictions as set out in paragraph (j); and

(l) if the name of a Sub-Fund indicates a particular objective, investment strategy, geographic region or market, the Sub-Fund should, under normal market circumstances, invest at least 70% of its total 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.

A Sub-Fund shall not:

(a) invest in a security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5% of the total nominal amount of all the issued securities of that class or collectively the directors and officers of the Manager collectively own more than 5% of those securities;

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

(c) make short sales if as a result a Sub-Fund would be required to deliver securities exceeding 10% of the total Net Asset Value of the Sub-Fund (and for this purpose securities sold short must be actively traded on a market where short selling is permitted);

(d) lend or make a loan out of the assets of a Sub-Fund, except to the extent that the acquisition of bonds or the making of a deposit (within the applicable investment restrictions) might constitute a loan;

(e) subject to Chapter 7.3 of the Code, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person, save and except for reverse repurchase transactions in compliance with the Code;

(f) enter into any obligation in respect of a Sub-Fund or acquire any asset or engage in any transaction for the account of a Sub-Fund which involves the assumption of any liability which is unlimited. For the avoidance of doubt, the liability of Unitholders must be limited to their investments in the relevant Sub-Fund; or

(g) 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 for any sum unpaid on such investments unless such call could be met in full out of cash or near cash forming part of a Sub-Fund whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transactions in FDIs for the purposes of Chapter 7.29 and 7.30 of the Code.

If any of the restrictions or limitations set out above is breached in respect of a Sub-Fund, the Manager will make it a priority objective to take all necessary steps within a reasonable period of time to remedy such breach, taking into account the interests of the Unitholders of that Sub-Fund.

***Borrowing***

The maximum borrowing of each Sub-Fund shall not exceed 10% of its latest available Net Asset Value. Where the Manager so determines, a Sub-Fund's permitted borrowing level may be a lower

percentage. The Trustee may, at the request of the Manager, borrow for the account of a Sub-Fund any currency, and charge or pledge assets of a Sub-Fund, for the following purposes:

(a) facilitating the creation or redemption of Units or defraying operating expenses;

(b) enabling the Manager to acquire Securities for the account of such Sub-Fund; or

(c) for any other proper purpose as may be agreed by the Manager and the Trustee (except to enhance the performance of any Sub-Fund).

## HOW TO PURCHASE THE UNITS

### *How much are the Units?*

Units are available for issue on any Dealing Day at the Subscription Price.

The Subscription Price of each class of Units on any Dealing Day will be the price per Unit of the respective class ascertained by dividing the Net Asset Value of the Sub-Fund attributable to the respective class of Units as at the Valuation Point in respect of the relevant Dealing Day by the number of the respective class of Units then in issue rounded to 2 decimal places (0.005 being rounded up) or in such manner and to such other number of decimal places as may from time to time be determined by the Manager after consulting the Trustee. Any rounding adjustment will be retained by the Sub-Fund.

The Subscription Prices of HKD Class A Units and HKD Class I Units will be calculated in the Base Currency of the Sub-Fund, being HKD.

The Subscription Prices of other Class A Units and Class I Units which are not denominated in HKD will be calculated in the Base Currency of the Sub-Fund, then be converted into the relevant class currency at the exchange rate agreed by the Manager and the Trustee.

### *How to apply for Units?*

The following investment minima apply to the Sub-Fund:

| | *Minimum initial investment* | *Minimum subsequent investment* | *Minimum holding* | *Minimum redemption amount* |
|---|---|---|---|---|
| **Class A USD Units** | USD1,000 | USD1,000 | USD1,000 | USD1,000 |
| **Class I USD Units** | USD1,000,000 | USD10,000 | USD1,000,000 | USD10,000 |
| **Class A HKD Units** | HKD10,000 | HKD10,000 | HKD10,000 | HKD10,000 |
| **Class I HKD Units** | HKD8,000,000 | HKD100,000 | HKD8,000,000 | HKD100,000 |
| **Class A RMB (Hedged) Units**<br>**Class A RMB Units** | RMB10,000 | RMB10,000 | RMB10,000 | RMB10,000 |
| **Class I RMB (Hedged) Units**<br>**Class I RMB Units** | RMB8,000,000 | RMB100,000 | RMB8,000,000 | RMB100,000 |
| **Class A EUR (Hedged) Units**<br>**Class A EUR Units** | EUR1,000 | EUR1,000 | EUR1,000 | EUR1,000 |
| **Class I EUR (Hedged) Units**<br>**Class I EUR Units** | EUR1,000,000 | EUR10,000 | EUR1,000,000 | EUR10,000 |
| **Class A AUD (Hedged) Units**<br>**Class A AUD Units** | AUD1,000 | AUD1,000 | AUD1,000 | AUD1,000 |
| **Class I AUD (Hedged) Units**<br>**Class I AUD Units** | AUD1,000,000 | AUD10,000 | AUD1,000,000 | AUD10,000 |
| **Class A NZD (Hedged) Units**<br>**Class A NZD Units** | NZD1,000 | NZD1,000 | NZD1,000 | NZD1,000 |

| | | | | |
|---|---|---|---|---|
| **Class I NZD (Hedged) Units** | NZD1,000,000 | NZD10,000 | NZD1,000,000 | NZD10,000 |
| **Class I NZD Units** | | | | |

The minimum initial and subsequent investment of each class of Units may change subject to the Manager's discretion.

To purchase Units an applicant should complete the application form supplied with this Explanatory Memorandum and return the original form, together with the required supporting documents, to the Trustee (via an authorised distributor or the Manager) in the manner as set out in the application form.

Applications for Units must be received by the Dealing Deadline, unless otherwise agreed by the Manager.

Application forms that are faxed or sent via other electronic means must always be followed by their original except where the requirement for the original is waived by the Manager and the Trustee. Applicants who choose to send an application form by fax or other electronic means, bear the risk of the form not being received. Neither the Trustee nor the Manager will be responsible to an applicant for any loss resulting from non-receipt or illegibility of any application form sent by facsimile or other electronic means.

Unless otherwise agreed with the Manager, applications will be accepted only if cleared funds have been received on or prior to the relevant Dealing Deadline in relation to which Units are to be issued.

If payment in cleared funds is not received within 4 Business Days following the Dealing Day on which an application was received by the Dealing Deadline, Manager may, at its discretion consider the application void and cancelled. In such event the Manager will be entitled to charge the applicant (and retain for its own account) a reasonable cancellation fee or such amount as it may determine to represent the costs involved in processing the application. The Manager may also require the applicant to pay to the Trustee, for the account of the Sub-Fund, in respect of each Unit cancelled, the amount (if any) by which the Subscription Price on the relevant Dealing Day exceeds the applicable Redemption Price on the date of cancellation.

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.

Applicants may apply for Units through a distributor appointed by the Manager. Distributors may have earlier cut-off times for receipt of applications and/or cleared funds. Applicants who intend to apply for Units through a distributor should confirm the arrangements with the relevant distributor.

Where an applicant applies for Units through a distributor, the Manager and the Trustee will treat the distributor (or its nominee) as the applicant. The distributor (or its nominee) will be registered as holder of the relevant Units. The Manager and the Trustee will treat the distributor (or its nominee) as the Unitholder and shall not be responsible for any arrangements between the relevant applicant and the distributor regarding the subscription, holding and realisation of Units and any related matters, as well as any costs or losses that may arise therefrom. The Manager will, however, take all reasonable care in the selection and appointment of distributors.

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

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

No applications for Units will be dealt with during any periods in which the determination of the Net Asset Value of the Sub-Fund is suspended (for details see "Suspension of determination of Net Asset Value" below).

***Are there any payment or account procedures?***

Subscription monies of each class of Units will be paid in the relevant class currency. Payment details are set out in the application form. Payment from third parties or in cash will not be accepted. The applicant is responsible for providing the relevant proof of payment.

***Units are in registered form***

All holdings of Units will be in registered form and certificates will not be issued. Evidence of title of Units will be the entry on the register of Unitholders. Unitholders should therefore be aware of the importance of ensuring that the Trustee is informed of any change to the registered details. Fractions of Units may be issued rounded to 2 decimal places (0.005 being rounded up). Subscription monies representing smaller fractions of a Unit will be retained by the relevant Sub-Fund. A maximum of 4 persons may be registered as joint Unitholders.

## HOW TO REDEEM THE UNITS

### *How do I redeem my Units?*

Unitholders who wish to redeem their Units in the Sub-Fund may do so on any Dealing Day by submitting a redemption request to the Trustee (via an authorised distributor or the Manager). Unless otherwise agreed by the Manager and the Trustee, any redemption request must be received by the Trustee before the Dealing Deadline.

Investors redeeming Units through a distributor or a nominee should submit their redemption requests to the distributor or nominee in such manner as directed by the distributor or nominee. Distributors and nominees may have earlier cut-off times for receipt of redemption requests. Investors should confirm the arrangements with the relevant distributor or nominees.

Where an investor holds its investment in Units through a nominee, the investor wishing to redeem Units must ensure that the nominee, as the registered Unitholder, submits the relevant redemption request by the Dealing Deadline. Unless otherwise agreed by the Manager, redemption requests submitted after the applicable Dealing Deadline in respect of any Dealing Day will be dealt with on the next Dealing Day.

A redemption request must be given in writing, by facsimile or via other electronic means and must specify the name of the Sub-Fund and the value or number of Units to be redeemed, the name(s) of the registered holder(s) and give payment instructions for the redemption proceeds. Except where the requirement for the original is waived by the Manager and the Trustee, the original of any redemption request given by facsimile or via other electronic means should be forwarded to the Trustee. Neither the Manager nor the Trustee will be responsible to a Unitholder for any loss resulting from non-receipt or illegibility of any redemption request sent by facsimile or via other electronic means or for any loss caused in respect of any action taken as a consequence of such redemption request believed in good faith to have originated from properly authorised persons.

Partial redemption of a holding of Units in the Sub-Fund may be effected provided that such redemption will not result in the Unitholder holding less than the minimum investment as set out under the “Investment Minima” section above (unless otherwise agreed by the Manager). The Manager has the right to compulsorily redeem any holding of Units which is less than such minimum holding. Unless otherwise agreed by the Manager, a request for a partial redemption of Units with value of less than the minimum redemption amount as set out under the “Investment Minima” section above will not be accepted.

### *How will redemption proceeds be paid to me?*

The Redemption Price of each class of Units on any Dealing Day will be the price per Unit of the respective class ascertained by dividing the Net Asset Value of the Sub-Fund attributable to the respective class of Units as at the Valuation Point in respect of the relevant Dealing Day by the number of Units of the respective class then in issue rounded to 2 decimal places (0.005 being rounded up) or in such manner and to such other number of decimal places as may from time to time be determined by the Manager after consulting the Trustee. Any rounding adjustment will be retained by the Sub-Fund.

The Redemption Prices of each class of Units will be calculated and quoted in the Base Currency of the Sub-Fund, being HKD. The Redemption Prices of Units denominated in currencies other than the Base Currency of the Sub-Fund will be calculated in the Base Currency of the Sub-Fund, and quoted in the respective class currency based on the exchange rate agreed by the Manager and the Trustee.

In determining the Redemption Price, in certain extraordinary scenarios such as where there is a large realisation request by a single investor, the Manager is entitled to deduct an amount which it considers represents an appropriate provision for transactional fees or expenses (including stamp duty, other taxes, brokerage, bank charges, transfer fees and registration fees) which are likely to be incurred by the Sub-Fund. Any such deducted amount will be retained by the Sub-Fund and will form part of the assets of the Sub-Fund.

The Manager may at its option impose a redemption charge in respect of the Units to be redeemed as described in the section headed "Expenses and Charges" below. 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 provided in the Trust Deed) on each Unitholder.

The amount due to a Unitholder on the redemption of a Unit will be the Redemption Price, less any redemption charge. The redemption charge will be retained by the Manager.

Redemption proceeds will not be paid to any redeeming Unitholder until (a) except where the requirement for the original is waived by the Manager and the Trustee, the written original of the redemption request duly signed by the Unitholder has been received by the Trustee (except where the requirement for the original is waived by the Manager and the Trustee), and (b) the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Trustee.

Subject as mentioned above, and save as otherwise agreed by the Manager, and so long as relevant account details have been provided, redemption proceeds will normally be paid in the relevant class currency, by telegraphic transfer, within 7 Business Days after the relevant Dealing Day 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.

Payment will only be made to a bank account in the name of the Unitholder. No third party payments will be made.

The Trust Deed provides that the redemptions may be made in specie at the discretion of the Manager. However, the Manager does not intend to exercise this discretion in respect of the Sub-Fund. In any event, redemptions may only be made in specie with the consent of the Unitholder requesting the redemption.

***Are there any restrictions on redemption?***

The Manager may suspend the redemption of Units, or delay the payment of redemption proceeds in respect of any redemption request received, during any periods in which the determination of the Net Asset Value of the Sub-Fund is suspended (for details see "Suspension of determination of Net Asset Value" below).

With a view to protecting the interests of Unitholders, the Manager is entitled, with the written approval of the Trustee, to limit the number of Units of the Sub-Fund redeemed on any Dealing Day (whether by sale to the Manager or by cancellation by the Trustee) to 10% of the total number of Units of the Sub-Fund in issue. In this event, the limitation will apply pro rata so that all Unitholders wishing to redeem Units of the Sub-Fund on that Dealing Day will redeem the same proportion of such Units, and Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption based on the Redemption Price as at the relevant Dealing Day, subject to the same limitation, and will have priority on the next Dealing Day over subsequent redemption requests received in respect of such subsequent Dealing Day. If requests for redemption are so carried forward, the Manager will inform the Unitholders concerned.

***Restrictions on Unitholders and compulsory redemption***

The Manager has power to impose such restrictions as it may think necessary or desirable for the purpose of ensuring that no Units are acquired or held directly, indirectly or beneficially by any person or persons:

(a) who is a US person;

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

(c) in breach of any applicable law or applicable requirements of any country or governmental authority.

Upon notice that any Units are so held, the Trustee or the Manager may give notice to the relevant Unitholder requiring him to transfer such Units to a person who would not thereby be in contravention of any such restrictions as aforesaid or may give a request in writing for the redemption of such Units in accordance with the terms of the Trust Deed. If any Unitholder upon whom such a notice is served pursuant to the Trust Deed does not, within 30 days of such notice, transfer or redeem such Units as aforesaid or establish to the satisfaction of the Trustee or the Manager (whose judgment shall be final and binding) that such Units are not held in contravention of any such restrictions he shall be deemed upon the expiry of the 30 day period to have given a request in writing for the redemption of all such Units.

## SWITCHING

The Manager may from time to time permit Unitholders to switch some or all of their Units of any class of the Sub-Fund (the "**Existing Class**") into units of another class of the Sub-Fund or of another sub-fund of the Trust which has been authorised by the SFC (the "**New Class**"), subject to the payment of a switching fee.

Unitholders may request such a switch by giving notice in writing, by facsimile or via other electronic means to the Trustee. Requests received by the Trustee prior to the Dealing Deadline, or such later time as the Manager may agree, in respect of 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 or duplicate receipt of a request for switching or any amendment to a request for switching prior to receipt.

Unless otherwise agreed by the Manager, a request for the switching of part of a holding of Units will not be effected if, as a result, the Unitholder would hold less than the minimum holding of the Existing Class as specified in the section entitled "Investment Minima" above, or less than the minimum holding of units of the New Class (if applicable).

The Manager is entitled to impose a switching fee for each Unit switched. The switching fee will be deducted from the amount reinvested in the New Class and will be paid to the Manager. Details of the switching fee are set out in the section headed "Fees and Expenses" below.

Where a request for switching is received by the Trustee prior to the Dealing Deadline in respect of a Dealing Day, switching will be effected as follows:

Units of the Existing Class will be redeemed by reference to the Redemption Price on that Dealing Day (the "**Switching Redemption Day**");

- where the Existing Class and the New Class have different currencies of denomination, the redemption proceeds of the Units of the Existing Class shall, after deduction of any switching fee, be converted into the currency of denomination of the New Class based on the exchange rate agreed by the Manager and the Trustee; and

- the resulting amount will be used to subscribe for units of the New Class at the relevant subscription price on the Switching Redemption Day.

The Manager may suspend the switching of Units during any period in which the determination of the Net Asset Value of the Sub-Fund is suspended (for details see "Suspension of determination of Net Asset Value" below). C11

## DETERMINATION OF NET ASSET VALUE

### *Calculation of Net Asset Value*

The Net Asset Value of the Sub-Fund attributable to each class of Units will be determined by the Trustee as at each Valuation Point by valuing the assets of the Sub-Fund and deducting the liabilities of the Sub-Fund, in accordance with the terms of the Trust Deed.

The value of the assets of the Sub-Fund will be determined as at each Valuation Point in accordance with the Trust Deed. The Trust Deed provides (inter alia) that:

(a) investments (other than a commodity, futures contract or an interest in a collective investment scheme) that are quoted, listed, traded or dealt in on any securities market will be valued by the Trustee by reference to the last traded price or the latest available "exchange close" price as calculated and published by the relevant exchange of that market in accordance with its local rules and customs, provided that: (i) if an investment is quoted, listed or normally dealt in on more than one such market, the price adopted shall be the last traded price or the latest available exchange close price as published by the market which, in the opinion of the Manager, provides the principal market for such investment; (ii) if prices on such market are not available at the relevant time, the value of the investment shall be certified by such firm or institution making a market in such investment or, if the Trustee so requires, by the Manager after consultation with the Trustee; (iii) interest accrued on any interest-bearing investments shall be taken into account, unless such interest is included in the quoted or listed price; and (iv) the Trustee and the Manager shall be entitled to use and rely on electronically transmitted data from such source or sources or pricing systems as they may from time to time think fit and the prices provided by any such source or pricing system shall be deemed to be the last traded prices for the purposes of valuation;

(b) the value of any investment (other than a commodity, futures contract or an interest in a collective investment scheme) which is not quoted, listed or ordinarily dealt in on any securities market shall initially be the value equal to the amount expended on behalf of the Sub-Fund in the acquisition of such investment (including, in each case the amount of stamp duties, commissions and other acquisition expenses), and thereafter the value as assessed by the Trustee on the latest revaluation thereof, provided that a revaluation shall be made on each Valuation Day by reference to the latest bid price, asked price or mean thereof, as the Trustee and the Manager consider appropriate, quoted by a professional person, firm or institution approved by the Trustee as qualified to value such investments;

(c) cash, deposits and similar investments shall be valued at their face value (together with accrued interest);

(d) the value of any commodity or futures contract shall be ascertained by the Trustee in accordance with the following:

  (i) if a commodity or futures contract is dealt in any recognised commodities market, then regard shall be had to the latest ascertainable price ruling or officially fixed on such recognised commodities market or (if there shall be more than one such recognised commodities market) on such recognised commodities market as the Trustee, in consultation with the Manager, shall consider appropriate;

  (ii) if any such price as referred to in (i) is not ascertainable at any relevant time, then regard shall be had to any certificate as to the value of such commodity or futures contract provided by a firm or institution making a market in such commodity or futures contract;

(iii) the value of any futures contract (the "**relevant Contract**"), to the extent that it is not determined in accordance with (i) or (ii), shall be valued (1) where the relevant Contract is for the sale of a commodity, by subtracting, from the contract value of the relevant Contract, the sum of the amount determined (based on the latest available price) to be the contract value of such futures contract as would be required to be entered into by the Sub-Fund in order to close the relevant Contract and the amount expended by the Sub-Fund in entering into the relevant Contract (including the amount of all stamp duties, commissions and other expenses but excluding any deposit or margin provided in connection therewith); and (2) where the relevant Contract is for the purchase of a commodity, by subtracting, from the amount determined (based on the latest available price) to be the contract value of such futures contract as would be required to be entered into by the Sub-Fund in order to close the relevant Contract, the sum of the contract value of the relevant Contract and the amount expended by the Sub-Fund in entering into the relevant Contract (including the amount of all stamp duties, commissions and other expenses but excluding any deposit or margin provided in connection therewith); and

(iv) if the provisions of (i) and (ii) do not apply to the relevant commodity contract, then the value shall be determined in accordance with (b) above as if such commodity contract were an unquoted investment;

(e) the value of each unit, share or interest in any collective investment scheme which is valued as at the same day as the Sub-Fund shall be the net asset value per unit, share or other interest in such collective investment scheme calculated as at that day, or if the Manager and the Trustee so determines, or if such collective investment scheme is not valued as at the same day as the Sub-Fund, shall be the last published net asset value per unit share or other interest in such collective investment scheme;

(f) notwithstanding paragraphs (a) to (e) above, the Manager may, with the prior consent in writing of the Trustee, adjust the value of any investment or permit some other method of valuation to be used if, having regard to relevant circumstances, the Manager considers that such adjustment is required to fairly reflect the value of the investment; and

(g) the value of any investment (including of a borrowing or other liability or cash) in a currency other than the Base Currency will be converted into the Base Currency at the rate (official or otherwise) which the Trustee shall deem appropriate in the circumstances.

The above is a summary and is therefore limited by its nature. Investors are encouraged to review the specific provisions of the Trust Deed in relation to valuation of assets.

***Suspension of determination of Net Asset Value***

The Manager may, after consultation with the Trustee, declare a suspension of the determination of the Net Asset Value of the Sub-Fund attributable to any class of Units for the whole or any part of any period during which:

(a) one or more markets on which a significant portion of the assets of the Sub-Fund is listed, quoted, traded or dealt in are closed (other than customary weekend and holiday closing) or trading in any such markets is restricted or suspended; or

(b) a breakdown occurs in any of the means normally employed in ascertaining the value of any investment of the Sub-Fund; or

(c) for any other reason the value of any of the investments or other assets of the Sub-Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained; or

(d) a breakdown occurs in any of the systems and/or means of communication normally employed in ascertaining the Net Asset Value of the Sub-Fund attributable to any class of Units or the Net Asset Value per Unit of any class of Units, Subscription Price or Redemption Price of any class of Units, or when for any other reason the Net Asset Value of the Sub-Fund attributable to any class of Units or the Net Asset Value per Unit of any class of Units, Subscription Price, or Redemption Price of any class of Units cannot be ascertained in a prompt or accurate manner; or

(e) circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to realise any investments of the Sub-Fund or it is not possible to do so without seriously prejudicing the interests of the relevant Holders; or

(f) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, the investments of the Sub-Fund or the issue or redemption of any class of Units in the Sub-Fund is delayed or cannot, in the opinion of the Manager, be carried out promptly at normal rates of exchange; or

(g) the business operations of the Manager, the Trustee or any agent of the Manager or the Trustee in relation to the operations of the Trust and/or the 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

(h) the issue, redemption or transfer of any class of Units of the Sub-Fund would result in the violation of any applicable law or a suspension or extension is, in the opinion of the Manager, required by any applicable law or applicable legal process.

Any suspension shall take effect immediately upon its declaration and thereafter there shall be no determination of the Net Asset Value of the Sub-Fund attributable to the relevant class(es) of Units, and/or the issue and/or switching and/or redemption of the relevant class(es) of Units, and/or payment of redemption moneys, as the case may be, until the suspension is terminated on the earlier of (i) the Manager declaring the suspension at an end and (ii) the first Dealing Day on which (1) the condition giving rise to the suspension shall have ceased to exist and (2) no other condition under which suspension is authorised exists.

The Manager shall notify the SFC and publish a notice of suspension following the suspension, and at least once a month during the suspension, on its website at http://www.dcfund.hk (this website has not been reviewed by the SFC).

During any period of suspension of the Net Asset Value attributable to any class of Units, no Units of the relevant class will be issued, switched or redeemed.

***Publication of Net Asset Value***

The latest Subscription Price and the Redemption Price of each class of Units (or the latest Net Asset Value per Unit of each class) will be available (in the relevant currency) on the Manager's website at http://www.dcfund.com.hk (this website has not been reviewed by the SFC).

## FEES AND EXPENSES

There are different levels of fees and expenses applicable to investing in the Sub-Fund as set out below, current as at the date of this Explanatory Memorandum.

### *Fees payable by Unitholders*

Preliminary charge

The Manager is entitled to impose a preliminary charge on the issue of units of any sub-fund of up to 5% of the subscription price of such units.

In relation to the Sub-Fund, the Manager intends to impose a preliminary charge of up to 5% of the applicable Subscription Price in respect of each Unit. The preliminary charge is payable in addition to the Subscription Price per Unit and will be retained by or paid to the Manager. The Manager may pay to approved distributors a proportion of this preliminary charge, based on the value of the relevant business introduced to the Sub-Fund.

The Manager may, in its absolute discretion, waive or reduce the payment of all or any portion of the preliminary charge (either generally or in any particular case).

Redemption charge

The Manager is entitled to impose a redemption charge on the redemption of units of any sub-fund of up to 2% of the redemption price of such units.

In relation to the Sub-Fund, the Manager currently does not intend to impose any redemption charge.

The Manager may, in its absolute discretion, waive or reduce the payment of all or any portion of the redemption charge (either generally or in any particular case).

Switching fee

The Manager is entitled to impose a switching fee on the switching of units of up to 2% of the redemption price of each unit of the Existing Class being switched.

In relation to the Sub-Fund, the Manager intends to impose a switching fee of up to 2% of the Redemption Price of each Unit being switched. The switching fee will be deducted from the amount reinvested in the New Class and will be paid to the Manager.

The Manager may, in its absolute discretion, waive or reduce the payment of all or any portion of the switching fee (either generally or in any particular case).

### *Fees and expenses payable by the Sub-Fund*

Management fee

The Trust Deed provides that the Manager is entitled to a management fee in respect of the Sub-Fund, the maximum amount of which is equal to 2% per annum of the Net Asset Value of the Sub-Fund.

On inception of the Sub-Fund, the Manager intends to charge a management fee of 1.50% per annum of the Net Asset Value of the Sub-Fund attributed to Class A Units, and a management fee of 0.80% per annum of the Net Asset Value of the Sub-Fund attributed to Class I Units. Any

increase in the rates of management fee will only be implemented after giving one month's notice (or such period of notice as the SFC may require) to the affected Unitholders. No increase beyond the maximum management fee stated in the Trust Deed may occur without Unitholder approval. The management fee will be accrued as at each Valuation Day and will be payable monthly in arrears.

The Manager may share any fees, charges or amounts it is entitled to receive as Manager of the Sub-Fund with any persons who distribute or otherwise procure subscriptions to the Sub-Fund.

Performance Fee

The Manager does not charge performance fees in respect of the Sub-Fund.

Trustee Fee

The Trust Deed provides that the Trustee is entitled to a trustee fee in respect of the Sub-Fund, the maximum amount of which is equal to 0.5% per annum of the Net Asset Value of the Sub-Fund.

The Trustee will be paid a fee of 0.15% for the first HKD250 million in Net Asset Value, 0.125% for the next HKD250 million in Net Asset Value, and 0.11% for the remaining balance of the Net Asset Value. The trustee fee is subject to a monthly minimum of HKD35,000, reduced to HKD17,500 for the first 6 months of the launch of the Sub-Fund. Any increase in this rate of trustee fee will only be implemented after giving one month's notice (or such period of notice as the SFC may require) to the affected Unitholders. No increase beyond the maximum trustee fee stated in the Trust Deed may occur without Unitholder approval. The trustee fee will be accrued as at each Valuation Day and will be payable monthly in arrears

Fee payable to the Custodian

The Custodian is entitled to (among others) transaction charges at customary market rates and custody fees at different rates, largely depending on the markets where the Custodian is required to hold the Sub-Fund's assets. Such charges and fees will be calculated monthly and will be paid monthly in arrears, out of the assets of the Sub-Fund. The Custodian will be entitled to reimbursement by the Sub-Fund for any out-of-pocket expenses incurred in the course of their duties.

The Custodian will be paid a custody fee of up to 0.10% per annum of the Net Asset Value of the Sub-Fund. Any increase in these fees will only be implemented after giving one month's notice (or such period of notice as the SFC may require) to the affected Unitholders.

Promotional Expenses

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

Other Expenses

The Sub-Fund will bear all operating costs relating to the administration of the Sub-Fund including but not limited to stamp and other duties, governmental charges, brokerages, commissions, exchange costs and commissions, bank charges and other costs and expenses payable in respect of the acquisition, holding and realization of any investment or any monies, deposit or loan, charges and expenses of its legal counsel, auditors and other professionals, the costs in connection with maintaining the Trust's and the Sub-Fund's authorisation under the SFO, any disbursements or

out-of-pocket expenses properly incurred on behalf of the Sub-Fund by the Trustee or the Manager or any of their service providers, the expenses incurred in convening meetings of Unitholders, printing and distributing annual and half-yearly reports, accounts and other circulars relating to the Sub-Fund and the expenses of publishing Unit prices.

***Establishment Costs***

The costs of establishing the Sub-Fund were approximately HKD500,000. These costs have been charged to the Sub-Fund and are being amortized over the first 3 accounting periods of the Sub-Fund (or such other period as determined by the Manager).

## RISK FACTORS

**The nature of the Sub-Fund's investments involves certain risks and uncertainties, including those inherent in any investment. There can be no assurance that the investment objective of the Sub-Fund will be achieved. The risks factors set forth below are intended to be those material risks which are believed by the Manager and its directors to be presently applicable to the Sub-Fund. The risk factors below do not offer advice on the suitability of investing in the Sub-Fund. Prospective investors should carefully evaluate the merits and risks of an investment in the Sub-Fund in the context of their overall financial circumstances, knowledge and experience as an investor and should consult their independent professional or financial advisors before making any investment in the Sub-Fund.**

***Investment risks***

Investment objective risk:

Investors should be aware that investment in the Sub-Fund is subject to normal market fluctuations and other risks inherent in the underlying assets into which the Sub-Fund may invest. There can be no assurance that any appreciation in value of investments will occur. There is no assurance that the investment objectives of the Sub-Fund will actually be achieved, notwithstanding the efforts of the Manager since changes in political, financial, economic, social and/or legal conditions are not within the control of the Manager.

Whilst it is the intention of the Manager to implement strategies which are designed to achieve the investment objective, there can be no assurance that these strategies will be successful. The Manager may not be successful in selecting the best-performing securities or investment techniques. Accordingly, there is a risk that investors may not recoup the original amount invested in the Sub-Fund or may lose a substantial part or all of their initial investment.

Investment strategy risk:

An investment in Units involves risks similar to those of investing in companies, including market fluctuations caused by factors such as economic and political developments, changes in interest rates and perceived trends in stock prices as well as litigation risk. The principal risk factors, which could decrease the value of an investment in the Sub-Fund, are listed and described below:

(a) imposition of or adverse changes in investment control regulations in the PRC;

(b) greater price volatility;

(c) exchange rate fluctuations and exchange controls in respect of the companies' operations in the PRC;

(d) the imposition of restrictions on the expatriation of funds or other assets of the Sub-Fund;

(e) higher transaction and custody costs and delays and risks of loss attendant in settlement procedures;

(f) difficulties in enforcing contractual obligations in the PRC;

(g) imposition of expropriation or confiscatory taxation by the PRC on the relevant companies operations notwithstanding listing on exchanges outside of the PRC; and

(h) greater social, economic, and political uncertainty and the risk of nationalization or expropriation of assets in the PRC.

Concentration risk:

Although there are various investment restrictions with which the Manager has to comply when managing the investments of the Sub-Fund, the concentration of the Sub-Fund's investments in China Concept Stocks may subject the Sub-Fund's investments to greater volatility than portfolios which comprise broad-based global investments.

Market risk:

The Net Asset Value of the Sub-Fund will change with changes in the market value the equity securities invested in by the Sub-Fund. The price of Units and the value of such equity securities may go down as well as up.

Equity securities and volatility risk:

Prices of equity securities with a PRC focus may be volatile and the market value of such stocks may go down as well as up. The investment performance of equity securities depends upon factors which are difficult to predict. Factors affecting the stock values include but is not limited to changes in investment sentiment, political environment, economic environment, and the business and social conditions in local and global marketplace. Changes in value of a security may be attributable to market perception of a particular issuer (for example its financial conditions and profitability) or general stock market fluctuations. If the market value of equity securities in which the Sub-Fund invests in goes down, investors may suffer substantial losses.

Dependence upon trading market for equity securities risks:

The price at which the equity 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 the equity securities are limited or absent. Market volatility and settlement difficulties in the equities market may result in significant fluctuations in the prices of securities traded on such markets and thereby changes in the value of the Sub-Fund.

Investing in other funds risks:

The Sub-Fund may from time to time invest in other listed and unlisted investment funds. Investing in other funds may expose the Sub-Fund to the following risks:

*Additional fees associated with investing in underlying funds*: The value of the shares or units of the underlying funds will take into account their fees and expenses, including fees (in some cases including performance fees) charged by their management companies or investment managers. Some underlying funds may also impose fees or levies which may be payable by the Sub-Fund when it subscribes to or redeems out of such underlying funds. Whilst the Manager will take the level of any such fees into account when deciding whether or not to invest, investors should nevertheless be aware that investing into underlying funds may involve another layer of fees, in addition to the fees charged by the Sub-Fund.

*Investment objective risk*: Although the Manager will use due diligence procedures to select and monitor underlying funds, there can be no assurance that an underlying fund's investment strategy will be successful or that its investment objective will be achieved.

*Conflicts of interest risk*: The Sub-Fund may from time to time invest in other funds managed by the Manager or Connected Persons of the Manager. In such circumstances, in accordance with the Sub-Fund's investment restrictions, all initial charges, management fees and performance fees on the underlying fund must be waived for the Sub-Fund, and the Manager may not obtain a rebate on any fees or charges levied by the underlying fund. However, despite such measures, conflicts of interest may nevertheless arise out of such investments, and in such event the Manager will use its best endeavours to resolve such conflicts fairly.

*Investment in ETFs risk:* Investors should note that the market price of the units of an ETF traded on the Stock Exchange of Hong Kong Limited (the "SEHK") is determined not only by the net asset value of an ETF but also by other factors such as the supply of and demand for the units of the ETF in the SEHK. Therefore, there is a risk that the market price of the units of the ETF traded on the SEHK may diverge significantly from the net asset value of the ETF. An ETF's returns may deviate from the index to which it is tracking due to a number of factors. For example, the fees and expenses of an ETF, the need for the manager of an ETF to adopt a representative sampling strategy, rounding of share prices, changes to the tracking index and regulatory policies may affect the ability of the manager of an ETF to achieve close correlation with the tracking index. Further, an ETF may receive income (such as interests and dividends) from its assets while the tracking index does not have such sources of income. An ETF is not actively managed. The manager of an ETF may not take an active role in defending the position of the ETF in declining markets. Hence, any fall in the relevant index will result in a corresponding fall in the value of the ETF. There can be no assurance that an active trading market in respect of the units of an ETF will be developed or maintained.

*Investment in REITs risk:* The Sub-Fund may from time to time invest in REITs and as such is also subject to risks inherent in REITs. REITs primarily invest in real estate and may be more volatile than other securities as they may trade less frequently and in smaller volume. The performance of REITs will depend on various factors, such as management skills, change in value of the underlying properties, illiquidity of the investments which may affect the ability of REITs to change the investment or to liquidate part of the assets in response to changes in economic, market or other conditions, interest rate risks, changes in general and local economic conditions, taxation policies, non-renewal of expiring leases, unexpected expenditure or failure of lessees to meet their obligations. Further, REITs are subject to heavy cash flow dependency. An investment in the Sub-Fund is not equivalent to an investment in a REIT and that the distribution of the Sub-Fund (if any) will not be the same as the distribution of the underlying REITs.

Liquidity risk:

The Sub-Fund may invest in securities where the volume of transactions may fluctuate significantly depending on market sentiment. There is a risk that investments made by the Sub-Fund may become less liquid in response to market developments or adverse investor perceptions. In extreme market situations, there may be no willing buyer and the investments cannot be readily sold at the desired time or price, and the Sub-Fund may have to accept a lower price to sell the investments or may not be able to sell the investments at all. An inability to sell a portfolio position can adversely affect the Sub-Fund's value or prevent the Sub-Fund from being able to take advantage of other investment opportunities.

Liquidity risk also includes the risk that the Sub-Fund will not be able to pay redemption proceeds within the allowable time period because of unusual market conditions, an unusually high volume of redemption requests, or other uncontrollable factors. To meet redemption requests, the Sub-Fund may be forced to sell investments, at an unfavourable time and/or conditions.

Investment in small and mid-capitalization stocks will be especially subject to the risk that during certain periods, the liquidity of particular issuers or industries, or all securities within a particular investment category, will shrink or disappear suddenly and without warning as a result of adverse economic, market or political events, or adverse investor perceptions whether or not accurate.

Counterparty risk:

The Sub-Fund is subject to the risk of the inability of any counterparty (including any custodian(s)) to perform with respect to transactions, whether due to insolvency, bankruptcy or other circumstances. The Sub-Fund is also subject to the risk that counterparties may not have access to finance and/or assets at the relevant time and may fail to comply with their obligations under the relevant sale and repurchase agreements. Recent well-publicised weaknesses in certain financial

institutions may be indicative of increased counterparty risk. In the event of any counterparty (including a custodian) entering an insolvency procedure, the Manager could experience delays in liquidating the Sub-Fund's positions and incur significant losses, including the loss of that portion of the Sub-Fund's portfolio financed through such a transaction, a decline in value of its investment during the period in which the Manager seeks to enforce its rights, an inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights.

Currency risk:

Assets held by the Sub-Fund may be denominated in various currencies that are different from the Base Currency and the Net Asset Value of the Sub-Fund may be strongly influenced by movements in exchange rates regardless of the performance of its underlying portfolio. The Sub-Fund may be adversely affected by changes in exchange rates between the currencies in which the assets of the Sub-Fund are held and the Base Currency. In addition, any Class not denominated in the Base Currency is exposed to possible adverse currency fluctuations between its currency of denomination and the Base Currency.

The Manager may or may not hedge any foreign exchange risk in respect of the Sub-Fund. Investors should take into account the potential risk of loss in respect of subscriptions, redemptions and dividends arising from fluctuations in value between currencies.

Hedged class risk:

The Manager generally seeks to hedge the foreign currency exposure of any hedged share class to the Base Currency, with the aim of reducing the impact of currency fluctuations of the relevant class currency against the Base Currency. Investors in hedged classes bear the associated costs and may also be exposed to the risks associated with the instruments used in the hedging process. There is no guarantee that the desired hedging instruments will be available or that the hedging techniques employed by the Manager will be effective in achieving their desired result. Hedging can also limit potential gains of a hedged share class. Whilst hedging may protect investors against a decrease in the value of the Base Currency relative to the relevant class currency, it may also preclude investors from benefitting from any increase in value of the Base Currency. Investors should also be aware that the volatility of a hedged class may be higher than that of the equivalent class denominated in the Sub-Fund's Base Currency.

Dividends risk:

There is no assurance that the Sub-Fund will declare to pay dividends or distributions. The ability of the Sub-Fund to pay distributions also depends on dividends declared and paid by issuers of the securities which the Sub-Fund has invested and the level of fees and expenses payable by the Sub-Fund. The ability of the issuers of securities to make dividend payments and the level of dividends, if any, declared by the issuers of securities are based on numerous factors, including their current financial condition, general economic conditions and, where applicable, their dividend policies. There can be no assurance that such companies will be able to honour payment obligations, declare dividends or make other distributions.

The Manager may, in its discretion, pay distributions out of gross income while charging/ paying all or part of the Sub-Fund's fees and expenses to/out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund may effectively pay distributions out of capital. This may reduce the capital that the Sub-Fund has available for investment in future and may constrain capital growth.

Payments or dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of the amount investors originally invested or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate decrease in the Net Asset Value.

Operational and settlement risks:

The Sub-Fund is subject to operational risks that may arise from any breaches by the Manager's investment management staff of the Manager's operational policies or technical failures of communication and trading systems. Whilst the Manager has in place internal control systems, operational guidelines and contingency procedures to reduce the chances of such operational risks, there is no guarantee events beyond the control of the Manager (such as unauthorised trading, trading errors or system errors) will not occur. The occurrence of any such events may adversely affect the value of the Sub-Fund.

Hedging risk:

The Manager is permitted, but not obliged, to use hedging techniques to attempt to offset market risks. There is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result.

Restricted markets risk:

The Sub-Fund may invest in securities in restricted markets which impose limitations or restrictions on foreign ownership or holdings. Such legal and regulatory restrictions or limitations may have adverse effects on the liquidity and performance of 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.

***PRC related risks***

The investment objective of the Sub-Fund is to achieve long term capital growth by investing in China Concept Stocks. Investment in the Sub-Fund will therefore be subject to the general risks relating to the PRC.

Economic, political and social risks:

The economy of China, which has been in a state of transition from a planned economy to a more market oriented economy, differs from the economies of most developed countries in many respects, including the level of government involvement, its state of development, its growth rate, control of foreign exchange, and allocation of resources.

Although the majority of productive assets in China are still owned by the PRC government at various levels, in recent years, the PRC government has implemented economic reform measures emphasising utilisation of market forces in the development of the economy of China and a high level of management autonomy. The economy of China has experienced significant growth in the past 25 years, but growth has been uneven both geographically and among various sectors of the economy. Economic growth has also been accompanied by periods of high inflation. The PRC government has implemented various measures from time to time to control inflation and restrain the rate of economic growth.

For more than 25 years, the PRC government has carried out economic reforms to achieve decentralisation and utilisation of market forces to develop the economy of the PRC. These reforms have resulted in significant economic growth and social progress. There can, however, be no assurance that the PRC government will continue to pursue such economic policies or, if it does, that those policies will continue to be successful. Any such adjustment and modification of those economic policies may have an adverse impact on the companies whose business and operations are in or relate to the PRC as well as the underlying securities of the Sub-Fund. Further, the PRC government may from time to time adopt corrective measures to control the growth of the PRC

economy which may also have an adverse impact on the capital growth and performance of the Sub-Fund.

Political changes, social instability and adverse diplomatic developments in the PRC could result in the imposition of additional government restrictions including expropriation of assets, confiscatory taxes or nationalisation of some or all of the property held by the underlying issuers of the equity securities in the Sub-Fund's portfolio.

Investing in China Concept Stocks may subject the Sub-Fund to a higher level of market risk than investing in companies whose operations and business relates to a developed country. This is due to, among other things, the possibility of greater market volatility, lower trading volume, political and economic instability, settlement risk, greater risk of market shut down and more governmental limitations on foreign investment than those typically found in developed markets.

The performance of China Concept Stocks are correlated to the growth rate of the PRC economy, which in turn depend on the worldwide economic conditions, which have recently deteriorated significantly in many countries and regions and may remain depressed for the foreseeable future. There are many factors affecting the growth of the economy, including but not limited to interest rates, currency exchange rates, economic growth rate, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment level and general consumer confidence. There can be no assurance that historical growth rates of the PRC economy will continue. Any future slowdowns or declines in the PRC economy may materially and adversely affect the business of the PRC-related companies (even though they are listed outside of the PRC) and as a result the performance of the Sub-Fund.

PRC government control of currency conversion and future movements in exchange rates:

Various of the issuers of China Concept Stocks in which the Sub-Fund may invest in derive their revenues in Renminbi Yuan ("**RMB**"), the currency of the PRC, but have requirements to make payment in a foreign currency, including for the import of materials, debt service on foreign currency denominated debt, purchases of imported equipment and payment of any cash dividends declared. RMB is not currently freely convertible and is subject to exchange controls and restrictions.

The existing PRC foreign exchange regulations have significantly reduced government foreign exchange controls for transactions under the current account, including trade and service related foreign exchange transactions and payment of dividends. However, the Manager cannot predict whether the PRC government will continue its existing foreign exchange policy and when the PRC government will allow free conversion of the RMB to foreign currency.

Foreign exchange transactions under the capital account, including principal payments in respect of foreign currency-denominated obligations, currently continue to be subject to significant foreign exchange controls and require the approval of the State Administration for Foreign Exchange. Since 1994, the conversion of RMB into HKD has been based on rates set by the People's Bank of China, which are set daily based on the previous day's PRC interbank foreign exchange market rate. The Manager cannot predict nor give any assurance of any future stability of the RMB to the HKD exchange rate. Fluctuations in exchange rates may adversely affect the Sub-Fund's Net Asset Value and any declared dividends.

PRC laws and regulations risk:

By their nature, the performance of the China Concept Stocks depends on their respective businesses in the PRC. The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference but have no precedent value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance,

commerce taxation and trade. Two examples are the promulgation of the Contract Law of the PRC to unify the various economic contract laws into a single code, which went into effect on 1 October 1999, and the Securities Law of the PRC, which went into effect on 1 July 1999. However, because these laws and regulations affecting securities markets are evolving, and because of the limited volume of published cases and judicial interpretation and their non-binding nature, interpretation and enforcement of these regulations involve significant uncertainties. In addition, as the PRC legal system develops, no assurance can be given that changes in such laws and regulations, their interpretation or their enforcement will not have a material adverse effect on their business operations.

Accounting and reporting standards risk:

Accounting, auditing and financial reporting standards and practices applicable to PRC companies may be different to those standards and practices applicable to countries that have more developed financial markets. For example, there are differences in the valuation methods of properties and assets and in the requirements for disclosure of information to investors.

PRC taxation risk:

There can be no guarantee that new tax laws, regulations and practice in the PRC may be promulgated in the future. The promulgation of such new laws, regulations and practice may operate to the advantage or disadvantage of the Unitholders.

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. 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 PRC-related companies which the relevant Sub-Fund invests in, thereby reducing the income from, and/or value of the Units.

The Sub-Fund's exposure to investments in PRC mainland may be subject to the risks associated with changes in the PRC mainland tax laws and such changes may have retrospective effect and may adversely affect the Sub-Fund.

Please refer to the PRC tax risks and considerations set out in the sub-section entitled "PRC Taxation" under the section headed "TAXATION" in this Explanatory Memorandum.

Changes in PRC taxation risk:

The PRC Government has implemented a number of tax reform policies in recent years. The current tax laws and regulations may be revised or amended in the future. Any revision or amendment in tax laws and regulations may affect the after-taxation profit of PRC companies and foreign investors in such companies. Please refer to the PRC tax risks and considerations set out in the sub-section entitled "PRC Taxation" under the section headed "TAXATION" in this Explanatory Memorandum.

***A-Shares Associated Risks***

A-Shares market suspension and volatility risk :

A-Shares may only be bought from, or sold to, a QFII or a RQFII or via Stock Connect from time to time where the relevant A-Shares may be sold or purchased on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, as appropriate. Given that the A-Shares market is considered volatile and unstable (with the risk of suspension of a particular stock or government intervention), the creation and realisation of Shares may be disrupted. High market volatility and potential settlement difficulties in the A-Shares market may also result in significant fluctuations in the prices

of the securities traded on the A-Shares market and thereby may adversely affect the value of the Sub-Fund

***QFII and RQFII Regime Associated Risks***

RQFII systems risk:

The RQFII system was introduced in 2011. The regulations which regulate investments by RQFIIs in the PRC mainland and the repatriation of capital from RQFII investments are relatively new. The application and interpretation of such investment regulations are therefore relatively untested and there is no certainty as to how they will be applied as the PRC mainland authorities and regulators have been given wide discretion in such investment regulations and there is no precedent or certainty as to how such discretion may be exercised now or in the future. Similar to QFII, it is not possible to predict the future development of the RQFII system and the CSRC may even impose restrictions on RQFII's operations. Such restrictions may adversely affect the Sub-Fund's ability to achieve its investment objective.

Repatriation risk:

Repatriations by RQFIIs in respect of funds such as the Sub-Fund conducted in RMB are permitted daily and are not subject to any lock-up periods or prior approval. There is no assurance, however, that PRC rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Any restrictions on repatriation of the invested capital and net profits may impact on the Sub-Fund's ability to meet redemption requests.

***Risks associated with the Stock Connect***

The Sub-Fund's investments through the Stock Connect may be subject to the following risks. In the event that the Sub-Fund's ability to invest in A-Shares through the Stock Connect on a timely basis is adversely affected, the Manager will seek to rely on RQFII investments to achieve the Sub-Fund's investment objective.

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 A-Shares through the Stock Connect may be affected.

Suspension risk:

It is contemplated that both the 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 PRC market through the Stock Connect will be adversely affected.

Operational risk:

The Stock Connect provides a new channel for investors from Hong Kong and overseas to access the 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 failed 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 may affect the Sub-Fund's tracking of the Index if, for example, a constituent of the Index is recalled from the scope of eligible stocks.

Clearing and settlement risk:

The HKSCC and CSDCC will establish clearing links and each will become a participant of each other to facilitate clearing and settlement of crossboundary 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 CSDCC default occur and the CSDCC 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 CSDCC. HKSCC will in good faith seek recovery of the outstanding stocks and monies from the CSDCC through available legal channels or through the CSDCC'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 CSDCC.

Regulatory risk:

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

No Protection by Investor Compensation Fund:

The Sub-Fund's investments through the Stock Connect will not be covered by Hong Kong's 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 Shanghai Stock Exchange or the Shenzhen Stock Exchange 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 Chinese brokers, it is not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金) in Mainland China. Therefore the Sub-Fund is exposed to the risks of default of the broker(s) it engages in its trading in A-Shares through the programme.

***Sub-Fund's structure related risks***

Indemnity risk:

Under the Trust Deed, the Trustee and the Manager have the right to be indemnified for any liability or expense incurred by them in performing their respective duties except as a result of breach of trust through their own fraud, negligence or breach of duty. Any reliance by the Trustee or the Manager on the right of indemnity would reduce the assets of the Sub-Fund and the value of the Units.

Control of the Sub-Fund's operation risk:

Investors will have no right to control the daily operations, including investment and suspension decisions, of the Sub-Fund.

Early termination of the Trust and/or the Sub-Fund risk:

The Sub-Fund may be terminated by the Manager or the Trustee under certain conditions and in the manner as specified in "Termination" in the section headed "General and Statutory Information" in this Explanatory Memorandum and the Trust Deed. It is possible that, in the event of such termination, the Sub-Fund will not be able to achieve its investment objective and investors will have to realise any investment loss and will not be able to receive an amount equal to their capital originally invested.

Suspension risk:

Under the terms of the Trust Deed, in certain circumstances, the Manager may suspend the calculation of the Net Asset Value of Units in the Sub-Fund as well as suspend subscriptions and redemptions for Units in the Sub-Fund. Investors may not be able to subscribe or redeem when such a suspension is invoked. Investors may not be able to obtain a market value of their investment if the unit price is suspended.

Please refer to the section headed "Suspension of determination of Net Asset Value" for further information in this regard.

Cross Class Liability Risk:

The Trust Deed allows the Trustee and the Manager to issue Units in separate classes. The Trust Deed provides for the manner in which liabilities are to be attributed across the various classes within the Sub-Fund (liabilities are to be attributed to the specific class of the Sub-Fund in respect of which the liability was incurred). A person to whom such a liability is owed has no direct recourse against the assets of the relevant class (in the absence of the Trustee granting that person a security interest). However, the Trustee will have a right of reimbursement and indemnity out of the assets of the Trust which may result in Unitholders of one class of Units of the Sub-Fund being compelled to bear the liabilities incurred in respect of another class of the Sub-Fund which Units such Unitholders do not themselves own if there are insufficient assets attributable to that other class to satisfy the amount due to the Trustee. Accordingly, there is a risk that liabilities of one class of the Sub-Fund may not be limited to that particular class and may be required to be paid out of one or more other classes of the Sub-Fund.

Cross Sub-Fund liability risk

The assets and liabilities of each Sub-Fund under the Trust will be tracked, for bookkeeping purposes, separately from the assets and liabilities of any other Sub-Funds, and the Trust Deed provides that the assets of each Sub-Fund should be segregated from each other. There is no guarantee that the courts of any jurisdiction will respect the limitations on liability and that the assets of any particular Sub-Fund will not be used to satisfy the liabilities of any other Sub-Fund.

***Regulatory risks***

Withdrawal of SFC authorisation risk:

The Trust and the Sub-Fund have been authorised as a collective investment scheme by the SFC under Section 104 of the SFO. SFC authorisation is not a recommendation or endorsement of the Trust or the Sub-Fund nor does it guarantee the commercial merits of the Sub-Fund or its performance. It does not mean the Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. The SFC reserves the right to withdraw the authorisation of the Trust or the Sub-Fund or impose such conditions as it considers

appropriate. If the Manager does not wish the Trust or the Sub-Fund to continue to be authorised by the SFC, the Manager will give Unitholders at least three months' notice of the intention to seek SFC's withdrawal of such authorisation. In addition, any authorisation granted by the SFC may be subject to certain waivers which may be withdrawn or varied by the SFC. If as a result of such withdrawal or variation of waivers it becomes illegal, impractical or inadvisable to continue the Trust or the Sub-Fund, the Trust or the Sub-Fund (as applicable) will be terminated.

Legal and regulatory risk:

The Sub-Fund must comply with regulatory constraints or changes in the laws affecting it or its investment restrictions which might require a change in the investment policy and objectives followed by the Sub-Fund. Furthermore, such change in the laws may have an impact on the market sentiment which may in turn affect the performance of the Sub-Fund. It is impossible to predict whether such an impact caused by any change of law will be positive or negative for the Sub-Fund. In the worst case scenario, a Unitholder may lose a material part of its investments in the Sub-Fund.

Taxation risk:

Investing in the Sub-Fund may have tax implications for a Unitholder depending on the particular circumstances of each Unitholder. Prospective investors are strongly urged to consult their own tax advisors and counsel with respect to the possible tax consequences to them of an investment in the Units. Such tax consequences may differ in respect of different investors.

Foreign Account Tax Compliance Act ("FATCA") risks

As discussed in detail under the "Taxation" section, FATCA imposes new rules with respect to certain payments to the Sub-Fund. The Manager and/or Sub-Fund will endeavour to satisfy the requirements imposed under FATCA and the terms of the HK IGA to avoid any withholding tax. Nevertheless, in the event that the Sub-Fund is not able to comply with the requirements imposed by FATCA or the terms of the HK IGA and the Sub-Fund does suffer US withholding tax on its investments as a result of non-compliance, the Net Asset Value of the Sub-Fund may be adversely affected and the Trust and the Sub-Fund may suffer significant loss as a result.

In the event a Unitholder does not provide the requested information and/or documentation related to FATCA, whether or not that actually leads to FATCA compliance failures by the Sub-Fund, or a risk of the Sub-Fund being subject to withholding tax under FATCA, the Manager on behalf of the Trust and the 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 Sub-Fund; and/or (iv) bringing legal action against such Unitholder for losses suffered by the Trust or the Sub-Fund as a result of such withholding tax. The Manager in taking any such action or pursuing any such remedy shall act in good faith and on reasonable grounds and in accordance with all applicable laws and regulations.

In cases where Unitholders invest in the Sub-Fund through an intermediary, Unitholders are reminded to check whether such intermediary is FATCA compliant and in accordance with all applicable laws and regulations. Each Unitholder and prospective investor should consult with his own tax advisor as to the potential impact of FATCA in its own tax situation and in respect of its investment in the Sub-Fund, as well as the potential impact of FATCA on the Sub-Fund.

Valuation and accounting risk:

The Manager intends to adopt IFRS in drawing up the annual accounts of the Sub-Fund. However, investors should note that the calculation of the Net Asset Value in the manner described under the section headed "Determination of Net Asset Value" will not necessarily be in compliance with generally accepted accounting principles, that is, IFRS. Under IFRS, (i) investments should be valued at fair value (bid and offer pricings are considered to be representative of fair value for listed investments) rather than last traded price or last available closing price and (ii) establishment costs should be expensed as incurred rather than amortised over the period of time. Accordingly, investors should note that the Net Asset Value as described in this Explanatory Memorandum will not necessarily be the same as the net asset value to be reported in the annual accounts as the Manager will make necessary adjustments in the annual accounts to comply with IFRS, though any difference is not expected to be material. Any such adjustments will be disclosed in the annual accounts, including a reconciliation.

## MANAGEMENT OF THE TRUST

### *The Manager*

Da Cheng International Asset Management Company Limited (the "**Manager**") is a corporation incorporated in Hong Kong which is licensed by the SFC for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO with CE number ATE045. The Manager is a wholly owned subsidiary of Dacheng Fund Management Company Limited of Shenzhen in the PRC.

Under the Trust Deed, the Manager is responsible for managing the investments and affairs of the Sub-Fund, with full power to delegate the whole or any part of its functions to any person, firm or company.

The directors of the Manager are TAN Xiaogang, XIAO Jian, ZHAO Bing and XU Zijie. Their biographical details are as follows:

TAN Xiaogang

Mr TAN Xiaogang is currently the CEO of Dacheng Fund Management Company Limited. He obtained a Master's degree of Public Administration from the Kennedy School of Government at Harvard University and was awarded the "Mason Fellow" title. He holds a Master's degree of Business Administration from Harbin Institute of Technology. He was awarded the "Lianzhou Memorial Scholarship" which was jointly launched by the China and Singapore governments in 2011. From 1992 to 1997, Mr Tan served as a Staff Member and a Senior Staff Member in the Finance Department of the World Bank. From 1997 to 2001, he worked as a Technical Assistant of the Chinese Executive Director at World Bank Headquarters (Washington, DC). From 2001 to 2003, he was a Deputy Secretary of the Finance Office. In 2003, he was a Deputy Director of the International Division of the Finance Department where he was responsible for the education and poverty alleviation programme. From 2005 to 2009, Mr Tan served as a Secretary of the Foreign Investment of the National Council for Social Security Fund. He worked as the Division Chief (from 2009 to 2010) and Deputy Director (from 2010 to 2016) of the Overseas Investment Department of the National Council for Social Security Fund.

XIAO Jian

Mr Xiao is the Deputy General Manager. He obtained a Master's Degree in Public Administration from Harvard University. He previously served as the Deputy Director of Shenzhen Nanshan District Committee (Government) Office, the Deputy General Manager of Shenzhen Guangju Energy Co. Ltd and the Executive Director and General Manager of Shenzhen Guangju Investment Holding (Group) Co. Ltd. He was also the Deputy Director General and Director General of the State-owned Assets Supervision and Administration Commission of the Shenzhen Municipal People's Government. He joined Da Cheng Fund Management Company Limited in November 2014 and has become the Deputy General Manager since January 2015.

ZHAO Bing

Ms Zhao is the Chairperson of the Supervisory Committee of the Manager. She received an MBA from Tsinghua University. She previously worked in the Membership Management Department, Professional Liaison Department and Fund Corporate Members Department of the Securities Association of China. She was a committee member of the Analysts Committee and Fund Sales Professional Committee of the Securities Association of China. She also took part in the preparatory process of the Asset Management Association of China as a member of the Preparatory Committee and later served as the Head of the Investor Education and Public Relations Department and

Wealth Management and Service Institutions Department of the Asset Management Association of China. She joined Da Cheng Fund Management Company Limited in July 2017 and has served as the Chairperson of the Supervisory Committee since August 2017.

XU Zijie

Mr Xu holds a bachelor's degree in Computer Software from Sun Yat-sen University and a master's degree in Business Administration from Nankai University. From July 2002 to December 2009, he was a staff member and then the deputy director at the Administration of Industry and Commerce Office of Shenzhen Municipality. From December 2009 to May 2011, he served as the deputy director and a Class V enforcement officer at the "Two Transformations" Promotion Office of the Shenzhen Administration for Market Regulation. From May 2011 to August 2015, he was the deputy director of the Statistics and Budget Division and a principal staff member in the Comprehensive Planning Division of the State-Owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government. He joined Dacheng Fund Management Co., Ltd. in August 2015, where he currently serves as the Office Director.

***The Trustee and Registrar***

The Trustee of the Trust is BOCI-Prudential Trustee Limited, which is a joint venture of BOC Group Trustee Company Limited (owned by BOC International Holdings Limited and Bank of China (Hong Kong) Limited) and Prudential Corporation Holdings Limited. The Trustee is a registered trust company under the Trustee Ordinance.

Under the Trust Deed, the Trustee is responsible for the safekeeping of the assets of the Sub-Fund. The Trustee may, however, appoint any person or persons (including a Connected Person) to be custodian of the assets of the Sub-Fund or to otherwise act as its agent. The Trustee is required to exercise reasonable skill, care and diligence in the selection, appointment and monitoring of such persons and, during the term of their appointment, must satisfy itself as to the ongoing suitability and competence of such persons to provide custodial services to the Sub-Fund. The Trustee will remain responsible for the acts or omissions of such persons (including the Custodian) in the same manner as if such acts or omissions were those of the Trustee.

Notwithstanding the above, the Trustee shall not be liable for (i) any act or omission of Euroclear Bank S.A./N.V. or Clearstream Banking, S.A. or any other recognised depositary or clearing system which may from time to time be approved by the Trustee and the Manager; (ii) the custody or control of any investments, assets or other property which is under the custody or held by or on behalf of a lender to whom such investments, assets or property have been charged or pledged for the purposes of securing any borrowing of the Sub-Fund; or (iii) any agent, nominee, custodian or joint custodian who is not a Connected Person of the Trustee appointed in respect of markets considered by the Trustee to be emerging markets (as notified in writing to the Manager from time to time) other than the PRC.

The Trustee also acts as the Registrar of the Sub-Fund, in which capacity it will be responsible, inter alia, for maintaining the register of Unitholders.

The Trustee is also responsible for the general administration of the Sub-Fund, which includes functions such as:

(a) processing subscriptions and redemptions of Units;

(b) determining the Net Asset Value and the Net Asset Value per Unit;

(c) preparing and maintaining the Sub-Fund's financial and accounting records and statements; and

(d) assisting in preparing the financial statements of the Sub-Fund.

***Indemnities of the Trustee and Manager***

Pursuant and subject to the provisions of the Trust Deed, the Trustee and the Manager (and their respective officers, employees, agents and delegates) are entitled to be indemnified out of, and have recourse to, the assets of the Sub-Fund, in respect of all liabilities and expenses incurred in relation to the Sub-Fund and against all actions, proceedings, costs, claims and demands in respect of any matter or thing done or omitted to be done in any way relating to the Sub-Fund, except to the extent that such liability, expense, action, proceeding, cost, claim or demand arises out of breach of trust through fraud, negligence or wilful default of the Trustee or the Manager arising directly or indirectly from the proper performance of their duties in respect of the Sub-Fund. Nothing in any of the provisions of the Trust Deed shall provide that either the Trustee or the Manager can be exempted from any liability to Unitholders imposed under Hong Kong law or breaches of trust through fraud or negligence, nor may they be indemnified against such liability by Unitholders or at Unitholders' expense.

***The Custodian***

The Custodian of the Sub-Fund is Bank of China (Hong Kong) Limited.

The Custodian was incorporated in Hong Kong on 16 October 1964. As a locally incorporated licensed bank, it was re-structured to the present form since 1 October 2001 by combining the businesses of 10 of the 12 banks in Hong Kong originally belonging to the Bank of China Group.

The Custodian is the second largest banking group in Hong Kong. It offers a full range of banking services, including global custody and also fund-related services for institutional clients.

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

***The Auditor***

The Manager has appointed KPMG to act as the Auditor of the Trust and the Sub-Fund. The Auditor is independent of the Manager and the Trustee.

***Conflicts of interest***

The Manager and the Trustee (and their respective Connected Persons) may from time to time act as trustee, administrator, registrar, transfer agent, manager, custodian, investment manager or investment advisor, 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 the Sub-Fund. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Sub-Fund. Each will, at all times, have regard in such event to its obligations to the Sub-Fund and will endeavour to ensure that such conflicts are resolved fairly.

The Manager has established policies in relation to the identification and monitoring of potential conflicts of interest situations, to ensure that clients' interests are given priority at all times. Key duties and functions must be appropriately segregated and there are strict policies and dealing procedures designed to avoid, monitor and deal with conflicts of interests situations, such as rules and procedures in relation to order allocation, best execution, receipt of gifts or benefits, retention of proper records, prohibition of certain types of transactions and handling of client complaints. The Manager has designated risk management and compliance staff to monitor the implementation of such trading policies and dealing procedures with clear reporting lines to and oversight by senior

management. In any event, the Manager will ensure that all investment schemes and accounts which it manages, including the Sub-Fund, are treated fairly, after considering whether or not the acquisition or disposal of any investment is economical to a particular investment scheme or account and the objectives, restrictions and strategies of such investment scheme or account.

It is expected that transactions for the Sub-Fund may be carried out with or through brokers or dealers which are Connected Persons of the Manager. The Manager will ensure that all transactions carried out by or on behalf of the Sub-Fund will be in compliance with all applicable laws and regulations, and that it complies with the following obligations in respect of any transactions conducted with or through such Connected Persons:

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

(b) the Manager must 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) the Manager must 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 Sub-Fund's annual report.

The Manager may also enter into trades for the account of the Sub-Fund with the accounts of other clients of the Manager or its Connected Persons ("cross trades") when the Manager considers that, as part of its portfolio management, such cross trades would be in the best interests of the Unitholders to achieve the investment objective and policy of the Sub-Fund. Such cross trades will only be undertaken where (i) the sale and purchase decisions are in the best interests of both the Sub-Fund and the other client and fall within the investment objective, restrictions and policies of the Sub-Fund and such other client, (ii) the cross trades are executed on arm's length terms at current market value, and (iii) the reasons for such cross trades are documented prior to execution. Cross trades may also be entered into between house accounts (i.e. account owned by the Manager or any of its Connected Persons over which it can exercise control and influence) and the Sub-Fund in accordance with applicable laws and regulations. Such transactions will be disclosed in the Sub-Fund's audited annual report and shall only be made with the prior written consent of the Trustee.

***Cash rebates and soft commissions***

The Manager does not currently receive any cash commissions or other rebates from brokers or dealers in respect of transactions for the account of the Sub-Fund. However, the Manager and/or any company associated with it reserve the right to effect transactions by or through the agency of another person (the "**Agent**") with whom the Manager and/or any company associated with it has such an arrangement.

The Manager and/or any company associated with it further reserves the right to effect transactions by or through the agency of another person with whom the Manager and/or any company associated with it has an arrangement under which that party will from time to time provide to or procure for the Manager and/or any company associated with it goods, services or other benefits, provided that:

(a) the goods or services or other benefits (including research and advisory services; economic and political analysis; portfolio analysis including valuation and performance measurement; market analysis, data and quotation services; computer hardware and software incidental to the above goods and services; clearing and custodian services and investment-related publications) must be of a nature such that their provision can reasonably be expected to benefit the Sub-Fund and the Unitholders as a whole and may contribute to an improvement in the performance of the Sub-Fund or of the Manager and/or any company associated with it in providing services to the Sub-Fund and for which no direct payment is made but instead the Manager and/or any company associated with it undertakes to place business with that party;

(b) transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates;

(c) the Manager's cash rebate and soft commission practices including a description of the goods and services received by the Manager will be disclosed in the annual report of the Sub-Fund;

(d) the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer; and

(e) 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.

## STATUTORY AND GENERAL INFORMATION

### *Reports and accounts*

The Trust's financial year end is on 31 December in each year. An annual report with audited accounts in the Base Currency will be prepared for each financial year. The first accounts for the Sub-Fund cover the period to 31 December 2016. Unaudited half-yearly reports will also be prepared. Such reports will provide details of the assets of the Sub-Fund and the Manager's statement on transactions during the period under review (including a list of any investments held by the Sub-Fund).

Annual and half-yearly reports and financial statements will be available in English.

Once financial reports are issued, Unitholders will be notified of where such reports, in printed and electronic forms, can be obtained. Such notices will be sent to Unitholders as soon as practicable and in any event within four months after the end of the financial year in the case of annual reports and audited financial statements, and within two months after 30 June in each year in the case of unaudited half-yearly reports. Once issued the annual and half-yearly reports will be available in softcopy from the website http://www.dcfund.com.hk (this website has not been reviewed by the SFC) and in hardcopy for inspection at the Manager's office free of charge during normal working hours. Hardcopies of the reports are also provided to Unitholders free of charge upon request.

### *Distribution policy*

The Manager has discretion as to whether or not the Sub-Fund will make any distribution of dividends, the frequency of distribution and amount of dividends. The Manager may, in its discretion, pay distributions out of capital, or out of gross income while charging/ paying all or part of the Sub-Fund's fees and expenses to/out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends and therefore, dividends may be paid effectively out of capital. It is currently intended that distributions will be made on a semi-annual basis (i.e. in June and December each year).

Dividends in respect of different classes will be made in the class currency of the relevant classes.

There is no guarantee of regular distribution and if distribution is made the amount being distributed. It is the current intention of the Manager that the gross income for Units may be distributed.

### *Trust Deed*

The Trust was established under Hong Kong law by the Trust Deed made between the Manager and the Trustee. All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Trust Deed. The Trust Deed contains provisions for the indemnification of the Trustee and the Manager out of the assets of the Trust and their relief from liability in certain circumstances (summarised above in "Indemnities of the Trustee and Manager"). Unitholders and intending applicants are advised to consult the terms of the Trust Deed.

### *Modification of the Trust Deed*

The Trustee and the Manager may agree to modify the Trust Deed by supplemental deed provided that in the opinion of the Trustee and the Manager such modification (i) does not materially prejudice the interests of Unitholders, does not operate to release to any material extent the Trustee or the Manager or any other person from any liability to the Unitholders and (with the exception of the costs incurred in connection with the relevant supplemental deed) does not increase the costs and charges payable out of the assets of the Trust or the Sub-Fund; or (ii) is necessary in order to make possible compliance with any fiscal, statutory, regulatory or official requirement (whether or not having the force of law); or (iii) is made to correct a manifest error. In all other cases involving any

material changes to the Trust Deed, any modifications, alterations and additions require the sanction of an extraordinary resolution of the Unitholders affected.

***Voting rights***

Unitholders' meetings may be convened by the Manager, by the Trustee or by Unitholders representing one-tenth or more of the current Units in issue at any time. These meetings may be used to modify the terms of the Trust Deed, including increasing the maximum fees payable to the service providers, removing the Trustee or terminating the Trust. Such amendments to the Trust Deed would require an extraordinary resolution being passed, which must be considered by Unitholders of at least 25% of the Units in issue and passed by a 75% majority of the votes cast. Other matters that require an ordinary resolution being passed would be considered by Unitholders of at least 10% of the Units in issue and passed by a simple majority of 50% of the votes cast. Unitholders will be given not less than 21 days' notice of such meeting.

***Transfer of Units***

A Unitholder shall, subject to the prior consent of the Manager, be entitled to transfer all or any of the Units registered in his name by an instrument in writing in such form as the Trustee may from time to time approve, provided that, unless the Manager otherwise agrees generally or in any particular case, no transfer of part of a holding of Units of any class shall be registered if as a result either the transferor or the transferee would hold less than the minimum holding required of such class.

Every instrument of transfer must be signed by (or, in the case of a transfer by a body corporate, signed on behalf of or sealed by) the transferor and the transferee and must be duly stamped with any applicable stamp duty before being passed to the Registrar. Subject to the provisions of the Trust Deed the transferor shall 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 such Units. The Registrar may retain all instruments of transfer that have been registered

***Termination***

The Trust and the Sub-Fund may be terminated by the Trustee if: (i) the Manager goes into liquidation or a receiver is appointed and not discharged within 60 days or (ii) in the opinion of the Trustee, the Manager is incapable of performing its duties satisfactorily or (iii) the Manager has failed to perform its duties satisfactorily or has, in the opinion of the Trustee, done something calculated to bring the Trust into disrepute or that is harmful to the interests of Unitholders or (iv) a law is passed that renders it illegal, or in the opinion of the Trustee, impracticable or inadvisable to continue the Trust or (v) the Trustee is unable to find an acceptable person to replace the Manager within 30 days after the removal of the Manager, or the person nominated shall fail to be approved by Extraordinary Resolution or (vi) 30 days after the Trustee notifies the Manager of its intention to retire, no new person willing to act as trustee has been identified.

The Manager may terminate the Trust and the Sub-Fund if: (i) the aggregate net asset value of all the units of each sub-fund of the Trust (including the Sub-Fund) is less than RMB 50 million; or (ii) any law is passed or amended or regulatory directive or order is imposed which renders it illegal or in the opinion of the Manager, impracticable or inadvisable to continue the Trust; or (iii) if any law or regulation shall be passed or amended or any regulatory directive or order is imposed that affects the Sub-Fund and which renders the Sub-Fund illegal or in good faith opinion of the Manager makes it impracticable or inadvisable to continue the Sub-Fund; or (iv) within a reasonable time and using commercially reasonable endeavours, the Manager is unable to find a person acceptable to act as the new trustee after deciding to remove the Trustee in accordance with the Trust Deed; or (v) if the Manager is unable to implement its investment strategy.

Further, the Unitholders may at any time authorise termination of the Trust by extraordinary resolution.

Notice of the termination of the Trust or the Sub-Fund will be given to the Unitholders. The notice will contain the reasons for the termination, the consequences to Unitholders of terminating the Trust or the Sub-Fund and the alternatives available to them, and any other information required by the Code. Any unclaimed proceeds or other monies held by the Trustee in the event of a termination may at the expiration of twelve months from the date upon which the same became payable be paid into court of competent jurisdiction subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

***Retirement of the Trustee***

Subject to the prior written approval of the SFC, the Trustee may retire from office by giving not less than 90 days' written notice (or such period of notice as the SFC may approve) to the Unitholders provided that adequate arrangements have been made for another trustee approved by the SFC to assume responsibility for the administration of the Trust and for the Trustee's interest in the Trust Fund to be transferred to that trustee. The Manager shall as soon as practicable thereafter give notice to the Unitholders of such change specifying the name and the address of the office of the new Trustee.

If any of the following shall occur, namely:-

(a) the Trustee shall go into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or a receiver shall be appointed over any of its assets and shall not be discharged within 60 days; or

(b) the SFC withdraws its approval of the Trustee as trustee of the Trust,

the Manager may by notice in writing to the Trustee remove the Trustee from office. The removal will be effective on and from the date on which the appointment of a suitably qualified corporation as new trustee is to take effect by supplemental deed, subject to the approval of the SFC. Subject to the prior written approval of the SFC, the Manager may also, by giving not less than 90 days' prior notice (or such period of notice as the SFC may approve) in writing to the Trustee, remove the Trustee from the trusteeship of the Trust and appoint any other company qualified to act as trustee under the proper law of the Trust in its place by deed entered into by the Manager and the new trustee. The removal of the Trustee and the appointment of its successor shall take effect simultaneously. The retiring Trustee shall execute such deeds and documents as shall be necessary to effect the transfer of the Trust Fund to the new trustee but without prejudice to the retiring Trustee's rights of indemnity (if any) under the proper law of the Trust.

***Removal of the Manager***

If any of the following events shall occur, namely:-

(a) the Manager shall go into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or a receiver shall be appointed over any of its assets and shall not be discharged within 60 days; or

(b) the Trustee shall form the opinion for good and sufficient reason and shall so state in writing to the Manager that a change of Manager is desirable in the interests of the Unitholders; or

(c) the Unitholders of not less than 50% in value of the Units for the time being outstanding shall deliver to the Trustee in writing a request that the Manager should retire; or

(d) the SFC withdraws its approval of the Manager as manager of the Trust.

the Trustee may, in the case of (a), by notice in writing and, in the case of (b) and (c), by not less than 3 months' notice in writing to the Manager remove the Manager from office and upon service of such notice or expiry of the notice period, as the case may be, the Manager shall cease to be the Manager.

If the approval of the Manager to act as the investment manager of the Trust is withdrawn by the SFC, the Manager's appointment under the Trust Deed shall be terminated as at the date on which the SFC's withdrawal of authorisation becomes effective. In the event that the Manager is removed by the Trustee, the Trustee shall appoint a new manager with the approval of the SFC.

***Inspection of Documents***

Copies of the following documents are available for inspection free of charge at the offices of the Manager and copies thereof may be obtained from the Manager at a cost of HKD150 per set of copy documents (except for the documents in (a) and (c) the copies of which are available to Unitholders from the Manager free of charge):

(a) this Explanatory Memorandum;

(b) the Trust Deed; and

(c) the most recent annual report and accounts of the Sub-Fund (if any) and the most recent interim report of the Sub-Fund (if any).

***Anti-money laundering regulations***

As part of the Manager's and the Trustee's responsibility for the prevention of money laundering and to comply with all applicable laws to which the Manager, the Trustee or the Sub-Fund is subject, the Manager or the Trustee may require a detailed verification of an investor's identity and the source of payment of any applications for Units. Depending on the circumstances of each application, a detailed verification might not be required where:

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

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

These exceptions apply only if the financial institution or intermediary is within a country recognised as having sufficient anti-money laundering regulations.

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

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

***Liquidity risk management***

The Manager has put in place measures to effectively manage the liquidity risk of the Sub-Fund. The Manager's risk management function monitors the implementation of liquidity risk management policies on a day-to-day basis. The risk management function regularly communicates with the portfolio managers on the Sub-Fund's liquidity risk issues. The Manager also has in place liquidity risk management tools (such as those described under the "Are there any restrictions on redemption?" section) which allow the Manager to process redemptions in an orderly manner and to ensure that all investors are treated fairly.

On an on-going basis, the Manager's risk management function will assess the Sub-Fund's liquidity position against internal liquidity indicators. The liquidity indicators are set based on the minimum or maximum proportion of the Sub-Fund's assets that can be liquidated under different period of trading days. The Manager assesses the liquidity profile of the Sub-Fund's liabilities and assets on a regular basis and assesses the Sub-Fund's investor profile and investors' historical and expected redemption patterns. Where the Sub-Fund is unable to meet the indicators, the risk management function will consider whether additional analysis is needed to be performed and whether further action should be taken to manage the liquidity risk of the Sub-Fund. Policies have been put in place and documentation will be maintained on the assessments. The Manager will also perform liquidity stress testing on the Sub-Fund on an ongoing basis. The liquidity risk management policies and procedures together with appropriate documentation of the ongoing liquidity risk assessments will be reviewed periodically and as needed.

***Information available on the Internet***

The Manager will also publish important news and information with respect to the Sub-Fund, both in the English and in the Chinese languages, on the Manager's website (http://www.dcfund.com.hk) (this website has not been reviewed by the SFC) including:

(a) this Explanatory Memorandum and the product key facts statement of the Sub-Fund (as revised from time to time);

(b) the latest annual and semi-annual financial reports;

(c) any notices for material alterations or additions to the Explanatory Memorandum or the Sub-Fund's constitutive documents;

(d) any public announcements made by the Sub-Fund, including any notices of the suspension of the calculation of the Net Asset Value, any changes in fees and the suspension of subscription and redemptions;

(e) the identity of authorised distributors of the Sub-Fund; and

(f) the latest available Net Asset Value of the Sub-Fund attributable to each class of Units.

***Notices***

All notices and communications to the Manager and Trustee should be made in writing and sent to the following addresses:

***Manager***
Da Cheng International Asset Management Company Limited
Suites 3513-3519
Jardine House
Central
Hong Kong

***Trustee***
BOCI-Prudential Trustee Limited
Suites 1501-1507 & 1513-1516, 15/F
1111 King's Road
Taikoo Shing,
Hong Kong

***References to website***

The offer of the Units is made solely on the basis of information contained in this Explanatory Memorandum and the product key facts statement of the Sub-Fund. All references in this Explanatory Memorandum and the product key facts statement of the Sub-Fund to other websites and sources where further information may be obtained are merely intended to assist you to access further information relating to the subject matter indicated and such information does not form part of this Explanatory Memorandum and the product key facts statement of the Sub-Fund. None of the Manager or the Trustee accepts any responsibility for ensuring that the information contained in such other websites and sources, if available, is accurate, complete and/or up-to-date, and no liability is accepted by the Manager or the Trustee in relation to any person's use of or reliance on the information contained in these other websites and sources save, in respect of the Manager, its website http://www.dcfund.com.hk (this website has not been reviewed by the SFC). You should exercise an appropriate degree of caution when assessing the value of such information.

The Manager's website has not been reviewed by the SFC.

## TAXATION

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

### *Hong Kong Taxation*

The Trust and the Sub-Fund

*Profits Tax*: As the Trust and the Sub-Fund have been authorised as a collective investment scheme by the SFC under Section 104 of the SFO, profits of the Trust and the Sub-Fund are exempt from Hong Kong profits tax.

*Stamp Duty*: Under a remission order issued by the Secretary for the Treasury on 20 October 1999, no Hong Kong stamp duty is payable by the Trust on an issue or redemption of Units.

Hong Kong stamp duty is ordinarily payable on the transfer of Hong Kong stock. "Hong Kong stock" is defined as "stock" the transfer of which is required to be registered in Hong Kong. The sale and purchase of Hong Kong stocks will be subject to stamp duty in Hong Kong at the current rate of 0.1% of the consideration or market value if higher of the Hong Kong stocks being sold and purchased payable by each of the seller and buyer.

The Unitholders

*Profits Tax*: Unitholders (other than Unitholders carrying on a trade, profession or business of investing in securities in Hong Kong) should not be subject to any Hong Kong profits tax on distributions by the Trust and the Sub-Fund in accordance with the practice of the Inland Revenue Department of Hong Kong (as at the date of this Explanatory Memorandum) or on any gains or profits made on the sale, redemption or other disposal of the Units. Hong Kong profits tax may arise where such transactions form part of a trade, profession or business carried on by a Unitholder in Hong Kong and the gains or profits, not being regarded as capital in nature, arise in or are derived from such trade, profession or business and sourced in Hong Kong. Unitholders should take advice from their own professional advisers as to their particular tax position.

*Stamp Duty:* Investors pay no Hong Kong ad valorem stamp duty when the Sub-Fund issues or redeems Units. Other types of sales or purchases or transfers of the Units by the Unitholders should be liable to Hong Kong stamp duty of 0.1% (borne by each of the buyer and seller) on the higher of the consideration amount or market value.

***PRC Taxation***

By investing in securities (including A-Shares, B-Shares, H-Shares, ETF and other collective investment scheme) ("offshore PRC securities"), and together with onshore PRC securities, the ("PRC Securities"), the Trust or the Sub-Fund may be subject to PRC taxes. Investors should seek their own tax advice on their tax position with regard to their investments in the Trust or the Sub-Fund.

*Corporate Income Tax ("**CIT**")*

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

If the Trust or a Sub-Fund are non-tax resident enterprises without a PE in the PRC, it will be subject to CIT on a withholding basis ("**WIT**"), generally at a rate of 10%, to the extent it directly derives the PRC sourced passive income, unless a specific exemption or reduction is available under current PRC tax laws and regulations or relevant tax treaties.

The Manager intends to manage and operate the Trust and the relevant Sub-Fund in such a manner that the Trust and the relevant Sub-Fund 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. As such, it is expected that the Trust or the Sub-Fund, as a non-PRC tax resident enterprise without having a PE in the PRC, would only be subject to WIT to the extent the Trust or the Sub-Fund directly derives passive income with a PRC source (e.g. dividend, capital gains), unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

*(i) Dividend and fund distribution*

Unless a specific exemption or reduction is available under current PRC tax laws and regulations or relevant tax treaties, non-PRC tax resident enterprises without PE in the PRC are subject to CIT on a withholding basis, generally at a rate of 10%, to the extent they derive PRC-sourced passive income.

In that respect, the Sub-Fund's income from dividends and profits distributions from PRC tax resident enterprises; and fund distributions from its investments in PRC collective investment scheme (including ETF) via QFII, RQFII and Stock Connect, is generally subject to PRC WIT at a rate of 10%, unless such WIT is subject to reduction or exemption in accordance with an applicable tax treaty signed with the PRC.

There are currently no specific tax rules or regulations governing the taxation of fund distributions from the PRC collective investment scheme to foreign investors.

According to Caishui [2008] No. 1, fund distribution derived by investors from collective investment scheme should be temporarily exempt from CIT. Based on the current interpretation of Beijing tax authorities, fund distribution derived by foreign investors from collective investment scheme other than Money Market Fund should not be subject to PRC WIT. In practice, Beijing tax authorities currently do not enforce the collection of PRC WIT on fund distribution from collective investment scheme other than Money Market Fund. In respective of Money Market Fund, the fund distribution shall be deemed as interest income and subject to PRC WIT at 10%.

Please note that the above treatment is the prevailing practice of Beijing tax authorities only, which may be subject to change from time to time. Other PRC tax authorities may have different interpretation and practice towards the fund distribution from collective investment scheme.

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

The Manager intends to make a provision in respect of CIT for fund distribution from Money Market Fund if the WIT was not withheld at source at the time when such income was received.

*(ii) Capital gains*

Capital gains derived from the trading of A-Shares

Pursuant to Caishui [2014] No.81 ("Notice No. 81") and Caishui [2016] No. 127 ("Notice No. 127"), CIT will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including the Sub-Fund) on the trading of A-Shares through Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect respectively. In addition, the "Notice on the temporary exemption of Corporate Income Tax on capital gains derived from the transfer of PRC equity investment assets such as PRC stocks by QFII and RQFII" (Caishui [2014] No.79) promulgated by the Ministry of Finance ("MOF"), the State Taxation Administration ("STA") and the CSRC on 14 November 2014 (the "Notice No. 79") states that (i) CIT will be imposed on capital gains obtained by QFIIs and RQFIIs from the transfer of PRC equity investment assets (including A-Shares) realised prior to 17 November 2014 in accordance with laws; and (ii) QFIIs and RQFIIs (without an establishment or place of business in the PRC or having an establishment in the PRC but the income so derived in China is not effectively connected with such establishment) will be temporarily exempt from CIT on gains derived from the transfer of PRC equity investment assets (including A-Shares) effective from 17 November 2014.

Capital gains derived from the trading of B-Shares and H-Shares

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

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

Capital gains derived from the trading of other overseas listed shares

In early February 2015, Public Notice [2015] No. 7 ("**PN7**") superseded Circular Guoshuihan [2009] No. 698 ("**Circular 698**"). Pursuant to PN7, where a non-PRC tax resident seller indirectly transfers the equity interest in a PRC tax resident and other properties in China (the "Taxable Properties in China") through the implementation of a scheme without a reasonable commercial purpose resulting in the avoidance of CIT liability, the PRC tax authority could re-characterize the transaction as a direct transfer of the equity interest and the taxable properties in China and impose CIT. Under PN7, the foreign transferor should perform self-assessment on whether there are reasonable commercial purposes for the offshore indirect transfer against the seven general criteria as stated in PN7. If the transaction is regarded as lacking reasonable commercial purpose, the PRC tax authorities would invoke General Anti Avoidance Rules ("**GAAR**") challenge and impose a 10% PRC WIT on the respective transferor for the potential arising capital gains.

As the transfer of overseas listed shares (e.g. S Chips and P Chips) would result in an indirect transfer of the underlying PRC companies, it may be caught under indirect transfer of shares of PRC entities under PN7.

However, from a technical perspective, GAAR cases should be assessed based on both "purpose test" and "substance test". It is obvious that a listed vehicle should be regarded as having reasonable commercial purpose (an obvious commercial purpose is raising capital) for its set up and not for the main purpose of tax avoidance. As such, a listed vehicle should not be disregarded under the GAAR.

Furthermore, PN7 provides safe harbour scenarios where an offshore indirect transfer of Taxable Properties in China would be excluded from being subject to China tax. Pursuant to PN7 Article 5, where a non-PRC tax resident seller buys and sells the shares of the same listed overseas company through public stock exchanges, the transaction would be deemed as having reasonable commercial purposes and not be subject to PRC tax.

Capital gains derived from the trading of PRC collective investment scheme

There are no specific rules governing the income taxes on capital gains derived from trading of PRC collective investment scheme (e.g. ETFs, money market funds) in the PRC. The tax treatment for investment in PRC collective investment scheme issued by PRC tax resident enterprises is governed by the general taxing provisions of the CIT Law. Under such general taxing provision, the Sub-Fund would be potentially subject to 10% PRC WIT on the PRC-sourced capital gains derived from disposal of PRC collective investment scheme, unless exempt or reduced under relevant double tax treaties.

Having said that, as a matter of current practice, the collection of PRC WIT on capital gains realised by QFIIs and RQFIIs from the trading of PRC collective investment scheme has not been strictly enforced by the PRC tax authorities.

*(iii) Tax provisioning approach*

In light of the uncertainty on the income tax treatment on capital gains derived from the Sub-Fund's trading of PRC securities and in order to meet this potential tax liability, the Manager reserves the right to provide for WIT capital gains derived from the Sub-Fund's trading of PRC securities.

On the basis of Notice No. 79, Notice No. 81 and Notice No. 127, no WIT provision for gross realised or unrealised capital gains derived on or after 17 November 2014 from the trading of A-Shares through Stock Connect, QFIIs or RQFIIs will be made by the Manager on behalf of the Sub-Fund.

Under current PRC tax law, there are no specific rules or regulations governing the taxation of the disposal of China B-Shares, H-Shares and PRC collective investment schemes. On the basis that 10% WIT has not been strictly enforced by local tax bureau, no WIT provision for gross realised or unrealised capital gains derived from the trading China B-Shares, H-Shares and PRC collective investment schemes will be made by the Manager on behalf of the Sub-Fund.

No WIT provision for gross realised or unrealised capital gains derived from the trading of overseas listed shares will be made by the Manager on behalf of the Sub-Fund.

Investors should note that any provision made in respect of the Sub-Fund may be excessive or inadequate to meet actual PRC tax liabilities on investments made by the Sub-Fund. As a result, investors may be advantaged or disadvantaged depending on the final rules of the relevant PRC tax authorities. Upon any future resolution of the above-mentioned uncertainty or further changes to tax law or policies, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

*VAT and other surtaxes*:

Pursuant to Caishui [2016] No.36 ("Circular 36"), with effect from 1 May 2016, capital gains realised from trading of marketable securities in the PRC would generally be subject to PRC VAT at 6%, unless exempted or reduced under the laws and regulations. Under Circular 36, Caishui [2016] No.70 and Notice No. 127, capital gains realised by QFIIs and RQFIIs and investors via Stock Connect from trading of PRC securities are exempted from PRC VAT.

The current VAT regulations do not provide VAT exemption on capital gains derived from trading of China B-Shares. Having said that, the PRC tax authorities have not actively collected VAT from non-tax resident enterprises of the PRC on gains realised from China B-Shares in practice. Where

capital gains are derived from trading of H-Shares and other overseas listed shares, VAT in general is not imposed as the purchase and disposal are often concluded and completed outside the PRC.

In respect of collective investment scheme, there are currently no specific tax rules or regulations governing the taxation of capital gains realised by foreign investors from trading of collective investment scheme. In practice, PRC tax authorities currently have not actively enforced the collection of VAT on capital gains from collective investment scheme.

There are currently no specific tax rules or regulations governing the taxation of fund distribution realised by foreign investors received from collective investment scheme.

Based on the current interpretation of Beijing tax authorities, fund distribution derived by foreign investors from Money Market Fund should be deemed as interest income and subject to VAT at 6% while distribution from collective investment scheme other than Money Market Fund should not be subject to VAT. Please note that the above treatment is the prevailing practice of Beijing tax authorities only, which may be subject to change from time to time. Other PRC tax authorities may have different interpretation and practice towards the fund distribution from collective investment scheme.

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.

The Manager intends to make a provision for fund distribution from Money Market Fund in an amount equal to the total of (i) for VAT, 6% of fund distribution received from Money Market Fund; plus (ii) for the potential local surtaxes on VAT, 12% of the VAT amount stated in (i). In other words, the provision is equal to 6.72% of fund distribution from Money Market Fund.

*Stamp duty ("**SD**"):*

SD 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.

Currently, SD on A-shares (including those invested via Stock Connect) and B-shares transactions is only imposed on the seller but not on the purchaser, at the tax rate of 0.1% of the total sales value.

*General:*

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

It is possible that the current tax laws, regulations and practice in 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 PRC-related companies which the Sub-Fund invests in, thereby reducing the income from, and/or value of the

Units. There is also a possibility that the PRC tax authorities may change their view and interpretation of the provisions in the PRC CIT Law and VAT regulations. As such, any provision for taxation made by the Manager may be excessive or inadequate to meet final PRC tax liabilities. Consequently, Unitholders may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units.

***FATCA and compliance with US withholding requirements***

The US Hiring Incentives to Restore Employment Act (the "**HIRE Act**") was signed into US law in March 2010 and includes provisions commonly referred to as the "Foreign Account Tax Compliance Act" or "**FATCA**". Broadly, the FATCA provisions are set out in sections 1471 to 1474 of the US Internal Revenue Code of 1986, as amended (the "**Revenue Code**"), which impose a new reporting regime with respect to certain payments to foreign financial institutions (each an "**FFI**"), such as the Sub-Fund, including interests and dividends from securities of US issuers and gross proceeds from the sale of such securities. All such payments may be subject to withholding at a rate of 30%, unless the recipient of the payment satisfies certain requirements intended to enable the US Internal Revenue Service (the "**IRS**") to identify United States persons (within the meaning of the Revenue Code) ("**US persons**") with interests in such FFIs. To avoid such withholding on payments made to them, FFIs (including banks, brokers, custodians and investment funds) located in jurisdictions that have signed an intergovernmental agreement ("**IGA**") for implementation of FATCA will be required to enter into a FFI agreement (a "**FFI Agreement**") by registering with the IRS and obtaining a Global Intermediary Identification Number ("**GIIN**") in order to be treated as a participating FFI ("**Participating FFI**"). Participating FFIs are required to identify all investors that are US persons and report certain information concerning such US persons to the IRS. The FFI Agreement will also generally require that a Participating FFI deduct and withhold 30% from US source withholdable payments made by the Participating FFI to investors who fail to cooperate with certain information requests made by the Participating FFI. Moreover, Participating FFIs are required to deduct and withhold on such US source withholdable payments made to investors that are themselves FFIs but that have not entered into an FFI Agreement with the IRS or that are not otherwise deemed compliant with FATCA (i.e. a "**non-compliant FFI**").

FATCA withholding generally applies to (i) payments of US source income, including US source dividends and interest, made after 30 June 2014; and (ii) payments of gross proceeds of sale or other disposal of property that can produce US source income after 31 December 2016. The 30% withholding could also apply to payments otherwise attributable to US source income (also known as "foreign passthru payments") starting no earlier than 1 January 2017, though the US tax rules on "foreign passthru payments" are currently pending. Participating FFIs will generally be required to begin withholding on US source withholdable payments made after 30 June 2014 and report with respect to information relating to the 2014 calendar year in 2015.

The United States and a number of other jurisdictions have entered into IGAs. The Government of the United States and the Government of Hong Kong have entered into a Model 2 IGA on 13 November 2014 (the "**HK IGA**"). Under the HK IGA, FFIs in Hong Kong (such as the Sub-Fund) would be required to register with the IRS and obtain a GIIN to be subject to the terms of a FFI Agreement with the IRS and comply with the terms under such FFI Agreement. Otherwise they will be subject to a 30% withholding tax on relevant US source payments made to them.

Under the HK IGA, FFIs in Hong Kong (such as the Sub-Fund) complying with an FFI Agreement will generally not be required to withhold tax on US source withholdable payments to recalcitrant accounts (i.e. certain accounts of which the holders do not consent to FATCA reporting and disclosure to the IRS) or close such recalcitrant accounts (provided that information regarding the recalcitrant accounts is reported to the IRS according to the terms of the HK IGA), but may be required to withhold tax on US source payments made to non-compliant FFIs.

Even though the HK IGA has now been signed between Hong Kong and the United States, withholding may apply to US source withholdable payments covered by FATCA if the Sub-Fund

cannot fully satisfy the applicable requirements and is determined to be non-FATCA compliant or if the Hong Kong government is found in breach of the terms of the HK IGA.

The Manager has registered with the IRS as a sponsoring entity for funds under its management, and has agreed to perform, on behalf of the sponsored investment entities, all due diligence, reporting and other relevant FATCA requirements. The Manager has been assigned the GIIN of 4B7FTK.00000.SP.344. For FATCA purposes, the Sub-Fund, as a sponsored investment entity, would be considered as a registered deemed compliant FFI sponsored by the Manager. In order to protect Unitholders and avoid being subject to withholding under FATCA, it is the Manager's intention that it and/or the Sub-Fund will endeavour to satisfy the requirements imposed under FATCA and the terms of the HK IGA. Hence it is possible that this may require the Sub-Fund (through its agents or service providers) as far as legally permitted, to report information on the holdings or investment returns of certain Unitholders to the IRS pursuant to the terms of the HK IGA. It is also possible that the Sub-Fund may be required to compulsorily redeem and/or apply withholdings to certain US source payments to Unitholders who fail to provide the information and documents required to identify their status, or who are non-compliant FFIs or who fall within other categories specified in the FATCA provisions and regulations. Any such compulsory redemption and/or withholding will be done in accordance with applicable laws and regulations and in accordance with the Trust Deed, and the discretion to do so will be exercised by the Manager or the Trustee acting in good faith and on reasonable grounds.

Although the Sub-Fund will attempt to satisfy any obligations imposed on them to avoid the imposition of FATCA withholding tax, no assurance can be given that the Sub-Fund will be able to fully satisfy these obligations in order to avoid such withholding. If the Sub-Fund becomes subject to a withholding tax as a result of FATCA non-compliance, the Net Asset Value of the Sub-Fund may be adversely affected and the Sub-Fund and the Unitholders may suffer material loss.

The FATCA provisions are complex and their application is relatively uncertain as the IRS may update FATCA rules and requirements from time to time. The above description is based in part on FATCA regulations from the United States Department of Treasury, official guidance from the IRS and the HK IGA, all of which are subject to change. Nothing in this section constitutes or purports to constitute tax advice and Unitholders should not rely on any information set out in this section for the purposes of making any investment decision, tax decision or otherwise. All Unitholders should therefore consult their own tax and professional advisors regarding the FATCA requirements, possible implications and related tax consequences with respect to their own situation. In particular, Unitholders who hold their Units through intermediaries should confirm the FATCA compliance status of those intermediaries to ensure that they would not suffer the above mentioned withholding tax on their investment returns.

***The OECD Standard for Automatic Exchange of Financial Account Information in Tax Matters – the Common Reporting Standard***

The "Common Reporting Standard" was developed by the OECD to be an international standard for the automatic exchange of financial account information between relevant jurisdictions. The Inland Revenue (Amendment) (No.3) Ordinance (the "Ordinance") came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information ("**AEOI**"). The AEOI, as enacted under the Ordinance, requires financial institutions ("**FI**") in Hong Kong to identify financial accounts and to collect information relating to reportable accounts held by tax residents of reportable jurisdictions (as listed under Schedule 17E of the Ordinance) ("Reportable Jurisdiction"), and exchange such information with the jurisdiction(s) in which that account holder is resident. Generally, information regarding a reportable account will be exchanged only with jurisdictions with which Hong Kong has signed a comprehensive avoidance of double taxation agreement (CDTA) or tax information exchange agreement (TIEA) and only if Hong Kong has also signed a Competent Authority Agreement ("**CAA**"); however, the Sub-Fund and/or its agents may further collect relevant information as required by the Ordinance relating to residents of other jurisdictions.

The Sub-Fund is required to comply with the requirements of AEOI as implemented by Hong Kong, which means that the Sub-Fund and/or its agents shall collect and provide to the Hong Kong Inland Revenue Department ("**IRD**") information relating to Unitholders that are determined to be reportable accounts under the Ordinance.

The AEOI rules as implemented by Hong Kong under the Ordinance require the Sub-Fund to, amongst other things: (i) register the Sub-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 entered into a CDTA or TIEA and signed a CAA. The Ordinance requires that Hong Kong FIs report on: (i) individuals or entities that are tax resident of a Reportable Jurisdiction; and (ii) certain entities controlled by individuals who are tax resident of a Reportable Jurisdiction. Details of Unitholders, including but not limited to their name, jurisdiction of birth, address, tax residence, account details, tax identification number (if any), account balance/value, and income or sale or redemption proceeds, may be reported to the IRD and subsequently exchanged with government authorities in Reportable Jurisdictions.

To assist in identifying Unitholders who are reportable persons, the Sub-Fund may require Unitholders and prospective Unitholders to complete self-certification forms for verification of the Unitholders' respective tax residency status.

According to the due diligence procedures under the Ordinance (which are based on the international standard required), self-certification will be required for all new Unitholders who acquire Units on or after 1 January 2017. The Sub-Fund reserves the right to require existing Unitholders before that date to verify their respective tax residences.

A Unitholder should provide the Sub-Fund with a suitably up-dated self-certification form within 30 days of any changes to that Unitholder's tax residency status or related personal particulars. A failure by a prospective investor to provide a duly completed self-certification on or after 1 January 2017 will result in the subscription for Units being rejected. A failure to provide required information under the Ordinance may result in the Unitholders' Units being compulsorily redeemed.

By investing in the Sub-Fund and/or continuing to invest in the Sub-Fund, Unitholders acknowledge that they may be required to provide additional information to the Sub-Fund, the Manager, the Trustee and/or the Sub-Fund's agents in order for the Sub-Fund to fulfil its obligations under the Ordinance and comply with AEOI. The Unitholder's information (and information on beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such Unitholders that are not natural persons), if reportable, may be communicated by the IRD to authorities in Reportable Jurisdictions. The failure by a Unitholder to provide any requested information may result in the Sub-Fund, the Manager, the Trustee and/or other agents of the Sub-Fund taking any action and/or pursue remedies at their disposal including, without limitation, compulsory redemption. Any such compulsory redemption will be done in accordance with applicable laws and regulations, and the discretion to do so will be exercised by the Manager acting in good faith and on reasonable grounds.

The first information year (i.e. when financial institutions with a duty under the Ordinance to report, such as the Sub-Fund, must collect information) was the calendar year 2017. The first reporting year (when the Sub-Fund will pass the information via an online AEOI portal to the IRD) is expected to be the calendar year 2018.

**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 Sub-Fund.**