PRODUCT KEY FACTS

Value Partners Fund Series

Value Partners Asian Income Fund

Issuer: Value Partners Hong Kong Limited **November 2026**

- **This statement provides you with key information about this product.**
- **This statement is a part of the fund's Explanatory Memorandum.**
- **You should not invest in this product based on this statement alone.**

Quick facts

Manager: Value Partners Hong Kong Limited

Trustee: HSBC Institutional Trust Services (Asia) Limited

Custodian: The Hongkong and Shanghai Banking Corporation Limited

Ongoing charges over a year*:

Class A AUD Hedged MDis	1.67% ^β^
Class A CAD Hedged MDis	1.67% ^β^
Class A EUR Hedged MDis	1.67% ^ˆ^
Class A HKD Unhedged Acc	1.67% ^β^
Class A HKD Unhedged MDis	1.67% ^β^
Class A NZD Hedged MDis	1.67% ^β^
Class A RMB Hedged MDis	1.67% ^β^
Class A RMB Unhedged MDis	1.67% ^β^
Class A SGD Hedged Acc	1.67% ^ˆ^
Class A SGD Hedged MDis	1.67% ^ˆ^
Class A SGD Unhedged Acc	1.67% ^ˆ^
Class A SGD Unhedged MDis	1.67% ^ˆ^
Class A USD Unhedged Acc	1.67% ^β^
Class A USD Unhedged MDis	1.67% ^β^
Class UA HKD Unhedged Acc	1.67% ^ˆ^
Class UA HKD Unhedged MDis	1.67% ^ˆ^
Class UA USD Unhedged Acc	1.67% ^ˆ^
Class UA USD Unhedged MDis	1.67% ^ˆ^
Class UA2 HKD Unhedged Acc	1.67% ^ˆ^
Class UA2 HKD Unhedged MDis	1.67% ^ˆ^
Class UA2 USD Unhedged Acc	1.67% ^ˆ^
Class UA2 USD Unhedged MDis	1.67% ^ˆ^
Class UA3 HKD Unhedged Acc	1.67% ^ˆ^
Class UA3 HKD Unhedged MDis	1.67% ^ˆ^
Class UA3 USD Unhedged Acc	1.67% ^ˆ^
Class UA3 USD Unhedged MDis	1.67% ^ˆ^

Dealing frequency: Daily

Base currency: USD

Classes available: **Class A Units:** AUD Hedged MDis, CAD Hedged MDis, EUR Hedged MDis, HKD Unhedged Acc, HKD Unhedged MDis, NZD Hedged MDis, RMB Hedged MDis, RMB Unhedged MDis, SGD Hedged Acc, SGD Hedged MDis, SGD Unhedged Acc, SGD Unhedged MDis, USD Unhedged Acc and USD Unhedged MDis

Class UA Units[#]:

- UA HKD Unhedged Acc, UA HKD Unhedged MDis, UA USD Unhedged Acc and UA USD Unhedged MDis (collectively referred to as "**Class UA1 Units**")
- UA2 HKD Unhedged Acc, UA2 HKD Unhedged MDis, UA2 USD Unhedged Acc and UA2 USD Unhedged MDis (collectively referred to as "**Class UA2 Units**")

	- UA3 HKD Unhedged Acc, UA3 HKD Unhedged MDis, UA3 USD Unhedged Acc and UA3 USD Unhedged MDis (collectively referred to as "**Class UA3 Units**")
Dividend policy:	**Class A Units**: AUD Hedged MDis, CAD Hedged MDis, EUR Hedged MDis, HKD Unhedged MDis, NZD Hedged MDis, RMB Hedged MDis, RMB Unhedged MDis, SGD Hedged MDis, SGD Unhedged MDis, USD Unhedged MDis; **Class UA Units:** UA HKD Unhedged MDis, UA USD Unhedged MDis, UA2 HKD Unhedged MDis, UA2 USD Unhedged MDis, UA3 HKD Unhedged MDis and UA3 USD Unhedged MDis: At its discretion, the Manager currently intends to make monthly dividend distribution at its discretion. Dividends may be paid out of capital or effectively out of capital of the relevant Class and may result in an immediate reduction of the Net Asset Value per Unit of the Sub-Fund. **Class A Units:** HKD Unhedged Acc, SGD Hedged Acc, SGD Unhedged Acc, USD Unhedged Acc; **Class UA Units:** UA HKD Unhedged Acc, UA USD Unhedged Acc, UA2 HKD Unhedged Acc, UA2 USD Unhedged Acc, UA3 HKD Unhedged Acc and UA3 USD Unhedged Acc: It is the current intention of the Manager that dividend distributions will not be made in respect of these Classes.
Financial year end of this fund:	31 December
Minimum initial investment:	Class A Units and Class UA Units: USD10,000 or equivalent
Minimum subsequent investment:	Class A Units and Class UA Units: USD5,000 or equivalent
Minimum holding:	Class A Units and Class UA Units: USD10,000 or equivalent
Minimum redemption amount:	Class A Units and Class UA Units: Nil

* *The ongoing charges figure is expressed as a percentage of the sum of expenses over the average net asset value of the class of units for the corresponding period as described below. This figure may vary from year to year. Information is updated as at 15 September 2026.*

ß *This figure is an annualized figure based on the expenses for the interim period ended 30 June 2026. This figure may vary from year to year.*

^ *This ongoing charges figure for this unlaunched or recently launched unit class is an estimate only and is an annualized figure based on the expenses of a reference unit class with a similar fee structure for the interim period ended 30 June 2026. The actual ongoing charges figure may be different and may vary from year to year.*

\# *Class UA Units are only offered for subscription during a specified period (each, a "**Limited Subscription Window**"), which applies separately to each of Class UA1 Units, Class UA2 Units and Class UA3 Units. The Manager may determine at its discretion an earlier end date of the relevant Limited Subscription Window. Unitholders of Class UA Units are subject to CDSC (defined below) as stated below. Upon the expiry of this three-year period after the expiry of the applicable Limited Subscription Window, the relevant Class UA Units will be compulsorily converted, free of charge, into corresponding Class A Units in the same currency of denomination and distribution policy. In respect of Class UA1 Units, the Limited Subscription Window was from 9 April 2026 to 30 April 2026. In respect of Class UA2 Units, the Limited Subscription Window was from 3 July 2026 to 30 July 2026 In respect of Class UA3 Units, the Limited Subscription Window will be from 5 January 2027 to 29 January 2027 (or such earlier end date as the Manager may determine at its discretion).*

What is this product?

The Value Partners Asian Income Fund (the "Sub-Fund") is a sub-fund of Value Partners Fund Series which is a unit trust established under the laws of Hong Kong.

The Sub-Fund will invest predominantly in Asian equity and/or fixed income securities.

Objectives and Investment Strategy

Objective

The investment objective of the Sub-Fund is primarily to maximize return and income by investing in Asian equities, Asian fixed income securities and other assets relating to Asian companies that are listed, or have their registered offices in Asia or that generate a predominant share of their sales and/or their profits in Asia. The Sub-Fund aims to deliver lower portfolio volatility by actively screening and selecting a combination of lower volatility equities and fixed income securities. There can be no assurance that the Sub-Fund will achieve its investment objective.

Strategy

The Sub-Fund seeks to achieve its investment objective by primarily investing in Asian equity and/or fixed income securities and to deliver lower portfolio volatility. The Sub-Fund will be actively managed and will invest in the Asian region which includes emerging market countries/regions as well as developed countries/regions.

Investments will be selected by the Manager by identifying high-yielding investments through bottom-up research and a screening process followed by a preliminary evaluation and a detailed qualitative and quantitative analysis in companies or issuers that are listed, or have their registered offices in Asia or that generate a predominant share of their sales and/or their profits in Asia. Companies or issuers selected following the screening process are subjected to evaluation and ongoing review by sector analysts, and the Manager will focus on the selection of companies which offer potential long term value and consider quantitative factors including sustainable business models, robust balance sheets, market capitalisation, liquidity and dividend yield, as well as qualitative factors, such as quality of management and industry analysis.

Equity investments

The Sub-Fund may invest 30% to 70% of its Net Asset Value in Asian equity securities (including but not limited to American Depositary Receipts ("ADRs"), A-Shares, B-Shares and H-Shares). The Sub-Fund's investment in A-Shares may be made indirectly via Mainland China access products (such as participatory notes) (the "Access Products") and/or directly via the Stock Connect (which comprises the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect). The Sub-Fund will not in aggregate invest more than 20% of its Net Asset Value in A-Shares and B-Shares, and not more than 10% of the Sub-Fund's Net Asset Value may be invested in Access Products issued by any single Access Products issuer. There is no restriction on market capitalizations or industries in relation to the equity securities in which the Sub-Fund may invest, and the Sub-Fund may invest substantially in securities issued by small and mid- cap companies.

Fixed income securities investments

The Sub-Fund may also invest 30% to 70% of its Net Asset Value in Asian fixed income securities, such as Mainland China offshore bonds and other fixed income securities (including but not limited to convertible bonds and contingent convertible bonds (each up to 30% of its Net Asset Value), which are mainly denominated and settled in USD, HKD or RMB.

The Sub-Fund may invest less than 30% of its Net Asset Value in instruments with loss-absorption features ("LAPs") such as contingent convertible bonds issued by financial institutions, non-preferred senior debt instruments, certain Additional Tier 1 and Tier 2 capital instruments and external loss-absorbing capacity debt instruments. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

The Sub-Fund may invest less than 30% of its Net Asset Value in fixed income securities which (or the issuers of which) are rated Below Investment Grade, or which are unrated.

For the purposes of the Sub-Fund:

A fixed income security which is rated below investment grade is defined as a fixed income security which (or the issuer of which) is rated below BBB-/Baa3 by an internationally recognised credit rating agency (such as Standard & Poor's, Moody's and/or Fitch) ("Below Investment Grade"); and

An "unrated" fixed income security is defined as a fixed income security which neither the security itself nor its issuer has a credit rating.

Other investments

The Sub-Fund may also invest up to 30% of its Net Asset Value in aggregate in the following categories: "Dim Sum" bonds and collateralised and/or securitised products (such as asset backed

securities/mortgage backed securities/asset backed commercial papers). The Sub-Fund will not invest in urban investment bonds, which are debt instruments issued by local government financing vehicles in Mainland China exchange-traded bond markets and inter-bank bond market.

The Sub-Fund will not invest more than 10% of its Net Asset Value in securities issued by or guaranteed by any single sovereign/government issuer (including its government, a public or local authority of that country/region).

For the avoidance of doubt, the Sub-Fund's aggregate exposure (whether direct or indirect) to securities issued in Mainland China onshore markets shall not exceed 20% of its Net Asset Value.

The Sub-Fund may invest up to 10% of its Net Asset Value in one or more underlying scheme(s) which are non-recognised jurisdiction schemes and not authorised by the SFC and up to 30% of its Net Asset Value in one or more underlying scheme(s) which are recognised jurisdiction schemes and authorised by the SFC, including those which are managed by the Manager or its Connected Persons or other third parties.

If the Manager considers fit, the Sub-Fund may, to a limited extent (up to 20% of its Net Asset Value), seek exposure to other asset classes including but not limited to non-Asian securities and commodities indirectly through exchange traded funds and/or similar instruments (such as other underlying scheme(s) as permitted under Chapter 7 of the SFC's Code on Unit Trusts and Mutual Funds).

The Sub-Fund's portfolio may also temporarily include cash and cash equivalents, up to 100% of its Net Asset Value, under exceptional circumstances (such as in the event of market crashes, major crisis or to mitigate the risk of potential sharp reversals and fall in the equity or bond markets) for cash flow management.

The Sub-Fund may invest in financial derivative instruments for hedging purposes only. The Manager will not enter into any securities lending, repurchase or reverse-repurchase transactions or other similar over-the-counter transactions in respect of the Sub-Fund.

Asset allocation table

The Sub-Fund's portfolio will be allocated, according to asset class, as follows:

Asset class	**Indicative percentage of Net Asset Value**
Equities (Equities of Asian companies that are listed, or have their registered offices in Asia or that generate a predominant share of their sales and/or their profits in Asia)	30% to 70%
Fixed income securities (Asian fixed income securities including Mainland China offshore bonds and other fixed income securities (including but not limited to convertible bonds and contingent convertible bonds) which are mainly denominated and settled in USD, HKD or RMB)	30% to 70%
Other asset classes (Including but not limited to non-Asian securities and commodities indirectly through exchange traded funds and/or similar instruments)	0% to 20%
Cash and cash equivalents	0% to 100%

The asset allocation of the Sub-Fund will change according to the Manager's views of fundamental economic and market conditions and investment trends, taking into consideration factors such as liquidity, costs, timing of execution, relative attractiveness of individual securities and issuers available in the market.

Use of derivatives

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

What are the key risks?

Investment involves risks. Please refer to the Explanatory Memorandum for details including the risk factors.

1. Investment risk

- The Sub-Fund is an investment fund. There is no guarantee of the repayment of principal.

Therefore your investment in the Sub-Fund may suffer losses.

2. **Concentration risk**
   - The Sub-Fund is subject to concentration risk as a result of the concentration of its investments in the Asian markets. The Sub-Fund may be more volatile than a broadly based fund as it is more susceptible to fluctuation in value resulting from adverse conditions in the Asian market.

3. **Risk relating to dynamic asset allocation strategy**
   - The investments of the Sub-Fund may be periodically rebalanced and therefore the Sub-Fund may incur greater transaction costs than a fund with static allocation strategy. The dynamic asset allocation strategy may not achieve the desired results under all circumstances and market conditions.

4. **Risk of investing in equity securities**
   - *General:* The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.
   - *Small and mid-capitalisation companies:* The Sub-Fund may invest in small and mid-capitalisation companies. The stocks of such companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

5. **Risk of investing in fixed income securities**
   - *Interest rate risk*: Generally, the value of fixed income securities is expected to be inversely correlated with changes in interest rates. Any increase in interest rates or changes in macro-economic policies in the Asian markets may adversely impact the value of the Sub-Fund's fixed income portfolio.
   - *Volatility and liquidity risk*: The fixed income securities in certain Asian markets may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may incur significant trading costs.
   - *Credit risk*: Investment in fixed income securities is subject to the credit risk of the security or its issuers, who may be unable or unwilling to make timely payments of principal and/or interest. In the event of a default or credit rating downgrading of the securities or the issuers of the fixed income securities held by the Sub-Fund, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result.
   - *Downgrading risk*: The Manager may or may not be able to dispose of the securities that are being downgraded. There may also be difficulties or delays in enforcing rights against the issuers who will generally be incorporated outside of Hong Kong and therefore not subject to the laws of Hong Kong.
   - *Valuation risk*: Valuation of the Sub-Fund's investments may involve uncertainties and judgemental determinations. If such valuations are incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.
   - *Credit ratings risk*: Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.

6. **Risk of investing in convertible bonds**
   - Convertible bonds are a hybrid between debt and equity, permitting holders to convert into shares in the company issuing the bond at a specified future date. As such, convertibles will be exposed to equity movement and greater volatility than straight bond investments. Investments in convertible bonds are subject to the same interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable straight bond investments.

7. **Risk associated with investments in contingent convertible bonds**
   - *Trigger level risk / conversion risk*: Contingent convertible bonds may have non-viability and/or loss absorption convertible features and may be subject to compulsory conversion by the issuer into ordinary shares upon the occurrence of a trigger event which may be out of the issuer's control. Trigger levels differ and determine exposure to conversion risk. It might be difficult for the Manager to anticipate the triggering events that would require the conversion. These instruments may be converted into shares potentially at a discounted price and the principal amount invested may be lost. In case of conversion, the Manager might be forced to sell these new equity shares and such forced sale may result in the Sub-Fund experiencing losses.
   - *Coupon cancellation risk*: Coupon payments are entirely discretionary and may be cancelled by the issuer. As a result, these instruments may be volatile and their price may decline rapidly in

the event that coupon payments are suspended.

- *Sector concentration risk*: These instruments are issued by banking and insurance institutions. The performance of the Sub-Fund may depend to a greater extent on the overall condition of the financial services industry than for funds following a more diversified strategy.
- *Novelty and untested nature*: The structure of these instruments is innovative yet untested. In a stressed environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform.

8. RMB currency risk

- The Sub-Fund may have exposure to investments which are denominated in RMB. The RMB is not freely convertible and subject to exchange controls and restrictions. Investors whose assets and liabilities are predominantly in currencies other than RMB should take into account the potential risk of loss arising from fluctuations in value between such currencies and the RMB as well as associated fees and charges. There is no guarantee that RMB will not depreciate. Any depreciation of the RMB could adversely affect the value of the investor's investment in the Sub-Fund.
- Assets of the Sub-Fund denominated in RMB are valued with reference to the CNH rate. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.
- Under exceptional circumstances, payment of redemption and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

9. Foreign exchange risk

- An investment in the Sub-Fund may involve exchange rate risk. The investments of the Sub-Fund may be denominated in currencies other than the base currency of the Sub-Fund (which is USD). Also, a class of units may be designated in a currency other than the base currency of the Sub- Fund as well. Fluctuations in the exchange rates between such currency and the base currency as well as associated fees and charges may have an adverse impact on the performance of the Sub-Fund.

10. Derivative risk

- The Sub-Fund may from time to time invest in financial derivative instruments for hedging purposes. The use of such derivatives exposes the Sub-Fund to additional risks, including volatility risk, valuation risk, leverage risk, liquidity risk, correlation risk, counterparty/credit risk, legal risk, over-the-counter transaction risk and settlement risk.

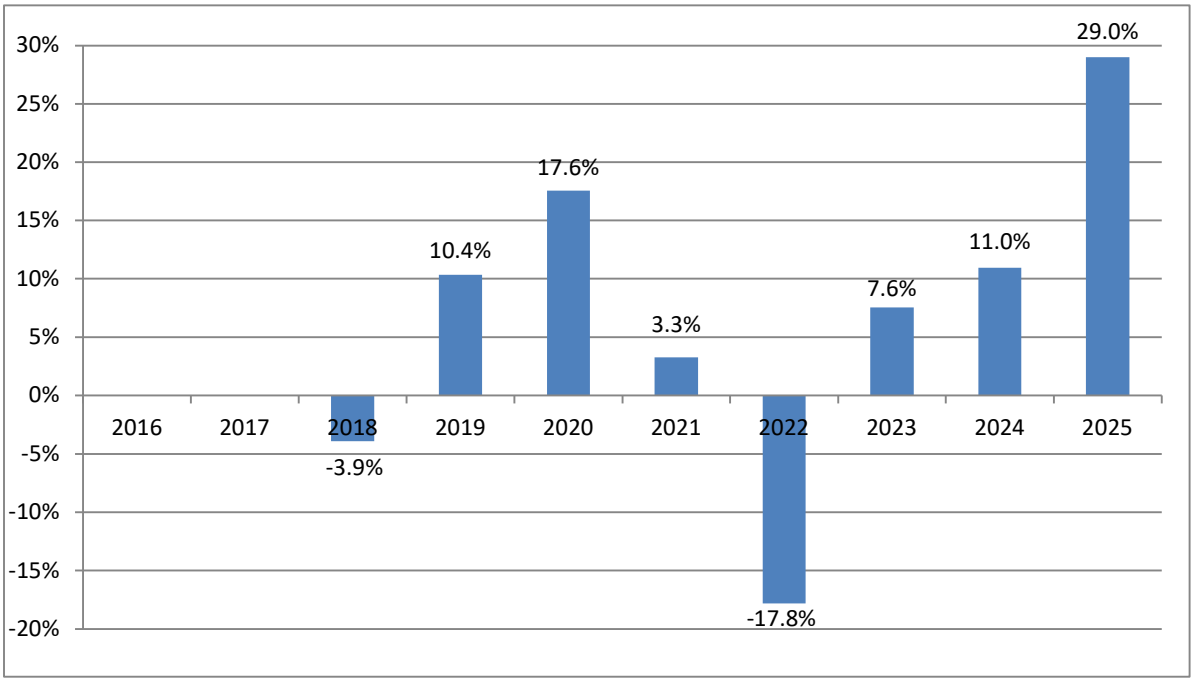
11. Hedged class risk

- There is no guarantee that the desired hedging instruments will be available or that the hedging techniques will be effective. Hedging can limit potential gains of a hedged class.

12. Dividends risk / distributions payable out of capital or effectively out of capital risk

- Payment of dividends out of capital or effectively out of capital may require the Manager to sell the assets of the Sub-Fund and amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of capital or effectively out of capital of Sub-Fund may result in an immediate reduction of the Net Asset Value per Unit of the relevant class.
- The distribution amount and Net Asset Value of the hedged unit classes may be adversely affected by differences in the interest rates of the reference currency of the hedged share class and the Sub-Fund's base currency, resulting in an increase in the amount of distribution that is paid out of capital and hence a greater erosion of capital than other non-hedged share classes.

How has the Sub-Fund performed?



- Past performance information is not indicative of future performance. Investors may not get back the full amount invested.
- The computation basis of the performance is based on the calendar year end, NAV-to-NAV, with dividend reinvested.
- The figures show by how much Class A Units: USD Unhedged Acc increased or decreased in value during the calendar year being shown. Performance data has been calculated in US$ including ongoing charges and excluding subscription fee and redemption fee you might have to pay.
- Where no past performance is shown there was insufficient data available in that year to provide performance.
- Sub-Fund launch date: 13 November 2017
- Class A Units: USD Unhedged Acc launch date: 13 November 2017
- Class A Units: USD Unhedged Acc have the longest history and are broadly indicative of the Sub-Fund's performance characteristics.

Is there any guarantee?

This Sub-Fund does not have any guarantees. You may not get back the full amount of money you invest.

What are the fees and charges?

Charges which may be payable by you

You may have to pay the following fees when dealing in the units of the Sub-Fund.

Fee	What you pay
Subscription fee	**Class A Units:** Up to 5% of the subscription monies **Class UA Units:** Nil
Redemption fee*	Nil
Switching fee*^	**Class A Units:** Nil **Class UA Units:** Not applicable^^

Contingent deferred sales charge ("CDSC") (applicable to Class UA Units only)**

Period within which the relevant Class UA Units are redeemed	Applicable rate of CDSC (% of the redemption proceeds)
Within the Limited Subscription Window	3%
Within 1st year from expiry of the Limited Subscription Window	3%
Within 2nd year from expiry of the Limited Subscription Window	2%
Within 3rd year from expiry of the Limited Subscription Window	1%
After the end of 3-year period from the expiry of the Limited Subscription Window	None#

^ *Certain distributors may impose a charge for each switching of Units in a class of the Sub-Fund acquired through them for Units in another class of the Sub-Fund, which will be deducted at the time of the switching and paid to the relevant distributors. Unitholders who intend to switch their Units in one class to Units in another class should check with their respective distributors for the charge on switching.*

^^ *Switching is not permitted during the applicable Limited Subscription Period or during the 3-year period from the applicable Limited Subscription Window of the relevant Class UA Units.*

** *Any CDSC charged will be payable to and retained by the Manager.*

Upon expiry of the 3-year period from the expiry of the applicable Limited Subscription Window of the relevant Class UA Units, the relevant Class UA Units will be compulsorily converted, free of charge, into corresponding Class A Units in the same currency of denomination and distribution policy.

Ongoing fees payable by the Sub-Fund

The following expenses will be paid out of the Sub-Fund. They affect you because they reduce the return you get on your investments.

	Annual rate (as a % of the class of Units' Net Asset Value)
Management fee*	Class A Units and Class UA Units: 1.50%
Performance fee	N/A
Trustee fee*	0.135% per annum for the first USD150 million in Net Asset Value of the Sub-Fund, 0.13% per annum for the portion over the first USD150 million up to and including USD800 million in the Net Asset Value of the Sub-Fund, 0.125% per annum for the balance in excess of USD800 million in the Net Asset Value of the Sub-Fund. The Trustee fees are subject to a monthly minimum of USD4,500.
Other fees	You may have to pay other fees when dealing in the Units of the Sub-Fund.

* *You should note that some fees may be increased, up to a specified permitted maximum, by giving affected unitholders at least one month's prior notice. For details please refer to the section headed "Expenses and Charges" in the Explanatory Memorandum.*

Additional information

- You generally buy and redeem units at the Sub-Fund's next-determined Net Asset Value after the administrator receives your request in good order at or before 5:00 pm (Hong Kong time), being the Sub-Fund's dealing cut-off time. Before placing your subscription orders or redemption request, please check with your distributor for the distributor's internal dealing cut-off time (which may be earlier than the Sub-Fund's dealing cut-off time).
- The Sub-Fund's Net Asset Value and the latest subscription and redemption prices of units are available each business day on the Manager's website www.valuepartners-group.com (this website has not been reviewed by the SFC).
- You may obtain the past performance information of other unit classes offered to Hong Kong investors on the website www.valuepartners-group.com (this website has not been reviewed by theSFC).
- The compositions of the dividends (i.e. the relative amounts paid from net distributable income and capital) for the last 12 months will be available from the Manager on request and on the Manager's website.
- Investors may obtain information on the distributor(s) appointed in respect of the Sub-Fund by making a telephone enquiry with the Manager on (852) 2143 0688.

Important

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.

Value Partners
Since 1993

VALUE PARTNERS FUND SERIES

EXPLANATORY MEMORANDUM

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IMPORTANT INFORMATION FOR INVESTORS

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

Value Partners Fund Series (the "**Trust**") is an umbrella unit trust established under the laws of Hong Kong by the Trust Deed between Value Partners Hong Kong Limited 惠理基金管理香港有限公司 as manager (the "**Manager**") and HSBC Institutional Trust Services (Asia) Limited as trustee (the "**Trustee**").

A product key facts statement which contains the key features and risks of each of the Sub- Funds 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 and its directors accept full responsibility for the information contained in this Explanatory Memorandum as being accurate and confirm, having made all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make such information 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 at any time subsequent to the date of its publication. This Explanatory Memorandum may from time to time be updated. Investors should check the Manager's website at www.valuepartners-group.com* for the latest version of the Explanatory Memorandum.

Distribution of this Explanatory Memorandum must be accompanied by a copy of the latest available annual financial report of the relevant Sub-Fund and any subsequent interim financial report. Units in the relevant Sub-Fund are offered on the basis only of the information contained in this Explanatory Memorandum and (where applicable) its latest annual financial report and interim financial report. 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 each Sub-Fund have been authorised by the Securities and Futures Commission in Hong Kong (the "SFC") under Section 104 of the Securities and Futures Ordinance of Hong Kong. SFC authorisation is not a recommendation or endorsement of the Trust or any Sub-Fund nor does it guarantee the commercial merits of any Sub-Fund or its performance. It does not mean a Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

* This website has not been reviewed or authorised by the SFC.

Selling Restrictions

General: Certain Sub-Funds may be approved by the China Securities Regulatory Commission ("CSRC") for offering to investors in Mainland China under the Mainland-Hong Kong Mutual Recognition of Funds arrangement. No action has been taken in any jurisdiction (other than Hong Kong and Mainland China) that would permit an offering of the Units or the possession, circulation or distribution of this Explanatory Memorandum or any other offering or publicity material relating to the offering of Units in any other country/region or jurisdiction where action for the purpose is required. This Explanatory Memorandum does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it would be unlawful to make such offer or solicitation.

United States:

(a) The Units have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or any state or other securities laws, and may not be offered or sold in the United States of America or to U.S. Persons ("**U.S. Persons**", as defined in Regulation S under the Securities Act) other than distributors, unless the Units are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act is available. Neither the Trust nor any Sub-Fund will be registered under the United States Investment Company Act of 1940, as amended (the "**Investment Company Act**") in reliance on exemptions thereunder. Accordingly, the Units are subject to further restrictions on transferability and resale and may not be transferred or resold to U.S. Persons except as permitted under the Securities Act, the Investment Company Act and any other applicable federal, state or other securities laws, pursuant to registration or an exemption from them. There will be no public market in the United States for the Units, and there is no obligation on the part of any person to register the Units under the Securities Act or any state securities laws.

(b) The Manager is exempt from registration with the United States Commodity Futures Trading Commission ("**CFTC**"), and is not registered with the U.S. CFTC as a commodity pool operator ("**CPO**"), in respect of the Trust or any Sub-Fund pursuant to an exemption under U.S. CFTC rule 4.13(a)(3) and the Manager is not registered with the CFTC as a commodity trading adviser ("CTA") pursuant to rule 4.14(a)(8) for pools (a) whose interests are exempt from registration under the Securities Act and are offered and sold without marketing to the public in the United States, (b) whose participants are limited to certain qualified eligible persons including Qualified Purchasers and Accredited Investors and (c) satisfy the other criteria in CFTC Rule 4.14(a)(8). To maintain the exemptions provided by CFTC Rule 4.13(a)(3), the Manager will not (x) commit more than 5% of a Sub-Fund's liquidation value, taking into account unrealised profits or loss on such positions to establish commodity interest positions or (y) permit the net notional value of a Sub-Fund's commodity interests positions to exceed 100% of a Sub-Fund's liquidation value, taking into account unrealised profits or loss on such positions. Therefore, unlike a commodity pool operated by a registered CPO, there is no obligation imposed by the CFTC on the Manager to deliver a disclosure document (as defined in the CFTC Rules) or a certified annual report to investors. The CFTC does not pass upon the merits of participating in a pool or upon the adequacy or accuracy of an offering memorandum. Consequently, the CFTC has not reviewed or approved this offering or this Explanatory Memorandum.

Singapore:

Certain Sub-Funds ("**Restricted Sub-Funds**") have been entered onto the list of restricted schemes maintained by the Monetary Authority of Singapore (the "**MAS**") pursuant to section 305 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). The list of Restricted Sub-Funds may be accessed at the MAS website at https://eservices.mas.gov.sg/cisnet/home/CISNetHome.action. **Investors should note that other Sub-Funds referred to in this Explanatory Memorandum other than the Restricted Sub-Funds are not available to persons in Singapore via section 305 of the SFA and references to such other Sub-Funds are not and should not be construed as an offer of Units of such other Sub-Funds to persons in Singapore.**

The offer or invitation of the Units of Restricted Sub-Funds, which is the subject of this Explanatory Memorandum, are not authorised or recognised by the MAS and Units of Restricted Sub-Funds are not allowed to be offered to the retail public. Neither this Explanatory Memorandum and any other document nor material issued in connection with the offer or sale is a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectus would not apply. You should consider carefully whether the investment is suitable for you in light of your own personal circumstances.

This Explanatory Memorandum has not been registered as a prospectus with the MAS. Accordingly, this Explanatory Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Units of the Restricted Sub- Funds may not be circulated or distributed, nor may such Units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A(1)(c) of the SFA) (each an "**Institutional Investor**"), (ii) to a relevant person as defined in Section 305 of the SFA or any person pursuant to an offer referred to in Section 305(2) of the SFA (each a "**Relevant Investor**"), and in accordance with the conditions specified in Section 305 of the SFA, or (iii) pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Subject to all other restrictions on transferability imposed by the Trust and/or Restricted Sub- Funds, recipients of this Explanatory Memorandum represent and warrant that where the Units are initially acquired pursuant to an offer made in reliance on an exemption under:

(a) Section 304 of the SFA by an Institutional Investor, subsequent sales of the Units may only be made to another Institutional Investor; and

(b) Section 305 of the SFA by a Relevant Investor, subsequent sales of the Units may only be made to an Institutional Investor or another Relevant Investor,

In addition, it should be noted that where the Units of the Restricted Sub-Funds are initially subscribed or purchased in Singapore under Section 305 of the SFA by:

(i) a corporation referred to in Section 305A(2) of the SFA (a "**Relevant Corporation**"), the securities of the Relevant Corporation shall not be transferred within 6 months after the Relevant Corporation has acquired any Units unless the transfer is in accordance with the conditions of Section 305A(2) of the SFA; or

(ii) a trust referred to in Section 305A(3) of the SFA (a "**Relevant Trust**"), the rights and interest (howsoever described) of the beneficiaries thereof in the Relevant Trust shall not be transferred within 6 months after any Units have been acquired for the Relevant Trust unless the transfer is in accordance with the conditions of Section 305A(3) of the SFA.

Investors are required to ensure that any of their own transfer arrangements in relation to any Units of the Restricted Sub-Funds comply with the above restrictions and should seek legal advice to ensure compliance with the same.

Solely for the purposes of its obligations pursuant to Section 309B of the SFA, the Trust and the Restricted Sub-Funds have determined, and hereby notify all relevant persons (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 ("**CMP Regulations 2018**")), that the interests are capital markets products other than prescribed capital markets products (as defined in Section 309B of the SFA).

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

Investors in Singapore should note that if they wish to obtain information on the past performance and a copy of the annual report of the Trust they should contact the relevant distributors to obtain such information.

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

Investors may raise any questions on or make any complaints about the Trust (including the Sub-Fund) by contacting the Manager at its address as set out in the Directory of this Explanatory Memorandum, or by phone at its telephone number: (852) 2143 0688.

November 2026

DIRECTORY

Manager	**Value Partners Hong Kong Limited** 惠理基金管理香港有限公司 43rd Floor, The Center 99 Queen's Road Central, Hong Kong
Trustee and administrator	**HSBC Institutional Trust Services (Asia) Limited** 1 Queen's Road Central Hong Kong
Registrar	**HSBC Trustee (Cayman) Limited** Principal address Strathvale House 90 North Church Street George Town Registered address P.O. Box 309 Ugland House George Town Grand Cayman KY1-1104 Cayman Islands
Custodian	**The Hongkong and Shanghai Banking Corporation Limited** 1 Queen's Road Central Hong Kong
PRC Custodian^	**HSBC Bank (China) Company Limited** 33/F, HSBC Building Shanghai IFC 8 Century Avenue Pudong Shanghai 200120 China
Auditors	**PricewaterhouseCoopers** 22nd Floor, Prince's Building Central Hong Kong

^Applicable to Value Partners China A-Share Select Fund and Value Partners All China Bond Fund only.

DEFINITIONS

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

"A-Shares"	means shares issued by companies incorporated in the Mainland China and listed on the SSE or the SZSE, traded in RMB.
"Appendix"	means an appendix to this Explanatory Memorandum containing information in respect of a particular Sub-Fund.
"B-Shares"	means shares issued by companies incorporated in the Mainland China and listed on the SSE or the SZSE, traded in foreign currencies and available for investment by domestic Mainland China investors and foreign investors.
"Base Currency"	means the base currency of a particular Sub-Fund, as specified in the relevant Appendix.
"Business Day"	means, unless otherwise specified in the relevant Appendix in respect of a particular Sub-Fund, (i) a day on which SEHK is open for normal trading; or (ii) such other day or days as the Manager and the Trustee may determine from time to time.
"CCASS"	means the Central Clearing and Settlement System operated by HKSCC.
"CCDCC"	means the China Central Depository & Clearing Co., Ltd.
"CDSC"	means contingent deferred sales charge.
"Class Currency"	means, in relation to a class of Units, the Base Currency of the Sub-Fund relating thereto or such other currency of account as the Manager may specify for such class of Units.
"Code"	means the Code on Unit Trusts and Mutual Funds issued by the SFC, as amended from time to time.

"Connected Person"	has the meaning as set out in the Code which at the date of the Explanatory Memorandum, in relation to a company means: (a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise directly or indirectly, 20% or more of the total votes in that company; (b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); (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).
"CSDCC"	means the China Securities Depository and Clearing Corporation Limited.
"CSRC"	means the China Securities Regulatory Commission.
"Dealing Day"	means, in relation to any Sub-Fund, the days on which Units of that Sub-Fund may be subscribed or redeemed, as specified in the relevant Appendix.
"Dealing Deadline"	means, in respect of any Sub-Fund, such time on the relevant Dealing Day or any other Business Day as the Manager may from time to time determine (in consultation with the Trustee) in relation to the subscription and redemption of Units, as specified in the relevant Appendix.
"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.
"HKEx"	means Hong Kong Exchanges and Clearing Limited.

"HKSCC"	means the Hong Kong Securities Clearing Company Limited or its successors.
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC.
"Hong Kong Dollars" or "HKD"	means the lawful currency of Hong Kong.
"IFRS"	means International Financial Reporting Standards issued by the International Accounting Standards Board.
"Initial Offer Period"	means, in respect of any class of Units, such period as may be specified by the Manager and notified to the Trustee for the purpose of making an initial offer of Units of such class, as specified in the relevant Appendix.
"Mainland China"	means the People's Republic of China, excluding for the purposes of interpretation of this Explanatory Memorandum only, Hong Kong Special Administrative Region and Macau Special Administrative Region and Taiwan of the People's Republic of China.
"Manager"	means Value Partners Hong Kong Limited惠理基金管理香港有限公司or any other person or persons for the time being duly appointed Manager of the Trust in succession thereto.
"MOF"	means the Ministry of Finance of the PRC.
"Net Asset Value"	means, in relation to any Sub-Fund or class of Units, the net asset value of such Sub-Fund or class, as the context may require, calculated in accordance with the provisions of the Trust Deed
"PBOC"	means the People's Bank of China.
"PRC" or "China"	means the People's Republic of China.
"QFI"	means qualified foreign investors approved pursuant to the relevant regulations in the Mainland China (as amended from time to time), including QFII and RQFII.

"QFII"	means a qualified foreign institutional investor approved pursuant to the relevant Mainland China regulations (as amended from time to time).
"Redemption Price"	means the price per Unit at which Units of the relevant class will be redeemed, which price shall be ascertained in accordance with the section headed "Redemption of Units" below.
"Registrar"	means HSBC Trustee (Cayman) Limited or such person as the Trustee and the Manager may from time to time appoint to maintain the register in respect of any Sub-Fund and in the default of such appointment shall mean the Trustee.
"Reverse repurchase transactions"	means transactions whereby a Sub-Fund purchases securities from a counterparty of sale and repurchase transactions and agrees to sell such securities back at an agreed price in the future.
"RMB" or "¥"	means the lawful currency for the time being and from time to time of Mainland China.
"RQFII" or "RQFII holder"	means a renminbi qualified foreign institutional investor approved pursuant to the relevant Mainland China regulations (as amended from time to time).
"SAFE"	means the State Administration of Foreign Exchange of the PRC.
"Sale and repurchase transactions"	means transactions whereby a Sub-Fund sells its securities to a counterparty of reverse repurchase transactions and agrees to buy such securities back at an agreed price with a financing cost in the future.
"SAT"	means the State Administration of Taxation of the PRC.
"SEHK"	means The Stock Exchange of Hong Kong Limited.
"Securities financing transactions"	means, collectively, securities lending transactions, sale and repurchase transactions and reverse repurchase transactions.
"Securities lending transactions"	means transactions whereby a Sub-Fund lends its securities to a security-borrowing counterparty for an agreed fee.

"SFC"	means the Securities and Futures Commission of Hong Kong.
"SFO"	means the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong.
"SSE"	means the Shanghai Stock Exchange.
"Stock Connect"	means the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect or any successor programme.
"Sub-Fund"	means a sub-fund of the Trust, being a separate trust which is established pursuant to a supplemental deed and is maintained in accordance with the provisions of the Trust Deed and such supplemental deed and with respect to which one or more separate classes of Units is issued.
"Subscription Price"	means the price per Unit at which Units of a particular class will be issued, which price shall be ascertained in accordance with the section headed "Subscription of Units" below.
"Substantial financial institution"	means an authorised institution as defined in section 2(1) of the Banking Ordinance (Chapter 155 of Laws of Hong Kong) or a financial institution which is on an ongoing basis subject to prudential regulation and supervision, with a minimum net asset value of HKD2 billion or its equivalent in foreign currency.
"SZSE"	means the Shenzhen Stock Exchange.
"Trust"	means Value Partners Fund Series and includes the Sub-Funds.
"Trust Deed"	means the trust deed establishing the Trust entered into by the Manager and the Trustee dated 10 September 2014, as amended and restated on 1 January 2020, and as further amended and/or supplemented from time to time.
"Trustee"	means HSBC Institutional Trust Services (Asia) Limited or such other person or persons for the time being duly appointed trustee or trustees hereof in succession thereto.
"Unit"	means a unit of the class to which it relates and except where used in relation to a particular class of Unit, a reference to Units means and includes Units of all classes.
"Unitholder"	means a person registered as a holder of a Unit.
"US dollars" or "USD"	means the lawful currency of the United States of America.

"Valuation Day"	which the Net Asset Value and the Net Asset Value per Unit is to be calculated and/or such other Business Day or Business Days as the Manager may from time to time determine.
"Valuation Point"	means, unless otherwise specified in the relevant Appendix, the close of business in the last relevant market to close on each Valuation Day or such other time consistent with standard market practice as the Manager may determine either generally or in relation to a particular class of Units.

INTRODUCTION

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

The Trust has been established as an umbrella fund and separate and distinct Sub-Funds may be established by the Manager and the Trustee within the Trust from time to time. 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. A separate portfolio of assets will not be maintained for each class. All classes of Units relating to the same Sub-Fund will be commonly invested in accordance with such Sub-Fund's investment objective and policies. In addition, each class of Units may be subject to different minimum initial and subsequent subscription amounts and holding amounts, and minimum redemption and switching amounts. Investors should refer to the relevant Appendix for the available classes of Units and the applicable minimum amounts.

A separate Net Asset Value per Unit will be calculated for each class following the close of the relevant Initial Offer Period. Additional classes of Units of any of the Sub-Funds and/or additional Sub-Funds may be created in the future in accordance with the Trust Deed.

Information relating to the Trust and the Sub-Funds, including the latest versions of the Sub- Funds' offering documentation, circulars, notices, announcements, financial reports and the latest available Net Asset Value will be available on the website www.valuepartners-group.com*.

* This website has not been reviewed or authorised by the SFC.

MANAGEMENT OF THE TRUST

The Manager

The Manager of the Trust is Value Partners Hong Kong Limited 惠理基金管理香港有限公司.

The Manager was incorporated in Hong Kong on 10 May 1999 and commenced its current operations in January 2008. It is dedicated to the philosophy of investing in "value" securities and concentrates its investment expertise in Asian markets, particularly the Greater China region. Using a disciplined, bottom-up approach, the Manager applies fundamental analysis to seek under-valued positions.

Value Partners Hong Kong Limited is licensed by the SFC for type 1 (dealing in securities), type 2 (dealing with futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities under the SFO with CE number AFJ002. The contact details of the SFC are set out below:

54/F, One Island East
18 Westlands Road, Quarry Bay, Hong Kong

Under the Trust Deed, the Manager is responsible for the management of the assets of the Trust and each Sub-Fund. The Manager is also responsible, in conjunction with the Trustee, for the maintenance of the financial reports and records of the Trust and each Sub-Fund as well as certain other administrative matters relating to the Trust and each Sub-Fund.

The Manager may appoint investment managers or investment advisers in relation to specific Sub-Funds (details of any such appointments are set out in the relevant Appendix), subject to the approval of the SFC and at least one month's prior notice to Unitholders (where applicable). Where the investment management functions in respect of a Sub-Fund are delegated to third party investment managers or investment advisers, the Manager will conduct on-going supervision and regular monitoring of the competence of such delegates to ensure that the Manager's accountability to investors is not diminished, and although the investment management role of the Manager may be sub-contracted to third parties, the responsibilities and obligations of the Manager may not be delegated.

The directors of the Manager are as follows:

HO Man Kei, Norman

Mr. HO is a Senior Investment Director of Value Partners Group Limited ("**Value Partners**"), where he is a leader in Value Partners' investment process, with a high degree of responsibility over portfolio management. Mr. HO served as an Executive Director of the Board of Directors of Value Partners during the period from 26 July 2019 to 23 August 2024, and is also a director of certain subsidiaries of the Group.

Mr. HO has extensive experience in the fund management and investment industry, with a focus on research and portfolio management. Mr. HO joined Value Partners in November 1995. He was promoted to the roles of Investment Director and Senior Investment Director in 2010 and January 2014, respectively. Prior to joining Value Partners, he was an Executive with Dao Heng Securities Limited and had started his career with Ernst & Young.

Mr. HO graduated with a Bachelor's degree in Social Sciences (majoring in Management Studies) from The University of Hong Kong. He is a CFA charterholder.

CHING Wing Tat, Vincent

Mr. CHING is the Head of Intermediary Business at the Group, where he oversees the strategic management and development of the Group's fund distribution business. He has over 20 years experience in the asset management and finance industry. In addition to his executive role, Mr. CHING serves as a member of the Group's Leadership Committee and contributes to the Risk Management Committee, supporting the Group's governance and risk oversight framework.

Mr. CHING joined the Group in March 2015 as Associate Director of Intermediary Business. He was promoted to Head of Hong Kong, Retail Distribution in 2019 and appointed to his current role in 2022. Prior to joining the Group, he worked for BlackRock Asset Management North Asia, where he was responsible for fund distribution in Hong Kong and North Asia. He also had stints with First State Investments.

Mr. CHING currently serves on the Executive Committee of the Hong Kong Investment Funds Association. Mr. CHING holds both a Master's and a Bachelor's degree in Commerce from the University of Wollongong in Australia.

LUO Jing

Mr. LUO is a member of the Group's Research and Portfolio Management Team. He began his career in 2005 and has extensive experience in Asian markets. He joined the Group in June 2017 as Fund Manager and was subsequently re-positioned as Senior Fund Manager. He was promoted to his current role in January 2023.

Prior to joining the Group, he held buy-side roles at HSBC Global Asset Management (HK) as Associate Director focusing on China investments, and at Bosera Asset Management as Portfolio Manager managing A-share mandates for institutional clients. Earlier in his career, he worked in sell-side research at CICC, Guotai Junan International and First Shanghai Securities. He was ranked among the top three banking analysts by *New Fortune* magazine from 2008 to 2012. During the same period, his team at CICC was also named Asia's best China banking coverage team by *Asiamoney*.

Mr. LUO holds a Master's degree in Economics from Sun Yat-Sen University in China and a Bachelor's degree in Arts from Guangdong University of Foreign Studies. He is a CFA charterholder.

NG Chuk Fa, Nikita

Ms. NG is the Chief Financial Officer, Head of Corporate Services, and Executive Director of Value Partners.

She is responsible for overseeing Value Partners finance function. She possesses broad experience in the financial services industry, with a particular focus in financial reporting, internal control assessment and corporate transactions, combined with strong regulatory knowledge. She joined Value Partners in July 2021 as Director, Finance and oversee the finance division. She was appointed Chief Financial Officer in 2023 and was promoted to Chief Financial Officer and Head of Corporate Services in August 2024.

Before joining Value Partners, she was the Financial Controller at Fortress Investment Group & Mount Kellett Capital, a multi-strategy investment firm, for 8 years overseeing its corporate and fund accounting. Prior to that, she worked at a family fund private equity firm for 4 years, served as a finance head for an asset management portfolio company regulated by the China Banking Regulatory Commission and involved in other investment projects. She started her career as an Auditor at PricewaterhouseCooper Hong Kong. Ms. Ng graduated with a Bachelor's degree in Professional Accountancy from The Chinese University of Hong Kong.

JIANG Ron

Dr. JIANG oversees the Group's Fund Operations and IT departments, managing daily operations and ensuring efficient resource management and process optimization to support the Group's strategic goals. He joined the Group in April 2025. Started his career in 2000, he is an esteemed industry veteran with 25 years of experience in the fund management and financial services industry.

Before joining the Group, Dr. JIANG spent over 7 years with Guangfa Securities, first as a Managing Director and Head of IT Department, and later as the Deputy General Manager and Chief Information Officer and interim Chief Risk Officer at Guangfa Securities Asset Management (Guangdong) Company overseeing IT, central trading, operations, fund valuation/cash management, and risk management. Before that, he also spent 10 years at Wellington Management in Boston as an IT Managing Director and Principal overseeing development of quantitative risk analytics, investor and portfolio technology; and 7 years at FFTW/BnP Asset Management as a Development Lead in New York, with hands-on role in trading connectivity and STP processing of middle/back office workflows, where he led rollout of the world's first automated trade matching connection to DTC-CTM via FIX4.4. Since 2017, Dr. JIANG is an external advisor to the China Securities Industry's Fintech R&D Center at Shenzhen Stock Exchange.

Dr. JIANG graduated from Columbia University with a Doctoral degree in Genetics & Development, and a Bachelor's degree in Environmental Biology from Nanjing University. He is a CFA charter holder.

The Trustee and the administrator

The Trustee and the administrator of the Trust is HSBC Institutional Trust Services (Asia) Limited, which is a registered trust company in Hong Kong. The Trustee was incorporated with limited liability in Hong Kong on 27 September 1974. It is an indirect wholly-owned subsidiary of HSBC Holdings plc. It is registered as a trust company under Section 78(1) of the Hong Kong Trustee Ordinance (Cap. 29), is an approved trustee under the Mandatory Provident Fund Schemes Ordinance (Cap. 485). It is also registered with Hong Kong Monetary Authority in which required to comply with the Supervisory Policy Manual ("SPM") module on "Regulation and Supervision of Trust Business" (TB-1) as a statutory guideline under section 7(3) of the Banking Ordinance. The Trustee is licensed by the SFC to carry out type 13 regulated activity (providing depositary services for relevant collective investment schemes under the Securities and Futures Ordinance (Cap. 571) and has a Trust or Company Service Provider ("TCSP") License under Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615).

The contact details for the MPFA are set out below:

Level 12, Tower 1
The Millennity
98 How Ming Street
Kwun Tong
Hong Kong

The Trustee may from time to time appoint such person or persons as it thinks fit (including, without limitation, any of its Connected Persons) to hold as custodian, nominee, agent or delegate, all or any of the investments, assets or other property comprised in the Trust or any of the Sub-Funds and may empower any such custodian, nominee, agent or delegate to appoint, with the prior consent in writing of the Trustee, co-custodians and/or sub-custodians (each such custodian, nominee, agent, co-custodian and sub-custodian a "**Correspondent**"). The Trustee is required to (a) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of Correspondents which are appointed for the custody and/or safekeeping of any of the investments, cash, assets or other property comprised in the Trust and (b) be satisfied that Correspondents retained remain suitably qualified and competent on an ongoing basis to provide the relevant custodial services to a Sub-Fund. The Trustee shall be liable for the acts and omissions of any Correspondent which is a Connected Person of the Trustee as if the same were the acts or omissions of the Trustee, but provided that the Trustee has discharged its obligations set out in (a) and (b) as set out in this paragraph, the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any Correspondent which is not a Connected Person of the Trustee. For the purpose of the foregoing, "Correspondent" shall include the Custodian and the PRC Custodian (where applicable to the relevant Sub-Fund). The Custodian is The Hongkong and Shanghai Banking Corporation Limited and the PRC Custodian is HSBC Bank (China) Company Limited (please see below).

Under the Trust Deed, the Trustee shall take into its custody or under its control all the property forming part of the assets of the Trust and hold it in trust for the Unitholders of the relevant Sub-Fund in accordance with the provisions of the Trust Deed and, to the extent permitted by applicable laws and regulation, all registrable assets and cash from time to time comprised in the Trust shall be registered in the name of or held to the order of the Trustee. The Trustee is responsible and shall remain at all times liable for the safe-keeping of the investments, assets and other property forming part of the Trust in accordance with the provisions of the Trust Deed and such investments, assets and other property shall be dealt with as the Trustee may think proper for the purpose of providing for the safe-keeping thereof, subject to the provisions of the Trust Deed. The Trustee shall in respect of any investments, assets and other property of a Sub-Fund which by nature cannot be held in custody, maintain a proper record of such investments, assets or property in its books under the name of that Sub-Fund.

The Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of:
(i) a custodian which is not a member of the group of companies to which the Trustee belongs provided that the Trustee has discharged its obligations set out in (a) and (b) in the preceding paragraph or (ii) any depository or clearing system.

Subject as provided in the Trust Deed, the Trustee shall not be liable for losses caused by the performance of investments made by the Trust and/or any of the Sub-Funds.

Subject as provided in the Trust Deed, the Trustee is entitled to be indemnified from the assets of the relevant Sub-Fund, in respect of all liabilities and expenses incurred in relation to such Sub-Fund, from and against any and all actions, proceedings, liabilities, costs, claims, damages and expenses, including all reasonable legal, professional and other similar expenses (other than any liability to Unitholders imposed under Hong Kong law or resulting from breaches of trust through fraud or negligence on the part of the Trustee or any of its officers, employees, agents or delegates for which the Trustee would be liable under the Trust Deed), which may be incurred by or asserted against the Trustee in performing its obligations or duties in connection with such Sub-Fund. Subject to applicable law and the provisions of the Trust Deed, the Trustee shall not, in the absence of breach of trust through fraud, or negligence or wilful default by it or any agent, sub-custodian or delegate appointed by the Trustee, be liable for any losses, costs or damage to the Trust, the Sub-Fund or any Unitholder.

The Trustee in no way acts as guarantor or offeror of the Units or any underlying investment. The Trustee has no responsibility or authority to make investment decisions, or render investment advice with respect to the Trust, which is the sole responsibility of the Manager.

The Trustee will not participate in transactions and activities, or make any payments denominated in US dollars, which, if carried out by a US person, would be subject to sanctions by The Office of Foreign Assets Control of the US Department of the Treasury ("**OFAC**"). The OFAC administers and enforces economic sanction programs primarily against countries/regions and groups of individuals, such as terrorists and narcotics traffickers by using the blocking of assets and trade restrictions to accomplish foreign policy and national security goals. In enforcing economic sanctions, OFAC acts to prevent "prohibited transactions," which are described by OFAC as trade or financial transactions and other dealings in which US persons may not engage unless authorised by OFAC or expressly exempted by statute. OFAC has the authority to grant exemptions to prohibitions on such transactions, either by issuing a general licence for certain categories of transactions, or by specific licences issued on a case-by-case basis. HSBC group of companies has adopted a policy of compliance with the sanctions issued by OFAC. As part of its policy, the Trustee may request for additional information if deemed necessary.

The appointment of the Trustee may be terminated in the circumstances set out in the Trust Deed.

The Trustee is entitled to the fees set under the section on "Fees and expenses" and to be reimbursed for all costs and expenses in accordance with the provisions of the Trust Deed.

The Manager has sole responsibility for making investment decisions in relation to the Trust and/ or each Sub-Fund and the Trustee (including its delegate) is not responsible and has no liability for any investment decision made by the Manager.

Where a Sub-Fund invests directly into the Mainland China's securities markets pursuant to the QFI regime, the Trustee has put in place proper arrangements to ensure that:

(a) the Trustee takes into its custody or under its control the assets of the Sub-Fund, including onshore Mainland China assets which will be maintained by the PRC Custodian in electronic form via securities account(s) with CSDCC, CCDCC, Shanghai Clearing House and/or such other relevant depositories and any assets deposited in special deposit account(s) with the PRC Custodian, and holds the same in trust for the relevant Unitholders;

(b) cash and registrable assets of the Sub-Fund, including assets deposited in the securities account(s) with CSDCC, CCDCC, Shanghai Clearing House and/or such other relevant depositories and cash of any Sub-Fund deposited in special deposit account(s) with or otherwise held by the PRC Custodian, are registered in the name of or held to the order of the Trustee; and

(c) the PRC Custodian will look to the Trustee for instructions and solely act in accordance with the Trustee's instructions as provided under the PRC Participation Agreement.

The Registrar

The Registrar of the Trust and each Sub-Fund is HSBC Trustee (Cayman) Limited, which is a company incorporated in the Cayman Islands. The Registrar is an indirectly wholly owned subsidiary of HSBC Holdings plc, a public company incorporated in England and Wales.

Except as provided in the Trust Deed or expressly stated in this Explanatory Memorandum and/ or required by the Code, neither the Trustee, the Registrar nor any of their employees, service providers or agents are or will be involved in the business affairs, organisation, sponsorship or investment management of the Trust or any Sub-Fund, and they are not responsible for the preparation or issue of this Explanatory Memorandum other than the description under the sections on "The Trustee" and "The Registrar".

The Custodian and PRC Custodian

In respect of each Sub-Fund which invests directly into the Mainland China's securities markets pursuant to the QFI regime, The Hongkong and Shanghai Banking Corporation Limited has been appointed by the Manager and the Trustee to act as the Custodian through the PRC Custodian, and will be responsible for the safe custody of the assets acquired through or in connection with the Manager's QFI status within the Mainland China under the QFI scheme in accordance with the PRC Custodian Agreement. As at the date of this Explanatory Memorandum, no function of the PRC Custodian in connection with custody of assets under the QFI regime is delegated to its associates within the group companies of the Trustee or any other person(s). According to the PRC Custodian Agreement, the Custodian is entitled to utilise its local subsidiary or its associates within the HSBC group of companies, which as at the date of the PRC Custodian Agreement is the PRC Custodian (i.e. HSBC Bank (China) Company Limited), as its delegate for the performance of services under the PRC Custodian Agreement. The Custodian will act through its delegate, the PRC Custodian, and remains responsible for any acts and omission of the PRC Custodian.

The Custodian is regulated by the Hong Kong Monetary Authority ("**HKMA**"). The contact details for the HKMA are set out below:

55th Floor
Two International Finance
Centre 8 Finance Street
Central
Hong
Kong

The PRC Custodian is regulated by China Securities Regulatory Commission ("**CSRC**"), The People's Bank of China ("**PBOC**"), China Banking Regulatory Commission ("**CBRC**") and State Administration of Foreign Exchange ("**SAFE**") and/or any other applicable governmental departments or regulatory bodies in the People's Republic of China (as the case may be).

The contact details of the CSRC are set out below:
Focus Plaza 19, Jin Rong Street,
Xi Cheng District,
Beijing, P.R. China 100033

The contact details of the PBOC are set out below:
No. 32 Chengfang Street,

Xi Cheng District,
Beijing, P.R. China 100800

The contact details of the CBRC are set out below:
No. 15 Financial Street,

Xi Cheng District,
Beijing, P.R. China 100033

The contact details of the SAFE are set out below:
No. 30 Financial Street,

Xi Cheng District,
Beijing, P.R. China 100033

Neither the Custodian nor the PRC Custodian is responsible for the preparation of this Explanatory Memorandum and they accept no responsibility or liability for the information contained here other than the description under the section "The Custodian and PRC Custodian".

INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTIONS

Investment objective

The investment objective of each Sub-Fund is set out in the relevant Appendix.

Investment strategy

The investment strategy of each Sub-Fund is set out in the relevant Appendix.

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 (other than Government and other Public Securities) through the following may not exceed 10% of the latest available 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 latest available 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 latest available 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;

For the purposes of this paragraph, "cash deposits" generally refers to those that are repayable on demand or have the right to be withdrawn by a Sub-Fund and not referable to provision of property or services.

(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 the same entity;

(e) not more than 15% of the latest available 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), (d) and (e), where direct investment by a Sub-Fund in a market is not in the best interests of investors, the Sub-Fund may invest through a wholly-owned subsidiary company established solely for the purpose of making direct investments in such market. In this case:

(1) the underlying investments of the subsidiary, together with the direct investments made by the Sub-Fund, must in aggregate comply with the requirements of Chapter 7 of the Code;

(2) any increase in the overall fees and charges directly or indirectly borne by the Unitholders or the Sub-Fund as a result must be clearly disclosed in the Appendix of the relevant Sub-Fund; and

(3) the Sub-Fund must produce the reports required by Chapter 5.10(b) of the Code in a consolidated form to include the assets (including investment portfolio) and liabilities of the subsidiary company as part of those of the Sub-Fund.

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

(h) subject to (g), a Sub-Fund may fully invest in Government and other Public Securities in at least six different issues; Government and other Public Securities will be regarded as being of a different issue if, even though they are issued by the same person, they are issued on different terms whether as to repayment dates, interest rates, the identity of the guarantor, or otherwise;

(i) unless otherwise approved by the SFC on a case-by-case basis taking into account the liquidity of the physical commodities concerned and availability of sufficient and appropriate additional safeguards where necessary, a Sub-Fund may not invest in physical commodities;

(j) unless otherwise provided under the Code, the spread requirements under paragraphs (a), (b), (d) and (e) do not apply to investments in other collective investment schemes by a Sub-Fund and for the avoidance of doubt, exchange traded funds that are:

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

(2) listed and regularly traded on internationally recognised 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 (i) listed securities for the purposes of and subject to the requirements in paragraphs (a), (b) and (d) above; or (ii) collective investment schemes for the purposes of and subject to the requirements in paragraph (k)(1), (k)(2), provisos of (i) to (iii) of paragraph (k) below. However, the investments in exchange traded funds shall be subject to paragraph (e) above and, unless otherwise specified in the relevant Appendix in respect of a particular Sub-Fund, investment by a Sub-Fund in exchange traded funds is considered and treated as listed securities for the purposes of and subject to the requirements in paragraphs (a), (b) and (d) above;

(k) where a Sub-Fund invests in shares or units of other collective investment schemes ("**underlying schemes**"),

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

(2) such Sub-Fund may invest in one or more underlying schemes which are either 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 underlying scheme may not exceed 30% of the latest available Net Asset Value of the Sub-Fund, unless the underlying scheme is authorised by the SFC and its name and key investment information are disclosed in the Appendix of the relevant Sub- Fund,

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

(i) the objective of each underlying scheme may not be to invest primarily in any investment prohibited by Chapter 7 of the Code, and where that underlying scheme's objective is to invest primarily in investments restricted by Chapter 7 of the Code, such investments may not be in contravention of the relevant limitation 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 latest available net asset value, and exchange traded funds satisfying the requirements in paragraph (j) above in compliance with paragraph (k)(1) and (k)(2);

(ii) where the underlying schemes are managed by the Manager 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 underlying schemes;

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

(iv) where an investment is made in any underlying scheme(s) managed by the Manager or any of its Connected Persons, all initial charges and redemption charges on the underlying scheme(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 an underlying scheme or the management company of an underlying scheme, or quantifiable monetary benefits in connection with investments in any underlying scheme;

(l) in the case of investments in shares in real estate companies and interests in real estate investment trusts (REITs), a Sub-Fund shall comply with the requirements under paragraphs (a), (b), (d), (e) and (k)(1) above where applicable. Where investments are made in listed REITs, the requirements under paragraphs (a), (b) and (d) above apply and where investments are made in unlisted REITs, which are either companies or collective investment schemes, then the requirements under paragraphs (e) and (k)(1) above apply respectively.

(m) a Sub-Fund may invest 90% or more of its Net Asset 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 Appendix of the relevant Sub-Fund 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 Unitholders 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 (k)(iii) above, the master fund may invest in other collective investment scheme(s) subject to the investment restrictions as set out in paragraphs (k)(1), (k)(2), provisos of (i) to (iii) of paragraph (k); and

(n) 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 latest available 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 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 REITs);

(C) make short sales if as a result a Sub-Fund would be required to deliver securities exceeding 10% of the latest available Net Asset Value of the Sub-Fund (and for this purpose (i) securities sold short must be actively traded on a market where short selling is permitted; and (ii) short selling is carried out in accordance with all applicable laws and regulations);

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

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

(F) 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;

(G) 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

(H) 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.

Money market funds

For each Sub-Fund which is authorised by the SFC as a "money market fund" under Chapter 8.2 of the Code, the relevant Sub-Fund is required to comply with the following investment restrictions:

(1) subject to the provisions below, the Sub-Fund may only invest in short-term deposits and high quality money market instruments, and up to 10% in money market funds authorised by the SFC under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC;

(2) the Sub-Fund must maintain a portfolio with weighted average maturity of not exceeding 60 days and a weighted average life not exceeding 120 days and must not purchase an instrument with a remaining maturity of more than 397 days, or two years in the case of Government and other Public Securities;

For the purposes herein:

a. "weighted average maturity" is a measure of the average length of time to maturity of all the underlying securities in the Sub-Fund weighted to reflect the relative holdings in each instrument; and is used to measure the sensitivity of the Sub-Fund to changing money market interest rates;

b. "weighted average life" is the weighted average of the remaining life of each security held in the Sub-Fund; and is used to measure the credit risk, as well as the liquidity risk; and

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

(3) notwithstanding paragraphs (a) and (c) under the section "Investment restrictions" above, the aggregate value of the Sub-Fund's holding of instruments and deposits issued by a single entity may not exceed 10% of the Net Asset Value of the Sub-Fund except:

a. where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%; or

b. in the case of Government and other Public Securities, up to 30% may be invested in the same issue; or

c. in respect of any deposit of less than USD1,000,000 or its equivalent in the base currency of the Sub-Fund, where the Sub-Fund cannot otherwise diversify as a result of its size.

(4) notwithstanding paragraphs (b) and (c) under the section "Investment restrictions" above, the aggregate value of the Sub-Fund's investments in Entities within the Same Group through instruments and deposits may not exceed 20% of its total Net Asset Value except:

a. in respect of any cash deposit of less than USD1,000,000 or its equivalent in the base currency of the Sub-Fund, where the Sub-Fund cannot otherwise diversify as a result of its size; and

b. where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%;

(5) notwithstanding the borrowing limit as set out below, the Sub-Fund may borrow up to 10% of its total Net Asset Value but only on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses;

(6) the value of the Sub-Fund's holding of investments in the form of asset-backed securities may not exceed 15% of its total Net Asset Value;

(7) subject to Chapter 7.32 to 7.38 of the Code, the Sub-Fund may engage in sale and repurchase transactions and reverse repurchase transactions in compliance with the following requirements:

a. the amount of cash received by the Sub-Fund under sale and repurchase transactions may not in aggregate exceed 10% of its total Net Asset Value;

b. the aggregate amount of cash provided to the same counterparty in reverse repurchase agreements may not exceed 15% of the Net Asset Value of the Sub-Fund;

c. collateral received may only be cash, high quality money market instruments, and may also include, in the case of reverse repurchase transactions, government securities receiving a favourable assessment on credit quality; and

d. the holding of collateral, together with other investments of the Sub-Fund, must not contravene the investment limitations and requirements set out under this sub-section "Money market funds";

(8) the Sub-Fund may use FDIs for hedging purposes only;

(9) the currency risk of the Sub-Fund shall be appropriately managed and any material currency risk that arises from investments that are not denominated in the base currency shall be appropriately hedged;

(10) the Sub-Fund must hold at least 7.5% of its total Net Asset Value in daily liquid assets and at least 15% of its total Net Asset Value in weekly liquid assets;

For the purposes herein:

a. daily liquid assets refer to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within one Business Day; and (iii) amount receivable and due unconditionally within one Business Day on pending sales of portfolio securities;

b. weekly liquid assets refer to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within five Business Days; and (iii) amount receivable and due unconditionally within five Business Days on pending sales of portfolio securities; and

c. in addition, it is expected that periodic stress testing to be carried out by the Manager in monitoring the Sub-Fund's liquidity.

Borrowing restrictions

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. In determining for the purpose of these borrowing limits, back-to-back loans do not count as borrowing. The assets of a Sub-Fund may be charged or pledged as security for any such borrowings in accordance with the provisions of the Trust Deed.

For the avoidance of doubt, securities lending transactions and sale and repurchase transactions (subject to the "Investment Strategy" section in each relevant Appendix) in compliance with the requirements set out in the section headed "Securities financing transactions" are not subject to the limitations in this section.

Financial derivative instruments

Subject always to the provisions of the Trust Deed, the Code and the "Investment Strategy" section in each relevant Appendix, the Manager may on behalf of a Sub-Fund enter into any transactions in relation to swaps or other FDIs, for hedging or non-hedging (investment) purposes:

Hedging purposes

A Sub-Fund may acquire FDIs for hedging purposes. FDIs are considered as being acquired for hedging purposes if they meet all of the following criteria:

(a) they are not aimed at generating any investment return;

(b) they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss of risks arising from the investments being hedged;

(c) although they may not necessarily reference to the same underlying assets, they should relate to the same asset class with high correlation in terms of risks and return, and involve taking opposite positions, in respect of the investments being hedged; and

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

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

Non-hedging (investment) purposes

Each Sub-Fund may acquire FDIs for non-hedging purposes ("**investment purposes**"), subject to the limit that the Sub-Fund's net exposure relating to these FDIs ("**net derivative exposure**") does not exceed 50% of its latest available Net Asset Value, except this limit may be exceeded for Sub-Funds approved by the SFC under Chapters 8.8 (structured funds) or 8.9 (funds that invest extensively in financial derivative instruments) of the Code and provided that this limit may be exceeded in such circumstances as permitted under the Code, handbook, code and/or guideline issued by the SFC from time to time or permitted by the SFC from time to time. In this regard:

(a) for the purpose of calculating net derivative exposure, the positions of FDIs acquired by a Sub-Fund for investment purposes are converted into the equivalent position in the underlying assets of the FDIs, taking into account the prevailing market value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions;

(b) the net derivative exposure should be calculated in accordance with the requirements and guidance issued by the SFC which may be updated from time to time; and

(c) for the avoidance of doubt, FDIs acquired for hedging purposes will not be counted towards the 50% limit referred to in this paragraph so long as there is no residual derivative exposure arising from such hedging arrangement.

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

Restrictions applicable to FDIs

The FDIs invested by a Sub-Fund shall be either listed or quoted on a stock exchange, or dealt in over-the-counter market and comply with the following provisions:

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

(b) where a Sub-Fund invests in index-based FDIs, the underlying assets of such FDIs are not required to be aggregated for the purposes of the investment restrictions set out in paragraphs (a), (b), (c) and (g) of the section headed "Investment restrictions" above provided that the index is in compliance with the relevant requirements under Chapter 8.6 of the Code;

(c) the counterparties to over-the-counter FDI transactions or their guarantors are substantial financial institutions or such other entity acceptable to the SFC;

(d) subject to paragraphs (a) and (b) under the section entitled "Investment Restrictions" above, a Sub-Fund's net counterparty exposure to a single entity arising from transactions of the over-the-counter FDIs may not exceed 10% of the latest available Net Asset Value of such Sub-Fund, provided that the exposure of a Sub-Fund to a counterparty of over- the-counter FDIs may be lowered by the collateral received (if applicable) by the Sub- Fund and shall be calculated with reference to the value of collateral and positive marked- to-market value of the over-the-counter FDIs with that counterparty, if applicable; and

(e) the valuation of the FDIs is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager or the Trustee or their nominees, agents or delegates independent of the issuer of the FDIs through measures such as the establishment of a valuation committee or engagement of third party services. The FDIs can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the initiative of the Sub-Fund. Further, the administrator/calculation agent should be adequately equipped with the necessary resources to conduct independent marked-to- market valuation and to verify the valuation of the FDIs on a regular basis.

For the avoidance of doubt, restrictions and limitations on counterparty as set out in paragraphs (a) and (b) under the section entitled "Investment Restrictions" above and paragraph (d) of this section will not apply to FDIs that are:

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

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

Subject to the above, a Sub-Fund may invest in FDIs provided that the exposure to the underlying assets of the FDIs, together with the other investments of the relevant Sub-Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets as set out in the paragraphs (a), (b), (c), (g), (h), (k)(1), (k)(2), provisos of (i) to (iii) of paragraph (k), (l) and (B) under the section entitled "Investment restrictions" above.

A Sub-Fund shall at all times be capable of meeting all its payment and delivery obligations incurred under transactions in FDIs (whether for hedging or for investment purposes). The Manager shall, as part of its risk management process, monitor to ensure that the transactions in FDIs are adequately covered on an ongoing basis. For such purposes, assets that are used to cover a Sub-Fund's payment and delivery obligations incurred under transactions in FDIs should be free from any liens and encumbrances, exclude any cash or near cash for the purpose of meeting a call on any sum unpaid on a security, and cannot be applied for any other purposes.

A transaction in FDIs which gives rise to a future commitment or contingent commitment of a Sub-Fund should also be covered as follows:

(a) in the case of FDIs transactions which will, or may at the discretion of the Trustee or the Manager, be cash settled, the Sub-Fund should at all times hold sufficient assets that can be liquidated within a short timeframe to meet the payment obligation; and

(b) in the case of FDIs transactions which will, or may at the counterparty's discretion, require physical delivery of the underlying assets, the Sub-Fund should hold the underlying assets in sufficient quantity at all times to meet the delivery obligation. If the Manager considers the underlying assets to be liquid and tradable, the Sub-Fund may hold other alternative assets in sufficient quantity as cover, provided that such assets may be readily converted into the underlying assets at any time to meet the delivery obligation.

In the case of holding alternative assets as cover, a Sub-Fund shall apply safeguard measures, such as to apply haircut where appropriate, to ensure that such alternative assets held are sufficient to meet its future obligations.

The above policies relating to FDIs apply to financial instruments which embeds a financial derivative as well.

Securities financing transactions

Subject to the "Investment Strategy" section in each relevant Appendix, the Trustee may enter into securities financing transactions in respect of a Sub-Fund, provided that they are in the best interests of Unitholders and the associated risks have been properly mitigated and addressed. Please refer to the "Investment Strategy" section in each relevant Appendix for the policy regarding such arrangements of each Sub-Fund.

Securities lending transactions will only be entered into:

(a) if the borrower provides 100% collateralisation for the borrowed securities of a value equivalent to or in excess of the borrowed securities and such collateral to be quality, liquid collateral;

(b) through the agency of a recognised clearing system or a financial institution acceptable to the Manager which engages in this type of transaction;

(c) the relevant securities lent must be fully paid-up shares listed on any stock exchange, over-the-counter market or other organised securities market that is open to the international public on which such securities are regularly traded; and

(d) the amount of consideration (including the value of any collateral) given for the relevant securities must exceed the value of such securities at any one time on daily marked to market values.

Further, unless otherwise specified under the "Investment Strategy" section in each relevant Appendix, details of the policy regarding securities financing transactions are as follows:

(i) all revenue arising from securities financing transactions, net of direct and indirect expenses which will be borne by the relevant Sub-Fund (such as any fees paid to securities lending agents and operational costs arising from such transactions) as reasonable and normal compensation for the services rendered in the context of such transactions, will be credited to the account of the relevant Sub-Fund;

(ii) each counterparty for such transactions (including a borrower for a securities lending transaction) and the issuer of collateral will be an independent counterparty approved by the Manager and will be a financial institution which is subject to ongoing prudential regulation and supervision. There is no criteria for country/region of origin of the counterparty. Each counterparty is expected to be (x) incorporated in countries/regions of high credit quality,
(y) have a minimum credit rating of A2/P2 or equivalent assigned by reputable credit rating agencies or in the reasonable opinion of the Manager, or deemed to have an implied rating of A2/P2 or equivalent; alternatively, an unrated counterparty will be acceptable where the relevant Sub-Fund is indemnified against losses caused by the counterparty, by an entity which has a minimum credit rating of A2/P2 or equivalent, or
(z) be a licensed corporation with the SFC or registered institution with the Hong Kong Monetary Authority when entering into such transactions;

(iii) the relevant Sub-Fund should have at least 100% collateralization in respect of securities financing transactions. The Trustee, upon the instruction of the Manager, will take collateral, which will be cash or liquid securities with value greater than or equal to the value of the securities lent, and the collateral agent (who may be the Trustee or a third party to be appointed by the Trustee at the direction of the Manager or by the Manager directly, as may from time to time be agreed between them) will review its value on a daily basis to ensure that it is at least of a value equivalent to the borrowed securities, and such collateral must meet the collateral policies described below;

(iv) up to 100% of the assets of the relevant Sub-Fund may be available for such transactions and, unless otherwise specified in the relevant Appendix, the expected level of a Sub-Fund's assets available for these transactions will be up to 100% of the assets of the relevant Sub-Fund;

(v) the Manager will ensure that it is able to recall the securities or the full amount of cash (as the case may be) subject to the securities financing transactions or terminate such transactions into which it has entered;

(vi) where any securities lending transaction is arranged through the Trustee or a Connected Person of the Trustee or the Manager, such transaction shall be conducted at arm's length and executed on the best available terms, and the relevant entity shall be entitled to retain for its own use and benefit any fee or commission it receives on a commercial basis in connection with such arrangement (the securities lending fee will be disclosed in the connected party transaction section of the relevant Sub-Fund's annual financial reports).

In particular, The HongKong and Shanghai Banking Corporation Limited, which is a Connected Person of the Trustee, may engage in securities financing transactions with a Sub-Fund. In acting as securities lending agent, The HongKong and Shanghai Banking Corporation Limited will receive remuneration for its activities; and

(vii) custody/safekeeping arrangements, which details are set out in the section entitled "Collateral valuation and management policy" below, are in place in respect of the assets subject to the securities financing transactions.

Collateral valuation and management policy

The Manager employs a collateral management policy in relation to collateral received in respect of over-the-counter (OTC) FDI transactions and securities financing transactions entered into in respect of a Sub-Fund.

A Sub-Fund may receive collateral from a counterparty to an OTC FDI transaction or a securities financing transaction, so as to reduce its counterparty risk exposure as set out in paragraph (d) under the section entitled "Restrictions applicable to FDIs" above and paragraph (iii) under the section entitled "Securities financing transactions" above, provided that the collateral complies with the requirements set out below:

- Nature and quality of collateral – unless otherwise agreed by the Manager, eligible collateral include:
    - cash, in the same currency denomination as the securities lent, or in Hong Kong or US dollars if the securities lent are denominated in a foreign currency;
    - government or other public securities including debt securities;
    - certificates of deposit;
    - letters of credit which are unconditional and irrevocable and which have a credit rating of A1/P1 or better; and
    - certificates issued by securities exchange clearing systems;

- Selection of counterparties - The Manager has counterparty selection policies and control measures to manage the credit risks of counterparties of OTC FDI transactions and securities financing transactions and will be subject to the requirements under paragraph (ii) under the section entitled "Securities financing transactions" above. In particular:

  - the counterparties for OTC FDI transactions will be entities with legal personality typically located in Organisation for Economic Co-operation and Development (OECD) jurisdictions (but may also be located outside such jurisdictions), and be subject to ongoing supervision by a regulatory authority; and

  - the counterparties for securities financing transactions (including a borrower for a securities lending transaction) will be an independent counterparty approved by the Manager and will be a financial institution which is subject to ongoing prudential regulation and supervision;

- Liquidity – collateral must be sufficiently liquid and tradable that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing. Regular stress tests are carried out under normal and exceptional liquidity conditions to enable an adequate assessment of the liquidity risks attached to the collateral;

- Valuation – collateral should be marked-to-market daily by using independent pricing source;

- Issuer credit quality – asset used as collateral must be of high credit quality and should be replaced immediately as soon as the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral;

- Haircut – a haircut is a discount applied to the value of a collateral asset to account for the fact that its valuation, or liquidity profile, may deteriorate over time. Collateral should be subject to prudent haircut policy, which should be based on the market risks of the assets used as collateral in order to cover potential maximum expected decline in collateral values during liquidation before a transaction can be closed out with due consideration on stress period and volatile markets:

- the haircut policy takes into account the price volatility of the asset used as collateral and, where appropriate, other specific characteristics of the collateral, including, among others, asset types, issuer creditworthiness, residual maturity, price sensitivity, optionality, expected liquidity in stressed period, impact from foreign exchange, and correlation between securities accepted as collateral and the securities involved in the transactions; and

- the haircut policy applied to posted collateral will be negotiated on a counterparty basis and will vary depending on the class of asset received by a Sub-Fund. Further details of the applicable haircut arrangement for each asset class is available from the Manager upon request;

- Diversification – collateral must be appropriately diversified to avoid concentrated exposure to any single entity and/or entities within the same group and a Sub-Fund's exposure to issuer(s) of the collateral should be taken into account in compliance with the corresponding investment restrictions and limitations set out in the paragraphs (a), (b), (c), (g), (h), (k)(1), (k)(2), provisos of (i) to (iii) of paragraph (k), (l) and (B) under the section entitled "Investment restrictions" above;

- Correlation – the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty or the issuer of the FDIs, or the counterparty of securities financing transactions in such a way that it would undermine the effectiveness of the collateral. As such, securities issued by the counterparty or the issuer of the FDIs or the counterparty of securities financing transactions or any of their related entities should not be used as collateral;

- Management of operational and legal risks – the Manager shall have appropriate systems, operational capabilities and legal expertise for proper collateral management;

- Independent custody – collateral must be held by the Trustee of the relevant Sub-Fund;

- Safe-keeping of collateral and assets subject to securities financing transactions –

  - any non-cash assets received by the relevant Sub-Fund from a counterparty on a title transfer basis (whether in respect of a securities lending transaction or an OTC FDI transaction) shall be held by the Trustee, or a nominee, agent or delegate appointed in relation the assets of such relevant Sub-Fund. This is not applicable in the event that there is no title transfer and, in which case, the collateral will be held by a third party custodian which is unrelated to the provider of the collateral; and

- assets provided by the relevant Sub-Fund on a title transfer basis (in respect of a sale and repurchase transaction) shall no longer belong to such Sub-Fund. The counterparty may use those assets at its absolute discretion. Assets provided to a counter party other than on a title transfer basis shall be held by the Trustee or a nominee, agent or delegate appointed in relation the assets of such relevant Sub-Fund;

- Enforceability – collateral must be readily accessible/enforceable by the Trustee without further recourse to the issuer of the FDIs, or the counterparty of securities financing transactions;

- Re-investment of collateral - cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorised under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the Code and the following restrictions:

  - non-cash collateral received may not be sold, re-invested or pledged;

  - the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in Chapter 8.2(f) and 8.2(n) of the Code;

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

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

  - unless otherwise specified in the relevant Appendix in respect of a particular Sub-Fund, up to 100% of the cash collateral received by a Sub-Fund may be reinvested.

  For the purposes of re-investment of cash collateral received, "money market instruments" refer to securities normally dealt in on the money markets, including government bills, certificates of deposit, commercial papers, short-term notes and bankers' acceptances, etc. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments will be taken into account;

- Encumbrances - collateral should be free of prior encumbrances; and

- Collateral generally should not include (i) structured products whose payouts rely on embedded FDIs or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitised products; or (iv) unlisted collective investment schemes.

The requirements under paragraphs (a) and (b) under the section entitled "Investment Restrictions" above will also apply in the case of the "diversification" and "re-investment of collateral" requirements of this section.

A description of holdings of collateral (including but not limited to a description of the nature of collateral, identity of the counterparty providing the collateral, value of the Sub-Fund (by percentage) secured/covered by collateral with breakdown by asset class/nature and credit rating (if applicable)) will be disclosed in the Sub-Fund's annual and interim reports for the relevant period.

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

Stock Connect

Certain Sub-Funds may seek to achieve their investment objective through investing in A-shares via the 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.

The Shanghai-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 a securities trading service company established by the SEHK and the HKSCC, are able to trade eligible securities listed on the SSE by routing orders to the SSE. Under the Southbound Trading Link, eligible investors, through Mainland China securities firms and a securities trading service company established by the SSE, are able to trade eligible securities listed on the SEHK by routing orders to the SEHK. The same arrangement applies to the Shenzhen-Hong Kong Stock Connect.

Eligible securities – Hong Kong and overseas investors are only able to trade certain stocks and exchange traded funds ("**ETFs**") listed on the SSE market (the "**SSE Securities**") and the SZSE market (the "**SZSE Securities**"). SSE Securities include all eligible constituent stocks from time to time of the SSE A Share Index, and all the SSE-listed A-Shares that are not included as constituent stocks of the SSE A Share Index but which have corresponding H Shares listed on the SEHK, except the following:

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

b) SSE-listed shares which are under "risk alert" or under delisting arrangement; and

c) Other special circumstances identified by SSE.

SZSE Securities include all the eligible constituent stocks from time to time of the SZSE Composite Index, as well as SZSE-listed A-Shares that are not included as constituent stocks of the SZSE Composite Index but which have corresponding H-Shares listed on the SEHK, except the following:

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

b) SZSE-listed shares which are under "risk alert" or under delisting arrangement; and

c) Other special circumstances identified by SZSE.

Investors eligible to trade shares that are listed on the STAR Board of SSE and the ChiNext Board of SZSE under Northbound Trading Link are limited to institutional professional investors. Subject to resolution of related regulatory issues, other investors may subsequently be allowed to trade such shares. In addition, Hong Kong and overseas investors are able to trade eligible SSE-listed ETFs and SZSE-listed ETFs that satisfy the relevant criteria at a regular review and are accepted as eligible ETFs for Northbound Trading Link. Regular reviews will be performed to determine the eligible ETFs for Northbound trading every six months.

It is expected that the list of eligible securities will be subject to review and approval by the relevant Mainland China regulators from time to time.

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. 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 the Sub-Fund and are utilised on a first-come-first-serve basis. The SEHK will monitor the quota and publish 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 is 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 – Under the Shanghai-Hong Kong Stock Connect, notwithstanding the fact that HKSCC does not claim proprietary interests in the SSE Securities or SZSE Securities held in its omnibus stock account in the CSDCC, the CSDCC as the share registrar for the SSE Securities and SZSE Securities still treats the HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE Securities or SZSE Securities. The HKSCC will monitor the corporate actions affecting SSE Securities or SZSE 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.

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

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

No Coverage of China Securities Investor Protection Fund – Investment through the Stock Connect is conducted through broker(s), and is subject to the risks of default by such brokers' in their obligations. Since the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not Mainland China brokers, such trading is not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金) in the Mainland China.

Further information about the Stock Connect is available at the website:https://www.hkex.com.hk/Mutual-Market/Stock-Connect?sc_lang=en*.

* This website has not been reviewed or authorised by the SFC.

SUBSCRIPTION OF UNITS

Initial issue of Units

During an Initial Offer Period, Units in a Sub-Fund will be offered to investors at an initial Subscription Price of a fixed price per Unit as specified in the relevant Appendix.

If specified in the relevant Appendix, in the event that the total amount received by the administrator from the subscription of the Units reaches a maximum amount for aggregate subscriptions (as specified in the relevant Appendix) at any time during an Initial Offer Period, the Manager is entitled (but not obliged) to close the Sub-Fund to further subscriptions before the end of the relevant Initial Offer Period.

If specified in the relevant Appendix, the Manager may decide not to issue any Units in the event that less than a minimum amount for aggregate subscriptions (as specified in the relevant Appendix) is raised during the relevant Initial Offer Period or if the Manager is of the opinion that it is not commercially viable to proceed. In such event subscription monies paid by an applicant will be returned by cheque by post or by telegraphic transfer or such other means as the Manager and the Trustee consider appropriate at the applicant's risk (without interest and net of expenses) promptly after the expiry of the Initial Offer Period.

Units will be issued on the Business Day following the close of the Initial Offer Period or such other Business Day as the Manager may determine. Dealing of the Units will commence on the Dealing Day immediately following the closure of the relevant Initial Offer Period.

Subsequent issue of Units

Following the close of the relevant Initial Offer Period, Units will be available for issue on each Dealing Day at the relevant Subscription Price.

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

The Manager is entitled to impose a subscription fee on the subscription monies for the application for the issue of each Unit. Different levels of subscription fee may be imposed, in relation to the issue of Units of different Sub-Funds and also in relation to different classes of Units of a Sub-Fund. The Manager may retain the benefit of such subscription fee or may pay all or part of the subscription fee (and any other fees received) to recognised intermediaries or such other persons as the Manager may at its absolute discretion determine. Details of the subscription fee are set out in the section headed "Expenses and Charges" below.

The Manager has the power, in determining the Subscription Price, to add to the Net Asset Value per Unit of the relevant class (before making any rounding adjustment) an amount, for the account of the relevant Sub-Fund, which it considers to be an appropriate allowance to reflect (a) the difference between the last traded price (or the mean between the last available bid and asked prices) of the investments of the relevant Sub-Fund and the latest available asked price of such investments, and (b) all stamp and other duties, taxes, governmental charges, brokerage, bank charges, transfer fees and registration fees which would be incurred for the account of the relevant Sub-Fund in investing an amount equal to that Net Asset Value per Unit of the relevant class.

The Manager will only adjust the Subscription Price with a view to protecting the interests of Unitholders under exceptional circumstances as determined by the Manager from time to time. Where necessary the Manager will seek the view of the Trustee prior to any adjustment in the Subscription Price and such adjustment would only be made where the Trustee has no objection to it. Exceptional circumstances for adjusting the Subscription Price may include (a) the aggregate net subscriptions in the Units having exceeded a pre-determined threshold set by the Manager from time to time; and/or (b) extreme market conditions which may have an unfavourable impact on the interests of existing Unitholders. In such circumstances, the Net Asset Value per Unit of the relevant class may be adjusted by an amount (normally not exceeding 3% of that Net Asset Value) which reflects the dealing costs that may be incurred by the relevant Sub-Fund and the estimated bid/offer spread of the assets in which the relevant Sub-Fund invests. Under extreme market conditions (such as market crash or global financial crisis), the Manager may increase such amount to protect interests of the Unitholders. Any such additional amount will be retained by the relevant Sub-Fund and will form part of the assets of the relevant Sub-Fund.

Application procedure

To subscribe for Units, an applicant should complete a subscription application form (a "**Subscription Form**") supplied with this Explanatory Memorandum or is otherwise available and return the original Subscription Form, together with the required supporting documents, to the administrator by post to its business address or, if the applicant has provided to the administrator with an original fax indemnity in the Subscription Form, by fax to the administrator. Please refer to the details set out under the heading "Fax or Electronic Instructions" of this Explanatory Memorandum. The Manager may, in its absolute discretion, accept any applications for subscription made by other written or electronic forms in addition to post and fax.

Applications for Units during the relevant Initial Offer Period, together with cleared funds, must be received by the administrator no later than 5:00 pm (Hong Kong time) on the last day of the relevant Initial Offer Period. After the Initial Offer Period, applications must be received by the administrator by the relevant Dealing Deadline. Application requests submitted after the applicable Dealing Deadline in respect of any Dealing Day will be dealt with on the next Dealing Day.

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 different dealing procedures, including earlier cut-off times for receipt of applications and/or cleared funds. Applicants who intend to apply for Units through a distributor should therefore consult the distributor for details of the relevant dealing procedures.

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 Unitholder 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 redemption 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 Securities and Futures Ordinance. C12

The Manager may, at its discretion, 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 and net of expenses by cheque through the post or by telegraphic transfer or by such other means as the Trustee considers appropriate 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 relevant Sub-Fund is suspended (for details see "Suspension of Calculation of Net Asset Value" below).

Payment procedure

Subscription monies should be paid in the Class Currency of the relevant class of Units. Payment details are set out in the Subscription Form.

Subscription monies paid by any person other than the applicant will not be accepted.

The Manager may exercise its discretion to accept late payment of subscription monies, provisionally allot Units by reference to the Net Asset Value of the relevant class of Units in the relevant Sub-Fund and charge interest on such overdue monies until payment is received in full, at such rate as the Manager thinks appropriate. However, if payment of subscription monies in cleared funds are not made within such period as determined by the Manager (which shall not under normal circumstances be more than 3 Business Days following (i) the relevant Dealing Day on which an application was received by the Dealing Deadline or (ii) in the case of applications for Units during the Initial Offer Period, the last day of the relevant Initial Offer Period, unless otherwise agreed by the Manager), the application may, at the discretion of the Manager, be considered void and cancelled. Upon such cancellation, the relevant Units shall be deemed never to have been issued and the applicant shall have no right to claim against the Manager, the Registrar or the administrator and any loss will be borne by the applicant, provided that: (i) no previous valuations of the relevant Sub-Fund shall be re-opened or invalidated as a result of the cancellation of such Units; (ii) the Manager may require the applicant to pay to the administrator, for the account of the relevant 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; and (iii) the administrator shall be entitled to charge the applicant a cancellation fee for the administrative costs involved in processing the application and subsequent cancellation.

Payment in other freely convertible currencies may be accepted. Where amounts are received in a currency other than the relevant Class Currency, they will be converted into the relevant Class Currency and the proceeds of conversion (after deducting the costs of such conversions) will be applied in the subscription of Units in the relevant class of the relevant Sub-Fund. Conversion of currencies may involve delay. Bank charges (if any) incurred in converting the subscription monies shall be borne by the relevant applicant and accordingly will be deducted from the subscription proceeds.

General

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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 in respect of each Sub-Fund. Unitholders should therefore be aware of the importance of ensuring that the administrator is informed of any change to the registered details. Fractions of a Unit may be issued rounded down to the nearest 4 decimal places. 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.

REDEMPTION OF UNITS

Redemption procedure

Unitholders who wish to redeem their Units in a Sub-Fund may do so on any Dealing Day by submitting a redemption request to the administrator.

Any redemption request must be received by the administrator before the Dealing Deadline. Investors redeeming Units through a distributor (or its nominee) should submit their redemption requests to the distributor (or its nominee) in such manner as directed by the distributor (or its nominee). Distributors (or their nominees) may have different dealing procedures, including earlier cut-off times for receipt of redemption requests. Where an investor holds its investment in Units through a distributor (or its nominee), the investor wishing to redeem Units must ensure that the distributor (or its nominee), as the registered Unitholder, submits the relevant redemption request by the Dealing Deadline. 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 should be given to the administrator in writing and sent by post to the administrator's business address or, if the relevant Unitholder has provided to the administrator with an original fax indemnity, by fax to the administrator (with its original following promptly). Please refer to the details set out under the heading "Fax or Electronic Instructions" of this Explanatory Memorandum. The Manager may, in its absolute discretion, accept any redemption requests made by other written or electronic forms in addition to post and fax. The redemption request must specify: (i) the name of the Sub-Fund, (ii) the class (if applicable) and the value or number of Units to be redeemed, (iii) the name(s) of the registered Unitholder(s) and (iv) payment instructions for the redemption proceeds.

Partial redemption of a holding of Units in a Sub-Fund by a Unitholder may be effected, provided that such redemption will not result in the Unitholder holding Units in a class less than the minimum holding for that class specified in the relevant Appendix. In the event that, for whatever reason, a Unitholder's holding of Units in a class is less than such minimum holding for that class, the Manager may give notice requiring such Unitholder to submit a redemption request in respect of all the Units of that class held by that Unitholder. A request for a partial redemption of Units with an aggregate value of less than the minimum amount for each class of Units specified in the relevant Appendix (if any) will not be accepted.

All redemption requests must be signed by the Unitholder or, in the case of joint Unitholders, such one or more joint Unitholders who have been authorised to sign such requests on behalf of the other joint Unitholders (where such authorisation has been notified in writing to the administrator) or, in the absence of such notification, by all joint Unitholders.

Payment of redemption proceeds

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

The Manager may, when determining the Redemption Price, deduct from the Net Asset Value per Unit of the relevant class (before making any rounding adjustment) an amount, for the account of the relevant Sub-Fund, which it considers to be an appropriate allowance to reflect (a) the difference between the last traded price (or the mean between the last available bid and asked prices) of the investments of the relevant Sub-Fund and the latest available bid price of such investments, and (b) all stamp and other duties, taxes, governmental charges, brokerage, bank charges, transfer fees and registration fees which would be incurred for the account of the Sub- Fund in realising assets or closing out positions to provide funds to meet any redemption request.

The Manager will only adjust the Redemption Price with a view to protecting the interests of Unitholders under exceptional circumstances as determined by the Manager from time to time. Where necessary the Manager will seek the view of the Trustee prior to any adjustment in the Redemption Price and such adjustment would only be made where the Trustee has no objection to it. Examples of such exceptional circumstances for adjusting the Redemption Price may include (a) the aggregate net redemptions in Units having exceeded a pre-determined threshold set by the Manager from time to time; and/or (b) extreme market conditions which may have an unfavourable impact on the interests of existing Unitholders. In such circumstances, the Net Asset Value per Unit of the relevant class may be adjusted by an amount (normally not exceeding 3% of that Net Asset Value) which reflects the dealing costs that may be incurred by the relevant Sub-Fund and the estimated bid/offer spread of the assets in which the relevant Sub-Fund invests. Under extreme market conditions (such as market crash or global financial crisis), the Manager may increase such amount to protect interests of the Unitholders. Any such additional amount will be retained by the relevant Sub-Fund and will form part of the assets of the relevant Sub- Fund.

The Manager may at its option impose a redemption fee 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 fee to be imposed (within the permitted limit provided in the Trust Deed) on each Unitholder.

Where specified in the relevant Appendix of a Sub-Fund, a CDSC may also be payable in respect of certain class(es) of Units where Units are redeemed as described in the section headed "Expenses and Charges" below.

The amount due to a Unitholder on the redemption of a Unit will be the Redemption Price, less any redemption fee and/or CDSC. The redemption fee and the CDSC will be retained by the Manager.

Unitholders should note that redemption proceeds will not be paid to any Unitholder until (a) the duly signed original written redemption request (if such original is required by the administrator) and all other supporting documents, if any are required, have been received by the administrator; and (b) the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the administrator.

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 at the risk and expense of the redeeming Unitholder in the Class Currency of the relevant Sub- Fund by telegraphic transfer to the Unitholder's pre-designated bank account as specified in the redemption request, 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 redemption request, unless the markets in which a substantial portion of the relevant Sub-Fund's investments is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of redemption proceeds within the aforesaid time period not practicable, but in such a case the details of such legal or regulatory requirements will be set out in the relevant Appendix and the extended time frame for payment should reflect the additional time needed in light of the specific circumstances in the relevant markets. Any bank and other administrative charges associated with the payment of such redemption proceeds as well as the costs incurred in currency conversion, if any, will be borne by the redeeming Unitholder and deducted from the redemption proceeds.

With the prior consent of the Manager, arrangements can be made for redemption proceeds to be paid in any major currency other than the Class Currency of the relevant class of Units of the relevant Sub-Fund being redeemed. 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 redemptions may be, in whole or in part, made *in specie* at the discretion of the Manager. However, the Manager does not intend to exercise this discretion in respect of any Sub-Fund unless otherwise specified in the relevant Appendix. In any event, redemptions may only be made *in specie*, in whole or in part, with the consent of the Unitholder requesting the redemption.

Restrictions on redemption

With a view to protecting the interests of Unitholders, the Manager is entitled to limit the total number of Units of a Sub-Fund that may be redeemed on any Dealing Day (whether by purchase by the Manager or by cancellation) to 10%, or such other percentage as the Manager may determine either generally or in respect of any particular Dealing Day and as permitted by the SFC, of the total Net Asset Value of the relevant Sub-Fund on such Dealing Day. In this event, the limitation will apply pro rata so that all Unitholders of the relevant Sub-Fund wishing to redeem Units of that 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 on the next Dealing Day based on the Redemption Price as at that 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 promptly inform the Unitholders concerned.

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

Compulsory redemption

If it shall come to the notice of the Trustee or the Manager that any Units are owned directly, indirectly or beneficially (i) by a U.S. Person (unless such ownership is acceptable to the Manager); (ii) 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 relevant 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 relevant Sub-Fund to any additional regulation to which the Manager, the Trustee or the relevant Sub-Fund might not otherwise have incurred or suffered or been subject; (iii) in breach of, or reasonably deemed by the Manager to be in breach of, any applicable anti-money laundering or identification verification or national status or residency requirements imposed on him (whether under the terms of any underlying investment arrangement or otherwise) including without limitation the issue of any warranty or supporting document required to be given to the administrator or the Manager; or (iv) in breach of any applicable law or applicable requirements of any country or governmental authority, 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 Sub-Fund (the "**Existing Class**") into shares, units or interests in other collective investment schemes administered by the Trustee and managed by the Manager or its Connected Persons and which has been authorised by the SFC (the "**New Class**"). Switching to such other collective investment schemes will be by way of redeeming the Units held by the relevant Unitholders in accordance with the redemption procedures set out in the section headed "Redemption of Units" above and by re-investing the redemption proceeds thereof in such other collective investment schemes in accordance with the provisions of the relevant offering documents for such other collective investment schemes. 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 specified for the New Class (if any) and/or the Existing Class. Furthermore, no switching to a class of Units will be effected if the subscription of that class of Units is closed.

Under the Trust Deed, the Manager is entitled to impose a switching fee on the switching of Units of up to 1% of the redemption proceeds payable in respect of the Units of the Existing Class being switched. The switching fee will be deducted from the amount reinvested in the New Class and will be paid to the Manager.

Where specified in the relevant Appendix of a Sub-Fund, the Manager may compulsorily switch all or any Units of the Existing Class for Units of any class of Units of the same Sub-Fund as determined by the Manager in its absolute discretion (the "**Designated Class**") by not less than one month's notice expiring on a Dealing Day to Unitholders in the Existing Class. No such compulsory switching will be effected if, as a result, the Unitholder would hold less than the minimum holding specified for the Existing Class and/or the Designated Class. No fee is charged for compulsory switching of Units in the Existing Class and a compulsory switching will not be effected if it results in an increase of fees to Unitholders.

A switching of Units (whether pursuant to a request for switching received by the Trustee prior to the Dealing Deadline in respect of a Dealing Day or as a result of compulsory switching from the Existing Class to the Designated Class on a Dealing Day) will be effected as follows:

- redemption of the Units of the Existing Class will be dealt with 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 Units of the Existing Class, after deduction of any switching fee, shall be converted into the currency of denomination of the New Class (or the Designated Class, as the case may be); and

- the resulting amount will be used to subscribe for Units of the New Class at the relevant subscription price on the relevant dealing day in respect of the New Class (the "**Switching Subscription Day**"). The Switching Subscription Day shall be the same day as the Switching Redemption Day or (in the event that the Switching Redemption Day is not a dealing day in respect of the New Class) the dealing day of the New Class which immediately follows the relevant Switching Redemption Day, provided that the Trustee shall receive cleared funds in the relevant currency of the New Class within such period as determined by the Manager. In the event that cleared funds are not received within the applicable period, the Switching Subscription Day shall be the day on which the Trustee receives cleared funds in the relevant currency by the dealing deadline of the New Class.

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

FAX OR ELECTRONIC INSTRUCTIONS

If applicants or Unitholders wish to give instructions for subscription, redemption or switching by facsimile or any other electronic means, applicants or Unitholders must first provide to the administrator an original indemnity relating to fax or transmission via such other electronic means in the application or request.

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

Applicants or Unitholders should be reminded that if they choose to send the applications or requests for subscription, redemption or switching by facsimile or any other electronic means, they bear the risk of such applications or requests not being received. Applicants or Unitholders should note that the Trust, the Manager, the Trustee, the Registrar and the administrator accept no responsibility for any loss caused as a result of non-receipt or illegibility of any application or request sent by facsimile or any other electronic means or any amendment of such application or request or for any loss caused in respect of any action taken as a consequence of such faxed or any other electronic instruction believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a facsimile or any other electronic transmission report produced by the originator of such transmission discloses that such transmission was sent.

VALUATION

Valuation rules

The Net Asset Value of each Sub-Fund will be calculated by valuing the assets of the Sub-Fund and deducting the liabilities attributable to the Sub-Fund in accordance with the terms of the Trust Deed. These liabilities include, without limitation, any management fee, performance fee, trustee fee, any taxes, any borrowings and the amount of any interest and expenses thereon, any other costs or expenses expressly authorised by the Trust Deed, and an appropriate allowance for any contingent liabilities.

Where a Sub-Fund has more than one class of Units, to ascertain the Net Asset Value of a class of Units, a separate class account will be established in the books of the Sub-Fund. An amount equal to the proceeds of issue of each Unit will be credited to the relevant class account. The Net Asset Value of each class of Units as at any Valuation Point shall be calculated by:

- allocating among each class the Net Asset Value of the Sub-Fund pro rata in accordance with the Net Asset Value of each class, then adding the subscriptions and deducting the redemptions in respect of each class, immediately prior to the relevant Valuation Point; and

- deducting from the Net Asset Value of the class in question the fees, costs, expenses or other liabilities attributable to that class not already deducted in ascertaining the Net Asset Value of the Sub-Fund and adding to the Net Asset Value, assets specifically attributable to that class in order to arrive at the Net Asset Value of that relevant class.

The value of the assets of a Sub-Fund will be determined by the Manager, in consultation with the Trustee, 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 an unlisted collective investment scheme) that are quoted, listed, traded or dealt in on any securities market will be valued by reference to the price appearing to the Trustee to be the last traded price or "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, traded or dealt in on more than one such market, the price adopted shall be the last traded price or the exchange close price as published by the market in accordance with its local rules and customs which, in the opinion of the Manager, provides the principal market for such investment, provided that if the Manager considers that the prices published on a securities market other than the principal market for such investment provides, in all circumstances, a fairer criterion of value in relation to any such investment, such prices may be adopted; (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 up to (and including) the date as at which the valuation is made, 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 with regard to the valuation of investments 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, traded 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 person, firm or institution making a market in such investments or otherwise approved by the Trustee as qualified to value such investments (which may, if the Trustee agrees, be the Manager);

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

(d) the value of any commodity or futures contract shall be ascertained in such manner as the Manager, in consultation with the Trustee, shall think fit, but so that:

(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 Manager, in consultation with the Trustee, shall consider appropriate;

(ii) if any such price as referred to in (i) is not, in the opinion of the Manager, reasonably up-to-date or 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 by the Manager (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 Manager for the account of the Sub-Fund in order to close the relevant Contract and the amount expended out of 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 by the Manager (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 Manager for the account of the Sub-Fund in order to close the relevant Contract, the sum of the contract value of the relevant Contract and the amount expended out of 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 or futures contract, then the value shall be determined in accordance with (b) above as if such commodity or futures contract were an unquoted investment;

(e) the value of each unit, share or interest in any collective investment scheme (other than an interest in a listed 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 so determines, 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, provided that if no net asset value is available, the value thereof shall be determined from time to time in such manner as the Manager shall determine in consultation with the Trustee;

(f) notwithstanding paragraphs (a) to (e) above, the Manager may, in consultation with 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 reflect the fair value of the investment; and

(g) the value of any investment (whether of a borrowing or other liability or an investment or cash) in a currency other than the Base Currency of the Sub-Fund or the currency of denomination of the relevant class will be converted into the Base Currency or the currency of denomination of such class (as the case may be) at the rate (whether official or otherwise) which the Manager shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange.

Suspension of calculation of Net Asset Value

The Manager may, after consultation with the Trustee and having regard to the best interests of Unitholders, declare a suspension of the determination of the Net Asset Value of any Sub-Fund, and/or the issue and/or switching and/or redemption of Units of any Sub-Fund, and/or extend the period for the payment of redemption moneys to all persons who have redeemed Units of any Sub-Fund, in exceptional circumstances, for the whole or any part of any period during which:

(a) there is a closure of or the restriction or suspension of trading on any securities market or commodities market or futures exchange on which a substantial part of the investments of the relevant Sub-Fund is normally listed, quoted, traded or dealt or a breakdown in any of the means normally employed in ascertaining the prices of investments of the relevant Sub-Fund; or

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

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

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

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

(f) 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 relevant 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

(g) the issue, redemption or transfer of Units of the relevant Sub-Fund or class 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 declared above will take effect immediately on the declaration thereof and thereafter there will be no determination of the Net Asset Value of the relevant Sub-Fund, and/or the issue and/or switching and/or redemption of Units of the relevant Sub-Fund, and/or payment of redemption moneys in respect of the relevant Sub-Fund, as the case may be, until the Manager declares the suspension at an end, except that the suspension will terminate in any event on the day following the first Business Day on which (i) the condition giving rise to the suspension has ceased to exist, and (ii) no other condition under which a suspension is authorised exists.

If the Manager declares a suspension, the Manager shall, as soon as may be practicable after any such declaration notify the SFC of such suspension and procure the notice of the suspension be published immediately following the decision to suspend and at least once a month during the period of suspension on the Manager's website www.valuepartners-group.com*.

* This website has not been reviewed or authorised by the SFC.

Publication of Net Asset Value

The latest Subscription Price and Redemption Price in respect of Units or the Net Asset Value per Unit of each Sub-Fund are available on each Dealing Day on the Manager's website www.valuepartners-group.com*.

EXPENSES AND CHARGES

There are different levels of fees and expenses applicable to investing in each Sub-Fund as set out below. For information concerning actual fees payable in respect of each Sub-Fund, please refer to the relevant Appendix.

Fees payable by Unitholders

The following fees and charges are payable by Unitholders:

Subscription Fee

Under the Trust Deed, the Manager is entitled to impose a subscription fee on the issue of Units of any Sub-Fund of up to a maximum of 5% of the subscription monies.

The subscription fee is payable in addition to the Subscription Price per Unit. The Manager may, in its absolute discretion, waive or reduce the payment of all or any portion of the subscription fee (either generally or in any particular case) of a Sub-Fund.

Redemption fee and CDSC

Under the Trust Deed, the Manager is entitled to impose a redemption fee on the redemption of Units of any Sub-Fund of up to a maximum of 3% of the redemption proceeds payable in respect of such Units.

Where specified in the relevant Appendix of a Sub-Fund, the Manager is entitled to impose a CDSC of up to a maximum of 3% of the redemption proceeds payable in respect of such Units in respect of redemption of certain class(es) of Units within a specified period, by reference to the total length of time during which the Units been redeemed were in issue.

* This website has not been reviewed or authorised by the SFC.

The redemption fee (or CDSC, if any) are deducted from the redemption proceeds payable to a Unitholder in respect of each Unit redeemed. The Manager may, in its absolute discretion, waive or reduce the payment of all or any portion of the redemption fee or CDSC (either generally or in any particular case) of a Sub-Fund.

Switching fee

Under the Trust Deed, the Manager is entitled to impose a switching fee on the switching of Units of up to 1% of the redemption proceeds payable in respect of the Units of the Existing Class being switched.

The switching fee is deducted from the amount realised from redemption of the Existing Sub- Fund and reinvested in the New Sub-Fund. 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) of a Sub-Fund.

Fees payable by the Trust

The following fees and charges are payable out of the assets of each Sub-Fund:

Management fee

The Trust Deed provides that the Manager is entitled to a management fee in respect of each Sub-Fund it manages, the maximum amount of which is equal to 3% per annum of the Net Asset Value of the relevant Sub-Fund. 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 Trust Deed provides that the Manager is entitled to charge a performance fee in respect of any class of Units, the maximum amount of which is equal to 15% per annum of the Net Asset Value of the relevant class of Units.

Details of any performance fee (if any) are set out in the relevant Appendix.

Trustee fee

The Trust Deed provides that the Trustee is entitled to a trustee fee in respect of each Sub-Fund, the maximum amount of which is equal to 1% per annum of the Net Asset Value of the Sub-Fund. The trustee fee will be accrued as at each Valuation Day and will be payable monthly in arrears.

The Trustee will also be entitled to recover out-of-pocket expenses in performing its services together with certain transaction costs and processing fees.

Other charges and expenses

Each Sub-Fund will bear the costs set out in the Trust Deed which are directly attributable to it. Where such costs are not directly attributable to a Sub-Fund, such costs will be allocated between all Sub-Funds pro-rata to the Net Asset Value of each Sub-Fund, unless otherwise determined by the Manager after consultation with the Trustee and/or the Auditor. Such costs include but are not limited to the costs of investing and realising the investments of a Sub-Fund, the fees and expenses of safekeeping of the assets of the Trust and each Sub-Fund, any fees, charges or expenses (including without limitation, stamp duty) incurred in connection with counterparty risk management procedures, the fees and expenses of the Registrar, any administrators, auditors, valuation costs, legal fees, the costs incurred in connection with any listing or regulatory approval, the costs of holding meetings of Unitholders, the costs incurred in the preparation and printing of any explanatory memorandum and preparation and printing of any financial statements and all other costs, charges and expenses which in the opinion of the Manager and the Trustee shall have been properly incurred in the administration or investment activities of the Trust or the relevant Sub-Fund.

Expenses arising out of any advertising or promotional activities in connection with any Sub- Fund authorised by the SFC will not be charged to the Trust or that Sub-Fund.

Increase in fees

Any increase in the redemption fee, switching fee, management fee, performance fee or trustee fee in respect of a Sub-Fund, (i) up to the relevant maximum level stated above, will only be implemented after giving one month's notice (or such period of notice as may be approved under the Code) to the affected Unitholders, and (ii) beyond the relevant maximum level, is subject to approval by the SFC and by extraordinary resolution of the affected Unitholders.

Establishment costs

The costs of establishing the Trust and the first Sub-Fund (i.e. the Value Partners China A-Share Select Fund) were charged to and amortised over the first 5 accounting periods of the first Sub-Fund (or such other period as determined by the Manager after consultation with the auditors of such Sub-Fund).

Where subsequent Sub-Funds under the Trust are established in the future, the Manager may determine that the unamortised establishment costs of the Trust or a part thereof may be re- allocated to such subsequent Sub-Funds.

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

Cash rebates and soft commissions

Neither the Manager nor any of its Connected Persons receives any cash commissions or other rebates from brokers or dealers in respect of transactions for the account of any Sub-Fund. However, the Manager and/or any of its Connected Persons with it reserve the right to effect transactions by or through the agency of another person with whom the Manager and/or any of its Connected Persons has such an arrangement.

The Manager and/or any of its Connected Persons further reserve the right to effect transactions by or through the agency of another person with whom the Manager and/or any of its Connected Persons has an arrangement under which that party will from time to time provide to or procure for the Manager and/or any of its Connected Persons goods, services or other benefits (such as research and advisory services, computer hardware associated with specialised software or research services and performance measures) the nature of which is such that their provision can reasonably be expected to benefit the Trust (or the relevant Sub-Fund) as a whole and may contribute to an improvement in the performance of the Trust (or the relevant Sub-Fund) or of the Manager and/or any of its Connected Persons in providing services to the Trust (or the relevant Sub-Fund) and for which no direct payment is made but instead the Manager and/or any of its Connected Persons undertakes to place business with that party. The availability of such soft dollar arrangements must not be the sole or primary purpose to perform or arrange transaction with such broker or dealer. Any transactions executed through such party must be consistent with best execution standards and brokerage rates must not be in excess of customary institutional full-service brokerage rates. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments. Periodic disclosure in the form of a statement describing the soft dollar policies and practices of the Manager or investment delegate, including a description of the goods and services received by them, will be made in the relevant Sub-Fund's annual report.

RISK FACTORS

The nature of each 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 any Sub-Fund will be achieved. This section sets out what the Manager believes are the general risks associated with investments in the Sub-Funds, but investors should note that the relevant Appendix may include additional risk factors which are specific or particular to a particular Sub-Fund. The risk factors below do not offer advice on the suitability of investing in any Sub- Fund. Prospective investors should carefully evaluate the merits and risks of an investment in a Sub-Fund in the context of their overall financial circumstances, knowledge and experience as an investor and should consult their independent professional or financial advisers before making any investment in a Sub-Fund.

General risks

Investment risk

Investors should be aware that investment in any 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 a 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. Accordingly, there is a risk that investors may not recoup the original amount invested in a Sub-Fund or may lose a substantial part or all of their initial investment.

Market risk

The Net Asset Value of a Sub-Fund will change with changes in the market value of the investments of such Sub-Fund. The value of such investments, and consequently the price of Units of the relevant Sub-Fund, may go down as well as up.

It is possible that a serious pandemic (such as the COVID-19 outbreak in 2020) or a natural disaster may cause severe disruption on the global economy, and may have an adverse impact on the operation of a Sub-Fund. The continued spread of COVID-19 or an outbreak of other pandemics or any natural disaster or the measures taken by the governments of affected countries/regions may have an adverse effect on global or regional economic conditions and may adversely affect the ability of a Sub-Fund to accurately determine the value of its underlying investments.

Concentration risk

Certain Sub-Funds may invest only in a specific country, region, sector or type of investment with a particular focus. Although there are various investment restrictions with which the Manager has to comply when managing the investments of any Sub-Fund, the concentration of a Sub-Fund's exposure to a single country/region subjects it to greater concentration risk. The Sub-Fund may be more volatile than a broadly-based fund such as a global or regional investment fund as it is more susceptible to fluctuation in value resulting from adverse economic or political conditions in a single country/region.

Emerging market risk

Certain Sub-Funds may invest in emerging markets, which subjects the Sub-Funds to a higher level of market risk than investments in a developed market. This is due to, among other things, greater market volatility, lower trading volume, political and economic uncertainties, settlement risk (including risks arising from settlement procedures), greater tax, economic and foreign exchange risk, greater risk of market shut down and more governmental limitations on foreign investment than those typically found in developed markets.

Counterparty risk

A Sub-Fund will be subject to the risk of the inability of any counterparty to perform with respect to any investments or contracts purchased by the Sub-Fund. If a counterparty becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, the Sub-Fund may experience significant delays in obtaining any recovery in bankruptcy or other reorganisation proceeding. Such Sub-Fund is likely to be an unsecured creditor in any such proceeding and may obtain only a limited recovery or may obtain no recovery in such circumstances.

Liquidity risk

A Sub-Fund may invest in instruments where the volume of transactions may fluctuate significantly depending on market sentiment. There is a risk that investments made by a 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 relevant 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 Net Asset Value of a Sub-Fund or prevent a Sub-Fund from being able to take advantage of other investment opportunities.

Liquidity risk also includes the risk that a 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, a Sub-Fund may be forced to sell investments, at an unfavourable time and/or conditions.

Exchange rate risk

Assets of certain Sub-Funds may be denominated in currencies other than the base currencies of such Sub-Funds and the currency of some assets may not be freely convertible. Also, a class of units may be designated in a currency other than the base currencies of the Sub-Funds as well. These Sub-Funds may be adversely affected by changes in exchange rates between the currencies in which the assets of the relevant Sub-Fund are held and the base currency of such Sub-Fund as well as associated fees and charges and changes in exchange rate controls.

Risks relating to Currency Hedging and the Currency Hedged Classes

The Manager may (but is not obliged to) enter into certain currency related transactions in order to hedge the currency exposure of the assets of a Sub-Fund attributable to a particular class into the Class Currency of the relevant class. Any financial instruments used to implement such strategies with respect to one or more classes shall be assets/liabilities of the relevant Sub-Fund as a whole but will be attributable to the relevant class(es) and the gains/losses on and the costs of the relevant financial instruments will accrue solely to the relevant class. Where a class of Units is to be hedged ("**Currency Hedged Class**") this will be disclosed in the relevant Appendix. Any currency exposure of a class may not be combined with, or offset against, that of any other class of the relevant Sub-Fund. The currency exposure of the assets attributable to a class may not be allocated to other classes.

Where the Manager seeks to hedge against currency fluctuations, while not intended, this could result in over-hedged or under-hedged positions due to external factors outside the control of the Manager. Investors in the Currency Hedged Classes may have exposure to currencies other than the currency of that Currency Hedged Class. Investors should also be aware that the hedging strategy may substantially limit the benefits of any potential increase in value of a Currency Hedged Class expressed in the Class Currency, if the Currency Hedged Class' denominating currency falls against the base currency of the Sub-Fund.

The Manager may also, at its absolute discretion, seek to fully or partially hedge currency exposures arising from some or all of a Sub-Fund's underlying assets to the base currency of such Sub-Fund. Investors whose base currency is different (or not in a currency linked to the relevant Sub-Fund's base currency or the currency of that Currency Hedged Class) may be exposed to additional currency risk.

The precise hedging strategy applied to a particular Currency Hedged Class may vary. In addition, there is no guarantee that the desired hedging instruments will be available or hedging strategy will achieve its desired result. In such circumstances, investors of the Currency Hedged Class may still be subject to the currency exchange risk on an unhedged basis (which means that, for example, if the hedging strategy in respect of an RMB Hedged Class is ineffective, depending on the exchange rate movements of RMB relative to the base currency of the relevant Sub-Fund, and/or other currency(ies) of the non-RMB denominated underlying investment of that Sub- Fund, (i) investors may still suffer losses even if there are gains or no losses in the value of the non-RMB denominated underlying investments; or (ii) investors may suffer additional losses if the non-RMB denominated underlying investments of that Sub-Fund fall in value).

If the counterparties of the instruments used for hedging purposes default, investors of the Currency Hedged Classes may be exposed to the currency exchange risk on an unhedged basis and may therefore suffer further losses.

Different Currency Hedged Classes are primarily targeted for investors whose base currencies of investment are the currencies of the Currency Hedged Classes.

Each Currency Hedged Class may hedge a Sub-Fund's denominated currency back to its currency of denomination, with an aim to provide a return on investment which correlates with the return of the class which is denominated in the base currency of the relevant Sub-Fund by reducing the effect of exchange rate fluctuations between the base currency of the Sub-Fund and the Currency Hedged Classes whilst taking into account practical considerations such as transaction costs. However, the return of the Currency Hedged Classes will never correlate perfectly to the class which is denominated in the base currency of the Sub-Fund due to various factors, including but not limited to short-term interest rate differentials, unrealised gains/losses on currency forward positions not being invested until the gains/losses are realised and transaction costs attributable to the hedging activity. Investors should also note that the distribution amount and/or rate of the Currency Hedged Classes may be more than or less than such amount and/or rate of the class which is denominated in the base currency of the Sub-Fund due to various factors, including but not limited to short-term interest rate differentials. Where the Currency Hedged Class is subject to a performance fee, it should be noted that any divergence in the performance of different classes (for the reasons stated above), or different launch dates of different classes, could result in any such performance fees becoming chargeable at different points in time, as different classes reach their high watermark at different points in time. Accordingly the performance fee may adversely impact the correlation between different classes.

Consequently, a Currency Hedged Class is not recommended for investors whose base currency of investment is not in the same currency of such Currency Hedge Class. Investors who choose to convert other currencies into such base currency to invest in such Currency Hedge Class should understand that they may be exposed to higher currency risks and may suffer a higher loss as a result of exchange rate fluctuations than an investor whose base currency of investment is in the same currency of the Currency Hedged Class.

To the extent that hedging is successful for a particular Currency Hedged Class, the performance of the Currency Hedged Class is likely to move in line with the performance of the underlying assets with the result that investors in that Currency Hedged Class will not gain if the class currency falls against the base currency of the Sub-Fund.

It is intended that the currency hedging strategy which will be employed will be based on the most up-to-date information in relation to the Net Asset Value of the relevant Sub-Fund, and will also take into account future transactions relating to Unitholder activity that will be processed through each class of Units in the Sub-Fund as at the relevant Valuation Point. The currency hedging strategy will be monitored and adjusted in line with the valuation cycle at which investors are able to subscribe to and redeem from the relevant Sub-Fund.

Futures, forwards, options and contracts for difference may be used to hedge against downward movements in the value of the relevant Sub-Fund's portfolio, either by reference to specific securities or markets to which such Sub-Fund may be exposed.

Forward foreign exchange contracts are also used more specifically to hedge the value of certain classes of Units in the relevant Sub-Fund against changes in the exchange rate between the Class Currency and the base currency of such Sub-Fund.

Restricted markets risk

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

Performance fee risk

Performance fees may encourage the Manager to make riskier investment decisions than in the absence of performance-based incentive systems. The increase in Net Asset Value which is used as a basis for the calculation of performance fees may comprise of both realised gains and unrealised gains as at the end of the calculation period. As a result, performance fees may be paid on unrealised gains which may subsequently never be realised by the Sub-Fund.

There is no adjustment of equalisation credit or equalisation losses on an individual Unitholder basis. A Unitholder redeeming units may still incur performance fee in respect of the units, even though a loss in investment capital has been suffered by the redeeming Unitholder.

Legal and compliance risk

Domestic and/or international laws or regulations may change in a way that adversely affects a Sub-Fund. Differences in laws between countries or jurisdictions may make it difficult for the Trustee or Manager to enforce legal agreements entered into in respect of a Sub-Fund. The Trustee and the Manager reserve the right to take steps to limit or prevent any adverse effects from changes to laws or their interpretation, including altering investments of or restructuring the relevant Sub-Fund.

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 a Sub-Fund as well as suspend subscriptions and redemptions for Units in a 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 calculation of Net Asset Value" for further information in this regard.

Early termination risk

Under the Trust Deed, a Sub-Fund may be terminated by the Manager or the Trustee in certain conditions and in the manner as described in "Termination of the Trust or any Sub-Fund" in the section entitled "General" in this Explanatory Memorandum. It is possible that, in the event of such termination, a Sub-Fund will not be able to achieve its investment objective and investors will have to realise any investment loss and will receive an amount less than the capital they originally invested.

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 a Sub-Fund under the Trust (liabilities are to be attributed to the specific class of a 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 a 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 a 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 that 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.

Valuation and accounting risk

Investors should note that, under IFRS, establishment costs should be expensed as incurred. However for the purpose of calculating of net asset value for subscription and redemption purposes, establishment costs are to be amortised over a period of five years, which may lead to a different valuation had the accounting been in accordance with IFRS. The Manager has considered the impact of such non-compliance and does not expect this issue to affect the results and the calculation of Net Asset Value of the Sub-Funds materially. To the extent that the valuation or accounting basis adopted by any Sub-Fund deviates from IFRS, the Manager may make necessary adjustments in the annual financial statements to comply with IFRS.

Dividends and distributions

Whether the Manager will pay dividends on Units of a Sub-Fund is subject to the Sub-Fund's distribution policy. There is no guarantee that any dividends will be distributed nor will there be a target level of dividend payout. A high distribution yield does not imply a positive or high return.

Distributions payable out of capital or effectively out of capital risk

In circumstances where the net distributable income of a class is insufficient to pay for any dividend which may be declared, the Manager may, at its discretion, (i) pay dividend out of capital of a Sub-Fund; or (ii) pay dividend out of gross income of a Sub-Fund (that is, income before taking into account any fees or expenses) while charging all or part of such Sub-Fund's fees and expenses to the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of capital or effectively out of capital of a Sub-Fund (as the case may be) may result in an immediate reduction of the Net Asset Value per Unit of the relevant class. Please refer to "Distribution policy" in the relevant Appendix.

Foreign Account Tax Compliance Act risk

Subject to the discussion regarding the IGA below, sections 1471 – 1474 (referred to as "**FATCA**") of the U.S. Internal Revenue Code of 1986, as amended ("**IRS Code**") impose rules with respect to certain payments to non-U.S. persons, such as each Sub-Fund, including interest and dividends from securities of U.S. issuers. All such payments (referred to as "**withholdable payments**") may be subject to withholding at a 30% rate, unless the recipient of the payment satisfies certain requirements intended to enable the Internal Revenue Service (the "**IRS**") to identify United States persons (within the meaning of the IRS Code) with interests in such payments. While such withholding would have applied also to payments of gross proceeds from the sale or other disposition on or after January 1, 2019 of property of a type which can produce U.S. source dividends and interest, recently proposed Treasury regulations eliminate such withholding on payments of gross proceeds entirely. Taxpayers generally may rely on these proposed Treasury regulations until final Treasury regulations are issued. To avoid such withholding on payments made to it, a foreign financial institution (an "**FFI**"), such as each Sub-Fund (and, generally, other investment funds organised outside the U.S.), generally will be required to enter into an agreement (an "**FFI Agreement**") with the IRS, under which it will agree to identify its direct or indirect U.S. owners and report certain information concerning such U.S. owners to the IRS. The FFI Agreement will also generally require that an FFI withhold U.S. tax at a rate of 30% on certain payments to investors who fail to cooperate with certain information requests made by the FFI or on such payments made to investors that are FFIs that have not entered into an FFI Agreement with the IRS.

On 13 November 2014, Hong Kong has entered into an intergovernmental agreement with the US ("**IGA**") for the implementation of FATCA, adopting "Model 2" IGA arrangements. Under this "Model 2" IGA arrangements, FFIs in Hong Kong (such as each Sub-Fund) will be required to register with the US IRS and comply with the terms of FFI Agreement. Otherwise each Sub-Fund will be subject to a 30% withholding tax on relevant US-sourced payments it receives.

Under the IGA, FFIs in Hong Kong (such as each Sub-Fund) complying with the FFI Agreement (i) will generally not be subject to the above described 30% withholding tax on payments they receive; and (ii) will not be required to withhold tax on withholdable payments to recalcitrant accounts (i.e. accounts of which the holders do not consent to FATCA reporting and disclosure to the US IRS) or close those recalcitrant accounts (provided that information regarding such recalcitrant account is reported to the US IRS pursuant to the provisions of the IGA), but may be required to withhold tax on withholdable payments made to non-compliant FFIs. Withholding may be required with respect to withholdable payment to recalcitrant accounts if, pursuant to certain exchange of information provisions contained in the IGA, the IRS has not obtained information regarding such recalcitrant account holders within a time period specified in the IGA.

Each Sub-Fund will endeavour to satisfy the requirements imposed under FATCA, the IGA and the FFI Agreement to avoid any withholding tax. In particular, each Sub-Fund has been registered as a participating FFI (including a reporting Model 2 FFI). Value Partners China A-Share Select Fund, Value Partners Asian Income Fund, Value Partners Asian Total Return Bond Fund, Value Partners Asian Innovation Opportunities Fund, Value Partners All China Bond Fund, Value Partners USD Money Market Fund and Value Partners Japan REIT Fund have been registered with the US IRS as a reporting Model 2 FFI with Global Intermediary Identification Numbers 9856NC.99999.SL.344, 4Q8MPR.99999.SL.344, QGPT4V.99999.SL.344, JIHBMU.99999.SL.344, 1PR42K.99999.SL.344, EKHBHY.99999.SL.344 and PQ7ILN.99999.SL.344 respectively. In the event that a Sub-Fund is not able to comply with the requirements imposed by FATCA, the IGA or the FFI Agreement and such Sub-Fund does suffer US withholding tax on its investments as a result of non-compliance, the Net Asset Value of such Sub-Fund may be adversely affected and such Sub-Fund may suffer significant loss as a result. In addition, prospective investors should note that underlying collective investment schemes in which each Sub-Fund invests may be required to satisfy their own FATCA compliance obligations, and failure by any underlying collective investment scheme to fully comply with its FATCA obligations may have an adverse impact on the net asset value of each Sub-Fund.

To the extent that a Sub-Fund suffers withholding tax on its investments as a result of FATCA, the Trustee on behalf of the Sub-Fund may, after completing due process to ascertain and confirm that the Unitholder has failed to cooperate and provide the required information, bring legal action against the relevant Unitholder for losses suffered by the relevant Sub-Fund as a result of such withholding tax.

Each prospective investor should consult with its own tax adviser as to the potential impact of FATCA in its own tax situation.

RMB currency risk

RMB is not freely convertible and subject to exchange controls and restrictions

It should be noted that the RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies and repatriation restrictions imposed by the PRC government. Since 1994, the conversion of RMB into US dollar has been based on rates set by the People's Bank of China, which are set daily based on the previous day's China interbank foreign exchange market rate. On 21 July, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. In addition, a market maker system was introduced to the interbank spot foreign exchange market. In July 2008, China announced that its exchange rate regime was further transformed into a managed floating mechanism based on market supply and demand. Given the domestic and overseas economic developments, the PBOC decided to further improve the RMB exchange rate regime in June 2010 to enhance the flexibility of the RMB exchange rate. However it should be noted that the PRC government's policies on exchange control and repatriation restrictions are subject to change, and any such change may adversely impact the Sub-Fund. There can be no assurance that the RMB exchange rate will not fluctuate widely against the US dollar or any other foreign currency in the future. Any depreciation of the RMB will decrease the value of RMB-denominated assets the Sub-Fund may hold and of any dividends that the Sub-Fund may receive from such investments, which may have a detrimental impact on the Net Asset Value of the Sub-Fund, and vice versa.

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 SAFE. On the other hand, the existing Mainland China 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. Nevertheless, the Manager cannot predict whether the PRC government will continue its existing foreign exchange policy or when the PRC government will allow free conversion of the RMB to foreign currency.

Investors may be adversely affected by movements of exchange rates between the RMB and other currencies

For investors investing in Units which are denominated in RMB or investing in Sub-Funds whose investments are primarily denominated in RMB, if their assets and liabilities are predominantly in Hong Kong dollars or in currencies other than RMB, they should take into account the potential risk of loss arising from fluctuations in value between such currencies and the RMB. There is no guarantee that the RMB will appreciate in value against the HKD or any other currency, or that the strength of the RMB may not weaken. In such case an investor may enjoy a gain in RMB terms but suffer a loss when converting funds from RMB back into HKD (or any other currency).

Where a Sub-Fund invests in RMB-denominated assets, currency risk also arises where an investor subscribes to Units of a Class denominated in a currency other than RMB and the subscription monies in the relevant Class Currency are converted into the RMB in order to make RMB-denominated portfolio investments, and where RMB-denominated portfolio investments are liquidated and RMB funds are converted back into the relevant Class Currency to pay redemption proceeds. For a Sub-Fund with RMB as the Base Currency, the exchange rate used in calculating the Subscription Price and Redemption Price of classes of Units with Class Currency other than RMB will be the offshore RMB ("**CNH**"), not the onshore RMB ("**CNY**"). The calculation of the Net Asset Value per Units of any Class not denominated in RMB will also be impacted by movements in the exchange rate between the RMB and the relevant Class Currency.

Risks associated with the Mainland China

The economy of Mainland 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/regions in many respects, including the level of government involvement, its state of development, its growth rate, control of foreign exchange, and allocation of resources.

The PRC government has implemented economic reform measures emphasising utilisation of market forces in the development of the economy of Mainland China and a high level of management autonomy. The economy of Mainland China has experienced significant growth in the past years, but growth rates have varied across different geographical regions and economic sectors. Economic growth has also been accompanied by periods of high inflation. The PRC government has implemented various measures from time to time to adjust its economic policies and measures to manage economic growth and inflation.

For the past years, the PRC government has carried out economic reforms to achieve decentralisation and utilisation of market forces to develop the economy of the Mainland China. 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 impact on the securities market in the Mainland China 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 Mainland China economy which may also have an impact on the capital growth and performance of the Sub-Fund.

Development in regulatory and policy environment may also impact some or all of the property held by the underlying issuers of the fixed income instruments in the Sub-Fund's portfolio. These changes may include adjustments to tax policies, regulatory requirements, and other governmental policies.

Risks associated with the Stock Connect

A Sub-Fund's investments through the Stock Connect may be subject to the following risks. In the event that a Sub-Fund's ability to invest in the SSE Securities/SZSE Securities through the Stock Connect on a timely basis is adversely affected, the Sub-Fund ability to achieve its investment objective may be affected.

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 the SSE Securities/SZSE Securities through the Stock Connect may be affected.

Suspension risk: Each of the SEHK, the SSE and the SZSE reserves the right to suspend Northbound and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the Northbound trading is effected, a Sub-Fund's ability to access the Mainland China market through the Stock Connect will be adversely affected.

Differences in trading day: The Stock Connect only operates on days when both the Mainland China and Hong Kong markets are open for trading. So it is possible that there are occasions when it is a normal trading day for the Mainland China market but Hong Kong investors (such as a Sub-Fund) cannot carry out any SSE Securities/SZSE Securities trading via the Stock Connect. Due to the differences in trading days, a Sub-Fund may be subject to a risk of price fluctuations in the relevant SSE Securities/SZSE Securities during the time when Stock Connect is not trading as a result.

Operational risk: The Stock Connect provides a channel for investors from Hong Kong and overseas to access the Mainland China stock market directly. The Stock Connects are premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this programme subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.

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

Further, the "connectivity" in the Stock Connect requires routing of orders across the border. SEHK has set up an order routing system to capture, consolidate and route the cross-boundary orders input by exchange participants. There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through the programme could be disrupted.

Recalling of eligible securities: If a security is recalled from the scope of eligible securities for trading via the Stock Connect, the security can only be sold and cannot be bought. This may affect a Sub- Fund's ability to invest in the SSE Securities/SZSE Securities through the Stock Connect.

Clearing and settlement risk: The HKSCC and CSDCC establish clearing links and each has become a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house. Should the remote event of 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 securities and monies from the CSDCC through available legal channels or through the CSDCC's liquidation. In that event, the relevant 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 evolving, and will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the Mainland China and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connect. There can be no assurance that the Stock Connect will not be abolished.

No Protection by China Securities Investor Protection Fund: Investment through the Stock Connect is conducted through broker(s), and is subject to the risks of default by such brokers' in their obligations. Since a Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not Mainland China brokers, they are not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金) in the Mainland China.

Mainland China laws and regulations risk

The regulatory and legal framework for capital markets and joint stock companies in the Mainland China is developing and may be different from those of developed markets. Mainland China laws and regulations affecting securities markets are relatively new and evolving, and while published cases and judicial interpretations for such cases serve as references, their non-binding nature means the interpretation and enforcement of these regulations may involve uncertainties. In addition, as the Mainland China legal system continues to develop, changes in such laws and regulations, their interpretation or their enforcement may impact business operations.

Accounting and reporting standards risk

Accounting, auditing and financial reporting standards and practices applicable to Mainland China companies may be different to those standards and practices applicable to jurisdictions 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.

Risks associated with Mainland China taxation

The tax laws, regulations and practice in the Mainland China are constantly changing, and they may be changed with retrospective effect. Any increased tax liabilities on a Sub-Fund may adversely affect a Sub-Fund's value.

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

For further details on the risks and effects of Mainland China taxation on a Sub-Fund, please refer to the heading entitled "Mainland China" in the section headed "TAXATION".

Investment risks

Risk of investing in equity securities

Sub-Funds which invest directly or indirectly in equity securities are exposed to the risk that the market value of such equity securities may go down as well as up. Equity markets may fluctuate significantly with prices rising and falling sharply, and this will have a direct impact on such Sub-Funds. When equity markets are extremely volatile, such Sub-Fund's Net Asset Value may fluctuate substantially and investors may suffer substantial loss.

Risk of investing in fixed income instruments

Interest rate risk: Sub-Funds which invest in fixed income instruments are subject to interest rate risk. Generally, the value of fixed income instruments will change inversely with changes in interest rates. As interest rates rise, market value of fixed income instruments tends to fall. Long- term fixed income instruments in general are subject to higher interest rate risk than short-term fixed income instruments.

Credit risk: Investment in fixed income instruments is subject to the credit risk of the issuers which may be unable or unwilling to make timely payments of principal and/or interest. In general, debt instruments that have a lower credit rating or that are unrated will be more susceptible to the credit risk of the issuers. In the event of a default or credit rating downgrading of the issuers of the fixed income instruments held by a Sub-Fund, that Sub-Fund's Net Asset Value will be adversely affected and investors may suffer a substantial loss as a result.

Fixed income instruments are offered on an unsecured basis without collateral, and will rank equally with other unsecured debts of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer's assets will be paid to holders of fixed income instruments only after all secured claims have been satisfied in full. Each Sub-Fund holding such investments is therefore fully exposed to the credit risk of its counterparties as an unsecured creditor.

Risks of investing in below minimum credit rating, below investment grade and unrated fixed income instruments: A Sub-Fund may invest in fixed income instruments which (or the issuers of which) are rated below the minimum credit rating or below investment grade, or which are unrated. As mentioned above, such instruments are generally more susceptible to the credit risk of the issuers, and as a result such investments assume greater risks because of generally reduced liquidity and greater fluctuation in value. The valuation of these instruments may also be more difficult and thus the relevant Sub-Fund's prices may be more volatile.

Risks of credit rating downgrades: Credit ratings of fixed income instruments or their issuers may be downgraded, thus adversely affecting the value and performance of a Sub-Fund holding such investments. The Manager may or may not be able to dispose of the securities that are being downgraded.

Risks of Mainland China fixed income instruments: Certain Sub-Funds may invest in fixed income instruments issued or distributed within the Mainland China. The financial market of the Mainland China is at a stage of development, and many of such Mainland China fixed income instruments may be unrated, which exposes such Sub-Funds to greater risks because of generally reduced liquidity, greater price volatility and greater credit risk. Such a Sub-Fund may also encounter difficulties or delays in enforcing its rights against the issuers who will generally be incorporated in the Mainland China and therefore not subject to the laws of Hong Kong.

Limited availability of offshore RMB fixed income instruments: Certain Sub-Funds may invest in RMB fixed income instruments issued or distributed outside the Mainland China. However, the quantity of RMB fixed income instruments issued or distributed outside the Mainland China that are available is currently limited, and the remaining duration of such instruments may be short. In the absence of available fixed income instruments, or when such instruments held are at maturity, a Sub-Fund holding such investments may have to allocate a significant portion of its portfolio in RMB negotiated term deposits with authorised financial institutions until suitable fixed income instruments are available in the market. This may adversely affect the relevant Sub-Fund's return and performance.

Risk of investing in financial derivative instruments

Certain Sub-Funds may from time to time utilise financial derivative instruments for investment and/or hedging purposes. The use of derivatives exposes a Sub-Fund to additional risks, including: (a) volatility risk (derivatives can be highly volatile and expose investors to a high risk of loss); (b) leverage risk (as the low initial margin deposits normally required to establish a position in derivatives permits a high degree of leverage, there is risk that a relatively small movement in the price of a contract could result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin); (c) liquidity risk (daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of derivatives and transactions in over-the-counter derivatives may involve additional risk as there is no exchange market on which to close out an open position); (d) correlation risk (when used for hedging purposes there may be an imperfect correlation between the derivatives and the investments or market sectors being hedged); (e) counterparty risk (the Sub-Fund is exposed to the risk of loss resulting from a counterparty's failure to meet its financial obligations); (f) legal risks (the characterisation of a transaction or a party's legal capacity to enter into it could render the derivative contract unenforceable, and the insolvency or bankruptcy of a counterparty could pre-empt otherwise enforceable contract rights); and (g) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty).

The eventuation of any of the above risks could have an adverse effect on the Net Asset Value of a Sub-Fund which uses financial derivative instruments.

Over-the-counter markets risk

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

In addition, certain instruments traded on the OTC markets can be illiquid. The market for relatively illiquid investments tends to be more volatile than the market for more liquid investments.

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.

Securities financing transactions or other similar over-the-counter transactions risk

The Trustee may enter into securities financing transactions or other similar over-the-counter transactions in respect of a Sub-Fund, which is subject to risks including:

- *Risk relating to securities lending transactions* - Securities lending involves the risk that the borrower may fail to return the securities in a timely manner or at all. As a result, a Sub-Fund engaged in securities lending transactions may suffer a loss and there may be a delay in recovering the lent securities. Any delay in the return of securities on loans may restrict the ability of a Sub-Fund to meet delivery or payment obligations arising from redemption requests and may trigger claims. The value of the collateral received as part of the lending transaction may also fall below the value of the securities lent out. Securities lending also entails operational risks such as settlement failures or delays in the settlement of instructions. Such failures or delays may restrict the ability of a Sub- Fund to meet delivery or payment obligations arising from redemption requests and may trigger claims.

- *Risk relating to repurchase transactions* - In the event of the failure of the counterparty with which collateral has been placed, the Sub-Fund may suffer loss as there may be delays in recovering collateral placed out or the cash originally received may be less than the collateral placed with the counterparty due to inaccurate pricing of the collateral, adverse market movements in the value of the collateral, intra-day increase in the value of the securities, a deterioration in the credit rating of the collateral issuer, or the illiquidity of the market in which the collateral is traded.

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

- *Re-investment of cash collateral risk* – A Sub-Fund may re-invest any cash collateral. Investors should note that there are risks associated with the re-investment of cash collateral. If a Sub-Fund reinvests cash collateral, such re-investment is subject to investment risks including the potential loss of principal.

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 tax implications of their subscribing for, purchasing, holding, redeeming or disposing of Units both under the laws and practice of Hong Kong and the laws and practice of their respective jurisdictions. The information below is based on the law and practice in force in Hong Kong and the Mainland China 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. Unitholders may be resident for tax purposes in many different countries/regions. Dividends, interest payments and other income (e.g. disposal gains) paid to, or derived by, a Sub-Fund on its investments may be subject to non-refundable withholding taxes or other taxes in the country/region of origin. No attempt is made in this Explanatory Memorandum to summarise the taxation consequences for each investment of the Sub-Funds and for each investor. These consequences will vary depending on the Unitholder's personal circumstances in accordance with the law and practice currently in force in a Unitholder's country/region of citizenship, residence, domicile, permanent residence or in which a Unitholder has his Units in custody. Please also refer to the relevant Appendix for further information relating to taxation considerations specific to a particular Sub-Fund.

Hong Kong

During such period as the Trust and a Sub-Fund is authorised by the SFC pursuant to Section 104 of the SFO, under present law and practice in Hong Kong:

(a) profits of the Trust and the Sub-Fund are exempt from Hong Kong profits tax;

(b) no tax should be payable by Unitholders of that Sub-Fund in Hong Kong (whether by way of withholding or otherwise) in respect of income distributions from the relevant Sub-Fund or in respect of any capital gains arising on a sale, redemption or other disposal of Units, except that Hong Kong profits tax may arise where such transactions form part of a trade, profession or business carried on in Hong Kong, and where the profits, not being regarded as capital in nature, arising in or derived from such trade, profession or business and being sourced in Hong Kong; and

(c) no Hong Kong stamp duty should be payable where the sale or transfer of Units in that Sub-Fund is effected by selling the relevant Units back to the Manager, who then either extinguish the Units or re-sells the Units to another person within two months thereof.

Other types of sales or purchases or transfers of Units by the Unitholders should be liable to Hong Kong stamp duty of 0.1% (borne by each of the buyer and the seller) on the higher of the consideration amount or market value. In addition, a fixed duty of HKD5 is currently payable on any instrument of transfer of Units.

Currently, the register of Unitholders of the Trust is located outside of Hong Kong and therefore the aforesaid fixed rate stamp duty and ad valorem stamp duty are being exempted.

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

Mainland China

By investing in securities (including A-shares, B-Shares, H-Shares and debt instruments) issued by Mainland China tax resident enterprises, irrespective of whether such securities are issued or distributed onshore or offshore (the "**Mainland China Securities**"), a Sub-Fund may be subject to Mainland China taxes.

The income (including interest income and capital gains) derived from a Sub-Fund's investments in debt securities issued by non-Mainland China issuers outside Mainland China should not be subject to Mainland China taxes.

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 Mainland China companies and foreign investors in such companies.

Corporate Income Tax ("CIT")

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

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

The Manager intends to manage and operate the Trust or a Sub-Fund in such a manner that the Trust or a Sub-Fund should not be treated as tax resident enterprises of the Mainland China or non-tax resident enterprises with E&P in the Mainland China for CIT purposes, although this cannot be guaranteed. As such, it is expected that the Trust or a Sub-Fund should not be subject to CIT on an assessment basis and would only be subject to WIT to the extent that the Trust or a Sub-Fund directly derives Mainland China sourced income in respect of its investments in Mainland China Securities.

Interest / dividend

A Sub-Fund's income from interests, dividends and profit distributions from Mainland China tax enterprise received by a Sub-Fund is generally subject to PRC WIT at a rate of 10%, unless such WIT is subject to reduction or exemption in accordance with Mainland China tax laws and regulations or an applicable tax treaty signed with the Mainland China.

In respect of interests, under the PRC CIT Law and regulations, interest derived from government bonds issued by the State Council's finance departments and/or local government bonds approved by the State Council is exempt from Mainland China income tax.

Pursuant to Public Notice 34 jointly by Ministry of Finance ("**MOF**") and SAT on 22 November 2021, interest income derived by foreign institutional investors from the domestic bond market are temporarily exempt from WIT and Value Added Tax ("**VAT**") during the period from 7 November 2021 to 31 December 2025 provided that such bond interest income is not derived by the establishment or place of business of the foreign investors in the Mainland China or effectively connected with such establishment or place.

However, it is uncertain whether this temporary exemption will be further extended after expiration.

Capital gains

(i) Capital gains realised from trading of B-Shares and H-Shares

Under current Mainland China tax law, there are no specific rules or regulations governing the taxation of the disposal of these securities by foreign investors. Hence, the tax treatment for investment in 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 Mainland China sourced capital gains, unless exempt or reduced under relevant double tax treaties.

Having said that, for B-Shares and H-Shares invested by a Sub-Fund directly, there may be practical difficulty for the Mainland China tax authorities to impose and collect WIT on such capital gains. In practice, the 10% WIT has not been strictly enforced by the Mainland China tax authorities on capital gains derived by non-Mainland China tax resident enterprises from the trading of these securities with sales and purchase effected through stock exchanges.

Having consulted professional and independent tax adviser, the Manager has not made and currently has no intention to make provision in respect of WIT on gross realised and unrealised capital gains on trading of B-Shares and H-Shares. The Manager will monitor the situation and if, in the opinion of the Manager, a provision is warranted, the change will be implemented by the Manager and Unitholders will be notified of the change.

(ii) Capital gains realised from trading of A-Shares through Stock Connect

PRC tax circulars Caishui [2014] No. 81 ("Notice No. 81") and Caishui [2016] No. 127 ("Notice No. 127") provide that PRC CIT will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including a Sub-Fund) on the trading of A-Shares through the Stock Connect. Based on Notice No. 81 and Notice No. 127, and having consulted professional and independent tax adviser, no WIT provision for gross realised or unrealised capital gains derived from trading of A Shares via the Stock Connect is made by the Manager on behalf of a Sub-Fund.

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

(iii) Capital gains realised through trading of A-Shares through QFI and Access Products with exposure to A-Shares

A Sub-Fund may from time to time obtain exposure to A-Shares via the Manager's QFI status or by investing in Access Products.

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

The issuer of the Access Products may implement hedge arrangements on the Access Products through QFII/RQFII which would acquire or dispose of the underlying A-Shares to which the Access Products are linked. As the QFIIs/RQFIIs are the legal owners of the A-Shares under Mainland China law with respect to such Access Products, any Mainland China taxes arising from the QFIIs'/RQFIIs' investments in such securities would be legally borne by the QFII/RQFII directly. Given that any Mainland China tax liabilities accruing to the QFII/RQFII in respect of the securities to which the Access Products are linked arise because of the trading activities of the relevant Sub-Fund, such tax liabilities (if any) may ultimately be recharged to and borne by such Sub-Fund and would likely have an economic effect on the value of the relevant Sub-Fund. On the basis of Notice No. 79, it is not expected that the issuers of any Access Product would make any provision for potential tax liabilities from 17 November 2014 onwards.

Pursuant to Notice No. 79 and having consulted professional and independent tax adviser, with effect from 17 November 2014, in respect of each Sub-Fund, the Manager will not make WIT provision for gross realised or unrealised capital gains derived from trading of A-Shares via QFII / RQFII and/or through Access Products with exposure to A-Shares.

Please note that the tax exemption granted under Notice No. 79 is temporary. As such, as and when the Mainland China authorities announce the expiry date of the exemption, a Sub-Fund may in future need to make provision to reflect taxes payable, which may have a substantial negative impact on the Net Asset Value.

(iv) Capital gains realised from the trading of Mainland China debt securities issued or listed offshore by Mainland China issuers

There are currently no specific tax rules or regulations governing the taxation of capital gains realised by foreign investors on the disposal of these securities. In the absence of specific rules, the general tax provisions under PRC CIT Law should apply and such general tax provisions stipulate that a non-resident enterprise with no place of effective management, establishment or place of business in the Mainland China would generally be subject to WIT at the rate of 10% on its Mainland China-sourced income, unless exempt or reduced under current Mainland China tax laws and regulations or relevant tax treaties. Based on the current interpretation of the SAT and the local Mainland China tax authorities, capital gains derived by foreign investors from investment in Mainland China debt securities should not be treated as Mainland China sourced income and thus should not be subject to PRC WIT. There are no written tax regulations issued by the Mainland China tax authorities to confirm that interpretation. However, as a matter of practice, such 10% PRC WIT on capital gains realised by non-Mainland China tax resident enterprises from the trading of Mainland China debt securities has not been strictly enforced by the Mainland China tax authorities.

Having consulted professional and independent tax adviser, the Manager will not make WIT provisions for a Sub-Fund on the gross realised and unrealised capital gains derived from Mainland China debt securities issued or listed offshore by Mainland China issuers. The implication of this is that if a Sub-Fund is liable to pay such withholding and other taxes, this may result in an unfavourable impact on the Net Asset Value of a Sub-Fund.

(v) Capital gains derived from funds that invest in Mainland China Securities

A Sub-Fund may invest in funds that invest in Mainland China Securities. Such funds may or may not withhold WIT equal to 10% of any potential capital gains which may be payable on a sale of such Mainland China Securities. Any such withholding by a fund would be reflected in the net asset value of the relevant fund and, therefore, in the Net Asset Value of a Sub-Fund on any Valuation Day. Where a fund has no such withholding or insufficient withholding, any retrospective enforcement and/or changes in Mainland China tax law relating to WIT on capital gains on the sale of Mainland China Securities may adversely affect the net asset value of the relevant fund and, therefore, the Net Asset Value of a Sub-Fund.

In this regard, any Mainland China tax liability may, if it arises, be payable by the funds that invest in Mainland China Securities. However, under the terms of the arrangement between a Sub-Fund and the funds that invest in Mainland China Securities, the funds may pass on any tax liability to a Sub-Fund. Such tax charges would likely be recharged to, and borne by, a Sub-Fund under contractual agreement with the funds. As such, a Sub-Fund is the ultimate party which bears the risks relating to any Mainland China taxes what are so levied by the relevant Mainland China tax authority.

(vi) Capital gains realised from trading in China inter-bank bond market via Bond Connect

There is no specific regulation issued by the Mainland China tax authorities on the tax treatment in respect of trading in China inter-bank bond market by eligible foreign institutional investors via Bond Connect. In the absence of specific taxation rules on Bond Connect, a Sub-Fund's tax treatment for trading in China inter-bank bond market via Bond Connect should make reference to applicable tax treatments under the existing Mainland China domestic tax regulations.

(vii) Tax Provision

It should be noted that the existing tax laws, regulations and practices may be revised or amended in the future, with the possibility that such changes will be applied with retrospective effect. In order to meet any potential tax liability for capital gains or income, the Manager reserves the right to provide for WIT on such gains or income and withhold the tax for the account of a Sub-Fund.

As such, if it transpires that a Sub-Fund is subject to actual tax liabilities, in respect of which the Manager had not made any provision, investors should note that the Net Asset Value of a Sub-Fund may be lowered, as a Sub-Fund will ultimately have to bear the full amount of tax liabilities. It should also be noted that the level of provision (if any) may be inadequate or excessive to meet actual Mainland China tax liabilities on investments made by the relevant Sub-Fund. Consequently, Unitholders may be disadvantaged or advantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. If the actual tax levied by the SAT is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount (or if the Manager did not make any tax provision), investors should note that the Net Asset Value of the relevant Sub-Fund may be adversely affected, as the relevant Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the relevant Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne by persons who have already redeemed their Units in the relevant Sub-Fund. On the other hand, the actual tax liabilities may be lower than the tax provision made. In that case, those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision and as such may be disadvantaged.

Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

Value Added Tax ("VAT") and other surtaxes

The MOF and SAT issued the "Notice on the Comprehensive Roll-out of the B2V Transformation Pilot Program ("**B2V Pilot Program**") (Caishui [2016] No. 36) ("**Notice No. 36**") on 23 March 2016. The Notice No. 36 sets out that the B2V Pilot Program covers all the remaining industries of the program, including financial services. The Notice No. 36 has taken effect from 1 May 2016, unless otherwise stipulated therein.

The Notice No. 36 provides that VAT at 6% shall be levied on the difference between the selling and buying prices of those marketable securities, e.g. A-Shares and RMB denominated debt securities issued by Mainland China issuers.

Based on the prevailing VAT regulations, capital gains derived by (i) QFIs on trading of marketable securities and (ii) foreign investors via the Stock Connect are exempted from VAT. Therefore, to the extent that a Sub-Fund's key investment (such as A-Shares through the Stock Connect, Access Products) are conducted through these channels, either by a Sub-Fund directly or via Access Products issuers, the capital gains should be exempted from VAT. In addition, deposit interest income and interest received from government bonds and local government bonds are also exempt from VAT.

The current VAT regulations do not provide VAT exemption on capital gains derived from trading of B-Shares. Having said that, the Mainland China tax authorities have not actively collected VAT from non-Mainland China tax resident enterprises on gains realized from B-Shares in practice. Where capital gains are derived from trading of H-Shares, VAT in general is not imposed as the purchase and disposal are often concluded and completed outside Mainland China.

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

Public Notice 34 jointly by Ministry of Finance ("MOF") and SAT on 22 November 2021 stipulated that foreign institutional investors are exempted from PRC WIT and VAT in respect of bond interest income received from 7 November 2021 to 31 December 2025 from investments in the Mainland China bond market.

In addition, urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), educational surcharge (currently at the rate of 3%) and local educational surcharge (currently at the rate of 2%) are imposed based on the VAT liabilities. The applicable levies depend on the location where VAT filing (if required) is done.

Stamp Duty

Pursuant to the Stamp Duty Law of the PRC(《中華人民共和國印花稅法》) ("Stamp Duty Law"), the entities and individuals that conclude taxable vouchers or conduct securities trading within the Mainland China are taxpayers of Mainland China Stamp Duty. "Securities trading" means the transfer of stocks and depositary receipts issued based on stocks that are traded on stock exchanges legally formed and other national securities trading venues approved by the State Council, including trading A Shares and B Shares on the Mainland Chinese stock exchanges at the rate of 0.1%. In the case of contracts for sale of China A shares and B Shares, such stamp duty is currently imposed on the seller but not on the purchaser. According to Public Notice [2023] No. 39 made by MOF and SAT, since 28 August 2023, the stamp duty rate of securities trading is reduced to 0.05%.

It is unclear whether Mainland China Stamp Duty that is imposed on the transfer of shares of Mainland China companies under the Stamp Duty Law would similarly apply to the acquisition and disposal of H-Shares by non-Mainland China investors outside the Mainland China. That said, Mainland China Stamp Duty is generally not imposed for trading of H-Shares in practice.

No Mainland China Stamp Duty is expected to be imposed on non-tax resident holders of government and corporate bonds, either upon issuance or upon a subsequent transfer of such bonds.

Further, no Mainland China Stamp Duty is expected to be imposed on non-tax resident holders of fund units, either upon subscription or upon a subsequent redemption of such fund units.

General

It should also be noted that the actual applicable tax rates imposed by the SAT may change from time to time. It should also be noted that the prevailing Mainland China tax regulations specified that the tax exemption on capital gains derived from the trading of A-Shares from 17 November 2014 onwards is temporary. There is a possibility of the Mainland China tax rules, regulations and practice being changed and taxes being applied retrospectively. As such, any provision for taxation made by the Manager may be excessive or inadequate to meet final Mainland China tax liabilities. Consequently, Unitholders may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units.

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

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

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

Dividends, interest and other income (including but not limited to disposal gains) received, or derived, by a Sub-Fund on its investments may be subject to withholding taxes in the countries/regions of origin which are generally irrecoverable. Investing in a 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 advisers 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. Taxation law and practice and the levels of tax relating to a Sub-Fund and to Unitholders may change from time to time.

GENERAL

Financial reports

The Trust's and each Sub-Fund's financial year end is on 31 December in each year. Annual financial reports drawn up in accordance with IFRS and unaudited interim financial reports will be prepared for each financial year. Financial reports will be available in English only.

Annual financial reports will be issued within four months after the end of the financial year, and unaudited interim financial reports will be issued within two months after 30 June in each year. Once issued, the financial reports will be available in softcopy from the website www.valuepartners-group.com* and in hardcopy for inspection at the Manager's office free of charge during normal working hours (hardcopies are also available for Unitholders to take away free of charge upon request).

At least one month's prior notice will be provided to Unitholders if there will be any change to the mode of distribution of financial reports described above.

Side letters

The policy of the Trust is not to enter into side letter arrangements with any investors.

Distribution policy

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends in respect of any Sub-Fund, details of which are set out in the relevant Appendix.

Unless otherwise provided in the relevant Appendix, dividends may be paid out of capital or effectively out of capital of the relevant Class, and may result in an immediate reduction of the Net Asset Value per Unit of the Sub-Fund. There is no guarantee of any distribution nor, where distribution is made, the amount being distributed.

* This website has not been reviewed or authorised by the SFC.

Unitholders may specify on subscription that they wish to receive a cash distribution if a distribution is declared by the Manager, provided, however, that distributions will not be paid in cash if the amount of the distribution for the relevant Unitholder amounts to less than USD100 (or its equivalent currency as the case may be). If Unitholders do not request cash distributions or if the amount of the distribution payable to the relevant Unitholder is less than the minimum amount specified as aforesaid, the distribution to which the Unitholder is entitled will be automatically reinvested in further Units to be issued at the prevailing Issue Price of the relevant Class applicable on the distribution payment date.

In circumstances where the net distributable income of a Class is insufficient to pay for any dividend which may be declared, the Manager may, at its discretion, (i) pay dividend out of capital of the Sub-Fund; or (ii) pay dividend out of gross income of the Sub-Fund (that is, income before taking into account any fees or expenses) while charging all or part of the Sub-Fund's fees and expenses to the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. Payment of dividends out of capital or effectively out of capital may require the Manager to sell the assets of the Sub-Fund and amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of capital or effectively out of capital of the Sub-Fund (as the case may be) may result in an immediate reduction of the Net Asset Value per Unit of the relevant Class.

Where payment of dividends is being made out of capital or effectively out of capital, the compositions of the dividends (i.e. the relative amounts paid from net distributable income and capital) for the last 12 months (a rolling 12-month period starting from the date on which payment of dividends is being made out of capital or effectively out of capital) will be available from the Manager on request and on the Manager's website www.valuepartners-group.com*. The Manager may amend the policy regarding paying dividends out of capital and/or effectively out of capital subject to the SFC's prior approval (to the extent required) and by giving not less than one month's advance notice to Unitholders.

The cash distribution will be paid to Unitholders at their own risk and expense by telegraphic transfer normally within one calendar month after the declaration of such distribution by the Manager.

* This website has not been reviewed or authorised by the SFC.

Trust Deed

The Trust was established as an umbrella unit trust under the laws of Hong Kong 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 or the relevant Sub-Fund(s) and their relief from liability in certain circumstances, subject to the proviso that nothing in any of the provisions of the Trust Deed shall exempt either the Trustee or the Manager (as the case may be) from any liability to Unitholders imposed under Hong Kong law or breaches of trust through fraud or negligence, nor may they be indemnified against such liability by Unitholders or at Unitholders' expense. Unitholders and intending applicants are advised to consult the terms of the Trust Deed.

Modification of Trust Deed

The Trustee and the Manager may agree to modify the Trust Deed by supplemental deed provided that in the opinion of the Trustee 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 relevant 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, no modifications, alterations and additions may be made without the approval of the SFC (where such SFC approval is required) or the sanction of an extraordinary resolution of the Unitholders affected. Notice of any amendment or modification in respect of which the Trustee and the Manager shall have certified in accordance with the aforesaid will be given by the Trustee (or the Trustee will procure that notice be given by the Manager) unless such amendment or modification is not in the opinion of the Trustee of material significance.

Meetings of Unitholders

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

The quorum for all meetings is Unitholders present in person or by proxy representing 10% of the Units for the time being in issue except for the purpose of passing an extraordinary resolution. The quorum for passing an extraordinary resolution is Unitholders present in person or by proxy representing 25% or more of the Units in issue. In the case of an adjourned meeting of which separate notice will be given, such Unitholders as are present in person or by proxy will form a quorum. Every individual Unitholder present in person, by proxy or by representative has one vote for every Unit of which he is the Unitholder. In the case of joint Unitholders the senior of those who tenders a vote (in person or by proxy) will be accepted and seniority is determined by the order in which the names appear on the register of Unitholders.

The Trust Deed contains provisions for the holding of separate meetings of Unitholders holding Units of different classes where only the interests of Unitholders of such class are affected.

Transfer of Units

Units may be transferred by an instrument in writing in common form signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee. The transferor will be deemed to remain the Unitholder of the Units transferred until the name of the transferee is entered in the register of Unitholders in respect of such Units. The Trustee is entitled to require from the transferor and/or the transferee the payment to it of a fee (the maximum amount of which shall be agreed by the Trustee and the Manager from time to time), together with a sum equal to any expenses incurred by the Trustee in connection therewith.

Transfers of Units are subject to prior consent of the Manager and the Manager may instruct the Trustee not to enter the name of a transferee in the register of Unitholders or recognise a transfer of any Units if either the Manager or the Trustee believes that such will result in or is likely to result in the contravention of any applicable laws or requirements of any jurisdiction, any governmental authority or any stock exchange on which such Units are listed.

Termination of the Trust or any Sub-Fund

The Trust shall continue (and each Sub-Fund, except in the case of (a), (d) or (e) in the next paragraph in respect of one or more Sub-Funds, shall continue) until it is terminated in one of the ways set out below.

The Trust (or in the case of (a), (d) or (e) in this paragraph, one or more Sub-Funds) may be terminated on the occurrence of any of the following events: (a) any law shall be passed which renders it illegal or, in the opinion of the Trustee or the Manager, impracticable or inadvisable to continue the Trust and/or any Sub-Fund (as the case may be); (b) the Trustee shall be unable to find a person acceptable to the Trustee to act as the new Manager within 30 days after the removal or retirement of the Manager for the time being; (c) the Trustee shall have decided to retire but within three months from the date of the Trustee giving its written notice to retire as the Trustee, the Manager shall be unable to find a suitable person who is willing to act as trustee; (d) if the Trustee and the Manager agree that it is undesirable to continue the Trust and/or any Sub-Fund (as the case may be) and the affected Unitholders sanction the termination by way of extraordinary resolution; or (e) the affected Unitholders determine, by extraordinary resolution, that the Trust and/or any Sub-Fund (as the case may be) should be terminated (in which case, such termination shall take effect from the date on which such extraordinary resolution is passed or such later date (if any) as the extraordinary resolution may provide).

The Trust may be terminated by the Trustee giving prior written notice to the Manager and the Unitholders if any of the following events shall occur: (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; (b) the Trustee shall form the opinion for good and sufficient reason and shall so state in writing to the Manager that the Manager is incapable of performing its duties under the Trust Deed satisfactorily; (c) the Manager shall fail to perform its duties under the Trust Deed satisfactorily or the Manager shall do any other thing which in the opinion of the Trustee is calculated to bring the Trust into disrepute or to be harmful to the interests of the Unitholders; (d) any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue the Trust; (e) either the Trustee shall be unable to find a person acceptable to the Trustee to act as the new manager within 30 days after the removal of the Manager for the time being pursuant to the provisions of the Trust Deed or the person nominated by the Trustee shall fail to be approved by an extraordinary resolution; or (f) the Trustee shall have decided to retire but within 60 days of the Trustee giving notice to the Manager of its desire to retire the Manager shall be unable to find a suitable person who is willing to act as trustee.

The Trust (or in the case of (a), (b), (d) or (e) in this paragraph, one or more Sub-Funds) may be terminated by the Manager in its absolute discretion by notice in writing to the Trustee: (a) if the aggregate Net Asset Value of the Units in all Sub-Funds, or the Net Asset Value of any Sub-Fund, outstanding shall be less than RMB100 million (or its equivalent in other currencies) or such other amount as specified in the supplemental deed establishing the relevant Sub-Fund; (b) if any law or regulation shall be passed or amended or any regulatory directive or order is imposed that affects the Trust or any Sub-Fund and which renders the Trust or such Sub-Fund illegal or in the good faith opinion of the Manager makes it impracticable or inadvisable to continue the Trust or such Sub-Fund; (c) if within a reasonable time and using commercially reasonable endeavours, the Manager shall be unable to find a person acceptable to the Manager to act as the new Trustee after deciding to remove the Trustee for the time being pursuant to the provisions of the Trust Deed; (d) if the Manager is unable to implement its investment strategy in respect of all Sub-Funds or any Sub-Fund; or (e) if the Manager, in its good faith opinion, considers it in the best interest of the relevant Unitholders to terminate the Trust and/or any Sub-Fund.

If the Trust or a Sub-Fund is to be terminated, prior notice in writing will be provided to affected Unitholders. The period of such prior notice will be determined in accordance with the Code.

Upon termination of the Trust or a Sub-Fund, the Trustee and the Manager will arrange for the sale of all investments remaining as part of the assets and discharging all liabilities of the Trust or the relevant Sub-Fund (as the case may be). Thereafter, the Trustee will distribute to the Unitholders, in proportion to the Units held by them, any net cash proceeds derived from the realisation of the assets and available for the purposes of such distribution, provided that the Trustee may retain out of any moneys as part of the assets full provisions for all costs, charges, expenses, claims and demands properly incurred, made or apprehended by the Trustee or the Manager. Any unclaimed proceeds or other cash held by the Trustee may at the expiration of twelve months from the date upon which the same were payable be paid into court subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment. Please refer to the Trust Deed for further details.

Documents available for inspection

Copies of the following documents are available for inspection free of charge at the offices of the Manager and copies thereof (other than (d) which will be free of charge) may be obtained from the Manager at a cost of HKD150 (or its equivalent in other currencies) per set of copy documents:

(a) Trust Deed;

(b) PRC Participation Agreement (where applicable to the relevant Sub-Fund);

(c) PRC Custodian Agreement (where applicable to the relevant Sub-Fund); and

(d) The most recent annual report of the Trust and the Sub-Fund (if any) and the most recent interim report of the Trust and the Sub-Fund (if any).

Automatic Exchange of Financial Account Information

The Inland Revenue (Amendment) (No.3) Ordinance (the "**Ordinance**") came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information (commonly known as "**CRS**"). The CRS requires financial institutions ("**FIs**") in Hong Kong to collect information relating to account holders, and file such information as it relates to reportable account holders who are tax resident in Reportable Jurisdictions (as defined below) with the Hong Kong Inland Revenue Department ("**IRD**") who in turn will exchange the information with the jurisdiction(s) in which that account holder is resident. Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has activated exchange relationships ("**Reportable Jurisdictions**"); however, the relevant Sub-Fund and/or its agents may further collect information relating to residents of other jurisdictions.

Each Sub-Fund is required to comply with the requirements of the Ordinance, which means that each Sub-Fund and/or its agents shall collect and provide to the IRD the required information relating to Unitholders and prospective investors.

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

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

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

Certification for Compliance with FATCA or Other Applicable Laws

Each investor (i) shall be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the relevant Sub-Fund (a) to avoid withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the relevant Sub-Fund receives payments and/or (b) to satisfy due diligence, reporting or other obligations under the IRS Code and the United States Treasury Regulations promulgated under the IRS Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority in any jurisdiction, (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments or when such form, certificate or other information is no longer accurate, and (iii) will otherwise comply with any registration, due diligence and reporting obligations imposed by the United States, Hong Kong or any other jurisdiction (including but not limited to any law, rule and requirement relating to AEOI), including such obligations that may be imposed by future legislation.

For the purposes herein, "AEOI" means one or more of the following as the context requires:

(a) FATCA;

(b) the OECD Standard for Automatic Exchange of Financial Account Information in Tax Matters – the Common Reporting Standards and any associated guidance;

(c) any intergovernmental agreement, treaty, guidance, standard or other agreement between the Hong Kong government (or any government body in Hong Kong) and any other jurisdiction (including any government bodies in such jurisdiction), entered into in order to comply with, facilitate, supplement or implement the legislation, regulations, guidance or standards described in paragraphs (a) and (b) above; and

(d) any legislation, regulations or guidance in Hong Kong that give effect to the matters outlined in the preceding paragraphs (a) to (c) above.

Power to Disclose Information to Authorities

Subject to applicable laws and regulations in Hong Kong, the Trustee or the Manager or any of their authorised person (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the IRS and the IRD), certain information in relation to an Unitholder, including but not limited to the Unitholder's name, address, jurisdiction of birth, tax residence, tax identification number (if any), social security number (if any) and certain information relating to the Unitholder's holdings, account balance/value, and income or sale or redemption proceeds, to enable the relevant Sub-Fund to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law (including any law, rule and requirement relating to AEOI), regulation or agreement under FATCA).

Personal Data

Pursuant to the provisions of the Personal Data (Privacy) Ordinance (Cap. 468 of the Laws of Hong Kong) (the "**PDPO**"), the Trustee, the Manager, or any of their respective delegates (each a "**Data User**") may collect, hold and use personal data of individual investors in the relevant Sub- Fund only for the purposes for which such data was collected and shall comply with personal data protection principles and requirements as set out in the PDPO and all other applicable regulations and rules governing personal data use in Hong Kong from time to time. Accordingly, each Data User shall take all practicable steps to ensure that personal data collected, held and processed by them are protected against unauthorized or accidental access, processing, erasure or other use.

Anti-Money Laundering Regulations

As part of the Trustee's and the Manager's responsibility to prevent money laundering, they and/ or their respective delegates or agents may require detailed verification of a prospective investor's identity and the source of the payment of application monies. Depending on the circumstances of each application, a detailed verification may not be required where: (a) the prospective investor makes payment from an account in the prospective investor's name at a recognised financial institution; (b) the prospective investor is regulated by a recognised regulatory authority; or (c) the application is made through a recognised financial intermediary. The exceptions will only apply if the financial institution, regulatory authority or intermediary referred to above is within a country/region recognised by Hong Kong as having sufficient anti-money laundering regulations.

The Trustee, the Manager and their respective delegates and agents each 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, the Manager or any of their respective delegates or agents may refuse to accept the application and return the application monies relating to such application.

The Trustee, the Manager and their respective delegates and agents each also reserves the right to refuse to make any redemption payment to a Unitholder if the Trustee, the Manager and/or any of their respective delegates and agents suspect 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 Trust or the relevant Sub-Fund(s) or the Trustee or the Manager with any such laws or regulations in any applicable jurisdiction.

None of the Trustee, the Manager or their respective delegates or agents shall be liable to the prospective investor or Unitholder for any loss suffered by such party as a result of the rejection or delay of any subscription application or payment of redemption proceeds.

Liquidity Risk Management

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

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

The liquidity management policy involves monitoring the profile of investments held by each Sub-Fund on an on-going basis to ensure that such investments are appropriate to the redemption policy as stated under the section headed "REDEMPTION OF UNITS", and will facilitate compliance with each Sub-Fund's obligation to meet redemption requests. Further, the liquidity management policy includes details on periodic stress testing carried out by the Manager to manage the liquidity risk of the Sub-Funds under normal and exceptional market conditions.

The Manager has also established an independent committee comprising members from relevant departments where meetings will be organised regularly and on an ad hoc basis to resolve any liquidity issues and to monitor the liquidity management policy. The risk management committee of the Manager oversees the liquidity management function of the Sub-Funds. The risk management committee comprises of members independent from the day-to-day portfolio investment function of the Manager. Any risk management control weakness and the corresponding actions plans will be reported to the committee for monitoring and tracking purpose and the committee will further escalate any significant findings to the Board of Directors of the Manager and copy the same to the audit committee of the Manager for noting purpose.

The following tool(s) may be employed by the Manager or the Sub-Fund to manage liquidity risks:

- Suspension of issue and redemption: the Manager may, after consultation with the Trustee and having regard to the best interests of Unitholders, declare a suspension of the determination of the Net Asset Value of any Sub-Fund, and/or the issue and/or switching and/or redemption of Units of any Sub-Fund in exceptional circumstances as further detailed in the heading entitled "Suspension of calculation of Net Asset Value" in the section headed "VALUATION".

- Redemption gate: the Manager may limit the total number of Units of a Sub-Fund redeemed on any Dealing Day to Units representing 10% (or such other percentage as the Manager may determine either generally or in respect of any particular Dealing Day and as permitted by the SFC) of the total Net Asset Value of such Sub-Fund on the relevant Dealing Day (subject to the conditions under the heading entitled "Restrictions on redemption" in the section headed "REDEMPTION OF UNITS").

- Swing pricing: The Manager may, after seeking the view of the Trustee, adjust the Subscription Price and/or Redemption Price with a view to protecting the interests of Unitholders under exceptional circumstances as determined by the Manager from time to time as further detailed in the heading entitled "Subsequent issue of Units" in the section headed "SUBSCRIPTION OF UNITS" and the heading entitled "Payment of redemption proceeds" in the section headed "REDEMPTION OF UNITS".

Conflicts of Interest

The Manager and the Trustee (and any of their affiliates) (each a "**relevant party**") may from time to time act as trustee, administrator, registrar, manager, custodian, investment manager or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of any Sub-Fund. It is, therefore, possible that any relevant party may, in the course of business, have potential conflicts of interest with the Trust or any Sub-Fund. Each relevant party will, at all times, have regard in such event to its obligations to the Trust and the relevant Sub-Fund and will endeavour to ensure that such conflicts are resolved fairly. Each relevant party shall be entitled to retain for its own use and benefit all fees and other monies payable thereby and shall not be deemed to be affected with notice of or to be under any duty to disclose to the Trust, any Sub-Fund, any Unitholder or any other relevant party any fact or thing which comes to the notice of the relevant party in the course of its rendering services to others or in the course of its business in any other capacity or in any manner whatsoever, otherwise than in the course of carrying out its duties under the Trust Deed. In any event, the Manager will ensure that all investment opportunities will be fairly allocated.

The Manager may enter into trades for the account of any 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 relevant Sub-Fund. Such cross trades will only be undertaken where (i) the sale and purchase decisions are in the best interests of both the relevant Sub-Fund and the other client and fall within the investment objective, restrictions and policies of the relevant 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 a Sub-Fund in accordance with applicable laws and regulations.

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 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 each Sub-Fund, are treated fairly.

It is expected that transactions for any Sub-Fund may be carried out with or through Connected Persons of the Manager. The Manager will ensure that all transactions carried out by or on behalf of each Sub-Fund will be in compliance with all applicable laws and regulations. The Manager will use due care in the selection of such Connected Persons to ensure that they are suitably qualified in the circumstances, and will monitor and ensure that all such transactions are conducted on arm's length terms and are consistent with applicable best execution standards. The fee or commission payable to any such Connected Persons in respect of a transaction will not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature. The Manager will monitor all such transactions to ensure compliance with its obligations. All such transactions and the total commissions and other quantifiable benefits received by such Connected Persons will be disclosed in the relevant Sub-Fund's annual report.

Websites

The offer of the Units is made solely on the basis of information contained in this Explanatory Memorandum. This Explanatory Memorandum may refer to information and materials included in websites, which may be updated or changed from time to time without any notice. Such information and materials do not form part of this Explanatory Memorandum and they have not been reviewed by the SFC. Investors should exercise an appropriate degree of caution when assessing the value of such information and materials.

APPENDIX 1: VALUE PARTNERS CHINA A-SHARE SELECT FUND

*This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the Value Partners China A-Share Select Fund (the "**Sub-Fund**"), a sub-fund of the Trust. All references in this Appendix to the Sub-Fund are to Value Partners China A-Share Select Fund. Unless otherwise defined in this Appendix, terms defined in the main body of this Explanatory Memorandum have the same meaning when used in this Appendix. For Singapore offering purposes, the Sub-Fund is a Restricted Sub-Fund (see Explanatory Memorandum – IMPORTANT INFORMATION FOR INVESTORS).*

"Business Day"	means, (i) a day (other than a Saturday or Sunday) on which SEHK is open for normal trading and banks in Mainland China are open for normal banking business; or (ii) such other day or days as the Manager and the Trustee may determine from time to time.
"Custodian"	means The Hongkong and Shanghai Banking Corporation Limited.
"PRC Custodian"	means HSBC Bank (China) Company Limited.
"PRC Custodian Agreement"	means the custody agreement entered into between the Trustee, the PRC Custodian, the Custodian and the Manager, as amended from time to time.
"PRC Participation Agreement"	means the participation agreement between the PRC Custodian, the Manager, the Trustee and the Custodian, as amended from time to time.

Investment Objective

The investment objective of the Sub-Fund is to achieve long-term capital growth and income appreciation by predominately investing in RMB denominated equities in the Mainland China by virtue of the Manager's status under the QFI framework and/or through Stock Connect. There can be no assurance that the Sub-Fund will achieve its investment objective.

Investment Strategy

The Sub-Fund seeks to achieve its investment objective by investing at least 70% of its Net Asset Value in RMB-denominated equities issued in the Mainland China – this will predominantly be investments in A-Shares listed or being offered in an initial public offering to be listed on the SSE or SZSE, with not more than 10% of the Sub-Fund's Net Asset Value in public equity funds authorised by the CSRC. The Sub-Fund may also, for hedging purposes only, invest in warrants listed on the SSE or SZSE, and stock index futures listed on the China Financial Futures Exchange.

The Sub-Fund may also make investments to a limited extent (not more than 30% of its Net Asset Value) in bonds and other fixed income instruments issued within or outside of the Mainland China, including urban investment bonds (not more than 10% of the Sub-Fund's Net Asset Value) and fixed income instruments which (or the issuers of which) are unrated or rated Below Investment Grade (not more than 30% of the Sub-Fund's Net Asset Value). If certain fixed income instruments in the Sub-Fund's portfolio are subsequently downgraded such that this threshold of 30% is exceeded, the Manager will as soon as reasonably practicable make adjustments to the Sub-Fund's portfolio so as to adhere to such threshold.

For the purposes of the Sub-Fund:

(i) urban investment bonds are fixed income instruments issued by Mainland China local government financial vehicles ("LGFVs") and traded on the exchange-traded bond markets and the China inter-bank bond market. These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investments or infrastructure projects; and

(ii) a fixed income security which is rated below investment grade is defined as a fixed income security which (or the issuer of which) is (a) within the Mainland China, rated BB+ or below by a local Mainland China credit rating agency; and (b) outside the Mainland China, rated below BBB-/Baa3 by an internationally recognised credit rating agency (such as Standard & Poor's, Moody's and/or Fitch) ("**Below Investment Grade**"); and an "unrated" fixed income security is defined as a fixed income security which neither the security itself nor its issuer has a credit rating.

The Sub-Fund will not invest more than 10% of its Net Asset Value in securities issued by or guaranteed by any single sovereign/government issuer (including its government, a public or local authority of that country/region) with a credit rating Below Investment Grade, or which are non-rated.

The Sub-Fund's investments will primarily be made within the Mainland China, although the Sub-Fund may invest not more than 30% of its Net Asset Value in assets outside of the Mainland China including:
(a) for investment purposes, equities and equity funds listed outside of the Mainland China and fixed income instruments issued outside of the Mainland China, and (b) for hedging purposes only, warrants and futures listed outside of the Mainland China, index and currency swaps and currency forwards. Such investments outside of the Mainland China will primarily be denominated in RMB, HKD or USD, but may be denominated in any other currency.

Other than the aforesaid instruments, the Sub-Fund will not invest in asset backed securities (including asset backed commercial paper), structured deposits, structured products, financial derivative instruments or leverage for hedging or non-hedging purposes, and the Manager will not enter into any securities lending, repurchase or reverse-repurchase transactions or other similar over-the-counter transactions in respect of the Sub-Fund. If this changes in the future, prior approval of the SFC (if required) will be sought and not less than one month's notice (or such other period of notice as may be approved under the Code) will be provided to Unitholders before the Sub-Fund enters into any such transaction.

The Sub-Fund's portfolio may also include cash and cash equivalents, up to 30% of its Net Asset Value. The Manager will adjust Sub-Fund's allocation to cash depending on the Sub-Fund's operational needs and prevailing market conditions.

The Sub-Fund may invest directly in the Mainland China's domestic securities markets through the Manager's status as a QFI or via Stock Connect. Investments through Stock Connect may be up to 100% of the Sub-Fund's investment in A-Shares and may exceed 30% of the Sub-Fund's Net Asset Value. Please refer to the section "QFI regime" below for further information on the QFI system and the section "Stock Connect" in the main body of this Explanatory Memorandum for further information on Stock Connect.

Asset allocation and portfolio construction

The Manager intends to invest primarily in equity securities of companies in different industry sectors with any range of market capitalisation, including companies with small- or mid-sized capitalisations, which have substantial exposure to the Mainland China. The Manager will use value investing strategies and a bottom-up research approach in stock selection.

Selection of debt securities for investment by the Sub-Fund will be based on the creditworthiness of the issuer by forecasting the issuer's credit profile for at least two years with a primary focus on the issuer's corporate profile, corporate strategy, forecasted cash flow and financial profile. Investment analysis will also take into account the leverage, liquidity, management and business of the issuer.

The Sub-Fund's portfolio will be allocated, according to asset class, as follows:

Asset class	**Indicative percentage of Net Asset Value**
Equities	70%-100%
Fixed income instruments	0-30%
Cash and cash equivalents	0-30%

QFI regime

Under current regulations in the Mainland China, foreign investors can invest in the domestic securities market through certain qualified foreign institutional investors that have obtained status as a QFI from the CSRC to remit foreign freely convertible currencies (in the case of a QFII) and RMB (in the case of a RQFII) into the Mainland China for the purpose of investing in the Mainland China's domestic securities markets.

The QFI regime is currently governed by (i) the *Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors* jointly issued by the CSRC, the PBOC and the SAFE on 25 September 2020 and effective from 1 November 2020 (《合格境外機構投資者和人民幣合格境外機構投資者境內證券期貨投資管理辦法》); (ii) the *Provisions on Issues Concerning the Implementation of the Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors* jointly issued by the CSRC, the PBOC and the SAFE on 25 September 2020 and effective from 1 November 2020 (關於實施《合格境外機構投資者和人民幣合格境外機構投資者境內證券期貨投資管理辦法》有關問題的規定); and (iii) any other applicable regulations promulgated by the relevant authorities (collectively, the "**QFI Regulations**").

All of the Sub-Fund's assets in the Mainland China (including onshore Mainland China cash deposits and its onshore portfolio of equities, equity-related instruments and fixed income instruments, if any) will be held by the Custodian (through the PRC Custodian) in accordance with the terms of the PRC Custodian Agreement and PRC Participation Agreement. A securities account shall be opened with each of CSDCC, CCDCC, Shanghai Clearing House and/or such other relevant depositories in the joint names of the Manager (as the QFI holder) and the Sub-Fund. One or more RMB special deposit account(s) shall also be established and maintained with the PRC Custodian in the joint names of the Manager (as the QFI holder) and the Sub-Fund. The PRC Custodian shall, in turn, have a cash clearing account with each of CSDCC, CCDCC, Shanghai Clearing House or such other relevant depositories for trade settlement according to applicable regulations.

The Manager has obtained a legal opinion confirming that, as a matter of Mainland China law:

(a) Securities account(s) with CSDCC, CCDCC, Shanghai Clearing House and/or such other relevant depositories and maintained by the PRC Custodian and RMB special deposit account(s) with the PRC Custodian (respectively, the "**Securities Account(s)**" and the "**Cash Account(s)**") have been opened in the joint names of the Manager (as RQFII holder) and the Sub-Fund, for the sole benefit of and use by the Sub-Fund, in accordance with all applicable laws and regulations of the Mainland China and with approval from all competent authorities in the Mainland China;

(b) the assets held/credited in the Securities Account(s) (i) belong solely to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager (as RQFII holder), the Custodian, the PRC Custodian and any broker appointed by the Manager to execute transactions for the Sub-Fund in the Mainland China (a "**PRC Broker**"), and from the assets of other clients of the Manager (as RQFII holder), the Custodian, the PRC Custodian, and any PRC Broker;

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

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

(e) if the Manager (as QFI holder) or any PRC Broker is liquidated, the assets contained in the Securities Account(s) and Cash Account(s) of the Sub-Fund will not form part of the liquidation assets of the Manager (as QFI holder) or such PRC Broker in liquidation in the Mainland China; and

(f) if the PRC Custodian is liquidated, (i) the assets contained in the Securities Account(s) of the Sub-Fund will not form part of the liquidation assets of the PRC Custodian in liquidation in the Mainland China, and (ii) the assets contained in the Cash Account(s) of the Sub-Fund will form part of the liquidation assets of the PRC Custodian in liquidation in the Mainland China and the Sub-Fund will become an unsecured creditor for the amount deposited in the Cash Account(s).

Repatriations in RMB conducted by the Manager as QFI on behalf of the Sub-Fund are permitted daily and are not subject to any lock-up periods or prior approval.

There are specific risks associated with the QFI regime and investors' attention is drawn to the risk factors under "Risks associated with the QFI Regime" in the section on "Additional risk factors" in this Appendix.

The Offshore RMB Market

What led to RMB Internationalisation?

RMB is the lawful currency of the PRC. RMB is not a freely convertible currency and it is subject to foreign exchange control policies of and repatriation restrictions imposed by the PRC government. Since July 2005, the PRC government began to implement a controlled floating exchange rate system based on the supply and demand in the market and adjusted with reference to a portfolio of currencies. The exchange rate of RMB is no longer pegged to US dollars, resulting in a more flexible RMB exchange rate system.

Over the past two decades, the Mainland China's economy has become the second largest economy and trading country in the world. As the Mainland China's economy becomes increasingly integrated with the rest of the world, it is a natural trend for its currency – the RMB, to become more widely used in the trade and investment activities.

Accelerating the Pace of RMB Internationalisation

The Mainland China has been taking gradual steps to increase the use of RMB outside its borders by setting up various pilot programmes in Hong Kong and neighbouring areas in recent years. For instance, banks in Hong Kong were the first permitted to provide RMB deposits, exchange, remittance and credit card services to personal customers in 2004. Further relaxation occurred in 2007 when the authorities allowed Mainland China financial institutions to issue RMB bonds in Hong Kong.

The pace of RMB internationalisation has accelerated since 2009 when the Mainland China authorities permitted cross-border trade between Hong Kong / Macau and Shanghai / four Guangdong cities, and between Association of Southeast Asian Nations (ASEAN) and Yunnan/Guangxi, to be settled in RMB.

Onshore versus Offshore RMB Market

Following a series of policies introduced by the Mainland China authorities, a RMB market outside the Mainland China has gradually developed and started to expand rapidly since 2009. RMB traded outside the Mainland China is often referred as "offshore RMB" with the denotation "CNH", which distinguishes it from the "onshore RMB" or "CNY".

Both onshore and offshore RMB are the same currency but are traded in different markets. Since the two RMB markets operate independently where the flow between them is highly restricted, onshore and offshore RMB are traded at different rates and their movement may not be in the same direction. Due to the strong demand for offshore RMB, CNH used to be traded at a premium to onshore RMB, although occasional discount may also be observed. The relative strength of onshore and offshore RMB may change significantly, and such change may occur within a very short period of time.

Notwithstanding that the offshore RMB market showed a meaningful growth during the past two (2) years, it is still at an early stage of the development and is relatively sensitive to negative factors or market uncertainties. For instance, the value of offshore RMB had once dropped by 2% against the US dollars in the last week of September 2011 amidst the heavy sell off of the equities market. In general, the offshore RMB market is more volatile than the onshore one due to its relatively thin liquidity.

It is widely expected that the onshore and offshore RMB markets would remain 2 segregated, but highly related, markets for the next few years.

Recent Measures

More measures to relax the conduct of offshore RMB business were announced in 2010 with respect to the lifting of restrictions on interbank transfer of RMB funds as well as granting permission for companies in Hong Kong to exchange foreign currencies for RMB without limit. One month later, the Mainland China authorities announced the partial opening up of China interbank bond market for foreign central banks, RMB clearing banks in Hong Kong and Macau and other foreign banks participating in the RMB offshore settlement programme.

The National Twelfth Five-Year Plan adopted in March 2011 explicitly supports the development of Hong Kong as an offshore RMB business centre. In August 2011, PRC Vice-Premier Li Keqiang has announced more new initiatives during his visit, such as allowing investments on the Mainland China equity market through the RMB Qualified Foreign Institutional Investor scheme and the launch of an exchange-traded fund with Hong Kong stocks as the underlying constituents in the Mainland China. Also the PRC Government has given approval for the first non-financial Mainland China firm to issue RMB-denominated bonds in Hong Kong.

The Shanghai-Hong Kong Stock Connect was launched in November 2014. It is a mutual market access programme that allows investment in eligible SSZ Securities through the SEHK and eligible Hong Kong-listed shares through the SSE. The Shenzhen-Hong Kong Stock Connect (which was launched in December 2016) is also a mutual market access programme that allows investment in eligible SZSE Securities through the SEHK and eligible Hong Kong-listed shares through the SZSE.

RMB Internationalisation is a Long-term Goal

Given the Mainland China's economic size and growing influence, RMB has the potential to become an international currency in the same ranks as US dollars and euro. But the Mainland China has to first accelerate the development of its financial markets and gradually make RMB fully convertible on the capital account. Although the internationalisation of RMB will bring benefits such as increasing political influence and reduced exchange rate risks, it also entails risks including rising volatility of RMB exchange rate.

The process of RMB internationalisation is a long and gradual one. It took US dollars many decades to replace the British pound to become a dominant reserve currency. It will also take time for RMB to gain importance in coming years. RMB will not be in a position to challenge the US dollar's main reserve currency status for some time to come.

The A-Share Market

Introduction

China's A-Share market commenced in 1990 with 2 exchanges, the SSE and SZSE. The SSE was established on 26 November 1990 and stocks are further divided into class A-Shares and class B-Shares, with access to A-Shares limited to domestic investors as well as QFIIs and RQFIIs or through Stock Connect only, while B Shares are available to both domestic and foreign investors. The SSE's products cover equities, mutual funds and bonds. The product lines include A-Shares, B-Shares, indices, mutual funds (including exchange traded funds and listed open-end funds), fixed income products, and diversified derivative financial products (including warrants and repurchases).

The SZSE was founded on 1 December 1990 and stocks are further divided into class A-Shares and class B-Shares, with A-Shares limited to domestic investors as well as QFIIs and RQFIIs or through Stock Connect only, while B Shares are available to both domestic and foreign investors. SZSE's products cover equities, mutual funds and bonds. The product lines include A-Shares, B-Shares, indices, mutual funds (including exchange traded funds and listed open-end funds), fixed income products, and diversified derivative financial products (including warrants and repurchases).

In terms of investor breakdown, there is an increasing number of institutional investors participating in the A-Shares market since the inception, which include securities investment funds, social pension funds, qualified foreign institutional investors, insurance companies and ordinary investment institutions. However, on a daily basis, retail investors still make up for the majority of the trading volume.

Differences with Hong Kong's Stock Market

The following table summarises the differences between the Hong Kong and A-Share markets:

	Mainland China	**Hong Kong**
Key indexes	SHCOMP / SZCOMP	HSI / HSCEI
Trading band limits	10% (5% for ST/S stocks*)	No Limit
Trading lots	100 shares for BUY / 1 share for SELL**	Each stock has its own individual board lot size (an online broker will usually display this along with the stock price when you get a quote); purchases in amounts which are not multiples of the board lot size are done in a separate "odd lot market".
Trading hours	pre-open: 0915-0925 morning session: 0930-1130 afternoon session: 1300-1500 (1457-1500 is closing auction for the SZSE)	pre-open order input: 0900-0915 pre-order matching 0915-0920 order matching: 0920-0928 morning session: 0930-1200 afternoon session: 1300-1600
Settlement	T+1	T+2
Earnings reporting requirements	Annual report: • Full annual report must be disclosed within 4 months after the reporting period. Interim report: • Full report must be disclosed within 2 months after the reporting period. Quarterly report: • Full report must be disclosed within 1 month after the reporting period. The first quarterly report cannot be disclosed before last year's annual report.	Annual report: • Earnings must be disclosed within 3 months after the reporting period; • Full annual report must be disclosed within 4 months after the reporting period. Interim report: • Earnings must be disclosed within 2 months after the reporting period; • Full report must be disclosed within 3 months after the reporting period.

Note:

* 1) ST stocks refer to special treatment stocks, which means special treatment for companies with financial problems (consecutive 2 fiscal years loss or audited net assets per share less than par value in the most recent fiscal year), effective from 22 April 1998. Stocks with ST usually mean they have delisting risk.

2) S stocks refer to those stocks which have not yet performed the "split share structure reform".

** Purchasing in an odd lot is not allowed while selling in an odd lot is allowed in the A-Share market, with no price difference between odd lot and round lot trading.

Investment Restrictions

No waivers from the investment restrictions set out in the main body of the Explanatory Memorandum have been sought or granted by the SFC.

Available Classes

The Sub-Fund currently has the following classes of Units which are available to investors:

Class	Class Currency
Class A AUD Hedged	AUD
Class A AUD Unhedged	AUD
Class A CAD Hedged	CAD
Class A CAD Unhedged	CAD
Class A EUR Hedged	EUR
Class A EUR Unhedged	EUR
Class A GBP Hedged	GBP
Class A GBP Unhedged	GBP
Class A HKD Hedged	HKD
Class A HKD Unhedged	HKD
Class A NZD Hedged	NZD
Class A NZD Unhedged	NZD
Class A RMB (CNH)	RMB
Class A SGD Hedged	SGD
Class A SGD Unhedged	SGD
Class A USD Hedged	USD
Class A USD Unhedged	USD
Class X RMB	RMB
Class X HKD Hedged	HKD
Class X HKD Unhedged	HKD
Class Z USD	USD

Class A AUD Hedged, Class A AUD Unhedged, Class A CAD Hedged, Class A CAD Unhedged, Class A EUR Hedged, Class A EUR Unhedged, Class A GBP Hedged, Class A GBP Unhedged, Class A HKD Hedged, Class A HKD Unhedged, Class A NZD Hedged, Class A NZD Unhedged, Class A RMB, Class A SGD Hedged, Class A SGD Unhedged, Class A USD Hedged, Class A USD Unhedged Units are collectively referred to as "**Class A Units**".

Class X RMB, Class X HKD Hedged and Class X HKD Unhedged are collectively referred to as "**Class X Units**".

Class Z USD is referred to as "**Class Z Units**".

Class A Units are available for subscription by investors who make an investment of not less than the minimum initial investment amount or the minimum subsequent investment amount for the respective Classes as set out under the section headed "Investment Minima" below.

Class X Units are only available for subscription by funds and managed accounts managed by the Manager or Connected Persons of the Manager who are "professional investors" as defined in the SFO or offered on a private placement basis.

Class Z Units are only available for subscription by institutional investors and/or professional investors who make an investment of not less than the minimum initial investment amount or the minimum subsequent investment amount for the respective Classes as set out under the section headed "Investment Minima" below.

Base Currency

The Base Currency of the Sub-Fund is RMB.

Initial Subscription Price

The initial Subscription Price in respect of each class of Units during the Initial Offer Period of the Sub-Fund is as follows:

Class		**Initial Subscription Price**
Class A Units	RMB (CNH)	RMB10
	USD Hedged, USD Unhedged	USD10
	HKD Hedged, HKD Unhedged	HKD10
	EUR Hedged, EUR Unhedged	EUR10
	GBP Hedged, GBP Unhedged	GBP10
	AUD Hedged, AUD Unhedged	AUD10
	CAD Hedged, CAD Unhedged	CAD10
	NZD Hedged, NZD Unhedged	NZD10
	SGD Hedged, SGD Unhedged	SGD10
Class Z Units		USD10
Class X Units	RMB	RMB10
	HKD Hedged, HKD Unhedged	HKD10

Dealing Procedures

For details of dealing procedures, please refer to the sections headed "Subscription of Units", "Redemption of Units" and "Switching" in the main body of this Explanatory Memorandum. The following apply to the Sub-Fund:

Dealing Day	each Business Day.
Dealing Deadline	5:00 pm (Hong Kong time) on the relevant Dealing Day

Payment of redemption proceeds

As set out in the main body of this Explanatory Memorandum, save as otherwise agreed by the Manager, and so long as relevant account details have been provided, redemption proceeds will normally be paid 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 redemption request, unless legal or regulatory requirements in the Mainland China (such as foreign currency controls) to which the Sub-Fund is subject render the payment of the redemption proceeds within the aforesaid time period not practicable, and such extended time frame should reflect the additional time needed in light of the specific circumstances in the Mainland China.

Investment Minima

The following investment minima apply to the Sub-Fund:

	Class A Units	**Class Z Units**	**Class X Units**
Minimum initial investment	RMB60,000 or equivalent	USD10,000,000 or equivalent	Nil
Minimum subsequent investment	RMB30,000 or equivalent	USD100,000 or equivalent	Nil
Minimum holding	RMB60,000 or equivalent	USD5,000,000 or equivalent	Nil
Minimum redemption amount	Nil	Nil	Nil

The Manager may, in its absolute discretion, waive or agree to a lower amount of any of the above investment minima (either generally or in any particular case).

Subscription of Units

Save for the procedure in determining the Subscription Price as set out in the sub-section entitled "Subsequent issue of Units" under the section entitled "SUBSCRIPTION OF UNITS", the procedure for the subsequent issue of Units in the main body of this Explanatory Memorandum shall apply to the Sub-Fund.

The following procedure shall apply in determining the Subscription Price of the Sub-Fund:

The Manager has the power, in determining the Subscription Price, to add to the Net Asset Value per Unit of the relevant class (before making any rounding adjustment) an amount (not exceeding 1% of the Net Asset Value per Unit of the relevant class under normal circumstances) which it considers to be an appropriate allowance to reflect (a) the difference between the last traded price (or the mean between the last available bid and asked prices) of the investments of the Sub-Fund and the latest available asked price of such investments, and (b) all stamp and other duties, taxes, governmental charges, brokerage, bank charges, transfer fees and registration fees which would be incurred for the account of the Sub-Fund in investing an amount equal to that Net Asset Value per Unit of the relevant class.

The Manager will only adjust the Subscription Price with a view to protecting the interests of Unitholders under exceptional circumstances as determined by the Manager from time to time. Where necessary the Manager will seek the view of the Trustee prior to any adjustment in the Subscription Price and such adjustment would only be made where the Trustee has no objection to it. Exceptional circumstances for adjusting the Subscription Price may include (a) the aggregate net subscriptions in the Units having exceeded a pre-determined threshold set by the Manager from time to time; and/or (b) extreme market conditions which may have an unfavourable impact on the interests of existing Unitholders. In such circumstances, the Net Asset Value per Unit of the relevant class may be adjusted by an amount (normally not exceeding 1% of that Net Asset Value) which reflects the dealing costs that may be incurred by the Sub- Fund and the estimated bid/offer spread of the assets in which the Sub-Fund invests. Under extreme market conditions (such as market crash or global financial crisis), the Manager may increase such amount to protect interests of the Unitholders. Any such additional amount will be retained by the Sub-Fund and will form part of the assets of the Sub-Fund.

Redemption of Units

Save for the procedure in determining the Redemption Price as set out in the sub-section entitled "Payment of redemption proceeds" under the section entitled "REDEMPTION OF UNITS", the procedure for the payment for redemption proceeds in the main body of this Explanatory Memorandum shall apply to the Sub-Fund.

The following procedure shall apply in determining the Redemption Price of the Sub-Fund:

The Manager may, when determining the Redemption Price, deduct for the account of the Sub-Fund from the Net Asset Value per Unit of the relevant class (before making any rounding adjustment) an amount (not exceeding 1% of the Net Asset Value per Unit of the relevant class under normal circumstances) which it considers to be an appropriate allowance to reflect (a) the difference between the last traded price (or the mean between the last available bid and asked prices) of the investments of the Sub-Fund and the latest available bid price of such investments, and (b) all stamp and other duties, taxes, governmental charges, brokerage, bank charges, transfer fees and registration fees which would be incurred for the account of the Sub-Fund in realising assets or closing out positions to provide funds to meet any redemption request.

The Manager will only adjust the Redemption Price with a view to protecting the interests of Unitholders under exceptional circumstances as determined by the Manager from time to time. Where necessary the Manager will seek the view of the Trustee prior to any adjustment in the Redemption Price and such adjustment would only be made where the Trustee has no objection to it. Examples of such exceptional circumstances for adjusting the Redemption Price may include (a) the aggregate net redemptions in Units having exceeded a pre-determined threshold set by the Manager from time to time; and/or (b) extreme market conditions which may have an unfavourable impact on the interests of existing Unitholders. In such circumstances, the Net Asset Value per Unit of the relevant class may be adjusted by an amount (normally not exceeding 1% of that Net Asset Value) which reflects the dealing costs that may be incurred by the Sub- Fund and the estimated bid/offer spread of the assets in which the Sub-Fund invests. Under extreme market conditions (such as market crash or global financial crisis), the Manager may increase such amount to protect interests of the Unitholders. Any such additional amount will be retained by the Sub-Fund and will form part of the assets of the Sub-Fund.

Publication of Net Asset Value

The latest Subscription Price and Redemption Price in respect of Units or the Net Asset Value per Unit of the Sub-Fund are available on the Manager's website www.valuepartners-group.com*.

* This website has not been reviewed or authorised by the SFC.

Expenses and Charges

The following are the actual fees and charges payable in respect of each class of the Sub-Fund. Maximum fees permitted to be charged on one month's notice to Unitholders are set out under the section entitled "Expenses and Charges" in the main body of this Explanatory Memorandum.

Fees payable by Unitholders

	Class A Units	**Class Z Units**	**Class X Units**
Subscription fee	Up to 5% of the subscription monies	Up to 5% of the subscription monies	Nil
Redemption fee	Nil	Nil	Nil
Switching fee^	Nil	Nil	Nil

^ Certain distributors may impose a charge for each switching of Units in a class of the Sub-Fund acquired through them for Units in another class of the Sub-Fund, which will be deducted at the time of the switching and paid to the relevant distributors. Unitholders who intend to switch their Units in one class to Units in another class should check with their respective distributors for the charge on switching.

Fees payable by the Sub-Fund

	Class A Units	**Class Z Units**	**Class X Units**
Management fee	1.50% per annum of the Net Asset Value of the class of Units	0.75% per annum of the Net Asset Value of each class of Units	Nil
Performance fee	In respect of each class of Units, 15% of the increase in Net Asset Value per Unit in the relevant performance period calculated annually on a high-on-high basis. Please refer to the sub-section headed "Performance Fee" below for further information.		Nil
Trustee fee	0.135% for the first RMB980 million in Net Asset Value of the Sub-Fund; 0.13% for the portion over the first RMB980 million up to and including RMB5,200 million in the Net Asset Value of the Sub-Fund; 0.125% for the balance in excess of RMB5,200 million in the Net Asset Value of the Sub-Fund (inclusive of fees payable to the Custodian and the PRC Custodian). The Trustee fees are subject to a monthly minimum of RMB30,000.		

Performance Fee

Performance fee will be calculated on a high-on-high basis. Performance fee will be accrued on each Valuation Day throughout the relevant performance period and the performance fee shall become payable if the Net Asset Value per Unit of the relevant class of Units (prior to the deduction of any provision for any performance fee and any distribution declared or paid in respect of the relevant performance period(s) since the last performance fee is crystallised and paid) as at the last Valuation Day of the relevant financial year (the "**Performance Fee Valuation Day**") exceeds the High Water Mark (as defined below), except where Units are redeemed or switched part way through a performance period, in which case any accrued performance fee will become payable in the manner described in further detail below.

The "**High Water Mark**" means the higher of (a) the initial Subscription Price of the relevant class; and (b) the Net Asset Value per Unit of the relevant class as at the Performance Fee Valuation Day of the preceding performance period in respect of which a performance fee was last paid to the Manager (after deduction of all fees including any performance fee and any distribution declared or paid in respect of that preceding performance period). The High Water Mark for a particular class remains the same throughout the relevant performance period, irrespective of the time of subscription, or the Subscription Price paid, by a particular Unitholder.

The rate of performance fee payable in respect of any class of Units is set out in the relevant Appendix. The amount of performance fee payable is calculated by multiplying this fee rate by the product of such excess of the Net Asset Value per Unit over and above the High Water Mark and the average of the number of Units of the relevant class of Units in issue on each Valuation Day in the relevant performance period.

The first performance period shall be the period from the first Business Day following the close of the relevant Initial Offer Period to (a) the Performance Fee Valuation Day in the same year, if the first performance period would therefore be 6 calendar months or longer; failing which (b) the Performance Fee Valuation Day in the following year. Thereafter, the relevant performance period shall be the period commencing on the date immediately following each Performance Fee Valuation Day and ending on the next following Performance Fee Valuation Day.

Any performance fee payable shall be paid as soon as practicable after the end of the relevant performance period. The performance fee shall be accrued on each Valuation Day throughout the relevant performance period. The accrual is made based on the Net Asset Value per Unit on each Valuation Day and solely for the purposes of calculation of such accrual, each Valuation Day will be a Performance Fee Valuation Day. If the Net Asset Value per Unit exceeds the High Water Mark, a performance fee accrual will be made. If not, no performance fee accrual will be made. On each Valuation Day, the accrual made on the previous Valuation Day will be reversed and a new performance fee accrual will be calculated and made in accordance with the above.

If any Units are redeemed or switched into the units of other SFC authorised unit trusts or mutual funds managed by the Manager and/or its fellow subsidiaries on a Dealing Day part way through a performance period, the performance fee accrued in respect of those Units as at the Valuation Day relating to such redemption or switching shall be crystallised, set aside and payable to the Manager as soon as practicable after the end of the relevant performance period, irrespective of whether the Net Asset Value per Unit of the relevant Class exceeds the High Water Mark on the Performance Fee Valuation Day of the relevant performance period

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

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

A charge of performance fee may have been borne by a Unitholder notwithstanding the Unitholder concerned may have suffered a loss in investment in the Units. On the other hand, a Unitholder may not be subject to any performance fee notwithstanding the Unitholder concerned may have realised a gain in investment in the Units.

The Manager may, in its absolute discretion, share with, waive, reduce or rebate the payment of all or any portion of the subscription fee, redemption fee, management fee and/or performance fee received by the Manager to any person including intermediaries introducing investors.

Performance fee examples

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

Assumptions:

- The initial Subscription Price for the relevant class of Units is $100.
- The performance fee payable is 15% of the appreciation in the Net Asset Value per Unit during a performance period above the High Water Mark.

First performance period:

- Investor A subscribes for one Unit during the Initial Offer Period at the initial Subscription Price.
- Investor B subscribes for one Unit during the first half of the first performance period, when the Sub-Fund is performing relatively well, at a Subscription Price of $120.
- High Water Mark is the initial Subscription Price, which is $100.

By the end of the first performance period, the Net Asset Value per Unit is $110. The appreciation in the Net Asset Value per Unit over the High Water Mark is thus $10.

Average number of Units of the relevant class of Units in issue is 2 Units.

The total performance fee payable by the relevant class would be calculated as: 15% x $10 x 2

Units = $3.

At the end of the first performance period, the Net Asset Value per Unit will be reduced by $1.50. In effect, each of Investors A and B will have borne the $1.50 performance fee in respect of the first performance period, regardless of the Subscription Price at which they invested.

Second performance period:

- At the start of the second performance period, the High Water Mark is $108.5 (being the Net Asset Value per Unit at the end of the last performance period in respect of which performance fee was payable (after deduction of performance fee)).

- Mid-way through the second performance period, the Sub-Fund is performing relatively poorly with the NAV per Unit being $98.5. Investor A redeems his Unit. Investor C subscribes for one Unit.

On this Valuation Day, the Net Asset Value per Unit is below the High Water Mark. Therefore, no performance fee is accrued in respect of the Unit redeemed by Investor A.

At the end of the second performance period, the Net Asset Value per Unit becomes $105. There has been no appreciation in the Net Asset Value per Unit over the High Water Mark. No performance fee is therefore payable in the second performance period.

Third performance period:

- At the start of the third performance period, the High Water Mark is still $108.5 (being the Net Asset Value per Unit at the end of the last performance period in respect of which performance fee was payable (after deduction of performance fee)).

- Mid-way through the third performance period, the performance of the Sub-Fund recovers with the NAV per Unit being $116.5. Both Investors B and C redeem their Units.

On this Valuation Day, the appreciation in the Net Asset Value per Unit over the High Water Mark is thus $8.

Average number of Units of the relevant class of Units in issue on this Valuation Day (before taking into account the redemptions) is 2 Units.

The performance fee accrual for the relevant class on this Valuation Day would be calculated as:

15% x $8 x 2 Units = $2.40.

In respect of the Units redeemed by Investors B and C, the Net Asset Value per Unit will be reduced by $1.20. In effect, on redemption, each of Investors B and C will have borne the $1.20 performance fee in respect of the third performance period (up to the day of redemption), regardless of the Subscription Price at which they invested.

Additional Risk Factors

Investors should note the following risk factors set out in the section entitled "Risk Factors" in the main body of this Explanatory Memorandum, which are applicable to the Sub-Fund: "Investment risk", "Market risk", "Concentration risk", "Emerging market risk", "Counterparty risk", "Liquidity risk", "Exchange rate risk", "Restricted markets risk", "Performance fee risk", "Legal and compliance risk", "Suspension risk", "Early termination risk", "Cross class liability risk", "Cross Sub-Fund liability risk", "Valuation and accounting risk", "Dividends and distributions", "Distributions payable out of capital or effectively out of capital risk", "Foreign Account Tax Compliance Act risk", "RMB currency risk", "Risks associated with the Mainland China", "Risks associated with Mainland China taxation", "Risk of investing in equity securities", "Risk of investing in fixed income instruments" and "Hedging risk".

In addition, the following risk factors are specific to the Sub-Fund:

Investment risk

You should be aware that investment in the Sub-Fund is subject to normal market fluctuations and other risks inherent in the Sub-Fund's assets. There is no guarantee of repayment of principal. Accordingly, there is a risk that you may not recoup the original amount you invested in the Sub-Fund or may lose a substantial part or all of your investment.

Concentration risk/single market risk

Although there are various investment restrictions with which the Manager has to comply when managing the investments of the Sub-Fund, the Sub-Fund's exposure to a single market (i.e. the Mainland China) subjects it to greater concentration risk. The Sub-Fund may be more volatile than a broadly-based fund such as a global or regional investment fund as it is more susceptible to fluctuation in value resulting from adverse conditions in a single market.

Risks of investing in equities

There are risks involved in the Sub-Fund's investments in equities.

Please refer to "Investment risks – Risks of investing in equity securities" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum. Below are further specific risks that investors should be aware of.

Risk of investing in equity securities: The Sub-Fund will invest directly or indirectly in equity securities and is exposed to the risk that the market value of such equity securities (and hence the Net Asset Value of the Sub-Fund) may go down as well as up. Equity markets may fluctuate significantly due to factors including investment sentiment; political, economic or environmental issues; regional or global economic instability; and currency and interest rate fluctuations. Prices may rise and fall sharply, and this will have a direct impact on the Sub-Fund. When equity markets are extremely volatile, the Sub-Fund's Net Asset Value may fluctuate substantially and investors may suffer substantial losses.

Small- and mid-cap companies risk: The Sub-Fund's equity portfolio may include small- and mid-cap companies, which generally have greater earnings and capital growth potential than larger capitalised companies. However, such investments in small- or mid-cap companies may involve greater risks, such as limited product lines, markets and financial or managerial resources. In addition, securities of smaller companies may trade less frequently, in lower volumes and with less liquidity than more widely held securities, and the securities of such companies generally are subject to more abrupt or erratic price movements than more widely held or larger, more established companies. This, in turn, may undermine the value of the Sub-Fund's assets.

Risks of investing in A-Shares

The Sub-Fund's investments predominantly in A-Shares listed on the Mainland China stock exchanges.

Please refer to "Risks associated with the Mainland China" and "Investment risks – Risks of investing in equity securities" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum. Below are further specific risks that investors should be aware of.

Mainland China securities markets risk: The securities markets in the Mainland China, including the A-Share markets, are still in a stage of development, and may be characterised by higher liquidity risk than markets in more developed countries/regions, which may in turn result in higher transaction costs and price volatility. In addition, the Mainland China's securities markets are undergoing a period of growth and change, which lead to uncertainties and potentially result in difficulties in the settlement and recording of transactions and in interpreting and applying the relevant regulations. The Mainland China regulatory authorities have been given the power and duty to prohibit fraudulent and unfair market practices relating to securities markets, such as insider trading and market abuse, and to regulate substantial acquisitions of shares and takeovers of companies. All of these factors may lead to a higher level of volatility and instability associated with the Mainland China securities markets relative to more developed markets.

Government oversight and restrictions risk: The liquidity and price volatility associated with A-Share markets are subject to greater risks of government oversight (for example, to suspend trading in particular stocks) and imposition of trading band restrictions for all or certain stocks from time to time. In addition, A-Shares traded in the Mainland China are still subject to trading band limits that restrict maximum gain or loss in stock prices, which means the prices of stocks may not necessarily reflect their underlying value. Such factors may affect the performance of the Sub-Fund, and the subscription and redemption of Units may also be disrupted.

Accounting and reporting standards risk: Mainland China companies are required to follow Mainland China accounting standards and practice which follow international accounting standards to a certain extent. However, the accounting, auditing and financial reporting standards and practices applicable to Mainland China companies are evolving, and there may be significant differences between financial statements prepared in accordance with the Mainland China accounting standards and practice and those prepared in accordance with international accounting standards. As the disclosure and regulatory standards in the Mainland China are less stringent than in more developed markets, there might be substantially less publicly available information about issuers in the Mainland China on which the Manager can base investment decisions.

Risks of investing in other funds

The Sub-Fund may from time to time invest in public equity funds issued in the Mainland China and authorised by the CSRC for retail investment. 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.

Risks of investing in fixed income instruments

Although the Sub-Fund will predominantly be invested in equity, it may invest up to 30% in Mainland China fixed income instruments – there are risks involved in such investments. Please refer to "Risks of investing in fixed income instruments" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum. Below are further specific risks that investors should be aware of.

Interest rate risk: The Sub-Fund's investments in fixed income instruments are subject to interest rate risk. Generally, the value of fixed income instruments is expected to be inversely correlated with changes in interest rates. As interest rates rise, the market value of fixed income instruments tends to decrease. Long-term fixed income instruments in general are subject to higher sensitivity to interest rate changes than short-term fixed income instruments. Any increase in interest rates may adversely impact the value of the Sub-Fund's fixed income portfolio.

As the Sub-Fund invests in fixed income instruments issued in the Mainland China, the Sub-Fund is additionally subject to policy risk as changes in macro-economic policies in the Mainland China (including monetary policy and fiscal policy) may have an influence over the Mainland China's capital markets and affect the pricing of the fixed income instruments in the Sub-Fund's portfolio, which may in turn adversely affect the return of the Sub-Fund.

Credit risk: The value of the Sub-Fund is affected by the credit worthiness of its underlying investments. A deterioration of credit quality (e.g. an issuer credit downgrade or credit event leading to widening of credit spread) of an underlying investment will adversely impact the value of such investment. There is no assurance that the fixed income instruments invested in by the Sub-Fund will maintain their credit ratings in the future.

Investment in fixed income instruments is subject to the credit risk of the issuers which may be unable or unwilling to make timely payments of principal and/or interest. In the event of a default or credit rating downgrading of the issuers of the fixed income instruments held by the Sub-Fund, valuation of the Sub-Fund's portfolio may become more difficult as the value of fixed income instruments may decline rapidly, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against the issuers who will generally be incorporated in the Mainland China and therefore not subject to the laws of Hong Kong.

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

Changing market conditions or other significant events, such as credit rating downgrades affecting issuers or major financial institutions, may also pose valuation risk to the Sub-Fund as the value of the Sub-Fund's portfolio of fixed income instruments, including corporate bonds and commercial papers, may become more difficult or impossible to ascertain. In such circumstances, valuation of the Sub-Fund's investments may involve uncertainties and judgemental determinations as there is a possibility that independent pricing information may at times be unavailable. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may need to be adjusted and may be adversely affected. Such events or credit rating downgrades may also subject the Sub-Fund to increased liquidity risk as it may become more difficult for the Sub-Fund to dispose of its holdings of bonds at a reasonable price or at all, which would have an adverse impact on the value and performance of the Sub-Fund.

Risks of investing in Below Investment Grade and unrated bonds: The Sub-Fund may invest in fixed income instruments which (or the issuers of which) are rated below the minimum credit rating or Below Investment Grade, or which may not be rated by any rating agency of an international standard or any local Mainland China credit rating agency. Such instruments are generally subject to a higher degree of credit risk and a lower degree of liquidity, which may result in greater fluctuations in value and, consequently, the Net Asset Value of the Sub-Fund. The value of these instruments may also be more difficult to ascertain. In constructing the Sub-Fund's portfolio, the Manager may refer to local Mainland China credit ratings for reference, but will primarily rely on its own analysis to evaluate each fixed income instrument independently. Nevertheless, as the Sub-Fund may invest up to 30% of its Net Asset Value in fixed income instruments which (or the issuers of which) are unrated or below the minimum credit rating, the Net Asset Value of the Sub-Fund may be more volatile.

Investing in convertible bonds risks: The Sub-Fund may invest in convertible bonds which are subject to risks of both fixed income instruments and equities. Convertible bonds can fluctuate in value with the price changes of the issuers' underlying stocks. If interest rates rise, the value of the corresponding convertible bond will fall. The valuation of convertible bonds may be more difficult due to the greater price fluctuations.

Mainland China credit ratings risks: Some Mainland China fixed income instruments (or their issuers) may have been assigned a credit rating by a local credit rating agency in the Mainland China. However, at present, the Mainland China's domestic credit rating industry is still evolving in comparison to its counterparts in more developed markets. This is in part due to the regulated nature of the Mainland China bond markets. In addition, the rating standards may be significantly different from that adopted by internationally recognised credit rating agencies. Consequently, there is little assurance that credit ratings are independent, objective and of adequate quality. In some cases, local credit agencies have been suspected of engaging in "ratings inflation" in order to generate more income from the ratings business. As a result, credit ratings given by local credit rating agencies are often disregarded by market participants when making investment and financing decisions. It will also increase valuation risk as a result of the lack of transparency and independence credit ratings. In selecting fixed income instruments for inclusion in the Sub-Fund's portfolio, the Manager will, in addition to referring to local credit ratings, conduct its own fundamental research and analysis on credit quality. Investors should also exercise caution before relying on any local credit ratings.

Sovereign/government debt risk: The Sub-Fund may invest in sovereign/government debt securities and such investments involve special risks. The repayment of debts by a government is subject to various including the economic and political factors. The governmental entity that controls the repayment of sovereign/government debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. Since the Sub-Fund's recourse against a defaulting sovereign/government is limited, the Sub-Fund may incur substantial loss if the sovereign/government defaults.

Risks of investing in urban investment bonds: The Sub-Fund may invest up to 10% of its Net Asset Value in urban investment bonds. Although urban investment bonds, which are issued by LGFVs, may appear to be connected with local government bodies, they are typically not guaranteed by such local government bodies or the central government of the PRC. As such, local government bodies or the central government of the PRC are not obligated to support any LGFVs in default. In the event that the LGFVs default on payment of principal or interest on any urban investment bonds within the Sub-Fund's portfolio, the Sub-Fund may suffer loss and the Net Asset Value of the Sub-Fund may be adversely affected.

Risks associated with the QFI regime

The Sub-Fund may invest directly in the Mainland China's domestic markets through the Manager's status as a QFI pursuant to the QFI Regulations. There are specific risks associated with the QFI regime.

QFI systems risk: The current QFI Regulations include rules on investment restrictions applicable to the Sub-Fund. Transaction sizes for QFIs are relatively large (with the corresponding heightened risk of exposure to decreased market liquidity and significant price volatility leading to possible adverse effects on the timing and pricing of acquisition or disposal of securities).

Onshore Mainland China securities acquired by a QFI for the account of the Sub-Fund are registered in the name of "Value Partners Hong Kong Limited – Value Partners China A-Share Select Fund" in accordance with the relevant rules and regulations, and maintained in electronic form via securities account(s) with CSDCC, CCDCC, Shanghai Clearing House and/or such other relevant depositories. Each account is required to bear the name of "Value Partners Hong Kong Limited" as this is the name under which the QFI is approved by the relevant regulator. The QFI selects Mainland China brokers (each a "**PRC Broker**") to act on its behalf in the onshore Mainland China securities markets as well as the PRC Custodian to maintain its assets in custody in accordance with the terms of the PRC Custodian Agreement.

In the event of any default of either a PRC Broker or the PRC Custodian in the execution or settlement of any transaction or in the transfer of any funds or securities in the Mainland China, the Sub- Fund may encounter delays in recovering its assets which may in turn impact the net asset value of the Sub-Fund.

PRC Custodian and PRC Brokers risk: Onshore Mainland China assets acquired by the Sub-Fund through the Manager's QFI status will be maintained by the PRC Custodian in electronic form via securities account(s) with CSDCC, CCDCC, Shanghai Clearing House and/or such other relevant depositories and cash account(s) with the PRC Custodian.

The QFI also selects one or more PRC Brokers to execute transactions for the Sub-Fund in the Mainland China markets. The Sub-Fund may incur losses due to the acts or omissions or insolvency of the PRC Brokers, the PRC Custodian or the relevant depository in the execution or settlement of any transaction or in the transfer of any funds or securities. Subject to the applicable laws and regulations in the Mainland China, the Manager will make arrangements to ensure that the PRC Brokers and PRC Custodian have appropriate procedures to properly safe-keep the Sub-Fund's assets.

According to the QFI Regulations and market practice, the securities and cash accounts for the Sub-Fund in the Mainland China are to be maintained in the joint names of the Manager as the QFI and the Sub-Fund. Although the Manager has obtained a legal opinion that the assets in such securities accounts belong to that Sub-Fund, such opinion cannot be relied on as being conclusive, as the QFI Regulations are subject to the interpretation of the relevant authorities in the Mainland China.

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

Repatriation risk: Repatriations by QFIs conducted in RMB for the Sub-Fund are not subject to any restrictions, lock-up periods or prior approval. There is no assurance, however, that Mainland China rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Any restrictions on repatriation of the invested capital and net profits may impact on the Sub-Fund's ability to meet redemption requests from Unitholders.

QFI status risk: There can be no assurance that the QFI status of the Manager will not be suspended or revoked. Such event may adversely affect the Sub-Fund's performance as it may not be possible to implement the investment strategy of the Sub-Fund at all, which in the worst case scenario may lead to termination of the Sub-Fund.

Risks associated with the Mainland China

There are risks involved in the Sub-Fund's investments in the Mainland China, including risks associated with Mainland China taxation. Please refer to "General risks – Emerging market risk" and "Risks associated with the Mainland China" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

RMB currency risk

The Sub-Fund's investments are primarily denominated in the RMB. The RMB is not freely convertible and subject to exchange controls and restrictions. There is no guarantee that RMB will not depreciate. Investors whose assets and liabilities are predominantly in currencies other than RMB should take into account the potential risk of loss arising from fluctuations in value between such currencies and the RMB as well as associated fees and charges. Please also refer to "RMB currency risk" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

Dividends risk / Distributions payable out of capital or effectively out of capital risk

There is no guarantee that any dividends will be distributed and thus investors may not receive any distributions. Where there is a distribution, there will not be a target level of dividend payout.

In circumstances where the net distributable income of a class is insufficient to pay for any dividend which may be declared, the Manager may, at its discretion, (i) pay dividend out of capital of the Sub-Fund; or (ii) pay dividend out of gross income of the Sub-Fund (that is, income before taking into account any fees or expenses) while charging all or part of the Sub-Fund's fees and expenses to the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. Payment of dividends out of capital or effectively out of capital may require the Manager to sell the assets of the Sub-Fund and amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of capital or effectively out of capital of the Sub-Fund (as the case may be) may result in an immediate reduction of the Net Asset Value per Unit of the relevant class. The Manager may amend the policy regarding paying dividends out of capital and/or effectively out of capital subject to the SFC's prior approval and by giving not less than one month's advance notice to Unitholders.

Where any distribution involves payment of dividends out of capital and/or effectively out of capital of the Sub-Fund, investors should note that a high distribution yield does not imply a positive or high return on the total investment.

Risk of investing in financial derivative instruments

Although the use of derivatives will not substantially form part of the investment strategy of the Sub-Fund, the Manager may, for hedging purposes only, invest in listed warrants and futures, index and currency swaps and currency forwards subject to the investment restrictions applicable to the Sub-Fund including Chapter 7 of the Code. These instruments can be highly volatile and expose investors to increased risk of loss. Please also refer to "Investment risks – Risk of investing in financial derivative instruments" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

Hedging risk

The Manager may from time to time use hedging techniques, including investments in listed warrants and futures, index and currency swaps and currency forwards, to offset market and currency risks. There is no guarantee that such techniques will be effective. Please refer to "Investment risks – Hedging risk" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

Financial reports

The first financial report for the Sub-Fund covered the period to 31 December 2015.

Distribution policy

The Manager may in its discretion make distributions to Unitholders out of the Sub-Fund at such times as the Manager considers appropriate. However, there is no guarantee of any distribution nor, where distribution is made, the amount being distributed.

APPENDIX 2: VALUE PARTNERS ASIAN INCOME FUND

*This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the Value Partners Asian Income Fund (the "**Sub-Fund**"), a sub-fund of the Trust. All references in this Appendix to the Sub-Fund are to Value Partners Asian Income Fund. Unless otherwise defined in this Appendix, terms defined in the main body of this Explanatory Memorandum have the same meaning when used in this Appendix. For Singapore offering purposes, the Sub-Fund is a Restricted Sub-Fund (see Explanatory Memorandum – IMPORTANT INFORMATION FOR INVESTORS).*

Investment Objective

The investment objective of the Sub-Fund is primarily to maximize return and income by investing in Asian equities, Asian fixed income securities and other assets relating to Asian companies that are listed, or have their registered offices in Asia or that generate a predominant share of their sales and/or their profits in Asia. The Sub-Fund aims to deliver lower portfolio volatility by actively screening and selecting a combination of lower volatility equities and fixed income securities. There can be no assurance that the Sub-Fund will achieve its investment objective.

Investment Strategy

The Sub-Fund seeks to achieve its investment objective by primarily investing in Asian equity and/or fixed income securities and to deliver lower portfolio volatility. The Sub-Fund will be actively managed and will invest in the Asian region which includes emerging market countries/regions as well as developed countries/regions.

Investments will be selected by the Manager by identifying high-yielding investments through bottom-up research and a screening process followed by a preliminary evaluation and a detailed qualitative and quantitative analysis in companies or issuers that are listed, or have their registered offices in Asia or that generate a predominant share of their sales and/or their profits in Asia. Companies or issuers selected following the screening process are subjected to evaluation and ongoing review by sector analysts, and the Manager will focus on the selection of companies which offer potential long-term value and consider quantitative factors including sustainable business models, robust balance sheets, market capitalisation, liquidity and dividend yield, as well as qualitative factors, such as quality of management and industry analysis.

Equity investments

The Sub-Fund may invest 30% to 70% of its Net Asset Value in Asian equity securities (including but not limited to American Depositary Receipts ("**ADRs**"), A-Shares, B-Shares and H-Shares). The Sub-Fund's investment in A-Shares may be made indirectly via Mainland China access products (such as participatory notes) (the "**Access Products**") and/or directly via the Stock Connect. The Sub- Fund will not in aggregate invest more than 20% of its Net Asset Value in A-Shares and B-Shares, and not more than 10% of the Sub-Fund's Net Asset Value may be invested in Access Products issued by any single Access Products issuer. There is no restriction on market capitalizations or industries in relation to the equity securities in which the Sub-Fund may invest, and the Sub-Fund may invest substantially in securities issued by small and mid-cap companies.

Fixed income securities investments

The Sub-Fund may also invest 30% to 70% of its Net Asset Value in Asian fixed income securities, such as Mainland China offshore bonds and other fixed income securities (including but not limited to convertible bonds and contingent convertible bonds (each up to 30% of its Net Asset Value)), which are mainly denominated and settled in USD, HKD or RMB.

The Sub-Fund may invest less than 30% of its Net Asset Value in instruments with loss-absorption features ("**LAPs"**) such as contingent convertible bonds issued by financial institutions, non-preferred senior debt instruments, certain Additional Tier 1 and Tier 2 capital instruments and external loss-absorbing capacity ("**LAC**") debt instruments.

LAPs are debt instruments with features of contingent write-down or contingent conversion to ordinary shares on the occurrence of the following: (a) when a financial institution is near or at the point of non-viability; or (b) when the capital ratio of a financial institution falls to a specified level. These LAPs instruments may include:

(i) debt instruments that meet the qualifying criteria to be Additional Tier 1 Capital or Tier 2 Capital under the Banking (Capital) Rules and similar debt instruments issued under an equivalent regime of non-Hong Kong jurisdictions;

(ii) external LAC debt instruments under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules pursuant to the Financial Institutions Resolution Ordinance of Hong Kong (Cap. 628) ("**FIRO**");

(iii) debt instruments issued under a regime of non-Hong Kong jurisdictions which implements the Financial Stability Board's standards for "Total Loss-absorbing Capacity Term Sheet";

(iv) "non-preferred senior debt instruments" (may be named as "Tier 3" in some jurisdictions) and senior or subordinated debt instruments issued by a holding company of a financial institution which fall within the above circumstances; and

(v) contingent convertible bonds issued by financial institutions which upon the occurrence of the trigger event, may be converted into shares of the issuer (potentially at a discounted price), or may be subject to the permanent write-down to zero.

For the avoidance of doubt, instruments in the legal form of equities (including ordinary shares and preferred shares) and all types of deposits (including certificate of deposits) are excluded.

The Sub-Fund may invest less than 30% of its Net Asset Value in fixed income securities which are rated Below Investment Grade, or which are unrated.

For the purposes of the Sub-Fund:

- A fixed income security which is rated below investment grade is defined as a fixed income security which (or the issuer of which) is rated below BBB-/Baa3 by an internationally recognised credit rating agency (such as Standard & Poor's, Moody's and/or Fitch) ("**Below Investment Grade**"); and

- An "unrated" fixed income security is defined as a fixed income security which neither the security itself nor its issuer has a credit rating.

Other investments

The Sub-Fund may also invest up to 30% of its Net Asset Value in aggregate in the following categories: "Dim Sum" bonds and collateralised and/or securitised products (such as asset backed securities/mortgage backed securities/asset backed commercial papers). The Sub-Fund will not invest in urban investment bonds, which are debt instruments issued by local government financing vehicles in the Mainland China exchange-traded bond markets and inter-bank bond market.

The Sub-Fund will not invest more than 10% of its Net Asset Value in securities issued by or guaranteed by any single sovereign/government issuer (including its government, a public or local authority of that country/region).

For the avoidance of doubt, the Sub-Fund's aggregate exposure (whether direct or indirect) to securities issued in Mainland China onshore markets shall not exceed 20% of its Net Asst Value.

The Sub-Fund may invest up to 10% of its Net Asset Value in one or more underlying scheme(s) which are non-recognised jurisdiction schemes and not authorised by the SFC and up to 30% of its Net Asset Value in one or more underlying scheme(s) which are recognised jurisdiction schemes and authorised by the SFC, including those which are managed by the Manager or its Connected Persons or other third parties.

If the Manager considers fit, the Sub-Fund may, to a limited extent (up to 20% of its Net Asset Value), seek exposure to other asset classes including but not limited to non-Asian securities and commodities indirectly through exchange traded funds and/or similar instruments (such as other underlying scheme(s) as permitted under Chapter 7 of the Code).

The Sub-Fund's portfolio may also temporarily include cash and cash equivalents, up to 100% of its Net Asset Value, under exceptional circumstances (such as in the event of market crashes, major crisis or to mitigate the risk of potential sharp reversals and fall in the equity or bond markets) for cash flow management.

The Sub-Fund may invest in financial derivative instruments for hedging purposes only. The Manager will not enter into any securities lending, repurchase or reverse-repurchase transactions or other similar over-the-counter transactions in respect of the Sub-Fund.

Asset allocation table

The Sub-Fund's portfolio will be allocated, according to asset class, as follows:

Asset class	**Indicative percentage of Net Asset Value**
Equities (Equities of Asian companies that are listed, or have their registered offices in Asia or that generate a predominant share of their sales and/ or their profits in Asia)	30% to 70%
Fixed income securities (Asian fixed income securities including Mainland China offshore bonds and other fixed income securities (including but not limited to convertible bonds and contingent convertible bonds) which are mainly denominated and settled in USD, HKD or RMB)	30% to 70%
Other asset classes (Including but not limited to non-Asian securities and commodities indirectly through exchange traded funds and/or similar instruments)	0% to 20%
Cash and cash equivalents	0% to 100%

The asset allocation of the Sub-Fund will change according to the Manager's views of fundamental economic and market conditions and investment trends, taking into consideration factors such as liquidity, costs, timing of execution, relative attractiveness of individual securities and issuers available in the market.

Investment Restrictions

No waivers from the investment restrictions set out in the main body of the Explanatory Memorandum have been sought or granted by the SFC.

Available Classes

The Sub-Fund currently has the following classes of Units which are available to investors:

Class	Class Currency
Class A AUD Hedged MDis Units	AUD
Class A CAD Hedged MDis Units	CAD
Class A EUR Hedged MDis Units	EUR
Class A HKD Unhedged Acc Units	HKD
Class A HKD Unhedged MDis Units	HKD
Class A NZD Hedged MDis Units	NZD
Class A RMB Hedged MDis Units	RMB
Class A RMB Unhedged MDis Units	RMB
Class A SGD Hedged Acc Units	SGD
Class A SGD Hedged MDis Units	SGD
Class A SGD Unhedged Acc Units	SGD
Class A SGD Unhedged MDis Units	SGD
Class A USD Unhedged Acc Units	USD
Class A USD Unhedged MDis Units	USD
Class UA HKD Unhedged Acc Units	HKD
Class UA HKD Unhedged MDis Units	HKD
Class UA SGD Hedged Acc Units	SGD
Class UA SGD Hedged MDis Units	SGD
Class UA USD Unhedged Acc Units	USD
Class UA USD Unhedged MDis Units	USD
Class UA2 HKD Unhedged Acc Units	HKD
Class UA2 HKD Unhedged MDis Units	HKD
Class UA2 USD Unhedged Acc Units	USD
Class UA2 USD Unhedged MDis Units	USD
Class UA3 HKD Unhedged Acc Units	HKD
Class UA3 HKD Unhedged MDis Units	HKD
Class UA3 USD Unhedged Acc Units	USD
Class UA3 USD Unhedged MDis Units	USD
Class X USD Unhedged Acc Units	USD
Class X USD Unhedged MDis Units	USD
Class Z USD Unhedged Acc Units	USD
Class Z USD Unhedged MDis Units	USD

Class A AUD Hedged MDis Units, Class A CAD Hedged MDis Units, Class A EUR Hedged MDis Units, Class A HKD Unhedged Acc Units, Class A HKD Unhedged MDis Units, Class A NZD

Hedged MDis Units, Class A RMB Hedged MDis Units, Class A RMB Unhedged MDis Units, Class A SGD Hedged Acc Units, Class A SGD Hedged MDis Units, Class A SGD Unhedged Acc Units, Class A SGD Unhedged MDis Units, Class A USD Unhedged Acc Units and Class A USD Unhedged MDis Units are collectively referred to as "**Class A Units**".

Class UA HKD Unhedged Acc Units, Class UA HKD Unhedged MDis Units, Class UA SGD Hedged Acc Units, Class UA SGD Hedged MDis Units, Class UA USD Unhedged Acc Units and Class UA USD Unhedged MDis Units are collectively referred to as "**Class UA1 Units**".

Class UA2 HKD Unhedged Acc Units, Class UA2 HKD Unhedged MDis Units, Class UA2 USD Unhedged Acc Units and Class UA2 USD Unhedged MDis Units are collectively referred to as "**Class UA2 Units**".

Class UA3 HKD Unhedged Acc Units, Class UA3 HKD Unhedged MDis Units, Class UA3 USD Unhedged Acc Units and Class UA3 USD Unhedged MDis Units are collectively referred to as "**Class UA3 Units**".

Class UA1 Units, Class UA2 Units and Class UA3 Units are collectively referred to as "**Class UA Units**"

Class X USD Unhedged Acc Units and Class X USD Unhedged MDis Units are collectively referred to as "**Class X Units**".

Class Z USD Unhedged Acc Units and Class Z USD Unhedged MDis Units are collectively referred to as "**Class Z Units**".

Class A Units are available for subscription by investors who make an investment of not less than the minimum initial investment amount or the minimum subsequent investment amount for the respective Classes as set out under the section headed "Investment Minima" below.

Class UA Units are only offered for subscription during a specified period (each, a "**Limited Subscription Window**"), which applies separately to each of Class UA1 Units, Class UA2 Units and Class UA3 Units. The Manager may determine at its discretion an earlier end date of the relevant Limited Subscription Window. No additional Units will be offered for subscription for a period of three years following the close of the applicable Limited Subscription Window of the relevant Class UA Units. Unitholders of Class UA Units are subject to CDSC if they redeem their Class UA Units during the applicable Limited Subscription Window or during the three-year period after the expiry of the applicable Limited Subscription Window. Upon the expiry of this three-year period after the expiry of the applicable Limited Subscription Window, the relevant Class UA Units will be compulsorily converted, free of charge, into corresponding Class A Units in the same

currency of denomination and distribution policy. Class UA Units are offered at the Manager's discretion and are only available for subscription by investors through broker-dealers, intermediaries and other entities who have distribution agreements with the Manager who make an investment of not less than the minimum initial investment amount or the minimum subsequent investment amount for the respective Classes as set out under the section headed "Investment Minima" below.

Class X Units are only available for subscription by funds and managed accounts managed by the Manager or Connected Persons of the Manager who are "professional investors" as defined in the SFO or offered on a private placement basis.

Class Z Units are only available for subscription by institutional investors and/or professional investors who make an investment of not less than the minimum initial investment amount or the minimum subsequent investment amount for the respective Classes as set out under the section headed "Investment Minima" below.

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

Base Currency

The Base Currency of the Sub-Fund is US dollars.

Initial Offer Period and initial Subscription Price

The Initial Offer Period of the Sub-Fund will be such dates or times as the Manager may determine.

Class UA3 Units of the Sub-Fund will be offered from 9:00 a.m. (Hong Kong time) on 4 January 2027 to 5:00 p.m. (Hong Kong time) on 4 January 2027, at the initial Subscription Price below and subject to acceptance of applications for Units by the Manager and will be issued for the first time on the Business Day following the close of the Initial Offer Period.

The initial Subscription Price in respect of each class of Units during the Initial Offer Period of the Sub-Fund is as follows:

Class	Initial Subscription Price
Class A AUD Hedged MDis Units	AUD 10
Class A CAD Hedged MDis Units	CAD 10
Class A EUR Hedged MDis Units	EUR 10
Class A HKD Unhedged Acc Units	HKD 10
Class A HKD Unhedged MDis Units	HKD 10
Class A NZD Hedged MDis Units	NZD 10
Class A RMB Hedged MDis Units	RMB 10
Class A RMB Unhedged MDis Units	RMB 10
Class A SGD Hedged Acc Units	SGD 10
Class A SGD Hedged MDis Units	SGD 10
Class A SGD Unhedged Acc Units	SGD 10
Class A SGD Unhedged MDis Units	SGD 10
Class A USD Unhedged Acc Units	USD 10
Class A USD Unhedged MDis Units	USD 10
Class UA HKD Unhedged Acc Units	HKD 10
Class UA HKD Unhedged MDis Units	HKD 10
Class UA SGD Hedged Acc Units	SGD 10
Class UA SGD Hedged MDis Units	SGD 10
Class UA USD Unhedged Acc Units	USD 10
Class UA USD Unhedged MDis Units	USD 10
Class UA2 HKD Unhedged Acc Units	HKD 10
Class UA2 HKD Unhedged MDis Units	HKD 10
Class UA2 USD Unhedged Acc Units	USD 10
Class UA2 USD Unhedged MDis Units	USD 10
Class UA3 HKD Unhedged Acc Units	HKD 10
Class UA3 HKD Unhedged MDis Units	HKD 10
Class UA3 USD Unhedged Acc Units	USD 10
Class UA3 USD Unhedged MDis Units	USD 10
Class X USD Unhedged Acc Units	USD 10
Class X USD Unhedged MDis Units	USD 10
Class Z USD Unhedged Acc Units	USD 10
Class Z USD Unhedged MDis Units	USD 10

Dealing Procedures

For details of dealing procedures, please refer to the sections headed "Subscription of Units", "Redemption of Units" and "Switching" in the main body of this Explanatory Memorandum. The following apply to the Sub-Fund:

Dealing Day	each Business Day.
Dealing Deadline	5:00 pm (Hong Kong time) on the relevant Dealing Day

In respect of Class UA1 Units, the Limited Subscription Window was from 9 April 2026 to 30 April 2026 .

In respect of Class UA2 Units, the Limited Subscription Window was from 3 July 2026 to 30 July 2026 .

In respect of Class UA3 Units, the Limited Subscription Window will be from 5 January 2027 to 29 January 2027 (or such earlier end date as the Manager may determine at its discretion).

Payment of redemption proceeds

Save as otherwise agreed by the Manager, and so long as relevant account details have been provided, redemption proceeds will normally be paid 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 redemption request, unless legal or regulatory requirements (such as foreign currency controls) to which the Sub-Fund is subject render the payment of the redemption proceeds within the aforesaid time period not practicable, and such extended time frame should reflect the additional time needed in light of the specific circumstances in the relevant market.

Investment Minima

The following investment minima apply to the Sub-Fund:

	Class A and Class UA Units	**Class X Units**	**Class Z Units**
Minimum initial investment	USD10,000 or equivalent	Nil	USD10,000,000 or equivalent
Minimum subsequent investment	USD5,000 or equivalent	Nil	USD100,000 or equivalent
Minimum holding	USD10,000 or equivalent	Nil	USD5,000,000 or equivalent
Minimum redemption amount	Nil	Nil	Nil

The Manager may, in its absolute discretion, waive or agree to a lower amount of any of the above investment minima (either generally or in any particular case).

Subscription of Units

Save for the procedure in determining the Subscription Price as set out in the sub-section entitled "Subsequent issue of Units" under the section entitled "SUBSCRIPTION OF UNITS", the procedure for the subsequent issue of Units in the main body of this Explanatory Memorandum shall apply to the Sub-Fund.

The following procedure shall apply in determining the Subscription Price of the Sub-Fund:

The Manager has the power, in determining the Subscription Price, to add to the Net Asset Value per Unit of the relevant class (before making any rounding adjustment) an amount (not exceeding 1% of the Net Asset Value per Unit of the relevant class under normal circumstances) which it considers to be an appropriate allowance to reflect (a) the difference between the last traded price (or the mean between the last available bid and asked prices) of the investments of the Sub-Fund and the latest available asked price of such investments, and (b) all stamp and other duties, taxes, governmental charges, brokerage, bank charges, transfer fees and registration fees which would be incurred for the account of the Sub-Fund in investing an amount equal to that Net Asset Value per Unit of the relevant class.

The Manager will only adjust the Subscription Price with a view to protecting the interests of Unitholders under exceptional circumstances as determined by the Manager from time to time. Where necessary the Manager will seek the view of the Trustee prior to any adjustment in the Subscription Price and such adjustment would only be made where the Trustee has no objection to it. Exceptional circumstances for adjusting the Subscription Price may include (a) the aggregate net subscriptions in the Units having exceeded a pre-determined threshold set by the Manager from time to time; and/or (b) extreme market conditions which may have an unfavourable impact on the interests of existing Unitholders. In such circumstances, the Net Asset Value per Unit of the relevant class may be adjusted by an amount (normally not exceeding 1% of that Net Asset Value) which reflects the dealing costs that may be incurred by the Sub- Fund and the estimated bid/offer spread of the assets in which the Sub-Fund invests. Under extreme market conditions (such as market crash or global financial crisis), the Manager may increase such amount to protect interests of the Unitholders. Any such additional amount will be retained by the Sub-Fund and will form part of the assets of the Sub-Fund.

Redemption of Units

Save for the procedure in determining the Redemption Price as set out in the sub-section entitled "Payment of redemption proceeds" under the section entitled "REDEMPTION OF UNITS", the procedure for the payment for redemption proceeds in the main body of this Explanatory Memorandum shall apply to the Sub-Fund.

The following procedure shall apply in determining the Redemption Price of the Sub-Fund:

The Manager may, when determining the Redemption Price, deduct for the account of the Sub-Fund from the Net Asset Value per Unit of the relevant class (before making any rounding adjustment) an amount (not exceeding 1% of the Net Asset Value per Unit of the relevant class under normal circumstances) which it considers to be an appropriate allowance to reflect (a) the difference between the last traded price (or the mean between the last available bid and asked prices) of the investments of the Sub-Fund and the latest available bid price of such investments, and (b) all stamp and other duties, taxes, governmental charges, brokerage, bank charges, transfer fees and registration fees which would be incurred for the account of the Sub-Fund in realising assets or closing out positions to provide funds to meet any redemption request.

The Manager will only adjust the Redemption Price with a view to protecting the interests of Unitholders under exceptional circumstances as determined by the Manager from time to time. Where necessary the Manager will seek the view of the Trustee prior to any adjustment in the Redemption Price and such adjustment would only be made where the Trustee has no objection to it. Examples of such exceptional circumstances for adjusting the Redemption Price may include (a) the aggregate net redemptions in Units having exceeded a pre-determined threshold set by the Manager from time to time; and/or (b) extreme market conditions which may have an unfavourable impact on the interests of existing Unitholders. In such circumstances, the Net Asset Value per Unit of the relevant class may be adjusted by an amount (normally not exceeding 1% of that Net Asset Value) which reflects the dealing costs that may be incurred by the Sub- Fund and the estimated bid/offer spread of the assets in which the Sub-Fund invests. Under extreme market conditions (such as market crash or global financial crisis), the Manager may increase such amount to protect interests of the Unitholders. Any such additional amount will be retained by the Sub-Fund and will form part of the assets of the Sub-Fund.

Switching of Units

The procedure for the switching of Units in the main body of this Explanatory Memorandum shall apply to the Sub-Fund, except that switching of Units in Class UA Units into other class(es) of Units of this Sub-Fund or other Sub-Fund(s), or vice versa, is not permitted during the Limited Subscription Window or during the three-year period after the expiry of the Limited Subscription Window.

Further, for Class UA Units, upon the expiry of the three-year period after the expiry of the applicable Limited Subscription Window of the relevant Class UA Units, the relevant Class UA Units will be compulsorily converted, free of charge, into corresponding Class A Units in the same currency of denomination and distribution policy. Notice to Unitholders will be provided at least one month prior to the compulsory conversion of the relevant Class UA Units to inform Unitholders on the date of conversion, and the conversion arrangement. For further information on the compulsory switching of Units, please refer to the section headed “Switching” in the main body of this Explanatory Memorandum.

Publication of Net Asset Value

The latest Subscription Price and Redemption Price in respect of Units or the Net Asset Value per Unit of the Sub-Fund are available on each Dealing Day on the Manager's website www.valuepartners-group.com*.

Expenses and Charges

The following are the actual fees and charges payable in respect of each class of the Sub-Fund. Maximum fees permitted to be charged on one month's notice to Unitholders are set out under the section entitled "Expenses and Charges" in the main body of this Explanatory Memorandum.

Fees payable by Unitholders

	Class A Units	**Class UA Units**	**Class X Units**	**Class Z Units**
Subscription fee	Up to 5% of the subscription monies	Nil	Nil	Up to 5% of the subscription monies
Redemption fee	Nil	Nil	Nil	Nil
Switching fee^	Nil	Not applicable	Nil	Nil

^ Certain distributors may impose a charge for each switching of Units in a class of the Sub-Fund acquired through them for Units in another class of the Sub-Fund, which will be deducted at the time of the switching and paid to the relevant distributors. Unitholders who intend to switch their Units in one class to Units in another class should check with their respective distributors for the charge on switching.

A CDSC will be payable to the Manager in respect of Class UA Units at the rates specified below, depending on the period within which the relevant Class UA Units are redeemed:

- Redemptions within the Limited Subscription Window, or the first year from the expiry of the Limited Subscription Window: 3% of the redemption proceeds

- Redemptions within second year from the expiry of the Limited Subscription Window: 2% of the redemption proceeds

* This website has not been reviewed or authorised by the SFC.

- Redemptions within third year from the expiry of the Limited Subscription Window: 1% of the redemption proceeds

Any CDSC charged will be retained by the Manager.

Fees payable by the Sub-Fund

	Class A Units and Class UA Units	**Class X Units**	**Class Z Units**
Management fee	1.50% per annum of the Net Asset Value of each class of Units	Nil	1.00% per annum of the Net Asset Value of each class of Units
Performance fee	N/A	N/A	N/A
Trustee fee	0.135% per annum for the first USD150 million in Net Asset Value of the Sub-Fund, 0.13% per annum for the portion over the first USD150 million up to and including USD800 million in the Net Asset Value of the Sub-Fund, 0.125% per annum for the balance in excess of USD800 million in the Net Asset Value of the Sub-Fund. The Trustee fees are subject to a monthly minimum of USD4,500.		

Performance Fee

No performance fee will be charged for the Sub-Fund.

Establishment costs

The costs of establishing the Sub-Fund are estimated to be approximately HKD1,150,000. These costs will be charged to the Sub-Fund and will be amortised over a period of 5 years from the inception of the Sub-Fund (or such other period as determined by the Manager after consultation with the auditors).

Additional Risk Factors

Investors should note the following risk factors set out in the section entitled "Risk Factors" in the main body of this Explanatory Memorandum, which are applicable to the Sub-Fund: "Investment risk", "Market risk", "Concentration risk", "Emerging market risk", "Counterparty risk", "Liquidity risk", "Exchange rate risk", "Restricted markets risk", "Legal and compliance risk", "Suspension risk", "Early termination risk", "Cross class liability risk", "Cross Sub-Fund liability risk", "Valuation and accounting risk", "Dividends and distributions", "Distributions payable out of capital or effectively out of capital risk", "Foreign Account Tax Compliance Act risk", "RMB currency risk", "Risks associated with the Mainland China", "Risks associated with Mainland China taxation", "Risk of investing in equity securities", "Risk of investing in fixed income instruments" and "Hedging risk".

In addition, the following risk factors are specific to the Sub-Fund:

Investment risk

Investors should be aware that investment in the Sub-Fund is subject to normal market fluctuations and other risks inherent in the Sub-Fund's assets. There is no guarantee of repayment of principal. Accordingly, there is a risk that an investor may not recoup the original amount he invested in the Sub-Fund or may lose a substantial part or all of his investment.

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 exposure to a single region (i.e. Asia) subjects it to greater concentration risk. The Sub-Fund may be more volatile than a broadly-based fund such as a global investment fund as it is more susceptible to fluctuation in value resulting from adverse conditions in the Asian markets.

Risk relating to dynamic asset allocation strategy

The investments of the Sub-Fund may be periodically rebalanced and therefore the Sub-Fund may incur greater transaction costs than a fund with static allocation strategy. The dynamic asset allocation strategy may not achieve the desired results under all circumstances and market conditions.

Risks of investing in equities

There are risks involved in the Sub-Fund's investments in equities.

Please refer to "Investment risks – Risk of investing in equity securities" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum. Below are further specific risks that investors should be aware of.

Risk of investing in equity securities: The Sub-Fund will invest directly or indirectly in equity securities and is exposed to the risk that the market value of such equity securities (and hence the Net Asset Value of the Sub-Fund) may go down as well as up. Equity markets may fluctuate significantly due to factors including investment sentiment; political, economic or environmental issues; regional or global economic instability; and currency and interest rate fluctuations. Prices may rise and fall sharply, and this will have a direct impact on the Sub-Fund. When equity markets are extremely volatile, the Sub-Fund's Net Asset Value may fluctuate substantially and investors may suffer substantial losses.

Small- and mid-cap companies risk: The Sub-Fund's equity portfolio may include small- and mid-cap companies, which generally have greater earnings and capital growth potential than larger capitalised companies. However, such investments in small- or mid-cap companies may involve greater risks, such as limited product lines, markets and financial or managerial resources. In addition, securities of smaller companies may trade less frequently, in lower volumes and with less liquidity than more widely held securities, and the securities of such companies generally are subject to more abrupt, erratic and volatile price movements to adverse economic developments than more widely held or larger, more established companies. This, in turn, may undermine the value of the Sub-Fund's assets.

Access products risk

The Sub-Fund may from time to time obtain exposure to restricted markets by investing into Access Products. An Access Product represents only an obligation of the counterparty issuing the Access Product to provide to the Sub-Fund the economic performance equivalent to holding the underlying securities. An Access Product does not provide any beneficial or equitable entitlement or interest in the securities to which the Access Product is linked. An Access Product constitutes an unsecured contractual obligation of the relevant issuer. Accordingly, the Sub-Fund is subject to credit risk of the issuer of any Access Product invested in by the Sub-Fund. The Sub-Fund may suffer a loss, potentially equal to the full value of the Access Product, if the issuer becomes bankrupt or otherwise fails to perform its obligations under the Access Product due to financial difficulties.

Any Access Product will be subject to the terms and conditions imposed by its issuer and such terms and conditions may lead to delays in implementing the investment strategy of the Sub- Fund. Access Products typically have no active secondary market and so have limited liquidity. In order to liquidate investments, the Sub-Fund will rely upon the issuer quoting a price to unwind part of the Access Product. Accordingly the ability to adjust positions may be restricted which may have an impact on the performance of the Sub-Fund.

Under the relevant laws and regulations, the ability of Access Product issuers to acquire securities in certain companies may be limited from time to time due to the imposition of certain investment restrictions. These restrictions may restrict the ability of an issuer to issue, and therefore the ability of the Sub-Fund to purchase, Access Products linked to certain securities. In certain circumstances, the Manager may not be able to fully implement or pursue the investment strategy of the Sub-Fund due to such restrictions.

Risks of investing in A-Shares

Please refer to "Risks associated with the Mainland China" and "Investment risks – Risk of investing in equity securities" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum. Below are further specific risks that investors should be aware of.

Mainland China securities markets risk: The securities markets in the Mainland China, including the A-share markets, are still in a stage of development, and may be characterised by higher liquidity risk than markets in more developed countries/regions, which may in turn result in higher transaction costs and price volatility. In addition, the Mainland China's securities markets are undergoing a period of growth and change, which lead to uncertainties and potentially result in difficulties in the settlement and recording of transactions and in interpreting and applying the relevant regulations. The Mainland China regulatory authorities have been given the power and duty to prohibit fraudulent and unfair market practices relating to securities markets, such as insider trading and market abuse, and to regulate substantial acquisitions of shares and takeovers of companies. All of these factors may lead to a higher level of volatility and instability associated with the Mainland China securities markets relative to more developed markets.

Government oversight and restrictions risk: The liquidity and price volatility associated with A-Share markets are subject to greater risks of government oversight (for example, to suspend trading in particular stocks) and imposition of trading band restrictions for all or certain stocks from time to time. In addition, A-Shares traded in the Mainland China are still subject to trading band limits that restrict maximum gain or loss in stock prices, which means the prices of stocks may not necessarily reflect their underlying value. Such factors may affect the performance of the Sub- Fund, and the subscription and redemption of Units may also be disrupted.

Accounting and reporting standards risk: Mainland China companies are required to follow Mainland China accounting standards and practice which follow international accounting standards to a certain extent. However, the accounting, auditing and financial reporting standards and practices applicable to Mainland China companies are evolving, and there may be significant differences between financial statements prepared in accordance with the Mainland China accounting standards and practice and those prepared in accordance with international accounting standards. As the disclosure and regulatory standards in the Mainland China are less stringent than in more developed markets, there might be substantially less publicly available information about issuers in the Mainland China on which the Manager can base investment decisions.

Risks of investing in ADRs

Although ADRs have risks similar to the securities that they represent, they may also involve higher expenses and may trade at a discount (or premium) to the underlying security. In addition, depositary receipts may not pass through voting and other shareholder rights, and may be less liquid than the underlying securities listed on an exchange.

Risks of investing in other funds

The Sub-Fund may from time to time invest in other 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. The underlying funds in which the Sub-Fund may invest may also not be regulated by the SFC.

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 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 or its manager. In addition, where an underlying fund is managed by the Manager, all management and performance fees charged by the underlying fund will be waived for the Sub-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 avoid and resolve such conflicts fairly.

Risk of investing in fixed income instruments

Please refer to "Risk of investing in fixed income instruments" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum. Below are further specific risks that investors should be aware of.

Interest rate risk: The Sub-Fund's investments in fixed income instruments are subject to interest rate risk. Generally, the value of fixed income instruments is expected to be inversely correlated with changes in interest rates. As interest rates rise, the market value of fixed income instruments tends to decrease. Long-term fixed income instruments in general are subject to higher sensitivity to interest rate changes than short-term fixed income instruments. Any increase in interest rates may adversely impact the value of the Sub-Fund's fixed income portfolio.

As the Sub-Fund may invest in fixed income instruments issued in the Asian markets, the Sub- Fund is additionally subject to policy risk as changes in macro-economic policies in the Asian markets (including monetary policy and fiscal policy) may have an influence over the Asian capital markets and affect the pricing of the fixed income instruments in the Sub-Fund's portfolio, which may in turn adversely affect the return of the Sub-Fund.

Volatility and liquidity risk: The fixed income securities in certain Asian markets may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may incur significant trading costs.

Credit risk: The value of the Sub-Fund is affected by the credit worthiness of its underlying investments. A deterioration of credit quality (e.g. an issuer credit downgrade or credit event leading to widening of credit spread) of an underlying investment will adversely impact the value of such investment. There is no assurance that the fixed income instruments invested in by the Sub-Fund will maintain their credit ratings in the future.

Investment in fixed income instruments is subject to the credit risk of the issuers which may be unable or unwilling to make timely payments of principal and/or interest. In the event of a default or credit rating downgrading of the issuers of the fixed income instruments held by the Sub-Fund, valuation of the Sub-Fund's portfolio may become more difficult as the value of fixed income instruments may decline rapidly, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against the issuers who are incorporated outside of Hong Kong and therefore not subject to the laws of Hong Kong.

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

Credit ratings risk: Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.

Downgrade risk: Changing market conditions or other significant events, such as credit rating downgrades affecting issuers or major financial institutions, may also pose valuation risk to the Sub-Fund as the value of the Sub-Fund's portfolio of fixed income instruments, including corporate bonds and commercial papers, may become more difficult or impossible to ascertain. In such circumstances, valuation of the Sub-Fund's investments may involve uncertainties and judgemental determinations as there is a possibility that independent pricing information may at times be unavailable. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may need to be adjusted and may be adversely affected. Such events or credit rating downgrades may also subject the Sub-Fund to increased liquidity risk as it may become more difficult for the Sub-Fund to dispose of its holdings of bonds at a reasonable price or at all, which would have an adverse impact on the value and performance of the Sub-Fund.

Valuation risk: Valuation of the Sub-Fund's investments may involve uncertainties and judgemental determinations. If such valuations are incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

Risks of investing in Below Investment Grade and unrated bonds: The Sub-Fund may invest in fixed income instruments which (or the issuers of which) are rated Below Investment Grade or which may not be rated by any rating agency of an international standard. Such instruments are generally subject to a higher degree of volatility and credit risk, a lower degree of liquidity and greater risk of loss of principal and interest than high-rated debt securities, which may result in greater fluctuations in value and, consequently, the Net Asset Value of the Sub-Fund. The value of these instruments may also be more difficult to ascertain. Nevertheless, as the Sub-Fund may invest in fixed income instruments which (or the issuers of which) are unrated or Below Investment Grade, the Net Asset Value of the Sub-Fund may be more volatile.

Investing in convertible bonds risks: The Sub-Fund may invest in convertible bonds, which are a hybrid between debt and equity securities. Convertible bonds allow holders to convert into shares in the company issuing the bond at a specified future date, and are subject to risks of both fixed income instruments and equities. Convertible bonds can fluctuate in value with the price changes of the issuers' underlying stocks. If interest rates rise, the value of the corresponding convertible bond will fall. The valuation of convertible bonds may be more difficult due to the greater price fluctuations. Investments in convertible bonds are subject to the same interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable straight bond investments.

Sovereign/government debt risk: The Sub-Fund may invest in sovereign/government debt securities and such investments involve special risks. The repayment of debts by a government is subject to various including the economic and political factors. The governmental entity that controls the repayment of sovereign/government debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. Since the Sub-Fund's recourse against a defaulting sovereign/government is limited, the Sub-Fund may incur substantial loss if the sovereign/government defaults.

Risks associated with investments in LAPs

Debt instruments with loss-absorption features are subject to greater risks when compared to traditional debt instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of certain pre-defined trigger events (e.g. when the issuer is near or at the point of non-viability or when the issuer's capital ratio falls to a specified level), which are likely to be outside of the issuer's control. Such trigger events are complex and difficult to predict and may result in a significant or total reduction in the value of such instruments.

In the event of the activation of a trigger, there may be potential price contagion and volatility to the entire asset class. Debt instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.

The Sub-Fund may invest in contingent convertible bonds issued by financial institutions, which are highly complex and are of high risk. Please refer to "Risk associated with investments in contingent convertible bonds" below for more information.

The Sub-Fund may invest in senior non-preferred debts. While these instruments are generally senior to subordinated debts, they may be subject to write-down upon the occurrence of a trigger event and will no longer fall under the creditor ranking hierarchy of the issuer. This may result in total loss of principal invested.

Risk associated with investments in contingent convertible bonds

Contingent convertible bonds are hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level. Upon the occurrence of a predetermined event (known as a trigger event), contingent convertible bonds will be converted into shares of the issuing company (potentially at a discounted price as a result of the deterioration in the financial condition of the issuing company), or cause the permanent write-down to zero of the principal investment and/or accrued interest such that the principal amount invested may be lost on a permanent or temporary basis. Contingent convertible bonds are risky and highly complex instruments. Coupon payments on contingent convertible bonds are discretionary and may at times also be ceased or deferred by the issuer. Trigger events can vary but these could include the capital ratio of the issuing company falling below a certain level, or the share price of the issuer falling to a particular level for a certain period of time.

Contingent convertible bonds are also subject to additional risks specific to their structure including:

Trigger level risk: Trigger levels differ and determine exposure to conversion risk. It might be difficult for the Manager to anticipate the trigger events that would require the debt to convert into equity or the write down to zero of principal investment and/or accrued interest. Trigger events may include: (i) a reduction in the issuing bank's Core Tier 1/Common Equity Tier 1 (CT1/CET1) ratio or other ratios, (ii) a regulatory authority, at any time, making a subjective determination that an institution is "non-viable", i.e. a determination that the issuing bank requires public sector support in order to prevent the issuer from becoming insolvent, bankrupt or otherwise carry on its business and requiring or causing the conversion of the contingent convertible bonds into equity or write down, in circumstances that are beyond the control of the issuer or (iii) a national authority deciding to inject capital.

Coupon cancellation risk: Coupon payments on some contingent convertible bonds are entirely discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time. The discretionary cancellation of payments is not an event of default and there are no possibilities to require re-instatement of coupon payments or payment of any passed missed

payments. Coupon payments may also be subject to approval by the issuer's regulator and may be suspended in the event there are insufficient distributable reserves. As a result of uncertainty surrounding coupon payments, contingent convertible bonds may be volatile and their price may decline rapidly in the event that coupon payments are suspended.

Capital structure inversion risk: Contrary to the classic capital hierarchy, investors in contingent convertible bonds may suffer a loss of capital when equity holders will not, for example when the loss absorption mechanism of a high trigger/write down of a contingent convertible bond is activated. This is contrary to the normal order of the capital structure where equity holders are expected to suffer the first loss.

Call extension risk: Some contingent convertible bonds are issued as perpetual instruments and only callable at predetermined levels upon approval of the competent regulatory authority. It cannot be assumed that these perpetual contingent convertible bonds will be called on a call date. Contingent convertible bonds are a form of permanent capital. The investor may not receive return of principal as expected on call date or indeed at any date.

Conversion risk: Trigger levels differ between specific contingent convertible bonds and determine exposure to conversion risk. It might be difficult at times for the Manager to assess how the contingent convertible bonds will behave upon conversion. In case of conversion into equity, the Manager might be forced to sell these new equity shares subject to the investment policy of the Sub-Fund. As a trigger event is likely to be an event which decreases the value of the issuer's common equity, a forced sale may result in the Sub-Fund experiencing loss.

Valuation and write-down risk: Contingent convertible bonds often offer attractive yield which may be viewed as a complexity premium. The value of contingent convertible bonds may need to be reduced due to a higher risk of overvaluation of such asset class on the relevant eligible markets. Therefore, the Sub-Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment.

Market value fluctuations due to unpredictable factors: The value of contingent convertible bonds is unpredictable and will be influenced by many factors including, without limitation (i) creditworthiness of the issuer and/or fluctuations in such issuer's applicable capital ratios; (ii) supply and demand for the contingent convertible bonds; (iii) general market conditions and available liquidity and (iv) economic, financial and political events that affect the issuer, its particular market or the financial markets in general.

Liquidity risk: In certain circumstances finding a buyer ready to invest in contingent convertible bonds may be difficult and the Sub-Fund may have to accept a significant discount to the expected value of the bond in order to sell it.

Sector concentration risk: Contingent convertible bonds are issued by banking and insurance institutions. Investment in contingent convertible bonds may lead to an increased sector concentration risk. The performance of the Sub-Fund which invests in contingent convertible bonds will depend to a greater extent on the overall condition of the financial services industry than for the Sub-Fund following a more diversified strategy.

Subordinated instruments: Contingent convertible bonds will, in the majority of circumstances, be issued in the form of subordinated debt instruments in order to provide the appropriate regulatory capital treatment prior to a conversion. Accordingly, in the event of liquidation, dissolution or winding-up of an issuer prior to a conversion having occurred, the rights and claims of the holders of the contingent convertible bonds, such as the Sub-Fund, against the issuer in respect of or arising under the terms of the contingent convertible bonds shall generally rank junior to the claims of all holders of unsubordinated obligations of the issuer.

Novelty and untested nature: The structure of contingent convertible bonds is innovative yet untested. In a stressed environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform.

"Dim Sum" bond market risks

"Dim Sum" bonds are bonds which are issued outside of Mainland China but denominated in RMB. The "Dim Sum" bond market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the "Dim Sum" bond market as well as new issuances could be disrupted causing a fall in the NAV of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalisation of the offshore RMB (CNH) market by the relevant regulator(s).

Risk of investing in collateralised and/or securitised products (such as asset backed securities/mortgage backed securities/asset backed commercial papers)

The Sub-Fund may from time to time invest in collateralised and/or securitised products, such as asset backed securities/mortgage backed securities/asset backed commercial papers (collectively, "**structured debt instruments**"). Such structured debt instruments provide exposure to underlying assets and the risk/return profile is determined by the cash flows derived from such assets. Some of such instruments involve multiple instruments and cash flow profiles such that it is not possible to predict with certainty the outcome from all market scenarios. Also, the price of such an investment could be contingent on, or highly sensitive to, changes in the underlying components of the structured debt instrument. Issuers of such securities may also have limited ability to enforce the security interest in the underlying assets in the event of default. The underlying assets can take many forms including, but not limited to, credit card receivables, residential mortgages, corporate loans, manufactured housing loans or any type of receivables from a company or structured vehicle that has regular cash flows from its customers. Some structured debt securities have embedded call options exercisable by the issuer which creates prepayment risk (the risk of unexpected early return of principal on the security), while other features may create extension risk (the risk that the security's tenure is unexpectedly extended due to lower repayment levels). Some structured debt instruments may employ leverage which can cause the price of the instruments to be more volatile than if they had not employed leverage. In addition, investments in structured debt instruments may be less liquid than other securities. The lack of liquidity may cause the current market price of assets to become disconnected from the underlying assets' value and consequently the Sub-Fund may be more susceptible to liquidity risk. The liquidity of a structured debt instrument can be less than a regular bond or debt instrument and this may adversely affect either the ability to sell the position or the price at which such a sale is transacted.

Risks associated with the Mainland China

There are risks involved in the Sub-Fund's investments in the Mainland China. Please refer to "General risks

– Emerging market risk" and "Risks associated with the Mainland China" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

RMB currency risk

The Sub-Fund may have exposure to investments which are denominated in RMB. The RMB is not freely convertible and subject to exchange controls and restrictions. Investors whose assets and liabilities are predominantly in currencies other than RMB are exposed to foreign exchange risk and should take into account the potential risk of loss arising from fluctuations in value between such currencies and the RMB as well as associated fees and charges. There is no guarantee that RMB will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Sub-Fund.

In calculating the Net Asset Value per Unit of a Class denominated in RMB and in effecting any currency conversions involving RMB, the Manager may apply the CNH rate (i.e. the exchange rate for the offshore RMB market in Hong Kong). Whilst the RMB (CNH) and RMB (CNY) represent the same currency, they are traded in different rates and separate markets which operate independently. As such, RMB (CNH) may trade at a premium or discount to RMB (CNY) and they may even move in different directions. Any divergence between CNH and CNY may adversely impact investors.

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

Please also refer to "RMB currency risk" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

Dividends risk / Distributions payable out of capital or effectively out of capital risk

There is no guarantee that any dividends will be distributed and thus investors may not receive any distributions. Where there is a distribution, there will not be a target level of dividend payout.

In circumstances where the net distributable income of a class is insufficient to pay for any dividend which may be declared, the Manager may, at its discretion, (i) pay dividend out of capital of the Sub-Fund; or (ii) pay dividend out of gross income of the Sub-Fund (that is, income before taking into account any fees or expenses) while charging all or part of the Sub-Fund's fees and expenses to the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. Payment of dividends out of capital or effectively out of capital may require the Manager to sell the assets of the Sub-Fund and amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of capital or effectively out of capital of the Sub-Fund (as the case may be) may result in an immediate reduction of the Net Asset Value per Unit of the relevant class. The Manager may amend the policy regarding paying dividends out of capital and/or effectively out of capital subject to the SFC's prior approval and by giving not less than one month's advance notice to Unitholders.

Where any distribution involves payment of dividends out of capital and/or effectively out of capital of the Sub-Fund, investors should note that a high distribution yield does not imply a positive or high return on the total investment.

Risk of investing in financial derivative instruments

Although the use of derivatives will not substantially form part of the investment strategy of the Sub-Fund, the Manager may, for hedging purposes only, invest in listed warrants and futures, options, interest rate, index and currency swaps and forwards subject to the investment restrictions applicable to the Sub-Fund including Chapter 7 of the Code. These instruments can be highly volatile and expose investors to increased risk of loss. Please also refer to "Investment risks – Risk of investing in financial derivative instruments" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

Hedging risk

The Manager may from time to time use hedging techniques, including investments in listed warrants and futures, options, interest rate, index and currency swaps and forwards, to offset market and currency risks. There is no guarantee that such techniques will be effective. Please refer to "Investment risks – Hedging risk" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

Financial reports

The first financial report for the Sub-Fund covered the period to 31 December 2018.

Distribution policy

The Manager currently intends to make monthly dividend distributions for the following Classes of Units at its discretion:

- Class A Units: AUD Hedged MDis, CAD Hedged MDis, EUR Hedged MDis, HKD Unhedged MDis, NZD Hedged MDis, RMB Hedged MDis, RMB Unhedged MDis, SGD Hedged MDis, SGD Unhedged MDis and USD Unhedged MDis

- Class UA Units: UA HKD Unhedged MDis, UA SGD Hedged MDis, UA USD Unhedged MDis, UA2 HKD Unhedged MDis, UA2 USD Unhedged MDis, UA3 HKD Unhedged MDis and UA3 USD Unhedged MDis

- Class X Units: USD Unhedged MDis

- Class Z Units: USD Unhedged MDis

Dividends may be paid out of capital or effectively out of capital of the relevant Class, and may result in an immediate reduction of the Net Asset Value per Unit of the Sub-Fund. There is no guarantee of any distribution nor, where distribution is made, the amount being distributed.

APPENDIX 3: VALUE PARTNERS ASIAN TOTAL RETURN BOND FUND

*This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the Value Partners Asian Total Return Bond Fund (the "**Sub-Fund**"), a sub-fund of the Trust. All references in this Appendix to the Sub-Fund are to Value Partners Asian Total Return Bond Fund. Unless otherwise defined in this Appendix, terms defined in the main body of this Explanatory Memorandum have the same meaning when used in this Appendix. For Singapore offering purposes, the Sub-Fund is a Restricted Sub-Fund (see Explanatory Memorandum – IMPORTANT INFORMATION FOR INVESTORS).*

Investment Objective

The investment objective of the Sub-Fund is to provide a competitive total return, consisting of income and capital growth over the medium to longer term, by investing primarily in fixed income securities issued by any Asia Pacific governments, government agencies, supra-nationals, banks or companies which derive substantial revenue from or have significant business or economic activities in Asia Pacific or are denominated in any Asia Pacific currency. There can be no assurance that the Sub-Fund will achieve its investment objective.

Investment Strategy

In order to achieve the investment objective, the Manager will adopt a dynamic approach in asset allocation primarily among a wide range of debt securities based on the anticipated changes in market conditions. The Sub-Fund is not subject to any limitation on the portion of its Net Asset Value that may be invested in any specific industries or sectors.

Fixed income securities investments

The Sub-Fund seeks to achieve its investment objective by investing at least 70% of its Net Asset Value) in fixed income securities issued by any Asia Pacific governments, government agencies, supra-nationals, banks or companies which derive substantial revenue from or have significant business or economic activities in Asia Pacific or are denominated in any Asia Pacific currency.

The Manager may invest not more than 30% of the Sub-Fund's Net Asset Value outside the Sub-Fund's principal geographical areas or asset classes. For the purpose of this Sub-Fund, "Asia Pacific" includes but is not limited to Australia and New Zealand, and includes emerging market countries/regions as well as developed countries/regions.

The Sub-Fund may invest less than 20% of its Net Asset Value in bonds and other debt securities which (or the issuers of which) are rated Below Investment Grade and/or unrated. The average credit rating of the underlying fixed income securities held by the Sub-Fund will be Investment Grade.

For the purposes of the Sub-Fund:

- A fixed income security which is rated below investment grade is defined as a fixed income security which (or the issuer of which) is rated below BBB-/Baa3 by an internationally recognised credit rating agency (such as Standard & Poor's, Moody's and/or Fitch) ("**Below Investment Grade**"). A fixed income security which is rated above the aforementioned threshold is regarded as "**Investment Grade**". For split credit ratings, the highest rating shall apply; and

- An "unrated" fixed income security is defined as a fixed income security which neither the security itself nor its issuer has a credit rating.

The Sub-Fund may also invest up to 20% of its Net Asset Value in debt securities denominated in RMB and issued in Mainland China ("**Onshore Debt Securities**") through direct investment in the China interbank bond markets via Bond Connect (as defined below). Onshore Debt Securities in which the Sub-Fund may invest will not be subject to any duration or minimum credit rating requirements, but will, for the avoidance of doubt, be subject to the investment limit for unrated and/or Below Investment Grade debt securities.

The Sub-Fund may also invest up to 20% of its Net Asset Value in debt securities denominated in RMB and issued outside of Mainland China ("**Dim Sum**" bonds). The Sub-Fund's exposure to investments denominated in RMB including Onshore Debt Securities and "Dim Sum" bonds shall not exceed 20% of its Net Asset Value.

The Sub-Fund will not invest more than 10% of its Net Asset Value in debt securities issued by and/or guaranteed by any single sovereign/government issuer (including its government, public or local authority) which is Below Investment Grade.

The Sub-Fund may invest up to 20% of its Net Asset Value in convertible bonds and/or contingent convertible securities.

The Sub-Fund may invest less than 30% of its Net Asset Value in LAPs such as contingent convertible bonds issued by financial institutions, non-preferred senior debt instruments, certain Additional Tier 1 and Tier 2 capital instruments and external LAC debt instruments.

LAPs are debt instruments with features of contingent write-down or contingent conversion to ordinary shares on the occurrence of the following: (a) when a financial institution is near or at the point of non-viability; or (b) when the capital ratio of a financial institution falls to a specified level. These LAPs instruments may include:

(i) debt instruments that meet the qualifying criteria to be Additional Tier 1 Capital or Tier 2 Capital under the Banking (Capital) Rules and similar debt instruments issued under an equivalent regime of non-Hong Kong jurisdictions;

(ii) external LAC debt instruments under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules pursuant to the FIRO;

(iii) debt instruments issued under a regime of non-Hong Kong jurisdictions which implements the Financial Stability Board's standards for "Total Loss-absorbing Capacity Term Sheet";

(iv) "non-preferred senior debt instruments" (may be named as "Tier 3" in some jurisdictions) and senior or subordinated debt instruments issued by a holding company of a financial institution which fall within the above circumstances; and

(v) contingent convertible bonds issued by financial institutions which upon the occurrence of the trigger event, may be converted into shares of the issuer (potentially at a discounted price), or may be subject to the permanent write-down to zero.

For the avoidance of doubt, instruments in the legal form of equities (including ordinary shares and preferred shares) and all types of deposits (including certificate of deposits) are excluded.

The Sub-Fund may also invest up to 30% of its Net Asset Value in fixed income securities issued by governments, government agencies, supra-nationals, banks or companies outside the Asia Pacific region (including but not limited to bonds, convertible bonds, notes and other fixed or floating rate securities issued by such issuers outside the Asia Pacific region).

Other investments

The Sub-Fund may invest up to 30% of its Net Asset Value in (i) collective investment schemes (including funds that are authorised by the SFC and eligible to directly invest in Mainland China through QFI ("**QFI funds**") and ETFs; and/or (ii) equity securities including but not limited to shares (including China A-Shares and China B-Shares), American Depositary Receipts ("**ADRs**") and real estate investment trusts ("**REITs**").

Investment by the Sub-Fund in ETFs is considered and treated as listed securities for the purposes of and subject to the requirements in paragraphs (a), (b) and (d) under the section entitled "Investment Restrictions" above.

The Sub-Fund may invest up to 10% of its Net Asset Value in collective investment schemes which are non-recognised jurisdiction schemes and not authorised by the SFC.

The Sub-Fund's portfolio may also temporarily include cash and cash equivalents, up to 100% of the Sub-Fund's Net Asset Value, under exceptional circumstances (such as in the event of market crashes, major crisis or to mitigate the risk of potential sharp reversals and fall in the equity or bond markets) for cash flow management.

The Sub-Fund may use financial derivative instruments with the aim of hedging risks, reducing cost and/or generating additional capital or income (including for investment purposes) to the extent in line with the risk profile of the Sub-Fund and permitted by the Code and the provisions set out under the sub-section "Financial derivative instruments" in the Explanatory Memorandum. Financial derivative instruments to be used by the Sub-Fund includes, but not limited to, options, warrants, index swaps, interest rate swaps, total return swaps, credit default swaps, futures contracts, currency forwards and structured products. The Sub-Fund's net derivative exposure may be up to 50% of its Net Asset Value.

The Manager may also enter into repurchase or reverse-repurchase transactions in respect of the Sub-Fund in accordance with Chapter 7 of the Code and the policy set out under the sub-section "Securities financing transactions" in the Explanatory Memorandum. The expected proportion of the Sub-Fund's Net Asset Value subject to such transactions will not exceed 15% of its Net Asset Value and the maximum proportion is expected to be less than 30% of its Net Asset Value. The Manager has no current intention to enter into securities lending or similar transactions in respect of the Sub-Fund.

Investments in Mainland China onshore securities

The Sub-Fund's aggregate exposure to investments (whether direct or indirect) in securities issued in Mainland China (including A-Shares, B-Shares and Onshore Debt Securities) shall not exceed 20% of its Net Asset Value.

Asset allocation table

The Sub-Fund's portfolio will be allocated, according to asset class, as follows:

Asset class	**Indicative percentage of Net Asset Value**
Fixed income securities (Asia Pacific fixed income securities including Onshore Debt Securities, "Dim Sum" bonds and other fixed income securities (including but not limited to convertible bonds and contingent convertible bonds))	70% to 100%
Non-Asia Pacific securities and other asset classes (Including but not limited to non-Asia Pacific fixed income securities, collective investment schemes (including QFI funds and ETFs) and equities (including A-Shares, B-Shares, ADRs and REITs))	0% to 30%
Cash and cash equivalents	0% to 100%

The asset allocation of the Sub-Fund will change according to the Manager's views of fundamental economic and market conditions and investment trends, taking into consideration factors such as liquidity, costs, timing of execution, relative attractiveness of individual securities and issuers available in the market.

The Mainland Chinese Onshore Bond Market

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

The interbank bond market had a diversified investor base of which most have direct access to the centralised trading system, which covers all types of financial institutions such as commercial banks, securities firms, fund houses, insurance companies and various kinds of investment products like mutual funds and pension funds. The remaining which include small financial institutions, non-financial enterprises and foreign entities as well, gain access to the market through settlement agencies.

The CCDCC acts as the central custodian of all marketable RMB bonds. For the exchange bond market, it adopts a two-level custody system, with the CCDCC acting as the primary custodian and the CSDCC acting as the secondary custodian.

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

	Interbank bond market	**Exchange-traded bond market**
Major types of products traded	Central government bond, local government bonds, central bank bills, financial bonds, enterprise bonds, short-term financing bills, medium term notes, asset-backed securities, panda bonds (i.e. RMB-denominated bonds issued by international financial institutions within the boundaries of Mainland China)	Central government bond, local government bonds, enterprise bonds, corporate bonds, financial bonds, convertible bonds, asset back securities
Key market participants	Institutional investors (such as commercial banks, securities firms, funds and trust investment companies), QFIs	Individuals and non-bank institutions (such as insurance companies and funds), QFIs
Trading and settlement mechanism	Trading mechanism: a quote-driven OTC market between institutional investors Settlement mechanism: primarily delivery versus payment (DVP), on either a T+0 or T+1 settlement cycle	Trading an electronic automatic matching system where Securities are traded on the SSE or SZSE Settlement mechanism: clearing and settlement are through the CSDCC on T+1 settlement cycle
Regulator	PBOC	CSRC
Counterparty with whom investors will trade	The trading counterparty (i.e. the other market participants)	CSDCC, which acts as the central counterparty to all Securities transactions on the SSE and the SZSE
Central clearing	CCDCC; short-term financing bills issued on or after 1 September 2011 are cleared through the Shanghai Clearing House (上海清算所)	CSDCC
Liquidity	High	Medium to low
Associated risks	Interest rate risk, credit risk, counterparty risk	Interest rate risk, credit risk, liquidity risk

	Interbank bond market	**Exchange-traded bond market**
Minimum rating requirements	No requirement However, market participants typically require a rating of at least "BBB" given by a local credit rating agency.	No requirement However, if upon listing a corporate bond or enterprise bond does not have a credit rating of at least "AA" given by a local credit rating agency, then such bond can only be traded on the fixed income electronic platform of the relevant exchange (固定收益證券綜合電子平臺), which is open only to institutional investors. Bonds that do not satisfy this minimum requirement cannot be traded via the quote-driven platform (競價交易系統), which is open to all investors, including retail investors.
Types of debt instruments commonly seen and the issuers	Government bonds, treasury bonds: issued by the MOF Central bank bills: issued by PBOC Financial bonds: issued by policy banks (China Development Bank, Agricultural Development Bank of China and Export-Import Bank of China), commercial banks and other financial institutions Enterprise bonds: issued by government-related, state-owned or state-held entities	Government bonds, treasury bonds: issued by the MOF Enterprise bonds: issued by government-related, state-owned or state-held entities Corporate bonds: issued by listed companies Convertible bonds: issued by listed companies

The major types of bonds available in the China interbank bond market can be grouped into 6 broad categories: (i) Central bank bills issued by the PBOC; (ii) Treasury Bonds issued by the MOF; (iii) Policy bank bonds issued by policy banks, including China Development Bank, Export-Import Bank of China and Agricultural Development Bank of China; (iv) Financial bonds, including commercial bank bonds and non-bank financial institution bonds; (v) Non- financial credit bonds issued by non-financial institution corporates, including enterprise bonds, commercial papers ("**CP**"), medium-term notes ("**MTN**") and corporate bonds; (vi) other types of bonds or instruments such as local government bonds issued by provincial or city governments, foreign bonds issued by foreign entities, asset-backed securities and mortgage-backed securities, etc.

The PRC central government (through the MOF) issues the Chinese government bonds, so called "Treasury Bonds" in the Mainland China bonds markets. It is generally considered by market participants that Treasury Bonds have a solid financial foundation and therefore they have received the widest market acceptance. The outstanding amount of Treasury Bonds in the interbank bond market is over RMB10,000 billion, comprising approximate 25% of the whole market. It offers the most diverse tenors and the best liquidity in secondary market amongst all types of bonds.

Besides Treasury Bonds, the central government also allows local provinces and cities to issue bonds, so called "local government bonds". The local government needs to seek permission from the central government before issuing such bonds, and the MOF acts as the proxy agent on local government debt issuance and interest and principal payment. This mechanism aims to afford better protection for investors on the financial transparency.

On the other hand, local governments may set up corporate vehicles (local government financing vehicles) to issue bonds, to avoid the budget control regulations imposed by the central government. The bonds issued by local government financing vehicles are called urban investment bonds (城投債), which are a type of credit bonds.

Investment in the China Interbank Bond Market via Northbound Trading Link under Bond Connect

Bond Connect is an initiative launched in July 2017 for mutual bond market access between Hong Kong and Mainland China ("**Bond Connect**") established by China Foreign Exchange Trade System & National Interbank Funding Centre ("**CFETS**"), CCDCC, Shanghai Clearing House, and Hong Kong Exchanges and Clearing Limited and Central Moneymarkets Unit.

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

Under the Northbound Trading Link, eligible foreign investors are required to appoint the CFETS or other institutions recognised by the PBOC as registration agents to apply for registration with the PBOC.

Pursuant to the prevailing regulations in Mainland China, an offshore custody agent recognised by the Hong Kong Monetary Authority (currently, the Central Moneymarkets Unit) shall open omnibus nominee accounts with the onshore custody agent recognised by the PBOC (currently, the CSDCC and Interbank Clearing Company Limited). All bonds traded by eligible foreign investors will be registered in the name of Central Moneymarkets Unit, which will hold such bonds as a nominee owner.

Investment Restrictions

No waivers from the investment restrictions set out in the main body of the Explanatory Memorandum have been sought or granted by the SFC.

Available Classes

The Sub-Fund currently has the following classes of Units which are available to investors:

Class	**Class Currency**
Class A AUD Hedged Acc Units	AUD
Class A AUD Hedged MDis Units	AUD
Class A CAD Hedged Acc Units	CAD
Class A CAD Hedged MDis Units	CAD
Class A HKD Unhedged Acc Units	HKD
Class A HKD Unhedged MDis Units	HKD
Class A NZD Hedged Acc Units	NZD
Class A NZD Hedged MDis Units	NZD
Class A RMB Hedged Acc Units	RMB
Class A RMB Hedged MDis Units	RMB
Class A RMB Unhedged Acc Units	RMB

Class A RMB Unhedged MDis Units	RMB
Class A SGD Hedged Acc Units	SGD
Class A SGD Hedged MDis Units	SGD
Class A USD Unhedged Acc Units	USD
Class A USD Unhedged MDis Units	USD
Class I EUR Hedged Acc Units	EUR
Class I EUR Hedged MDis Units	EUR
Class I EUR Unhedged Acc Units	EUR
Class I EUR Unhedged MDis Units	EUR
Class I RMB Hedged Acc Units	RMB
Class I RMB Hedged MDis Units	RMB
Class I RMB Unhedged Acc Units	RMB
Class I RMB Unhedged MDis Units	RMB
Class I USD Unhedged Acc Units	USD
Class I USD Unhedged MDis Units	USD
Class V HKD Unhedged Acc Units	HKD
Class V HKD Unhedged MDis Units	HKD
Class V SGD Hedged Acc Units	SGD
Class V SGD Hedged MDis Units	SGD
Class V USD Unhedged Acc Units	USD
Class V USD Unhedged MDis Units	USD
Class X USD Unhedged Acc Units	USD
Class Z AUD Hedged Acc Units	AUD
Class Z AUD Hedged MDis Units	AUD
Class Z CAD Hedged Acc Units	CAD
Class Z CAD Hedged MDis Units	CAD
Class Z HKD Unhedged Acc Units	HKD
Class Z HKD Unhedged MDis Units	HKD
Class Z NZD Hedged Acc Units	NZD
Class Z NZD Hedged MDis Units	NZD
Class Z RMB Hedged Acc Units	RMB
Class Z RMB Hedged MDis Units	RMB
Class Z SGD Hedged Acc Units	SGD

Class Z SGD Hedged MDis Units	SGD
Class Z USD Unhedged Acc Units	USD
Class Z USD Unhedged MDis Units	USD

Class A AUD Hedged Acc Units, Class A AUD Hedged MDis Units, Class A CAD Hedged Acc Units, Class A CAD Hedged MDis Units, Class A HKD Unhedged Acc Units, Class A HKD Unhedged MDis Units, Class A NZD Hedged Acc Units, Class A NZD Hedged MDis Units, Class A RMB Hedged Acc Units, Class A RMB Hedged MDis Units, Class A RMB Unhedged Acc Units, Class A RMB Unhedged MDis Units, Class A SGD Hedged Acc Units, Class A SGD Hedged MDis Units, Class A USD Unhedged Acc Units and Class A USD Unhedged MDis Units are collectively referred to as "**Class A Units**".

Class I EUR Hedged Acc Units, Class I EUR Hedged MDis Units. Class I EUR Unhedged Acc Units, Class I EUR Unhedged MDis Units, Class I RMB Hedged Acc Units, Class I RMB Hedged MDis Units, Class I RMB Unhedged Acc Units, Class I RMB Unhedged MDis Units, Class I USD Unhedged Acc Units and Class I USD Unhedged MDis Units are collectively referred to as "**Class I Units**".

Class V HKD Unhedged Acc Units, Class V HKD Unhedged MDis Units, Class V SGD Hedged Acc Units, Class V SGD Hedged MDis Units, Class V USD Unhedged Acc Units, Class V USD Unhedged MDis Units are collectively referred to as "**Class V Units**".

Class X USD Unhedged Acc Units are referred to as "**Class X Units**".

Class Z AUD Hedged Acc Units, Class Z AUD Hedged MDis Units, Class Z CAD Hedged Acc Units, Class Z CAD Hedged MDis Units, Class Z HKD Unhedged Acc Units, Class Z HKD Unhedged MDis Units, Class Z NZD Hedged Acc Units, Class Z NZD Hedged MDis Units, Class Z RMB Hedged Acc Units, Class Z RMB Hedged MDis Units, Class Z SGD Hedged Acc Units, Class Z SGD Hedged MDis Units, Class Z USD Unhedged Acc Units and Class Z USD Unhedged MDis Units are collectively referred to as "**Class Z Units**".

Class A Units are available for subscription by investors who make an investment of not less than the minimum initial investment amount or the minimum subsequent investment amount for the respective Classes as set out under the section headed "Investment Minima" below.

Class I Units are only available for subscription by institutional investors as defined in the SFO who will set up a direct investment account with the Manager and subscribe to the Sub-Fund directly. For the avoidance of doubt, Class I Units are not available for subscription through intermediaries.

Class V Units are only available for subscription by such persons who have subscribed to the Sub-Fund during the first twelve (12) calendar months (or such other period as determined by the Manager) counting from the date when the Sub-Fund is first launched.

Class X Units are only available for subscription by funds and managed accounts managed by the Manager or Connected Persons of the Manager who are "professional investors" as defined in the SFO or offered on a private placement basis.

Class Z Units are only available for subscription by institutional investors and/or professional investors who make an investment of not less than the minimum initial investment amount or the minimum subsequent investment amount for the respective Classes as set out under the section headed "Investment Minima" below.

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

Base Currency

The Base Currency of the Sub-Fund is US dollars.

Initial Offer Period and initial Subscription Price

The Initial Offer Period of the Sub-Fund will be such dates or times as the Manager may determine.

The initial Subscription Price in respect of each class of Units is as follows:

Class	Initial Subscription Price
Class A AUD Hedged Acc Units	AUD10
Class A AUD Hedged MDis Units	AUD10
Class A CAD Hedged Acc Units	CAD10
Class A CAD Hedged MDis Units	CAD10
Class A HKD Unhedged Acc Units	HKD10
Class A HKD Unhedged MDis Units	HKD10
Class A NZD Hedged Acc Units	NZD10
Class A NZD Hedged MDis Units	NZD10
Class A RMB Hedged Acc Units	RMB10
Class A RMB Hedged MDis Units	RMB10
Class A RMB Unhedged Acc Units	RMB10
Class A RMB Unhedged MDis Units	RMB10
Class A SGD Hedged Acc Units	SGD10
Class A SGD Hedged MDis Units	SGD10
Class A USD Unhedged Acc Units	USD10
Class A USD Unhedged MDis Units	USD10
Class I EUR Hedged Acc Units	EUR10
Class I EUR Hedged MDis Units	EUR10
Class I EUR Unhedged Acc Units	EUR10
Class I EUR Unhedged MDis Units	EUR10
Class I RMB Hedged Acc Units	RMB10
Class I RMB Hedged MDis Units	RMB10
Class I RMB Unhedged Acc Units	RMB10
Class I RMB Unhedged MDis Units	RMB10
Class I USD Unhedged Acc Units	USD10
Class I USD Unhedged MDis Units	USD10
Class V HKD Unhedged Acc Units	HKD10
Class V HKD Unhedged MDis Units	HKD10
Class V SGD Hedged Acc Units	SGD10
Class V SGD Hedged MDis Units	SGD10
Class V USD Unhedged Acc Units	USD10
Class V USD Unhedged MDis Units	USD10

Class X USD Unhedged Acc Units	USD10
Class Z AUD Hedged Acc Units	AUD10
Class Z AUD Hedged MDis Units	AUD10
Class Z CAD Hedged Acc Units	CAD10
Class Z CAD Hedged MDis Units	CAD10
Class Z HKD Unhedged Acc Units	HKD10
Class Z HKD Unhedged MDis Units	HKD10
Class Z NZD Hedged Acc Units	NZD10
Class Z NZD Hedged MDis Units	NZD10
Class Z RMB Hedged Acc Units	RMB10
Class Z RMB Hedged MDis Units	RMB10
Class Z SGD Hedged Acc Units	SGD10
Class Z SGD Hedged MDis Units	SGD10
Class Z USD Unhedged Acc Units	USD10
Class Z USD Unhedged MDis Units	USD10

Dealing Procedures

For details of dealing procedures, please refer to the sections headed "Subscription of Units", "Redemption of Units" and "Switching" in the main body of this Explanatory Memorandum.

The following apply to the Sub-Fund:

Dealing Day	each Business Day.
Dealing Deadline	5:00 pm (Hong Kong time) on the relevant Dealing Day

Payment of Redemption Proceeds

Save as otherwise agreed by the Manager, and so long as relevant account details have been provided, redemption proceeds will normally be paid 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 redemption request, unless legal or regulatory requirements (such as foreign currency controls) to which the Sub-Fund is subject render the payment of the redemption proceeds within the aforesaid time period not practicable, and such extended time frame should reflect the additional time needed in light of the specific circumstances in the relevant market.

Investment Minima

The following investment minima apply to the Sub-Fund:

	Class A Units	Class I Units	Class V Units	Class X Units	Class Z Units
Minimum initial investment	USD10,000 or equivalent	USD30,000,000 or equivalent	USD1,000,000 or equivalent	Nil	USD10,000,000 or equivalent
Minimum subsequent investment	USD5,000 or equivalent	USD3,000,000 or equivalent	USD100,000 or equivalent	Nil	USD100,000 or equivalent
Minimum holding	USD10,000 or equivalent	USD30,000,000 or equivalent	USD1,000,000 or equivalent	Nil	USD5,000,000 or equivalent
Minimum redemption amount	Nil	Nil	Nil	Nil	Nil

The Manager may, in its absolute discretion, waive or agree to a lower amount of any of the above investment minima (either generally or in any particular case).

Subscription of Units

The procedure for the subsequent issue of Units in the main body of this Explanatory Memorandum shall apply to the Sub-Fund.

Redemption of Units

The procedure for the payment for redemption proceeds in the main body of this Explanatory Memorandum shall apply to the Sub-Fund.

Publication of Net Asset Value

The latest Subscription Price and Redemption Price in respect of Units or the Net Asset Value per Unit of the Sub-Fund are available on each Dealing Day on the Manager's website www.valuepartners-group.com*.

Expenses and Charges

The following are the actual fees and charges payable in respect of each class of the Sub-Fund. Maximum fees permitted to be charged on one month's notice to Unitholders are set out under the section entitled "Expenses and Charges" in the main body of this Explanatory Memorandum.

* This website has not been reviewed or authorised by the SFC.

Fees payable by Unitholders

	Class A Units	Class I Units	Class V Units	Class X Units	Class Z Units
Subscription fee	Up to 5% of the subscription monies	Nil	Up to 5% of the subscription monies	Nil	Up to 5% of the subscription monies
Redemption fee	Nil	Nil	Nil	Nil	Nil
Switching fee^	Up to 1% of the subscription monies	Nil	Up to 1% of the subscription monies	Nil	Up to 1% of the subscription monies

^ Certain distributors may impose a charge for each switching of Units in a class of the Sub-Fund acquired through them for Units in another class of the Sub-Fund, which will be deducted at the time of the switching and paid to the relevant distributors. Unitholders who intend to switch their Units in one class to Units in another class should check with their respective distributors for the charge on switching.

Fees payable by the Sub-Fund

	Class A Units	Class I Units	Class V Units	Class X Units	Class Z Units
Management fee	1.25% per annum of the Net Asset Value of each class of Units	up to 0.60% per annum of the Net Asset Value of each class of Units*	0.50% per annum of the Net Asset Value of each class of Units	Nil	0.65% per annum of the Net Asset Value of each class of Units
Performance fee	N/A	N/A	N/A	N/A	N/A
Trustee fee	0.135% per annum for the first USD150 million in Net Asset Value of the Sub- Fund, 0.13% per annum for the portion over the first USD150 million up to and including USD800 million in the Net Asset Value of the Sub-Fund, 0.125% per annum for the balance in excess of USD800 million in the Net Asset Value of the Sub-Fund. The Trustee fees are subject to a monthly minimum of USD4,500.				

* *The Manager will agree with the investors of Class I Units on the rates of management fee by way of separate agreement.*

Performance Fee

No performance fee will be charged for the Sub-Fund.

Establishment costs

The costs of establishing the Sub-Fund are estimated to be approximately USD201,000. These costs will be charged to the Sub-Fund and will be amortised over a period of 5 years from the inception of the Sub-Fund (or such other period as determined by the Manager after consultation with the auditors).

Additional Risk Factors

Investors should note the following risk factors set out in the section entitled "Risk Factors" in the main body of this Explanatory Memorandum, which are applicable to the Sub-Fund: "Investment risk", "Market risk", "Concentration risk", "Emerging market risk", "Counterparty risk", "Liquidity risk", "Exchange rate risk", "Restricted markets risk", "Legal and compliance risk", "Suspension risk", "Early termination risk", "Cross class liability risk", "Cross Sub-Fund liability risk", "Valuation and accounting risk", "Dividends and distributions", "Distributions payable out of capital or effectively out of capital risk", "Foreign Account Tax Compliance Act risk", "RMB currency risk", "Risks associated with the Mainland China", "Risks associated with Mainland China taxation", "Risk of investing in equity securities", "Risk of investing in fixed income instruments", "Risk of investing in financial derivative instruments", "Hedging risk" and "Securities financing transactions or other similar over- the-counter transactions risk".

The following risk factors are specific to the Sub-Fund:

Investment risk

Investors should be aware that investment in the Sub-Fund is subject to normal market fluctuations and other risks inherent in the Sub-Fund's assets. There is no guarantee of repayment of principal. Accordingly, there is a risk that an investor may not recoup the original amount he invested in the Sub-Fund or may lose a substantial part or all of his investment.

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 exposure to a single region (i.e. Asia Pacific) subjects it to greater concentration risk. The Sub-Fund may be more volatile than a broadly-based fund such as a global investment fund as it is more susceptible to fluctuation in value resulting from adverse conditions in the Asia Pacific markets.

Risk relating to dynamic asset allocation strategy

The investments of the Sub-Fund may be periodically rebalanced and therefore the Sub-Fund may incur greater transaction costs than a fund with static allocation strategy. The dynamic asset allocation strategy may not achieve the desired results under all circumstances and market conditions.

Risks associated with China Interbank Bond Market

Volatility and liquidity risk: Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the China interbank bond market may result in prices of certain debt securities traded on such market fluctuating significantly. The bid and offer spreads of the prices of such securities may be large, and the Sub-Fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

Risks associated with settlement procedures and default of counterparties: The counterparty which has entered into a transaction with the Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

Risks of default or errors on the part of third parties: For investments via Bond Connect, the relevant filings, registration with the PBOC and account opening have to be carried out via an onshore settlement agent, offshore custody agent, registration agent or other third parties (as the case may be). As such, the Sub-Fund is subject to the risks of default or errors on the part of such third parties.

Regulatory risks: Investing in the China interbank bond market via Bond Connect is also subject to regulatory risks. The relevant rules and regulations on these regimes are subject to change which may have potential retrospective effect. In the event that the relevant Mainland Chinese authorities suspend account opening or trading on the China interbank bond market, the Sub- Fund's ability to invest in the China interbank bond market will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective will be negatively affected.

Risk of investing in fixed income instruments

Please refer to "Risk of investing in fixed income instruments" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum. Below are further specific risks that investors should be aware of.

Interest rate risk: The Sub-Fund's investments in fixed income instruments are subject to interest rate risk. Generally, the value of fixed income instruments is expected to be inversely correlated with changes in interest rates. As interest rates rise, the market value of fixed income instruments tends to decrease. Long-term fixed income instruments in general are subject to higher sensitivity to interest rate changes than short-term fixed income instruments. Any increase in interest rates may adversely impact the value of the Sub-Fund's fixed income portfolio.

As the Sub-Fund may invest in fixed income instruments issued in the Asia Pacific markets, the Sub-Fund is additionally subject to policy risk as changes in macro-economic policies in the Asia Pacific markets (including monetary policy and fiscal policy) may have an influence over the Asia Pacific capital markets and affect the pricing of the fixed income instruments in the Sub- Fund's portfolio, which may in turn adversely affect the return of the Sub-Fund.

Volatility and liquidity risk: The fixed income securities in certain Asia Pacific markets may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may incur significant trading costs.

Credit risk: The value of the Sub-Fund is affected by the creditworthiness of its underlying investments. A deterioration of credit quality (e.g. an issuer credit downgrade or credit event leading to widening of credit spread) of an underlying investment will adversely impact the value of such investment. There is no assurance that the fixed income instruments invested in by the Sub-Fund will maintain their credit ratings in the future.

Investment in fixed income instruments is subject to the credit risk of the issuers which may be unable or unwilling to make timely payments of principal and/or interest. In the event of a default or credit rating downgrading of the issuers of the fixed income instruments held by the Sub-Fund, valuation of the Sub-Fund's portfolio may become more difficult as the value of fixed income instruments may decline rapidly, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against the issuers who are incorporated outside of Hong Kong and therefore not subject to the laws of Hong Kong.

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

Credit ratings risk: Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.

Downgrade risk: Changing market conditions or other significant events, such as credit rating downgrades affecting issuers or major financial institutions, may also pose valuation risk to the Sub-Fund as the value of the Sub-Fund's portfolio of fixed income instruments, including corporate bonds and commercial papers, may become more difficult or impossible to ascertain. In such circumstances, valuation of the Sub-Fund's investments may involve uncertainties and judgemental determinations as there is a possibility that independent pricing information may at times be unavailable. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may need to be adjusted and may be adversely affected. Such events or credit rating downgrades may also subject the Sub-Fund to increased liquidity risk as it may become more difficult for the Sub-Fund to dispose of its holdings of bonds at a reasonable price or at all, which would have an adverse impact on the value and performance of the Sub-Fund.

Valuation risk: Valuation of the Sub-Fund's investments may involve uncertainties and judgemental determinations. If such valuations are incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

Risks of investing in Below Investment Grade and unrated bonds: The Sub-Fund may invest in fixed income instruments which (or the issuers of which) are rated Below Investment Grade or which may not be rated by any rating agency of an international standard. Such instruments are generally subject to a higher degree of volatility and credit risk, a lower degree of liquidity and greater risk of loss of principal and interest than high-rated debt securities, which may result in greater fluctuations in value and, consequently, the Net Asset Value of the Sub-Fund. The value of these instruments may also be more difficult to ascertain. Nevertheless, as the Sub-Fund may invest in fixed income instruments which (or the issuers of which) are unrated or Below Investment Grade, the Net Asset Value of the Sub-Fund may be more volatile.

Investing in convertible bonds risks: The Sub-Fund may invest in convertible bonds, which are a hybrid between debt and equity securities. Convertible bonds allow holders to convert into shares in the company issuing the bond at a specified future date, and are subject to risks of both fixed income instruments and equities. Convertible bonds can fluctuate in value with the price changes of the issuers' underlying stocks. If interest rates rise, the value of the corresponding convertible bond will fall. The valuation of convertible bonds may be more difficult due to the greater price fluctuations. Investments in convertible bonds are subject to the same interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable straight bond investments.

Sovereign/government debt risk: The Sub-Fund may invest in sovereign/government debt securities and such investments involve special risks. The repayment of debts by a government is subject to various factors including economic and political factors. The governmental entity that controls the repayment of sovereign/government debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. Since the Sub-Fund's recourse against a defaulting sovereign/government is limited, the Sub-Fund may incur substantial loss if the sovereign/government defaults.

Risks associated with investments in LAPs

Debt instruments with loss-absorption features are subject to greater risks when compared to traditional debt instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of certain pre-defined trigger events (e.g. when the issuer is near or at the point of non-viability or when the issuer's capital ratio falls to a specified level), which are likely to be outside of the issuer's control. Such trigger events are complex and difficult to predict and may result in a significant or total reduction in the value of such instruments.

In the event of the activation of a trigger, there may be potential price contagion and volatility to the entire asset class. Debt instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.

The Sub-Fund may invest in contingent convertible bonds issued by financial institutions, which are highly complex and are of high risk. Please refer to "Risk associated with investments in contingent convertible bonds" below for more information.

The Sub-Fund may invest in senior non-preferred debts. While these instruments are generally senior to subordinated debts, they may be subject to write-down upon the occurrence of a trigger event and will no longer fall under the creditor ranking hierarchy of the issuer. This may result in total loss of principal invested.

Risk associated with investments in contingent convertible bonds

Contingent convertible bonds are hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level. Upon the occurrence of a predetermined event (known as a trigger event), contingent convertible bonds will be converted into shares of the issuing company (potentially at a discounted price as a result of the deterioration in the financial condition of the issuing company), or cause the permanent write-down to zero of the principal investment and/or accrued interest such that the principal amount invested may be lost on a permanent or temporary basis. Contingent convertible bonds are risky and highly complex instruments. Coupon payments on contingent convertible bonds are discretionary and may at times also be ceased or deferred by the issuer. Trigger events can vary but these could include the capital ratio of the issuing company falling below a certain level, or the share price of the issuer falling to a particular level for a certain period of time.

Contingent convertible bonds are also subject to additional risks specific to their structure including:

Trigger level risk: Trigger levels differ and determine exposure to conversion risk. It might be difficult for the Manager to anticipate the trigger events that would require the debt to convert into equity or the write down to zero of principal investment and/or accrued interest. Trigger events may include: (i) a reduction in the issuing bank's Core Tier 1/Common Equity Tier 1 (CT1/CET1) ratio or other ratios, (ii) a regulatory authority, at any time, making a subjective determination that an institution is "non-viable", i.e. a determination that the issuing bank requires public sector support in order to prevent the issuer from becoming insolvent, bankrupt or otherwise carry on its business and requiring or causing the conversion of the contingent convertible bonds into equity or write down, in circumstances that are beyond the control of the issuer or (iii) a national authority deciding to inject capital.

Coupon cancellation risk: Coupon payments on some contingent convertible bonds are entirely discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time. The discretionary cancellation of payments is not an event of default and there are no possibilities to require re-instatement of coupon payments or payment of any passed missed payments. Coupon payments may also be subject to approval by the issuer's regulator and may be suspended in the event there are insufficient distributable reserves. As a result of uncertainty surrounding coupon payments, contingent convertible bonds may be volatile and their price may decline rapidly in the event that coupon payments are suspended.

Capital structure inversion risk: Contrary to the classic capital hierarchy, investors in contingent convertible bonds may suffer a loss of capital when equity holders will not, for example when the loss absorption mechanism of a high trigger/write down of a contingent convertible bond is activated. This is contrary to the normal order of the capital structure where equity holders are expected to suffer the first loss.

Call extension risk: Some contingent convertible bonds are issued as perpetual instruments and only callable at predetermined levels upon approval of the competent regulatory authority. It cannot be assumed that these perpetual contingent convertible bonds will be called on a call date. Contingent convertible bonds are a form of permanent capital. The investor may not receive return of principal as expected on call date or indeed at any date.

Conversion risk: Trigger levels differ between specific contingent convertible bonds and determine exposure to conversion risk. It might be difficult at times for the Manager to assess how the contingent convertible bonds will behave upon conversion. In case of conversion into equity, the Manager might be forced to sell these new equity shares subject to the investment policy of the Sub-Fund. As a trigger event is likely to be an event which decreases the value of the issuer's common equity, a forced sale may result in the Sub-Fund experiencing loss.

Valuation and write-down risk: Contingent convertible bonds often offer attractive yield which may be viewed as a complexity premium. The value of contingent convertible bonds may need to be reduced due to a higher risk of overvaluation of such asset class on the relevant eligible markets. Therefore, the Sub-Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment.

Market value fluctuations due to unpredictable factors: The value of contingent convertible bonds is unpredictable and will be influenced by many factors including, without limitation (i) creditworthiness of the issuer and/or fluctuations in such issuer's applicable capital ratios; (ii) supply and demand for the contingent convertible bonds; (iii) general market conditions and available liquidity and (iv) economic, financial and political events that affect the issuer, its particular market or the financial markets in general.

Liquidity risk: In certain circumstances finding a buyer ready to invest in contingent convertible bonds may be difficult and the Sub-Fund may have to accept a significant discount to the expected value of the bond in order to sell it.

Sector concentration risk: Contingent convertible bonds are issued by banking and insurance institutions. Investment in contingent convertible bonds may lead to an increased sector concentration risk. The performance of the Sub-Fund which invests in contingent convertible bonds will depend to a greater extent on the overall condition of the financial services industry than for the Sub-Fund following a more diversified strategy.

Subordinated instruments: Contingent convertible bonds will, in the majority of circumstances, be issued in the form of subordinated debt instruments in order to provide the appropriate regulatory capital treatment prior to a conversion. Accordingly, in the event of liquidation, dissolution or winding-up of an issuer prior to a conversion having occurred, the rights and claims of the holders of the contingent convertible bonds, such as the Sub-Fund, against the issuer in respect of or arising under the terms of the contingent convertible bonds shall generally rank junior to the claims of all holders of unsubordinated obligations of the issuer.

Novelty and untested nature: The structure of contingent convertible bonds is innovative yet untested. In a stressed environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform.

"Dim Sum" bond market risks

"Dim Sum" bonds are bonds which are issued outside of Mainland China but denominated in RMB. The "Dim Sum" bond market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the "Dim Sum" bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalisation of the offshore RMB (CNH) market by the relevant regulator(s).

Risks of investing in equities

There are risks involved in the Sub-Fund's investments in equities.

Please refer to "Investment risks – Risk of investing in equity securities" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum. Below are further specific risks that investors should be aware of.

Risk of investing in equity securities: The Sub-Fund will invest directly or indirectly in equity securities and is exposed to the risk that the market value of such equity securities (and hence the Net Asset Value of the Sub-Fund) may go down as well as up. Equity markets may fluctuate significantly due to factors including investment sentiment; political, economic or environmental issues; regional or global economic instability; and currency and interest rate fluctuations. Prices may rise and fall sharply, and this will have a direct impact on the Sub-Fund. When equity markets are extremely volatile, the Sub-Fund's Net Asset Value may fluctuate substantially and investors may suffer substantial losses.

Small- and mid-cap companies risk: The Sub-Fund's equity portfolio may include small- and mid-cap companies, which generally have greater earnings and capital growth potential than larger capitalised companies. However, such investments in small- or mid-cap companies may involve greater risks, such as limited product lines, markets and financial or managerial resources. In addition, securities of smaller companies may trade less frequently, in lower volumes and with less liquidity than more widely held securities, and the securities of such companies generally are subject to more abrupt, erratic and volatile price movements to adverse economic developments than more widely held or larger, more established companies. This, in turn, may undermine the value of the Sub-Fund's assets.

Risks of investing in A-Shares

Please refer to "Risks associated with the Mainland China" and "Investment risks – Risk of investing in equity securities" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum. Below are further specific risks that investors should be aware of.

Mainland China securities markets risk: The securities markets in the Mainland China, including the A-share markets, are still in a stage of development, and may be characterised by higher liquidity risk than markets in more developed countries/regions, which may in turn result in higher transaction costs and price volatility. In addition, the Mainland China's securities markets are undergoing a period of growth and change, which lead to uncertainties and potentially result in difficulties in the settlement and recording of transactions and in interpreting and applying the relevant regulations. The Mainland China regulatory authorities have only recently been given the power and duty to prohibit fraudulent and unfair market practices relating to securities markets, such as insider trading and market abuse, and to regulate substantial acquisitions of shares and takeovers of companies. All of these factors may lead to a higher level of volatility and instability associated with the Mainland China securities markets relative to more developed markets.

Government oversight and restrictions risk: The liquidity and price volatility associated with A-Share markets are subject to greater risks of government oversight (for example, to suspend trading in particular stocks) and imposition of trading band restrictions for all or certain stocks from time to time. In addition, A-Shares traded in the Mainland China are still subject to trading band limits that restrict maximum gain or loss in stock prices, which means the prices of stocks may not necessarily reflect their underlying value. Such factors may affect the performance of the Sub- Fund, and the subscription and redemption of Units may also be disrupted.

Accounting and reporting standards risk: Mainland China companies are required to follow Mainland China accounting standards and practice which follow international accounting standards to a certain extent. However, the accounting, auditing and financial reporting standards and practices applicable to Mainland China companies are evolving, and there may be significant differences between financial statements prepared in accordance with the Mainland China accounting standards and practice and those prepared in accordance with international accounting standards. As the disclosure and regulatory standards in the Mainland China are less stringent than in more developed markets, there might be substantially less publicly available information about issuers in the Mainland China on which the Manager can base investment decisions.

Risks of investing in ADRs

Although ADRs have risks similar to the securities that they represent, they may also involve higher expenses and may trade at a discount (or premium) to the underlying security. In addition, depositary receipts may not pass through voting and other shareholder rights, and may be less liquid than the underlying securities listed on an exchange.

Risks of investing in other funds

The Sub-Fund may from time to time invest in other 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. The underlying funds in which the Sub-Fund may invest may also not be regulated by the SFC.

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 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 or its manager. In addition, where an underlying fund is managed by the Manager, all management and performance fees charged by the underlying fund will be waived for the Sub-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 avoid and resolve such conflicts fairly.

Risk of investing in REITs

REITs may have limited diversification and may be subject to risks inherent in financing a limited number of properties. Investments in REITs and other issuers that invest, deal or otherwise engage in transactions in or hold real estate or interests therein are subject to risks similar to investing directly in real estate. For example, real estate values may fluctuate as a result of general and local economic conditions, overbuilding and increased competition, increases in property taxes and operating expenses, changes in zoning laws, casualty or condemnation losses, regulatory limitations on rents, changes in neighbourhood values, changes in how appealing properties are to tenants, increases in interest rates and unexpected interruptions such as natural disasters, terrorist attacks or other unforeseeable events.

Risks associated with the Mainland China

There are risks involved in the Sub-Fund's investments in the Mainland China. Please refer to "General risks
– Emerging market risk" and "Risks associated with the Mainland China" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

RMB currency risk

The Sub-Fund may have exposure to investments which are denominated in RMB. The RMB is not freely convertible and subject to exchange controls and restrictions. Investors whose assets and liabilities are predominantly in currencies other than RMB are exposed to foreign exchange risk and should take into account the potential risk of loss arising from fluctuations in value between such currencies and the RMB as well as associated fees and charges. There is no guarantee that RMB will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Sub-Fund.

In calculating the Net Asset Value per Unit of a Class denominated in RMB and in effecting any currency conversions involving RMB, the Manager may apply the CNH rate (i.e. the exchange rate for the offshore RMB market in Hong Kong). Whilst the RMB (CNH) and RMB (CNY) represent the same currency, they are traded in different rates and separate markets which operate independently. As such, RMB (CNH) may trade at a premium or discount to RMB (CNY) and they may even move in different directions. Any divergence between CNH and CNY may adversely impact investors.

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

Please also refer to "RMB currency risk" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

Dividends risk / Distributions payable out of capital or effectively out of capital risk

There is no guarantee that any dividends will be distributed and thus investors may not receive any distributions. Where there is a distribution, there will not be a target level of dividend payout.

In circumstances where the net distributable income of a class is insufficient to pay for any dividend which may be declared, the Manager may, at its discretion, (i) pay dividend out of capital of the Sub-Fund; or (ii) pay dividend out of gross income of the Sub-Fund (that is, income before taking into account any fees or expenses) while charging all or part of the Sub-Fund's fees and expenses to the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. Payment of dividends out of capital or effectively out of capital may require the Manager to sell the assets of the Sub-Fund and amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of capital or effectively out of capital of the Sub-Fund (as the case may be) may result in an immediate reduction of the Net Asset Value per Unit of the relevant class. The Manager may amend the policy regarding paying dividends out of capital and/or effectively out of capital subject to the SFC's prior approval and by giving not less than one month's advance notice to Unitholders.

Where any distribution involves payment of dividends out of capital and/or effectively out of capital of the Sub-Fund, investors should note that a high distribution yield does not imply a positive or high return on the total investment.

Risk of investing in financial derivative instruments

The Manager may, for both hedging and investment purposes, invest in options, warrants, index swaps, interest rate swaps, total return swaps, credit default swaps, futures contracts, currency forwards and structured products subject to the investment restrictions applicable to the Sub-Fund including Chapter 7 of the Code. These instruments can be highly volatile and expose investors to increased risk of loss. Please also refer to "Investment risks – Risk of investing in financial derivative instruments" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

Hedging risk

The Manager may from time to time use hedging techniques, including investments in options, warrants, index swaps, interest rate swaps, total return swaps, credit default swaps, futures contracts, currency forwards and structured products, to offset market and currency risks. There is no guarantee that such techniques will be effective. Please refer to "Investment risks – Hedging risk" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

Risk relating to repurchase transactions

In the event of the failure of the counterparty with which collateral has been placed, the Sub- Fund may suffer loss as there may be delays in recovering collateral placed out or the cash originally received may be less than the collateral placed with the counterparty due to inaccurate pricing of the collateral, adverse market movements in the value of the collateral, intra-day increase in the value of the securities, a deterioration in the credit rating of the collateral issuer, or the illiquidity of the market in which the collateral is traded.

Risk relating to reverse repurchase transactions

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

Financial reports

The first financial report for the Sub-Fund covered the period to 31 December 2018.

Distribution policy

The Manager currently intends to make monthly dividend distributions for the following Classes of Units at its discretion:

- Class A Units: AUD Hedged MDis, CAD Hedged MDis, HKD Unhedged MDis, NZD Hedged MDis, RMB Hedged MDis, RMB Unhedged MDis, SGD Hedged MDis and USD Unhedged MDis
- Class I Units: EUR Hedged MDis, EUR Unhedged MDis, RMB Hedged MDis, RMB Unhedged MDis and USD Unhedged MDis
- Class V Units: HKD Unhedged MDis, SGD Hedged MDis and USD Unhedged MDis
- Class Z Units: AUD Hedged MDis, CAD Hedged MDis, HKD Unhedged MDis, NZD Hedged MDis, RMB Hedged MDis, SGD Hedged MDis and USD Unhedged MDis

Dividends may be paid out of capital or effectively out of capital of the relevant Class, and may result in an immediate reduction of the Net Asset Value per Unit of the Sub-Fund. There is no guarantee of any distribution nor, where distribution is made, the amount being distributed.

APPENDIX 4: VALUE PARTNERS ASIAN INNOVATION OPPORTUNITIES FUND

*This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the Value Partners Asian Innovation Opportunities Fund (the "**Sub-Fund**"), a sub-fund of the Trust. All references in this Appendix to the Sub-Fund are to Value Partners Asian Innovation Opportunities Fund. Unless otherwise defined in this Appendix, terms defined in the main body of this Explanatory Memorandum have the same meaning when used in this Appendix. For Singapore offering purposes, the Sub-Fund is a Restricted Sub-Fund (see Explanatory Memorandum – IMPORTANT INFORMATION FOR INVESTORS).*

Investment Objective

The investment objective of the Sub-Fund is to maximise return and income by investing primarily (i.e. not less than 70% of its Net Asset Value) in Asian equity and/or fixed income securities relating to Asian companies that are listed, or have their registered offices in Asia or that generate a predominant share of their sales and/or their profits in Asia which are related to innovative technologies or business innovations, including but not limited to information technology, consumption services, healthcare and financials. There can be no assurance that the Sub-Fund will achieve its investment objective.

Investment Strategy

The Sub-Fund seeks to achieve its investment objective by primarily investing in a diversified portfolio across a broad range of asset classes in Asia, including Asian equity and/or fixed income securities. The Sub-Fund will be actively managed and will invest in the Asian region which includes both developed and emerging market countries/regions. The Sub-Fund may also invest up to 30% of its Net Asset Value in any region or country outside of Asia.

Companies in the innovative technologies or business innovations sector are companies that will provide, or benefit significantly from, technological advances and improvements or business model changes in relation to products, processes or services.

The Sub-Fund may invest up to 100% of its Net Asset Value in Asian equity securities or Asian fixed income securities.

The Sub-Fund adopts a flexible approach to asset allocation and provides a diversified multi- asset portfolio. The allocation of the Sub-Fund's assets will be continually monitored and reviewed by the Manager. Changes to the allocation will be made according to the global market environment, economic conditions and investment trends, and factors such as liquidity, costs, timing of execution, relative attractiveness of individual securities and issuers available in the market will be taken into account. The Sub-Fund may invest in equities when the Manager believes market conditions and opportunities favour equities. When the Manager believes market conditions and opportunities do not favour equities, the Sub-Fund may invest in debt securities or money market instruments.

Equity investments

The Sub-Fund may invest in Asian equity securities of companies that are listed or traded worldwide (including but not limited to American Depositary Receipts ("**ADRs**"), A-Shares, B-Shares and H-Shares). The Sub-Fund's investment in A-Shares may be made indirectly via Mainland China access products (such as participatory notes) (the "**Access Products**") and/or directly via the Stock Connect. Not more than 10% of the Sub-Fund's Net Asset Value may be invested in Access Products issued by any single Access Products issuer. There is no restriction on market capitalizations or industries in relation to the equity securities in which the Sub-Fund may invest, and the Sub-Fund may invest substantially in securities issued by small and mid-cap companies.

Fixed income securities investments

The Sub-Fund may also invest in Asian fixed income securities, such as Mainland China offshore bonds and other fixed income securities (including but not limited to convertible bonds and contingent convertible bonds (each up to 30% of its Net Asset Value)), which are mainly denominated in USD, HKD or RMB. The Sub-Fund will not invest in fixed income securities which (or the issuer of which) are rated Below Investment Grade or which are unrated.

For the purposes of the Sub-Fund:

- A fixed income security which is rated below investment grade is defined as a fixed income security which (or the issuer of which) is rated below BBB-/Baa3 by an internationally recognised credit rating agency (such as Standard & Poor's, Moody's and/or Fitch) ("**Below Investment Grade**"); and

- An "unrated" fixed income security is defined as a fixed income security which neither the security itself nor its issuer has a credit rating.

Other investments

The Sub-Fund may also invest up to 30% of its Net Asset Value in aggregate in the following categories: "Dim Sum" bonds and collateralised and/or securitised products (such as asset backed securities/mortgage backed securities/asset backed commercial papers). The Sub-Fund will not invest in other structured products or urban investment bonds, which are debt instruments issued by local government financing vehicles in the Mainland China exchange-traded bond markets and inter-bank bond market.

The Sub-Fund will not invest more than 10% of its Net Asset Value in securities issued by or guaranteed by any single sovereign/government issuer (including its government, a public or local authority of that country/region).

The Sub-Fund may invest up to 10% of its Net Asset Value in one or more underlying scheme(s) which are non-recognised jurisdiction schemes and not authorised by the SFC and less than 30% of its Net Asset Value in one or more underlying scheme(s) which are recognised jurisdiction schemes and authorised by the SFC, including those which are managed by the Manager or its Connected Persons or other third parties.

If the Manager considers fit, the Sub-Fund may, to a limited extent (up to 30% of its Net Asset Value), seek exposure to other asset classes including but not limited to non-Asian securities and commodities indirectly through exchange traded funds and/or similar instruments (such as other underlying scheme(s) as permitted under Chapter 7 of the Code).

The Sub-Fund's aggregate exposure to investments (whether direct or indirect) in securities issued in Mainland China (including A-Shares, B-Shares and onshore debt securities) shall not exceed 20% of its non-cash assets.

The Sub-Fund's portfolio may also temporarily include cash and cash equivalents, up to 100% of its Net Asset Value, under exceptional circumstances (such as in the event of market crashes, major crisis or to mitigate the risk of potential sharp reversals and fall in the equity or bond markets) for cash flow management.

Except for the Access Products disclosed above, the Sub-Fund may invest in financial derivative instruments for hedging purposes only. The Manager will not enter into any securities lending, repurchase or reverse-repurchase transactions or other similar over-the-counter transactions in respect of the Sub-Fund.

Asset allocation table

The Sub-Fund's portfolio will be allocated, according to asset class, as follows:

Asset class	**Indicative percentage of Net Asset Value**
Equities (Equities of Asian companies that are listed, or have their registered offices in Asia or that generate a predominant share of their sales and/ or their profits in Asia which are related to innovative technologies or business innovations)	0% to 100%
Fixed income securities (Asian fixed income securities including Mainland China offshore bonds and other fixed income securities (including but not limited to convertible bonds and contingent convertible bonds) which are mainly denominated in USD, HKD or RMB, and which are related to innovative technologies or business innovations)	0% to 100%
Other asset classes (Including but not limited to non-Asian securities and commodities indirectly through exchange traded funds and/or similar instruments)	0% to 30%
Cash and cash equivalents	0% to 100%

The asset allocation of the Sub-Fund will change according to the Manager's views of fundamental economic and market conditions and investment trends, taking into consideration factors such as liquidity, costs, timing of execution, relative attractiveness of individual securities and issuers available in the market.

Investment Restrictions

No waivers from the investment restrictions set out in the main body of the Explanatory Memorandum have been sought or granted by the SFC.

Available Classes

The Sub-Fund currently has the following classes of Units which are available to investors:

Class	**Class Currency**
Class A AUD Hedged MDis Units	AUD
Class A CAD Hedged MDis Units	CAD
Class A GBP Hedged MDis Units	GBP
Class A HKD Unhedged Acc Units	HKD
Class A HKD Unhedged MDis Units	HKD
Class A NZD Hedged MDis Units	NZD
Class A RMB Hedged MDis Units	RMB
Class A SGD Hedged Acc Units	SGD
Class A SGD Hedged MDis Units	SGD
Class A USD Unhedged Acc Units	USD
Class A USD Unhedged MDis Units	USD
Class UA1 HKD Unhedged Acc Units	HKD
Class UA1 HKD Unhedged MDis Units	HKD
Class UA1 USD Unhedged Acc Units	USD
Class UA1 USD Unhedged MDis Units	USD
Class UA2 HKD Unhedged Acc Units	HKD
Class UA2 HKD Unhedged MDis Units	HKD
Class UA2 USD Unhedged Acc Units	USD
Class UA2 USD Unhedged MDis Units	USD
Class UA3 HKD Unhedged Acc Units	HKD
Class UA3 HKD Unhedged MDis Units	HKD
Class UA3 USD Unhedged Acc Units	USD
Class UA3 USD Unhedged MDis Units	USD
Class V HKD Unhedged Acc Units	HKD
Class V HKD Unhedged MDis Units	HKD
Class V USD Unhedged Acc Units	USD
Class V USD Unhedged MDis Units	USD
Class X USD Unhedged Acc Units	USD
Class Z HKD Unhedged Acc Units	HKD
Class Z USD Unhedged Acc Units	USD

Class A AUD Hedged MDis Units, Class A CAD Hedged MDis Units, Class A GBP Hedged MDis Units, Class A HKD Unhedged Acc Units, Class A HKD Unhedged MDis Units, Class A NZD Hedged MDis Units, Class A RMB Hedged MDis Units, Class A SGD Hedged Acc Units, Class A SGD Hedged MDis Units, Class A USD Unhedged Acc Units and Class A USD Unhedged MDis

Units are collectively referred to as "**Class A Units"**.

Class V HKD Unhedged Acc Units, Class V HKD Unhedged MDis Units, Class V USD Unhedged Acc Units, Class V USD Unhedged MDis Units are collectively referred to as "**Class V Units**".

Class UA1 HKD Unhedged Acc Units, Class UA1 HKD Unhedged MDis Units, Class UA1 USD Unhedged Acc Units and Class UA1 USD Unhedged MDis Units are collectively referred to as "**Class UA1 Units**".

Class UA2 HKD Unhedged Acc Units, Class UA2 HKD Unhedged MDis Units, Class UA2 USD Unhedged Acc Units and Class UA2 USD Unhedged MDis Units are collectively referred to as "**Class UA2 Units**".

Class UA3 HKD Unhedged Acc Units, Class UA3 HKD Unhedged MDis Units, Class UA3 USD Unhedged Acc Units and Class UA3 USD Unhedged MDis Units are collectively referred to as "**Class UA3 Units**".

Class UA1 Units, Class UA2 Units and Class UA3 Units are collectively referred to as "**Class UA Units**"

Class X USD Unhedged Acc Units are referred to as "**Class X Units**".

Class Z HKD Unhedged Acc Units and Class Z USD Unhedged Acc Units are collectively referred to as "**Class Z Units**".

Class A Units are available for subscription by investors who make an investment of not less than the minimum initial investment amount or the minimum subsequent investment amount for the respective Classes as set out under the section headed "Investment Minima" below.

Class V Units are only available for subscription by such persons who subscribe to the Sub-Fund during the first twelve (12) calendar months (or such other period as determined by the Manager) counting from the date when the Sub-Fund is first launched.

Class UA Units are only offered for subscription during a specified period (each, a "**Limited Subscription Window**"), which applies separately to each of Class UA1 Units, Class UA2 Units and Class UA3 Units. The Manager may determine at its discretion an earlier end date of the relevant Limited Subscription Window. No additional Units will be offered for subscription for a period of three years following the close of the applicable Limited Subscription Window of the relevant Class UA Units. Unitholders of Class UA Units are subject to CDSC if they redeem their Class UA Units during the applicable Limited Subscription Window or during the three-year period after the expiry of the applicable Limited Subscription Window. Upon the expiry of this three-year period after the expiry of the applicable Limited Subscription Window, the relevant Class UA Units will be compulsorily converted, free of charge, into corresponding Class A Units in the same currency of denomination and distribution policy. Class UA Units are offered at the Manager's discretion and are only available for subscription by investors through broker-dealers, intermediaries and other entities who have distribution agreements with the Manager who make an investment of not less than the minimum initial investment amount or the minimum subsequent investment amount for the respective Classes as set out under the section headed "Investment Minima" below.

Class X Units are only available for subscription by funds and managed accounts managed by the Manager or Connected Persons of the Manager who are "professional investors" as defined in the SFO or offered on a private placement basis.

Class Z Units are only available for subscription by institutional investors and/or professional investors who make an investment of not less than the minimum initial investment amount or the minimum subsequent investment amount for the respective Classes as set out under the section headed "Investment Minima" below.

The Manager will make an application to the CSRC for the offering of the Sub-Fund in Mainland China under the Mainland-Hong Kong Mutual Recognition of Funds arrangement. The Manager may issue Class P Units for the Sub-Fund in due course subject to applicable laws and regulations. Class P Units are available to investors in Mainland China only and will not be offered in Hong Kong. In respect of details in relation to Class P Units, please refer to the Sub-Fund's offering

documents applicable to investors in Mainland China.

Base Currency

The Base Currency of the Sub-Fund is US dollars.

Initial Offer Period

The Initial Offer Period of the Sub-Fund will be such dates or times as the Manager may determine.

Class UA1 Units of the Sub-Fund will be offered from 9:00 a.m. (Hong Kong time) on 2 November 2026 to 5:00 p.m. (Hong Kong time) on 2 November 2026 at the initial Subscription Price below and subject to acceptance of applications for Units by the Manager and will be issued for the first time on the Business Day following the close of the Initial Offer Period. At the discretion of the Manager, the Initial Offer Period, the Initial Offer Period of Class UA1 Units may be shortened or extended.

Class UA2 Units of the Sub-Fund will be offered from 9:00 a.m. (Hong Kong time) on 1 December 2026 to 5:00 p.m. (Hong Kong time) on 1 December 2026 at the initial Subscription Price below and subject to acceptance of applications for Units by the Manager and will be issued for the first time on the Business Day following the close of the Initial Offer Period. At the discretion of the Manager, the Initial Offer Period, the Initial Offer Period of Class UA2 Units may be shortened or extended.

Class UA3 Units of the Sub-Fund will be offered from 9:00 a.m. (Hong Kong time) on 4 January 2027 to 5:00 p.m. (Hong Kong time) on 4 January 2027 at the initial Subscription Price below and subject to acceptance of applications for Units by the Manager and will be issued for the first time on the Business Day following the close of the Initial Offer Period. At the discretion of the Manager, the Initial Offer Period, the Initial Offer Period of Class UA3 Units may be shortened or extended.

The initial Subscription Price in respect of each class of Units is as follows:

Class	**Initial Subscription Price**
Class A AUD Hedged MDis Units	AUD10
Class A CAD Hedged MDis Units	CAD10
Class A GBP Hedged MDis Units	GBP10
Class A HKD Unhedged Acc Units	HKD10
Class A HKD Unhedged MDis Units	HKD10
Class A NZD Hedged MDis Units	NZD10
Class A RMB Hedged MDis Units	RMB10
Class A SGD Hedged Acc Units	SGD10
Class A SGD Hedged MDis Units	SGD10
Class A USD Unhedged Acc Units	USD10
Class A USD Unhedged MDis Units	USD10
Class UA1 HKD Unhedged Acc Units	HKD 10
Class UA1 HKD Unhedged MDis Units	HKD 10
Class UA1 USD Unhedged Acc Units	USD 10
Class UA1 USD Unhedged MDis Units	USD 10
Class UA2 HKD Unhedged Acc Units	HKD 10
Class UA2 HKD Unhedged MDis Units	HKD 10
Class UA2 USD Unhedged Acc Units	USD 10
Class UA2 USD Unhedged MDis Units	USD 10
Class UA3 HKD Unhedged Acc Units	HKD 10
Class UA3 HKD Unhedged MDis Units	HKD 10
Class UA3 USD Unhedged Acc Units	USD 10
Class UA3 USD Unhedged MDis Units	USD 10
Class V HKD Unhedged Acc Units	HKD10
Class V HKD Unhedged MDis Units	HKD10
Class V USD Unhedged Acc Units	USD10
Class V USD Unhedged MDis Units	USD10
Class X USD Unhedged Acc Units	USD10
Class Z HKD Unhedged Acc Units	HKD10
Class Z USD Unhedged Acc Units	USD10

Dealing Procedures

For details of dealing procedures, please refer to the sections headed "Subscription of Units", "Redemption of Units" and "Switching" in the main body of this Explanatory Memorandum.

The following apply to the Sub-Fund:

Dealing Day	each Business Day.
Dealing Deadline	5:00 pm (Hong Kong time) on the relevant Dealing Day

In respect of Class UA1 Units, the Limited Subscription Window is from 3 November 2026 to 30 November 2026 (or such earlier end date as the Manager may determine at its discretion).

In respect of Class UA2 Units, the Limited Subscription Window will be from 2 December 2026 to 31 December 2026 (or such earlier end date as the Manager may determine at its discretion).

In respect of Class UA3 Units, the Limited Subscription Window will be from 5 January 2027 to 29 January 2027 (or such earlier end date as the Manager may determine at its discretion).

Payment of Redemption Proceeds

Save as otherwise agreed by the Manager, and so long as relevant account details have been provided, redemption proceeds will normally be paid 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 redemption request, unless legal or regulatory requirements (such as foreign currency controls) to which the Sub-Fund is subject render the payment of the redemption proceeds within the aforesaid time period not practicable, and such extended time frame should reflect the additional time needed in light of the specific circumstances in the relevant market.

Investment Minima

The following investment minima apply to the Sub-Fund:

	Class A Units and Class UA Units	**Class V Units**	**Class X Units**	**Class Z Units**
Minimum initial investment	USD10,000 or equivalent	USD1,000,000 or equivalent	Nil	USD10,000,000 or equivalent
Minimum subsequent investment	USD5,000 or equivalent	USD100,000 or equivalent	Nil	USD100,000 or equivalent
Minimum holding	USD10,000 or equivalent	USD1,000,000 or equivalent	Nil	USD5,000,000 or equivalent
Minimum redemption amount	Nil	Nil	Nil	Nil

The Manager may, in its absolute discretion, waive or agree to a lower amount of any of the above investment minima (either generally or in any particular case).

Subscription of Units

The procedure for the subsequent issue of Units in the main body of this Explanatory Memorandum shall apply to the Sub-Fund.

Redemption of Units

The procedure for the payment for redemption proceeds in the main body of this Explanatory Memorandum shall apply to the Sub-Fund.

Switching of Units

The procedure for the switching of Units in the main body of this Explanatory Memorandum shall apply to the Sub-Fund, except that switching of Units in Class UA Units into other class(es) of Units of this Sub-Fund or other Sub-Fund(s), or vice versa, is not permitted during the Limited Subscription Window or during the three-year period after the expiry of the Limited Subscription Window.

Further, for Class UA Units, upon the expiry of the three-year period after the expiry of the applicable Limited Subscription Window of the relevant Class UA Units, the relevant Class UA Units will be compulsorily converted, free of charge, into corresponding Class A Units in the same currency of denomination and distribution policy. Notice to Unitholders will be provided at least one month prior to the compulsory conversion of the relevant Class UA Units to inform Unitholders on the date of conversion, and the conversion arrangement. For further information on the compulsory switching of Units, please refer to the section headed "Switching" in the main body of this Explanatory Memorandum.

Publication of Net Asset Value

The latest Subscription Price and Redemption Price in respect of Units or the Net Asset Value per Unit of the Sub-Fund are available on each Dealing Day on the Manager's website www.valuepartners-group.com[10].

Expenses and Charges

The following are the actual fees and charges payable in respect of each class of the Sub-Fund. Maximum fees permitted to be charged on one month's notice to Unitholders are set out under the section entitled "Expenses and Charges" in the main body of this Explanatory Memorandum.

Fees payable by Unitholders

	Class A Units	**Class UA Units**	**Class V Units**	**Class X Units**	**Class Z Units**
Subscription fee	Up to 5% of the subscription monies	Nil	Up to 5% of the subscription monies	Nil	Up to 5% of the subscription monies
Redemption fee	Nil	Nil	Nil	Nil	Nil

[10] This website has not been reviewed or authorised by the SFC.

Switching fee^	Up to 1% of the subscription monies	Not applicable	Up to 1% of the subscription monies	Nil	Up to 1% of the subscription monies

^ Certain distributors may impose a charge for each switching of Units in a class of the Sub-Fund acquired through them for Units in another class of the Sub-Fund, which will be deducted at the time of the switching and paid to the relevant distributors. Unitholders who intend to switch their Units in one class to Units in another class should check with their respective distributors for the charge on switching.

A CDSC will be payable to the Manager in respect of Class UA Units at the rates specified below, depending on the period within which the relevant Class UA Units are redeemed:

- Redemptions within the Limited Subscription Window, or the first year from the expiry of the Limited Subscription Window: 3% of the redemption proceeds
- Redemptions within second year from the expiry of the Limited Subscription Window: 2% of the redemption proceeds
- Redemptions within third year from the expiry of the Limited Subscription Window: 1% of the redemption proceeds

Any CDSC charged will be retained by the Manager.

Fees payable by the Sub-Fund

	Class A Units and Class UA Units	**Class V Units**	**Class X Units**	**Class Z Units**
Management fee	1.50% per annum of the Net Asset Value of each class of Units	0.75% per annum of the Net Asset Value of each class of Units	Nil	1% per annum of the Net Asset Value of each class of Units
Performance fee	N/A	N/A	N/A	N/A
Trustee fee	0.135% per annum for the first USD150 million in Net Asset Value of the Sub-Fund, 0.13% per annum for the portion over the first USD150 million up to and including USD800 million in the Net Asset Value of the Sub-Fund, 0.125% per annum for the balance in excess of USD800 million in the Net Asset Value of the Sub-Fund. The Trustee fees are subject to a monthly minimum of USD4,500.			

Performance Fee

No performance fee will be charged for the Sub-Fund.

Establishment costs

The costs of establishing the Sub-Fund are estimated to be approximately HKD800,000. These costs will be charged to the Sub-Fund and will be amortised over a period of 5 years from the inception of the Sub-Fund (or such other period as determined by the Manager after consultation with the auditors).

Additional Risk Factors

Investors should note the following risk factors set out in the section entitled "Risk Factors" in the main body of this Explanatory Memorandum, which are applicable to the Sub-Fund: "Investment risk", "Market risk", "Concentration risk", "Emerging market risk", "Counterparty risk", "Liquidity risk", "Exchange rate risk", "Restricted markets risk", "Legal and compliance risk", "Suspension risk", "Early termination risk", "Cross class liability risk", "Cross Sub-Fund liability risk", "Valuation and accounting risk", "Dividends and distributions", "Distributions payable out of capital or effectively out of capital risk", "Foreign Account Tax Compliance Act risk", "RMB currency risk", "Risks associated with the Mainland China", "Risks associated with Mainland China taxation", "Risk of investing in equity securities", "Risk of investing in fixed income instruments" and "Hedging risk".

In addition, the following risk factors are specific to the Sub-Fund:

Investment risk

Investors should be aware that investment in the Sub-Fund is subject to normal market fluctuations and other risks inherent in the Sub-Fund's assets. There is no guarantee of repayment of principal. Accordingly, there is a risk that an investor may not recoup the original amount he invested in the Sub-Fund or may lose a substantial part or all of his investment.

The performance of the Sub-Fund is partially dependent on the success of the asset allocation strategy employed by the Sub-Fund. There is no assurance that such strategy will be successful and therefore the investment objectives of the Sub-Fund may not be achieved.

Asia 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 exposure to a single region (i.e. Asia) subjects it to greater concentration risk. The Sub-Fund may be more volatile than

a broadly-based fund such as a global investment fund as it is more susceptible to fluctuation in value resulting from adverse conditions in the Asian markets.

Certain Asian markets which the Sub-Fund invests in may be emerging markets, which may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

Innovative technology sectors and concentration risks

Due to the concentration of the investments in the technology sectors relating to innovative technologies or business innovation, which is characterised by relatively higher uncertainty and volatility in price performance when compared to other economic sectors, the price volatility of the Sub-Fund may be greater than the price volatility of funds investing in a wider range of sec

Companies in the innovative technology or business innovation sectors may be in their preliminary stage of development with smaller business scale and shorter operating history. Such companies may also be heavily dependent on research and development, and any failure in such processes may result in losses in such companies which are invested by the Sub-Fund. The securities of the companies in such sectors are likely to be affected by world-wide scientific or technological developments, and the products or services of such companies may rapidly fall into obsolescence. In addition, some of these companies offer products or services that are subject to governmental regulation and may, therefore, be adversely affected by change in governmental policies. In addition, innovative technology companies are heavily dependent on patent and intellectual property rights, the loss or impairment of which may adversely affect profitability. Additionally, companies in such sectors may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel. All of these may have an adverse impact on the value of the Sub-Fund's investments.

Software, internet and related services industries risks

Many of the companies in the software, internet and related services industries have a relatively short operating history. Rapid changes could render obsolete the products and services offered by the companies in which the Sub-Fund invests and cause severe or complete declines in the prices of the securities of those companies. Additionally, companies in these sectors may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel. Any errors or vulnerabilities that may be discovered in the code of an internet company after release may adversely affect the business and operating results of such company. If the Sub-Fund invests in any of these companies, its investment may be adversely affected.

There may be substantial government intervention in the internet industry, including restrictions on investment in internet companies if such companies are deemed sensitive to relevant national

interests. Some governments in the world have sought, and may in the future seek, to censor content available through internet, restrict access to products and services offered by internet companies that the Sub-Fund invests in from their country/region entirely or impose other restrictions that may affect the accessibility of such products and services for an extended period of time or indefinitely. In the event that access to the internet products and services is restricted, in whole or in part, in one or more countries/regions, the ability of such internet companies to retain or increase their user base and user engagement may be adversely affected, and their operating results may be harmed. This may in turn affect the value of investment of the Sub-Fund.

The internet business is subject to complex laws and regulations including privacy, data protection, content regulation, intellectual property, competition, protection of minors, consumer protection and taxation. These laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to the business practices, monetary penalties, increased cost of operations or declines in user growth, user engagement or advertisement engagement, or otherwise harm the internet business. They may also delay or impede the development of new products and services. Compliance with these existing and new laws and regulations can be costly and may require significant time and attention of management and technical personnel. All these may have impact on the business and/or profitability of the internet companies in which the Sub-Fund invests and this may in turn adversely affect the value of investment of the Sub-Fund.

Consumption sector risk

The performance of companies active in the consumer sector are correlated to the growth rate of the Asian consumer market, individual income levels and their impact on levels of domestic consumer spending in the Asian markets, 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. These companies may also be subject to government regulation affecting production methods, which may have an adverse impact on their operating results and profit margin. This may in turn adversely affect the value of investment of the Sub-Fund.

There are many factors affecting the level of consumer spending, 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 Asian economy and the consumer market will continue. Any future slowdowns or declines in the economy or consumer spending may materially and adversely affect the business of the companies in the consumer sector and as a result the performance of the Sub-Fund.

Financial sector risk

Companies in the financial sector are subject to extensive governmental regulation, which may adversely affect the scope of their activities, the prices they can charge and the amount of capital they must maintain. Governmental regulation may change frequently. The financial services sector is exposed to risks that may impact on the value of investments in the financial services sector more severely than investments outside this sector, including operating with substantial financial leverage. The financial services sector may also be adversely affected by increases in interest rates and loan losses, decreases in the availability of money or asset valuations and adverse conditions in other related markets.

Healthcare sector risk

The economic prospects of the healthcare sector are generally subject to greater influences from governmental policies and regulations than those of many other industries. Certain healthcare companies may allocate greater than usual financial resources to research and product development and experience above-average price movements associated with the perceived prospects of success of the research and development programs. In addition, certain health care companies may be adversely affected by lack of commercial acceptance of a new product or process or by technological change and obsolescence.

Risk relating to dynamic asset allocation strategy

The investments of the Sub-Fund may be periodically rebalanced and therefore the Sub-Fund may incur greater transaction costs than a fund with static allocation strategy. The dynamic asset allocation strategy may not achieve the desired results under all circumstances and market conditions.

Risks of investing in equities

There are risks involved in the Sub-Fund's investments in equities.

Please refer to "Investment risks – Risk of investing in equity securities" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum. Below are further specific risks that investors should be aware of.

Risk of investing in equity securities: The Sub-Fund will invest directly or indirectly in equity securities and is exposed to the risk that the market value of such equity securities (and hence the Net Asset Value of the Sub-Fund) may go down as well as up. Equity markets may fluctuate significantly due to factors including investment sentiment; political, economic or environmental issues; regional or global economic instability; and currency and interest rate fluctuations. Prices may rise and fall sharply, and this will have a direct impact on the Sub-Fund. When equity markets are extremely volatile, the Sub-Fund's Net Asset Value may fluctuate substantially and investors may suffer substantial losses.

Small- and mid-cap companies risk: The Sub-Fund's equity portfolio may include small- and mid-cap companies, which generally have greater earnings and capital growth potential than larger capitalised companies. However, such investments in small- or mid-cap companies may involve greater risks, such as limited product lines, markets and financial or managerial resources. In addition, securities of smaller companies may trade less frequently, in lower volumes and with less liquidity than more widely held securities, and the securities of such companies generally are subject to more abrupt, erratic and volatile price movements to adverse economic developments than more widely held or larger, more established companies. This, in turn, may undermine the value of the Sub-Fund's assets.

Access products risk

The Sub-Fund may from time to time obtain exposure to restricted markets by investing into Access Products. An Access Product represents only an obligation of the counterparty issuing the Access Product to provide to the Sub-Fund the economic performance equivalent to holding the underlying securities. An Access Product does not provide any beneficial or equitable entitlement or interest in the securities to which the Access Product is linked. An Access Product constitutes an unsecured contractual obligation of the relevant issuer. Accordingly, the Sub-Fund is subject to credit risk of the issuer of any Access Product invested in by the Sub-Fund. The Sub-Fund may suffer a loss, potentially equal to the full value of the Access Product, if the issuer becomes bankrupt or otherwise fails to perform its obligations under the Access Product due to financial difficulties.

Any Access Product will be subject to the terms and conditions imposed by its issuer and such terms and conditions may lead to delays in implementing the investment strategy of the Sub-Fund. Access Products typically have no active secondary market and so have limited liquidity. In order to liquidate investments, the Sub-Fund will rely upon the issuer quoting a price to unwind part of the Access Product. Accordingly the ability to adjust positions may be restricted which may have an impact on the performance of the Sub-Fund.

Under the relevant laws and regulations, the ability of Access Product issuers to acquire securities in certain companies may be limited from time to time due to the imposition of certain investment restrictions. These restrictions may restrict the ability of an issuer to issue, and therefore the ability of the Sub-Fund to purchase, Access Products linked to certain securities. In certain circumstances, the Manager may not be able to fully implement or pursue the investment strategy of the Sub-Fund due to such restrictions.

Risk of investing in fixed income instruments

Please refer to "Risk of investing in fixed income instruments" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum. Below are further specific risks that investors should be aware of.

Interest rate risk: The Sub-Fund's investments in fixed income instruments are subject to interest rate risk. Generally, the value of fixed income instruments is expected to be inversely correlated with changes in interest rates. As interest rates rise, the market value of fixed income instruments tends to decrease. Long-term fixed income instruments in general are subject to higher sensitivity to interest rate changes than short-term fixed income instruments. Any increase in interest rates may adversely impact the value of the Sub-Fund's fixed income portfolio.

As the Sub-Fund may invest in fixed income instruments issued in the Asian markets, the Sub- Fund is additionally subject to policy risk as changes in macro-economic policies in the Asian markets (including monetary policy and fiscal policy) may have an influence over the Asian capital markets and affect the pricing of the fixed income instruments in the Sub-Fund's portfolio, which may in turn adversely affect the return of the Sub-Fund.

Volatility and liquidity risk: The fixed income securities in certain Asian markets may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may incur significant trading costs.

Credit risk: The value of the Sub-Fund is affected by the creditworthiness of its underlying investments. A deterioration of credit quality (e.g. an issuer credit downgrade or credit event leading to widening of credit spread) of an underlying investment will adversely impact the value of such investment. There is no assurance that the fixed income instruments invested in by the Sub-Fund will maintain their credit ratings in the future.

Investment in fixed income instruments is subject to the credit risk of the issuers which may be unable or unwilling to make timely payments of principal and/or interest. In the event of a default or credit rating downgrading of the issuers of the fixed income instruments held by the Sub-Fund, valuation of the Sub-Fund's portfolio may become more difficult as the value of fixed income instruments may decline rapidly, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against the issuers who are incorporated outside of Hong Kong and therefore not subject to the laws of Hong Kong.

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

Credit ratings risk: Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.

Downgrade risk: Changing market conditions or other significant events, such as credit rating downgrades affecting issuers or major financial institutions, may also pose valuation risk to the Sub-Fund as the value of the Sub-Fund's portfolio of fixed income instruments, including corporate bonds and commercial papers, may become more difficult or impossible to ascertain. In such circumstances, valuation of the Sub-Fund's investments may involve uncertainties and judgemental determinations as there is a possibility that independent pricing information may at times be unavailable. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may need to be adjusted and may be adversely affected. Such events or credit rating downgrades may also subject the Sub-Fund to increased liquidity risk as it may become more difficult for the Sub-Fund to dispose of its holdings of bonds at a reasonable price or at all, which would have an adverse impact on the value and performance of the Sub-Fund.

Valuation risk: Valuation of the Sub-Fund's investments may involve uncertainties and judgemental determinations. If such valuations are incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

Investing in convertible bonds risks: The Sub-Fund may invest in convertible bonds, which are a hybrid between debt and equity securities. Convertible bonds allow holders to convert into shares in the company issuing the bond at a specified future date, and are subject to risks of both fixed income instruments and equities. Convertible bonds can fluctuate in value with the price changes of the issuers' underlying stocks. If interest rates rise, the value of the corresponding convertible bond will fall. The valuation of convertible bonds may be more difficult due to the greater price fluctuations. Investments in convertible bonds are subject to the same interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable straight bond investments.

Sovereign/government debt risk: The Sub-Fund may invest in sovereign/government debt securities and such investments involve special risks. The repayment of debts by a government is subject to various including the economic and political factors. The governmental entity that controls the repayment of sovereign/government debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. Since the Sub-Fund's recourse against a defaulting sovereign/government is limited, the Sub-Fund may incur substantial loss if the sovereign/government defaults.

Risk associated with investment in instruments with non-viability / loss absorption convertible features

Contingent convertible bonds are hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level. Upon the occurrence of a predetermined event (known as a trigger event), contingent convertible bonds will be converted into shares of the issuing company (potentially at a discounted price as a result of the deterioration in the financial condition of the issuing company), or cause the permanent write-down to zero of the principal investment and/or accrued interest such that the principal amount invested may be lost on a permanent or temporary basis. Contingent convertible bonds are risky and highly complex instruments. Coupon payments on contingent convertible bonds are discretionary and may at times also be ceased or deferred by the issuer. Trigger events can vary but these could include the capital ratio of the issuing company falling below a certain level, or the share price of the issuer falling to a particular level for a certain period of time.

Contingent convertible bonds are also subject to additional risks specific to their structure including:

Trigger level risk: Trigger levels differ and determine exposure to conversion risk. It might be difficult for the Manager to anticipate the trigger events that would require the debt to convert into equity or the write down to zero of principal investment and/or accrued interest. Trigger events may include: (i) a reduction in the issuing bank's Core Tier 1/Common Equity Tier 1 (CT1/CET1) ratio or other ratios, (ii) a regulatory authority, at any time, making a subjective determination that an institution is "non-viable", i.e. a determination that the issuing bank requires public sector support in order to prevent the issuer from becoming insolvent, bankrupt or otherwise carry on its business and requiring or causing the conversion of the contingent convertible bonds into equity or write down, in circumstances that are beyond the control of the issuer or (iii) a national authority deciding to inject capital.

Coupon cancellation risk: Coupon payments on some contingent convertible bonds are entirely discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time. The discretionary cancellation of payments is not an event of default and there are no possibilities to require re-instatement of coupon payments or payment of any passed missed payments. Coupon payments may also be subject to approval by the issuer's regulator and may be suspended in the event there are insufficient distributable reserves. As a result of uncertainty surrounding coupon payments, contingent convertible bonds may be volatile and their price may decline rapidly in the event that coupon payments are suspended.

Capital structure inversion risk: Contrary to the classic capital hierarchy, investors in contingent convertible bonds may suffer a loss of capital when equity holders will not, for example when the loss absorption mechanism of a high trigger/write down of a contingent convertible bond is activated. This is contrary to the normal order of the capital structure where equity holders are expected to suffer the first loss.

Call extension risk: Some contingent convertible bonds are issued as perpetual instruments and only callable at predetermined levels upon approval of the competent regulatory authority. It cannot be assumed that these perpetual contingent convertible bonds will be called on a call date. Contingent convertible bonds are a form of permanent capital. The investor may not receive return of principal as expected on call date or indeed at any date.

Conversion risk: Trigger levels differ between specific contingent convertible bonds and determine exposure to conversion risk. It might be difficult at times for the Manager to assess how the contingent convertible bonds will behave upon conversion. In case of conversion into equity, the Manager might be forced to sell these new equity shares subject to the investment policy of the Sub-Fund. As a trigger event is likely to be an event which decreases the value of the issuer's common equity, a forced sale may result in the Sub-Fund experiencing loss.

Written-down/write-off risk: In some cases, the issuer of contingent convertible bonds may cause the convertible security to be written down or written-off in value based on the specific terms of the individual security if a pre-specified trigger event occurs. Therefore, upon the occurrence of a trigger event, the Sub-Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment.

Valuation risk: Contingent convertible bonds often offer attractive yield which may be viewed as a complexity premium. The value of contingent convertible bonds may need to be reduced due to a higher risk of overvaluation of such asset class on the relevant eligible markets.

Market value fluctuations due to unpredictable factors: The value of contingent convertible bonds is unpredictable and will be influenced by many factors including, without limitation (i) creditworthiness of the issuer and/or fluctuations in such issuer's applicable capital ratios; (ii) supply and demand for the contingent convertible bonds; (iii) general market conditions and available liquidity and (iv) economic, financial and political events that affect the issuer, its particular market or the financial markets in general.

Liquidity risk: In certain circumstances finding a buyer ready to invest in contingent convertible bonds may be difficult and the Sub-Fund may have to accept a significant discount to the expected value of the bond in order to sell it.

Sector concentration risk: Contingent convertible bonds are issued by banking and insurance institutions. Investment in contingent convertible bonds may lead to an increased sector concentration risk. The performance of the Sub-Fund which invests in contingent convertible bonds will depend to a greater extent on the overall condition of the financial services industry than for the Sub-Fund following a more diversified strategy.

Subordinated instruments: Contingent convertible bonds will, in the majority of circumstances, be issued in the form of subordinated debt instruments in order to provide the appropriate regulatory capital treatment prior to a conversion. Accordingly, in the event of liquidation, dissolution or winding-up of an issuer prior to a conversion having occurred, the rights and claims of the holders of the contingent convertible bonds, such as the Sub-Fund, against the issuer in respect of or arising under the terms of the contingent convertible bonds shall generally rank junior to the claims of all holders of unsubordinated obligations of the issuer.

Novelty and untested nature: The structure of contingent convertible bonds is innovative yet untested. In a stressed environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform.

"Dim Sum" bond market risks

"Dim Sum" bonds are bonds which are issued outside of Mainland China but denominated in RMB. The "Dim Sum" bond market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the "Dim Sum" bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalisation of the offshore RMB (CNH) market by the relevant regulator(s).

Risks of investing in A-Shares

Please refer to "Risks associated with the Mainland China" and "Investment risks – Risk of investing in equity securities" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum. Below are further specific risks that investors should be aware of.

Mainland China securities markets risk: The securities markets in the Mainland China, including the A-share markets, are still in a stage of development, and may be characterised by higher liquidity risk than markets in more developed countries/regions, which may in turn result in higher transaction costs and price volatility. In addition, the Mainland China's securities markets are undergoing a period of growth and change, which lead to uncertainties and potentially result in difficulties in the settlement and recording of transactions and in interpreting and applying the relevant regulations. The Mainland China's regulatory authorities have been given the power and duty to prohibit fraudulent and unfair market practices relating to securities markets, such as insider trading and market abuse, and to regulate substantial acquisitions of shares and takeovers of companies. All of these factors may lead to a higher level of volatility and instability associated with the Mainland China securities markets relative to more developed markets.

Government oversight and restrictions risk: The liquidity and price volatility associated with A-Share markets are subject to greater risks of government oversight (for example, to suspend trading in particular stocks) and imposition of trading band restrictions for all or certain stocks from time to time. In addition, A-Shares traded in the Mainland China are still subject to trading band limits that restrict maximum gain or loss in stock prices, which means the prices of stocks may not necessarily reflect their underlying value. Such factors may affect the performance of the Sub-Fund, and the subscription and redemption of Units may also be disrupted.

Accounting and reporting standards risk: Mainland China companies are required to follow Mainland China accounting standards and practice which follow international accounting standards to a certain extent. However, the accounting, auditing and financial reporting standards and practices applicable to Mainland China companies are evolving, and there may be significant differences between financial statements prepared in accordance with the Mainland China accounting standards and practice and those prepared in accordance with international accounting standards. As the disclosure and regulatory standards in the Mainland China are different from those in more developed markets, there might be substantially less publicly available information about issuers in the Mainland China on which the Manager can base investment decisions.

Risk of investing in collateralised and/or securitised products (such as asset backed securities/mortgage backed securities/asset backed commercial papers)

The Sub-Fund may from time to time invest in collateralised and/or securitised products, such as asset backed securities/mortgage backed securities/asset backed commercial papers (collectively, "structured debt instruments"). Such structured debt instruments provide exposure to underlying assets and the risk/return profile is determined by the cash flows derived from such assets. Some of such instruments involve multiple instruments and cash flow profiles such that it is not possible to predict with certainty the outcome from all market scenarios. Also, the price of such an investment could be contingent on, or highly sensitive to, changes in the underlying components of the structured debt instrument. Issuers of such securities may also have limited ability to enforce the security interest in the underlying assets in the event of default. The underlying assets can take many forms including, but not limited to, credit card receivables, residential mortgages, corporate loans, manufactured housing loans or any type of receivables from a company or structured vehicle that has regular cash flows from its customers. Some structured debt securities have embedded call options exercisable by the issuer which creates prepayment risk (the risk of unexpected early return of principal on the security), while other features may create extension risk (the risk that the security's tenure is unexpectedly extended due to lower repayment levels). Some structured debt instruments may employ leverage which can cause the price of the instruments to be more volatile than if they had not employed leverage. In addition, investments in structured debt instruments may be less liquid than other securities. The lack of liquidity may cause the current market price of assets to become disconnected from the underlying assets' value and consequently the Sub-Fund may be more susceptible to liquidity risk. The liquidity of a structured debt instrument can be less than a regular bond or debt instrument and this may adversely affect either the ability to sell the position or the price at which such a sale is transacted.

Risks of investing in ADRs

Although ADRs have risks similar to the securities that they represent, they may also involve higher expenses and may trade at a discount (or premium) to the underlying security. There could also be a risk that underlying shares would not be attributed to holders of ADRs in case of bankruptcy of the depositary bank. In addition, depositary receipts may not pass through voting and other shareholder rights, and may be less liquid than the underlying securities listed on an exchange.

Risks of investing in other funds

The Sub-Fund may from time to time invest in other 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. The underlying funds in which the Sub-Fund may invest may also not be regulated by the SFC.

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 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 or its manager. In addition, where an underlying fund is managed by the Manager, all management and performance fees charged by the underlying fund will be waived for the Sub-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 avoid and resolve such conflicts fairly.

Risks associated with the Mainland China

There are risks involved in the Sub-Fund's investments in the Mainland China. Please refer to "General risks – Emerging market risk" and "Risks associated with the Mainland China" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

RMB currency risk

The Sub-Fund may have exposure to investments which are denominated in RMB. The RMB is not freely convertible and subject to exchange controls and restrictions. Investors whose assets and liabilities are predominantly in currencies other than RMB are exposed to foreign exchange risk and should take into account the potential risk of loss arising from fluctuations in value between such currencies and the RMB as well as associated fees and charges. There is no guarantee that RMB will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Sub-Fund.

In calculating the Net Asset Value per Unit of a Class denominated in RMB and in effecting any currency conversions involving RMB, the Manager may apply the CNH rate (i.e. the exchange rate for the offshore RMB market in Hong Kong). Whilst the RMB (CNH) and RMB (CNY) represent the same currency, they are traded in different rates and separate markets which operate independently. As such, RMB (CNH) may trade at a premium or discount to RMB (CNY) and they may even move in different directions. Any divergence between CNH and CNY may adversely impact investors.

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

Please also refer to "RMB currency risk" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

Dividends risk / Distributions payable out of capital or effectively out of capital risk

There is no guarantee that any dividends will be distributed and thus investors may not receive any distributions. Where there is a distribution, there will not be a target level of dividend payout.

In circumstances where the net distributable income of a class is insufficient to pay for any dividend which may be declared, the Manager may, at its discretion, (i) pay dividend out of capital of the Sub-Fund; or (ii) pay dividend out of gross income of the Sub-Fund (that is, income before taking into account any fees or expenses) while charging all or part of the Sub-Fund's fees and expenses to the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. Payment of dividends out of capital or effectively out of capital may require the Manager to sell the assets of the Sub-Fund and amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of capital or effectively out of capital of the Sub-Fund (as the case may be) may result in an immediate reduction of the Net Asset Value per Unit of the relevant class. The Manager may amend the policy regarding paying dividends out of capital and/or effectively out of capital subject to the SFC's prior approval and by giving not less than one month's advance notice to Unitholders.

Where any distribution involves payment of dividends out of capital and/or effectively out of capital of the Sub-Fund, investors should note that a high distribution yield does not imply a positive or high return on the total investment.

Risk of investing in financial derivative instruments

Although the use of derivatives will not substantially form part of the investment strategy of the Sub-Fund, the Manager may, for hedging purposes only, invest in listed warrants and futures, options, interest rate, index and currency swaps and forwards subject to the investment restrictions applicable to the Sub-Fund including Chapter 7 of the Code. These instruments can be highly volatile and expose investors to increased risk of loss. Please also refer to "Investment risks – Risk of investing in financial derivative instruments" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

Hedging risk

The Manager may from time to time use hedging techniques, including investments in listed warrants and futures, options, interest rate, index and currency swaps and forwards, to offset market and currency risks. There is no guarantee that such techniques will be effective. Please refer to "Investment risks – Hedging risk" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

Financial reports

The first financial report for the Sub-Fund covers the period to 31 December 2019.

Distribution policy

The Manager currently intends to make monthly dividend distributions for the following Classes of Units at its discretion:

- Class A Units: AUD Hedged MDis, CAD Hedged MDis, GBP Hedged MDis, HKD Unhedged MDis, NZD Hedged MDis, RMB Hedged MDis, SGD Hedged MDis and USD Unhedged MDis
- Class UA Units: UA1 HKD Unhedged MDis, UA1 USD Unhedged MDis, UA2 HKD Unhedged MDis, UA2 USD Unhedged MDis, UA3 HKD Unhedged MDis and UA3 USD Unhedged MDis
- Class V Units: HKD Unhedged MDis and USD Unhedged MDis

Dividends may be paid out of capital or effectively out of capital of the relevant Class, and may result in an immediate reduction of the Net Asset Value per Unit of the Sub-Fund. There is no guarantee of any distribution nor, where distribution is made, the amount being distributed.

APPENDIX 5: VALUE PARTNERS ALL CHINA BOND FUND

This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the Value Partners All China Bond Fund (the "Sub-Fund"), a sub-fund of the Trust. All references in this Appendix to the Sub-*Fund are to Value Partners All China Bond Fund. Unless otherwise defined in this Appendix, terms defined in the main body of this Explanatory Memorandum have the same meaning when used in this Appendix. For Singapore offering purposes, the Sub-Fund is a Restricted Sub-Fund (see Explanatory Memorandum – IMPORTANT INFORMATION FOR INVESTORS).*

"Business Day"	means, (i) a day (other than a Saturday or Sunday) on which SEHK is open for normal trading and banks in Mainland China are open for normal banking business ;or (ii) such other day or days as the Manager and the Trustee may determine from time to time.
"Custodian"	means The Hongkong and Shanghai Banking Corporation Limited.
"PRC Custodian"	means HSBC Bank (China) Company Limited.
"PRC Custodian Agreement"	means the custody agreement entered into between the Trustee, the PRC Custodian, the Custodian and the Manager, as amended from time to time.
"PRC Participation Agreement"	means the participation agreement between the PRC Custodian, the Manager, the Trustee and the Custodian, as amended from time to time.

Investment Objective

The investment objective of the Sub-Fund is to provide capital appreciation by investing primarily in fixed income securities issued by any central and/or local governments, government agencies, supra-nationals, banks or companies which are domiciled in the Mainland China, or which exercise the predominant part of their business or economic activities in the Mainland China. There can be no assurance that the Sub-Fund will achieve its investment objective.

Investment Strategy

Fixed income securities investments

The Sub-Fund seeks to achieve its investment objective by investing at least 70% of its Net Asset Value in fixed income securities issued by any central and/or local governments, government agencies, supra-nationals, banks or companies which are domiciled in the Mainland China, or which exercise the predominant part of their business or economic activities in the Mainland China. Such fixed income securities may or may not be denominated in RMB.

The Sub-Fund may also invest up to 100% of its Net Asset Value in urban investment bonds (城投债) which are fixed income instruments issued by Mainland China local government financial vehicles ("LGFVs") and traded on the China Interbank Bond Market ("CIBM") and the exchange-traded bond markets in the Mainland China. These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investments or infrastructure projects.

The Sub-Fund may invest up to 50% of its Net Asset Value in bonds and other debt securities which (or the issuers of which) are rated Below Investment Grade (as defined below), or which are unrated.

For the purposes of the Sub-Fund:

- A fixed income security which (or if such security is unrated, the issuer of which) is (a) rated below AAA by a local Mainland China credit rating agency; or (b) rated below BBB-/Baa3 by an internationally recognised credit rating agency (such as Standard & Poor's, Moody's and/or Fitch) may be defined as below investment grade ("Below Investment Grade"); and

- An "unrated" fixed income security may be defined as a fixed income security which neither the security itself nor its issuer has a credit rating.

For split credit ratings, the highest rating shall apply.

Having said that, in constructing the Sub-Fund's portfolio, the Manager will primarily rely on its own analysis to evaluate each fixed income instrument independently. Selection of debt securities for investment by the Sub-Fund will involve both qualitative and quantitative analyses of an issuer's credit fundamentals and will be focused on the creditworthiness of the issuer by forecasting the issuer's credit profile by at least 2 years. This is done by reviewing qualitative factors such as the issuer's corporate profile (taken from peer analysis publications and other public sources) and corporate strategy (evidenced in the issuer's marketing materials and publications), and quantitative factors such as the issuer's forecasted cash flow and financial profile (from their published financial statements), credit ratings assigned by rating agencies and respective rating reports (including internationally recognised credit rating agencies and local Mainland China credit rating agencies) and research reports by external and internal analysts. Using the aforementioned sources, the investment analysis undertaken by the Manager regarding the selection of debt securities will take into account the leverage, liquidity, management and business of the issuer in addition to credit ratings assigned by rating agencies (including internationally recognised credit rating agencies and local Mainland China credit rating agencies). The Manager will perform credit assessment on all fixed income securities held by the Sub-Fund on an ongoing basis.

The Sub-Fund may invest up to 100% of its Net Asset Value in debt securities denominated in RMB and issued in the Mainland China ("Onshore Debt Securities"):

(a) in the CIBM via (i) the regime allowing foreign institutional investors to invest in the CIBM ("Foreign Access Regime") (as defined below); (ii) Bond Connect (as defined below); and/or (iii) by virtue of the Manager's status under the QFI framework;

(b) on the Mainland China exchange bond market by virtue of the Manager's status under the QFI framework; and/or

(c) via other means as may be permitted by the relevant regulations from time to time.

Please refer to the section "The Chinese Onshore Bond Market" below for further information on the different means of investing in Onshore Debt Securities.

Onshore Debt Securities in which the Sub-Fund may invest will not be subject to any duration or minimum credit rating requirements, but will, for the avoidance of doubt, be subject to the investment limit for unrated and/or Below Investment Grade debt securities.

The Sub-Fund may invest up to 100% of its Net Asset Value in debt securities denominated in RMB and issued outside of Mainland China ("Dim Sum" bonds).

The Sub-Fund will not invest more than 10% of its Net Asset Value in debt securities issued by and/or guaranteed by any single sovereign/government issuer (including its government, public or local authority) which is Below Investment Grade.

The Sub-Fund may invest up to 20% of its Net Asset Value in convertible bonds and/or contingent convertible securities.

The Sub-Fund may invest less than 30% of its Net Asset Value in LAPs such as contingent convertible bonds issued by financial institutions, non-preferred senior debt instruments, certain Additional Tier 1 and Tier 2 capital instruments, external loss absorbing capacity ("LAC") debt instruments and debt instruments issued under a regime of non-Hong Kong jurisdictions which implements the Financial Stability Board's standards for "Total Loss-absorbing Capacity Term Sheet".

LAPs are debt instruments with features of contingent write-down or contingent conversion to ordinary shares on the occurrence of the following: (a) when a financial institution is near or at the point of non-viability; or (b) when the capital ratio of a financial institution falls to a specified level. These LAPs instruments may include:

(i) debt instruments that meet the qualifying criteria to be Additional Tier 1 Capital or Tier 2 Capital under the Banking (Capital) Rules and similar debt instruments issued under an equivalent regime of non-Hong Kong jurisdictions;

(ii) external LAC debt instruments under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules pursuant to the FIRO;

(iii) debt instruments issued under a regime of non-Hong Kong jurisdictions which implements the Financial Stability Board's standards for "Total Loss-absorbing Capacity Term Sheet";

(iv) "non-preferred senior debt instruments" (may be named as "Tier 3" in some jurisdictions) and senior or subordinated debt instruments issued by a holding company of a financial institution which fall within the above circumstances; and

(v) contingent convertible bonds issued by financial institutions which upon the occurrence of the trigger event, may be converted into shares of the issuer (potentially at a discounted price), or may be subject to the permanent write-down to zero.

For the avoidance of doubt, instruments in the legal form of equities (including ordinary shares and preferred shares) and all types of deposits (including certificate of deposits) are excluded and the Sub-Fund may invest up to 20% of its Net Asset Value in contingent convertible bonds.

The Sub-Fund may also invest up to 30% of its Net Asset Value in fixed income securities issued by central and/or local governments, government agencies, supra-nationals, banks or companies which are not domiciled in the Mainland China, or which do not exercise the predominant part of their business or economic activities in the Mainland China, subject to the credit rating investment limit as specified above.

The Sub-Fund will not invest in asset backed securities (including asset backed commercial paper).

Other investments

The Sub-Fund may invest up to 10% of its Net Asset Value in equity securities including but not limited to shares (including China A-Shares and China B-Shares), American Depositary Receipts ("ADRs") and real estate investment trusts ("REITs").

The Sub-Fund's portfolio may also temporarily include cash and cash equivalents, up to 100% of the Sub-Fund's Net Asset Value, under exceptional circumstances (such as in the event of market crashes, major crisis or to mitigate the risk of potential sharp reversals and falls in the equity or bond markets) for cash flow management or for reducing market exposure.

The Sub-Fund may use financial derivative instruments with the aim of hedging risks, reducing cost and/or generating additional capital or income (including for investment purposes) to the extent in line with the risk profile of the Sub-Fund and permitted by the Code and the provisions set out under the sub-section "Financial derivative instruments" in the Explanatory Memorandum. Financial derivative instruments that may be used by the Sub-Fund includes, but not limited to, options, warrants, index swaps, currency and interest rate swaps, total return swaps, credit default swaps, futures contracts, currency forwards and structured products. The Sub-Fund's net derivative exposure may be up to 50% of its Net Asset Value.

Securities financing transaction

The Manager may enter into securities lending, repurchase and/or reverse-repurchase transactions in respect of the Sub-Fund with the maximum level of up to 30% and the expected level of up to 15% of the Sub-Fund's assets in accordance with Chapter 7 of the Code and the policy set out under the sub-section "Securities financing transactions" in the Explanatory Memorandum.

Asset allocation table

The Sub-Fund's portfolio will be allocated, according to asset class, as follows:

Asset class	**Indicative percentage of Net Asset Value**
Fixed income instruments	70%-100%
Equities	0% -10%
Cash and cash equivalents	0% to 100%

The asset allocation of the Sub-Fund will change according to the Manager's views of fundamental economic and market conditions and investment trends, taking into consideration factors such as liquidity, costs, timing of execution, relative attractiveness of individual securities and issuers available in the market.

The Mainland Chinese Onshore Bond Market

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

The CIBM had a diversified investor base of which most have direct access to the centralised trading system, which covers all types of financial institutions such as commercial banks, securities firms, fund houses, insurance companies and various kinds of investment products like mutual funds and pension funds. The remaining, which include small financial institutions, non-financial enterprises and foreign entities as well, gain access to the market through settlement agencies.

The CCDCC acts as the central custodian of all marketable RMB bonds. For the Mainland China exchange bond market, it adopts a two-level custody system, with the CCDCC acting as the primary custodian and the CSDCC acting as the secondary custodian.

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

	CIBM	**Mainland China exchange traded bond market**
Major types of products traded	Central government bond, local government bonds, central bank bills, financial bonds, enterprise bonds, short-term financing bills, medium term notes, asset-backed securities, panda bonds (i.e. RMB-denominated bonds issued by international financial institutions within the boundaries of Mainland China)	Central government bond, local government bonds, enterprise bonds, corporate bonds, financial bonds, convertible bonds, asset back securities
Key market participants	Institutional investors (such as commercial banks, securities firms, funds and trust investment companies), QFIs	Individuals and non-bank institutions (such as insurance companies and funds), QFIs
Trading and settlement mechanism	Trading mechanism: a quote-driven OTC market between institutional investors Settlement mechanism: primarily delivery versus payment (DVP), on either a T+0 or T+1 settlement cycle	Trading an electronic automatic matching system where Securities are traded on the SSE or SZSE Settlement mechanism: clearing and settlement are through the CSDCC on T+1 settlement cycle
Regulator	PBOC	CSRC
Counterparty with whom investors will trade	The trading counterparty (i.e. the other market participants)	CSDCC, which acts as the central counterparty to all Securities transactions on the SSE and the SZSE

Central clearing	CCDCC; short-term financing bills issued on or after 1 September 2011 are cleared through the Shanghai Clearing House (上海清算所)	CSDCC
Liquidity	High	Medium to low
Associated risks	Interest rate risk, credit risk, counterparty risk	Interest rate risk, credit risk, liquidity risk
Minimum rating requirements	No requirement However, market participants typically require a rating of at least "BBB" given by a local credit rating agency.	No requirement However, if upon listing a corporate bond or enterprise bond does not have a credit rating of at least "AA" given by a local credit rating agency, then such bond can only be traded on the fixed income electronic platform of the relevant exchange (固定收益證券綜合電子平臺), which is open only to institutional investors. Bonds that do not satisfy this minimum requirement cannot be traded via the quote-driven platform (競價交易系統), which is open to all investors, including retail investors.
Types of debt instruments commonly seen and the issuers	Government bonds, treasury bonds: issued by the MOF Central bank bills: issued by PBOC Financial bonds: issued by policy banks (China	Government bonds, treasury bonds: issued by the MOF Enterprise bonds: issued by government-related, state-owned or state-held entities

	Development Bank, Agricultural Development Bank of China and Export-Import Bank of China), commercial banks and other financial institutions Enterprise bonds: issued by government-related, state-owned or state-held entities	Corporate bonds: issued by listed companies Convertible bonds: issued by listed companies

The major types of bonds available in the CIBM can be grouped into 6 broad categories: (i) Central bank bills issued by the PBOC; (ii) Treasury Bonds issued by the MOF; (iii) Policy bank bonds issued by policy banks, including China Development Bank, Export-Import Bank of China and Agricultural Development Bank of China; (iv) Financial bonds, including commercial bank bonds and non-bank financial institution bonds; (v) Non-financial credit bonds issued by non-financial institution corporates, including enterprise bonds, commercial papers ("CP"), medium-term notes ("MTN") and corporate bonds; (vi) other types of bonds or instruments such as local government bonds issued by provincial or city governments, foreign bonds issued by foreign entities, asset-backed securities and mortgage-backed securities, etc.

The PRC central government (through the MOF) issues the Chinese government bonds, so called "Treasury Bonds" in the Mainland China bonds markets. It is generally considered by market participants that Treasury Bonds have a solid financial foundation and therefore they have received the widest market acceptance. The outstanding amount of Treasury Bonds in the CIBM is over RMB10,000 billion, comprising approximate 25% of the whole market. It offers the most diverse tenors and the best liquidity in secondary market amongst all types of bonds.

Besides Treasury Bonds, the central government also allows local provinces and cities to issue bonds, so called "local government bonds". The local government needs to seek permission from the central government before issuing such bonds, and the MOF acts as the proxy agent on local government debt issuance and interest and principal payment. This mechanism aims to afford better protection for investors on the financial transparency.

On the other hand, local governments may set up corporate vehicles (local government financing vehicles) to issue bonds, to avoid the budget control regulations imposed by the central government. The bonds issued by local government financing vehicles are called urban investment bonds, which are a type of credit bonds.

QFI regime

Under current regulations in the Mainland China, foreign investors can invest in the domestic securities market through certain qualified foreign institutional investors that have obtained status as a QFI from the CSRC for the purpose of investing in the Mainland China's domestic securities markets, or via 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 QFI 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 26 July 2024 (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 "QFI Regulations").

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

All of the Sub-Fund's assets in the Mainland China (including onshore Mainland China cash deposits and its onshore portfolio of equities, equity-related instruments and fixed income instruments, if any) will be held by the Custodian (through the PRC Custodian) in accordance with the terms of the PRC Custodian Agreement and PRC Participation Agreement. A securities account shall be opened with each of CSDCC, CCDCC, Shanghai Clearing House and/or such other relevant depositories in the joint names of the Manager (as the QFI holder) and the Sub-Fund. One or more RMB special deposit account(s) shall also be established and maintained with the PRC Custodian in the joint names of the Manager (as the QFI holder) and the Sub-Fund. The PRC Custodian shall, in turn, have a cash clearing account with each of CSDCC, CCDCC, Shanghai Clearing House or such other relevant depositories for trade settlement according to applicable regulations.

Repatriations in RMB conducted by the Manager (as QFI) on behalf of the Sub-Fund are permitted daily and not subject to any repatriation restrictions, lock-up periods or prior approval from the SAFE.

In the context of investment in securities issued within the Mainland China using the Manager's QFI status, the Manager will assume dual roles as the Manager of the Sub-Fund and the QFI holder for the Sub-Fund. The Manager will be responsible for ensuring that all transactions and dealings will be dealt with in compliance with the Trust Deed (where applicable) as well as the relevant laws and regulations applicable to the Manager as a QFI holder.

The Manager has obtained a legal opinion confirming that, as a matter of Mainland China law:

(a) Securities account(s) with CSDCC, CCDCC, Shanghai Clearing House and/or such other relevant depositories and maintained by the PRC Custodian and RMB special deposit account(s) with the PRC Custodian (respectively, the "Securities Account(s)" and the "Cash Account(s)") have been opened in the joint names of the Manager (as RQFII holder) and the Sub-Fund, for the sole benefit of and use by the Sub-Fund, in accordance with all applicable laws and regulations of the Mainland China and with approval from all competent authorities in the Mainland China;

(b) the assets held/credited in the Securities Account(s) (i) belong solely to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager (as RQFII holder), the Custodian, the PRC Custodian and any broker appointed by the Manager to execute transactions for the Sub-Fund in the Mainland China (a "PRC Broker"), and from the assets of other clients of the Manager (as RQFII holder), the Custodian, the PRC Custodian, and any PRC Broker;

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

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

(e) if the Manager (as RQFII holder) or any PRC Broker is liquidated, the assets contained in the Securities Account(s) and Cash Account(s) of the Sub-Fund will not form part of the liquidation assets of the Manager (as RQFII holder) or such PRC Broker in liquidation in the Mainland China; and

(f) if the PRC Custodian is liquidated, (i) the assets contained in the Securities Account(s) of the Sub-Fund will not form part of the liquidation assets of the PRC Custodian in liquidation in the Mainland China, and (ii) the assets contained in the Cash Account(s) of the Sub-Fund will form part of the liquidation assets of the PRC Custodian in liquidation in the Mainland China and the Sub-Fund will become an unsecured creditor for the amount deposited in the Cash Account(s).

There are specific risks associated with the QFI regime and investors' attention is drawn to the risk factors under "Risks associated with the QFI Regime" in the section on "Additional risk factors" in this Appendix.

Investment in the CIBM via Northbound Trading Link under Bond Connect

Bond Connect is an initiative launched in July 2017 for mutual bond market access between Hong Kong and Mainland China ("Bond Connect") established by China Foreign Exchange Trade System & National Interbank Funding Centre ("CFETS"), CCDCC, Shanghai Clearing House, and Hong Kong Exchanges and Clearing Limited and Central Moneymarkets Unit.

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

Under the Northbound Trading Link, eligible foreign investors are required to appoint the CFETS or other institutions recognised by the PBOC as registration agents to apply for registration with the PBOC.

Pursuant to the prevailing regulations in Mainland China, an offshore custody agent recognised by the Hong Kong Monetary Authority (currently, the Central Moneymarkets Unit) shall open omnibus nominee accounts with the onshore custody agent recognised by the PBOC (currently, the CSDCC and Interbank Clearing Company Limited). All bonds traded by eligible foreign investors will be registered in the name of Central Moneymarkets Unit, which will hold such bonds as a nominee owner.

Investment in the CIBM via Foreign Access Regime

Pursuant to the "Announcement (2016) No 3" issued by the PBOC (中國人民銀行公告 [2016] 第3號) on 24 February 2016, foreign institutional investors can invest in the CIBM via a foreign access regime ("Foreign Access Regime") subject to other rules and regulations as promulgated by the Mainland Chinese authorities, i.e. PBOC and the SAFE.

Under the prevailing regulations in Mainland China, foreign institutional investors who wish to invest directly in the CIBM may do so via an onshore settlement agent, who will be responsible for making the relevant filings and account opening with the relevant authorities. There is no quota limitation.

In terms of fund remittance, foreign investors (such as the Sub-Fund) may remit investment principal in RMB or foreign currency into Mainland China for investing in the CIBM. For repatriation, where the Sub-Fund repatriates funds out of Mainland China, it shall, in principle, use the same currency for its incoming and outgoing remittances, and shall not engage in cross-currency arbitrage between Renminbi and foreign currencies. Where a Sub-Fund remits "Renminbi + foreign currency" concurrently for investment, the cumulative outgoing remittance amount in a foreign currency shall not exceed 1.2 times the cumulative incoming remittance amount in the foreign currency (except for outgoing remittance after liquidation of investment). For a long-term investment in the Mainland Chinese bond market, the aforesaid ratio may be relaxed appropriately.

Investment in the Mainland China exchange bond market

Mainland China's bond market is dominated by the CIBM in terms of issue amount and trading value, in particular for treasury bonds and policy bank bonds. Nevertheless, the Mainland China exchange bond market has grown significantly since 2015, offering a wide range of debt instruments issued by listed and unlisted companies, and serving more diverse types of Mainland China institutions and investors than the CIBM.

CSDCC is the central securities depository and custodian of on-exchange bonds. The settlement of on-exchange bonds is conducted delivery versus payment (DVP) through CSDCC on a net basis. In comparison, the settlement of bond trades on the CIBM through CCDCC and Shanghai Clearing House is on a gross DVP basis. The settlement currency is limited to the RMB only.

Investment Restrictions

No waivers from the investment restrictions set out in the main body of the Explanatory Memorandum have been sought or granted by the SFC.

Available Classes

The Sub-Fund currently has the following classes of Units which are available to investors:

Class	Class Currency
Class A AUD Hedged Acc Units	AUD
Class A AUD Hedged MDis Units	AUD
Class A CAD Hedged Acc Units	CAD
Class A CAD Hedged MDis Units	CAD
Class A CHF Hedged Acc Units	CHF
Class A CHF Hedged MDis Units	CHF
Class A EUR Hedged Acc Units	EUR
Class A EUR Hedged MDis Units	EUR
Class A GBP Hedged Acc Units	GBP
Class A GBP Hedged MDis Units	GBP
Class A HKD Unhedged Acc Units	HKD
Class A HKD Unhedged MDis Units	HKD
Class A NZD Hedged Acc Units	NZD
Class A NZD Hedged MDis Units	NZD
Class A RMB Hedged Acc Units	RMB
Class A RMB Hedged MDis Units	RMB
Class A RMB Unhedged Acc Units	RMB
Class A RMB Unhedged MDis Units	RMB
Class A SGD Hedged Acc Units	SGD
Class A SGD Hedged MDis Units	SGD

Class A USD Unhedged Acc Units	USD
Class A USD Unhedged MDis Units	USD
Class X USD Unhedged Acc Units	USD
Class Z AUD Hedged Acc Units	AUD
Class Z AUD Hedged MDis Units	AUD
Class Z CAD Hedged Acc Units	CAD
Class Z CAD Hedged MDis Units	CAD
Class Z CHF Hedged Acc Units	CHF
Class Z CHF Hedged MDis Units	CHF
Class Z EUR Hedged Acc Units	EUR
Class Z EUR Hedged MDis Units	EUR
Class Z GBP Hedged Acc Units	GBP
Class Z GBP Hedged MDis Units	GBP
Class Z HKD Unhedged Acc Units	HKD
Class Z HKD Unhedged MDis Units	HKD
Class Z NZD Hedged Acc Units	NZD
Class Z NZD Hedged MDis Units	NZD
Class Z RMB Hedged Acc Units	RMB
Class Z RMB Hedged MDis Units	RMB
Class Z SGD Hedged Acc Units	SGD
Class Z SGD Hedged MDis Units	SGD
Class Z USD Unhedged Acc Units	USD
Class Z USD Unhedged MDis Units	USD

Class A AUD Hedged Acc Units, Class A AUD Hedged MDis Units, Class A CAD Hedged Acc Units, Class A CAD Hedged MDis Units, Class A CHF Hedged Acc Units, Class A CHF Hedged MDis Units, Class A EUR Hedged Acc Units, Class A EUR Hedged MDis Units, Class A GBP Hedged Acc Units, Class A GBP Hedged MDis Units, Class A HKD Unhedged Acc Units, Class A HKD Unhedged MDis Units, Class A NZD Hedged Acc Units, Class A NZD Hedged MDis Units, Class A RMB Hedged Acc Units, Class A RMB Hedged MDis Units, Class A RMB Unhedged Acc Units, Class A RMB Unhedged MDis Units, Class A SGD Hedged Acc Units, Class A SGD Hedged MDis Units, Class A USD Unhedged Acc Units and Class A USD Unhedged MDis Units are collectively referred to as "**Class A Units**".

Class X USD Unhedged Acc Units are referred to as "**Class X Units**".

Class Z AUD Hedged Acc Units, Class Z AUD Hedged MDis Units, Class Z CAD Hedged Acc Units, Class Z CAD Hedged MDis Units, Class Z CHF Hedged Acc Units, Class Z CHF Hedged MDis Units, Class Z EUR Hedged Acc Units, Class Z EUR Hedged MDis Units, Class Z GBP Hedged Acc Units, Class Z GBP Hedged MDis Units, Class Z HKD Unhedged Acc Units, Class Z HKD Unhedged MDis Units, Class Z NZD Hedged Acc Units, Class Z NZD Hedged MDis Units, Class Z RMB Hedged Acc Units, Class Z RMB Hedged MDis Units, Class Z SGD Hedged Acc Units, Class Z SGD Hedged MDis Units, Class Z USD Unhedged Acc Units and Class Z USD Unhedged MDis Units are collectively referred to as "**Class Z Units**".

Class A Units are available for subscription by investors who make an investment of not less than the minimum initial investment amount or the minimum subsequent investment amount for the respective Classes as set out under the section headed "Investment Minima" below.

Class X Units are only available for subscription by funds and managed accounts managed by the Manager or Connected Persons of the Manager who are "professional investors" as defined in the SFO or offered on a private placement basis.

Class Z Units are only available for subscription by institutional investors and/or professional investors who make an investment of not less than the minimum initial investment amount or the minimum subsequent investment amount for the respective Classes as set out under the section headed "Investment Minima" below.

Base Currency

The Base Currency of the Sub-Fund is US dollars.

Initial Offer Period and initial Subscription Price

The Initial Offer Period of the Sub-Fund will be such dates or times as the Manager may determine.

The initial Subscription Price in respect of each class of Units is as follows:

Class	**Initial Subscription Price**
Class A AUD Hedged Acc Units	AUD10
Class A AUD Hedged MDis Units	AUD10
Class A CAD Hedged Acc Units	CAD10
Class A CAD Hedged MDis Units	CAD10
Class A CHF Hedged Acc Units	CHF10
Class A CHF Hedged MDis Units	CHF10
Class A EUR Hedged Acc Units	EUR10
Class A EUR Hedged MDis Units	EUR10
Class A GBP Hedged Acc Units	GBP10
Class A GBP Hedged MDis Units	GBP10
Class A HKD Unhedged Acc Units	HKD10
Class A HKD Unhedged MDis Units	HKD10
Class A NZD Hedged Acc Units	NZD10
Class A NZD Hedged MDis Units	NZD10
Class A RMB Hedged Acc Units	RMB10
Class A RMB Hedged MDis Units	RMB10
Class A RMB Unhedged Acc Units	RMB10
Class A RMB Unhedged MDis Units	RMB10

Class A SGD Hedged Acc Units	SGD10
Class A SGD Hedged MDis Units	SGD10
Class A USD Unhedged Acc Units	USD10
Class A USD Unhedged MDis Units	USD10
Class X USD Unhedged Acc Units	USD10
Class Z AUD Hedged Acc Units	AUD10
Class Z AUD Hedged MDis Units	AUD10
Class Z CAD Hedged Acc Units	CAD10
Class Z CAD Hedged MDis Units	CAD10
Class Z CHF Hedged Acc Units	CHF10
Class Z CHF Hedged MDis Units	CHF10
Class Z EUR Hedged Acc Units	EUR10
Class Z EUR Hedged MDis Units	EUR10
Class Z GBP Hedged Acc Units	GBP10
Class Z GBP Hedged MDis Units	GBP10
Class Z HKD Unhedged Acc Units	HKD10
Class Z HKD Unhedged MDis Units	HKD10
Class Z NZD Hedged Acc Units	NZD10
Class Z NZD Hedged MDis Units	NZD10
Class Z RMB Hedged Acc Units	RMB10
Class Z RMB Hedged MDis Units	RMB10
Class Z SGD Hedged Acc Units	SGD10
Class Z SGD Hedged MDis Units	SGD10

Class Z USD Unhedged Acc Units	USD10
Class Z USD Unhedged MDis Units	USD10

Dealing Procedures

For details of dealing procedures, please refer to the sections headed "Subscription of Units", "Redemption of Units" and "Switching" in the main body of this Explanatory Memorandum.

The following apply to the Sub-Fund:

Dealing Day	each Business Day.
Dealing Deadline	5:00 pm (Hong Kong time) on the relevant Dealing Day

Payment of Redemption Proceeds

Save as otherwise agreed by the Manager, and so long as relevant account details have been provided, redemption proceeds will normally be paid 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 redemption request, unless legal or regulatory requirements (such as foreign currency controls) to which the Sub-Fund is subject render the payment of the redemption proceeds within the aforesaid time period not practicable, and such extended time frame should reflect the additional time needed in light of the specific circumstances in the relevant market.

Investment Minima

The following investment minima apply to the Sub-Fund:

	Class A Units	**Class X Units**	**Class Z Units**
Minimum initial investment	USD10,000 or equivalent	Nil	USD10,000,000 or equivalent
Minimum subsequent investment	USD5,000 or equivalent	Nil	USD100,000 or equivalent
Minimum holding	USD10,000 or equivalent	Nil	USD5,000,000 or equivalent
Minimum redemption amount	Nil	Nil	Nil

The Manager may, in its absolute discretion, waive or agree to a lower amount of any of the above investment minima (either generally or in any particular case).

Subscription of Units

The procedure for the subsequent issue of Units in the main body of this Explanatory Memorandum shall apply to the Sub-Fund.

Redemption of Units

The procedure for the payment for redemption proceeds in the main body of this Explanatory Memorandum shall apply to the Sub-Fund.

Publication of Net Asset Value

The latest Subscription Price and Redemption Price in respect of Units or the Net Asset Value per Unit of the Sub-Fund are available on each Dealing Day on the Manager's website www.valuepartners-group.com*.

Expenses and Charges

The following are the actual fees and charges payable in respect of each class of the Sub-Fund. Maximum fees permitted to be charged on one month's notice to Unitholders are set out under the section entitled "Expenses and Charges" in the main body of this Explanatory Memorandum.

* This website has not been reviewed or authorised by the SFC.

Fees payable by Unitholders

	Class A Units	Class X Units	Class Z Units
Subscription fee	Up to 5% of the subscription monies	Nil	Up to 5% of the subscription monies
Redemption fee	Nil	Nil	Nil
Switching fee^	Up to 1% of the subscription monies	Nil	Up to 1% of the subscription monies

^ *Certain distributors may impose a charge for each switching of Units in a class of the Sub-Fund acquired through them for Units in another class of the Sub-Fund, which will be deducted at the time of the switching and paid to the relevant distributors. Unitholders who intend to switch their Units in one class to Units in another class should check with their respective distributors for the charge on switching.*

Fees payable by the Sub-Fund

	Class A Units	Class X Units	Class Z Units
Management fee	1.25% per annum of the Net Asset Value of each class of Units	Nil	0.75% per annum of the Net Asset Value of each class of Units
Performance fee	N/A	N/A	N/A
Trustee fee	0.135% per annum for the first USD150 million; 0.13% per annum for the portion above USD150 million to USD800 million; and 0.125% per annum for the portion over and above USD800 million in the Net Asset Value of the Sub-Fund. The Trustee fees are subject to a monthly minimum of USD4,500.		

Performance Fee

No performance fee will be charged for the Sub-Fund.

Establishment costs

The costs of establishing the Sub-Fund are estimated to be approximately USD90,000. These costs will be charged to the Sub-Fund and will be amortised over a period of 5 years from the inception of the Sub-Fund (or such other period as determined by the Manager after consultation with the auditors).

Additional Risk Factors

Investors should note the following risk factors set out in the section entitled "Risk Factors" in the main body of this Explanatory Memorandum, which are applicable to the Sub-Fund: "Investment risk", "Market risk", "Concentration risk", "Emerging market risk", "Counterparty risk", "Liquidity risk", "Exchange rate risk", "Restricted markets risk", "Legal and compliance risk", "Suspension risk", "Early termination risk", "Cross class liability risk", "Cross Sub-Fund liability risk", "Valuation and accounting risk", "Dividends and distributions", "Distributions payable out of capital or effectively out of capital risk", "Foreign Account Tax Compliance Act risk", "RMB currency risk", "Risks associated with the Mainland China", "Risks associated with Mainland China taxation", "Risk of investing in equity securities", "Risk of investing in fixed income instruments", "Risk of investing in financial derivative instruments", "Securities financing transactions or other similar over-the-counter transactions risk" and "Hedging risk".

The following risk factors are specific to the Sub-Fund:

Investment risk

Investors should be aware that investment in the Sub-Fund is subject to normal market fluctuations and other risks inherent in the Sub-Fund's assets. There is no guarantee of repayment of principal. Accordingly, there is a risk that an investor may not recoup the original amount he invested in the Sub-Fund or may lose a substantial part or all of his investment.

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 exposure to a single market (i.e. the Mainland China) subjects it to greater concentration risk. The Sub-Fund may be more volatile than a broadly-based fund such as a global or regional investment fund as it is more susceptible to fluctuation in value resulting from adverse economic or political conditions in a single market.

Risks associated with CIBM via Foreign Access Regime and/or Bond Connect

Volatility and liquidity risk: Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the CIBM may result in prices of certain debt securities traded on such market fluctuating significantly. The bid and offer spreads of the prices of such securities may be large, and the Sub-Fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

Risks associated with settlement procedures and default of counterparties: The counterparty which has entered into a transaction with the Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

Risks of default or errors on the part of third parties: For investments via Foreign Access Regime and/or Bond Connect, the relevant filings, registration with the PBOC and account opening have to be carried out via an onshore settlement agent, offshore custody agent, registration agent or other third parties (as the case may be). As such, the Sub-Fund is subject to the risks of default or errors on the part of such third parties.

Regulatory risks: Investing in the CIBM via Foreign Access Regime and/or Bond Connect is also subject to regulatory risks. The relevant rules and regulations on these regimes are subject to change which may have potential retrospective effect. In the event that the relevant mainland Chinese authorities suspend account opening or trading on the CIBM, the Sub-Fund's ability to invest in the CIBM will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective will be negatively affected.

Bond Connect risks: The relevant rules and regulations on Bond Connect are subject to change which may have potential retrospective effect. Where a suspension in the trading through Bond Connect is effected, the Sub-Fund's ability to invest in Treasury Bonds or access the Mainland China market through the programme will be adversely affected. In such event, the Sub-Fund will have to increase its reliance on the Foreign Access Regime, and its ability to achieve its investment objective could be negatively affected.

Risks associated with Mainland China exchange bond market

In addition to default risk, regulatory risk and credit risk, investments in the Mainland China exchange bond market may also have liquidity risk. The investments in the Mainland China exchange bond market by the Sub-Fund may not be actively traded and consequently liquidity may be low. Moreover, the accumulation and disposal of holdings in some investments may be time consuming and may need to be conducted at unfavourable prices. The Sub-Fund may also encounter difficulties in disposing of assets at their fair price due to adverse market conditions leading to limited liquidity. There is also no guarantee that market making arrangements will be in place to make a market and quote a price for all investments of the Sub-Fund.

In the absence of an active secondary market, the Sub-Fund may need to hold investments until their maturity date. If sizeable redemption requests are received, the Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the Sub-Fund may suffer losses in trading such investments. Even if a secondary market is developed, the prices at which the Sub-Fund's investments are traded may be higher or lower than the initial subscription prices due to many factors including the prevailing interest rates. Further, the bid and offer spreads of the price of bonds in which the Sub-Fund invests may be high, and the Sub-Fund may therefore incur significant trading costs and may even suffer losses when selling such investments.

Risks associated with the QFI regime

The Sub-Fund may invest directly in the Mainland China's domestic markets through the Manager's status as a QFI pursuant to the QFI Regulations. There are specific risks associated with the QFI regime.

QFI systems risk: The current QFI Regulations include rules on investment restrictions applicable to the Sub-Fund. Transaction sizes for QFIs are relatively large (with the corresponding heightened risk of exposure to decreased market liquidity and significant price volatility leading to possible adverse effects on the timing and pricing of acquisition or disposal of securities).

Onshore Mainland China securities acquired by a QFI for the account of the Sub-Fund are registered in the name of "Value Partners Hong Kong Limited – Value Partners All China Bond Fund" in accordance with the relevant rules and regulations, and maintained in electronic form via securities account(s) with CSDCC, CCDCC, Shanghai Clearing House and/or such other relevant depositories. Each account is required to bear the name of "Value Partners Hong Kong Limited" as this is the name under which the QFI is approved by the relevant regulator. The QFI selects PRC brokers (each a "PRC Broker") to act on its behalf in the onshore Mainland China securities markets as well as the PRC Custodian to maintain its assets in custody in accordance with the terms of the PRC Custodian Agreement.

In the event of any default of either a PRC Broker or the PRC Custodian in the execution or settlement of any transaction or in the transfer of any funds or securities in the Mainland China, the Sub-Fund may encounter delays in recovering its assets which may in turn impact the net asset value of the Sub-Fund.

The regulations which regulate investments by QFIs in the Mainland China and the repatriation of capital from QFI 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 Mainland China 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.

PRC Custodian and PRC Brokers risk: Onshore Mainland China assets acquired by the Sub-Fund through the Manager's QFI status will be maintained by the PRC Custodian in electronic form via securities account(s) with CSDCC, CCDCC, Shanghai Clearing House and/or such other relevant depositories and cash account(s) with the PRC Custodian.

The QFI also selects one or more PRC Brokers to execute transactions for the Sub-Fund in the Mainland China markets. The Sub-Fund may incur losses due to the acts or omissions or insolvency of the PRC Brokers, the PRC Custodian or the relevant depository in the execution or settlement of any transaction or in the transfer of any funds or securities. Subject to the applicable laws and regulations in the Mainland China, the Manager will make arrangements to ensure that the PRC Brokers and PRC Custodian have appropriate procedures to properly safe-keep the Sub-Fund's assets.

According to the QFI Regulations and market practice, the securities and cash accounts for the Sub-Fund in the Mainland China are to be maintained in the joint names of the Manager as the QFI and the Sub-Fund.

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

Repatriation risk: Repatriations by QFIs conducted in RMB for the Sub-Fund are not subject to any restrictions, lock-up periods or prior approval. There is no assurance, however, that Mainland China rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Any restrictions on repatriation of the invested capital and net profits may impact on the Sub-Fund's ability to meet redemption requests from Unitholders.

QFI status risk: There can be no assurance that the QFI status of the Manager will not be suspended or revoked. Such event may adversely affect the Sub-Fund's performance as it may not be possible to implement the investment strategy of the Sub-Fund at all, which in the worst case scenario may lead to termination of the Sub-Fund.

Risks of investing in fixed income instruments

Please refer to "Risk of investing in fixed income instruments" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum. Below are further specific risks that investors should be aware of.

Interest rate risk: The Sub-Fund's investments in fixed income instruments are subject to interest rate risk. Generally, the value of fixed income instruments is expected to be inversely correlated with changes in interest rates. As interest rates rise, the market value of fixed income instruments tends to decrease. Long-term fixed income instruments in general are subject to higher sensitivity to interest rate changes than short-term fixed income instruments. Any increase in interest rates may adversely impact the value of the Sub-Fund's fixed income portfolio.

As the Sub-Fund may invest in fixed income instruments issued in the Mainland China, the Sub-Fund is additionally subject to policy risk as changes in macro-economic policies in the Mainland China (including monetary policy and fiscal policy) may have an influence over the Mainland China capital markets and affect the pricing of the fixed income instruments in the Sub-Fund's portfolio, which may in turn adversely affect the return of the Sub-Fund.

Volatility and liquidity risk: The fixed income securities in the Mainland China may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may incur significant trading costs.

Credit risk: The value of the Sub-Fund is affected by the creditworthiness of its underlying investments. A deterioration of credit quality (e.g. an issuer credit downgrade or credit event leading to widening of credit spread) of an underlying investment will adversely impact the value of such investment. There is no assurance that the fixed income instruments invested in by the Sub-Fund will maintain their credit ratings in the future.

Investment in fixed income instruments is subject to the credit risk of the issuers which may be unable or unwilling to make timely payments of principal and/or interest. In the event of a default or credit rating downgrading of the issuers of the fixed income instruments held by the Sub-Fund, valuation of the Sub-Fund's portfolio may become more difficult as the value of fixed income instruments may decline rapidly, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against the issuers who are incorporated outside of Hong Kong and therefore not subject to the laws of Hong Kong.

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

Credit ratings risk: Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.

Downgrade risk: Changing market conditions or other significant events, such as credit rating downgrades affecting issuers or major financial institutions, may also pose valuation risk to the Sub-Fund as the value of the Sub-Fund's portfolio of fixed income instruments, including corporate bonds and commercial papers, may become more difficult or impossible to ascertain. In such circumstances, valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations as there is a possibility that independent pricing information may at times be unavailable. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may need to be adjusted and may be adversely affected. Such events or credit rating downgrades may also subject the Sub-Fund to increased liquidity risk as it may become more difficult for the Sub-Fund to dispose of its holdings of bonds at a reasonable price or at all, which would have an adverse impact on the value and performance of the Sub-Fund.

Valuation risk: Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations. If such valuations are incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

Risks of investing in Below Investment Grade and unrated bonds: The Sub-Fund may invest in fixed income instruments which (or the issuers of which) are rated Below Investment Grade or which may not be rated by any rating agency of an international standard or any local Mainland China credit rating agency. Such instruments are generally subject to a higher degree of volatility and credit risk, a lower degree of liquidity and greater risk of loss of principal and interest than high-rated debt securities, which may result in greater fluctuations in value and, consequently, the Net Asset Value of the Sub-Fund. The value of these instruments may also be more difficult to ascertain. In constructing the Sub-Fund's portfolio, the Manager may refer to credit ratings for reference, but will primarily rely on its own analysis to evaluate each fixed income instrument independently. Nevertheless, as the Sub-Fund may invest in fixed income instruments which (or the issuers of which) are unrated or Below Investment Grade, the Net Asset Value of the Sub-Fund may be more volatile.

Investing in convertible bonds risks: The Sub-Fund may invest in convertible bonds, which are a hybrid between debt and equity securities. Convertible bonds allow holders to convert into shares in the company issuing the bond at a specified future date, and are subject to risks of both fixed income instruments and equities. Convertible bonds can fluctuate in value with the price changes of the issuers' underlying stocks. If interest rates rise, the value of the corresponding convertible bond will fall. The valuation of convertible bonds may be more difficult due to the greater price fluctuations. Investments in convertible bonds are subject to the same interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable straight bond investments.

Mainland China credit ratings risks: Some Mainland China fixed income instruments (or their issuers) may have been assigned a credit rating by a local credit rating agency in the Mainland China. However, at present, the Mainland China's domestic credit rating industry is still evolving in comparison to its counterparts in more developed markets. This is in part due to the regulated nature of the Mainland China bond markets. In addition, the rating standards may be significantly different from that adopted by internationally recognised credit rating agencies. Consequently, there is little assurance that credit ratings are independent, objective and of adequate quality. In some cases, local credit agencies have been suspected of engaging in "ratings inflation" in order to generate more income from the ratings business. As a result, credit ratings given by local credit rating agencies are often disregarded by market participants when making investment and financing decisions. It will also increase valuation risk as a result of the lack of transparency and independence credit ratings. In selecting fixed income instruments for inclusion in the Sub-Fund's portfolio, the Manager will, in addition to referring to local credit ratings, conduct its own fundamental research and analysis on credit quality. Investors should also exercise caution before relying on any local credit ratings.

Sovereign/government debt risk: The Sub-Fund may invest in sovereign/government debt securities and such investments involve special risks. The repayment of debts by a government is subject to various factors including economic and political factors. The governmental entity that controls the repayment of sovereign/government debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. Since the Sub-Fund's recourse against a defaulting sovereign/government is limited, the Sub-Fund may incur substantial loss if the sovereign/government defaults.

Risks of investing in urban investment bonds: The Sub-Fund may invest up to 100% of its Net Asset Value in urban investment bonds. Although urban investment bonds, which are issued by LGFVs, may appear to be connected with local government bodies, they are typically not guaranteed by such local government bodies or the central government of the PRC. As such, local government bodies or the central government of the PRC are not obligated to support any LGFVs in default. In the event that the LGFVs default on payment of principal or interest on any urban investment bonds within the Sub-Fund's portfolio, the Sub-Fund may suffer loss and the Net Asset Value of the Sub-Fund may be adversely affected.

Risks associated with investments in LAPs

Debt instruments with loss-absorption features are subject to greater risks when compared to traditional debt instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of certain pre-defined trigger events (e.g. when the issuer is near or at the point of non-viability or when the issuer's capital ratio falls to a specified level), which are likely to be outside of the issuer's control. Such trigger events are complex and difficult to predict and may result in a significant or total reduction in the value of such instruments.

In the event of the activation of a trigger, there may be potential price contagion and volatility to the entire asset class. Debt instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.

The Sub-Fund may invest in contingent convertible bonds issued by financial institutions, which are highly complex and are of high risk. Please refer to "Risk associated with investments in contingent convertible bonds" below for more information.

The Sub-Fund may invest in senior non-preferred debts. While these instruments are generally senior to subordinated debts, they may be subject to write-down upon the occurrence of a trigger event and will no longer fall under the creditor ranking hierarchy of the issuer. This may result in total loss of principal invested.

Risk associated with investments in contingent convertible bonds

Contingent convertible bonds are hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level. Upon the occurrence of a predetermined event (known as a trigger event), contingent convertible bonds will be converted into shares of the issuing company (potentially at a discounted price as a result of the deterioration in the financial condition of the issuing company), or cause the permanent write-down to zero of the principal investment and/or accrued interest such that the principal amount invested may be lost on a permanent or temporary basis. Contingent convertible bonds are risky and highly complex instruments. Coupon payments on contingent convertible bonds are discretionary and may at times also be ceased or deferred by the issuer. Trigger events can vary but these could include the capital ratio of the issuing company falling below a certain level, or the share price of the issuer falling to a particular level for a certain period of time.

Contingent convertible bonds are also subject to additional risks specific to their structure including:

Trigger level risk: Trigger levels differ and determine exposure to conversion risk and hence it is subject to the risk of complete write-off. It might be difficult for the Manager to anticipate the trigger events that would require the debt to convert into equity or the write down to zero of principal investment and/or accrued interest. Trigger events may include: (i) a reduction in the issuing bank's Core Tier 1/Common Equity Tier 1 (CT1/CET1) ratio or other ratios, (ii) a regulatory authority, at any time, making a subjective determination that an institution is "non-viable", i.e. a determination that the issuing bank requires public sector support in order to prevent the issuer from becoming insolvent, bankrupt or otherwise carry on its business and requiring or causing the conversion of the contingent convertible bonds into equity or write down, in circumstances that are beyond the control of the issuer or (iii) a national authority deciding to inject capital.

Coupon cancellation risk: Coupon payments on some contingent convertible bonds are entirely discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time. The discretionary cancellation of payments is not an event of default and there are no possibilities to require re-instatement of coupon payments or payment of any passed missed payments. Coupon payments may also be subject to approval by the issuer's regulator and may be suspended in the event there are insufficient distributable reserves. As a result of uncertainty surrounding coupon payments, contingent convertible bonds may be volatile and their price may decline rapidly in the event that coupon payments are suspended.

Capital structure inversion risk: Contrary to the classic capital hierarchy, investors in contingent convertible bonds may suffer a loss of capital when equity holders will not, for example when the loss absorption mechanism of a high trigger/write down of a contingent convertible bond is activated. This is contrary to the normal order of the capital structure where equity holders are expected to suffer the first loss.

Call extension risk: Some contingent convertible bonds are issued as perpetual instruments and only callable at predetermined levels upon approval of the competent regulatory authority. It cannot be assumed that these perpetual contingent convertible bonds will be called on a call date. Contingent convertible bonds are a form of permanent capital. The investor may not receive return of principal as expected on call date or indeed at any date.

Conversion risk: Trigger levels differ between specific contingent convertible bonds and determine exposure to conversion risk. It might be difficult at times for the Manager to assess how the contingent convertible bonds will behave upon conversion. In case of conversion into equity, the Manager might be forced to sell these new equity shares subject to the investment policy of the Sub-Fund. As a trigger event is likely to be an event which decreases the value of the issuer's common equity, a forced sale may result in the Sub-Fund experiencing loss.

Valuation and write-down risk: Contingent convertible bonds often offer attractive yield which may be viewed as a complexity premium. The value of contingent convertible bonds may need to be reduced due to a higher risk of overvaluation of such asset class on the relevant eligible markets. Therefore, the Sub-Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment.

Market value fluctuations due to unpredictable factors: The value of contingent convertible bonds is unpredictable and will be influenced by many factors including, without limitation (i) creditworthiness of the issuer and/or fluctuations in such issuer's applicable capital ratios; (ii) supply and demand for the contingent convertible bonds; (iii) general market conditions and available liquidity and (iv) economic, financial and political events that affect the issuer, its particular market or the financial markets in general.

Liquidity risk: In certain circumstances finding a buyer ready to invest in contingent convertible bonds may be difficult and the Sub-Fund may have to accept a significant discount to the expected value of the bond in order to sell it.

Sector concentration risk: Contingent convertible bonds are issued by banking and insurance institutions. Investment in contingent convertible bonds may lead to an increased sector concentration risk. The performance of the Sub-Fund which invests in contingent convertible bonds will depend to a greater extent on the overall condition of the financial services industry than for the Sub-Fund following a more diversified strategy.

Subordinated instruments: Contingent convertible bonds will, in the majority of circumstances, be issued in the form of subordinated debt instruments in order to provide the appropriate regulatory capital treatment prior to a conversion. Accordingly, in the event of liquidation, dissolution or winding-up of an issuer prior to a conversion having occurred, the rights and claims of the holders of the contingent convertible bonds, such as the Sub-Fund, against the issuer in respect of or arising under the terms of the contingent convertible bonds shall generally rank junior to the claims of all holders of unsubordinated obligations of the issuer.

Novelty and untested nature: The structure of contingent convertible bonds is innovative yet untested. In a stressed environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform.

"Dim Sum" bond market risks

"Dim Sum" bonds are bonds which are issued outside of Mainland China but denominated in RMB. The "Dim Sum" bond market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the "Dim Sum" bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalisation of the offshore RMB (CNH) market by the relevant regulator(s).

Risks associated with the Mainland China

There are risks involved in the Sub-Fund's investments in the Mainland China. Please refer to "General risks – Emerging market risk" and "Risks associated with the Mainland China" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

RMB currency risk

The Sub-Fund may have exposure to investments which are denominated in RMB. The RMB is not freely convertible and subject to exchange controls and restrictions. Investors whose assets and liabilities are predominantly in currencies other than RMB are exposed to foreign exchange risk and should take into account the potential risk of loss arising from fluctuations in value between such currencies and the RMB as well as associated fees and charges. There is no guarantee that RMB will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Sub-Fund.

In calculating the Net Asset Value per Unit of a Class denominated in RMB and in effecting any currency conversions involving RMB, the Manager may apply the CNH rate (i.e. the exchange rate for the offshore RMB market in Hong Kong). Whilst the RMB (CNH) and RMB (CNY) represent the same currency, they are traded in different rates and separate markets which operate independently. As such, RMB (CNH) may trade at a premium or discount to RMB (CNY) and they may even move in different directions. Any divergence between CNH and CNY may adversely impact investors.

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

Please also refer to "RMB currency risk" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

Dividends risk / Distributions payable out of capital or effectively out of capital risk

There is no guarantee that any dividends will be distributed and thus investors may not receive any distributions. Where there is a distribution, there will not be a target level of dividend payout.

In circumstances where the net distributable income of a class is insufficient to pay for any dividend which may be declared, the Manager may, at its discretion, (i) pay dividend out of capital of the Sub-Fund; or (ii) pay dividend out of gross income of the Sub-Fund (that is, income before taking into account any fees or expenses) while charging all or part of the Sub-Fund's fees and expenses to the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of capital or effectively out of capital of the Sub-Fund (as the case may be) may result in an immediate reduction of the Net Asset Value per Unit of the relevant class. The Manager may amend the policy regarding paying dividends out of capital and/or effectively out of capital subject to the SFC's prior approval and by giving not less than one month's advance notice to Unitholders.

Where any distribution involves payment of dividends out of capital and/or effectively out of capital of the Sub-Fund, investors should note that a high distribution yield does not imply a positive or high return on the total investment.

Risk of investing in financial derivative instruments

The Manager may, for both hedging and investment purposes, invest in options, warrants, index swaps, currency and interest rate swaps, total return swaps, credit default swaps, futures contracts, currency forwards and structured products subject to the investment restrictions applicable to the Sub-Fund including Chapter 7 of the Code. These instruments can be highly volatile and expose investors to increased risk of loss. Please also refer to "Investment risks – Risk of investing in financial derivative instruments" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

Hedging risk

The Manager may from time to time use hedging techniques, including investments in options, warrants, index swaps, currency and interest rate swaps, total return swaps, credit default swaps, futures contracts, currency forwards and structured products, to offset market and currency risks. There is no guarantee that such techniques will be effective. Please refer to "Investment risks – Hedging risk" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

Financial reports

The first financial report for the Sub-Fund will cover the period to 31 December 2021.

Distribution policy

The Manager currently intends to make monthly dividend distributions for the following Classes of Units at its discretion:

- Class A Units: AUD Hedged MDis, CAD Hedged Mdis, CHF Hedged Mdis, EUR Hedged Mdis, GBP Hedged Mdis, HKD Unhedged Mdis, NZD Hedged Mdis, RMB Hedged Mdis, RMB Unhedged Mdis, SGD Hedged Mdis and USD Unhedged Mdis
- Class Z Units: AUD Hedged Mdis, CAD Hedged Mdis, CHF Hedged Mdis, EUR Hedged Mdis, GBP Hedged Mdis, HKD Unhedged Mdis, NZD Hedged Mdis, RMB Hedged Mdis, SGD Hedged Mdis and USD Unhedged Mdis

Dividends may be paid out of capital or effectively out of capital of the relevant Class, and may result in an immediate reduction of the Net Asset Value per Unit of the Sub-Fund. There is no guarantee of any distribution nor, where distribution is made, the amount being distributed.

APPENDIX 6: VALUE PARTNERS USD MONEY MARKET FUND

This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the Value Partners USD Money Market Fund (the "Sub-Fund"), a sub-fund of the Trust. All references in this Appendix to the Sub-Fund are to Value Partners USD Money Market Fund. Unless otherwise defined in this Appendix, terms defined in the main body of this Explanatory Memorandum have the same meaning when used in this Appendix. For Singapore offering purposes, the Sub-Fund is a Restricted Sub-Fund (see Explanatory Memorandum – IMPORTANT INFORMATION FOR INVESTORS).

Investment Objective

The investment objective of the Sub-Fund is to invest in short-term deposits and high quality money market instruments. The Sub-Fund seeks to achieve a return in USD in line with prevailing money market rates. There can be no assurance that the Sub-Fund will achieve its investment objective.

Investment Strategy

The Sub-Fund seeks to achieve its investment objective by investing primarily (i.e. not less than 70% of its Net Asset Value) in USD-denominated and settled short-term deposits and high quality money market instruments issued by governments, quasi-governments, international organisations, corporates and financial institutions. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the instrument must be taken into account. High quality money market instruments include high quality debt securities, commercial papers, certificates of deposits and commercial bills. Debt securities invested by the Sub-Fund include but are not limited to government bonds, fixed and floating rate bonds. The Sub-Fund may invest up to 30% of its Net Asset Value in non USD-denominated short-term deposits and high quality money market instruments. The Manager will hedge any non USD-denominated investments into USD in order to manage any material currency risk.

Regarding money market instruments, the Sub-Fund will only invest in money market instruments (i) rated investment grade or above; or (ii) (where the money market instruments have no credit rating) issued by issuers which are rated investment grade or above. For the purposes of the Sub-Fund, "investment grade" means (i) a short-term credit rating of A-3 or higher by Standard & Poor's or F3 or higher by Fitch Ratings or P-3 or higher by Moody's or equivalent rating as rated by one of the international credit rating agencies; or (ii) (in the absence of a short-term credit rating only) a long-term credit rating of BBB- or above by Fitch Ratings or Standard & Poor's or Baa3 or above by Moody's or equivalent rating as rated by one of the international credit rating agencies; or (iii) (in the absence of an international credit rating only) a minimum credit rating of AAA as rated by one of the credit rating agencies in the Mainland China. In the case of split credit ratings between different credit rating agencies, the highest rating shall apply.

For the avoidance of doubt, the Sub-Fund does not intend to invest in money market instruments with a long term to maturity remaining at the time of investment. The long-term credit ratings will be considered where the Sub-Fund invests in money market instruments which have long-term credit ratings, but have a shorter term to maturity remaining (subject to the restrictions on remaining maturity, weighted average maturity and weighted average life of the portfolio of the Sub-Fund as set out below) at the time of purchase by the Sub-Fund.

There is no specific geographical allocation of the country/region of issue of the Sub-Fund's investments in the high quality money market instruments or short-term deposits. Countries or regions in which the Sub-Fund may invest in include but are not limited to Hong Kong, the Mainland China, Singapore, developed markets within the European Union and the United States. The Sub-Fund will not invest more than 40% of its Net Asset Value in emerging markets including the Mainland China.

The Sub-Fund may invest under 30% of its Net Asset Value in short-term deposits and high quality money market instruments denominated in RMB. The Sub-Fund may invest up to 15% of its Net Asset Value in short-term and high quality debt securities which are rated investment grade or above and comply with Chapter 8.2(a) of the Code such as government bonds, policy bank bonds and negotiable certificates of deposit denominated in RMB and issued in the Mainland China ("**Onshore Debt Securities**") via the mutual bond market access between Hong Kong and Mainland China ("**Bond Connect**") and/or other means as may be permitted by the relevant regulations from time to time. The Sub-Fund may invest up to 10% of its Net Asset Value in debt securities denominated in RMB and issued outside of Mainland China ("**Dim Sum" bonds**).

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

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

The Sub-Fund may borrow up to 10% of its Net Asset Value but only on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses.

The Sub-Fund may invest up to 15% of its Net Asset Value in asset backed securities (including asset backed commercial papers).

Other investments

The Sub-Fund's portfolio may also temporarily include cash and cash equivalents, up to 100% of the Sub-Fund's Net Asset Value, under exceptional circumstances (such as in the event of market crashes, major crisis or to mitigate the risk of potential sharp reversals and falls in the equity or bond markets) for cash flow management or for reducing market exposure.

The Sub-Fund may invest up to 10% of its Net Asset Value in money market funds authorised in Hong Kong by the SFC under Chapter 8.2 of the Code or regulated in other jurisdictions in a manner generally comparable with the requirements of the SFC and acceptable to the SFC.

The Sub-Fund may use financial derivative instruments for hedging purposes only. Financial derivative instruments that may be used by the Sub-Fund includes, but not limited to, options, warrants, index swaps, currency and interest rate swaps, total return swaps, credit default swaps, futures contracts, currency forwards and structured products. The Sub-Fund's net derivative exposure may be up to 50% of its Net Asset Value.

The Sub-Fund will not invest in any convertible bonds, urban investment bonds or instruments with loss absorption features.

Securities financing transaction

The Manager may enter into repurchase and/or reverse-repurchase transactions which are over-the-counter based in respect of the Sub-Fund with the maximum level of up to 30% and the expected level of up to 15% of the Sub-Fund's assets, provided that (i) the amount of cash received by the Sub-Fund under sale and repurchase transactions may not in aggregate exceed 10% of its total Net Asset Value; and (ii) the aggregate amount of cash provided to the same counterparty in reverse repurchase agreements may not exceed 15% of the Net Asset Value of the Sub-Fund, in accordance with Chapters 7 and 8.2 of the Code and the policy set out under the sub-section "Securities financing transactions" in this Explanatory Memorandum. The Manager will not enter into securities lending transactions in respect of the Sub-Fund.

Investment Restrictions

No waivers from the investment restrictions set out in the main body of this Explanatory Memorandum have been sought or granted by the SFC.

In particular, the Sub-Fund is subject to the restrictions pursuant to Chapter 8.2 of the Code which are applicable to a money market fund.

Available Classes

The Sub-Fund currently has the following classes of Units which are available to investors:

Class	**Class Currency**
Class A HKD Unhedged Acc Units	HKD
Class A USD Unhedged Acc Units	USD
Class B HKD Unhedged Acc Units	HKD
Class B USD Unhedged Acc Units	USD
Class D HKD Unhedged Acc Units	HKD
Class D USD Unhedged Acc Units	USD
Class X USD Unhedged Acc Units	USD
Class Z HKD Unhedged Acc Units	HKD
Class Z USD Unhedged Acc Units	USD

Class A HKD Unhedged Acc Units and Class A USD Unhedged Acc Units are collectively referred to as "**Class A Units**".

Class B HKD Unhedged Acc Units and Class B USD Unhedged Acc Units are collectively referred to as "**Class B Units**".

Class D HKD Unhedged Acc Units and Class D USD Unhedged Acc Units are collectively referred to as "**Class D Units**".

Class X USD Unhedged Acc Units are referred to as "**Class X Units**".

Class Z HKD Unhedged Acc Units and Class Z USD Unhedged Acc Units are collectively referred to as "**Class Z Units**".

Class A Units are available for subscription by investors who make an investment of not less than the minimum initial investment amount or the minimum subsequent investment amount for the respective Classes as set out under the section headed "Investment Minima" below.

Class B Units and Class D Units are available for subscription by investors or intermediaries at the discretion of the Manager.

Class X Units are only available for subscription by funds and managed accounts managed by the Manager or Connected Persons of the Manager who are "professional investors" as defined in the SFO or offered on a private placement basis.

Class Z Units are only available for subscription by institutional investors and/or professional investors who make an investment of not less than the minimum initial investment amount or the minimum subsequent investment amount for the respective Classes as set out under the section headed "Investment Minima" below.

Base Currency

The Base Currency of the Sub-Fund is US dollars.

Initial Offer Period and initial Subscription Price

The Initial Offer Period of the Sub-Fund will be such dates or times as the Manager may determine.

The initial Subscription Price in respect of each class of Units is as follows:

Class	**Initial Subscription Price**
Class A HKD Unhedged Acc Units	HKD10
Class A USD Unhedged Acc Units	USD10
Class B HKD Unhedged Acc Units	HKD10
Class B USD Unhedged Acc Units	USD10
Class D HKD Unhedged Acc Units	HKD10
Class D USD Unhedged Acc Units	USD10
Class X USD Unhedged Acc Units	USD10
Class Z HKD Unhedged Acc Units	HKD10
Class Z USD Unhedged Acc Units	USD10

Dealing Procedures

For details of dealing procedures, please refer to the sections headed "Subscription of Units", "Redemption of Units" and "Switching" in the main body of this Explanatory Memorandum.

The following apply to the Sub-Fund:

Dealing Day	each Business Day.
Dealing Deadline	11:00 am (Hong Kong time) on the relevant Dealing Day

Payment of Redemption Proceeds

Save as otherwise agreed by the Manager, and so long as relevant account details have been provided, redemption proceeds will normally be paid by telegraphic transfer, within 3 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 redemption request, unless legal or regulatory requirements (such as foreign currency controls) to which the Sub-Fund is subject render the payment of the redemption proceeds within the aforesaid time period not practicable, and such extended time frame should reflect the additional time needed in light of the specific circumstances in the relevant market.

Investment Minima

The following investment minima apply to the Sub-Fund:

	Class A HKD Unhedged Acc Units	**Class A USD Unhedged Acc Units**	**Class B Units and Class X Units**	**Class D HKD Unhedged Acc Units**	**Class D USD Unhedged Acc Units**
Minimum initial investment	HKD1,000	USD100	Nil	HKD100,000	USD10,000
Minimum subsequent investment	HKD1,000	USD100	Nil	HKD100,000	USD10,000
Minimum holding	HKD1,000	USD100	Nil	HKD100,000	USD10,000
Minimum redemption amount	Nil	Nil	Nil	Nil	Nil

	Class Z HKD Unhedged Acc Units	**Class Z USD Unhedged Acc Units**
Minimum initial investment	HKD8,000,000	USD1,000,000
Minimum subsequent investment	HKD8,000,000	USD1,000,000
Minimum holding	HKD8,000,000	USD1,000,000
Minimum redemption amount	Nil	Nil

The Manager may, in its absolute discretion, waive or agree to a lower amount of any of the above investment minima (either generally or in any particular case).

Subscription of Units

Save for the procedure for payment of subscription monies as set out in the sub-section entitled "Payment procedure" under the section entitled "SUBSCRIPTION OF UNITS" in the main body of this Explanatory Memorandum, the procedure for the initial issue of Units and subsequent issue of Units in the main body of this Explanatory Memorandum shall apply to the Sub-Fund.

The following procedure shall apply for payment of subscription monies for the Sub-Fund:

Subscription monies should be paid in the Class Currency of the relevant class of Units. Subscription monies in cleared funds should be received by the Dealing Deadline on the relevant Dealing Day on which an application was received by the Dealing Deadline or, in the case of applications for Units during the Initial Offer Period, the last day of the relevant Initial Offer Period, or such other period as determined by the Manager. The subscription monies received after the Dealing Deadline will be deemed to have been received on the next Dealing Day.

Payment details are set out in the Subscription Form. Subscription monies paid by any person other than the applicant will not be accepted.

Redemption of Units

Save and except to the extent modified by the section headed "Payment of Redemption Proceeds" above, the procedure for the payment for redemption proceeds in the main body of this Explanatory Memorandum shall apply to the Sub-Fund.

Switching of Units

For switching of some or all of a Unitholder's Units of the Sub-Fund into a New Fund (as defined in the main body of this Explanatory Memorandum), the procedure set out in the section headed "Switching" in the main body of this Explanatory Memorandum shall apply to the Sub-Fund.

However, for switching of some or all Units of any Existing Class (as defined in the main body of this Explanatory Memorandum) into the Sub-Fund, the following procedure shall apply:

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

- where the Units of the Existing Class and the relevant class of Units of the Sub-Fund have different currencies of denomination, the redemption proceeds of Units of the Existing Class, after deduction of any switching fee, shall be converted into the currency of denomination of the relevant class of Units of the Sub-Fund; and

- the resulting amount will be used to subscribe for the relevant class of Units of the Sub-Fund at the relevant subscription price on the relevant dealing day in respect of the Sub-Fund (the "**Switching Subscription Day**"). The Switching Subscription Day shall be the day on which the Trustee receives cleared funds in the Class Currency of the relevant class of Units by the Dealing Deadline of the Sub-Fund.

Publication of Net Asset Value

The Subscription Price and Redemption Price in respect of the Sub-Fund on any Dealing Day will be rounded to 4 decimal places (0.00005 and above being rounded up; below 0.00005 being rounded down).

The latest Subscription Price and Redemption Price in respect of Units or the Net Asset Value per Unit of the Sub-Fund are available on each Dealing Day on the Manager's website www.valuepartners-group.com*.

Expenses and Charges

The following are the actual fees and charges payable in respect of each class of the Sub-Fund. Maximum fees permitted to be charged on one month's notice to Unitholders are set out under the section entitled "EXPENSES AND CHARGES" in the main body of this Explanatory Memorandum.

* This website has not been reviewed by the SFC

Fees payable by Unitholders

	Class A Units, Class B Units, Class D Units and Class Z Units	**Class X Units**
Subscription fee	Up to 3% of the subscription monies	Nil
Redemption fee	Nil	Nil
Switching fee^	Up to 1% of the subscription monies	Nil

^ *Certain distributors may impose a charge for each switching of Units in a class of the Sub-Fund acquired through them for Units in another class of the Sub-Fund or another sub-fund of the Trust, which will be deducted at the time of the switching and paid to the relevant distributors. Unitholders who intend to switch their Units in one class to Units in another class should check with their respective distributors for the charge on switching.*

Fees payable by the Sub-Fund

	Class A Units	**Class B Units**	**Class D Units**	**Class X Units**	**Class Z Units**
Management fee	0.25% per annum of the Net Asset Value of each class of Units	0.60% per annum of the Net Asset Value of each class of Units	0.25% per annum of the Net Asset Value of each class of Units	Nil	0.10% per annum of the Net Asset Value of each class of Units
Performance fee	N/A	N/A	N/A	N/A	N/A
Trustee fee	0.10% per annum for the first USD150 million; 0.08% per annum for the portion above USD150 million to USD500 million; 0.065% per annum for the portion above USD500 million to USD1 billion; and 0.05% per annum for the portion over and above USD1 billion in the Net Asset Value of the Sub-Fund. Starting from the fourth class of Units set up under the Sub-Fund, an additional fee of USD50 per class of Units per month shall be charged to the Sub-Fund. The Trustee fees are subject to a monthly minimum of USD4,500 . From the 4 classes of Units and onward, an extra of USD50 for each additional class per month under the Sub-Fund.				

Performance Fee

No performance fee will be charged for the Sub-Fund.

Establishment costs

The costs of establishing the Sub-Fund are estimated to be approximately USD104,000. These costs will be charged to the Sub-Fund and will be amortised over a period of 5 years from the inception of the Sub-Fund (or such other period as determined by the Manager after consultation with the auditors).

Swing pricing

The disclosure regarding swing pricing under the sub-section entitled "Liquidity Risk Management" under the section entitled "GENERAL" in the main body of this Explanatory Memorandum and the sections entitled "SUBSCRIPTION OF UNITS" and "REDEMPTION OF UNITS" in the main body of this Explanatory Memorandum shall not apply to the Sub-Fund.

Additional Risk Factors

Investors should note the following risk factors set out in the section entitled "RISK FACTORS" in the main body of this Explanatory Memorandum, which are applicable to the Sub-Fund: "Investment risk", "Market risk", "Concentration risk", "Emerging market risk", "Counterparty risk", "Liquidity risk", "Exchange rate risk", "Restricted markets risk", "Legal and compliance risk", "Suspension risk", "Early termination risk", "Cross class liability risk", "Cross Sub-Fund liability risk", "Valuation and accounting risk", "Foreign Account Tax Compliance Act risk", "RMB currency risk", "Risks associated with the Mainland China", "Risks associated with Mainland China taxation", "Risk of investing in fixed income instruments", "Risk of investing in financial derivative instruments", "Securities financing transactions or other similar over-the-counter transactions risk" and "Hedging risk".

The following risk factors are specific to the Sub-Fund:

Investment risk

Investors should be aware that investment in the Sub-Fund is subject to normal market fluctuations and other risks inherent in the Sub-Fund's assets. There is no guarantee of repayment of principal. Accordingly, there is a risk that an investor may not recoup the original amount he invested in the Sub-Fund or may lose a substantial part or all of his investment.

Investment in the Sub-Fund is not the same as placing funds on deposit with a bank or deposit-taking institution. The Manager has no obligation to redeem units at the offer value and the Sub-Fund is not subject to the supervision of the Hong Kong Monetary Authority. There is no guarantee of repayment of principal.

Concentration risk

The Sub-Fund will invest primarily in USD-denominated and settled short-term deposits and high quality money market instruments. The Sub-Fund is therefore likely to be more volatile than a broad-based fund that adopts a more diversified strategy.

Risk of investing in money market instruments

Short-term debt securities/ money market instruments risk

As the Sub-Fund invests significantly in short-term debt instruments and money market instruments with short maturities, the turnover rates of the Sub-Fund's investments may be relatively high and the transaction costs incurred as a result of the purchase or sale of such instruments may also increase which in turn may have a negative impact on the Net Asset Value of the Sub-Fund.

Interest rate risk

The Sub-Fund's investments in money market instruments are subject to interest rate risk. Generally, the value of money market instruments is expected to be inversely correlated with changes in interest rates. As interest rates rise, the market value of money market instruments tends to decrease. Long-term debt securities in general are subject to higher sensitivity to interest rate changes than short-term debt instruments. Any increase in interest rates may adversely impact the value of the Sub-Fund's portfolio.

Credit risk

Investment in debt securities subject to the credit risk of the issuers which may be unable or unwilling to make timely payments of principal and/or interest. In the event of a default or credit rating downgrading of the issuers of the debt securities held by the Sub-Fund, valuation of the Sub-Fund's portfolio may become more difficult, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result.

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

Changing market conditions or other significant events, such as credit rating downgrades affecting issuers or major financial institutions, may also pose valuation risk to the Sub-Fund as the value of the Sub-Fund's portfolio of money market instruments, including corporate bonds and commercial papers, may become more difficult or impossible to ascertain. In such circumstances, valuation of the Sub-Fund's investments may involve uncertainties and judgemental determinations as there is a possibility that independent pricing information may at times be unavailable. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may need to be adjusted and may be adversely affected. Such events or credit rating downgrades may also subject the Sub-Fund to increased liquidity risk as it may become more difficult for the Sub-Fund to dispose of its holdings of bonds at a reasonable price or at all.

Downgrading risk

Debt securities with a credit rating may be subject to the risk of being downgraded. In the event of downgrading in the credit rating of an instrument or that of its issuer, the Sub-Fund's investment value in such instrument may be adversely affected. If the Sub-Fund continues to hold such securities, it will be subject to additional risk of loss. The Manager may or may not be able to dispose of the instruments that are being downgraded at a reasonable price or at all.

Sovereign/government debt risk

The Sub-Fund's investment in securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign/government issuers may not be able or willing to repay the principal and/or interest when due or may request the Sub-Fund to participate in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign/government debt issuers.

Credit rating risk

Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.

Valuation risk

Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

Volatility and liquidity risk

The money market instruments in certain countries or regions may be subject to higher volatility and lower liquidity. The prices of securities traded in such markets may be subject to fluctuation. The bid and offer spreads of the price of such instruments may be large and the Sub-Fund may incur significant trading costs.

Mainland China credit rating agency risk

Some Mainland China fixed income instruments (or their issuers) may have been assigned a credit rating by a local credit rating agency in the Mainland China. However, at present, the Mainland China's domestic credit rating industry is still evolving in comparison to its counterparts in more developed markets. This is in part due to the regulated nature of the Mainland China bond markets. In addition, the rating standards may be significantly different from that adopted by internationally recognised credit rating agencies. Consequently, there is little assurance that credit ratings are independent, objective and of adequate quality. In some cases, local credit agencies have been suspected of engaging in "ratings inflation" in order to generate more income from the ratings business. As a result, credit ratings given by local credit rating agencies are often disregarded by market participants when making investment and financing decisions. It will also increase valuation risk as a result of the lack of transparency and independence credit ratings. In selecting fixed income instruments for inclusion in the Sub-Fund's portfolio, the Manager will, in addition to referring to local credit ratings, conduct its own fundamental research and analysis on credit quality. Investors should also exercise caution before relying on any local credit ratings.

Currency risk

Underlying investments of the Sub-Fund may be denominated in currencies other than its base currency. The Net Asset Value of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls. Please also refer to "exchange rate risk" under the section entitled "RISK FACTORS" in the main body of this Explanatory Memorandum.

Risks associated with bank deposits

Bank deposits are subject to the credit risks of the relevant financial institutions. The Sub-Fund's deposit may not be protected by any deposit protection schemes, or the value of the protection under the deposit protection schemes may not cover the full amount deposited by the Sub-Fund. Therefore, if the relevant financial institution defaults, the Sub-Fund may suffer losses as a result.

Risks associated with CIBM via Bond Connect

Volatility and liquidity risk: Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the CIBM may result in prices of certain debt securities traded on such market fluctuating significantly.

Risks associated with settlement procedures and default of counterparties: The counterparty which has entered into a transaction with the Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

Risks of default or errors on the part of third parties: For investments via Bond Connect, the relevant filings, registration with the PBOC and account opening have to be carried out via an onshore settlement agent, offshore custody agent, registration agent or other third parties (as the case may be). As such, the Sub-Fund is subject to the risks of default or errors on the part of such third parties.

Regulatory risks: Investing in the CIBM via Bond Connect is also subject to regulatory risks. The relevant rules and regulations on these regimes are subject to change which may have potential retrospective effect. In the event that the relevant mainland Chinese authorities suspend account opening or trading on the CIBM, the Sub-Fund's ability to invest in the CIBM will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective will be negatively affected.

Bond Connect risks: The relevant rules and regulations on Bond Connect are subject to change which may have potential retrospective effect. Where a suspension in the trading through Bond Connect is effected, the Sub-Fund's ability to invest in treasury bonds issued by the MOF or access the Mainland China market through the programme will be adversely affected.

Risks associated with Mainland China exchange bond market

In addition to default risk, regulatory risk and credit risk, investments in the Mainland China exchange bond market may also have liquidity risk. The investments in the Mainland China exchange bond market by the Sub-Fund may not be actively traded and consequently liquidity may be low. Moreover, the accumulation and disposal of holdings in some investments may be time consuming and may need to be conducted at unfavourable prices. The Sub-Fund may also encounter difficulties in disposing of assets at their fair price due to adverse market conditions leading to limited liquidity. There is also no guarantee that market making arrangements will be in place to make a market and quote a price for all investments of the Sub-Fund.

In the absence of an active secondary market, the Sub-Fund may need to hold investments until their maturity date. If sizeable redemption requests are received, the Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the Sub-Fund may suffer losses in trading such investments. Even if a secondary market is developed, the prices at which the Sub-Fund's investments are traded may be higher or lower than the initial subscription prices due to many factors including the prevailing interest rates. Further, the bid and offer spreads of the price of bonds in which the Sub-Fund invests may be high, and the Sub-Fund may therefore incur significant trading costs and may even suffer losses when selling such investments.

"Dim Sum" bond market risks

"Dim Sum" bonds are bonds which are issued outside of Mainland China but denominated in RMB. The "Dim Sum" bond market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the "Dim Sum" bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalisation of the offshore RMB (CNH) market by the relevant regulator(s).

Risks associated with the Mainland China

There are risks involved in the Sub-Fund's investments in the Mainland China. Please refer to "General risks – Emerging market risk" and "Risks associated with the Mainland China" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

RMB currency risk

The Sub-Fund may have exposure to investments which are denominated in RMB. The RMB is not freely convertible and subject to exchange controls and restrictions. Investors whose assets and liabilities are predominantly in currencies other than RMB are exposed to foreign exchange risk and should take into account the potential risk of loss arising from fluctuations in value between such currencies and the RMB as well as associated fees and charges. There is no guarantee that RMB will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Sub-Fund.

Please also refer to "RMB currency risk" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

Eurozone risk

In light of ongoing concerns on the sovereign/government debt risk of certain countries/regions within the Eurozone, the Sub-Fund's investments in the region may be subject to higher volatility, liquidity, currency and default risks. Any adverse events, such as credit downgrade of a sovereign/government or exit of members of the European Union from the Eurozone, may have a negative impact on the value of the Sub-Fund.

Risk of investing in financial derivative instruments

The Manager may, for hedging purpose only, invest in options, warrants, index swaps, currency and interest rate swaps, total return swaps, credit default swaps, futures contracts, currency forwards and structured products subject to the investment restrictions applicable to the Sub-Fund as set out in the section headed "Investment Restrictions". These instruments can be highly volatile and expose investors to increased risk of loss. Please also refer to "Investment risks – Risk of investing in financial derivative instruments" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

Risk of investing in collateralised and/or securitised products (such as asset backed securities or asset backed commercial papers)

The Sub-Fund may from time to time invest in collateralised and/or securitised products, such as asset backed securities or asset backed commercial papers (collectively, "**structured debt instruments**"). Such structured debt instruments provide exposure to underlying assets and the risk/return profile is determined by the cash flows derived from such assets. Some of such instruments involve multiple instruments and cash flow profiles such that it is not possible to predict with certainty the outcome from all market scenarios. Also, the price of such an investment could be contingent on, or highly sensitive to, changes in the underlying components of the structured debt instrument. Issuers of such securities may also have limited ability to enforce the security interest in the underlying assets in the event of default. The underlying assets can take many forms including, but not limited to, credit card receivables, corporate loans or any type of receivables from a company or structured vehicle that has regular cash flows from its customers. Some structured debt securities have embedded call options exercisable by the issuer which creates prepayment risk (the risk of unexpected early return of principal on the security), while other features may create extension risk (the risk that the security's tenure is unexpectedly extended due to lower repayment levels). Some structured debt instruments may employ leverage which can cause the price of the instruments to be more volatile than if they had not employed leverage. In addition, investments in structured debt instruments may be less liquid than other securities. The lack of liquidity may cause the current market price of assets to become disconnected from the underlying assets' value and consequently the Sub-Fund may be more susceptible to liquidity risk. The liquidity of a structured debt instrument can be less than a regular bond or debt instrument and this may adversely affect either the ability to sell the position or the price at which such a sale is transacted.

Risk relating to repurchase transactions

In the event of the failure of the counterparty with which collateral has been placed, the Sub-Fund may suffer loss as there may be delays in recovering collateral placed out or the cash originally received may be less than the collateral placed with the counterparty due to inaccurate pricing of the collateral, adverse market movements in the value of the collateral, intra-day increase in the value of the securities, a deterioration in the credit rating of the collateral issuer, or the illiquidity of the market in which the collateral is traded.

Risk relating to reverse repurchase transactions

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

Hedging risk

The Manager may from time to time use hedging techniques, including investments in options, warrants, index swaps, currency and interest rate swaps, total return swaps, credit default swaps, futures contracts, currency forwards and structured products, to offset market and currency risks. There is no guarantee that such techniques will be effective. Please refer to "Investment risks – Hedging risk" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

Borrowing risk

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

Risk associated with investing in other collective investment schemes/ funds

The underlying funds in which the Sub-Fund may invest may not be regulated by the SFC. There will be additional costs involved when investing into these underlying funds. There is also no guarantee that the underlying funds will always have sufficient liquidity to meet the Sub-Fund's redemption requests as and when made. There can also be no assurance that an underlying fund's investment strategy will be successful or that its investment objective will be achieved.

Conflicts of interests may arise in a situation where the Sub-Fund invests in other funds managed by the Manager or its Connected Persons (despite that all initial charges and, where the underlying fund is managed by the Manager, all management fees and performance fees on the underlying fund will be waived). The Manager will use its best endeavours to avoid and resolve such conflicts fairly.

Financial reports

The first audited annual financial report for the Sub-Fund will cover the period to 31 December 2024.

Distribution policy

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends. The Manager currently does not intend to make any distribution of dividends in respect of any classes of Units of the Sub-Fund.

Termination of the Sub-Fund

The minimum termination amount in respect of the Sub-Fund shall be USD10 million.

APPENDIX 7: VALUE PARTNERS JAPAN REIT FUND

*This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the Value Partners Japan REIT Fund (the "**Sub-Fund**"), a sub-fund of the Trust. All references in this Appendix to the Sub-Fund are to Value Partners Japan REIT Fund. Unless otherwise defined in this Appendix, terms defined in the main body of this Explanatory Memorandum have the same meaning when used in this Appendix. For Singapore offering purposes, the Sub-Fund is a Restricted Sub-Fund (see Explanatory Memorandum – IMPORTANT INFORMATION FOR INVESTORS).*

"Business Day" means, unless otherwise specified in this Appendix, a day (other than a Saturday or Sunday) on which (1) banks in Hong Kong are open for normal banking business and (2) the major stock exchanges in Japan are open for business or such other day or days as the Manager and the Trustee may determine from time to time, provided that where, as a result of a typhoon signal number 8 or higher, black rainstorm warning or other similar event, the period during which (1) banks in Hong Kong are open for normal banking business or (2) major stock exchanges in Japan are open for business on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise.

Investment Objective

The investment objective of the Sub-Fund is to provide long-term capital appreciation and income generation primarily through investment in real estate investment trusts ("**REITs**") listed (including REITs initial public offerings) in Japan. There can be no assurance that the Sub-Fund will achieve its investment objective.

Investment Strategy

The Sub-Fund seeks to achieve its investment objective by investing primarily (i.e. not less than 70% of its Net Asset Value) in closed-ended REITs listed (including REITs initial public offerings) in Japan which are (i) constituted in Japan and/or (ii) primarily investing in underlying assets in Japan. Subject to the sub-section entitled "Investment restrictions" under the section entitled "INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTIONS" in the main body of this Explanatory Memorandum, the Sub-Fund may invest up to 100% of its Net Asset Value in closed-ended REITs.

The Sub-Fund may invest, in aggregate, up to 30% of its Net Asset Value in real estate-related securities listed, quoted or dealt in on an exchange other than REITs listed in Japan (as described below) and/or cash and cash equivalents. Such real estate-related securities include (i) equity and equity-related securities of companies which derive a significant portion (i.e. at least 50%) of their earnings from any aspect of real estate, as well as (ii) real estate-related business trusts, property trusts, hospitality trusts, and stapled securities comprising the aforementioned securities (including REITs). In respect of (i), such equity and equity-related securities include common stocks, preferred stocks and depositary receipts. In respect of (ii), such business trusts, property trusts, hospitality trusts are different types of trusts that carry on real estate-related businesses or invest in real estate-related investments. Stapled securities generally refer to an arrangement under which different securities of an issuer are listed on the basis that they are legally bound together and cannot be transferred or traded separately. The stapled securities which the Sub-Fund may invest in are hybrid securities comprising one or more real estate-related securities as underlying assets, and are created for structuring or tax efficiency purposes.

Other investments

The Sub-Fund's portfolio may also temporarily include cash and cash equivalents, up to 100% of the Sub-Fund's Net Asset Value, under exceptional circumstances (such as in the event of market crashes, major crisis or to mitigate the risk of potential sharp reversals and falls in the equity or bond markets) for cash flow management or for reducing market exposure.

The Sub-Fund may use financial derivative instruments with the aim of hedging risks, reducing cost and/or generating additional capital or income (including for investment purposes) to the extent in line with the risk profile of the Sub-Fund and permitted by the Code and the provisions set out under the sub-section "Financial derivative instruments" in the Explanatory Memorandum. Financial derivative instruments that may be used by the Sub-Fund includes, but not limited to, options, warrants, index swaps, currency and interest rate swaps, total return swaps, credit default swaps, futures contracts, currency forwards and structured products. The Sub-Fund's net derivative exposure may be up to 50% of its Net Asset Value.

Securities financing transaction

The Manager will not enter into securities lending transactions, repurchase and/or reverse-repurchase transactions in respect of the Sub-Fund.

Investment Restrictions

No waivers from the investment restrictions set out in the main body of this Explanatory Memorandum have been sought or granted by the SFC.

Available Classes

The Sub-Fund currently has the following classes of Units which are available to investors:

Class	Class Currency
Class A HKD Hedged Acc Units	HKD
Class A HKD Hedged MDis Units	HKD
Class A HKD Unhedged Acc Units	HKD
Class A HKD Unhedged MDis Units	HKD
Class A JPY Unhedged Acc Units	JPY
Class A JPY Unhedged MDis Units	JPY
Class A RMB Hedged Acc Units	RMB
Class A RMB Hedged MDis Units	RMB
Class A RMB Unhedged Acc Units	RMB
Class A RMB Unhedged MDis Units	RMB
Class A SGD Hedged Acc Units	SGD
Class A SGD Hedged MDis Units	SGD
Class A USD Hedged Acc Units	USD
Class A USD Hedged MDis Units	USD
Class A USD Unhedged Acc Units	USD
Class A USD Unhedged MDis Units	USD
Class X USD Hedged Acc Units	USD
Class Z HKD Hedged Acc Units	HKD
Class Z HKD Hedged MDis Units	HKD
Class Z RMB Hedged Acc Units	RMB
Class Z RMB Hedged MDis Units	RMB
Class Z RMB Unhedged Acc Units	RMB
Class Z RMB Unhedged MDis Units	RMB
Class Z SGD Hedged Acc Units	SGD
Class Z SGD Hedged MDis Units	SGD
Class Z USD Unhedged Acc Units	USD
Class Z USD Unhedged MDis Units	USD
Class Z USD Hedged Acc Units	USD
Class Z USD Hedged MDis Units	USD

Class A HKD Hedged Acc Units, Class A HKD Hedged MDis Units, Class A HKD Unhedged Acc Units, Class A HKD Unhedged MDis Units, Class A JPY Unhedged Acc Units, Class A JPY Unhedged MDis Units, Class A RMB Hedged Acc Units, Class A RMB Hedged MDis Units, Class A RMB Unhedged Acc Units, Class A RMB Unhedged MDis Units, Class A SGD Hedged Acc Units, Class A SGD Hedged MDis Units, Class A USD Hedged Acc Units, Class A USD Hedged MDis Units, Class A USD Unhedged Acc Units and Class A USD Unhedged MDis Units are collectively referred to as "**Class A Units**".

Class X USD Hedged Acc Units are referred to as "**Class X Units**".

Class Z HKD Hedged Acc Units, Class Z HKD Hedged MDis Units, Class Z RMB Hedged Acc Units, Class Z RMB Hedged MDis Units, Class Z RMB Unhedged Acc Units, Class Z RMB Unhedged MDis Units, Class Z SGD Hedged Acc Units, Class Z SGD Hedged MDis Units, Class Z USD Unhedged Acc Units, Class Z USD Unhedged MDis Units, Class Z USD Hedged Acc Units and Class Z USD Hedged MDis Units are collectively referred to as "**Class Z Units**".

Class A Units are available for subscription by investors who make an investment of not less than the minimum initial investment amount or the minimum subsequent investment amount for the respective Classes as set out under the section headed "Investment Minima" below.

Class X Units are only available for subscription by funds and managed accounts managed by the Manager or Connected Persons of the Manager who are "professional investors" as defined in the SFO or offered on a private placement basis.

Class Z Units are only available for subscription by institutional investors and/or professional investors who make an investment of not less than the minimum initial investment amount or the minimum subsequent investment amount for the respective Classes as set out under the section headed "Investment Minima" below.

Base Currency

The Base Currency of the Sub-Fund is Japanese Yen ("**JPY**").

Initial Offer Period and initial Subscription Price

The Initial Offer Period of the Sub-Fund will be such dates or times as the Manager may determine.

The initial Subscription Price in respect of each class of Units is as follows:

Class	**Initial Subscription Price**
Class A HKD Hedged Acc Units	HKD10
Class A HKD Hedged MDis Units	HKD10
Class A HKD Unhedged Acc Units	HKD10
Class A HKD Unhedged MDis Units	HKD10
Class A JPY Unhedged Acc Units	JPY1,000
Class A JPY Unhedged MDis Units	JPY1,000
Class A RMB Hedged Acc Units	RMB10
Class A RMB Hedged MDis Units	RMB10
Class A RMB Unhedged Acc Units	RMB10
Class A RMB Unhedged MDis Units	RMB10
Class A SGD Hedged Acc Units	SGD10
Class A SGD Hedged MDis Units	SGD10
Class A USD Hedged Acc Units	USD10
Class A USD Hedged MDis Units	USD10
Class A USD Unhedged Acc Units	USD10
Class A USD Unhedged MDis Units	USD10
Class X USD Hedged Acc Units	USD10
Class Z HKD Hedged Acc Units	HKD10
Class Z HKD Hedged MDis Units	HKD10
Class Z RMB Hedged Acc Units	RMB10
Class Z RMB Hedged MDis Units	RMB10

Class	**Initial Subscription Price**
Class Z RMB Unhedged Acc Units	RMB10
Class Z RMB Unhedged MDis Units	RMB10
Class Z SGD Hedged Acc Units	SGD10
Class Z SGD Hedged MDis Units	SGD10
Class Z USD Unhedged Acc Units	USD10
Class Z USD Unhedged MDis Units	USD10
Class Z USD Hedged Acc Units	USD10
Class Z USD Hedged MDis Units	USD10

Dealing Procedures

For details of dealing procedures, please refer to the sections headed "Subscription of Units", "Redemption of Units" and "Switching" in the main body of this Explanatory Memorandum.

The following apply to the Sub-Fund:

Dealing Day	each Business Day.
Dealing Deadline	5:00 pm (Hong Kong time) on the relevant Dealing Day

Investment Minima

The following investment minima apply to the Sub-Fund:

	Class A HKD Hedged Acc Units, Class A HKD Hedged MDis Units, Class A HKD Unhedged Acc Units and Class A HKD Unhedged MDis Units	**Class A JPY Unhedged Acc Units and Class A JPY Unhedged MDis Units**	**Class A RMB Hedged Acc Units, Class A RMB Hedged MDis Units, Class A RMB Unhedged Acc Units and Class A RMB Unhedged MDis Units**	**Class A SGD Hedged Acc Units and Class A SGD Hedged MDis Units**	**Class A USD Hedged Acc Units, Class A USD Hedged MDis Units, Class A USD Unhedged Acc Units and Class A USD Unhedged MDis Units**
Minimum initial investment	HKD80,000	JPY1,000,000	RMB60,000	SGD10,000	USD10,000
Minimum subsequent investment	HKD40,000	JPY500,000	RMB30,000	SGD5,000	USD5,000
Minimum holding	HKD80,000	JPY1,000,000	RMB60,000	SGD10,000	USD10,000
Minimum redemption amount	Nil	Nil	Nil	Nil	Nil

	Class X USD Hedged Acc Units	**Class Z HKD Hedged Acc Units and Class Z HKD Hedged MDis Units**	**Class Z RMB Hedged Acc Units, Class Z RMB Hedged MDis Units, Class Z RMB Unhedged Acc Units and Class Z RMB Unhedged MDis Units**	**Class Z SGD Hedged Acc Units and Class Z SGD Hedged MDis Units**	**Class Z USD Unhedged Acc Units, Class Z USD Unhedged MDis Units, Class Z USD Hedged Acc Units and Class Z USD Hedged MDis Units**
Minimum initial investment	Nil	HKD80,000,000	RMB60,000,000	SGD10,000,000	USD10,000,000
Minimum subsequent investment	Nil	HKD800,000	RMB600,000	SGD100,000	USD100,000
Minimum holding	Nil	HKD40,000,000	RMB30,000,000	SGD5,000,000	USD5,000,000
Minimum redemption amount	Nil	Nil	Nil	Nil	Nil

The Manager may, in its absolute discretion, waive or agree to a lower amount of any of the above investment minima (either generally or in any particular case).

Subscription of Units

The procedure for the initial issue of Units and subsequent issue of Units in the main body of this Explanatory Memorandum shall apply to the Sub-Fund.

Redemption of Units

The procedure for the payment for redemption proceeds in the main body of this Explanatory Memorandum shall apply to the Sub-Fund.

Switching of Units

For switching of some or all of a Unitholder's Units of the Sub-Fund into a New Fund (as defined in the main body of this Explanatory Memorandum), the procedure set out in the section headed "Switching" in the main body of this Explanatory Memorandum shall apply to the Sub-Fund.

Publication of Net Asset Value

The Subscription Price and Redemption Price in respect of the Sub-Fund on any Dealing Day will be rounded to (i) the nearest unit of currency in respect of Class A JPY Unhedged Acc Units and Class A JPY Unhedged MDis Units of the Sub-Fund; and (ii) 2 decimal places (0.005 and above being rounded up; below 0.005 being rounded down) in respect of the other Units of the Sub-Fund.

The latest Subscription Price and Redemption Price in respect of Units or the Net Asset Value per Unit of the Sub-Fund are available on each Dealing Day on the Manager's website www.valuepartners-group.com*.

Expenses and Charges

The following are the actual fees and charges payable in respect of each class of the Sub-Fund. Maximum fees permitted to be charged on one month's notice to Unitholders are set out under the section entitled "EXPENSES AND CHARGES" in the main body of this Explanatory Memorandum.

Fees payable by Unitholders

	Class A Units and Class Z Units	**Class X Units**
Subscription fee	Up to 5% of the subscription monies	Nil
Redemption fee	Nil	Nil
Switching fee^	Up to 1% of the subscription monies	Nil

^ *Certain distributors may impose a charge for each switching of Units in a class of the Sub-Fund acquired through them for Units in another class of the Sub-Fund or another sub-fund of the Trust, which will be deducted at the time of the switching and paid to the relevant distributors. Unitholders who intend to switch their Units in one class to Units in another class should check with their respective distributors for the charge on switching.*

* This website has not been reviewed by the SFC

Fees payable by the Sub-Fund

	Class A Units	**Class X Units**	**Class Z Units**
Management fee	1.50% per annum of the Net Asset Value of each class of Units	Nil	0.75% per annum of the Net Asset Value of each class of Units
Performance fee	N/A	N/A	N/A
Trustee fee	0.135% per annum for the first JPY 22.2 billion; 0.13% per annum for the portion above JPY 22.2 billion to JPY 118.4 billion; and 0.125% per annum for the portion over and above JPY 118.4 billion in the Net Asset Value of the Sub-Fund. Starting from the fourth class of Units set up under the Sub-Fund, an additional fee of JPY 7,400 per class of Units per month shall be charged to the Sub-Fund. The Trustee fees are subject to a monthly minimum of JPY 666,000.		

Performance Fee

No performance fee will be charged for the Sub-Fund.

Establishment costs

The costs of establishing the Sub-Fund are estimated to be approximately USD89,200. These costs will be charged to the Sub-Fund and will be amortised over a period of 3 years from the inception of the Sub-Fund (or such other period as determined by the Manager after consultation with the auditors).

Additional Risk Factors

Investors should note the following risk factors set out in the section entitled "**RISK FACTORS**" in the main body of this Explanatory Memorandum, which are applicable to the Sub-Fund: "Investment risk", "Market risk", "Concentration risk", "Counterparty risk", "Liquidity risk", "Exchange rate risk", "Legal and compliance risk", "Suspension risk", "Early termination risk", "Cross class liability risk", "Cross Sub-Fund liability risk", "Valuation and accounting risk", "Dividends and distributions", "Distributions payable out of capital or effectively out of capital risk", "Foreign Account Tax Compliance Act risk", "RMB currency risk", "Risk of investing in equity securities", "Risk of investing in financial derivative instruments" and "Hedging risk".

The following risk factors are specific to the Sub-Fund:

Investment risk

Investors should be aware that investment in the Sub-Fund is subject to normal market fluctuations and other risks inherent in the Sub-Fund's assets. There is no guarantee of repayment of principal. Accordingly, there is a risk that an investor may not recoup the original amount he invested in the Sub-Fund or may lose a substantial part or all of his investment.

Japan market concentration risk

The Sub-Fund is subject to concentration risk as a result of primarily investing in a single geographical region (Japan). The Sub-Fund may likely be more volatile than a broad-based fund, such as a global fund, as it is more susceptible to fluctuations in value of closed-ended REITs listed in Japan, resulting from adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory events affecting Japan.

Real estate sector concentration risk

Due to the concentration of the investments of the Sub-Fund in the real estate sector, the performance of the Sub-Fund may be more volatile when compared to other broad-based funds. The price volatility of the Sub-Fund may be greater than other funds with a broader range of investments.

Risks associated with Japan

The Japanese economy is heavily dependent on international trade and may be adversely affected by protectionist measures, competition from emerging economies, political tensions with its trading partners and their economic conditions, natural disasters (such as earthquakes or floods) and commodity prices. Changes in governmental regulations on trade, decreasing imports or exports and/or an economic recession in Japan may cause the value of the Sub-Fund's investments to decline. Downturns in the economies of key trading partners, including economic, political or social instability in such countries, could also have a negative impact on the Japanese economy as a whole. Currency fluctuations may also adversely impact the Japanese economy, including its export market.

Furthermore, the Tokyo Stock Exchange ("**TSE**") or the Osaka Securities Exchange ("**OSE**") has the right to suspend trading in any security or futures traded thereon. The Japanese government or the regulators in Japan may also implement policies that may affect the Japanese financial markets.

Risk associated with investments in REITs

General: Since the Sub-Fund invests in REITs, investors will be exposed to the risks associated with the ownership of real estate, as well as to risks that relate specifically to the way in which REITs are organised and operated, for instance, the value of REITs may be affected by the value of underlying properties and defaults by borrowers or tenants. The underlying REITs which the Sub-Fund may invest in may not necessarily be authorised by the SFC.

Real estate sector risk: The investment portfolio of a REIT will be affected by changes in the values of the underlying properties that they own or operate and will likely be impacted by the performance of the real estate market. The value of REITs, and consequently the performance of the Sub-Fund, may be affected by various factors, including but not limited to the following: (i) changes in general economic and market conditions; (ii) changes in the value of real estate properties; (iii) risks related to local economic conditions, overbuilding and increased competition; (iv) increases in property taxes and operating expenses; (v) changes in zoning laws; (vi) variations in rental income, neighbourhood values or the appeal of property to tenants; (vii) the availability of financing; (viii) changes in interest rates and leverage; (ix) specialised management skills and (x) losses from casualty or condemnation.

Operation and management risk: The performance and value of REITs are dependent upon specialised management skills and their investments may be concentrated in relatively few properties, in a narrow geographic area or a single property type. REITs are also subject to heavy cash flow dependency and are particularly reliant on the proper functioning of capital markets. A variety of economic and other factors may adversely affect a lessee's ability to meet its obligations to a REIT. In the event of a default by a lessee, the REIT may experience delays in enforcing its rights as a lessor and may incur substantial costs associated in protecting its investments. All of these may affect the value of a REIT and consequently the performance of the Sub-Fund.

In addition, to the extent a REIT has its own expenses, the Sub-Fund will bear its proportionate share of such expenses. Any dividend policy or dividend payout at the Sub-Fund level may not be representative of the dividend policy or dividend payout of the relevant underlying REIT.

Interest rate risk: Fluctuations in interest rates may increase the interest costs incurred by a REIT in respect of its borrowings and may have an adverse effect on the level of activity in the property market. The financial position of the REIT and its ability to make distributions may be adversely affected. Changes in interest rates may also have an impact on the trading price of the units of a REIT.

Liquidity risk: The ability to trade REITs in the secondary market can be more limited than other stocks. The less liquid nature of REITs may affect the Sub-Fund's ability to acquire or dispose of such assets at the price and time it wishes to do so, and consequently may have an adverse impact on the investment performance of the Sub-Fund.

Regulatory risk: Real estate income and values may be adversely affected by applicable domestic and foreign laws (including tax laws). Government actions, such as tax increases, zoning law changes, reduced funding for schools, parks, garbage collection and other public services or environmental regulations also may have a major impact on real estate income and values. In addition, a REIT could fail to qualify for favourable regulatory treatment.

Leverage risk: A REIT may use leverage, which increases investment risk and the risks normally associated with debt financing and could adversely affect a REIT's operations and market value in periods of rising interest rates. Financial covenants related to a REIT's leveraging may affect the ability of the REIT to operate effectively. In the event that a REIT is wound up, its assets will be used to pay off creditors first and holders will only receive distributions from any remaining assets.

Risks regarding issuers of real estate related securities

Issuers of real estate related securities may be subject to risks such as declining real estate values, economic slowdown or recession. Issuers of real estate related securities may be adversely affected by prolonged economic downturns or recessions where declining real estate values would likely reduce the value of real estate related securities.

Furthermore, if the value of real estate declines, relevant borrowers may be less able to pay the principal and interest in respect of the relevant mortgages. This may therefore increase the likelihood of default by the relevant borrowers.

Any sustained period of increased mortgage defaults may adversely affect the financial condition and liquidity of issuers of the relevant real estate related securities.

Risks relating to stapled securities

The Sub-Fund may invest in stapled securities which are hybrid securities comprising one or more real estate-related securities as underlying assets. Since the relevant securities in respect of the stapled securities are legally bound together and cannot be transferred or traded separately, in the event of decrease in value of any security constituting the relevant stapled securities, such a security may not be separated from the relevant stapled securities. The value of the relevant stapled securities may therefore be adversely affected.

Currency risk

Underlying investments of the Sub-Fund may be denominated in currencies other than its base currency. The Net Asset Value of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls. Please also refer to "exchange rate risk" under the section entitled "RISK FACTORS" in the main body of this Explanatory Memorandum.

Valuation risk

Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

Risks of investing in depositary receipts

Although depositary receipts have risks similar to the securities that they represent, they may also involve higher expenses and may trade at a discount (or premium) to the underlying security. In addition, depositary receipts may not pass through voting and other shareholder rights, and may be less liquid than the underlying securities listed on an exchange.

Risk of investing in financial derivative instruments

The Manager may, for both hedging and investment purposes, invest in options, warrants, index swaps, interest rate swaps, total return swaps, credit default swaps, futures contracts, currency forwards and structured products subject to the investment restrictions applicable to the Sub-Fund as set out in the section headed "Investment Restrictions". These instruments can be highly volatile and expose investors to increased risk of loss. Please also refer to "Investment risks – Risk of investing in financial derivative instruments" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

Hedging risk

The Manager may from time to time use hedging techniques, including investments in options, warrants, index swaps, currency and interest rate swaps, total return swaps, credit default swaps, futures contracts, currency forwards and structured products, to offset market and currency risks. There is no guarantee that such techniques will be effective. Please refer to "Investment risks – Hedging risk" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

Borrowing risk

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

Financial reports

The first audited annual financial report for the Sub-Fund will cover the period to 31 December 2024, and the first interim report for the Sub-Fund will cover the period from 1 January 2025 to 30 June 2025.

Distribution policy

The Manager currently intends to make monthly dividend distributions for the following Classes of Units at its discretion:

- Class A Units: HKD Hedged MDis, HKD Unhedged MDis, JPY Unhedged MDis, RMB Hedged MDis, RMB Unhedged MDis, SGD Hedged MDis, USD Hedged MDis and USD Unhedged MDis

- Class Z Units: HKD Hedged MDis, RMB Hedged MDis, RMB Unhedged MDis, SGD Hedged MDis, USD Hedged MDis and USD Unhedged MDis

Dividends may be paid out of capital or effectively out of capital of the relevant Class, and may result in an immediate reduction of the Net Asset Value per Unit of the Sub-Fund. There is no guarantee of any distribution nor, where distribution is made, the amount being distributed.

Taxation

Dividends received by the Sub-Fund from the underlying Japanese REITs investments are subject to 15.315% tax imposed by the Japanese tax authorities. Such dividends are net of tax, and hence the Sub-Fund does not need to make any additional tax provision in this regard. The relevant domestic withholding tax rate will apply to the Sub-Fund, unless a reduced rate or exemption is available under an applicable tax treaty.

Termination of the Sub-Fund

The minimum termination amount in respect of the Sub-Fund shall be USD10 million or its equivalent in other currencies.

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