

**Adequity Trust**  
(the “Trust”)

**Lyxor China A Fund**  
(the “Fund”)

**Notice to Unitholders**

**Refund of Excess Tax Provision and Impact on the NAV of the Fund**

**This Notice is important and requires your immediate attention. If you are in doubt about the contents of this Notice, you should seek independent professional financial advice.**

Dear Unitholders

We, Lyxor Asset Management, as the Manager of the Fund, wish to inform you that certain adjustments have been made to the Net Asset Value (the “NAV”) of the Fund as a result of the completion of the State Administration of Taxation’s (the “SAT”) PRC tax reporting with respect to the gross realised capital gains arising from the Fund’s investment exposure to A-Shares prior to 17 November 2014, the subsequent payment of PRC withholding income tax (“WIT”) and the refund of the excess provision to the Fund.

Unless otherwise defined, all capitalised terms shall have the same meaning as that in the Hong Kong offering document of the Fund.

**Background**

Reference is made to the notice to Unitholders made by the Manager on 21 November 2014 (the “November Notice”) and the Hong Kong offering documents of the Fund.

As announced in the November Notice and as disclosed in the Hong Kong offering documents of the Fund, the Manager changed the capital gains tax provisioning policy of the Fund following the issue by the PRC authorities of the “The Circular Concerning the Corporate Income Tax Temporary Exemption for Gains Obtained by the QFII and RQFII from Transfer of Shares and Other Equity Interest Investment” Caishui [2014] No.79 (the “Notice 79”). In respect of the Swap Transaction, the Manager has agreed with Société Générale, which is licensed as a QFII and the current swap counterparty that (a) 10% of the realised capital gains arising from the swap counterparty’s trading on A-Shares held in respect of the Swap Transaction entered into with the Fund from and including 9 August 2012 up to and including 14 November 2014 are provisioned and withheld by the swap counterparty, and (b) no provisions will be made by the Fund for capital gains from 17 November 2014 onwards.

In respect of the A-Share linked investments before the Fund entered into the Swap Transaction, the Manager has provisioned and withheld at the Fund’s level 10% of the realised capital gains arising from the Fund’s investment exposure to A-Shares for the period from and including 23 July 2007 up to and

including 8 August 2012, representing the Fund's investment in A-Share linked Euro Medium Term Notes issued by SGA Société Générale Acceptance N.V. and guaranteed by Société Générale (the "EMTNs").

Review of the tax reporting by the PRC tax authority and payment of WIT

Due to the enforcement of tax collection on the gross realised capital gains by QFII and RQFII on equity investments by the relevant PRC tax authority earlier this year, the Manager has liaised with Société Générale in respect of the withheld amounts to determine if, upon finalization of the WIT liabilities in respect of Société Générale (as QFII), there is (i) any excess amount payable by Société Générale to the Fund or (ii) any shortfall amount payable from the Fund to Société Générale. To the extent there is withholding by Société Générale (as the swap counterparty), such withheld amounts, represent the estimated WIT that would, prior to the issue of the Notice 79, be payable by Société Générale on an actual sale of underlying A-Shares to which the Swap Transaction is linked.

Société Générale has fully submitted the information and documents requested by the relevant PRC tax authority in respect of the Fund's investment exposure to A-Shares for the period from and including 17 November 2009 up to and including 14 November 2014 ("**Relevant Period**"), which investment exposure was obtained (a) prior to 9 August 2012, through the Fund's investment in the EMTNs (being instruments previously invested by the Fund) and a provision of 10% of realised capital gains was withheld at the Fund's level, and (b) from 9 August 2012 onwards, through the Fund's investment in the Swap Transaction and a provision of 10% of realised capital gains was withheld at the swap counterparty's level (i.e. by Société Générale).

Société Générale (as QFII) has completed the tax filing in respect of its gross realised capital gains on equity investments for the Relevant Period with the relevant PRC tax authority and has settled its WIT liability pursuant to the completed tax filing. The total amount of WIT liability attributable to the Fund (in respect of its investments in EMTNs and the Swap Transaction during the Relevant Period) is RMB 34,027 (the "**Actual WIT Liability**"), which has in effect been paid by the Fund to Société Générale for settlement of the Actual WIT Liability.

Refund of excess provision and impact on NAV

As at 14 December 2015 (the "**WIT Refund Date**"), the amount of provision withheld by the Fund (in respect of the EMTN) and by Société Générale (in respect of the Swap Transaction) was RMB 7,065,752 (the "**Provision**"). As a consequence, the amount of the Provision was greater than the amount of the Actual WIT Liability attributable to the Fund. Therefore:

- any provision made at the Fund's level in respect of the Fund's investments in EMTNs has been reversed after the close of trading on the WIT Refund Date; and
- the difference between the provision withheld by Société Générale (in respect of the Swap Transaction) and the amount of the Actual WIT Liability was refunded to the Fund after the close of trading on the WIT Refund Date.

As a result of the above, the NAV of the Fund after close of trading on the WIT Refund Date was affected, as follows:

Increase in NAV per Unit	Percentage increase in NAV per Unit
USD 0.27	+3.73%

Previous Unitholders

As disclosed in the Hong Kong offering documents of the Fund, Unitholders who had already redeemed their Units on or before the WIT Refund Date will not be entitled or have any right to claim any part of the amount representing the Excess Provision.

Trustee

The Trustee had no objection to the refund of the Excess Provision.

Risks

Unitholders should note that the aforesaid tax assessment is made in accordance with the prevailing tax rules and practices of the relevant PRC tax authority at the time of submission. The NAV of the Fund may require further adjustment to take into account any retrospective application of new tax regulations and development, including change in interpretation of the relevant regulations by the PRC tax authority.

There is a possibility of the PRC tax rules, regulations and practice being changed and taxes being applied retrospectively. The Manager will closely monitor any further guidance by the relevant PRC tax authorities and adjust the withholding policy of the Fund accordingly, taking into account independent professional tax advice. The Manager will act in the best interest of the Fund at all times.

Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. If no provision is made by the Manager in relation to all or part of the actual tax levied by the SAT in future, investors should note that the NAV of the Fund may be lowered, as the 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 Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Fund.

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

Update to Hong Kong offering documents

The revised offering documents of the Fund will be available on the Manager's website at [www.lyxor.com.hk](http://www.lyxor.com.hk)\* as soon as reasonably practicable to reflect the changes described above and any associated risks.

General

We accept responsibility for the accuracy of the contents of this Notice as at the date of its publication, and confirm, having made all reasonable enquiries, that to the best of our knowledge and belief there is no omission of fact which would make any statement in this Notice misleading.

If you have any questions about this Notice, please contact the Hong Kong Representative of the Fund, SG Securities (HK) Limited, at Level 38, Three Pacific Place, 1 Queen's Road East, Hong Kong. Tel: (852) 2166 4266.

**Lyxor Asset Management**

28 December 2015

\*This website has not been reviewed by the Securities and Futures Commission of Hong Kong