



New Capital Hong Kong Unit Trust Series

Explanatory Memorandum

November 2017

IMPORTANT INFORMATION FOR INVESTORS

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

This Explanatory Memorandum comprises information relating to New Capital Hong Kong Unit Trust Series (“**Fund**”) and its sub-funds (“**Sub-Funds**”). The Fund is an open-ended unit trust established as an umbrella unit trust under the laws of Hong Kong by a trust deed dated 6 November 2017 (“**Trust Deed**”) between HSBC Institutional Trust Services (Asia) Limited (“**Trustee**”) as trustee and EFG Asset Management (HK) Limited (“**Manager**”) as manager.

The Manager accepts full responsibility for the accuracy of the information contained in this Explanatory Memorandum and the Product Key Facts Statement of each Sub-Fund, and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this Explanatory Memorandum or the Product Key Facts Statement misleading. However, neither the delivery of this Explanatory Memorandum and the Product Key Facts Statement nor the offer or issue of Units shall under any circumstances constitute a representation that the information contained in this Explanatory Memorandum or the Product Key Facts Statement is correct as of any time subsequent to the date of publication. This Explanatory Memorandum and the Product Key Facts Statement may from time to time be updated.

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

Hong Kong Authorisation and Approval

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

Selling restrictions

General: No action has been taken to permit an offering of Units of the Sub-Fund(s) or the distribution of this Explanatory Memorandum or the Product Key Facts Statement in any jurisdiction other than Hong Kong where action would be required for such purposes. Accordingly, this Explanatory Memorandum or the Product Key Facts Statement may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised. Further, Units of the Sub-Fund(s) may not be offered or sold, directly or indirectly, to any persons for reoffering or resale, in any jurisdiction where such action is not authorised. Receipt of this Explanatory Memorandum or the Product Key Facts Statement does not constitute an offer of Units of the Sub-Fund(s) in those jurisdictions in which it is illegal to make such an offer.

United States: In particular, potential investors should note the following:-

- (a) the Units have not been registered under the United States Securities Act of 1933 (as amended) and, except in a transaction which does not violate such Act, may not be directly or indirectly offered or sold in the United States of America, or any of its territories or possessions or areas subject to its jurisdiction, or for the benefit of a US Person (as defined in Regulation S under such Act); and
- (b) the Fund and the Sub-Fund(s) have not been and will not be registered under the United States Investment Company Act of 1940 as amended.

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

Some of the information in this Explanatory Memorandum is a summary of corresponding provisions in the Trust Deed. Investors should refer to the Trust Deed for further details.

Investment involves risk and investors should note that losses may be sustained on their investment. There is no assurance that the investment objective of the respective Sub-Fund will be achieved. Investors should read the Explanatory Memorandum, particularly the section headed “Risk Factors”, and the section headed “Specific Risk Factors” in the relevant Appendix, before making their investment decisions.

Please note that this Explanatory Memorandum must be read together with the relevant Appendix and/or Addendum to this Explanatory Memorandum which relate to a specific Sub-Fund of the Fund. The Appendix and/or Addendum set out the details relating to the Sub-Fund (which may include, without limitation, specific information on the Sub-Fund and additional terms, conditions and restrictions applicable to the Sub-Fund). The provisions of an Appendix and/or an Addendum supplement this Explanatory Memorandum.

Enquiries

Investors may contact the Manager for any enquiries or complaints in relation to the Fund and any Sub-Fund. To contact the Manager, investors may either:

- write to the Manager by post (address at 18th Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong) or by e-mail (at enquiries@newcapitalfunds.com); or
- call the Manager at telephone number at +852 2286 3888.

The Manager will handle or channel to the relevant party any enquiries or complaints from investors and revert to the investors accordingly.

Further Information

Investors may access the website of the Manager at www.newcapitalfunds.com for further information on the Fund and the Sub-Fund(s), including this Explanatory Memorandum and the Product Key Facts Statement, annual and semi-annual reports and latest Net Asset Values. This website has not been reviewed by the SFC and may contain information of funds not authorised by the SFC.

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DIRECTORY OF PARTIES

Manager

EFG Asset Management (HK) Limited 18th
Floor, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Trustee and Registrar

**HSBC Institutional Trust Services (Asia)
Limited**
1 Queen's Road Central
Hong Kong

Directors of the Manager

Lee Tak Him James
Renato Cohn
Mozamil Afzal
Cornelis Johannes Stoute
Lee Chun Sing
Patrick Zbinden

Solicitors to the Manager

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

Auditors

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central
Hong Kong

DEFINITIONS

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

“Appendix”	the appendix containing specific information in relation to a Sub-Fund or a Class or Classes of Units in relation thereto which is enclosed with this Explanatory Memorandum and which forms part of this Explanatory Memorandum
“Accounting Date”	30 June in each year or such other date or dates in each year as the Manager may from time to time select in respect of any Sub-Fund after consultation with the Trustee and notification to the Unitholders of such Sub-Fund. The first Accounting Date of the Fund is 30 June 2018
“Accounting Period”	a period commencing on the date of establishment of the Fund or the relevant Sub-Fund (as the case may be) or on the date next following an Accounting Date of the relevant Sub-Fund and ending on the next succeeding Accounting Date for such Sub-Fund
“Amortisation Period”	in relation to the Fund and/or a Sub-Fund, such period as specified in the relevant Appendix over which establishment costs of the Fund and/or such Sub-Fund will be amortised
“Application Form”	the prescribed application form for the subscription of Units and for the avoidance of doubt, the Application Form does not form part of this Explanatory Memorandum
“Authorised Distributor”	any person appointed by the Manager to distribute Units of some or all of the Sub-Funds to potential investors
“Base Currency”	in relation to a Sub-Fund, means the currency of account of the Sub-Fund as specified in the relevant Appendix
“Business Day”	a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for normal banking business or such other day or days in relation to a Sub-Fund as the Trustee and Manager may determine from time to time and as specified in the relevant Appendix, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
“Cancellation Fee”	cancellation fee of such amount as the Manager and the Trustee may from time to time determine to represent the administrative costs involved in processing the application for such Units being cancelled subject to a maximum amount equivalent to 5% of the net subscription amount concerned in the relevant application being cancelled
“Class”	any class of Units in issue in relation to a Sub-Fund

“Class Currency”	in relation to a Class in a Sub-Fund, the currency of account of such Class as specified in the relevant Appendix
“Code”	the Overarching Principles Section and Section II- Code on Unit Trusts and Mutual Funds of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products or any handbook, guideline and code issued by the Commission, as may be amended from time to time
“connected person”	in relation to a company, means: <ul style="list-style-type: none"> (a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise, directly or indirectly, 20% or more of the total votes in that company; or (b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or (c) any member of the group of which that company forms part; or (d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c) above
“Conversion Form”	the prescribed conversion form for the conversion of Units and for the avoidance of doubt, the Conversion Form does not form part of this Explanatory Memorandum
“Explanatory Memorandum”	this Explanatory Memorandum including the Appendices, as each may be amended, updated or supplemented from time to time
“Fund”	New Capital Hong Kong Unit Trust Series
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$” or “HKD”	Hong Kong Dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Initial Offer Period”	in relation to a Sub-Fund or a Class or Classes of Units, such period as the Manager may determine for the purpose of making an initial offer of Units of such Sub-Fund or such Class or Classes and as specified in the relevant Appendix (if applicable)
“Initial Offer Price”	the price per Unit during the Initial Offer Period as determined by the Manager and as specified in the relevant Appendix (if applicable)
“Investment Adviser”	the investment adviser appointed in respect of a Sub-Fund, the details of which as specified in the relevant Appendix (if applicable)
“IOP Deadline”	5.00 p.m. (Hong Kong time) on the last Business Day of the Initial Offer Period of a Sub-Fund or a particular Class of Units or such other time on such Business Day or such other day as the Manager may from time to time determine and as specified in the relevant Appendix

“Issue Price”	the issue price of a Unit of a particular Class after the expiry of the Initial Offer Period calculated in accordance with the Trust Deed and as described below under “Investing in the Fund - Issue Price”
“Mainland China”	all customs territory of the People’s Republic of China
“Manager”	EFG Asset Management (HK) Limited in its capacity as the manager of the Fund and its Sub-Funds or such other entity as may be appointed from time to time as the manager of the Fund and its Sub-Funds
“Minimum Initial Subscription Amount”	the minimum initial investment for Units in a Sub-Fund or a Class of Units and as specified in the relevant Appendix
“Minimum Holding Amount”	the minimum number or value of Units of any Sub-Fund or Class of Units which must be held by any Unitholder and as specified in the relevant Appendix
“Minimum Redemption Amount”	the minimum number or value of Units of any Sub-Fund or Class of Units to be redeemed by any Unitholder in respect of a partial redemption of Units and as specified in the relevant Appendix
“Minimum Subsequent Subscription Amount”	the minimum additional subscriptions for Units in a Sub-Fund or a Class of Units and as specified in the relevant Appendix
“Minimum Subscription Level”	the total minimum subscription amount, if applicable, to be received on or prior to the close of the Initial Offer Period and as specified in the relevant Appendix
“Net Asset Value”	in relation to a Sub-Fund means the net asset value of such Sub-Fund or, as the context may require, of a Unit of the Class or Classes relating to such Sub-Fund, calculated in accordance with the provisions of the Trust Deed and as summarised below under “Valuation and Suspension - Calculation of Net Asset Value”
“Payment Period”	no more than three Business Days after the relevant Subscription Day on which the relevant Units are issued, or such other period as the Manager with the approval of the Trustee may determine within which payment for Units issued for cash after the Initial Offer Period for such Units is due, and as specified in the relevant Appendix
“PRC”	the People’s Republic of China excluding Hong Kong, Macau and Taiwan for purpose of this Explanatory Memorandum
“Redemption Charge”	the redemption charge (if any) payable upon redemption of Units and as specified in the relevant Appendix
“Redemption Day”	in relation to a Sub-Fund, or, as the context may require, of a particular Class relating to a Sub-Fund, such Business Day or such other day or days as the Manager and the Trustee may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for redemption of Units in that Sub-Fund or the relevant Class or Classes and as specified in the relevant Appendix

“Redemption Deadline”	in relation to a Redemption Day, such time by which a redemption request in respect of a Sub-Fund or a Class of Units must be received either on such Redemption Day or on such other Business Day or day as the Manager and the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of that Sub-Fund or the relevant Class may from time to time be sold and as specified in the relevant Appendix
“Redemption Form”	the prescribed redemption form for the redemption of Units and for the avoidance of doubt, the Redemption Form does not form part of this Explanatory Memorandum
“Redemption Price”	the price at which Units will be redeemed as determined in accordance with the Trust Deed and as described below under <i>“Redemption of Units - Redemption Price”</i>
“Refund Period”	14 Business Days from the relevant Subscription Day or close of the relevant Initial Offer Period (as the case may be) or such other period as specified in the relevant Appendix within which subscription moneys in respect of an application which was rejected or a Sub-Fund or a Class of Units which was not launched will be returned to the relevant applicant
“Registrar”	HSBC Institutional Trust Services (Asia) Limited
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Market”	any stock exchange, over-the-counter market or other organised securities market that is open to the international public and on which such securities are regularly traded
“Semi-Annual Accounting Date”	31 December in each year or such other date or dates in each year as the Manager may from time to time select in respect of any Sub-Fund and notify to the Trustee and the Unitholders of such Sub-Fund. The first Semi-Annual Accounting Date of the Fund is 31 December 2018
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Laws of Hong Kong (Chapter 571), as amended
“Sub-Fund”	a separate pool of assets of the Fund that is invested and administered separately
“Subscription Charge”	the subscription charge (if any) payable on the issue of Units and as specified in the relevant Appendix
“Subscription Day”	in relation to a Sub-Fund, or, as the context may require, of a particular Class relating to a Sub-Fund, such Business Day or such other day or days as the Manager and the Trustee may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for subscription of Units

	in that Sub-Fund or the relevant Class or Classes and as specified in the relevant Appendix
“Subscription Deadline”	in relation to a Subscription Day, such time by which an application for subscription in respect of a Sub-Fund or a Class of Units must be received either on such Subscription Day or on such other Business Day or day as the Manager and the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of that Sub-Fund or the relevant Class may from time to time be sold and as specified in the relevant Appendix
“Switching Fee”	the switching fee (if any) payable on the conversion of Units and as specified in the relevant Appendix
“Trust Deed”	the trust deed dated 6 November 2017 establishing the Fund and entered into by the Manager and the Trustee (as amended from time to time)
“Trustee”	HSBC Institutional Trust Services (Asia) Limited in its capacity as trustee of the Fund and its Sub-Funds or such other entity as may be appointed from time to time as the trustee of the Fund and its Sub-Funds
“Unit”	a unit in a Sub-Fund
“Unitholder”	a person registered as a holder of a Unit
“U.S.” or “US”	United States of America
“US\$” or “USD”	US Dollars, the lawful currency of the United States of America
“Valuation Day”	each Business Day on which the Net Asset Value of a Sub-Fund and/or the Net Asset Value of a Unit or a Class of Unit falls to be calculated and in relation to each Subscription Day or Redemption Day (as the case may be) of any Class or Classes of Units means either such Subscription Day or Redemption Day (as the case may be) or such other Business Day or day as the Manager and the Trustee may from time to time determine, either generally or in relation to a particular Sub-Fund or Class of Units, and as specified in the relevant Appendix
“Valuation Point”	the close of business in the last relevant market to close on a relevant Valuation Day or such other time on that day or such other day as the Manager and the Trustee may determine from time to time either generally or in relation to a particular Sub-Fund or Class of Units and as specified in the relevant Appendix.

THE FUND

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

The Fund is organised as an umbrella fund and details of each of its current Sub-Fund(s) and/or their respective Class or Classes of Units are set out in the relevant Appendix. Subject to any applicable regulatory requirements and approvals, the Manager may in its sole discretion create further Sub-Funds or determine to issue additional Classes or multiple Classes in relation to each Sub-Fund in the future.

Each Sub-Fund is established as a separate trust under the Trust Deed, and the assets of each Sub-Fund will be invested and administered separately from the assets of, and shall not be used to meet liabilities of, the other Sub-Fund(s).

The Base Currency of a Sub-Fund will be set out in the relevant Appendix. Each Class of Units within a Sub-Fund will be denominated in the Class Currency thereof, which may be the Base Currency of the Sub-Fund to which such Class relates or such other currency of account as specified in the relevant Appendix.

MANAGEMENT AND ADMINISTRATION OF THE FUND

Manager

The Manager of the Fund and the Sub-Funds is EFG Asset Management (HK) Limited.

The Manager is a company incorporated under the laws of Hong Kong and is indirectly wholly owned by EFG International AG, the global private banking and asset management group headquartered in Zurich, listed on the SIX Swiss Exchange and supervised on a consolidated basis by the Swiss Financial Market Supervisory Authority.

The Manager is engaged in the business of investment management services for discretionary clients and collective investment schemes and is authorised and regulated by the SFC.

The Manager undertakes the management of the assets of the Fund. The Manager may appoint Investment Adviser and delegate any of its management functions in relation to assets of specific Sub-Funds to such Investment Adviser subject to prior SFC approval. In the event that an Investment Adviser is appointed by the Manager in respect of an existing Sub-Fund, at least one month's prior notice will be provided to Unitholders of such Sub-Fund and this Explanatory Memorandum and/or the relevant Appendix will be updated to include such appointment.

The Manager shall not be exempted from or indemnified against any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence for which it may be liable in relation to its duties, or be indemnified against such liability by Unitholders or at Unitholders' expense.

Directors of Manager

Details of the directors of the Manager are as follows:

Lee Tak Him James

James is currently a non-executive director on a number of EFG Asset Management entities. He previously served as a member of the Executive Committee of EFG International. James retired from executive responsibilities at EFG as at the end of 2016. He has held various management positions in Switzerland and internationally, including Deputy Chief Executive Officer of EFG International and Chairman of the Credit Committee. Prior to that, he worked as a consultant to UBS in Private Banking, and was the Global Head of International Private Banking for Bank of America. He started his career at Citigroup, where he was responsible for the UHNWI business in the Private Bank in Asia and the Global Investment Advisory business. He holds a Bachelor of Science in Electrical Engineering as well as a Master of Science in Management Science and Operational Research from Imperial College, University of London.

Renato Cohn

Renato Cohn is Head of Investment Solutions of EFG International and EFG Bank as well as the Chief Executive Officer of EFG International Group Asset Management, effective as of 31 October 2016.

Previously, he served as member of the Group Executive Board and Group Deputy Chief Executive Officer of BSI SA, since he joined the bank in September 2015. From 2009 until 2015, he was Co-Head of BTG Pactual Wealth Management in Sao Paulo. Before that, he served in senior positions as Head of Product and Services and Head of Sales Management at UBS Pactual. He joined Banco

Pactual in 1999 and became a partner in 2004. He started his career at Banco Primus, and then worked at Banco Matrix as a Head of the Fixed Income Trading Desk.

Mr. Cohn is a Brazilian citizen and holds a Bachelor of Science in Industrial Engineering from the Escola Politecnica of the University of Sao Paulo.

Mozamil Afzal

Mozamil Afzal is the Co-Head of EFG Asset Management, as well as Global Chief Investment Officer of EFG Asset Management and the Chief Executive Officer of EFG Asset Management (UK) Limited. He is Chairman of the EFGAM Asset Allocation Committee, and has overall supervisory responsibility for the investment process. He joined EFG Private Bank in 1994, and was appointed as a director and Chief Investment Officer of EFG Private Bank Limited in March 2003 and as a director of EFG Asset Management (UK) Limited in 2010 and the Manager in 2011. During his tenure at EFG, Mozamil has held a number of roles and has been responsible for the management of a series of fixed income funds and portfolios as well as holding supervisory roles in a number of multi-manager hedge and equity funds as well as managing portfolios for retail, professional and institutional clients. Prior to joining EFG he was an analyst in the Macro-economic Policy Division at HM Treasury. Mozamil holds a Bachelor of Science (Hons) Degree in Mathematics from Middlesex University and a Master of Business Administration from Aston University.

Cornelis Johannes Stoute

Cornelis Johannes Stoute is the North Asia Head of EFG Bank AG, Hong Kong.

Cornelis joined EFG Bank AG Singapore Branch in August 2007 as Managing Director. He has re-joined EFG as North Asia Head, EFG Bank AG Hong Kong since May 2017.

He had been the regional Chief Executive Officer for MeesPierson Private Banking before he joined EFG Singapore in 2007, where he stayed till 2012 when he moved to Holland for family reasons. Cornelis' last appointment with EFG was Chief Executive of our Singapore Branch.

From 2000 onwards Cornelis was in charge of the Private Bank of MeesPierson in Asia. MeesPierson was part of the Fortis Group, which acquired London-headquartered Dryden Wealth Management in 2005, of which Cornelis became global Chief Executive Officer and Chairman.

From 2012 to 2017, Cornelis was involved in the wealth management industry in a different capacity. For example, he helped EFG Asia in 2013 and 2014 with our Next Generation Programs. Also he wrote the book "Help, I am Rich", which was published in 2015 by Wiley. And from early 2015 onwards he worked for Hubbis, where he was mainly involved in the development of an extensive Private Wealth Manager Foundation Certification Program.

Mr. Cornelis Johannes Stoute successfully passed the Financial Industry Competency Standards (FICS) assessment and certification process (now known as IBFA).

Lee Chun Sing

Mr. Lee, currently serves as Chief Executive Officer of the Manager and is also the Head of Asia of EFG Asset Management. He joined EFG Asset Management in 2012 and setup the Asian operations of EFG Asset Management. Prior to joining EFG Asset Management, he was the Head of Institutional Sales and Marketing at Legg Mason Asset Management Hong Kong from 2008 to 2011, where he was in charge of sales and marketing to institutional clients in the region. He previously worked in ABN AMRO Asset Management and held various positions in Asian Institutional Business and Business Development at JF Asset Management from 2000 to 2008. He received a Master degree in

Engineering from the Chinese University of Hong Kong and a Master degree of Business Administration from the Hong Kong University of Science and Technology. He is a CFA charterholder.

Patrick Zbinden

Patrick is the Co-Head of EFG Asset Management, as well as CEO of EFGAM (Switzerland) SA. Patrick joined EFG Bank in 2002 and has occupied various senior positions within the group. Prior to his current role, he was Head of Global Integration for EFG International, in charge of the due diligence and integration of all new acquisitions and the set-up of new operating offices worldwide. He is also a director of various EFG International group companies. Patrick earned a Master of Sciences in Economics from University of Lausanne, HEC, is a CFA charterholder and a Financial Risk Manager (FRM).

Trustee and Registrar

The Trustee of the Fund is HSBC Institutional Trust Services (Asia) Limited. The Trustee also acts as the Registrar of each Sub-Fund, and provides services in respect of the establishment and maintenance of the register of the Unitholders.

The Trustee was incorporated with limited liability in Hong Kong in 1974 and is registered as a trust company under the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) and approved by the Mandatory Provident Fund Schemes Authority as trustee of registered mandatory provident fund schemes under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). HSBC Institutional Trust Services (Asia) Limited is an indirectly wholly owned subsidiary of HSBC Holdings plc.

Under the Trust Deed, the Trustee is responsible for the safe-keeping of the assets of the Fund and each Sub-Fund, and such assets will be dealt with pursuant to the terms of the Trust Deed.

The Trustee may from time to time appoint or (where the appointment of a local custodian is required by the applicable laws and regulations of the relevant jurisdiction to be made by the Manager) agree in writing to the appointment by the Manager of, such person or persons as it thinks fit (including, without limitation, any of its connected persons) to hold, as custodian, or co-custodian, delegate, nominee or agent, all or any of the investments, assets or other property comprised in the Fund or any of the Sub-Funds and may empower any such person to appoint, with the prior consent in writing of the Trustee, co-custodians and/or sub-custodians (each such custodian, delegate, nominee, agent, co-custodian and sub-custodian a “**Correspondent**”).

The Trustee is required to (a) exercise reasonable care and diligence in the selection, appointment and on-going monitoring of Correspondents and (b) be satisfied that Correspondents retained remain suitably qualified and competent to provide the relevant custodial services to the Sub-Fund(s). The Trustee shall be responsible 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.

The fees and expenses of such custodian, co-custodian and sub-custodians or any persons appointed by the Trustee in relation to the relevant Sub-Fund shall, if approved by the Manager, be paid out of the relevant Sub-Fund.

The Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of: (a) Euroclear Bank S.A./N.V., Clearstream Banking, S.A. or any other central depository or clearing and

settlement system in relation to any investment deposited with such central depository or clearing and settlement system; or (b) any lender or a nominee appointed by the lender in whose name any assets of a Sub-Fund are registered pursuant to a borrowing undertaken for the account of such Sub-Fund.

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

Under the Trust Deed, the Trustee and its directors, officers, employees, delegates and agents shall be entitled for the purpose of indemnity against any actions, proceedings, liabilities, costs, claims, damages, expenses (including all reasonable legal, professional and other similar expenses) or demands to which it may be put or asserted against, or may incur or suffer in performing its obligations or functions relating to a Sub-Fund to have recourse to the assets of the relevant Sub-Fund or any part thereof but shall not have a right of recourse to the assets of any other Sub-Fund. Notwithstanding the foregoing, the Trustee shall not be exempted from or indemnified against any liability imposed under the laws of Hong Kong (including under the Trustee Ordinance) or for breach of trust through fraud or negligence for which it may be liable in relation to its duties, or be indemnified against such liability by Unitholders or at Unitholders' expense.

The Trustee in no way acts as guarantor or offerer 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 Fund or the Sub-Fund(s), 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 (the “OFAC”) of the US Department of the Treasury. The OFAC administers and enforces economic sanction programs primarily against countries 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 out in the sub-section headed “*Trustee, Registrar and Administration Fee*” in the section headed “*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 Fund and/or each Sub-Fund. The Trustee (including its delegate) is not responsible and has no liability for any investment decision made by the Manager. Except as provided in the Trust Deed or expressly stated in this Explanatory Memorandum and/or required by the Code, neither the Trustee nor any of its employees, service providers or agents are or will be involved in the business affairs, organisation, sponsorship or investment management of the Fund or the Sub-Funds, and they are not responsible for the preparation or issue of this Explanatory Memorandum other than the description under the sub-section headed “*Trustee and Registrar*” in the section headed “*Management and Administration of the Fund*”.

Authorised Distributors

The Manager may appoint one or more Authorised Distributor(s) to market, promote, sell and/or distribute Units of one or more Sub-Fund(s), and to receive applications for subscription, redemption and/or conversion of Units.

Where application for Units is made through an Authorised Distributor, Units may be registered in the name of a nominee company of the Authorised Distributor through whom the applicant applies for the Units. As a result of this arrangement, the applicant will be dependent on the person in whose name the applicant's Units are registered to take action on his/her behalf.

Investors who apply for subscription, redemption and/or conversion of Units through Authorised Distributor(s) should note that such Authorised Distributor(s) may impose earlier dealing deadlines for receiving instructions for subscriptions, redemptions or conversions. Investors should pay attention to the arrangements of the Authorised Distributor(s) concerned.

The Manager may pay or share any of the fees received by it (including any Subscription Charge, Redemption Charge, Switching Fee and management fees) with such Authorised Distributors. For the avoidance of doubt, any fees, costs and expenses payable to the Authorised Distributor(s) arising out of any advertisement or promotional activities in connection with the Fund or the Sub-Fund(s) will not be paid from the assets of the Fund or the Sub-Fund(s).

Other Service Providers

The Trustee or the Manager may appoint other service providers to provide services in respect of a Sub-Fund. Details of such other service providers (if any) are set out in the relevant Appendix.

INVESTMENT CONSIDERATIONS

Investment Objective and Policies

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

There may not be any fixed asset allocation by geographical locations for certain Sub-Funds. The expected asset allocations for a Sub-Fund (if any) are for indication only. In order to achieve the investment objectives, the actual asset allocations may in extreme market conditions (such as economic downturn or political turmoil in the markets in which a substantial portion of the assets of a Sub-Fund is invested or changes in legal or regulatory requirements or policies) vary significantly from the expected asset allocations.

Any changes in the investment objective and/or policy which are not immaterial changes will be subject to the prior approval of the SFC and notified to the affected Unitholders by at least one month's prior written notice (or such other notice period as agreed with the SFC). Set out below are the overriding principles and requirements that must be satisfied in order for any changes to be immaterial changes:

- (a) the changes do not amount to a material change to the relevant Sub-Fund;
- (b) there will be no material change or increase in the overall risk profile of the relevant Sub-Fund following the changes; and
- (c) the changes do not materially prejudice the rights or interests of Unitholders of the relevant Sub-Fund.

Investment Restrictions

The Trust Deed sets out restrictions and prohibitions on the acquisition of certain investments by the Manager. Unless otherwise disclosed in the relevant Appendix, each of the Sub-Funds is subject to the following principal investment restrictions:-

- (a) not more than 10% of the latest available Net Asset Value of a Sub-Fund may consist of securities issued by a single issuer (other than Government and other public securities);
- (b) a Sub-Fund may not hold more than 10% (when aggregated with the holdings of all the other Sub-Funds) of any ordinary shares issued by any single issuer;
- (c) not more than 15% of the latest available Net Asset Value of a Sub-Fund may consist of securities of any company neither listed, quoted nor dealt in on a Securities Market;
- (d) not more than 15% of the latest available Net Asset Value of a Sub-Fund may consist of warrants and options (in terms of the total amount of premium paid), other than warrants and options held for hedging purposes;
- (e) (i) not more than 10% of the latest available Net Asset Value of a Sub-Fund may in aggregate consist of shares or units in other collective investment schemes (namely “**underlying schemes**”) which are non-recognised jurisdiction schemes (as permitted under the Code) and not authorised by the SFC; (ii) not more than 30% of the latest available Net Asset Value of a Sub-Fund may consist of shares or units in an underlying scheme which is a recognised jurisdiction scheme (i.e. a UCITS scheme which is domiciled in Luxembourg, Ireland or the United Kingdom, whether or not authorised by the SFC) or an SFC-authorised scheme; provided that

- (1) no investment may be made in an underlying scheme the investment objective of which is to invest primarily in any investment prohibited under Chapter 7 of the Code;
 - (2) where the investment objective of such underlying scheme is to invest primarily in investments restricted under Chapter 7 of the Code and/or applicable laws and regulations, such holdings may not be in contravention of the relevant limitation;
 - (3) all initial charges on the underlying scheme must be waived if the underlying scheme is managed by the Manager or any of its connected persons; and
 - (4) the Manager may not obtain a rebate on any fees or charges levied by such underlying scheme or its manager;
- (f) subject to paragraph (g) below, not more than 20% of the latest available Net Asset Value of a Sub-Fund may consist of physical commodities (including gold, silver, platinum or other bullion) and commodity based investments (other than shares in companies engaged in producing, processing or trading in commodities);
 - (g) the net total aggregate value of futures contract prices, whether payable to or by a Sub-Fund under all outstanding futures contracts (other than futures contracts entered into for hedging purposes), together with the aggregate value of investments falling within paragraph (f) above held by that Sub-Fund, may not exceed 20% of the latest available Net Asset Value of that Sub-Fund;
 - (h) notwithstanding paragraphs (a) and (b) above, not more than 30% of the latest available Net Asset Value of a Sub-Fund may consist of Government and other public securities of the same issue;
 - (i) subject to paragraph (h) above, a Sub-Fund may be fully invested in Government and other public securities issued by a single issuer provided that it holds Government and other public securities of at least six different issues; and
 - (j) if the name of a Sub-Fund indicates a particular objective, geographic region or market, the Sub-Fund must invest at least 70% of its non-cash assets in securities and other investments to reflect the particular objective or geographic region or market which the Sub-Fund represents.

For the purpose of this section, “**Government and other public securities**” means any investment issued by, or the payment of principal and interest on, which is guaranteed by the government of any member state of the Organisation for Economic Co-operation and Development (“**OECD**”) or any fixed interest investment issued in any OECD country by a public or local authority or nationalised industry of any OECD country or anywhere in the world by any other body which is, in the opinion of the Trustee, of similar standing. “**Government and other public securities**” will be regarded as being of a different issue if, even though they are issued by the same person, they are issued on different terms whether as to repayment dates, interest rates, the identity of the guarantor, or otherwise.

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

- (i) invest in a security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5% of the total nominal amount of all the issued securities of that class or collectively the directors and the officers of the Manager own more than 5% of those securities;
- (ii) invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies or interests in real estate investment trusts);

- (iii) make short sales if as a consequence the liability of such Sub-Fund to deliver securities would exceed 10% of the latest available Net Asset Value of such Sub-Fund (and for this purpose securities sold short must be actively traded on a market where short selling is permitted);
- (iv) write uncovered options;
- (v) write a call option if the aggregate of the exercise prices of all call options written on behalf of the relevant Sub-Fund would exceed 25% of the latest available Net Asset Value of that Sub-Fund;
- (vi) lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person without the prior written consent of the Trustee;
- (vii) enter into any obligation on behalf of a Sub-Fund or acquire any asset for the account of that Sub-Fund which involves the assumption of any liability which is unlimited; or
- (viii) invest in any security where a call is to be made for any sum unpaid on that security, unless the call could be met in full out of cash or near cash from such Sub-Fund, the amount of which has not already been taken into account for the purposes of paragraph (v) above.

Borrowing Restrictions

Unless otherwise disclosed in the relevant Appendix, the Manager may borrow up to 25% of the latest available Net Asset Value of a Sub-Fund (except for a Sub-Fund which is a capital markets scheme (as defined in the Code) which may not exceed 10% of the latest available Net Asset Value of such Sub-Fund) to acquire investments, to meet redemption requests or to pay expenses relating to the relevant Sub-Fund. For this purpose, back-to-back loans do not count as borrowing. The assets of a Sub-Fund may be charged or pledged as security for any such borrowings.

Breach of Investment and Borrowing Restrictions

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

Securities Lending and Repurchase / Reverse Repurchase Transactions

Unless otherwise disclosed in the relevant Appendix, the Manager currently does not intend to enter into any securities lending or repurchase / reverse repurchase transactions or other similar over-the-counter transactions in respect of any of the Sub-Funds. The approval of the SFC will be sought and at least one month's prior notice will be given to Unitholders and this Explanatory Memorandum will be updated should there be a change in such intention.

Liquidity Risk Management

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

The Manager's liquidity risk management policy takes into account the investment strategy; the dealing frequency; the underlying assets' liquidity (and whether they are priced at fair value); and the ability to enforce redemption limitations of the relevant Sub-Fund.

The liquidity risk management policy involves monitoring the profile of investments held by the relevant Sub-Fund on an on-going basis with the aim 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 the 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 relevant Sub-Fund in times of exceptional market conditions.

The Manager's risk management function is independent from the investment portfolio management function and is responsible for performing monitoring of the Sub-Fund's liquidity risk in accordance with the Manager's liquidity risk management policy. The oversight of the liquidity risk management function will be performed by an oversight committee (the "**Committee**") consisting of senior staff from the Investments, Risk, Compliance and Operations departments. The Committee generally meets no less than once every three months. Exceptions on liquidity risk related issues will be escalated to the Committee.

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

- the trading volume in the security;
- (where the price is determined by the market) the size of the issue and the portion of the issue that the Manager plans to invest in; and
- the cost and timeframe to acquire or sell the securities.

The Manager will classify the assets of each Sub-Fund into different liquidity categories. For example, for equity investments, the liquidity of the equities may be categorised as highly liquid, liquid or less liquid, depending on their days to trade.

The Manager will also perform liquidity stress testing on each Sub-Fund on an ongoing basis; normally no less than once every three months but in times of adverse market conditions or during the period where there are large redemption requests, the stress tests will be performed more frequently, if necessary.

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

- the Manager may, after giving notice to the Trustee, limit the number of Units of the relevant Sub-Fund redeemed on any Redemption Day to 10% of the total number of Units of the relevant Sub-Fund in issue, subject to the conditions under the heading entitled "**Restrictions on Redemption**" in the section headed "**Redemption of Units**". If such limitation is imposed, this would restrict the ability of a Unitholder to redeem in full the Units he intends to redeem on a particular Redemption Day;
- the Manager may suspend redemption under exceptional circumstances as set out under the heading entitled "**Suspension**" in the section headed "**Valuation and Suspension**". During such period of suspension, Unitholders would not be able to redeem their investments in the relevant Sub-Fund; and
- the Manager may, in calculation of the Issue Price and the Redemption Price, add fiscal and purchase charges (see "**Investing in the Fund – Issue Price**" above) or deduct fiscal and sale charges (see "**Redemption of Units – Redemption Price**" above), to protect the interest of remaining unitholders. Please refer to the heading entitled "**Adjustment of Prices**" in the section

headed “***Valuation and Suspension***” for further details. As a result of such adjustment, the Issue Price or the Redemption Price, (as the case may be) will be higher or lower than the Issue Price or the Redemption Price (as the case may be) which otherwise would be if such adjustment has not been made.

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

RISK FACTORS

Investors should consider the following risks and any additional risk(s) relating to any specific Sub-Fund, contained in the relevant Appendix, before investing in any of the Sub-Funds. Investors should note that the decision whether or not to invest remains with them. If investors have any doubt as to whether or not a Sub-Fund is suitable for them, they should obtain independent professional advice.

Risk of not achieving investment objective

There is no assurance that the investment objective of the respective Sub-Fund will be achieved. Whilst it is the intention of the Manager to implement strategies which are designed to minimise potential losses, there can be no assurance that these strategies will be successful. It is possible that an investor may lose a substantial proportion or all of its investment in a Sub-Fund. As a result, each investor should carefully consider whether he can afford to bear the risks of investing in the relevant Sub-Fund.

Investment risk

Investments involve risks. Each Sub-Fund's investment portfolio may fall in value due to any of the key risk factors set out in this Explanatory Memorandum and the Appendix for the relevant Sub-Fund and therefore your investment in the Sub-Fund may suffer losses. Each Sub-Fund is not principal guaranteed unless otherwise stated in the relevant Appendix. Investment in a Sub-Fund is not in the nature of a deposit in a bank account and is not protected by any government, government agency or other guarantee scheme which may be available to protect the holder of a bank deposit account. There is no guarantee that in any time period, particularly in the short term, a Sub-Fund's portfolio will achieve appreciation in terms of capital growth. Each Sub-Fund is subject to market fluctuations and to the risks inherent in all investments. The price of Units of any Sub-Fund and the income from them may go down as well as up. There is no guarantee of the repayment of principal.

Market risk

Market risk includes such factors as changes in economic environment, consumption pattern, lack of publicly available information of investments and their issuers and investors' expectations, which may have significant impact on the value of the investments. Usually, emerging markets tend to be more volatile than developed markets and may experience substantial price volatility. Market movements may therefore result in substantial fluctuations in the Net Asset Value per Unit of the relevant Sub-Fund. The price of Units and the distributions from them (if any) may go down as well as up.

There can be no assurance that an investor will achieve profits or avoid losses, significant or otherwise. The value of investments and the income derived from such investments may fall as well as rise and investors may not recoup the original amount invested in the Sub-Funds. In particular, the value of investments may be affected by uncertainties such as international, political and economic developments or changes in government policies. In falling equity markets, there may be increased volatility. Market prices in such circumstances may defy rational analysis or expectation for prolonged periods of time, and can be influenced by movements of large funds as a result of short-term factors, counter-speculative measures or other reasons and as a result, may have adverse impact to the relevant Sub-Fund and its investors.

Equity investment risks

A Sub-Fund may invest directly or indirectly in equity securities. Investing in equity securities may offer a higher rate of return than those investing in short term and longer term debt securities. However, the risks associated with investments in equity securities may also be higher, because the

investment performance of equity securities depends upon factors which are difficult to predict. As a result, the market value of the equity securities that it invests in may go down as well as up. Factors affecting the equity securities are numerous, including but not limited to general market risks, changes in investment sentiment, political environment, economic environment, issuer-specific factors and the business and social conditions in local and global marketplace. Securities exchanges typically have the right to suspend or limit trading in any security traded on the relevant exchange; a suspension will render it impossible to liquidate positions and can thereby expose the relevant Sub-Fund to losses. The government or the regulators may also implement policies that may affect the financial markets which may have a negative impact on the relevant Sub-Fund.

Volatility risk

Prices of securities may be volatile. Price movements of securities are difficult to predict and are influenced by, among other things, changing supply and demand relationships, governmental trade, fiscal, monetary and exchange control policies, national and international political and economic events, and the inherent volatility of the market place and the potential settlement difficulties in the markets. A Sub-Fund's value will be affected by such price movements and could be volatile, especially in the short-term.

Risk relating to small- and mid-capped companies

A Sub-Fund may invest in the securities of small and/or mid-capped companies. Investing in these securities may expose such Sub-Fund to risks such as lower liquidity, greater market price volatility, less publicly available information, and greater vulnerability to fluctuations in the economic cycle. Their prices are also more volatile to adverse economic developments than those of larger capitalisation companies in general.

Risks of investing in IPO securities

A Sub-Fund may invest in initial public offers (“**IPOs**”) securities. The prices of securities involved in initial public offers (“**IPOs**”) are often subject to greater and more unpredictable price changes than more established securities. There is the risk that there are inadequate trading opportunities generally or allocations for IPOs which the Manager wishes or is able to participate in. Furthermore, the liquidity and volatility risks associated with investments or potential investments in IPO securities may be difficult to assess, due to the lack of trading history of such IPO securities. These risks may have adverse impact on the relevant Sub-Fund and its investors.

Risks relating to debt securities

- ***Credit risk***

Investment in bonds or other debt securities involve credit/default risk of the issuers. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security or its issuer may also affect the security's liquidity, making it more difficult to sell. A Sub-Fund's investment is also subject to the risk that issuers may not make timely payments on principal and/or interests of the securities they issue. If the issuers of any of the securities in which the Sub-Fund's assets are invested default, the performance of the Sub-Fund will be adversely affected.

The debt securities that a Sub-Fund invests in may be offered on an unsecured basis without collateral. In such circumstances, the relevant Sub-Fund will rank equally with other unsecured creditors of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer's assets will be paid to holders of the relevant fixed

income instrument issued by it only after all secured claims have been satisfied in full. The relevant Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

A Sub-Fund may hold cash and deposits in banks or other financial institutions and the extent of governmental and regulatory supervision may vary. The Sub-Fund might suffer a significant or even total loss in the event of insolvency of the banks or financial institutions.

- *Credit ratings risk*

The ratings of debt securities by Moody's Investor Services, Standard & Poor's and Fitch's are a generally accepted barometer of credit risk. They are, however, subject to certain limitations from an investor's standpoint and do not guarantee the creditworthiness of the security and/or their issuer at all times. The rating of an issuer is heavily weighted by past performance and does not necessarily reflect probable future conditions. Rating agencies might not always change their credit rating of an issuer in a timely manner to reflect events that could affect the issuer's ability to make scheduled payment on its obligations. In addition, there may be varying degrees of difference in credit risk of securities within each rating category.

- *Credit rating downgrading risk*

The credit rating assigned to a security or an issuer may be re-evaluated and updated based on recent market events or specific developments. As a result, investment grade securities may be subject to the risk of being downgraded to below investment grade securities. Similarly, an issuer having an investment grade rating may be downgraded, for example, as a result of deterioration of its financial conditions. In the event of downgrading in the credit ratings of a security or an issuer relating to a security, a Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not dispose of the securities that are being downgraded, subject to the investment objectives of the relevant Sub-Fund. In the event of investment grade securities being downgraded to below investment grade securities and such securities continued to be held by the Sub-Fund, the Sub-Fund will also be subject to the below investment grade securities risk outlined in the following paragraph.

- *Below investment grade and unrated securities risk*

A Sub-Fund may invest in securities which are below investment grade (including high yield bonds) or which are unrated. Investors should note that such securities would generally be considered to have a higher degree of counterparty risk, credit risk and liquidity risk than higher rated, lower yielding securities and may be subject to higher volatility, greater fluctuation in value and higher chance of default. If the issuer of securities defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. The market for these securities may be less active, making it more difficult to sell the securities. Valuation of these securities is more difficult and thus the relevant Sub-Fund's prices may be more volatile.

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

- *Interest rates risk*

Changes in interest rates may affect the value of a debt security as well as the financial markets in general. Debt securities (such as bonds) are more susceptible to fluctuation in interest rates and may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes. If the debt securities held by a Sub-Fund fall in value, the Sub-Fund's value will also be adversely affected.

- *Valuation risk*

The value of debt securities that a Sub-Fund invests may be subject to the risk of mispricing or improper valuation, i.e. operational risk that the debt securities are not priced properly. Valuations of quoted or listed debt securities are primarily based on the valuations from independent third party sources where the prices are available. However, in the case where independent pricing information may not be available such as in extreme market conditions or break down in the systems of third party sources, the value of such debt securities may be based on certification by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager after consultation with the Trustee. Valuations in such circumstance may involve uncertainty and judgemental determination.

In the event of adverse market conditions where it is not possible to obtain any reference quotation from the market at the relevant time of valuation, the latest available quotations of the relevant debt securities may be used to estimate the fair market value. Alternatively, the Manager after consultation with the Trustee may, permit some other method of valuation to be used to estimate the fair market value of such debt securities including the use of quotation of other debt securities with very similar attributes. Such valuation methodology may not equal to the actual liquidation price due to liquidity and size constraints. If valuation is proven to be incorrect, this will affect the Net Asset Value calculation of the relevant Sub-Fund.

The valuation of unlisted debt securities is more difficult to calculate than listed debt securities. Normally, unlisted debt securities are valued at their initial value thereof equal to the amount expended out of the relevant Sub-Fund in the acquisition thereof (including in each case the amount of the stamp duties, commissions and other acquisition expenses) provided that the value of any such unlisted debt securities shall be determined on a regular basis by a professional person (which may be the Manager) approved by the Trustee as qualified to value such unlisted debt securities. Such professional person may value the unlisted debt securities by reference to the prices of other comparable unlisted debt securities. The trading of unlisted debt securities may not be transparent and the prices of unlisted debt securities may not be openly displayed. There is a risk that such professional person is not aware of all the trading in unlisted debt securities and may use prices which may be historical only and may not reflect recent trading in the debt securities concerned. In such circumstance, the valuation of the unlisted debt securities may not be accurate as a result of incomplete price information. This would have impact on the calculation of the Net Asset Value of the relevant Sub-Fund.

- *Unlisted debt securities risk*

The debt securities in which a Sub-Fund invests may not be listed on a stock exchange or a securities market where trading is conducted on a regular basis. Even if the debt securities are listed, the market for such securities may be inactive and the trading volume may be low. In the absence of an active secondary market, the relevant Sub-Fund may need to hold the debt securities until their maturity date. If sizeable redemption requests are received, the relevant Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the relevant Sub-Fund may suffer losses in trading such securities.

Risks of investing in other funds

A Sub-Fund may invest in underlying funds which are not regulated by the SFC and will be subject to the risks associated with the underlying funds. In addition to the expenses and charges charged by such Sub-Fund, investor should note that there are additional fees involved when investing into these underlying funds, including fees and expenses charged by investment manager of these underlying funds as well as fees payable by the relevant Sub-Fund during its subscription to or redemption from these underlying funds. Furthermore, there can be no assurance that 1) the liquidity of the underlying funds will always be sufficient to meet redemption request as and when made; and 2) investment objective and strategy will be successfully achieved despite the due diligence procedures undertaken by the Manager and the selection and monitoring of the underlying funds, because the Manager does not have control of the investments of the underlying funds. These factors may have adverse impact on the relevant Sub-Fund and its investors. If a Sub-Fund invests in an underlying fund managed by the Manager or connected person of the Manager, potential conflict of interest may arise. Please refer to the section headed “***General Information - Conflicts of Interest***” for details under the circumstances.

Borrowing risks

The Trustee, on the instruction of the Manager, may borrow for the account of a Sub-Fund for various reasons, such as facilitating redemptions or to acquire investments for the account of the relevant Sub-Fund. Borrowing involves an increased degree of financial risk and may increase the exposure of the relevant Sub-Fund to factors such as rising interest rates, downturns in the economy or deterioration in the conditions of the assets underlying its investments. There can be no assurance that the relevant Sub-Fund will be able to borrow on favourable terms, or that the relevant Sub-Fund's indebtedness will be accessible or be able to be refinanced by the relevant Sub-Fund at any time.

Emerging markets risks

Certain countries in which a Sub-Fund may invest are considered as emerging markets. Investments in emerging markets may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility. Investments in emerging markets will also be sensitive to any change in political, social or economic development in the region. Many emerging countries have historically been subject to political instability which may affect the value of securities in emerging markets to a significant extent. As emerging markets tend to be more volatile than developed markets, any holdings in emerging markets are exposed to higher levels of market risk.

The securities markets of some of the emerging countries in which a Sub-Fund's assets may be invested are not yet fully developed which may, in some circumstances, lead to a potential lack of liquidity. The securities markets of developing countries are not as large as the more established securities markets and have a substantially lower trading volume. Investment in such markets will be subject to risks such as market suspension, restrictions on foreign investment and control on repatriation of capital.

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

Underlying investments of emerging market funds may also become illiquid which may constrain the Manager's ability to realise some or all of the portfolio. Accounting, auditing and financial reporting

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

Sovereign risks

Certain developing countries and certain developed countries are especially large debtors to commercial banks and foreign governments. Investment in debt obligations issued or guaranteed by governments or their agencies of such countries may involve a high degree of political, social and economic risk. The willingness or ability of a governmental entity to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due and the relative size of the debt service burden to the economy as a whole.

Governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others agencies abroad to reduce principal and arrearage on their debts. However, failure to implement economic reforms or achieve a required level of economic performance or repay debts when due may result in the cancellation of these third parties' commitments to continuously lend funds to a governmental entity, which may further impair such debtor's ability or willingness to service its debt on a timely basis.

In case of default, holders of sovereign debts (including a Sub-Fund) may be requested to participate in the rescheduling of such debt and to extend further loans to the relevant governmental entities. In addition, a Sub-Fund may invest in securities issued or guaranteed by the government of a country with a sovereign credit rating below investment grade. The performance and value of the Sub-Fund could deteriorate should there be any adverse credit events in the sovereign, in particular if there is downgrading of the sovereign credit rating or a default or bankruptcy of a sovereign occurs. There are no bankruptcy proceedings by which sovereign debt on which a governmental entity has defaulted may be recovered in whole or in part.

Concentration risk

A Sub-Fund's investments may be concentrated in a specific country/region/sector/asset class. A Sub-Fund's portfolio may not be well diversified in terms of the number of holdings and the number of issuers of securities that the Sub-Fund may invest in. Such Sub-Fund may be adversely affected by or depend heavily on the performance of those securities. Investors should also be aware that such Sub-Fund is likely to be more volatile than a broad-based fund, such as a global or regional equity or bond fund. The value of such Sub-Fund may be more susceptible to fluctuations in value resulting from limited number of holdings or from adverse economic, political, policy, foreign exchange, liquidity, tax legal or regulatory event affecting the respective country/region/sector/asset class.

Settlement risk

Settlement procedures in emerging countries are frequently less developed and less reliable and may involve the relevant Sub-Fund's delivery of securities, or transfer of title to securities, before receipt of payment for their sale. A Sub-Fund may be subject to a risk of substantial loss if a securities firm defaults in the performance of its responsibilities. A Sub-Fund may incur substantial losses if its counterparty fails to pay for securities such Sub-Fund has delivered, or for any reason fails to complete its contractual obligations owed to such Sub-Fund. On the other hand, significant delays in settlement may occur in certain markets in registering the transfer of securities. Such delays could result in substantial losses for a Sub-Fund if investment opportunities are missed or if a Sub-Fund is unable to acquire or dispose of a security as a result.

Custodial risk

Custodians or sub-custodians may be appointed in local markets for purpose of safekeeping assets in those markets. Where a Sub-Fund invests in markets where custodial and/or settlement systems are not fully developed, the assets of the Sub-Fund may be exposed to custodial risk. In case of liquidation, bankruptcy or insolvency of a custodian or sub-custodian, the Sub-Fund may take a longer time to recover its assets. In extreme circumstances such as the retroactive application of legislation and fraud or improper registration of title, the Sub-Fund may even be unable to recover all of its assets. The costs borne by a Sub-Fund in investing and holding investments in such markets will be generally higher than in organised securities markets.

Counterparty risk

Counterparty risk involves the risk that a counterparty or third party will not fulfil its obligations to a Sub-Fund. A Sub-Fund may be exposed to the risk of a counterparty through investments such as bonds, futures and options. To the extent that a counterparty defaults on its obligations and a Sub-Fund is prevented from exercising its rights with respect to the investment in its portfolio, a Sub-Fund may experience a decline in the value and incur costs associated with its rights attached to the security. The Sub-Fund may sustain substantial losses as a result.

Currency and foreign exchange risk

A Sub-Fund may also issue Classes denominated in a currency other than the Base Currency of that Fund or the currency of its underlying investment. A Sub-Fund may be invested in part in assets quoted in currencies other than its Base Currency or the relevant Class Currency. The performance of such Sub-Fund will therefore be affected by movements in the exchange rate between the currencies in which the assets are held and the Base Currency of such Sub-Fund or the relevant Class Currency. The Net Asset Value of such Sub-Fund may also be affected unfavourably by changes in exchange rate controls. Since the Manager aims to maximise returns for such Sub-Fund in terms of its Base Currency, investors in such Sub-Fund may be exposed to additional currency risk. These risks may have adverse impact on the relevant Sub-Fund and its investors.

A Sub-Fund may, in part, seek to offset the risks associated with such exposure through foreign exchange transactions. The markets in which foreign exchange transactions are effected are highly volatile, highly specialised and highly technical. Significant changes, including changes in liquidity and prices, can occur in such markets within very short periods of time, often within minutes. Foreign exchange trading risks include, but are not limited to, exchange rate risk, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment, or particular transactions in foreign currency. These risks may have adverse impact on the relevant Sub-Fund and its investors.

Any changes in exchange control regulations may cause difficulties in the repatriation of funds. Dealings in a Sub-Fund may be suspended if the relevant Sub-Fund is unable to repatriate funds for the purpose of making payments on the redemption of Units. For further details on suspension of dealings in a Sub-Fund, please refer to the section headed “***Valuation and Suspension - Suspension***” below.

Derivative and structured product risk

A Sub-Fund may invest in derivatives such as options, futures and convertible securities, and in depositary receipts, participation rights and potentially through other instruments which are linked to the performance of securities or indices such as participation notes, equity swaps and equity linked notes, which are sometimes referred to as “structured products”. Risks associated with derivatives include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter

transaction risk. Investment in these instruments can be illiquid, if there is no active market in these instruments. Such instruments are complex in nature. Therefore there are risks of mispricing or improper valuation and possibilities that these instruments do not always perfectly track the value of the securities, rates or indices they are designed to track. Improper valuations can result in increased payments to counterparties or a loss in the value of the relevant Sub-Fund.

These instruments will also be subject to insolvency or default risk of the issuers or counterparties. In addition, investment through structured products may lead to a dilution of performance of such Sub-Funds when compared to a fund investing directly in similar assets. Besides, many derivative and structured products involve an embedded leverage. The leverage element/component of a derivative can result in a loss significantly greater than the amount invested in the derivative by the relevant Sub-Fund. Exposure to derivatives may lead to a high risk of significant loss by the relevant Sub-Fund.

Over-the-counter markets risk

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

In addition, certain instruments traded on the OTC markets (such as customised financial derivatives and structured products) can be illiquid. The market for relatively illiquid investments tends to be more volatile than the market for more liquid investments. These risks may have adverse impact on the relevant Sub-Fund and its investors.

Hedging risk

The Manager is permitted, but not obliged, to use hedging techniques such as using futures, options and/or forward contracts to attempt to offset market and currency risks. There is no guarantee that hedging techniques will fully and effectively achieve their desired result. The success of hedging much depends on the Manager’s expertise and hedging may become inefficient or ineffective. This may have adverse impact on the relevant Sub-Fund and its investors.

While a Sub-Fund may enter into such hedging transactions to seek to reduce risks, unanticipated changes in currency, interest rates and market circumstances may result in a poorer overall performance of a Sub-Fund. A Sub-Fund may not obtain a perfect correlation between hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the intended hedge or expose the relevant Sub-Fund to risk of loss.

Any expenses arising from such hedging transactions, which may be significant depending on prevailing market conditions, will be borne by the relevant Sub-Fund in relation to which they have been incurred.

Liquidity risk

Some of the markets in which a Sub-Fund invests may be less liquid and more volatile than the world’s leading stock markets and this may result in the fluctuation in the price of securities traded on such markets. Certain securities may be difficult or impossible to sell, and this would affect the relevant Sub-Fund’s ability to acquire or dispose of such securities at their intrinsic value. The bid and spreads of the price of such securities may be large and the relevant Sub-Fund may incur significant trading

costs. A Sub-Fund may encounter difficulties in valuing and/or disposing of assets at their fair price due to adverse market conditions and/or large-scale redemptions. This may also expose the Sub-Fund to liquidity risks. 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. As a result, this may have adverse impact on the relevant Sub-Fund and its investors.

Difficulties in valuation of investments

Securities acquired on behalf of a Sub-Fund may subsequently become illiquid due to events relating to the issuer of the securities, market and economic conditions and regulatory sanctions. In cases where no clear indication of the value of a Sub-Fund's portfolio securities is available (for example, when the secondary markets on which a security is traded has become illiquid) the Manager may apply valuation methods to ascertain the fair value of such securities.

In addition, market volatility may result in a discrepancy between the latest available issue and redemption prices for the Sub-Fund and the fair value of the Sub-Fund's assets. To protect the interest of investors, the Manager may, after consultation with the Trustee, adjust the Net Asset Value of the Sub-Fund or the Units, if in the circumstances it considers that such adjustment is required to reflect more accurately the fair value of the Sub-Fund's assets.

Valuation of a Sub-Fund's investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may be adversely affected.

Restricted markets risk

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

Legal, tax and regulatory risk

Legal, tax and regulatory changes could occur in the future. For example, the regulatory or tax environment for derivative instruments is evolving, and changes in their regulation or taxation may adversely affect the value of derivative instruments. Changes to the current laws and regulations will lead to changes in the legal requirements to which the relevant Sub-Fund may be subject, and may adversely affect the relevant Sub-Fund and its investors.

Risk of termination

A Sub-Fund may be terminated in certain circumstances which are summarised under the section ***“General Information - Termination of Fund or a Sub-Fund”***, including where, on any date, in relation to the Fund, the aggregate Net Asset Value of all Units outstanding thereunder shall be less than US\$5 million or its equivalent or in relation to a Sub-Fund, the aggregate Net Asset Value of the Units outstanding thereunder shall be less than US\$5 million or its equivalent (or other amounts disclosed in the Appendix). In the event of the termination of a Sub-Fund, such Sub-Fund would have to distribute to the Unitholders their pro rata interest in the assets of the Sub-Fund. It is possible that at the time of such sale or distribution, certain investments held by the relevant Sub-Fund will be worth less than the initial cost of acquiring such investments, resulting in a loss to the Unitholders.

Moreover, any organisational expenses (such as establishment costs) with regard to the relevant Sub-Fund that had not yet been fully amortised would be debited against the Sub-Fund's assets at that time.

Distributions risk

Distributions may be made in respect of the Distribution Classes. However, there is no guarantee that such distributions will be made nor will there be a target level of distributions payout. A high distribution yield does not imply a positive or high return.

Subject to the disclosure in the relevant Appendix, distributions may be paid out of the capital of a Sub-Fund. The Manager may distribute out of the capital of a Sub-Fund if the net distributable income attributable to the relevant Distribution Class during the relevant period is insufficient to pay distributions as declared. **Investors should note that the payment of dividends out of capital amounts to a return or a withdrawal of part of the amount they originally invested or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of a Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Unit of the relevant Distribution Class. The distribution amount and Net Asset Value of the hedged Unit Class may be adversely affected by differences in the interest rates of the Class Currency of the hedged Unit 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 Unit Classes.**

For Accumulation Classes, the Manager does not intend to pay distributions. Accordingly, an investment in the Accumulation Classes may not be suitable for investors seeking income returns for financial or tax planning purposes.

Cross-Class liability

Multiple Classes of Units may be issued in relation to a Sub-Fund, with particular assets and liabilities of that Sub-Fund attributable to particular Classes. Where the liabilities of a particular Class exceed the assets pertaining to that Class, creditors pertaining to one class may have recourse to the assets attributable to other Classes. Although for the purposes of internal accounting, a separate account will be established for each Class, in the event of an insolvency or termination of that Sub-Fund (i.e. when the assets of that Sub-Fund are insufficient to meet its liabilities), all assets will be used to meet that Sub-Fund's liabilities, not just the amount standing to the credit of any individual Class. However, the assets of that Sub-Fund may not be used to satisfy the liabilities of another Sub-Fund.

Creation of Sub-Funds or New Classes of Units

Additional Sub-Funds or additional Classes of Units which may have different terms of investment may be established in the future without the consent of, or notification to existing Unitholders. In particular, such additional Sub-Funds or additional Classes may have different terms with regard to fees.

Non-compliance with HKFRS

The annual and semi-annual reports and accounts of a Sub-Fund will be prepared in accordance with the HKFRS. Investors should note that the valuation rules described in the section headed "**Valuation and Suspension – Calculation of Net Asset Value**" below may not necessarily comply with HKFRS. Under HKFRS, investments should be valued at fair value, and bid and ask pricing is considered to be representative of fair value for long and short listed investments respectively. However, under the valuation basis described in the section headed **Valuation and Suspension – Calculation of Net Asset**

Value” below, listed investments are expected to be valued normally at the last traded price or closing price instead of bid and ask pricing as required under HKFRS.

The cost of establishment of each Sub-Fund will be amortised over the Amortisation Period. Investors should note that this policy of amortisation is not in accordance with HKFRS. However, the Manager has considered the impact of such non-compliance and do not expect this issue to materially affect the results and Net Asset Value of a Sub-Fund. Further, the Manager believes that this policy is fairer and more equitable to the initial investors.

Foreign Account Tax Compliance

Sections 1471 – 1474 (referred to as “**FATCA**”) of the US Internal Revenue Code of 1986, as amended (“**IRS Code**”) impose new rules with respect to certain payments to non-United States persons, such as the Fund and the Sub-Funds, including interest and dividends from securities of US issuers and gross proceeds from the sale of such securities. All such payments may be subject to withholding at a 30% rate, unless the recipient of the payment satisfies certain requirements intended to enable the US Internal Revenue Service (“**IRS**”) to identify United States persons (within the meaning of the IRS Code) with interests in such payments. To avoid such withholding on payments made to it, a foreign financial institution (an “**FFI**”), such as the Fund and the Sub-Funds (and, generally, other investment funds organised outside the US), generally will be required to be subject to the terms of an agreement (an “**FFI Agreement**”) with the US IRS under which it will agree to, among other things, identify its direct or indirect owners who are United States persons and report certain information concerning such United States person owners to the US IRS.

In general, an FFI which does not sign an FFI Agreement and is not otherwise exempt will face a punitive 30% withholding tax on all “withholdable payments”, including derived from US-sourced dividends, interest and certain other payments. In addition, starting from 1 January 2019, gross proceeds such as sales proceeds and returns of principal derived from stocks and debt obligations generating US source dividends or interest will be treated as “withholdable payments.” It is possible that certain non-US sourced payments attributable to amounts that would be subject to FATCA withholding (referred to as “foreign passthru payments”) may also be subject to FATCA withholding starting no earlier than 1 January 2019, though the definition of “foreign passthru payments” in US Treasury Regulations is currently pending.

The Hong Kong government has entered into an intergovernmental agreement with the US (“**IGA**”) for the implementation of FATCA, adopting “Model 2” IGA arrangements. Under these “Model 2” IGA arrangements, FFIs in Hong Kong (such as the Fund and the Sub-Funds) would be required to be subject to the terms of the FFI Agreement with the US IRS, register with the US IRS and comply with the terms of the FFI Agreement. Otherwise they may be subject to a 30% withholding tax on withholdable payments to them.

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

The Fund and/or each Sub-Fund established as at the date hereof will register with the U.S. IRS as a participating FFI and obtain a Global Intermediary Identification Number.

The Fund and each Sub-Fund will endeavour to satisfy the requirements imposed under FATCA and the FFI Agreement to avoid any withholding tax. In the event that the Fund or any Sub-Fund is not

able to comply with the requirements imposed by FATCA or the FFI Agreement and the Fund or such Sub-Fund does suffer US withholding tax on its investments as a result of non-compliance, the Net Asset Value of the Fund or that Sub-Fund may be adversely affected and the Fund or such Sub-Fund may suffer significant loss as a result.

Investors may be required to provide information and certification for the Fund and/or a Sub-Fund to comply with relevant FATCA obligations and failure to do so may result in the investors not being able to open an account to invest in the Fund and/or a Sub-Fund. In the event a Unitholder does not provide the requested information and/or documentation, whether or not that actually leads to compliance failures by the Fund or the relevant Sub-Fund, or a risk of the Fund or the relevant Sub-Fund being subject to withholding tax under FATCA, the Manager on behalf of the Fund and each of such relevant Sub-Fund reserves the right to take any action and/or pursue all remedies at its disposal including, without limitation, (i) reporting the relevant information of such Unitholder to the US IRS; (ii) withholding or deducting from such Unitholder's redemption proceeds or distributions to the extent permitted by applicable laws and regulations; and/or (iii) deeming such Unitholder to have given notice to redeem all his Units in the relevant Sub-Fund. The Manager in taking any such action or pursuing any such remedy shall act in good faith and on reasonable grounds.

Each Unitholder and prospective investor should consult with his own tax advisor as to the potential impact of FATCA in its own tax situation and on the Fund and the Sub-Fund(s).

Conflicts of interest; other activities of the Manager

Various potential and actual conflicts of interest may arise from the overall investment activities of the Manager and its connected persons for their own accounts and the accounts of others. The Manager and its connected persons may invest for their own accounts and for the accounts of clients in various instruments that have interests different from or adverse to the instruments that are owned by the relevant Sub-Fund. For more information, please refer to the section headed “***General Information - Conflicts of Interest***”.

Effect of substantial redemptions

Substantial redemptions by Unitholders within a short period of time could require the relevant Sub-Fund to liquidate securities and other positions more rapidly than would otherwise be desirable, possibly reducing the value of its assets and/or disrupting its investment strategy. Further, it may be impossible to liquidate a sufficient amount of securities to meet redemptions because a significant part of the portfolio at any given time may be invested in securities for which the market is or has become illiquid. Reduction in the size of the relevant Sub-Fund could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the Sub-Fund's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

In view of the above, investment in any Sub-Fund should be regarded as long term in nature. The Sub-Funds are, therefore, only suitable for investors who can afford the risks involved. Investors should refer to the relevant Appendix for details of any additional risks specific to a Sub-Fund.

INVESTING IN THE FUND

Classes of Units

Different classes of Units may be offered for each Sub-Fund. Although the assets attributable to each Class of Units of a Sub-Fund will form one single pool, each class of Units may be denominated in a different Class Currency or may have a different charging structure with the result that the Net Asset Value attributable to each Class of Units of a Sub-Fund may differ. In addition, each Class of Units may be subject to different Minimum Initial Subscription Amount, Minimum Subsequent Subscription Amount, Minimum Holding Amount and Minimum Redemption Amount. Investors should refer to the relevant Appendix for the available Classes of Units and the applicable minimum amounts.

Initial Offer

Units of a Sub-Fund or a Class in a Sub-Fund will be offered for the first time at the Initial Offer Price during the Initial Offer Period of such Sub-Fund or such Class as specified in the relevant Appendix.

Minimum Subscription Level

The offering of a Class of Units or a Sub-Fund may be conditional upon the Minimum Subscription Level (if applicable) being received on or prior to the close of the Initial Offer Period.

In the event that the Minimum Subscription Level of a Class of Units or a Sub-Fund is not achieved or the Manager is of the opinion that it is not in the commercial interest of investors or not feasible, as a result of adverse market conditions or otherwise, to proceed with the relevant Class of Units or Sub-Fund, the Manager may in its discretion extend the Initial Offer Period for the relevant Class of Units or Sub-Fund or determine that the relevant Class of Units or the relevant Sub-Fund and the Class or Classes of Units relating to it will not be launched. In such event, the relevant Class of Units or the Sub-Fund and the Class or Classes of Units relating to it shall be deemed not to have commenced.

Notwithstanding the aforesaid, the Manager reserves the discretion to proceed with the issue of Units of the relevant Class of Units or Sub-Fund even if the Minimum Subscription Level has not been achieved.

Subsequent Subscription

Units are available for subscription on each Subscription Day after the expiry of the Initial Offer Period.

Issue Price

After the close of the Initial Offer Period, the Issue Price per Unit for any Class of a Sub-Fund on a Subscription Day will be calculated by reference to the Net Asset Value per Unit of that Class as at the Valuation Point on the Valuation Day in respect of that Subscription Day (for further details see “*Valuation and Suspension - Calculation of Net Asset Value*” below).

In calculating the Issue Price, the Manager may impose such amount (if any) as the Manager may estimate as an appropriate allowance to reflect (i) the difference between the last traded price (or the mean between the last available bid and asked prices) of the investments of the relevant Sub-Fund and the latest available asked price of such investment and (ii) fiscal and purchase charges (including any stamp duty, other taxes, duties or governmental charges, brokerage, bank charges, transfer fees, or registration fees) which would be incurred for the account of the relevant Sub-Fund in investing an

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

The Issue Price shall be rounded down to four decimal places. Any amount corresponding to such rounding will accrue to the relevant Sub-Fund.

Subscription Charge

The Manager, its agents or delegates may charge a Subscription Charge on the issue of each Unit of a percentage of either (i) the Initial Offer Price or the Issue Price, as the case may be, of such Unit or (ii) the total subscription amount received in relation to an application, as the Manager may at its discretion determine. The maximum and current rate of Subscription Charge (if any) and the manner in which it will be imposed are specified in the relevant Appendix. For the avoidance of doubt, a lower maximum rate of Subscription Charge may be imposed in relation to the issue of Units of a Sub-Fund as compared to other Sub-Funds and also in relation to different Classes of Units of a Sub-Fund.

The Manager may at any time increase the rate of Subscription Charge provided that any increase in the rate of Subscription Charge above the maximum rate may only be made if such increase (i) will not impact on the existing investments of any Unitholder, and (ii) will be subject to any requirements of the Code.

The Manager may on any day differentiate between applicants or Classes of Units as to the amount of the Subscription Charge. The Subscription Charge will be retained by or paid to the Manager, its agents or delegates for their own absolute use and benefit.

Minimum Initial Subscription Amount and Minimum Subsequent Subscription Amount

Details of any Minimum Initial Subscription Amount and Minimum Subsequent Subscription Amount applicable to a Class of Unit or a Sub-Fund are set out in the relevant Appendix.

The Manager has the discretion to waive, change or accept an amount lower than the Minimum Initial Subscription Amount or Minimum Subsequent Subscription Amount from time to time, whether generally or in a particular case.

Application Procedures

Applications for subscription of Units may be made to the Registrar by completing the Application Form and sent by post or by facsimile or electronic means (provided that the original follows promptly by post) to the Registrar at the business address or facsimile number on the Application Form. The Manager and/or the Registrar may request further supporting documents and/or information to be provided together with the Application Form. The Application Form is available from the Registrar and/or the Authorised Distributors.

In respect of Application Forms and subscription moneys in cleared funds which are received on or before the IOP Deadline, Units will be issued following the close of the Initial Offer Period. If Application Forms and/or application monies in cleared funds are received after the IOP Deadline, the relevant applications shall be carried forward to the next Subscription Day and shall be dealt with at the Issue Price at such Subscription Day.

Following the close of the Initial Offer Period, an Application Form received by the Registrar by the Subscription Deadline of a Subscription Day will be dealt with on that Subscription Day. If an application for Units is received after the Subscription Deadline in respect of a Subscription Day then the application will be held over until the next Subscription Day provided that the Manager may in the

event of system failure which is beyond the reasonable control of the Manager or events of natural disaster and with the approval of the Trustee after taking into account the interest of other Unitholders of the relevant Sub-Fund, exercise its discretion to accept an application in respect of a Subscription Day which is received after the Subscription Deadline if it is received prior to the Valuation Point relating to that Subscription Day. Notwithstanding the aforesaid, where in the Trustee's reasonable opinion, the Trustee's operational requirements cannot support accepting any such application, the Manager shall not exercise its discretion to accept any application.

Payment procedures

Payment for Units subscribed for cash during the Initial Offer Period and the Subscription Charge (if any) is due in cleared funds by the IOP Deadline. Following the close of the Initial Offer Period, payment for Units and the Subscription Charge (if any) is due at the expiry of the Payment Period.

If payment in full in cleared funds has not been received by the IOP Deadline or the relevant Payment Period (or such other period as the Manager may determine and disclose to the applicants), the Manager may (without prejudice to any claim in respect of the failure of the applicant to make payment when due) cancel any Units which may have been issued in respect of such application for subscription and the Manager must cancel the issue of the relevant Units if the Trustee so requires.

Upon such cancellation, the relevant Units shall be deemed never to have been issued and the applicant shall have no right to claim in respect thereof against the Manager or the Trustee, provided that: (i) no previous valuations of the relevant Sub-Fund shall be re-opened or invalidated as a result of the cancellation of such Units; (ii) the Manager and the Trustee may charge the applicant a Cancellation Fee to represent the administrative costs involved in processing the application for such Units from such applicant; and (iii) the Manager and the Trustee may require the applicant to pay (for the account of the relevant Sub-Fund in respect of each Unit so cancelled) the amount (if any), by which the Issue Price of each such Unit exceeds the Redemption Price of such Unit on the day of cancellation (if such day is a Redemption Day for the relevant class of Units) or the immediately following Redemption Day plus interest on such amount until receipt of such payment by the Trustee.

Payments for Units should be made in the Base Currency of the relevant Sub-Fund or where one or more Classes are issued in respect of a Sub-Fund, payment for Units of a Class should be made in the Class Currency of such Class. Subject to the agreement of the Manager, payment in other freely convertible currencies may be accepted. Where amounts are received in a currency other than the relevant Base Currency or Class Currency (as the case may be), they will be converted into the relevant Base Currency or Class Currency (as the case may be) at the cost of the relevant applicant and the proceeds of conversion (after deducting the costs of such conversion) will be applied in the subscription of Units in the relevant Sub-Fund or Class. Any conversion to the relevant Base Currency or Class Currency (as the case may be), will be at the prevailing market rate (whether official or otherwise) which the Manager deems appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange. Conversion of currency may be made at a premium or discount in exceptional circumstances such as where there is a huge fluctuation in the exchange rate. Currency conversion will be subject to availability of the currency concerned. Save for any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence of the Trustee or the Manager, none of the Manager, the Trustee or their respective agents or delegates will be liable to any Unitholder or any person for any loss suffered by such Unitholder arising from such currency conversion.

All payments should be made by cheque, direct transfer or telegraphic transfer (or other manner as may be agreed by the Manager). Cheques should be crossed "a/c payee only, not negotiable" and made payable to the accounts specified in the Application Form, stating the name of the relevant Sub-Fund to be subscribed, and sent with the Application Form. Payment by cheque is likely to cause

delay in receipt of cleared funds and Units generally will not be issued until the cheque is cleared. Any costs of transfer of subscription moneys to a Sub-Fund will be payable by the applicant.

All application moneys must originate from an account held in the name of the applicant. No third party payments shall be accepted. The applicant should provide sufficient evidence as to the source of payment as the Manager and the Trustee may from time to time require.

No money should be paid to an intermediary in Hong Kong who is not licensed or registered to carry on Type 1 Regulated Activity (dealing in securities) under Part V of the Securities and Futures Ordinance.

General

The Manager has an absolute discretion to accept or reject in whole or in part any application for Units.

If an application is rejected (either in whole or in part) or the Manager determines that the relevant Class of Units or the relevant Sub-Fund and the Class or Classes of Units related to it will not be launched, subscription moneys (or the balance thereof) will be returned within the Refund Period without interest and after deducting any of out-of-pocket fees and charges incurred by the Manager and the Trustee and/or their respective delegates or agents by cheque through the post or by telegraphic transfer to the bank account from which the moneys originated at the risk and expense of the applicant or in such other manner as the Manager and the Trustee may from time to time determine. Save for any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence of the Trustee or the Manager, none of the Manager, the Trustee or their respective delegates or agents will be liable to the applicant for any loss the applicant suffers as a result of the rejection or delay of any application.

Units issued by the Fund will be held for investors in registered form. Certificates will not be issued. A contract note will be issued upon acceptance of an applicant's application and the receipt of cleared funds and will be forwarded to the applicant (at the risk of the person entitled thereto). In case of any error in a contract note, applicants should contact the relevant intermediaries or the Authorised Distributor promptly for rectification.

Fractions of a Unit (rounded down to two decimal places) may be issued. Any amount corresponding to such rounding will accrue to the relevant Sub-Fund.

Restrictions on Issue

No Units of a Sub-Fund or a Class will be issued where the determination of the Net Asset Value of that Sub-Fund or Class and/or the allotment or issuance of Units of that Sub-Fund or Class is suspended (for further details see “*Suspension*” below) or when the Manager determines, with prior notification to the Trustee, that subscriptions for such Sub-Fund or Class of Units are closed.

REDEMPTION OF UNITS

Redemption of Units

Subject to the restrictions (if any) as specified in the relevant Appendix, any Unitholder may redeem his Units on any Redemption Day in whole or in part. Save where there is a suspension of the determination of the Net Asset Value of the relevant Sub-Fund or Class and/or the redemption of Units of the relevant Sub-Fund or Class, a redemption request once given cannot be revoked without the consent of the Manager.

Redemption Price

Units redeemed on a Redemption Day will be redeemed at the Redemption Price calculated by reference to the Net Asset Value per Unit of the relevant Class as at the Valuation Point on the Valuation Day in respect of that Redemption Day (for further details, see “*Valuation and Suspension - Calculation of Net Asset Value*” below).

In calculating the Redemption Price, the Manager may deduct such amount (if any) as the Manager may estimate as an appropriate allowance to reflect (i) the difference between the last traded price (or the mean between the last available bid and asked prices) of the investments of the relevant Sub-Fund and the latest available bid price of such investment and (ii) fiscal and sale charges (including stamp duty, other taxes, duties or governmental charges, brokerage, bank charges or transfer fees) which would be incurred for the account of the relevant Sub-Fund in realising assets or closing out positions to provide funds to meet any redemption request. For further details, please see “*Valuation and Suspension – Adjustment of Prices*” below.

The Redemption Price shall be rounded down to four decimal places. Any amount corresponding to such rounding will accrue to the relevant Sub-Fund.

If at any time during the period from the time as at which the Redemption Price is calculated and the time at which redemption proceeds are converted out of any other currency into the Base Currency of the relevant Sub-Fund or the Class Currency of the relevant Class there is an officially announced devaluation or depreciation of that currency, the amount payable to any relevant redeeming Unitholder may be reduced as the Manager considers appropriate to take account of the effect of that devaluation or depreciation.

Redemption Charge

The Manager may charge a Redemption Charge on the redemption of Units of a percentage of either (i) the Redemption Price per Unit; or (ii) the total redemption amount in relation to a redemption request, as the Manager may at its discretion determine. The maximum and current rate of Redemption Charge (if any) and the manner in which it will be imposed are specified in the relevant Appendix. For the avoidance of doubt, a lower maximum rate of Redemption Charge may be imposed in relation to the redemption of Units of a Sub-Fund as compared to other Sub-Funds and also in relation to different Classes of Units of a Sub-Fund.

The Manager may increase the rate of Redemption Charge payable up to or towards the maximum rate for a Sub-Fund or a Class of Units, on giving at least one month’s prior written notice to the Unitholders. The maximum rate of Redemption Charge of a Sub-Fund or a Class of Units may be increased with the sanction of an extraordinary resolution of the Unitholders of the relevant Sub-Fund or Class of Units (as the case may be) and subject to the SFC’s prior approval.

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

The Redemption Charge will be deducted from the amount payable to a Unitholder in respect of the redemption of Units. The Redemption Charge will be retained by or paid to the Manager for its own absolute use and benefit or, if so stated in the relevant Appendix, retained by the relevant Sub-Fund. Where the Redemption Charge is retained by the Manager, it may at its discretion, pay all or part of the Redemption Charge to its agents or delegates. The Manager shall be entitled to differentiate between Unitholders or Classes of Units as to the amount of the Redemption Charge (within the maximum rate of Redemption Charge).

Minimum Redemption Amount and Minimum Holding Amount

Details of any Minimum Redemption Amount and Minimum Holding Amount applicable to a Class of Unit or a Sub-Fund are set out in the relevant Appendix.

If a redemption request will result in a Unitholder holding Units of a Sub-Fund or a Class less than the Minimum Holding Amount for that Sub-Fund or Class, the Manager may deem such request to have been made in respect of all Units of the relevant Sub-Fund or Class held by that Unitholder.

The Manager has the discretion to waive, change or accept an amount lower than the Minimum Redemption Amount or Minimum Holding Amount from time to time, whether generally or in a particular case.

Redemption Procedures

Applications for redemption of Units may be made to the Registrar by completing the Redemption Form and sent by post or by facsimile or electronic means (provided that the original follows promptly by post unless an original facsimile indemnity was previously provided to the Registrar) to the Registrar at the business address or facsimile number on the Redemption Form. The Redemption Form is available from the Registrar and/or the Authorised Distributors.

A Redemption Form received by the Registrar by the Redemption Deadline of a Redemption Day will be dealt with on that Redemption Day. If an application for redemption of Units is received after the Redemption Deadline in respect of a Redemption Day then the application will be held over until the next Redemption Day provided that the Manager may in the event of system failure which is beyond the reasonable control of the Manager or events of natural disaster and with the approval of the Trustee after taking into account the interest of other Unitholders of the relevant Sub-Fund, exercise its discretion to accept a redemption request in respect of a Redemption Day which is received after the Redemption Deadline if it is received prior to the Valuation Point relating to that Redemption Day. Notwithstanding the aforesaid, where in the Trustee's reasonable opinion, the Trustee's operational requirements cannot support accepting any such redemption request, the Manager shall not exercise its discretion to accept any redemption request.

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

Payment of Redemption Proceeds

Redemption proceeds will normally be paid by direct transfer or telegraphic transfer in the Base Currency of the relevant Sub-Fund or the Class Currency of the relevant Class of Units to the pre-designated bank account of the Unitholder (at his risk and expense). No third party payments will be permitted. Any bank charges associated with the payment of such redemption proceeds will be borne by the redeeming Unitholder.

Redemption proceeds may be paid in a currency other than the relevant Base Currency or Class Currency if so requested by the relevant redeeming Unitholders and agreed by the Manager.

Where redemption proceeds are paid in a currency other than the relevant Base Currency or Class Currency, they will be converted from the relevant Base Currency or Class Currency at the cost of the relevant redeeming Unitholders. Any conversion from the relevant Base Currency or Class Currency, will be at the prevailing market rate (whether official or otherwise) which the Manager deems appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange. Conversion of currency may be made at a premium or discount in exceptional circumstances such as where there is a huge fluctuation in the exchange rate. Save for any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence of the Trustee or the Manager, none of the Manager, the Trustee or their respective agents or delegates will be liable to any Unitholder or any person for any loss suffered by such Unitholder arising from such currency conversion.

Redemption Proceeds will be paid as soon as practicable but in any event not exceeding one calendar month after the day on which the Registrar receives the duly completed Redemption Form and such other documents and information as the Trustee, the Manager and/or the Registrar may require, unless the market(s) in which a substantial portion of investments is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of the redemption money within the aforesaid time period not practicable. In such case, payment of redemption proceeds may be deferred, but the extended time frame for payment should reflect the additional time needed in light of the specific circumstances in the relevant market(s).

The Manager or the Trustee, as the case may be, may, in its absolute discretion, delay payment to the Unitholder until (a) if required by the Trustee, the Manager or the Registrar, the original of the Redemption Form duly signed by the Unitholder has been received; (b) where redemption proceeds are to be paid by telegraphic transfer, the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Trustee (or the Registrar on behalf of the Trustee); and (c) the Unitholder has produced all documents or information required by the Trustee, the Manager and/or the Registrar for the purpose of verification of identity.

The Manager or the Trustee, as the case may be, may, refuse to make a redemption payment to a Unitholder if either the Manager or the Trustee suspects or is advised that (i) such payment may result in a breach or violation of any anti-money laundering law or other laws or regulations by any person in any relevant jurisdiction; or (ii) such refusal is necessary or appropriate to ensure compliance by the Fund, the Manager, the Trustee or other service providers with any such laws or regulations in any relevant jurisdiction.

If the Manager or the Trustee is required or entitled by any applicable laws, regulations, direction or guidance, or by any agreement with any tax or fiscal authority to make withholdings from any redemption moneys payable to the Unitholder, the amount of such withholdings shall be deducted from the redemption moneys otherwise payable to such person, provided that the Manager or the Trustee is acting in good faith and on reasonable grounds.

Save for any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence of the Trustee or the Manager, neither the Manager nor the Trustee nor their agents shall be liable for any loss caused by any refusal or delay in making payment as a result of delay in receipt of proceeds of realisation of the investments of the relevant Sub-Fund.

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

Restrictions on Redemption

No Units of a Sub-Fund or a Class may be redeemed where the determination of the Net Asset Value of that Sub-Fund or Class and/or the redemption of Units of that Sub-Fund or Class is suspended (for further details see “*Valuation and Suspension - Suspension*” below).

With a view to protecting the interests of all Unitholders of a Sub-Fund, the Manager may acting reasonably and in good faith after giving notice to the Trustee limit the number of Units of such Sub-Fund redeemed on any Redemption Day (whether by sale to the Manager or by cancellation of Units) to 10% of the total number of Units of the relevant Sub-Fund in issue. In this event, the limitation will apply pro rata so that all Unitholders of the relevant Sub-Fund who have validly requested to redeem Units of the same Sub-Fund on that Redemption Day will redeem the same proportion of such Units of that Sub-Fund. Any Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, and will have priority on the next succeeding Redemption Day and all following Redemption Days (in relation to which the Manager has the same power) until the original request has been satisfied in full. If requests for redemption are so carried forward, the Manager will inform the Unitholders concerned as soon as practicable and in any event within 2 Business Days of such Redemption Day.

Compulsory redemption of Units

If the Manager or the Trustee suspects that Units of any Class are owned directly, indirectly or beneficially by any person:

- (a) in contravention of any laws or requirements of any country, any governmental authority or any stock exchange on which such Units are listed; or
- (b) in circumstances (whether directly or indirectly affecting such person and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager or the Trustee to be relevant) which in its/their opinion might result in the relevant Sub-Fund, the Fund, the Trustee and/or the Manager incurring any liability to taxation or suffering any other pecuniary disadvantage or would subject the Manager, the Trustee, the Fund or any Sub-Fund to any additional regulation which the Sub-Fund, the Fund, the Trustee and/or the Manager might not otherwise have incurred or suffered or been subject to; or
- (c) in breach of, or reasonably deemed by the Manager, the Trustee or the Registrar 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 Manager, the Trustee or the Registrar; or
- (d) who is an Ineligible Investor,

the Manager or the Trustee may:

- (i) give notice requiring the relevant Unitholder to transfer the Units to a person who would not be in contravention of the above restrictions within 30 days of the date of the notice; or
- (ii) deem receipt of a redemption request in respect of such Units.

For this purpose, “**Ineligible Investor**” means any person, corporation, or other entity who is a US person and, a US person is defined as (i) an individual who is a United States citizen, a US green card

holder, or a resident of the United States for U.S. federal income tax purposes, (ii) a corporation or partnership organized under the laws of the United States or any political subdivision thereof, or (iii) an estate or trust, the income of which is subject to U.S. federal income taxation regardless of its source.

Where the Manager or the Trustee has given such notice and the Unitholder has failed to either (i) transfer the relevant Units within 30 days of the date of the notice, or (ii) establish to the satisfaction of the Manager or the Trustee (whose judgment is final and binding) that the relevant Units are not held in contravention of any of the restrictions set out above, the Unitholder is deemed to have given a redemption request in respect of the relevant Units on the expiry of 30 days from the date of the notice.

CONVERSION

Conversion of Units

Unless otherwise specified in the relevant Appendix, Unitholders shall be entitled (subject to such limitations as the Manager after consulting with the Trustee may impose) to convert all or part of their Units of any Class relating to a Sub-Fund (the “**Existing Class**”) into Units of any other Class in the same Sub-Fund or into Units of another Sub-Fund (the “**New Class**”) available for subscription or conversion.

A request for conversion will not be effected if as a result the relevant Unitholder would hold less than the Minimum Holding Amount of the Existing Class, or is prohibited from holding Units of the New Class.

In addition, specific limitations or restrictions may apply when a Unitholder intends to convert his Units into another Class or Sub-Fund. The relevant limitations or restrictions (if any) will be set out in the Appendix for the relevant Sub-Fund.

Switching Fee

A Switching Fee may be charged by the Manager in respect of each Unit of the New Class to be issued upon such conversion of a percentage of –

- (i) the Issue Price per Unit of the New Class as at the Valuation Point on the Valuation Day at which the Issue Price of such Units is ascertained; or
- (ii) the total amount being converted into.

The maximum and current rate of Switching Fee (if any) and the manner in which it will be imposed are specified in the relevant Appendix. For the avoidance of doubt, a lower maximum rate of Switching Fee may be imposed in relation to the conversion of Units of a Sub-Fund as compared to other Sub-Funds and also in relation to different Classes of Units of a Sub-Fund.

The Switching Fee shall be deducted from the amount reinvested into the Sub-Fund relating to Units of the New Class and shall be retained by or paid to the Manager for its own absolute use and benefit.

Where the Switching Fee is levied pursuant to paragraph (i) above, Units of the Existing Class will be converted into Units of the New Class in accordance (or as nearly as may be in accordance) with the following formula:-

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

Where the Switching Fee is levied pursuant to paragraph (ii) above, Units of the Existing Class will be converted into Units of the New Class in accordance (or as nearly as may be in accordance) with the following formula:-

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

Where in either case:-

N is the number of Units of the New Class to be issued, provided that amounts lower than the smallest

fraction of a Unit of the New Class shall be ignored and shall be retained by the Sub-Fund relating to the New Class.

E is the number of Units of the Existing Class to be converted.

F is the currency conversion factor determined by the Manager for the relevant Subscription Day of the New Class as representing the effective rate of exchange between the Class Currency of Units of the Existing Class and the Class Currency of Units of the New Class.

R is the Redemption Price per Unit of the Existing Class applicable on the relevant Redemption Day less any Redemption Charge imposed by the Manager.

S is the Issue Price per Unit for the New Class applicable on the Subscription Day for the New Class coincident with or immediately following the relevant Redemption Day for the Existing Class PROVIDED THAT where the issue of Units of the New Class is subject to the satisfaction of any conditions precedent to such issue then S shall be the Issue Price per Unit of the New Class applicable on the first Subscription Day for the New Class falling on or after the satisfaction of such conditions.

SF is a Switching Fee (if any).

If there is, at any time during the period from the time as at which the Redemption Price per Unit of the Existing Class is calculated up to the time at which any necessary transfer of funds from the Sub-Fund to which the Existing Class relates (“**Original Sub-Fund**”) to the Sub-Fund to which the New Class relates takes place, a devaluation or depreciation of any currency in which any investment of the Original Sub-Fund is denominated or normally traded, the Manager may at its discretion reduce the Redemption Price as the Manager consider appropriate to take account of the effect of that devaluation or depreciation and in such event the number of Units of the New Class to be allotted to any relevant Unitholder shall be recalculated in accordance with the relevant formula set out above as if that reduced Redemption Price had been the Redemption Price ruling for redemptions of Units of the Existing Class on the relevant Redemption Day.

Conversion Procedures

Applications for conversion of Units may be made to the Registrar by completing the Conversion Form and sent by post or by facsimile or electronic means (provided that the original will follow promptly by post unless an original facsimile indemnity was previously provided to the Registrar) to the Registrar at the business address or facsimile number on the Conversion Form. The Conversion Form is available from the Registrar and/or the Authorised Distributors.

Conversion Forms which is received by the Registrar by the Redemption Deadline applicable to the Existing Class or such later time as the Manager may think fit on a Redemption Day (but prior to the Valuation Point relating to the relevant Redemption Day) in relation to such Existing Class will be dealt with on that Redemption Day and Conversion Forms received after such time will be dealt with on the following Redemption Day in relation to such Existing Class. Conversion Forms may not be withdrawn without the consent of the Manager.

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

Restrictions on Conversion

Units shall not be converted during any period when the determination of the Net Asset Value of any

relevant Sub-Fund is suspended (for further details see “*Valuation and Suspension - Suspension*” below) or when the Manager determines, with prior notification to the Trustee, that subscriptions for Units of the New Class are closed.

VALUATION AND SUSPENSION

Calculation of Net Asset Value

The Net Asset Value of each Sub-Fund and the Net Asset Value per Unit of each Class will be calculated in accordance with the Trust Deed as at the Valuation Point on each Valuation Day. The Trust Deed provides among others that:-

(a) Listed Investments

The value of any investment (including unit, share or other interest in a collective investment scheme quoted, listed, traded or normally dealt in on a Securities Market but excluding unit, share or other interest in an unlisted Collective Investment Scheme or a commodity) quoted, listed, traded or normally dealt in on a Securities Market shall at the discretion of the Manager be calculated by reference to the last traded price or closing price as calculated and published by the Securities Market (which, in the opinion of the Manager, provides the principal Securities Market for such investment) or (if no last traded price or closing price is available) the latest available price on which the investment is quoted, listed, traded or normally dealt in for such amount of such investment at or immediately preceding the Valuation Point, as the Manager may consider in the circumstances to provide a fair criterion, provided that:-

- (i) If the Manager in its discretion considers that the prices ruling on a Securities Market other than the principal Securities Market provide in all the circumstances a fairer criterion of value in relation to any such investment, it may, after consultation with the Trustee, adopt such prices.
- (ii) If an investment is quoted, listed or normally dealt in on more than one Securities Market, the Manager shall adopt the price or, as the case may be, middle quotation on the Securities Market which, in its opinion and after consultation with the Trustee, provides the principal market for such investment.
- (iii) For an investment where only a single external pricing source is available, the price shall be obtained independently for that source as the Manager may, after consultation with the Trustee, deem appropriate.
- (iv) In the case of any investment which is quoted, listed or normally dealt in on a Securities Market but in respect of which, for any reason, prices on that Securities Market may not be available at any relevant time, the value thereof shall be certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager or if the Trustee so requires, by the Manager after consultation with the Trustee.
- (v) Where there is no Securities Market, all calculations based on the value of investments quoted by any person, firm or institution making a market in that investment (and if there shall be more than one such market maker then such particular market maker as the Manager, in consultation with the Trustee, may determine) shall be made by reference to the mean of the latest bid and asked price quoted thereby.
- (vi) There shall be taken into account interest accrued on interest-bearing investments up to (and including) the date as at which the valuation is made, unless such interest is included in the quoted or listed price.

(b) Unquoted Investments

The value of any investment (other than an interest in a collective investment scheme or a commodity) which is not quoted, listed or normally dealt in on a Securities Market shall be the initial value thereof equal to the amount expended out of the relevant Sub-Fund in the acquisition thereof (including in each case the amount of the stamp duties, commissions and other acquisition expenses) provided that the value of any such unquoted investments shall be determined on a regular basis by a professional person approved by the Trustee as qualified to value such unquoted investment. Such professional person may, with the approval of the Trustee, be the Manager.

(c) Cash, Deposits etc.

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

(d) Collective Investment Scheme

The value of each unit, share or other interest in any collective investment scheme (other than unit, share or other interest in a collective investment scheme quoted, listed, traded or normally dealt in on a Securities Market) shall be the net asset value per unit, share or other interest as at the same day the Net Asset Value of the relevant Sub-Fund is calculated, or if such collective investment scheme is not valued as at the same day, the last published net asset value per unit, share or other interest in such collective investment scheme (where available) or (if the same is not available) the latest available bid price for such a unit, share or other interest at or immediately preceding the Valuation Point.

If no net asset value, bid and offer prices or price quotations are available, the value of each unit, share or other interest shall be determined from time to time in such manner as the Manager, in consultation with the Trustee, shall determine.

(e) Other Valuation Methods

Notwithstanding paragraphs (a) to (d) above, the Manager may, after consultation with the Trustee, adjust the value of any investment or permit some other method of valuation to be used if, having regard to currency, applicable rate of interest, maturity, marketability and other considerations it deems relevant, it considers that such adjustment or use of such other method is required to reflect the fair value thereof.

(f) Conversion to Base Currency

The value (whether of a borrowing or other liability, an investment or cash) otherwise than in the Base Currency of a Sub-Fund shall be converted into the Base Currency at the prevailing market rate (whether official or otherwise) which the Manager shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange. Conversion of currency may be made at a premium or discount in exceptional circumstances such as where there is a huge fluctuation in the exchange rate.

(g) Reliance on Price Data and Information provided through Electronic Price Feeds etc

Subject as provided below, when calculating the Net Asset Value of a Sub-Fund, price data and other information in relation to the value of any investment or the cost price or sale price thereof provided through electronic price feeds, mechanised or electronic systems of price or

valuation, or valuation or pricing information which is provided by any valuer, third party valuation agent, intermediary or other third party appointed or authorised to provide valuations or pricing information of the investments or the assets of the Sub-Fund may be relied upon without verification, further enquiry or liability notwithstanding that the prices so used are not the last traded prices or closing prices.

The Manager shall exercise reasonable care and diligence in the selection of the valuation service providers and shall satisfy itself that such valuation service providers remain suitably qualified and competent to provide such price data and other information services.

Investors should note that, under HKFRS, investments should be valued at fair value and also that, under HKFRS, bid and offer pricing is considered to be representative of the fair value of investments. However, the valuation basis described above may deviate from the HKFRS which may lead to a different valuation had the valuation been performed in accordance with HKFRS. The Manager has considered the impact of such non-compliance and do not expect this issue to affect the results and Net Asset Value of a Sub-Fund materially. To the extent that the valuation basis adopted by the relevant Sub-Fund deviates from HKFRS, the Manager may make necessary adjustments in the annual financial statements for the financial statements to be in compliance with HKFRS.

The Manager may, after consultation with the Trustee, arrange for a revaluation of the Net Asset Value of a Unit of any Class if it considers that the Net Asset Value per Unit of the relevant Class calculated in relation to any Subscription Day or Redemption Day (as the case may be) does not accurately reflect the true value of such Unit. Any revaluation will be made on a fair and equitable basis.

Adjustment of Prices

In calculating the Issue Price, the Manager may add fiscal and purchase charges (see “*Investing in the Fund – Issue Price*” above) and in calculating the Redemption Price, the Manager may deduct fiscal and sale charges (see “*Redemption of Units – Redemption Price*” above).

The Manager will only make such adjustment to the Issue Price and Redemption Price with a view to protecting the interests of Unitholders under exceptional circumstances as determined by the Manager from time to time. Where necessary the Manager will seek the view of the Trustee prior to any adjustment in the Issue Price or Redemption Price and such adjustment would only be made where the Trustee has no objection to it. Exceptional circumstances for adjusting the Issue Price or Redemption Price may include (a) the aggregate net transactions (either net subscriptions or net redemptions) in Units having exceeded a pre-determined threshold set by the Manager from time to time; and/or (b) extreme market conditions which may have an unfavourable impact on the interests of existing Unitholders. In such circumstances the Net Asset Value per Unit of the relevant Class may be adjusted by an amount (not exceeding 2% of that Net Asset Value) which reflects the dealing costs that may be incurred by the relevant Sub-Fund and the estimated bid/offer spread of the assets in which the relevant Sub-Fund invests.

For the avoidance of doubt,

- (a) the Issue Price and Redemption Price, prior to any adjustment, will be determined with reference to the same Net Asset Value per Unit of the relevant Class; and
- (b) it is not the intention of the Manager to adjust the Issue Price upwards and the Redemption Price downwards for the same Subscription Day and Redemption Day; and
- (c) any adjustment in the Issue Price or Redemption Price must be made on a fair and equitable basis.

Suspension

The Manager may, after consultation with the Trustee, declare a suspension of the determination of the Net Asset Value of any Sub-Fund or of any Class of Units and/or the issuance, conversion and/or the redemption of Units for the whole or any part of any period during which:-

- (a) there is a closure (other than customary weekend and holiday closing) of or the restriction or suspension of trading on any commodities market or Securities Market on which a substantial part of the investments of that Sub-Fund is normally traded or a breakdown in any of the means normally employed in ascertaining the prices of investments or the Net Asset Value of a Sub-Fund or the Issue Price or Redemption Price per Unit; or
- (b) for any other reason the prices of investments held or contracted for by the Manager for the account of that Sub-Fund cannot, in the opinion of the Manager after consultation with the Trustee, reasonably, promptly or fairly be ascertained; or
- (c) circumstances exist as a result of which, in the opinion of the Manager after consultation with the Trustee, it is not reasonably practicable to realise a substantial part of the investments held or contracted for the account of that Sub-Fund or it is not possible to do so without seriously prejudicing the interests of Unitholders of Units of the relevant Class; or
- (d) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, a substantial part of the investments of that Sub-Fund or the issue or redemption of Units of the relevant Class is delayed or cannot, in the opinion of the Manager or the Trustee, be carried out promptly at normal rates of exchange; or
- (e) when a breakdown in the systems and/or means of communication usually employed in ascertaining the value of any of the investments or other assets of that Sub-Fund or the Net Asset Value of that Sub-Fund or the Issue Price or Redemption Price per Unit takes place or when for any other reason the value of any of the investments or other assets of that Sub-Fund or the Net Asset Value of that Sub-Fund or the Issue Price or Redemption Price per Unit cannot in the opinion of the Manager after consultation with the Trustee reasonably or fairly be ascertained or cannot be ascertained in a prompt or accurate manner; or
- (f) when, in the opinion of the Manager after consultation with the Trustee, such suspension is required by law or applicable legal process; or
- (g) where that Sub-Fund is invested in one or more collective investment schemes and the realisation of interests in any relevant collective investment scheme(s) (representing a substantial portion of the assets of the Sub-Fund) is suspended or restricted; or
- (h) when the business operations of the Manager or the Trustee or any of their delegates or agents in relation to the operations of that Sub-Fund are substantially interrupted or closed as a result of or arising from a force majeure event; or
- (i) when the Unitholders or the Manager have resolved or given notice to terminate that Sub-Fund or to carry out a Scheme of Amalgamation involving that Investment Fund; or
- (j) such other circumstance or situation exists as set out in the Appendix of that Sub-Fund.

If a suspension is declared, during such a period of suspension –

- (a) where the suspension is in respect of the determination of the Net Asset Value, there shall be no determination of the Net Asset Value of the relevant Sub-Fund and the Net Asset Value per Unit of that Sub-Fund (or a Class thereof) (although an estimated Net Asset Value may be calculated and published) and any applicable issue or request for conversion or redemption of Units shall be similarly suspended. If a request for subscription, conversion or redemption of Units are received by the Manager during a period of suspension and not withdrawn, such request shall be treated as if it were received in time to be dealt with on the Subscription Day or the Redemption Day (as the case may be) next following the end of the said suspension and dealt with accordingly;
- (b) where the suspension is in respect of the allotment or issue, conversion and/or the redemption of Units, there shall be no allotment, issue, conversion and/or redemption of Units. For the avoidance of doubt, the allotment, issue, conversion or redemption of Units may be suspended without suspending the determination of the Net Asset Value.

A suspension shall take effect forthwith upon the declaration thereof until the Manager shall declare the suspension at an end, except that the suspension shall terminate in any event on the day following the first Business Day on which (i) the condition giving rise to the suspension shall have ceased to exist; and (ii) no other condition under which suspension is authorised shall exist.

Whenever the Manager declares such a suspension it shall immediately following any such declaration notify the SFC of such suspension and shall, immediately following any such declaration and at least once a month during the period of such suspension, cause a notice to be published at the Manager's website at www.newcapitalfunds.com, cause such notice to be published in any other media and/or cause a notice to be given to Unitholders of the Class relating to the relevant Sub-Fund and to all those (whether Unitholders or not) whose applications to subscribe for or redeem Units shall have been affected by such suspension stating that such declaration has been made. Investors should note that the aforesaid website is not reviewed by the SFC and may contain information of funds not authorised by the SFC.

DISTRIBUTION POLICY

The distribution policy adopted by a Sub-Fund is set out in the relevant Appendix of such Sub-Fund. A Sub-Fund may offer Classes of Units that accumulate income (“**Accumulation Classes**”) or pay regular distributions out of net distributable income or capital or gross income of such Sub-Fund (“**Distribution Classes**”).

Accumulation Classes

No distribution is intended to be made in respect of Accumulation Classes. Therefore, any net income and net realised capital gains attributable to Units of the Accumulation Classes will be reflected in their respective Net Asset Value.

Distribution Classes

For Distribution Classes, the Manager will declare and pay distributions in such amount, on such date and at such frequency as the Manager may determine. However, unless otherwise specified in the relevant Appendix, there is neither a guarantee that such distributions will be made nor will there be a target level of distributions payout.

The Manager will also have the discretion to determine if and to what extent distributions will be paid out of capital attributable to the relevant Distribution Class.

In the event that the net distributable income attributable to the relevant Distribution Class during the relevant period is insufficient to pay distributions as declared, the Manager may in its discretion determine such dividends be paid from capital. Payment of dividends out of capital amounts to a return or withdrawal of part of an investor’s original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of a Sub-Fund’s capital may result in an immediate reduction of the Net Asset Value per Unit of the relevant Distribution Class.

The composition of the distributions (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months are available by the Manager on request and also on the Manager’s website at www.newcapitalfunds.com. Investors should note that the aforesaid website has not been reviewed by the SFC and may contain information of funds not authorised by the SFC.

Distributions of a Distribution Class declared, if any, shall be distributed among the Unitholders of the relevant Distribution Class rateably in accordance with the number of Units held by them on the record date as determined by the Manager in respect of the corresponding distribution. For the avoidance of doubt, only Unitholders whose names are entered on the register of Unitholders on such record date shall be entitled to the distribution declared in respect of the corresponding distribution.

Distributions exceeding USD200 (or its equivalent in another currency) will be paid in cash. Any payment of distributions in cash will normally be paid by direct transfer or telegraphic transfer in the Class Currency of the relevant Distribution Class to the pre-designated bank account of the Unitholder (at his risk and expense). No third party payments will be permitted.

Any distributions of USD200 or less (or its equivalent in another currency) will normally be automatically reinvested in the subscription of further Units of the corresponding Class of the relevant Sub-Fund unless the Unitholder notifies the Manager otherwise in writing. Such further Units will be issued on the date of distribution, or if that is not a Subscription Day, on the next following Subscription Day. No Subscription Charge will be made on the issue of such further Units. In the event that a Unitholder redeems or switches its entire holding of the relevant Class before the actual

payment date of any distributions, the Manager will redeem the reinvested Units on the actual payment date and pay the redemption proceeds to the Unitholder in cash if the reinvested Units do not meet the relevant minimum holding requirement.

The Manager may amend the dividend policy subject to obtaining the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

FEES AND EXPENSES

Management Fee

The Manager is entitled to receive in respect of a Sub-Fund (or any Class thereof), a management fee calculated and accrued as at the Valuation Point on each Valuation Day and payable monthly in arrears as a percentage of the Net Asset Value of such Sub-Fund (or such Class) as at each Valuation Day at the rates as specified in the relevant Appendix subject to a maximum fee as specified in the relevant Appendix.

Performance Fee

The Manager may charge a performance fee in respect of a Sub-Fund (or any Class thereof), payable out of the assets of the relevant Sub-Fund (or the relevant Class). If a performance fee is charged, further details will be provided in the Appendix for the relevant Sub-Fund, including the current rate of the performance fee payable and the basis of calculation of such fee.

The Manager reserves the right to waive or rebate any fees to which it is entitled, whether in part or in full and whether in respect of a particular investor or generally. The Manager may share any fees it receives with any person(s) as it deems appropriate.

Trustee, Registrar and Administration Fee

The Trustee is entitled to receive a fee which is charged as a percentage of the Net Asset Value of the relevant Sub-Fund on each Valuation Day, at the rates specified in the Appendix and subject to a minimum monthly fee (if any) as specified in the relevant Appendix. The Trustee's fee is calculated and accrued as at the Valuation Point on each Valuation Day and payable monthly in arrears out of the assets of the relevant Sub-Fund. The fee payable to the Trustee is subject to a maximum rate as specified in the Appendix.

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

Notice for Fee Increase

Unitholders shall be given not less than one month's prior notice should there be any increase of the management fee, performance fee or Trustee's fee from the current level to the maximum level. Any increase in the maximum level of the management fee, performance fee or Trustee's fee of a Sub-Fund (or any Class thereof) shall be subject to the SFC's prior approval and the sanction of extraordinary resolution of the Unitholders of such Sub-Fund (or such Class).

Establishment Costs

The establishment costs of the Fund and the initial Sub-Fund are of such amount as set out in the Appendix of the initial Sub-Fund and will be borne by the initial Sub-Fund. The establishment costs will be amortised over the Amortisation Period. Where subsequent Sub-Funds are established in the future, the Manager may determine that the unamortised establishment costs of the Fund or a part thereof may be re-allocated to such subsequent Sub-Funds.

The establishment costs and payments incurred in the establishment of subsequent Sub-Funds are to

be borne by the Sub-Fund to which such costs and payments relate and amortised over the Amortisation Period.

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

General Expenses

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

Such costs include but are not limited to the costs of investing and realising the investments of the Sub-Funds, the fees and expenses of the custodian, registrar and the auditors, valuation costs, legal fees, the expenses incurred by the Manager and the Trustee in establishing the Fund and Sub-Funds and costs in connection with the initial issue of Units or a Class of Units, the costs incurred in connection with the preparation of supplemental deeds or any listing or regulatory approval, the costs of holding meetings of Unitholders and of giving notices to Unitholders, the costs incurred in terminating the Fund or any Sub-Fund, the fees and expenses of the Trustee which are agreed by the Manager in connection with time and resources incurred by the Trustee reviewing and producing documentation in connection with the operation of any Sub-Fund including the filing of annual returns and other statutory information required to be filed with any relevant regulatory authority and the costs incurred in the preparation and printing of any explanatory memorandum, all costs incurred in publishing the Net Asset Value of a Sub-Fund, Net Asset Value per Unit, Issue Price and Redemption Price of Units, all costs of preparing, printing and distributing all statements, accounts and reports, the expenses of preparing and printing any offering document, and any other expenses, deemed by the Manager, after consulting the Auditors, to have been incurred in compliance with or connection with any change in or introduction of any law or regulation or directive (whether or not having the force of law) of any governmental or other regulatory authority or with any code relating to unit trusts.

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

Transactions with Connected Persons, Cash Rebates and Soft Dollars

All transaction carried out by or on behalf of the Fund or a Sub-Fund must be at arm's length. In particular, any transactions between the Sub-Fund and the Manager, the Investment Adviser or any of their connected persons as principal may only be made with the prior written consent of the Trustee. All such transactions will be disclosed in the annual report of the Fund and/or the relevant Sub-Fund. In transacting with brokers or dealers connected to the Manager, the Investment Adviser or any of their connected persons, the Manager must ensure that:

- (a) such transactions are on arm's length terms;
- (b) it uses due care in the selection of such brokers or dealers and ensure that they are suitably qualified in the circumstances;
- (c) transaction execution must be consistent with applicable best execution standards;

- (d) the fee or commission paid to any such broker or dealer in respect of a transaction must not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature;
- (e) it monitors such transactions to ensure compliance with its obligations; and
- (f) the nature of such transactions and the total commissions and other quantifiable benefits received by such broker or dealer shall be disclosed in the annual report of the Fund and/or the relevant Sub-Fund.

Neither the Manager, nor any of its connected persons will retain cash or other rebates from brokers or dealers in consideration of directing transactions for a Sub-Fund to such brokers or dealers, save as described in the paragraph below may be retained. Any such cash commission or rebates received from any such brokers or dealers shall be for the account of the relevant Sub-Fund. Details of any such commissions and the Manager's soft dollar practices, including a description of the goods and services received by the Manager will be disclosed in the annual and semi-annual report and accounts of the Fund and/or the relevant Sub-Fund.

The Manager and/or any of its connected person reserves the right to effect transactions by or through the agency of another person with whom the Manager, the Investment Adviser and/or any of their connected person has an arrangement under which that party will from time to time provide to or procure for the Manager and/or any of its connected person goods or services for which no direct payment is made but instead the Manager, the Investment Adviser and/or any of their connected person undertakes to place business with that party. The Manager shall procure that no such arrangements are entered into unless the goods and services to be provided pursuant thereto are of demonstrable benefit to the Unitholders (taken as a body and in their capacity as such) whether by assisting the Manager and/or the Investment Adviser in their ability to manage the relevant Sub-Fund or otherwise and the transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates. Such goods and services may include research and advisory services, economic and political analysis, portfolio analysis including valuation and performance measurement, market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publications. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

TAXATION

Each prospective Unitholder should inform himself of, and where appropriate take advice on, the taxes applicable to the acquisition, holding and redemption of Units by him under the laws of the places of his citizenship, residence and domicile.

The following summary of Hong Kong taxation is of a general nature, is 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 Unitholders. Prospective Unitholders should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, redeeming or disposing of Units both under the laws and practice of Hong Kong and the laws and practice of their respective jurisdictions. The information below is based on the law and practice in force in Hong Kong at the date of this Explanatory Memorandum. The relevant laws, rules and practice relating to tax are subject to change and amendment (and such changes may be made on a retrospective basis). As such, there can be no guarantee that the summary provided below will continue to be applicable after the date of this Explanatory Memorandum. Furthermore, tax laws can be subject to different interpretations and no assurance can be given that relevant tax authorities will not take a contrary position to the tax treatments described below.

Hong Kong Taxation

The Fund/ Sub-Fund(s)

(a) *Profits Tax:*

As the Fund and the Sub-Fund(s) have been authorised, as a collective investment scheme constituted as a unit trust by the SFC under Section 104 of the SFO, profits of the Fund and the Sub-Fund(s) are exempt from Hong Kong Profits Tax.

(b) *Stamp Duty:*

No Hong Kong Stamp Duty is payable by the Fund or Sub-Fund(s) on an issue or redemption of Units.

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

Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, transfer of Hong Kong stocks to the Fund / Sub-Fund(s) in exchange for issue of Units or transfer of Hong Kong stocks from the Fund / Sub-Fund(s) in consideration for redemption of Units is exempt from Hong Kong Stamp Duty.

Hong Kong stamp duty is ordinarily payable on the sale or purchase of Hong Kong stock. “Hong Kong stock” is defined as “stock” the transfer of which is required to be registered in Hong Kong.

The Unitholders

(a) *Profits Tax:*

Unitholders should not be subject to any Hong Kong profits tax on distributions by the Fund or Sub-Fund(s) in accordance with the practice of the Inland Revenue Department of Hong Kong (as at the date of this Explanatory Memorandum). Hong Kong profits tax (which is currently charged at the rate of 16.5% for corporations, and 15% for individuals or unincorporated business) will arise on any gains or profits made on the sale, redemption or other disposal of the Units where such transactions form part of a trade, profession or business carried on by a Unitholder in Hong Kong and such Units are not capital assets to the Unitholders. Unitholders should take advice from their own professional advisers as to their particular tax position.

There is no withholding tax on dividends and interest in Hong Kong.

(b) *Stamp Duty:*

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

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

Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, transfer of Hong Kong stocks to the Fund / Sub-Fund(s) in exchange for issue of Units or transfer of Hong Kong stocks from the Fund / Sub-Fund(s) in consideration for redemption of Units is exempt from Hong Kong Stamp Duty.

Other types of sales or purchases or transfers of the Units by the Unitholders should be liable to Hong Kong Stamp Duty of 0.1% (borne by each of the buyer and seller) on the higher of the consideration amount or market value. In addition, a fixed duty of HK\$5.00 is currently payable on any instrument of transfer of Units.

Automatic Exchange of Financial Account Information

The Inland Revenue (Amendment) (No.3) Ordinance 2016 (the “**Ordinance**”) came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information (“**AEOI**”). The AEOI requires financial institutions (“**FI**”) in Hong Kong to collect information relating to non-Hong Kong tax residents holding accounts with FIs and controlling persons of certain entities holding accounts with FIs, and report the relevant information to the Hong Kong Inland Revenue Department (“**IRD**”) for exchange of such information with the jurisdiction(s) in which that account holder or the controlling person is a tax resident. Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has a Competent Authority Agreement (“**CAA**”). However, with the passage of the Inland Revenue (Amendment) (No. 2) Ordinance 2017, the number of reportable jurisdictions has increased significantly effective 1 July 2017 and includes a number of jurisdictions with which Hong Kong does not currently have a CAA. The Fund, each Sub-Fund and its agents may adopt a wider approach in collecting residency information of other jurisdictions.

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

The AEOI rules as implemented by Hong Kong require the Fund and/or the Sub-Funds to, amongst other things: (i) register the Fund’s and/or the Sub-Funds’ status as a “Reporting Financial Institution” with the IRD if reportable accounts are maintained; (ii) conduct due diligence on its accounts (i.e., Unitholders) to identify whether any such accounts are considered “Reportable Accounts” for AEOI

purposes; and (iii) report to the IRD information on such Reportable Accounts. The IRD is expected on an annual basis to transmit the information reported to it to the government authorities of the relevant jurisdictions. In general, AEOI 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 such other jurisdiction. Under the Ordinance, details of Unitholders, including but not limited to their name, jurisdiction of birth, address, tax residence, taxpayer identification number, account details, account balance/value, and income or sale or redemption proceeds, may be reported to the IRD and subsequently exchanged with government authorities in the relevant jurisdictions of tax residence.

By investing in the Fund and the Sub-Funds and/or continuing to invest in the Fund and the Sub-Funds, Unitholders acknowledge that they are required to enable the Fund and the Sub-Funds to comply with AEOI by providing the required information to the Fund, the Sub-Funds, the Manager and/or the agents of the Funds and/or the Sub-Funds in order to open an account. Moreover, Unitholders acknowledge that they may be required to provide additional information to the Fund, the Sub-Funds, the Manager and/or agents of the Fund and the Sub-Funds in order for the Fund and the Sub-Funds to comply with AEOI. The Unitholder's information (and information on beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such Unitholders that are not natural persons), may be communicated by the Fund to the IRD and by the IRD to authorities in other jurisdictions. The failure of a Unitholder to provide any requested information, may result in the Fund, the Sub-Funds, the Manager and/or other agents of the Fund and the Sub-Funds taking any action and/or pursuing remedies at their disposal including, without limitation, mandatory redemption or withdrawal of the Unitholder concerned, insofar as legally permitted.

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

Other Jurisdiction(s)

Please refer to the relevant Appendix on taxation requirements in other jurisdiction(s) that may be applicable to a Sub-Fund.

GENERAL INFORMATION

Reports and Accounts

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

As an alternative to the distribution of printed audited accounts and unaudited semi-annual reports, the Manager will notify Unitholders where the annual report and audited accounts (in English only) can be obtained (in printed and electronic forms) within four months after the Accounting Date, and where the unaudited semi-annual accounts (in English only) can be obtained (in printed and electronic forms) within two months after the Semi-Annual Accounting Date in each year. Once issued, hardcopies of the reports and accounts are available upon request of Unitholders free of charge at any time during normal business hours on any Business Day at the office of the Manager. Copies of the accounts and reports may be posted to investors on request.

The Manager intends to adopt HKFRS in drawing up the annual accounts of the Fund and Sub-Funds. It should however be noted that in amortising the establishment costs of the Fund in accordance with the section headed “**Establishment Costs**”, possible deviation from such accounting standards may occur but the Manager does not expect this issue to be material under normal circumstances. The Manager may make necessary adjustments in the annual accounts in order to comply with HKFRS and to include a reconciliation note in the Fund's audited accounts.

Publication of Prices

The Issue Price and Redemption Price for each Class of a Sub-Fund will be available on each Business Day on the Manager's website at www.newcapitalfunds.com. Investors should note that the aforesaid website is not reviewed by the SFC and may contain information of funds not authorised by the SFC.

Termination of Fund or a Sub-Fund

The Fund shall continue for an unlimited period unless it is earlier terminated in one of the ways provided under the Trust Deed and as summarised below.

Termination by the Trustee

The Fund may be terminated by the Trustee by notice in writing to the Manager and the Unitholders if:-

- (a) the Manager shall go into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee), becomes bankrupt or if a receiver is appointed over any of their assets and not discharged within 60 days;
- (b) in the opinion of the Trustee the Manager shall be incapable of performing or shall in fact fail to perform its duties satisfactorily or shall do any other thing which in the opinion of the Trustee is calculated to bring the Fund into disrepute or to be harmful to the interests of the Unitholders;
- (c) any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable in consultation with the relevant regulatory agencies (the SFC in Hong Kong) to continue the Fund;
- (d) the Manager shall, have ceased to be the manager and, within a period of 30 days thereafter, no other qualified corporation shall have been appointed by the Trustee as successor manager; or

- (e) the Trustee shall have notified the Manager of its desire to retire as Trustee and the Manager shall fail to find a qualified corporation to act as a trustee in place of the Trustee within 60 days therefrom or as the case may be, 60 days therefrom if there is a material breach by the Manager of its obligations under the Trust Deed.

Termination by the Manager

The Fund, any Sub-Fund and/or any Class of Units (as the case may be) may be terminated by the Manager in its discretion by notice in writing to the Trustee and the Unitholders if:-

- (a) on any date, in relation to the Fund, the aggregate Net Asset Value of all Units outstanding hereunder shall be less than US\$5 million or its equivalent or, in relation to any Sub-Fund, the aggregate Net Asset Value of the Units outstanding hereunder in respect of such Sub-Fund shall be less than US\$5 million or its equivalent or such other amount stated in the relevant Appendix or, in relation to any Class of Units, the aggregate Net Asset Value of the Units of such Class outstanding hereunder in respect of such Class shall be less than US\$500,000 or its equivalent or such other amount stated in the relevant Appendix;
- (b) in the opinion of the Manager, it is impracticable or inadvisable to continue the Fund, a Sub-Fund and/or any Class of Units (as the case may be) (including without limitation, a situation where it is no longer economically viable to operate the Fund, the Sub-Fund or the relevant Class of Units);
- (c) if the Trustee shall breach any of its obligations under the Trust Deed and in the case of a breach capable of remedy, shall fail to remedy the same within 30 days after receipt of a written notice from the Manager giving particulars of such breach and requiring it to be remedied;
- (d) if any law shall be passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable in consultation with the relevant regulatory agencies (the SFC in Hong Kong) to continue the Fund and/or any Sub-Fund and / or any Class of Units of a Sub-Fund; or
- (e) the occurrence of any other event(s) or in such other circumstance(s) as set out in the relevant Appendix of the Sub-Fund.

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

Further, a Sub-Fund or a Class of Units may be terminated by an extraordinary resolution of the Unitholders of the Sub-Fund or the Unitholders of the relevant Class (as the case may be) on such date as the extraordinary resolution may provide. At least twenty one days' notice shall be given to the Unitholders in respect of a meeting of Unitholders where such extraordinary resolution will be tabled.

Trust Deed

The Fund was established under the laws of Hong Kong by the Trust Deed. All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Trust Deed.

The Trust Deed contains provisions for the indemnification of the parties and their exculpation from liability in certain circumstances. Any indemnity expressly given to the Trustee or to the Manager in the Trust Deed is in addition to and without prejudice to any indemnity allowed by law. However, the Trustee and the Manager shall not be exempted from any liability to Unitholders imposed under Hong Kong law or breaches of trust through fraud or negligence, nor may they be indemnified against such liability by Unitholders or at Unitholders' expense. Unitholders and intending applicants are advised to consult the terms of the Trust Deed for further details.

Voting Rights

Meetings of Unitholders may be convened by the Manager or the Trustee, and the Unitholders of 10% or more in value of the Units in issue may require a meeting to be convened. Unitholders will be given not less than 21 days' notice of any meeting at which an extraordinary resolution is to be proposed and not less than 14 days' notice of any meeting at which an ordinary resolution is to be proposed.

The quorum for all meetings is Unitholders present in person or by proxy representing 10% of the Units for the time being in issue except for the purpose of passing an extraordinary resolution. The quorum for passing an extraordinary resolution shall be Unitholders present in person or by proxy representing 25% or more of the Units in issue. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting should be adjourned for not less than 15 days. In the case of an adjourned meeting of which separate notice will be given, such Unitholders as are present in person or by proxy will form a quorum. On a poll every Unitholder present in person, by proxy or by representative has one vote for every Unit of which he is the holder. In the case of joint Unitholders the senior of those who tenders a vote (in person or by proxy) will be accepted and seniority is determined by the order in which the names appear on the register of Unitholders.

Transfer of Units

Subject as provided below, Units may be transferred by an instrument in writing in common form signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee.

The duly stamped instrument of transfer, any necessary declarations, other documents that may be required by the Manager, the Trustee or the Registrar or in consequence of any legislation (including any anti-money laundering legislation) shall be left with the Registrar for registration. The transferor will be deemed to remain the holder of the Units transferred until the name of the transferee is entered in the register of Unitholders in respect of such Units.

Each instrument of transfer must relate to a single class of Units only. No Units may be transferred if, as a result, either the transferor or the transferee would hold Units having a value less than the Minimum Holding Amount (if any) of the relevant Class as specified in the relevant Appendix.

The Manager or the Trustee may refuse to enter or cause to be entered the name of a transferee in the register or recognise a transfer of any Units if either of them believes that such will result in or is likely to result in the contravention of any applicable laws or requirements of any country, any governmental authority or any stock exchange on which such Units are listed, including without limitation any anti-money laundering or anti-terrorist financial laws or regulations.

Anti-Money Laundering Regulations

As part of the Manager's and the Trustee's responsibility for the prevention of money laundering, the Manager/Trustee (through the Registrar) may require a detailed verification of an investor's identity and the source of payment of application moneys. Depending on the circumstances of each application, a detailed verification might not be required where:-

- (a) the applicant makes the payment from an account held in the applicant's name at a recognised financial institution; or
- (b) the application is made through a recognised intermediary.

These exceptions will only apply if the financial institution or intermediary referred to above is within a country recognised as having sufficient anti-money laundering regulations. The Manager, the Trustee and the Registrar nevertheless reserve the right to request such information as is necessary to verify the identity of an applicant and the source of payment.

In the event of delay or failure by the applicant to produce any documents or information required for verification of identity or legitimacy of the subscription monies, the Manager, the Trustee or the Registrar may refuse to accept the application and the subscription moneys relating thereto. Further, they may delay in paying any redemption proceeds if an applicant for Units delays in producing or fails to produce any documents or information required for the purposes of verification of identity. The Manager, the Trustee or the Registrar may refuse to make payment to the Unitholder if either of them suspects or is advised that (i) such payment may result in a breach or violation of any anti-money laundering law or other laws or regulations by any person in any relevant jurisdiction; or (ii) such refusal is necessary or appropriate to ensure compliance by the Fund, the Manager, the Trustee, the Registrar or other service providers with any such laws or regulations in any relevant jurisdiction.

Conflicts of Interest

The Manager, the Investment Adviser (if any), the Trustee and the custodian (if any) may from time to time act as trustee, administrator, transfer agent, manager, custodian or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of any Sub-Fund. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Fund and the Sub-Funds. Each will, at all times, have regard in such event to its obligations to the Fund and the Sub-Funds and will endeavour to ensure that such conflicts are resolved fairly and taking into account investors' interests. Compliance procedures and measures such as segregation of duties and responsibilities together with different reporting lines and "Chinese walls" have been put in place to minimize potential conflicts of interest. In any event, the Manager shall ensure that all investment opportunities will be fairly allocated.

The Manager may also act as the investment manager of other funds whose investment objectives, investment approach and investment restrictions are similar to those of a Sub-Fund. The Manager or any of its connected persons may invest in, directly or indirectly, or manage or advise other investment funds or accounts which invest in assets which may also be purchased or sold by a Sub-Fund. Neither the Manager nor its connected persons is under any obligation to offer investment opportunities of which any of them become aware to any Sub-Fund or to account to any Sub-Fund in respect of (or share with any Sub-Fund or to inform any Sub-Fund of) any such transactions or any benefit received by any of them from any such transaction, but will allocate such opportunities on an equitable basis between the Fund and other clients. Where the Manager invests a Sub-Fund in shares or units of a collective investment scheme managed by the Manager or any of its connected persons, the manager of the scheme in which the investment is being made by such Sub-Fund must waive any preliminary or initial charge which it is entitled to charge for its own account in relation to the acquisition of shares or units and there must be no increase in the overall total of annual management fees (or other costs and charges payable to the Manager or any connected person of the Manager) borne by the relevant Sub-Fund.

The Manager reserves the right for itself and its connected persons to co-invest on its own or for other funds and/or other clients with any Sub-Fund, although any such co-investment must be made on terms no better than those in which the relevant Sub-Fund is investing. Further, the Manager and any of its connected persons may hold and deal in Units of any Sub-Fund or in investments held by any Sub-Fund either for their own account or for the account of their clients.

Subject to the restrictions and requirements applicable from time to time, the Manager, any Investment Advisers as may be appointed by the Manager or any of their respective connected persons may deal with any Sub-Fund as principal provided that dealings are effected on best available terms negotiated and on

an arm's length basis. Any transactions between a Sub-Fund and the Manager, the Investment Advisers as may be appointed by the Manager or any of their connected persons as principal may only be made with the prior written consent of the Trustee. All such transactions must be disclosed in the Sub-Fund's annual report.

In effecting transactions for the account of any Sub-Fund with brokers or dealers connected to the Manager, the Investment Adviser of such Sub-Fund or their connected persons, the Manager shall ensure that it complies with the following requirements:

- (a) such transactions should be on arm's length terms;
- (b) the Manager must use due care in the selection of brokers or dealers and ensure that they are suitably qualified in the circumstances;
- (c) transaction execution must be consistent with applicable best execution standards;
- (d) the fee or commission paid to any such broker or dealer in respect of a transaction must not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature;
- (e) the Manager must monitor such transactions to ensure compliance with its obligations; and
- (f) the nature of such transactions and the total commissions and other quantifiable benefits received by such broker or dealer shall be disclosed in the annual report of the relevant Sub-Fund.

The services of the Trustee and its connected persons provided to the Fund and the Sub-Funds are not deemed to be exclusive and each of them shall be free to render similar services to others so long as its services hereunder are not impaired thereby and to retain for its own use and benefit all appropriate fees and benefits. Each of the Trustee and its connected persons shall not be deemed to be affected with notice of or to be under any duty to disclose to the Fund, the Sub-Funds, any Unitholder or any other relevant party any fact or information which comes to its notice in the course of its rendering similar services to other parties or in the course of its business in any other capacity or in any manner whatsoever, otherwise than in the course of carrying out its duties under the Trust Deed or as required by any applicable laws and regulations for the time being in force.

None of the Trustee and its connected persons shall be liable to account to the Fund or any Sub-Fund or any investor of the Fund or the Sub-Fund for any profit or benefit made or derived thereby or in connection therewith (including in situations set out above).

If cash forming part of a Sub-Fund's assets is deposited with the Trustee, the Manager, the Investment Adviser or with any connected person of these companies (being an institution licensed to accept deposits), such institution shall allow interest thereon in accordance with normal banking practice for deposits of that term at a rate not lower than the prevailing commercial rate for deposits of a similar size and duration, in the same currency and with institutions of a similar standing negotiated at arm's length.

Instructions by Facsimile or Electronic Means

Investors should be reminded that if they choose to send the Application Forms, Redemption Forms or Conversion Forms by facsimile or electronic means, they bear their own risk of such Application Forms, Redemption Forms or Conversion Forms not being received. Investors should note that the Fund, the Sub-Funds, the Manager, the Trustee, the Registrar and their respective agents and

delegates accept no responsibility for any loss caused as a result of non-receipt or illegibility of any Application Form, Redemption Form or Conversion Form sent by facsimile or electronic means, or for any loss caused in respect of any action taken as a consequence of such instructions believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a transmission report produced by the originator of such transmission discloses that such transmission was sent. Investors should therefore for their own benefit confirm with the Manager, the Trustee or the Registrar safe receipt of an application.

Forfeiture of Unclaimed Proceeds or Distributions

If any redemption proceed or distribution remains unclaimed six years after the relevant Redemption Day or distribution date, as the case may be, (a) the Unitholder and any person claiming through, under or in trust for the Unitholder forfeits any right to the proceed or distribution; and (b) the amount of the proceed or distribution will become part of the relevant Sub-Fund unless such Sub-Fund shall have been terminated in which case such amount shall be paid into a court of competent jurisdiction subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

Market Timing

The Manager does not authorise practices connected to market timing and it reserves the right to reject any applications for subscriptions or switching of Units from a Unitholder which it suspects to use such practices and take, as the case may be, the necessary measures to protect the Unitholders of the Sub-Funds.

Market timing is to be understood as an arbitrage method through which a Unitholder systematically subscribes, redeems or switches Units within a short time period, by taking advantage of time differences and/or imperfections or deficiencies in the method of determination of the Net Asset Value of the concerned Sub-Funds.

Certification for Compliance with FATCA or Other Applicable Laws

Each investor (i) shall be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Fund or a Sub-Fund (A) to prevent withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Fund or the relevant Sub-Fund receives payments and/or (B) to satisfy reporting or other obligations under 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, whenever there is a change in circumstances or when such form, certificate or other information is no longer accurate, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction (including under FATCA and AEOL), including reporting obligations that may be imposed by future legislation.

For the purposes of this section, “**FATCA**” means:

- (a) Section 1471-1471 of the U.S. Internal Revenue Code of 1986; and
- (b) any intergovernmental agreement and supplementary agreements between the Hong Kong government (or any government body in Hong Kong) and the U.S. government (or any government body of the U.S.).

For the purposes of this section, “**AEOI**” means:

- (a) the OECD Standard for Automatic Exchange of Financial Account Information in Tax Matters – the Common Reporting Standard and any associated guidance; and
- (b) any legislation, regulations or guidance in Hong Kong.

Power to Disclose Information to Tax Authorities

Subject to applicable laws and regulations in Hong Kong, the Fund, the relevant Sub-Fund, the Trustee or the Manager or any of their authorised person(s) (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the US IRS), certain information in relation to a Unitholder and controlling persons of certain Unitholder, including but not limited to the Unitholder’s and/or controlling person’s name, address, tax identification number (if any), social security number (if any) and certain information relating to the Unitholder's holdings, to enable the Fund or the relevant Sub-Fund to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law, regulation or agreement under FATCA and AEOI).

Personal Data

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

Documents Available for Inspection

Copies of the following documents are available for inspection during normal working hours at the offices of the Manager free of charge and copies thereof may be obtained from the Manager upon payment of a reasonable fee:-

- (a) the Trust Deed, and any supplemental deeds;
- (b) all material contracts (as specified in the relevant Appendix); and
- (c) the latest annual reports and audited accounts and unaudited semi-annual accounts (if any) of the Fund and the Sub-Funds.

APPENDIX 1 – NEW CAPITAL DIGITAL ECONOMY FUND

This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the New Capital Digital Economy Fund (“Sub-Fund”), a sub-fund of the Fund.

PRINCIPAL TERMS

DEFINITIONS

Terms used in this Appendix shall, unless otherwise defined herein or unless the context otherwise requires, have the same meaning as provided for in the Explanatory Memorandum.

“Amortisation Period”	the first 5 Accounting Periods from the date of launch of the Sub-Fund or such other period as the Manager after consultation with the Auditors shall determine
“Base Currency”	USD
“Class”	HKD Ord Dist Class; HKD Ord Acc Class; USD Ord Dist Class; USD Ord Acc Class; USD Inst Acc Class; USD X Acc Class; and RMB Hedged Ord Dist Class
“Class Currency”	HKD Ord Dist Class: HKD; HKD Ord Acc Class: HKD; USD Ord Dist Class: USD; USD Ord Acc Class: USD; USD Inst Acc Class: USD; USD X Acc Class: USD; and RMB Hedged Ord Dist Class: RMB
“CSRC”	China Securities Regulatory Commission
“Initial Offer Period”	the period commencing 9.00 a.m. (Hong Kong time) on 20 November 2017 to 5.00 p.m. (Hong Kong time) on 4 December 2017 (or such other dates as the Manager may determine)
“PBOC”	People’s Bank of China
“Redemption Day”	each Business Day or such other day or days as the Manager and the Trustee may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for redemption of Units in the Sub-Fund or the relevant Class or Classes in the Sub-Fund
“Redemption Deadline”	5.00 p.m. (Hong Kong time) on the relevant Redemption Day by which a redemption request in respect of the Sub-Fund or a Class of Units must be received or such other time or on such other Business Day or day as the Manager and the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of the Sub-

	Fund or the relevant Class may from time to time be sold
“Stock Connects”	Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect
“Sub-Fund”	New Capital Digital Economy Fund
“Subscription Day”	each Business Day or such other day or days as the Manager and the Trustee may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for subscription of Units in the Sub-Fund or the relevant Class or Classes in the Sub-Fund
“Subscription Deadline”	5.00 p.m. (Hong Kong time) on the relevant Subscription Day by which an application for subscription in respect of the Sub-Fund or a Class of Units must be received or such other time or on such other Business Day or day as the Manager and the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of the Sub-Fund or the relevant Class may from time to time be sold
“Valuation Day”	each Business Day on which the Net Asset Value of the Sub-Fund and/or the Net Asset Value of a Unit or a Class of Unit of the Sub-Fund falls to be calculated and in relation to each Subscription Day or Redemption Day (as the case may be) of any Class or Classes of Units means either such Subscription Day or Redemption Day (as the case may be) or such other Business Day or day as the Manager and the Trustee may from time to time determine, either generally or in relation to a particular Class of Units

INVESTMENT CONSIDERATIONS

Investment Objective	The Sub-Fund seeks to achieve long-term capital growth by investing primarily in equity securities issued by companies that can potentially benefit from the transformation or development of economy by digital technologies.
Investment Policies	<p>The Sub-Fund invests at least 70% of its Net Asset Value in equity securities issued by companies operating in sectors relating to digital technologies including, but not limited to, information technology infrastructure, e-commerce, social media, application software and enabling technologies such as financial technology (FinTech), virtual reality, automation, artificial intelligence, wearable technology, cybersecurity or other new technologies available in the future.</p> <p>In selecting the equity securities, the Manager will focus on those issued by companies that are part of the digital ecosystem in Mainland China, as well as those which continue to grow and spread beyond Mainland China to Asia ex-Japan region. Companies in Mainland China include those that are incorporated or if their principal offices or significant business activities are conducted in Mainland China. These companies may be listed in exchanges worldwide. The Manager will look for the growth potential and the intrinsic value of the relevant company. The Manager will use a top-down screening and bottom-up analysis to identify companies that are capable to achieve sustainable growth based on their</p>

fundamental characteristics, namely their business model and quality of corporate governance.

The equity securities invested by the Sub-Fund will include listed stocks, American depository receipts, global depository receipts, etc. The Sub-Fund may invest up to 20% of its Net Asset Value in China A-Shares through the Stock Connects.

The Sub-Fund may invest less than 30% of its Net Asset Value in bonds and other debt securities (including dim sum bonds (i.e. bonds issued outside of Mainland China but denominated in RMB), among which not more than 10% of the Sub-Fund Net Asset Value may be invested in securities issued by and/or guaranteed by any single sovereign that is rated non-investment grade and/or unrated (including its government, public or local authority). For the purpose of this Sub-Fund, "**investment grade**" refers to at least Baa3 by Moody's or BBB- by Standard & Poor's or equivalent ratings as rated by one of the internationally recognised credit rating agencies, or above BB+ where the credit rating is designated/assigned by a Mainland China credit rating agency. A debt security is "**unrated**" where neither the debt security itself nor its issuer has a credit rating.

The Sub-Fund does not intend to make any direct investments in the Mainland China onshore markets using qualified foreign institutional investor or RMB qualified foreign institutional investor quota, nor to invest in any RMB-denominated debt securities in the Mainland China exchange-traded bond market and inter-bank bond market.

The Sub-Fund may invest up to 10% of its Net Asset Value in listed and unlisted open-ended and closed-ended collective investment schemes.

Under exceptional circumstances (such as a prolonged bearish market with market volatilities rising, deteriorating sentiments or rapidly worsening economic fundamentals) and at the Manager's discretion, the Sub-Fund may hold temporarily up to 100% of its Net Asset Value in deposits and money market instruments (such as certificates of deposit and commercial paper).

The Sub-Fund may use derivatives (including options, warrants, and financial futures contracts) for hedging purposes only.

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

**Investment and
Borrowing Restrictions**

The Sub-Fund is subject to the investment and borrowing restrictions as set out in the Explanatory Memorandum under the heading "**Investment Restrictions**" and "**Borrowing Restrictions**".

**Securities Lending and
Repurchase / Reverse
Repurchase Agreements**

The Manager currently does not intend to enter into any securities lending or repurchase / reverse repurchase transactions or other similar over-the-counter transactions in respect of the Sub-Fund. The approval of the SFC will be sought and at least one month's prior notice will be given to Unitholders should there be a change in such intention.

Stock Connects

The Shanghai-Hong Kong Stock Connect is a securities trading and clearing linked program developed by Hong Kong Exchanges and Clearing Limited (“**HKEx**”), Shanghai Stock Exchange (“**SSE**”) and China Securities Depository and Clearing Corporation Limited (“**ChinaClear**”); and the Shenzhen-Hong Kong Stock Connect is a securities trading and clearing links program developed by HKEx, the Shenzhen Stock Exchange (“**SZSE**”) and ChinaClear. The aim of Stock Connects is to achieve mutual stock market access between mainland China and Hong Kong.

The SSE and the Stock Exchange of Hong Kong Limited (“**SEHK**”) will enable investors of the Shanghai-Hong Kong Stock Connect to trade eligible shares listed on the other’s market through local securities firms or brokers. The Shanghai-Hong Kong Stock Connect comprises a Northbound Shanghai Trading Link (for investment in Mainland China shares) and a Southbound Hong Kong Trading Link under Shanghai-Hong Kong Stock Connect (for investment in Hong Kong shares). Under the Northbound Shanghai Trading Link, investors, through their Hong Kong brokers and a securities trading service company established by SEHK, may be able to place orders to trade eligible shares listed on SSE by routing orders to SSE. Under the Southbound Hong Kong Trading Link under Shanghai-Hong Kong Stock Connect, eligible investors, through Mainland China securities firms and a securities trading service company established by SSE, may be able to place orders to trade eligible shares listed on SEHK by routing orders to SEHK.

The SZSE and the SEHK will enable investors of the Shenzhen-Hong Kong Stock Connect to trade eligible shares listed on the other’s market through local securities firms or brokers. The Shenzhen-Hong Kong Stock Connect comprises a Northbound Shenzhen trading Link (for investment in Mainland China shares) and a Southbound Hong Kong Trading Link under Shenzhen-Hong Kong Stock Connect (for investment in Hong Kong shares). Under the Northbound Shenzhen Trading Link, investors, through their Hong Kong brokers and a securities trading service company established by SEHK, may be able to place orders to trade eligible shares listed on SZSE by routing orders to SZSE. Under the Southbound Hong Kong Trading Link under Shenzhen-Hong Kong Stock Connect, eligible investors, through Mainland China securities firms and a securities trading service company established by SZSE, may be able to place orders to trade eligible shares listed on SEHK by routing orders to SEHK.

All Hong Kong and overseas investors (including the Sub-Fund) may be allowed to trade SSE Securities or SZSE Securities (as described below) through Stock Connects (through the Northbound Shanghai Trading Link or Northbound Shenzhen Trading Link respectively), subject to rules and regulations issued from time to time.

The following summary presents some key points about the Northbound Shanghai Trading Link and the Northbound Shenzhen Trading Link:

Eligible securities for Shanghai-Hong Kong Stock Connect

Among the different types of SSE-listed securities, only China A-Shares will be included in the Shanghai-Hong Kong Stock Connect. Other product types such as China B-Shares, exchange-traded funds, bonds, and other securities are not included.

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

- (a) SSE-listed shares which are not traded in RMB; and
- (b) SSE-listed shares which are included in the “risk alert board”.

The list of eligible SSE Securities is subject to review from time to time.

Eligible securities for Shenzhen-Hong Kong Stock Connect

Hong Kong and overseas investors will be able to trade certain stocks listed on the SZSE market (i.e. “**SZSE Securities**”). These include any constituent stock of the SZSE Component Index and SZSE Small/Mid Cap Innovation Index which has a market capitalisation of not less than RMB6 billion and all the SZSE-listed A-Shares which have corresponding H-Shares listed on SEHK, except the following:

- (a) SZSE-listed shares which are not traded in RMB; and
- (b) SZSE-listed shares which are included in the “risk alert board” or under delisting arrangement.

At the initial stage of the Northbound Shenzhen Trading Link, investors eligible to trade shares that are listed on the ChiNext Board of SZSE under the Northbound Shenzhen Trading Link will be limited to institutional professional investors as defined in the relevant Hong Kong rules and regulations.

The list of eligible SZSE Securities is subject to review from time to time.

Trading day

Due to differences in public holidays between Hong Kong and Mainland China, there may be differences in the trading days in the two markets. Even if the Mainland China markets are open on a certain day, the Sub-Fund may not necessarily be able to invest in China A-Shares through Northbound Shanghai Trading Link or Northbound Shenzhen Trading Link trading. For example, the Hong Kong market will close on Easter and Christmas every year, but those are trading days in mainland China.

Likewise, during Lunar New Year and the National Day golden week periods, Mainland China will usually arrange for seven-day consecutive holidays by reshuffling workdays and weekends. Even on days both

markets are open for business, there could be differences because of other reasons such as bad weather conditions. Investors of the Stock Connects (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 Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect are respectively subject to a separate set of daily quota (“**Daily Quota**”). Northbound Shanghai Trading Link and Northbound Shenzhen Trading Link trading will be subject to a separate set of Daily Quota, which is monitored by SEHK.

The Daily Quota limits the maximum net buy value of cross-boundary trades under each of the Stock Connects each day. The Northbound Shanghai Trading Link Daily Quota and the Northbound Shenzhen Trading Link Daily Quota are both set at RMB13 billion.

SEHK will publish the remaining balance of the Daily Quota at scheduled times on the HKEx’s website.

Settlement and Custody

The Hong Kong Securities Clearing Company Limited (“**HKSCC**”), also a wholly-owned subsidiary of HKEx, 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.

The China A-Shares traded through Stock Connects are issued in scripless form, so investors will not hold any physical China A-Shares. Hong Kong and overseas investors who have acquired SSE Securities or SZSE Securities through Northbound Shanghai Trading Link or Northbound Shenzhen Trading Link trading should maintain the SSE Securities or SZSE Securities with their brokers’ or custodians’ stock accounts with CCASS (the Central Clearing and Settlement System operated by HKSCC for the clearing securities listed or traded on SEHK).

Corporate actions and shareholders’ meetings

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

HKSCC will monitor the corporate actions affecting SSE Securities and SZSE Securities and keep the relevant brokers or custodians participating in CCASS (“**CCASS participants**”) informed of all such corporate actions that require CCASS participants to take steps in order to

participate in them.

SSE-listed and SZSE-listed companies usually announce their annual general meeting/extraordinary general meeting information about one month before the meeting date. A poll is called on all resolutions for all votes. HKSCC will advise CCASS participants of all general meeting details such as meeting date, time, venue and the number of resolutions.

Foreign shareholding restrictions

The CSRC stipulates that, when holding China A-Shares through Stock Connects, Hong Kong and overseas investors are subject to the following shareholding restrictions:

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

When Hong Kong and overseas investors carry out strategic investments in listed companies in accordance with the rules, the shareholding of the strategic investments is not capped by the above-mentioned percentages.

Should the shareholding of a single investor in a China A-Share listed company exceed the above restriction, the investor may be required to unwind his position on the excessive shareholding according to a last-in-first-out basis within a specific period. The SSE or SZSE (as the case may be) and the SEHK will issue warnings or restrict the buy orders for the related China A-Shares if the percentage of total shareholding is approaching the upper limit.

Currency

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

Trading fees

In addition to paying trading fees and stamp duties in connection with China A-Share trading, the Sub-Fund may be subject to new fees arising from trading of China A-Shares via the Stock Connects. Further information about the trading fees and levies is available online at the website: <http://www.hkex.com.hk/chinaconnect> (*this website has not been reviewed by the SFC*)

Coverage of Investor Compensation Fund

The Sub-Fund's investments through Northbound Shanghai Trading Link or Northbound Shenzhen Trading Link trading under Stock Connects will

not be covered by Hong Kong's Investor Compensation Fund.

Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong. Examples of default are insolvency, in bankruptcy or winding up, breach of trust, defalcation, fraud, or misfeasance.

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

On the other hand, according to the Measures for the Administration of Securities Investor Protection Fund 《證券投資者保護基金管理辦法》, the functions of China Securities Investor Protection Fund ("CSIPF", 中國投資者保護基金) include "indemnifying creditors as required by China's relevant policies in case a securities company is subjected to compulsory regulatory measures including dissolution, closure, bankruptcy and administrative takeover by the CSRC and custodian operation" or "other functions approved by the State Council". As far as the Sub-Fund is concerned, since it is carrying out Northbound trading through securities brokers in Hong Kong and these brokers are not Mainland China brokers, they are not protected by CSIPF in the Mainland China.

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

<http://www.hkex.com.hk/chinaconnect> (*this website has not been reviewed by the SFC*)

SPECIFIC RISK FACTORS

In addition to the relevant risks mentioned in the "Risk Factors" section in the Explanatory Memorandum, investors should also take note of the following risks associated with investment in the Sub-Fund.

Risks of investing in companies relating to digital technologies

The Sub-Fund invests in companies operating in sectors relating to digital technologies.

Certain of the sectors relating to digital technologies are at a very early stage of development, and many of the companies in these sectors have a very short history. Rapid changes in technology could render obsolete the products and services offered by the companies in which the Sub-Fund invests, and may cause severe or complete declines in the prices of the securities of those companies.

Investment in the digital technology sectors may present a greater risk and a higher volatility than investment in a broader range of securities covering different economic sectors. In addition, these sectors may be subject to greater government regulation than other sectors and, as a result, changes to such government regulation may have a material adverse effect on these sectors. Such investments may therefore drop sharply in value in response to market, regulatory or research setbacks in addition to possible adverse effects from the competition of new market entrants, patent considerations and product obsolescence. Particularly within technology, short product cycles and diminishing profit margins are additional factors to consider when investing. These factors may have an adverse impact on the value of the Sub-Fund.

Concentration risk

The Sub-Fund's investments are concentrated in companies operating in the digital technology sectors. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investment and be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting these sectors. Please also refer to the risk factor headed "*Concentration risk*" in the "*Risk Factors*" section in the Explanatory Memorandum.

China market risk

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

Since 1978, the Mainland China government has implemented economic reform measures which emphasise decentralisation and the utilisation of market forces in the development of the Chinese economy, moving from the previous planned economy system. However, many of the economic measures are experimental or unprecedented and may be subject to adjustment and modification. Any significant change in Mainland China's political, social or economic policies may have a negative impact on investments in the China market.

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

Investments in equity interests of Chinese companies may be made through China A-Shares. Investment in RMB denominated bonds may be made outside the Mainland China.

Investors should also be aware that changes in the Mainland China taxation legislation could affect the amount of income which may be derived, and the amount of capital returned, from the investments of the Sub-Fund. Laws governing taxation will continue to change and may contain conflicts and ambiguities.

RMB currency and conversion risk

RMB is not currently a freely convertible currency and is subject to exchange controls and restrictions imposed by the Chinese government.

Such control of currency conversion and movements in the Renminbi exchange rates may adversely affect the operations and financial results of companies in the Mainland China. Insofar as the Sub-Fund's assets are invested in the Mainland China, it will be subject to the risk of the Mainland China government's imposition of restrictions on the repatriation of funds or other assets out of the country, limiting the ability of the Sub-Fund to satisfy payments to investors.

Where the Sub-Fund invests in RMB denominated investments, the value of such investments may be affected favourably or unfavourably depending on the changes in exchange rate between RMB and the Base Currency of the Sub-Fund. There can be no assurance that RMB will not be subject to devaluation. Any devaluation of the RMB could adversely affect the value of investors' investments in the Sub-Fund.

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

Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. The CNH rate may be at a premium or discount to the exchange rate for CNY and there may be significant bid and offer spreads. As such, CNH does not necessarily have the same exchange rate and may not move in the same direction as CNY. Any divergence between CNH and CNY may adversely impact the value of the Sub-Fund and thus the investors.

The supply of RMB and the conversion of foreign currency into RMB are subject to exchange control policies and restrictions imposed by the mainland authorities. Liquidity of RMB could deteriorate due to government controls and restrictions which would adversely affect investors' ability to exchange RMB into other currencies as well as the conversion rates of RMB. As RMB is not freely convertible, currency conversion is subject to availability of RMB at the relevant time. As such, in case of sizable redemption requests for the RMB denominated Class(es) are received, the Manager has the absolute discretion to delay any payment of redemption requests from the RMB denominated Class(es) where it determines that there is not sufficient RMB for currency conversion by the Sub-Fund for settlement purpose. There is also a risk that payment of redemptions and/or dividend payment may be delayed due to the exchange controls and restrictions applicable to RMB.

RMB class(es) related risk When calculating the value of the RMB denominated Class(es), CNH will be used. As mentioned in the risk factor headed “**RMB currency and conversion risk**” above, the CNH rate may be at a premium or discount to the exchange rate for CNY and there may be significant bid and offer spreads. The value of the RMB denominated Class(es) thus calculated will be subject to fluctuation.

The exchange rate of RMB may rise or fall. There can be no assurance that RMB will not be subject to devaluation. Any devaluation of RMB could adversely affect the value of investors' investments in the RMB denominated Class(es) of the Sub-Fund. Non-RMB based (e.g. Hong

Kong) investors may have to convert HKD or other currencies into RMB when investing in the RMB denominated Class(es). Subsequently, investors may also have to convert the RMB redemption proceeds (received when selling the Units) and RMB distributions received (if any) back to HKD or other currencies. During these processes, investors will incur currency conversion costs and may suffer losses in the event that RMB depreciates against HKD or such other currencies upon receipt of the RMB redemption proceeds and/or RMB distributions (if any). There is no guarantee that the value of RMB against the investors' base currencies (e.g. HKD) will not depreciate.

For RMB denominated Class(es), since the Unit prices are denominated in RMB but the Sub-Fund will not be fully invested in RMB-denominated underlying investments and its Base Currency is USD, even if the prices of the non-RMB denominated underlying investments and/or value of the Base Currency rise or remain stable, investors may still incur losses if RMB appreciates against the currencies of the non-RMB denominated underlying investments and/or the Base Currency more than the increase in the value of the non-RMB denominated underlying investments and/or the Base Currency. Furthermore, under the scenario where RMB appreciates against the currencies of the non-RMB denominated underlying investments and/or the Base Currency, and the value of the non-RMB denominated underlying investments and/or the Base Currency decreased, the value of investors' investments in RMB denominated Class(es) may suffer additional losses.

For the RMB hedged Class(es), the Manager may attempt to hedge the currency exchange risk of RMB against the Base Currency of the Sub-Fund and/or other currency(ies) of non-RMB-denominated underlying investments of the Sub-Fund. The costs of the hedging transactions will be reflected in the Net Asset Value of the Units of the RMB hedged Class(es) and therefore, investors of the RMB hedged Class(es) will have to bear the associated hedging costs, which may be significant depending on prevailing market conditions. If the counterparties of the instruments used for hedging purpose default, investors of the RMB hedged Class(es) may be exposed to RMB currency exchange risk on an unhedged basis and may therefore suffer further losses.

Furthermore, there is no guarantee that the hedging strategy will be effective and investors may still be subject to the RMB currency exchange risk. Whilst the hedging strategy may protect an investor against a decline in the value of the Sub-Fund's Base Currency and/or other currency(ies) of non-RMB-denominated underlying investments relative to RMB, on the other hand the investor will not benefit from any potential gain in the value of the RMB hedged Class(es) if the Sub-Fund's Base Currency and/or other currency(ies) of non-RMB-denominated underlying investments of the Sub-Fund rise(s) against RMB.

**Risks associated with
Stock Connects**

The Sub-Fund may invest through the Stock Connects. In addition to the “China market risk” and “RMB currency and conversion risk”, it is also subject to the following additional risks:

The Stock Connects program enables Hong Kong and overseas investors

to directly access eligible China A-Shares through Hong Kong brokers. It is subject to regulations promulgated by regulatory authorities and implementation rules (e.g. trading rules) made by the stock exchanges in the Mainland China and Hong Kong.

New regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connects.

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

Quota limitations

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

Suspension risk

SEHK, SSE and SZSE (as appropriate) reserve the right to suspend Northbound Shanghai Trading Link or Northbound Shenzhen Trading Link 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 Shanghai Trading Link or Northbound Shenzhen Trading Link trading through Stock Connects is effected, the Sub-Fund's ability to invest in China A-Shares or access the Mainland China market (and hence its ability to pursue its investment objective and strategy) will be adversely affected.

Differences in trading day

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

Operational risk

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 program subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.

It should be appreciated that the securities regimes and legal systems of the two markets differ significantly and in order for the program to operate, market participants may need to address issues arising from the differences on an on-going basis.

Further, the “connectivity” in the Stock Connects program requires routing of orders across the border. 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 program could be disrupted. The Sub-Fund’s ability to access the China A-Share market (and hence to pursue its investment strategy) will be adversely affected.

Restrictions on selling imposed by front-end monitoring

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

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

Recalling of eligible stocks

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

Clearing and settlement risk

The HKSCC and ChinaClear has established the clearing links and each will 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.

As the national central counterparty of the Mainland Chinese market, ChinaClear operates a comprehensive network of clearing, settlement and stock holding infrastructure. ChinaClear has established a risk management framework and measures that are approved and supervised by the CSRC. The chances of ChinaClear default are considered to be remote.

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

Participation in corporate actions and shareholders' meetings

HKSCC will keep CCASS participants informed of corporate actions of SSE Securities and SZSE Securities. Hong Kong and overseas investors (including the Sub-Fund) will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of SSE Securities and SZSE Securities may be as short as one business day only. Therefore, the Sub-Fund may not be able to participate in some corporate actions in a timely manner.

Hong Kong and overseas investors (including the Sub-Fund) are holding SSE Securities traded via Shanghai-Hong Kong Stock Connect program or SZSE Securities traded via Shenzhen-Hong Kong Stock Connect program through their brokers or custodians. According to existing mainland practice, multiple proxies are not available. Therefore, the Sub-Fund may not be able to appoint proxies to attend or participate in shareholders' meetings in respect of the SSE Securities or SZSE Securities.

No Protection by Investor Compensation Fund

Investment through the Stock Connects program is conducted through broker(s), and is subject to the risks of default by such brokers' in their obligations.

As disclosed under the heading "***Stock Connects***" in the "***Investment Considerations***" section, the Sub-Fund's investments through Northbound Shanghai Trading Link or Northbound Shenzhen Trading Link trading under Stock Connects is not covered by the Hong Kong's Investor Compensation Fund and/or the China Securities Investor Protection Fund. Therefore the Sub-Fund are exposed to the risks of default of the broker(s) it engages in its trading in China A-Shares through the program.

Risks associated with the Small and Medium Enterprise board and/or ChiNext market

The Sub-Fund may invest in the Small and Medium Enterprise (“SME”) board and/or the ChiNext market of the SZSE via the Shenzhen-Hong Kong Stock Connect. Investments in the SME board and/or ChiNext market may result in significant losses for the Sub-Fund and its investors. The following additional risks apply:

Higher fluctuation on stock prices

Listed companies on the SME board and/or ChiNext market are usually of emerging nature with smaller operating scale. Hence, they are subject to higher fluctuation in stock prices and liquidity and have higher risks and turnover ratios than companies listed on the main board of the SZSE.

Over-valuation risk

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

Differences in regulations

The rules and regulations regarding companies listed on ChiNext market are less stringent in terms of profitability and share capital than those in the main board and SME board.

Delisting risk

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

Risk associated with the technical failures

The companies listed on the ChiNext market have an industries focus on technology development, innovation and media industries. Since this is an area with rapid development, if there are failures in the process of the technology development which such companies are involved in and/or any major adverse events happening in the industries or their development, this may result in losses in such companies and hence may have an adverse impact on the Sub-Fund if the Sub-Fund invests in those companies.

“Dim Sum” bond (i.e. bonds issued outside of Mainland China but denominated in RMB) market risk

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 the 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).

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

Mainland China tax risk Although the Mainland China authorities provide temporary tax exemption on gains derived by Hong Kong and overseas investors (including the Sub-Fund) on the transfer of China A-Shares through Stock Connects under Circular 81 and Circular 127 (as defined under the heading “*Mainland China Taxation – Capital gains*” in the “*Taxation*” section below, dividends from China A-Shares paid to Hong Kong and overseas investors will continue to be subject to 10% Mainland China withholding income tax and the company distributing the dividend has the withholding obligation. Further, investors should note that the tax exemptions on gains derived from trading of China A-Shares under Circular 81 and Circular 127 were granted on a temporary basis and there is no assurance that the Sub-Fund will continue to enjoy the tax exemption over a long period of time.

There are risks and uncertainties associated with the current Mainland China tax laws, regulations and practice in respect of the gains and income realised via Stock Connects. Any increased tax liabilities on the Sub-Fund may adversely affect the Sub-Fund’s Net Asset Value.

The provisions made by the Manager may be excessive or inadequate to meet the actual tax liabilities. 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 actual tax liabilities may be lower than the tax provisions made and any sums withheld in excess of the tax liability incurred or is expected to be incurred by the Sub-Fund shall be released and transferred to the Sub-Fund’s accounts forming part of the Sub-Fund’s assets. In case of any shortfall between the provisions and actual tax liabilities, which will be debited from the Sub-Fund’s assets, the Sub-Fund’s asset value will be adversely affected. Depending on the timing of their subscriptions and/or redemptions, investors may be disadvantaged as a result of any shortfall of tax provision and will not have the right to claim any part of the overprovision (as the case may be).

INVESTING IN THE FUND AND REDEMPTION OF UNITS

Classes of Units **HKD Ord Dist Class, HKD Ord Acc Class, USD Ord Dist Class, USD Ord Acc Class, USD Inst Acc Class, USD X Acc Class[#] and RMB Hedged Ord Dist Class**

[#] Units in the USD X Acc Class are only available to employees of the Manager and certain other investors who have entered into a discretionary investment management agreement with the Manager and/or members of the EFG group. Unitholders of USD X Acc Class would be subject to a separate arrangement for the fees payable (such as management fee) pursuant to the relevant discretionary investment management agreement and therefore such fees payable will not be deducted from the Net Asset Value of USD X Acc Class.

Class	HKD Ord Dist Class and HKD Ord Acc Class	USD Ord Dist Class and USD Ord Acc Class
Initial Offer Price	HK\$100	US\$100
Minimum Initial Subscription Amount	HK\$50,000	US\$5,000
Minimum Subsequent Subscription Amount	HK\$10,000	US\$1,000
Minimum Redemption Amount	Nil	Nil
Minimum Holding Amount	HK\$25,000	US\$2,500

Class	USD Inst Acc Class	USD X Acc Class	RMB Hedged Ord Dist Class
Initial Offer Price	US\$100	US\$100	RMB100
Minimum Initial Subscription Amount	US\$5,000,000	US\$1,000,000	RMB50,000
Minimum Subsequent Subscription Amount	US\$1,000,000	US\$10,000	RMB10,000
Minimum Redemption Amount	Nil	Nil	Nil
Minimum Holding Amount	US\$2,500,000	US\$10,000	RMB25,000

CONVERSION

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

DISTRIBUTION POLICY

Distribution Class(es)

HKD Ord Dist Class, USD Ord Dist Class and RMB Hedged Ord Dist Class are Distribution Classes. Net distributable income of the relevant Distribution Class will be distributed on a monthly basis, subject to the Manager's discretion. Distributions may, at the Manager's discretion, be paid out of the capital of the Sub-Fund. Payment of distributions out of capital represents a return or a withdrawal of part of the amount the Unitholders originally invested or capital gain attributable to that amount. Any such distributions will result in an immediate decrease in the Net Asset Value of the Units.

Accumulation Class(es)

HKD Ord Acc Class, USD Ord Acc Class, USD Inst Ac Class and USD X Acc Class are Accumulation Classes.

Please refer to the section headed “*Distribution Policy*” and the risk factor headed “*Distributions risk*” in the main part of the Explanatory Memorandum for further details.

FEES AND EXPENSES

Fees payable by investors:

Class	All Classes	
	Current	Maximum
Subscription Charge (% of the subscription amount)	Up to 5%	5%
Redemption Charge (% of the redemption amount)	Up to 3%	3%
	The Redemption Charge will be retained by or paid to the Manager for its own absolute use and benefit.	
Switching Fee (% of the total amount being converted)	Up to 2%	2%

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

	Current	Maximum
Management Fee (% Net Asset Value of the relevant Class per annum)	<ul style="list-style-type: none"> • HKD Ord Dist Class: 1.5% • HKD Ord Acc Class: 1.5% • USD Ord Dist Class: 1.5% • USD Ord Acc Class: 1.5% • USD Inst Acc Class: 0.8% • USD X Acc Class: 0% • RMB Hedged Ord Dist Class: 1.5% 	All Classes: 2%
Trustee, Registrar and Administration Fee (% Net Asset Value of the Sub-Fund per annum)	<ul style="list-style-type: none"> • 0.08%, subject to a minimum monthly fee of US\$5,625 • The Trustee is also entitled to receive fees for acting as Registrar, provision 	1.5%

of various transaction, processing, valuation fees and other applicable fees as agreed with the Manager from time to time and to be reimbursed by the Sub-Fund for all out-of-pocket expenses (including sub-custody fees and expenses) properly incurred by it in the performance of its duties.

Establishment Costs The establishment costs of the Fund and the Sub-Fund are approximately US\$120,000 and will be borne by the Sub-Fund. The establishment costs will be amortised over the Amortisation Period.

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

TAXATION

Mainland China Taxation *The following summary of Mainland China taxation is of a general nature, for information purposes only, and is not intended to be an exhaustive list of all of the tax considerations that may be relevant to a decision to purchase, own, redeem or otherwise dispose of Units. This summary does not constitute legal or tax advice and does not purport to deal with the tax consequences applicable to all categories of investors. Prospective investors should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, redeeming or disposing of Units both under the laws and practice of Mainland China and the laws and practice of their respective jurisdictions. The information below is based on the law and practice in force in Mainland China at the date of this Appendix. 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 Appendix. 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.*

Taxation of the Sub-Fund:

By investing in China A-Shares via Stock Connects and RMB-denominated bonds issued by tax residents of Mainland China (collectively, “**Mainland China Securities**”), the Sub-Fund may be subject to withholding income tax and other taxes imposed in the

Mainland China.

Corporate Income Tax (“CIT”)

If the Sub-Fund is considered as a tax resident enterprise of the Mainland China, it will be subject to Mainland China CIT at 25% on its worldwide taxable income. If the Sub-Fund is considered as a non-tax resident enterprise with a permanent establishment (“**PE**”) in the Mainland China, the profits attributable to that PE would be subject to CIT at 25%.

A non-Mainland China tax resident enterprise without a PE in Mainland China will generally be subject to Mainland China withholding income tax (“**WIT**”) of 10% on its Mainland China sourced income (including dividends, interest, gains arising from transfer of assets, etc.) unless a specific exemption or reduction is available under the current CIT law and regulations or relevant tax treaties.

The Manager intends to manage and operate the Sub-Fund in such a manner that the Sub-Fund should not be treated as a tax resident enterprise of the Mainland China or a non-tax resident enterprise with a PE in the Mainland China for CIT purposes, although this cannot be guaranteed. As such, it is expected that the Sub-Fund only be subject to Mainland China WIT to the extent the Sub-Fund derives Mainland China sourced income in respect of its investments in Mainland China Securities, subject to any specific exemption or reduction under the CIT Law and relevant tax treaty if available.

Interest/dividends

Interest income derived from government bonds issued by the in-charge Finance Bureau of the State Council and/or local government bonds approved by the State Council is exempt from Mainland China CIT under the CIT Law.

Unless a specific exemption is applicable, non-Mainland China tax residents without PE in the Mainland China are subject to Mainland China WIT on interests or dividends arising from investments in Mainland China Securities including China A-Shares and debt securities issued by Mainland China issuers. The general Mainland China WIT rate applicable is 10%, subject to reduction under relevant double tax treaties (if any). The entity distributing such interests/dividends is technically obliged to withhold such tax on behalf of the recipients.

Under the Arrangement between the Mainland China and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the “**Arrangement**”), the tax charged on interests derived by a Hong Kong tax resident from Mainland China debt instruments will be 7% of the gross amount of the interests, if the Hong Kong tax resident is the beneficial owner of the interest income, subject to assessment by Mainland China tax authorities.

It is uncertain as to whether the Sub-Fund is eligible to enjoy a preferential rate of 7% of Mainland China WIT under the Arrangement. If the Sub-Fund cannot enjoy the preferential rate, the general rate of

10% will be applicable to the Sub-Fund on interests.

Capital gains

(i) China A-Shares

The Ministry of Finance (“**MOF**”), State Administration of Taxation (“**SAT**”) and CSRC jointly issued a circular concerning the tax treatment for the Shanghai-Hong Kong Stock Connect (Caishui [2014] No. 81 – The Circular Concerning the Tax Treatment for the Pilot Programme of the Shanghai-Hong Kong Stock Connect) (“**Circular 81**”), which states that CIT and individual income tax will be temporarily exempt on gains realised by Hong Kong market investors (including the Sub-Fund) on the trading of China A-Shares through the Shanghai-Hong Kong Stock Connect with effect from 17 November 2014. Separately, the MOF, SAT and CSRC have jointly issued a circular concerning the tax treatment for the Shenzhen-Hong Kong Stock Connect (Caishui [2016] No. 127 – The Circular Concerning the Tax Treatment for the Pilot Programme of the Shenzhen-Hong Kong Stock Connect) (“**Circular 127**”) which states that CIT and individual income tax will be temporarily exempt on gains realised by Hong Kong market investors (including the Sub-Fund) on the trading of China A-Shares through the Shenzhen-Hong Kong Stock Connect with effect from 5 December 2016.

(ii) Debt securities issued by Mainland China issuers

In relation to gains realised from the disposal of debt securities issued by Mainland China issuers, the Mainland China tax authorities have verbally indicated, on numerous public occasions, that such gains are non-Mainland China sourced income and hence not subject to Mainland China WIT. However, there is no specific written tax regulation to confirm the same. In practice, the Mainland China tax authorities have not enforced the collection of WIT on gains realised from the disposal of debt securities issued by Mainland China issuers both within and outside Mainland China.

The implication of the above on Mainland China Securities is that if the Sub-Fund is liable to pay such WIT, there may be an adverse impact on the Net Asset Value of the Sub-Fund. Should the Mainland China tax authorities decide to levy tax on gains derived from the trading of China A-Shares and debt securities issued by Mainland China issuers in the future, the Manager would seek to apply with the Mainland China tax authorities to treat the Sub-Fund as Hong Kong tax resident and rely on the capital gain tax exemption (to the extent the relevant treaty conditions can be satisfied) accorded under the double tax treaty between Mainland China and Hong Kong, although this cannot be guaranteed.

The Manager reserves the right to change the Mainland China tax provision policy in response to changes in Mainland China tax law and practices. Should there be a change to the Mainland China tax provision policy in respect of the Sub-Fund, the Manager will notify Unitholders accordingly.

Value-added Tax (“VAT”) and Other Surtaxes

The MOF and SAT jointly issued “Circular on the Comprehensive Roll-out of the Business Tax to Value Added Tax Transformation Pilot Program Circular” (Caishui [2016] No. 36) (“**Circular 36**”) on 24 March 2016, which provides the detailed implementation guidance on the further rollout of the VAT reform to sectors such as construction, real estate, financial services and lifestyle services, as well as modifications to the current VAT rules for transportation services, modern services, postal and telecommunication services. Accordingly, incomes that were subject to business tax are now subject to VAT after Circular 36 became effective on 1 May 2016.

(i) Capital Gain

Based on Circular 36 and Circular 127, gains derived by Hong Kong market investors from the trading of China A-Shares through Shanghai-Hong Kong Stock Connect is exempt from VAT since 1 May 2016 and through Shenzhen-Hong Kong Stock Connect is exempt from VAT since 5 December 2016.

The Sub-Fund does not intend to invest in any RMB-denominated debt securities in the Mainland China exchange-traded bond market or inter-bank bond market. If the Sub-Fund derives capital gains from the trading of debt securities issued outside Mainland China by Mainland China bond issuers (e.g. some dim sum bonds may be issued by Mainland China bond issuers), such capital gains are generally not subject to VAT based on Circular 36 if both the seller and purchaser are outside Mainland China and the transactions are completed outside Mainland China.

(ii) Interest/Dividends

Pursuant to Circular 36, interest income from Mainland China bond issuers should technically be subject to 6% VAT. Interest received from Mainland China government bonds and local government bonds are exempted from VAT.

Before the VAT reform, such interest income was technically subject to 5% business tax. However, in practice, the Mainland China tax authorities did not enforce the collection of business tax. As the VAT reform has become effective only on 1 May 2016, it is uncertain as to whether the enforcement practice of the Mainland China tax authorities will change under the Mainland China VAT regime. The Manager reserves the right to adjust the Sub-Fund’s tax provision policy in response to changes in tax enforcement by the Mainland China tax authorities.

Dividends from China A-Shares are not within the charging scope of VAT.

If VAT is applicable, there are also other surtaxes (which include Urban Construction and Maintenance Tax (currently at the rate ranging from 1% to 7%), Education Surcharge (currently at the rate of 3%) and Local

Education Surcharge (currently at the rate of 2%)) that would amount to as high as 12% of VAT payable. In addition, there may also be other local levies such as flood prevention fee, commodity reconciliation fund and water conservancy fund, depending on the location of the Mainland China enterprises.

Stamp Duty (“SD”)

SD under the Mainland China laws generally applies to the execution and receipt of all taxable documents listed in the Mainland China’s Provisional Rules on SD. SD is levied on the execution or receipt in Mainland China of certain documents, including contracts for the sale of China A-Shares traded on the Mainland China stock exchanges and loan contracts. In the case of contracts for sale of China A-Shares, such SD is currently imposed on the seller but not the buyer, at the rate of 0.1%. SD is generally imposed on the sale of the China-listed shares of Mainland China enterprises at a rate of 0.1% of the sales consideration. The Sub-Fund will be subject to this tax on each disposal of the China A-Shares.

According to Circular 127, the borrowing and return of shares in relation to shares guarantee and short-selling by Hong Kong market investors through the Stock Connects are exempt from SD with effect from 5 December 2016.

General

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

The Manager may make provisions in respect of the Sub-Fund for the Mainland China tax obligations. The Manager’s current policy on tax provisions is disclosed below.

Mainland China Tax Provisions

Based on professional and independent tax advice, the Manager intends to make provisions from the Sub-Fund’s assets for Mainland China WIT at a rate of 10% in respect of the dividend distributed and interests paid by Mainland China tax resident enterprises where such Mainland China WIT has not been withheld at source.

Based on professional and independent tax advice, the Manager does not intend to make provision for (i) any Mainland China CIT in respect of realised and unrealised capital gain derived from the trading of China A-Shares and debt securities issued by Mainland China bond issuers outside Mainland China (including trading of dim sum bonds issued by

Mainland China bond issuers); and (ii) any Mainland China VAT in respect of realised and unrealised capital gain derived from the trading of China A-Shares and debt securities issued outside Mainland China by Mainland China bond issuers. The implication of the above tax provision policy is that if the Sub-Fund is liable to pay such WIT or VAT, there may be an adverse impact on the Net Asset Value of the Sub-Fund. Should the Mainland China tax authorities decide to levy WIT on gains derived from the trading of China A-Shares and debt securities issued by Mainland China bond issuers in the future, the Manager would seek to apply with the Mainland China tax authorities to treat the Sub-Fund as Hong Kong tax resident and rely on the capital gain tax exemption (to the extent the relevant treaty conditions can be satisfied) accorded under the double tax treaty between Mainland China and Hong Kong, although this cannot be guaranteed.

The Manager reserves the right to change the Mainland China tax provision policy in response to changes in Mainland China tax law and practices.

For details relating to Mainland China taxes and associated risks, please refer to the paragraphs under the heading “**Mainland China Tax Risk**” in the section “**Specific Risk Factors**” in this Appendix above.