

BOCHK WEALTH CREATION SERIES

EXPLANATORY MEMORANDUM

January 2020

BOCHK Wealth Creation Series

Eleventh Addendum to the Explanatory Memorandum dated January 2020

Important

If you are in doubt about the contents of this document, you should seek independent professional financial advice.

This Eleventh Addendum forms part of and should be read together with the Explanatory Memorandum of the BOCHK Wealth Creation Series (the “**Fund**”) dated January 2020, as amended by the First Addendum dated May 2020, the Second Addendum dated June 2020, the Third Addendum dated December 2020, the Fourth Addendum dated June 2021, the Fifth Addendum dated October 2021, the Sixth Addendum dated December 2021, the Seventh Addendum dated June 2022, the Eighth Addendum dated September 2022, the Ninth Addendum dated November 2022 and the Tenth Addendum dated December 2022 (the “**Explanatory Memorandum**”). The Manager accepts full responsibility for the accuracy of the information contained in this Eleventh Addendum, 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 misleading.

Unless otherwise defined herein, words and expressions defined in the Explanatory Memorandum shall have the same meaning when used in this Eleventh Addendum.

1. Change in the Manager’s directors

The list of names under the heading “**Directors of the Manager**” under the section entitled “**Administration**” of the Explanatory Memorandum shall be deleted and replaced with the following with immediate effect:

“YIP Man Kai
TAM Ming Fai
SHEN Hua
CHAN Lap Bong
LO King Wa”

2. Removal of investment adviser in respect of BOCHK All Weather Belt and Road Bond Fund

Atlantis Investment Management Limited ceases to be the investment adviser in respect of BOCHK All Weather Belt and Road Bond Fund. Therefore, the section headed “**Investment Adviser**” under “**Appendix IX – BOCHK All Weather Belt and Road Bond Fund**” of the Explanatory Memorandum shall be deleted in its entirety with effect from 1 August 2023.

3. Establishment of BOCHK All Weather USD Money Market Fund (the “Sub-Fund”)

The Manager has decided to establish a new Sub-Fund named BOCHK All Weather USD Money Market Fund. As of the date of this Addendum, the Sub-Fund has already entered into FFI Agreement with the US IRS and registered with the US IRS.

The following is inserted as Appendix XVI of the Explanatory Memorandum after “**APPENDIX XV – BOCHK ALL WEATHER HKD MONEY MARKET FUND**” with effect from 3 July 2023:–

APPENDIX XVI

BOCHK ALL WEATHER USD MONEY MARKET FUND

This Appendix comprises information in relation to BOCHK All Weather USD Money Market Fund, a Sub-Fund of the Fund.

Initial Offer

Units of BOCHK All Weather USD Money Market Fund will be available for subscription during the period commencing 9 a.m. (Hong Kong time) on 3 July 2023 to 11 a.m. (Hong Kong time) on 13 July 2023 (or such other dates or time as the Manager and the Trustee may determine). It is expected that the first Dealing Day will be 14 July 2023. If such day is not a Business Day, the following Business Day will become the first Dealing Day.

The following class(es) of Units will be offered at the initial offer price (exclusive of preliminary charge) set out below during the initial offer period:

| Class | Class currency | Initial Offer Price |
|----------------|----------------|---------------------|
| Class A1 (USD) | US Dollar | USD10 |
| Class I1 (USD) | US Dollar | USD10 |
| Class X1 (USD) | US Dollar | USD10 |
| Class S1 (USD) | US Dollar | USD10 |

The Manager is entitled to charge a preliminary charge of up to 3% of the initial offer price.

Units will be issued on the last Business Day of the initial offer period in respect of applications received prior to 11 a.m. (Hong Kong time) on the last Business Day of the initial offer period (together with cleared funds received prior to such time or such later time as the Manager may agree) and accepted by the Manager. If applications and/or cleared funds are received after the relevant time, such applications shall be carried forward to the next Dealing Day.

The Manager has set a minimum total subscription amount of USD20,000,000 to be received during the initial offer period failing which the Manager may either extend the initial offer period or decide that the Sub-Fund shall not launch. Notwithstanding the aforesaid, the Manager reserves the right to proceed with the launch of the Sub-Fund even if the minimum total subscription amount is not achieved. If the Manager decides not to launch the Sub-Fund, application moneys paid by applicants will be returned without interest within 4 Business Days after the close of the initial offer period by cheque through the post or by telegraphic transfer to the bank account from which the moneys originated, at the risk and expense of the applicants or in such other manner determined by the Manager and the Trustee.

Base Currency

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

Investment Objective and Policy

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

Investment Strategy

Primary investments

The Sub-Fund seeks to achieve its investment objective by investing not less than 70% of its latest available Net Asset Value in USD denominated, or denominated in other currencies and hedged to US Dollar, and settled short-term deposits, high quality money market instruments issued by governments, quasi-governments, international organizations, financial institutions and other institutions or money market funds which are authorised by the SFC or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC ("**eligible MMFs**"). The money market instruments in which the Sub-Fund may invest include commercial papers, certificates of deposits, bills (including commercial bills), notes, other money market instruments and other high quality and short term debt securities (including bonds and fixed and floating rate securities). The Sub-Fund's investment in eligible MMFs may not in aggregate exceed 10% of its latest available Net Asset Value.

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

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

Credit quality and liquidity profile of money market instruments

The Manager will assess the credit quality and the liquidity profile of instruments that may be acquired on behalf of the Sub-Fund to determine whether a money market instrument is of high quality. The Sub-Fund will only invest in (a) onshore and offshore money market instruments (including high quality and short term debt securities) issued by the People's Republic of China Ministry of Finance (i.e. China Government Bonds), and by China Development Bank, Agricultural Development Bank of China, and The Export-Import Bank of China (i.e. China Policy Bank Bonds) and/or (b) onshore and offshore money market instruments (including high quality and short term debt securities) rated investment grade or recognized grade. For the purposes of the Sub-Fund, "investment grade" or "recognized grade" is defined as below based on the original maturity of a money market instrument:

- For offshore short-term instruments issued outside of Mainland China, "investment grade" means a rating of at least P-3 or above from Moody's, A-3 or above from Standard & Poor's, F3 or above from Fitch Ratings or an equivalent rating from any internationally recognized credit rating agency for the instrument, the relevant issuer or the relevant guarantor (if any). For onshore short-term instruments issued in Mainland China, "recognized grade" means at least A-1 as assigned by one of the local rating agencies recognized by the relevant authorities of Mainland China on the instruments, the relevant issuer or the relevant guarantor (if any).
- For offshore long-term instruments issued outside of Mainland China, "investment grade" means a rating of BBB- or above from Standard & Poor's, Baa3 or above from Moody's or an equivalent rating from any internationally recognized credit rating agency for the instrument, the relevant issuer or the relevant guarantor (if any). For onshore long-term instruments issued in Mainland China, "recognized grade" means at least AAA as assigned by one of the local rating agencies recognized by the relevant authorities of Mainland China on the instruments, the relevant issuer or the relevant guarantor (if any). For the avoidance of doubt, the Sub-Fund does not intend to invest in money market instruments with a long term to maturity remaining at the time of investment. The long-term credit ratings will be considered where the Sub-Fund invests in money market instruments which have been assigned long-term credit ratings but have a shorter term to maturity remaining (subject to the restrictions on remaining maturity, weighted average maturity and weighted average life of the portfolio of the Sub-Fund) at the time of purchase by the Sub-Fund.

While credit ratings provided by the relevant rating agencies serve as a point of reference, the Manager will conduct its own assessment on the credit quality based on various factors including quantitative factors (e.g. the issuer's and/or the guarantor's (if applicable) financial leverage, interest coverage, operating cash flows, liquidity position, etc.) and qualitative factors (e.g. industry outlook, competitive position, corporate governance, etc.). The Manager will assess the liquidity profile of instruments based on various factors, included but not limited to time to cash, liquidation horizon, and bid-ask spread of such instruments. Only instruments which fulfil the Manager's liquidity requirements will be included in the portfolio of the Sub-Fund.

Geographical allocation

There is no specific geographical allocation of the country of issue of the Sub-Fund's investments. However, investments in any country or region (e.g. China (onshore and offshore markets), etc.) may be concentrated and exceed 30% of the Sub-Fund's latest available Net Asset Value from time to time, depending on the Manager's assessment of the market conditions at different times. The Sub-Fund's investments in emerging markets will be less than 30% of its latest available Net Asset Value.

Ancillary investments

The Sub-Fund may invest less than 30% of its latest available Net Asset Value in short-term deposits and high quality money market instruments denominated and/or settled in currency(ies) other than USD.

The Sub-Fund may access the Mainland China money market instruments or debt securities market through available means, including but not limited to direct investment through the QFI status of the Manager, China Interbank Bond Market ("**CIBM**"), mutual bond market access between Mainland China and Hong Kong ("**Bond Connect**") or such other means as permitted by the relevant regulatory authorities from time to time. The Sub-Fund's total investment (direct or indirect) in the onshore Mainland China domestic market will be in aggregate up to 20% of the latest available Net Asset Value of the Sub-Fund.

The Sub-Fund may also invest in less than 30% of its latest available Net Asset Value in "Dim Sum" bond (i.e. bonds issued outside of Mainland China but denominated in RMB). The Sub-Fund may invest less than 30% of its latest available Net Asset Value in RMB denominated (onshore and offshore) investments in aggregate.

The Sub-Fund will not invest in convertible bonds or debt instruments with loss-absorption features. The Sub-Fund may invest up to 10% of its latest available Net Asset Value in short-term and high quality asset-backed securities (such as asset-backed commercial papers).

Securities financing transactions, financial derivative instruments and borrowing

The Sub-Fund will not engage in any securities lending activities or reverse repurchase transactions. The Sub-Fund may enter into sale and repurchase transactions for up to 10% of its latest available Net Asset Value but only on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses, and the amount of cash received by the Sub-Fund under such transactions may not in aggregate exceed 10% of its total Net Asset Value.

The Sub-Fund may use financial derivative instruments for hedging purpose only.

The Sub-Fund may borrow up to 10% of its total Net Asset Value but only on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses.

Use of Derivatives

The Sub-Fund may acquire financial derivative instruments for hedging purposes only. The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's latest available Net Asset Value.

Specific Risk Factors

Investors should note that purchase of a Unit in the Sub-Fund is not the same as placing funds on deposit with a bank or deposit-taking company and that the Sub-Fund is not subject to the supervision of the Hong Kong Monetary Authority. The Sub-Fund does not have a constant Net Asset Value and does not guarantee the repayment of investment principal. The Manager has no obligation to redeem Units at the offer value.

Investors should refer to the relevant risks under the section headed “Risk Factors” in the main part of the Explanatory Memorandum, including “Market risk” and “Risks relating to hedging and the hedged classes”, and the following specific risk factors for the Sub-Fund:

Currency risk

Whilst the base currency of the Sub-Fund is US Dollar, the Sub-Fund’s assets may be invested in securities and other investments that are denominated in currencies different from the Sub-Fund’s base currency. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions. Changes in currency exchange rates may influence the value of the Sub-Fund’s investments and hence the value of Units in terms of the Sub-Fund’s base currency. An investor may suffer losses arising from changes in currency exchange rates of investments held by the Sub-Fund. Although the Sub-Fund may engage in currency hedging, the value of the Sub-Fund’s investments and so the Net Asset Value of the Sub-Fund may still be affected favourably or unfavourably by fluctuations in exchange rates and by changes in exchange rate controls. Please refer to the relevant risk factor “**Currency risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks relating to money market instruments or debt securities

As the Sub-Fund invests significantly in short-term instruments with short maturities, it means the turnover rates of the Sub-Fund’s investments may be relatively high and the transaction costs incurred as a result of the purchase or sale of short-term instruments may also increase which in turn may have a negative impact on the Net Asset Value of the Sub-Fund.

Investment in debt securities is subject to the credit/default risk of the issuers and guarantors (if applicable) of the debt securities or money market instruments that the Sub-Fund may invest in, which may be unable or unwilling to make timely payments on principal and/or interest.

Credit ratings assigned by rating agencies may be subject to certain limitations and do not guarantee the credit worthiness of the instruments, issuer and/or guarantor (as applicable) at all times. Further, the credit appraisal system in Mainland China and the rating methodologies employed in Mainland China may be different from those employed in other markets. Credit ratings given by rating agencies in Mainland China may therefore not be directly comparable with those given by other international rating agencies.

Investment/recognized grade instruments, their issuers and/or their guarantor (as applicable) may be subject to downgrading risk. In the event of downgrading, the risks of default may be higher, and the Sub-Fund’s investments in such instruments may be adversely affected. Please refer to the relevant risk factor “**Credit rating downgrade risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Debt securities or money market instruments are sensitive to changes in interest rates. Please refer to the relevant risk factor “**Interest rate risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

The debt securities or money market instruments in certain countries/regions that the Sub-Fund invests in may be subject to higher volatility and lower liquidity compared to more developed markets. The price of debt securities or money market instruments traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such debt securities or money market instruments may be large and the Sub-Fund may incur significant trading costs.

The Sub-Fund may invest in sovereign debts which are subject to certain risks. Please refer to the relevant risk factor “**Sovereign debt risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Valuation of the Sub-Fund’s investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

Risks associated with bank deposits

Bank deposits are subject to the credit risks of the relevant financial institutions. The Sub-Fund may also place deposits in non-resident accounts and offshore accounts with banks in Mainland China. The Sub-Fund’s deposit may not be protected by any deposit protection schemes, or the value of the protection under the deposit protection schemes may not cover the full amount deposited by the Sub-Fund. Therefore, if the relevant financial institution defaults, the Sub-Fund may suffer losses as a result.

Risks associated with the Sub-Fund’s restrictions on redemptions

Redemption of Units may be subject to a restriction of (i) USD1,000 (or equivalent in the class currency) for a single individual investor of Class S Units on a Dealing Day under extreme market conditions and/or (ii) 10% of the total number of Units of the Sub-Fund in issue on a Dealing Day (in respect of all Unit Classes). Therefore, such investors may not be able to redeem all holdings in the Sub-Fund on a single Dealing Day. Where this redemption restriction is imposed continuously, the period for an investor to fully redeem his holdings may be prolonged, and the investor will be subject to liquidity risks.

Concentration risk

The Sub-Fund will invest significantly in USD-denominated, or denominated in other currencies and hedged to US Dollar, and settled short-term deposits, high quality money market instruments (including high quality and short term debt securities) and/or money market funds. Investments in any country or region (e.g. China (onshore and offshore markets), etc.) may also be concentrated from time to time depending on the Manager’s assessment of the market conditions at different times. The value of the Sub-Fund may be more volatile than that of a fund having a more diversified portfolio of assets. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the relevant markets in any specific country or region. Please refer to the risk factor “**Concentration risk**” in the main part of the Explanatory Memorandum.

Emerging markets risk

Investing in emerging markets involves increased risks and special considerations not typically associated with investment in more developed economies or markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility. Please refer to the relevant risk factor “**Emerging markets risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Mainland China market risk

Investing in the Mainland China market is subject to risks specific to the Mainland China market. Please refer to the relevant risk factors “**Mainland China market risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks relating to QFI

The Sub-Fund is not a QFI but may obtain access to securities and instruments issued or distributed within Mainland China directly using QFI status of the Manager, and may be subject to the following risks. The Manager is a QFI holder (“**QFI Holder**”).

Risks relating to RMB denominated securities: Securities in the Mainland China securities market are denominated in RMB. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. Please refer to the relevant risk factors “**RMB currency risk**” and “**RMB foreign exchange control risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks relating to the Qualified Foreign Investor (QFI) regime: Investors should note that QFI status could be suspended or revoked/terminated or otherwise invalidated, which may result in the Sub-Fund suffering substantial losses as the Sub-Fund may be required to dispose of its securities holdings or prohibited from trading of relevant securities and repatriation of the Sub-Fund’s monies. There is no assurance that the QFI Holder will continue to maintain its QFI status. The rules and restrictions under QFI regulations, generally apply to the QFI Holder as a whole and not simply to the investments made by the Sub-Fund.

Repatriation and liquidity risks: Repatriations of capital and net profits out of Mainland China by the Sub-Fund via a QFI or QFI funds are currently not subject to repatriation restrictions (such as lock up periods) or prior approval, although authenticity and compliance reviews will be conducted, and monthly reports on remittances and repatriations will be submitted to SAFE by the QFI Custodian. However, there is no guarantee that restrictions will not be imposed in future. Any restrictions on repatriation of the invested capital and net profits out of Mainland China may impact on the relevant fund’s ability to meet redemption requests from the Sub-Fund. The repatriation process may be subject to certain requirements set out in the relevant regulations such as submission of certain documents, and completion of the repatriation process may be subject to delay. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the control of the Manager (or the manager of a QFI fund). Therefore, the Sub-Fund may be subject to liquidity risk.

Legal and regulatory risk: The application of the rules relevant to QFI may depend on the interpretation given by the relevant Mainland regulatory authorities. Any changes to the relevant rules may have an adverse impact on investments made by the Sub-Fund or the QFI funds and hence the Sub-Fund's performance. The current QFI rules and regulations are subject to change, which may have potential retrospective effect. For an QFI fund, in the worst case, the relevant QFI fund may be terminated if it is not legal or viable to operate because of changes to the application of the relevant rules. The Sub-Fund's holdings in the relevant the QFI fund will be realised in case of such termination, and the Sub-Fund may suffer losses in its initial investment in such fund.

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

Mainland China brokerage risk: In relation to the Sub-Fund's investments issued and transacted within the Mainland China, execution and settlement of transactions or the transfer of any funds or securities may be arranged for or conducted by Mainland Brokers appointed by QFI Holder and/or the QFI Custodian appointed by the QFI Holder jointly with the Custodian. There is a risk that the Sub-Fund may suffer losses from the default, bankruptcy or disqualification of the Mainland Brokers and/or the QFI Custodian. In such event, the Sub-Fund may be adversely affected in the execution or settlement of any transaction or in the transfer of any funds or securities.

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

RMB currency risk/Risks relating to RMB denominated securities

The Sub-Fund may have exposure to securities that are denominated in RMB. Investment in the Sub-Fund will be subject to RMB currency risks. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. There is no guarantee that RMB will not depreciate. The Sub-Fund may suffer losses in case of depreciation of RMB. Under exceptional circumstances, payment of redemptions in RMB may be delayed due to the exchange controls and restrictions applicable to RMB. Please refer to the relevant risk factors "**RMB currency risk**" and "**RMB foreign exchange control risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Risks associated with China Interbank Bond Market and Bond Connect

Insofar as the Sub-Fund invests through China Interbank Bond Market, investors should refer to the associated risks set out in the risk factor **“Risks associated with China Interbank Bond Market and Bond Connect”** under the section headed **“Risk Factors”** in the main part of the Explanatory Memorandum.

“Dim Sum” bond market risks

The “Dim Sum” bond (i.e. bonds issued outside of Mainland China but denominated in RMB) market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the “Dim Sum” bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalization of the offshore RMB (CNH) market by the relevant regulator(s).

Risks of investing in other collective investment schemes

The Sub-Fund will be subject to the risks associated with the underlying funds when investing in other funds. The Sub-Fund does not have control of the investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved which may have a negative impact to the Net Asset Value of the Sub-Fund.

The underlying collective investment schemes in which the Sub-Fund may invest may not be regulated by the SFC. There may be additional costs involved when investing into these underlying collective investment schemes. There is also no guarantee that the underlying collective investment schemes will always have sufficient liquidity to meet the Sub-Fund’s redemption requests as and when made.

If the Sub-Fund invests in an underlying fund managed by the Manager or a connected person of the Manager, all initial charges and redemption charges on such underlying fund will be waived. The Manager or any person acting behalf of the Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by such underlying fund or its manager, or any quantifiable monetary benefits in connection with the investments in such underlying fund. Where potential conflicts of interest arise, the Manager will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section headed **“Conflicts of Interest”** in the main part of the Explanatory Memorandum.

Risks relating to financial derivative instruments and hedging

Risks associated with financial derivative instruments include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of a financial derivative instrument can result in a loss significantly greater than the amount invested in the financial derivative instrument by the Sub-Fund. Exposure to financial derivative instrument may lead to a high risk of significant loss by the Sub-Fund.

The Manager may, in accordance with the investment strategy, use hedging techniques to attempt to offset currency risks, including hedging the currencies in which the underlying assets of the Sub-Fund are denominated against the Sub-Fund's base currency. There is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result. There can be no assurance that any currency hedging strategy employed by the Manager will fully and effectively eliminate the currency exposure of the Sub-Fund.

Risks associated with asset backed securities

The Sub-Fund may invest in asset backed securities (such as asset backed commercial papers) which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligation relating to the underlying assets are not met, which may adversely impact the returns of the securities.

Risks relating to Sale and Repurchase Transactions

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

In respect of the collateral which has been placed with the counterparty, there is a risk that the value of the collateral placed with the counterparty is higher than that of the cash originally received owing to factors including the value of the collateral placed having exceeded the cash received, incorrect pricing, market appreciation in the value of the collateral or an improvement in the credit rating of the issuer of the collateral. Whilst the increased value of collateral, which is to be marked to market on a daily basis, could be fully protected by requiring a return of the collateral and/or margin calls to the counterparty, investors must note that if the counterparty of such transactions becomes insolvent or refuses to honour its obligations to return the relevant securities, the Sub-Fund would experience delays in recovering its securities and may possibly incur a capital loss.

The security collateral provided by the Sub-Fund to the counterparty is normally marked to market daily by the counterparty and/or the Sub-Fund and where either of the parties disagrees with the value of the security collateral determined by the other party, the security collateral will be valued by a pre-appointed third party. The counterparty is subject to a higher risk in a Sale and Repurchase Transaction (such as the risk of default by the Sub-Fund to repurchase the security from the counterparty at a pre-determined future date). In the event that the value of the collateral placed with the counterparty falls by a value that exceeds the threshold pre-determined by the counterparty, due to factors including adverse market movements or a downgrade in the credit rating of the collateral, the Sub-Fund may be required to top up the value by changing the security collateral or provide a margin. Although the Sub-Fund may be required to post a margin for maintaining such transaction, the Sub-Fund may terminate the transaction at any time in order to avoid any further margin or risk.

Mainland China tax considerations in respect of the Sub-Fund

By investing in Mainland China securities, the Sub-Fund may be subject to withholding income tax (“**WIT**”), value added tax (“**VAT**”) and other taxes imposed in the Mainland China. Investors should refer to the heading “**Mainland China**” in the section headed “**Taxation**” for further details.

Tax Provision

It is the intention of the Manager to operate the affairs of the Manager and the Sub-Fund such that they are not regarded as Mainland China tax resident enterprises and have no establishment or place of business (“**PE**”) in Mainland China for Mainland China CIT purposes, although this is not guaranteed.

(i) Capital gain

Under the prevailing CIT Law, there is no specific provision on whether capital gains derived by a non-resident investor (including the Sub-Fund) from disposal of Mainland China debt instruments (e.g. bonds issued by Mainland China companies) would be considered as Mainland China sourced income and subject to Mainland China WIT at 10%. Based on the current interpretation of the STA and the local tax authorities, gains derived by foreign investors (including the Sub-Fund) from disposal of investment in Mainland China debt securities should not be treated as Mainland China sourced income thus should not be subject to Mainland China WIT. Under the current practice, no WIT is imposed on capital gains derived by non-residents from disposal of Mainland China debt instruments. If the relevant interpretation/practice changes in the future, the Fund/Sub-Fund(s) may still turn to certain treaty relief applicable to Hong Kong tax residents.

Under the arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the “**Arrangement**”), capital gains derived by a Hong Kong tax resident from disposal of onshore Mainland China debt instruments should not be taxable in Mainland China. The aforesaid WIT relief on disposal of debt instruments will be subject to assessment by the Mainland China tax authorities. Before a Hong Kong tax resident can enjoy relief under the Arrangement, a Hong Kong Tax Resident Certificate (“**HKTRC**”) issued by the Inland Revenue Department (“**IRD**”) should be submitted to the relevant Mainland China tax authority for this purpose. As at the date of this Addendum to the Explanatory Memorandum, the Sub-Fund has not yet obtained the HKTRC from the IRD. If the Mainland China tax authorities enforce the collection of WIT on capital gains and require the Sub-Fund to provide a HKTRC in order to obtain the WIT relief, the Manager will apply for a HKTRC on behalf of the Sub-Fund.

Under Circular 36, gains from disposal of Mainland China debt instruments invested via QFI should be exempted from VAT.

In light of the uncertainty on the income tax treatment on capital gains derived from disposal of debt instruments, and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for Mainland China WIT on such gains or income and withhold the tax for the account of the Sub-Fund. After careful consideration of the Manager's assessment and having taken and considered independent professional tax advice relating to the Sub-Fund's eligibility to benefit from the Arrangement, and in accordance with such advice, the Manager holds a view that the Sub-Fund is a Hong Kong tax resident for the purpose of the Arrangement and is able to enjoy the WIT relief on capital gains derived from the disposal of onshore Mainland China debt instruments under the Arrangement.

(ii) Interest income

According to the prevailing Mainland China CIT Law and regulations, PRC sourced interest incomes should be subject to 10% WIT.

According to Circular 36, interest income received by QFIs and CIBM investors from investment in Mainland China debt securities shall be subject to 6% VAT unless a special exemption applies. Deposit interest income is not subject to VAT and interest income earned on PRC government bonds issued by the Ministry of Finance ("**MOF**"), or bonds issued by local government of a province, autonomous regions, and municipalities directly under the Central Government or municipalities separately listed on the state plan, as approved by the State Council, is exempted from VAT.

On 22 November 2018, the MOF and STA released Caishui [2018] No. 108 ("**Circular 108**") on tax treatment for Overseas Institutional Investors ("**OII**s") investing in Mainland China bond market dated 7 November 2018.

Circular 108 mentioned that the interest income of the bonds derived by OIIs in the Mainland China bond market is exempted from WIT and VAT for three years effective from 7 November 2018 to 6 November 2021. The relevant exemption period under Circular 108 has been expired on 6 November 2021. On 22 November 2021, the MOF and the STA issued Announcement [2021] No. 34 ("**Circular 34**"), which stipulated that the policy to exempt the WIT and VAT would be extended to 31 December 2025.

The prevailing VAT regulations do not specifically exempt VAT on interest income received by foreign investors from investments in Mainland China debt securities via Bond Connect. In the absence of specific taxation rule/guidance by the PRC tax authorities on the tax treatment on income from investment in China debt securities via Bond Connect, the Manager expects the tax authorities may make reference to Circular 108 and Circular 34 and would not impose VAT on debt securities investment income via Bond Connect. In practice, the PRC tax authorities also have not imposed VAT in this regard.

In addition, urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), education surcharge (currently at the rate of 3%) and local education surcharge (currently at 2%) are imposed based on the VAT liabilities.

The Manager, having taken and considered the independent professional tax advice and in accordance with such advice, has determined that

- (1) No Mainland China WIT provision will be made on the gross realized and unrealized capital gains from the disposal of Mainland China debt securities, and no Mainland China WIT provision will be provided on the interest income from Mainland China fixed income instruments derived for the period from 7 November 2018 to 31 December 2025.
- (2) A 6% VAT provision will be made on the interest income derived from Mainland China fixed income instruments (other than (i) interest income from PRC government bonds issued by the Ministry of Finance or approved local government bonds and (ii) interest income from Mainland China fixed income instruments derived for the period from 7 November 2018 to 31 December 2025). Local surcharges at 12% of the VAT amount will also be made.

Any Mainland China WIT/VAT provision made by the Manager in respect of the Sub-Fund may be lower than or higher than the Sub-Fund's actual tax liabilities. It should also be noted that there is a possibility of the Mainland China tax rules being changed and taxes being applied retrospectively. The Manager, acting in the best interest of Unitholders, will assess the tax provisioning approach on an on-going basis.

If the actual tax levied by STA is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund.

On the other hand, the actual tax liabilities may be lower than the tax provision made, in which case those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager, will as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund.

Available Classes

The following classes of Units have been established and may be made available for sale from time to time. The Manager has an absolute discretion to determine from time to time the availability of any Class of Units to any investor. Investors should check with the Manager whether any class of Units is currently offered.

| Class | Class currency | Investors to whom the class is available |
|----------------|-----------------------|---|
| Class A1 (USD) | US Dollar | Retail public |
| Class I1 (USD) | US Dollar | Institutional clients |
| Class X1 (USD) | US Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class S1 (USD) | US Dollar | Retail public |

Investment Minima

| Class | Class A1 (USD) | Class I1 (USD) | Class X1 (USD) | Class S1 (USD) |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Minimum Subscription Amount | USD100 | USD100,000 | N/A | USD10 |
| Minimum Subsequent Subscription Amount | USD100 | USD100,000 | N/A | USD10 |
| Minimum Holding | USD100 | USD100,000 | N/A | USD10 |
| Minimum Redemption Amount | USD100 | USD100,000 | N/A | USD10 |

Fees

Fees payable by investors

| Class | Class A1 (USD) | Class I1 (USD) | Class X1 (USD) | Class S1 (USD) |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Preliminary Charge (% of Issue Price) | Up to 3% | Up to 3% | Up to 3% | Up to 3% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 3% | Up to 3% | Up to 3% | Up to 3% |

**Fees payable by the Sub-Fund
(% Net Asset Value of the Sub-Fund)**

| Class | Class A1 (USD) | Class I1 (USD) | Class X1 (USD) | Class S1 (USD) |
|----------------|---|---------------------------|---------------------------|---------------------------|
| Management Fee | 0.20% p.a. | 0.05% p.a. | 0% p.a. | 0.25% p.a. |
| Trustee Fee | Up to 0.075% p.a., subject to a minimum monthly fee of USD4,000 | | | |
| Custody Fees | Up to 0.30% p.a | | | |

Establishment Costs

The costs of establishment of the BOCHK All Weather USD Money Market Fund are approximately USD90,000.

Dealing Day

Every Business Day.

Dealing Deadline

11 a.m. (Hong Kong time) on the relevant Dealing Day.

Dealing through the Authorised Distributor(s) or other authorised electronic means may involve different dealing procedures and an earlier cut-off time may be imposed before the Dealing Deadlines for receiving instructions. Investors should confirm the arrangements with the Authorised Distributor(s) concerned.

Subscription, Redemption and Switching of Units

Notwithstanding the disclosure under “**Application Procedure**” in the section headed “**Purchase of Units**” in the Explanatory Memorandum, payment for Units in the Sub-Fund shall be due in cleared funds in the relevant currency prior to the Dealing Deadline for the subscription application for Units.

If payment in cleared funds is not received by such time as aforesaid, the subscription application will be deferred to the next Dealing Day.

Further, in relation to switching described under the section “**Switching between classes**” in the Explanatory Memorandum, the cut-off time for receipt of applications for switching into Units of the Sub-Fund is 11 a.m. (Hong Kong time) on each Dealing Day (or such other time, prior to the calculation of the Net Asset Value of the Sub-Fund, as the Manager may from time to time determine with the approval of the Trustee). Such switching will only be effected upon receipt of cleared funds for the account of the Sub-Fund. Accordingly, switching requests for switching into Units of the Sub-Fund will be dealt with on the Dealing Day when the switching proceeds from the original Sub-Fund are received prior to 11 a.m. (Hong Kong time) on that Dealing Day. Investors should note that a switching request may not be completed on the same Dealing Day as the request was submitted.

For other details regarding the procedures for subscription, redemption and switching, see the main part of the Explanatory Memorandum under “**Purchase of Units**”, “**Redemption of Units**” and “**Switching between classes**”.

Notwithstanding the disclosure under the sub-sections headed “**Subsequent Subscription**” and “**Payment of Redemption Proceeds**” in the main part of the Explanatory Memorandum, the Issue Price and the Redemption Price of the Sub-Fund shall be calculated as follows:–

- the Issue Price of the Sub-Fund on any Dealing Day will be the Net Asset Value of the relevant class of Units of the Sub-Fund as at the Valuation Point in respect of the Dealing Day divided by the number of such class of Units then in issue, rounded to 4 decimal places with 0.00005 being rounded up; and
- the Redemption Price of the Sub-Fund on any Dealing Day shall be the price per Unit ascertained by dividing the Net Asset Value of the relevant class of the Sub-Fund as at the Valuation Point in respect of the Dealing Day by the number of such class of Units then in issue rounded to 4 decimal places with 0.00005 being rounded up.

Further Restrictions on Redemption

Further to the section headed “**Restrictions on redemption and switching**” in the main part of the Explanatory Memorandum, with a view to managing the liquidity of the Sub-Fund, achieving fair treatment of Unitholders, and safeguarding the interests of remaining Unitholders in case of sizeable redemptions, upon consultation with the Trustee from time to time, the Manager is also entitled to limit the amount of redemption request from an individual Unitholder on any Dealing Day to USD1,000 (or the equivalent in another currency) for Class S under extreme market circumstances and/or subject to the Manager’s discretion. Any Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, until the original request has been satisfied in full. If requests for redemption are so carried forward, the Manager will inform the Unitholders concerned.

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends.

Currently, the Manager does not intend to make any distributions for any of the available classes of Units.

If there is a change of the distribution policy of the Sub-Fund, the Manager will seek the prior approval of the SFC and/or provide at least one month’s prior notice to Unitholders (where necessary).

Valuation

Valuation Day will be the relevant Dealing Day and the Valuation Point is the close of business in the last relevant market to close on each Valuation Day or such other time on a Valuation Day or such other day as the Manager and the Trustee may from time to time determine.

Reports and Accounts for the Sub-Fund

The first financial year of the Sub-Fund will end on 30 June 2024.

The first annual report in respect of the Sub-Fund will be published for the period from the launch of the Sub-Fund to 30 June 2024.

July 2023

BOCHK Asset Management Limited

BOCHK Wealth Creation Series

Tenth Addendum to the Explanatory Memorandum dated January 2020

Important

If you are in doubt about the contents of this document, you should seek independent professional financial advice.

This Tenth Addendum forms part of and should be read together with the Explanatory Memorandum of the BOCHK Wealth Creation Series (the “**Fund**”) dated January 2020, as amended by the First Addendum dated May 2020, the Second Addendum dated June 2020, the Third Addendum dated December 2020, the Fourth Addendum dated June 2021, the Fifth Addendum dated October 2021, the Sixth Addendum dated December 2021, the Seventh Addendum dated June 2022, the Eighth Addendum dated September 2022 and the Ninth Addendum dated November 2022 (the “**Explanatory Memorandum**”). The Manager accepts full responsibility for the accuracy of the information contained in this Tenth Addendum, 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 misleading.

Unless otherwise defined herein, words and expressions defined in the Explanatory Memorandum shall have the same meaning when used in this Tenth Addendum.

Extension of Initial Offer Period of BOCHK All Weather HKD Money Market Fund

1. The first paragraph under the section headed “**Initial Offer**” in “**APPENDIX XV – BOCHK ALL WEATHER HKD MONEY MARKET FUND**” shall be deleted in its entirety and replaced with the following with effect from 9 December 2022:–

“Units of BOCHK All Weather HKD Money Market Fund will be available for subscription during the period commencing 9 a.m. (Hong Kong time) on 21 November 2022 to 11 a.m. (Hong Kong time) on 9 February 2023 (or such other dates or time as the Manager and the Trustee may determine). It is expected that the first Dealing Day will be 10 February 2023. If such day is not a Business Day, the following Business Day will become the first Dealing Day.”

December 2022

BOCHK Asset Management Limited

BOCHK Wealth Creation Series

Ninth Addendum to the Explanatory Memorandum dated January 2020

Important

If you are in doubt about the contents of this document, you should seek independent professional financial advice.

This Ninth Addendum forms part of and should be read together with the Explanatory Memorandum of the BOCHK Wealth Creation Series (the “**Fund**”) dated January 2020, as amended by the First Addendum dated May 2020, the Second Addendum dated June 2020, the Third Addendum dated December 2020, the Fourth Addendum dated June 2021, the Fifth Addendum dated October 2021, the Sixth Addendum dated December 2021, the Seventh Addendum dated June 2022 and the Eighth Addendum dated September 2022 (the “**Explanatory Memorandum**”). The Manager accepts full responsibility for the accuracy of the information contained in this Ninth Addendum, 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 misleading.

Unless otherwise defined herein, words and expressions defined in the Explanatory Memorandum shall have the same meaning when used in this Ninth Addendum.

1. The list of names under the heading “**Directors of the Manager**” under the section entitled “**Administration**” of the Explanatory Memorandum shall be deleted and replaced with the following:

“YUAN Shu
YIP Man Kai
TAM Ming Fai
SHEN Hua
CHAN Lap Bong
LO King Wa”

2. The section headed “**Investment Adviser**” under “**Appendix XI – BOCHK All Weather Greater Bay Area Strategy Fund**” of the Explanatory Memorandum shall be deleted in its entirety.

Establishment of BOCHK All Weather HKD Money Market Fund (the “Sub-Fund”)

3. The Manager has decided to establish a new Sub-Fund named BOCHK All Weather HKD Money Market Fund. As of the date of this Addendum, the Sub-Fund has already entered into FFI Agreement with the US IRS and registered with the US IRS.

The following is inserted as Appendix XV of the Explanatory Memorandum after “**APPENDIX XIV – BOCHK ALL WEATHER CHINA NEW DYNAMIC EQUITY FUND**” with effect from 21 November 2022:–

APPENDIX XV

BOCHK ALL WEATHER HKD MONEY MARKET FUND

This Appendix comprises information in relation to BOCHK All Weather HKD Money Market Fund, a Sub-Fund of the Fund.

Initial Offer

Units of BOCHK All Weather HKD Money Market Fund will be available for subscription during the period commencing 9 a.m. (Hong Kong time) on 21 November 2022 to 11 a.m. (Hong Kong time) on 9 December 2022 (or such other dates or time as the Manager and the Trustee may determine). It is expected that the first Dealing Day will be 12 December 2022. If such day is not a Business Day, the following Business Day will become the first Dealing Day.

The following class(es) of Units will be offered at the initial offer price (exclusive of preliminary charge) set out below during the initial offer period:

| Class | Class currency | Initial Offer Price |
|----------------|-----------------------|----------------------------|
| Class A1 (HKD) | Hong Kong Dollar | HKD10 |
| Class I1 (HKD) | Hong Kong Dollar | HKD10 |
| Class X1 (HKD) | Hong Kong Dollar | HKD10 |
| Class S1 (HKD) | Hong Kong Dollar | HKD10 |

The Manager is entitled to charge a preliminary charge of up to 3% of the initial offer price.

Units will be issued on the last Business Day of the initial offer period in respect of applications received prior to 11 a.m. (Hong Kong time) on the last Business Day of the initial offer period (together with cleared funds received prior to such time or such later time as the Manager may agree) and accepted by the Manager. If applications and/or cleared funds are received after the relevant time, such applications shall be carried forward to the next Dealing Day.

The Manager has set a minimum total subscription amount of HKD150,000,000 to be received during the initial offer period failing which the Manager may either extend the initial offer period or decide that the Sub-Fund shall not launch. Notwithstanding the aforesaid, the Manager reserves the right to proceed with the launch of the Sub-Fund even if the minimum total subscription amount is not achieved. If the Manager decides not to launch the Sub-Fund, application moneys paid by applicants will be returned without interest within 4 Business Days after the close of the initial offer period by cheque through the post or by telegraphic transfer to the bank account from which the moneys originated, at the risk and expense of the applicants or in such other manner determined by the Manager and the Trustee.

Base Currency

The base currency of the Sub-Fund is Hong Kong Dollar.

Investment Objective and Policy

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

Investment Strategy

Primary investments

The Sub-Fund seeks to achieve its investment objective by investing not less than 70% of its latest available Net Asset Value in Hong Kong Dollars-denominated, or denominated in other currencies and hedged to Hong Kong Dollars, and settled short-term deposits, high quality money market instruments issued by governments, quasi-governments, international organizations, financial institutions and other institutions or money market funds which are authorised by the SFC or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC ("**eligible MMFs**"). The money market instruments in which the Sub-Fund may invest include commercial papers, certificates of deposits, bills (including commercial bills), notes, other money market instruments and other high quality and short term debt securities (including bonds and fixed and floating rate securities). The Sub-Fund's investment in eligible MMFs may not in aggregate exceed 10% of its latest available Net Asset Value.

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

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

Credit quality and liquidity profile of money market instruments

The Manager will assess the credit quality and the liquidity profile of instruments that may be acquired on behalf of the Sub-Fund to determine whether a money market instrument is of high quality. The Sub-Fund will only invest in (a) onshore and offshore money market instruments (including high quality and short term debt securities) issued by the People's Republic of China Ministry of Finance (i.e. China Government Bonds), and by China Development Bank, Agricultural Development Bank of China, and The Export-Import Bank of China (i.e. China Policy Bank Bonds) and/or (b) onshore and offshore money market instruments (including high quality and short term debt securities) rated investment grade or recognized grade. For the purposes of the Sub-Fund, "investment grade" or "recognized grade" is defined as below based on the original maturity of a money market instrument:

- For offshore short-term instruments issued outside of Mainland China, "investment grade" means a rating of at least P-3 or above from Moody's, A-3 or above from Standard & Poor's, F3 or above from Fitch Ratings or an equivalent rating from any internationally recognized credit rating agency for the instrument, the relevant issuer or the relevant guarantor (if any). For onshore short-term instruments issued in Mainland China, "recognized grade" means at least A-1 as assigned by one of the local rating agencies recognized by the relevant authorities of Mainland China on the instruments, the relevant issuer or the relevant guarantor (if any).
- For offshore long-term instruments issued outside of Mainland China, "investment grade" means a rating of BBB- or above from Standard & Poor's, Baa3 or above from Moody's or an equivalent rating from any internationally recognized credit rating agency for the instrument, the relevant issuer or the relevant guarantor (if any). For onshore long-term instruments issued in Mainland China, "recognized grade" means at least AAA as assigned by one of the local rating agencies recognized by the relevant authorities of Mainland China on the instruments, the relevant issuer or the relevant guarantor (if any). For the avoidance of doubt, the Sub-Fund does not intend to invest in money market instruments with a long term to maturity remaining at the time of investment. The long-term credit ratings will be considered where the Sub-Fund invests in money market instruments which have been assigned long-term credit ratings but have a shorter term to maturity remaining (subject to the restrictions on remaining maturity, weighted average maturity and weighted average life of the portfolio of the Sub-Fund) at the time of purchase by the Sub-Fund.

While credit ratings provided by the relevant rating agencies serve as a point of reference, the Manager will conduct its own assessment on the credit quality based on various factors including quantitative factors (e.g. the issuer's and/or the guarantor's (if applicable) financial leverage, interest coverage, operating cash flows, liquidity position, etc.) and qualitative factors (e.g. industry outlook, competitive position, corporate governance, etc.). The Manager will assess the liquidity profile of instruments based on various factors, included but not limited to time to cash, liquidation horizon, and bid-ask spread of such instruments. Only instruments which fulfil the Manager's liquidity requirements will be included in the portfolio of the Sub-Fund.

Geographical allocation

There is no specific geographical allocation of the country of issue of the Sub-Fund's investments. However, investments in any country or region (e.g. China (onshore and offshore markets), etc.) may be concentrated and exceed 30% of the Sub-Fund's latest available Net Asset Value from time to time, depending on the Manager's assessment of the market conditions at different times. The Sub-Fund's investments in emerging markets will be less than 30% of its latest available Net Asset Value.

Ancillary investments

The Sub-Fund may access the Mainland China money market instruments or debt securities market through available means, including but not limited to direct investment through the QFI status of the Manager, China Interbank Bond Market ("**CIBM**"), mutual bond market access between Mainland China and Hong Kong ("**Bond Connect**") or such other means as permitted by the relevant regulatory authorities from time to time. The Sub-Fund's total investment (direct or indirect) in the onshore Mainland China domestic market will be in aggregate up to 20% of the latest available Net Asset Value of the Sub-Fund.

The Sub-Fund may also invest in less than 30% of its latest available Net Asset Value in "Dim Sum" bond (i.e. bonds issued outside of Mainland China but denominated in RMB). The Sub-Fund may invest less than 30% of its latest available Net Asset Value in RMB-denominated (onshore and offshore) investments in aggregate.

The Sub-Fund will not invest in convertible bonds or debt instruments with loss-absorption features. The Sub-Fund may invest up to 10% of its latest available Net Asset Value in short-term and high quality asset-backed securities (such as asset-backed commercial papers).

Securities financing transactions, financial derivative instruments and borrowing

The Sub-Fund will not engage in any securities lending activities or reverse repurchase transactions. The Sub-Fund may enter into sale and repurchase transactions for up to 10% of its latest available Net Asset Value but only on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses, and the amount of cash received by the Sub-Fund under such transactions may not in aggregate exceed 10% of its total Net Asset Value.

The Sub-Fund may use financial derivative instruments for hedging purpose only.

The Sub-Fund may borrow up to 10% of its total Net Asset Value but only on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses.

Use of Derivatives

The Sub-Fund may acquire financial derivative instruments for hedging purposes only. The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's latest available Net Asset Value.

Specific Risk Factors

Investors should note that purchase of a Unit in the Sub-Fund is not the same as placing funds on deposit with a bank or deposit-taking company and that the Sub-Fund is not subject to the supervision of the Hong Kong Monetary Authority. The Sub-Fund does not have a constant Net Asset Value and does not guarantee the repayment of investment principal. The Manager has no obligation to redeem Units at the offer value.

Investors should refer to the relevant risks under the section headed “Risk Factors” in the main part of the Explanatory Memorandum, including “Market risk” and “Risks relating to hedging and the hedged classes”, and the following specific risk factors for the Sub-Fund:

Currency risk

Whilst the base currency of the Sub-Fund is Hong Kong Dollar, the Sub-Fund’s assets may be invested in securities and other investments that are denominated in currencies different from the Sub-Fund’s base currency. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions. Changes in currency exchange rates may influence the value of the Sub-Fund’s investments and hence the value of Units in terms of the Sub-Fund’s base currency. An investor may suffer losses arising from changes in currency exchange rates of investments held by the Sub-Fund. Although the Sub-Fund may engage in currency hedging, the value of the Sub-Fund’s investments and so the Net Asset Value of the Sub-Fund may still be affected favourably or unfavourably by fluctuations in exchange rates and by changes in exchange rate controls. Please refer to the relevant risk factor “**Currency risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks relating to money market instruments or debt securities

As the Sub-Fund invests significantly in short-term instruments with short maturities, it means the turnover rates of the Sub-Fund’s investments may be relatively high and the transaction costs incurred as a result of the purchase or sale of short-term instruments may also increase which in turn may have a negative impact on the Net Asset Value of the Sub-Fund.

Investment in debt securities is subject to the credit/default risk of the issuers and guarantors (if applicable) of the debt securities or money market instruments that the Sub-Fund may invest in, which may be unable or unwilling to make timely payments on principal and/or interest.

Credit ratings assigned by rating agencies may be subject to certain limitations and do not guarantee the credit worthiness of the instruments, issuer and/or guarantor (as applicable) at all times. Further, the credit appraisal system in Mainland China and the rating methodologies employed in Mainland China may be different from those employed in other markets. Credit ratings given by rating agencies in Mainland China may therefore not be directly comparable with those given by other international rating agencies.

Investment/recognized grade instruments, their issuers and/or their guarantor (as applicable) may be subject to downgrading risk. In the event of downgrading, the risks of default may be higher, and the Sub-Fund’s investments in such instruments may be adversely affected. Please refer to the relevant risk factor “**Credit rating downgrade risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Debt securities or money market instruments are sensitive to changes in interest rates. Please refer to the relevant risk factor “**Interest rate risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

The debt securities or money market instruments in certain countries/regions that the Sub-Fund invests in may be subject to higher volatility and lower liquidity compared to more developed markets. The price of debt securities or money market instruments traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such debt securities or money market instruments may be large and the Sub-Fund may incur significant trading costs.

The Sub-Fund may invest in sovereign debts which are subject to certain risks. Please refer to the relevant risk factor “**Sovereign debt risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Valuation of the Sub-Fund’s investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

Risks associated with bank deposits

Bank deposits are subject to the credit risks of the relevant financial institutions. The Sub-Fund may also place deposits in non-resident accounts and offshore accounts with banks in Mainland China. The Sub-Fund’s deposit may not be protected by any deposit protection schemes, or the value of the protection under the deposit protection schemes may not cover the full amount deposited by the Sub-Fund. Therefore, if the relevant financial institution defaults, the Sub-Fund may suffer losses as a result.

Risks associated with the Sub-Fund’s restrictions on redemptions

Redemption of Units may be subject to a restriction of (i) HK\$10,000 (or equivalent in the class currency) for a single individual investor of Class S Units on a Dealing Day under extreme market conditions and/or (ii) 10% of the total number of Units of the Sub-Fund in issue on a Dealing Day (in respect of all Unit Classes). Therefore, such investors may not be able to redeem all holdings in the Sub-Fund on a single Dealing Day. Where this redemption restriction is imposed continuously, the period for an investor to fully redeem his holdings may be prolonged, and the investor will be subject to liquidity risks.

Concentration risk

The Sub-Fund will invest significantly in Hong Kong Dollar-denominated, or denominated in other currencies and hedged to Hong Kong Dollars, and settled short-term deposits, high quality money market instruments (including high quality and short term debt securities) and/or money market funds. Investments in any country or region (e.g. China (onshore and offshore markets), etc.) may also be concentrated from time to time depending on the Manager’s assessment of the market conditions at different times. The value of the Sub-Fund may be more volatile than that of a fund having a more diversified portfolio of assets. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the relevant markets in any specific country or region. Please refer to the risk factor “**Concentration risk**” in the main part of the Explanatory Memorandum.

Emerging markets risk

Investing in emerging markets involves increased risks and special considerations not typically associated with investment in more developed economies or markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility. Please refer to the relevant risk factor “**Emerging markets risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Mainland China market risk

Investing in the Mainland China market is subject to risks specific to the Mainland China market. Please refer to the relevant risk factors “**Mainland China market risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks relating to QFI

The Sub-Fund is not a QFI but may obtain access to securities and instruments issued or distributed within Mainland China directly using QFI status of the Manager, and may be subject to the following risks. The Manager is a QFI holder (“**QFI Holder**”).

Risks relating to RMB denominated securities: Securities in the Mainland China securities market are denominated in RMB. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. Please refer to the relevant risk factors “**RMB currency risk**” and “**RMB foreign exchange control risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks relating to the Qualified Foreign Investor (QFI) regime: Investors should note that QFI status could be suspended or revoked/terminated or otherwise invalidated, which may result in the Sub-Fund suffering substantial losses as the Sub-Fund may be required to dispose of its securities holdings or prohibited from trading of relevant securities and repatriation of the Sub-Fund’s monies. There is no assurance that the QFI Holder will continue to maintain its QFI status. The rules and restrictions under QFI regulations, generally apply to the QFI Holder as a whole and not simply to the investments made by the Sub-Fund.

Repatriation and liquidity risks: Repatriations of capital and net profits out of Mainland China by the Sub-Fund via a QFI or QFI funds are currently not subject to repatriation restrictions (such as lock up periods) or prior approval, although authenticity and compliance reviews will be conducted, and monthly reports on remittances and repatriations will be submitted to SAFE by the QFI Custodian. However, there is no guarantee that restrictions will not be imposed in future. Any restrictions on repatriation of the invested capital and net profits out of Mainland China may impact on the relevant fund’s ability to meet redemption requests from the Sub-Fund. The repatriation process may be subject to certain requirements set out in the relevant regulations such as submission of certain documents, and completion of the repatriation process may be subject to delay. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the control of the Manager (or the manager of a QFI fund). Therefore, the Sub-Fund may be subject to liquidity risk.

Legal and regulatory risk: The application of the rules relevant to QFI may depend on the interpretation given by the relevant Mainland regulatory authorities. Any changes to the relevant rules may have an adverse impact on investments made by the Sub-Fund or the QFI funds and hence the Sub-Fund's performance. The current QFI rules and regulations are subject to change, which may have potential retrospective effect. For an QFI fund, in the worst case, the relevant QFI fund may be terminated if it is not legal or viable to operate because of changes to the application of the relevant rules. The Sub-Fund's holdings in the relevant the QFI fund will be realised in case of such termination, and the Sub-Fund may suffer losses in its initial investment in such fund.

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

Mainland China brokerage risk: In relation to the Sub-Fund's investments issued and transacted within the Mainland China, execution and settlement of transactions or the transfer of any funds or securities may be arranged for or conducted by Mainland Brokers appointed by QFI Holder and/or the QFI Custodian appointed by the QFI Holder jointly with the Custodian. There is a risk that the Sub-Fund may suffer losses from the default, bankruptcy or disqualification of the Mainland Brokers and/or the QFI Custodian. In such event, the Sub-Fund may be adversely affected in the execution or settlement of any transaction or in the transfer of any funds or securities.

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

RMB currency risk/Risks relating to RMB denominated securities

The Sub-Fund may have exposure to securities that are denominated in RMB. Investment in the Sub-Fund will be subject to RMB currency risks. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. There is no guarantee that RMB will not depreciate. The Sub-Fund may suffer losses in case of depreciation of RMB. Under exceptional circumstances, payment of redemptions in RMB may be delayed due to the exchange controls and restrictions applicable to RMB. Please refer to the relevant risk factors "**RMB currency risk**" and "**RMB foreign exchange control risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Risks associated with China Interbank Bond Market and Bond Connect

Insofar as the Sub-Fund invests through China Interbank Bond Market, investors should refer to the associated risks set out in the risk factor **“Risks associated with China Interbank Bond Market and Bond Connect”** under the section headed **“Risk Factors”** in the main part of the Explanatory Memorandum.

“Dim Sum” bond market risks

The “Dim Sum” bond (i.e. bonds issued outside of Mainland China but denominated in RMB) market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the “Dim Sum” bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalization of the offshore RMB (CNH) market by the relevant regulator(s).

Risks of investing in other collective investment schemes

The Sub-Fund will be subject to the risks associated with the underlying funds when investing in other funds. The Sub-Fund does not have control of the investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved which may have a negative impact to the Net Asset Value of the Sub-Fund.

The underlying collective investment schemes in which the Sub-Fund may invest may not be regulated by the SFC. There may be additional costs involved when investing into these underlying collective investment schemes. There is also no guarantee that the underlying collective investment schemes will always have sufficient liquidity to meet the Sub-Fund’s redemption requests as and when made.

If the Sub-Fund invests in an underlying fund managed by the Manager or a connected person of the Manager, all initial charges and redemption charges on such underlying fund will be waived. The Manager or any person acting behalf of the Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by such underlying fund or its manager, or any quantifiable monetary benefits in connection with the investments in such underlying fund. Where potential conflicts of interest arise, the Manager will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section headed **“Conflicts of Interest”** in the main part of the Explanatory Memorandum.

Risks relating to financial derivative instruments and hedging

Risks associated with financial derivative instruments include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of a financial derivative instrument can result in a loss significantly greater than the amount invested in the financial derivative instrument by the Sub-Fund. Exposure to financial derivative instrument may lead to a high risk of significant loss by the Sub-Fund.

The Manager may, in accordance with the investment strategy, use hedging techniques to attempt to offset currency risks, including hedging the currencies in which the underlying assets of the Sub-Fund are denominated against the Sub-Fund's base currency. There is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result. There can be no assurance that any currency hedging strategy employed by the Manager will fully and effectively eliminate the currency exposure of the Sub-Fund.

Risks associated with asset backed securities

The Sub-Fund may invest in asset backed securities (such as asset backed commercial papers) which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligation relating to the underlying assets are not met, which may adversely impact the returns of the securities.

Risks relating to Sale and Repurchase Transactions

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

In respect of the collateral which has been placed with the counterparty, there is a risk that the value of the collateral placed with the counterparty is higher than that of the cash originally received owing to factors including the value of the collateral placed having exceeded the cash received, incorrect pricing, market appreciation in the value of the collateral or an improvement in the credit rating of the issuer of the collateral. Whilst the increased value of collateral, which is to be marked to market on a daily basis, could be fully protected by requiring a return of the collateral and/or margin calls to the counterparty, investors must note that if the counterparty of such transactions becomes insolvent or refuses to honour its obligations to return the relevant securities, the Sub-Fund would experience delays in recovering its securities and may possibly incur a capital loss.

The security collateral provided by the Sub-Fund to the counterparty is normally marked to market daily by the counterparty and/or the Sub-Fund and where either of the parties disagrees with the value of the security collateral determined by the other party, the security collateral will be valued by a pre-appointed third party. The counterparty is subject to a higher risk in a Sale and Repurchase Transaction (such as the risk of default by the Sub-Fund to repurchase the security from the counterparty at a pre-determined future date). In the event that the value of the collateral placed with the counterparty falls by a value that exceeds the threshold pre-determined by the counterparty, due to factors including adverse market movements or a downgrade in the credit rating of the collateral, the Sub-Fund may be required to top up the value by changing the security collateral or provide a margin. Although the Sub-Fund may be required to post a margin for maintaining such transaction, the Sub-Fund may terminate the transaction at any time in order to avoid any further margin or risk.

Mainland China tax considerations in respect of the Sub-Fund

By investing in Mainland China securities, the Sub-Fund may be subject to withholding income tax (“**WIT**”), value added tax (“**VAT**”) and other taxes imposed in the Mainland China. Investors should refer to the heading “**Mainland China**” in the section headed “**Taxation**” for further details.

Tax Provision

It is the intention of the Manager to operate the affairs of the Manager and the Sub-Fund such that they are not Mainland China tax resident enterprises and have no establishment or place of business (“**PE**”) in Mainland China for Mainland China CIT purposes, although this is not guaranteed.

(i) Capital gain

Under the prevailing CIT Law, there is no specific provision on whether capital gains derived by a non-resident investor (including the Sub-Fund) from disposal of Mainland China debt instruments (e.g. bonds issued by Mainland China companies) would be considered as Mainland China sourced income and subject to Mainland China WIT at 10%. Based on the current interpretation of the STA and the local tax authorities, gains derived by foreign investors (including the Sub-Fund) from investment in Mainland China debt securities should not be treated as Mainland China sourced income thus should not be subject to Mainland China WIT. Under the current practice, no WIT is imposed on capital gains derived by non-residents from disposal of Mainland China debt instruments. If the relevant interpretation/practice changes in the future, the Fund/Sub-Fund(s) may still turn to certain treaty relief applicable to Hong Kong tax residents.

Under the arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the “**Arrangement**”), capital gains derived by a Hong Kong tax resident from disposal of onshore Mainland China debt instruments should not be taxable in Mainland China. The aforesaid WIT relief on disposal of debt instruments will be subject to assessment by the Mainland China tax authorities. Before a Hong Kong tax resident can enjoy relief under the Arrangement, a Hong Kong Tax Resident Certificate (“**HKTRC**”) issued by the Inland Revenue Department (“**IRD**”) should be submitted to the relevant Mainland China tax authority for this purpose. As at the date of this Addendum to the Explanatory Memorandum, the Sub-Fund has not yet obtained the HKTRC from the IRD. If the Mainland China tax authorities enforce the collection of WIT on capital gains and require the Sub-Fund to provide a HKTRC in order to obtain the WIT relief, the Manager will apply for a HKTRC on behalf of the Sub-Fund.

Under Circular 36, gains from disposal of Mainland China debt instruments invested via QFI should be exempted from VAT.

In light of the uncertainty on the income tax treatment on capital gains derived from disposal of debt instruments, and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for Mainland China WIT on such gains or income and withhold the tax for the account of the Sub-Fund. After careful consideration of the Manager's assessment and having taken and considered independent professional tax advice relating to the Sub-Fund's eligibility to benefit from the Arrangement, and in accordance with such advice, the Manager holds a view that the Sub-Fund is a Hong Kong tax resident for the purpose of the Arrangement and is able to enjoy the WIT relief on capital gains derived from the disposal of onshore Mainland China debt instruments under the Arrangement.

(ii) Interest income

According to the prevailing Mainland China CIT Law and regulations, PRC sourced interest incomes should be subject to 10% WIT.

According to Circular 36, interest income received by QFIs and CIBM investors from investment in Mainland China debt securities shall be subject to 6% VAT unless a special exemption applies. Deposit interest income is not subject to VAT and interest income earned on PRC government bonds issued by the Ministry of Finance ("**MOF**"), or bonds issued by local government of a province, autonomous regions, and municipalities directly under the Central Government or municipalities separately listed on the state plan, as approved by the State Council, is exempted from VAT.

On 22 November 2018, the MOF and STA released Caishui [2018] No. 108 ("**Circular 108**") on tax treatment for Overseas Institutional Investors ("**OII**s") investing in Mainland China bond market dated 7 November 2018.

Circular 108 mentioned that the interest income of the bonds derived by OIIs in the Mainland China bond market is exempted from WIT and VAT for three years effective from 7 November 2018 to 6 November 2021. The relevant exemption period under Circular 108 has been expired on 6 November 2021. On 22 November 2021, the MOF and the STA issued Announcement [2021] No.34 ("**Circular 34**"), which stipulated that the policy to exempt the WIT and VAT would be extended to 31 December 2025.

The prevailing VAT regulations do not specifically exempt VAT on interest income received by foreign investors from investments in Mainland China debt securities via Bond Connect. In the absence of specific taxation rule/guidance by the PRC tax authorities on the tax treatment on income from investment in China debt securities via Bond Connect, the Manager expects the tax authorities may make reference to Circular 108 and Circular 34 and would not impose VAT on debt securities investment income via Bond Connect. In practice, the PRC tax authorities also have not imposed VAT in this regard.

In addition, urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), education surcharge (currently at the rate of 3%) and local education surcharge (currently at 2%) are imposed based on the VAT liabilities.

The Manager, having taken and considered the independent professional tax advice and in accordance with such advice, has determined that

- (1) No Mainland China WIT provision will be made on the gross realized and unrealized capital gains from the disposal of Mainland China debt securities, and no Mainland China WIT provision will be provided on the interest income from Mainland China fixed income instruments derived for the period from 7 November 2018 to 31 December 2025.
- (2) A 6% VAT provision will be made on the interest income derived from Mainland China fixed income instruments (other than (i) interest income from PRC government bonds issued by the Ministry of Finance or approved local government bonds and (ii) interest income from Mainland China fixed income instruments derived for the period from 7 November 2018 to 31 December 2025). Local surcharges at 12% of the VAT amount will also be made.

Any Mainland China WIT/VAT provision made by the Manager in respect of the Sub-Fund may be lower than or higher than the Sub-Fund's actual tax liabilities. It should also be noted that there is a possibility of the Mainland China tax rules being changed and taxes being applied retrospectively. The Manager, acting in the best interest of Unitholders, will assess the tax provisioning approach on an on-going basis.

If the actual tax levied by STA is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund.

On the other hand, the actual tax liabilities may be lower than the tax provision made, in which case those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager, will as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund.

Available Classes

The following classes of Units have been established and may be made available for sale from time to time. The Manager has an absolute discretion to determine from time to time the availability of any Class of Units to any investor. Investors should check with the Manager whether any class of Units is currently offered.

| Class | Class currency | Investors to whom the class is available |
|----------------|-----------------------|---|
| Class A1 (HKD) | Hong Kong Dollar | Retail public |
| Class I1 (HKD) | Hong Kong Dollar | Institutional clients |
| Class X1 (HKD) | Hong Kong Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class S1 (HKD) | Hong Kong Dollar | Retail public |

Investment Minima

| Class | Class A1 (HKD) | Class I1 (HKD) | Class X1 (HKD) | Class S1 (HKD) |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Minimum Subscription Amount | HKD100 | HKD100,000 | N/A | HKD10 |
| Minimum Subsequent Subscription Amount | HKD100 | HKD100,000 | N/A | HKD10 |
| Minimum Holding | HKD100 | HKD100,000 | N/A | HKD10 |
| Minimum Redemption Amount | HKD100 | HKD100,000 | N/A | HKD10 |

Fees

Fees payable by investors

| Class | Class A1 (HKD) | Class I1 (HKD) | Class X1 (HKD) | Class S1 (HKD) |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Preliminary Charge (% of Issue Price) | Up to 3% | Up to 3% | Up to 3% | Up to 3% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 3% | Up to 3% | Up to 3% | Up to 3% |

**Fees payable by the Sub-Fund
(% Net Asset Value of the Sub-Fund)**

| Class | Class A1 (HKD) | Class I1 (HKD) | Class X1 (HKD) | Class S1 (HKD) |
|----------------|--|---------------------------|---------------------------|---------------------------|
| Management Fee | 0.20% p.a. | 0.05% p.a. | 0% p.a. | 0.25% p.a. |
| Trustee Fee | Up to 0.075% p.a. for assets up to the first HKD800 million; up to 0.055% p.a. for remaining assets, subject to a minimum monthly fee of HKD30,000 | | | |
| Custody Fees | Up to 0.30% p.a | | | |

Establishment Costs

The costs of establishment of the BOCHK All Weather HKD Money Market Fund are approximately HKD700,000.

Dealing Day

Every Business Day.

Dealing Deadline

11 a.m. (Hong Kong time) on the relevant Dealing Day.

Dealing through the Authorised Distributor(s) or other authorised electronic means may involve different dealing procedures and an earlier cut-off time may be imposed before the Dealing Deadlines for receiving instructions. Investors should confirm the arrangements with the Authorised Distributor(s) concerned.

Subscription, Redemption and Switching of Units

Notwithstanding the disclosure under “**Application Procedure**” in the section headed “**Purchase of Units**” in the Explanatory Memorandum, payment for Units in the Sub-Fund shall be due in cleared funds in the relevant currency prior to the Dealing Deadline for the subscription application for Units.

If payment in cleared funds is not received by such time as aforesaid, the subscription application will be deferred to the next Dealing Day.

Further, in relation to switching described under the section “**Switching between classes**” in the Explanatory Memorandum, the cut-off time for receipt of applications for switching into Units of the Sub-Fund is 11 a.m. (Hong Kong time) on each Dealing Day (or such other time, prior to the calculation of the Net Asset Value of the Sub-Fund, as the Manager may from time to time determine with the approval of the Trustee). Such switching will only be effected upon receipt of cleared funds for the account of the Sub-Fund. Accordingly, switching requests for switching into Units of the Sub-Fund will be dealt with on the Dealing Day when the switching proceeds from the original Sub-Fund are received prior to 11 a.m. (Hong Kong time) on that Dealing Day. Investors should note that a switching request may not be completed on the same Dealing Day as the request was submitted.

For other details regarding the procedures for subscription, redemption and switching, see the main part of the Explanatory Memorandum under “**Purchase of Units**”, “**Redemption of Units**” and “**Switching between classes**”.

Notwithstanding the disclosure under the sub-sections headed “**Subsequent Subscription**” and “**Payment of Redemption Proceeds**” in the main part of the Explanatory Memorandum, the Issue Price and the Redemption Price of the Sub-Fund shall be calculated as follows:–

- the Issue Price of the Sub-Fund on any Dealing Day will be the Net Asset Value of the relevant class of Units of the Sub-Fund as at the Valuation Point in respect of the Dealing Day divided by the number of such class of Units then in issue, rounded to 4 decimal places with 0.00005 being rounded up; and
- the Redemption Price of the Sub-Fund on any Dealing Day shall be the price per Unit ascertained by dividing the Net Asset Value of the relevant class of the Sub-Fund as at the Valuation Point in respect of the Dealing Day by the number of such class of Units then in issue rounded to 4 decimal places with 0.00005 being rounded up.

Further Restrictions on Redemption

Further to the section headed “**Restrictions on redemption and switching**” in the main part of the Explanatory Memorandum, with a view to managing the liquidity of the Sub-Fund, achieving fair treatment of Unitholders, and safeguarding the interests of remaining Unitholders in case of sizeable redemptions, upon consultation with the Trustee from time to time, the Manager is also entitled to limit the amount of redemption request from an individual Unitholder on any Dealing Day to HKD10,000 (or the equivalent in another currency) for Class S under extreme market circumstances and/or subject to the Manager’s discretion. Any Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, until the original request has been satisfied in full. If requests for redemption are so carried forward, the Manager will inform the Unitholders concerned.

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends.

Currently, the Manager does not intend to make any distributions for any of the available classes of Units.

If there is a change of the distribution policy of the Sub-Fund, the Manager will seek the prior approval of the SFC and/or provide at least one month’s prior notice to Unitholders (where necessary).

Valuation

Valuation Day will be the relevant Dealing Day and the Valuation Point is the close of business in the last relevant market to close on each Valuation Day or such other time on a Valuation Day or such other day as the Manager and the Trustee may from time to time determine.

Reports and Accounts for the Sub-Fund

The first financial year of the Sub-Fund will end on 30 June 2023.

The first annual report in respect of the Sub-Fund will be published for the period from the launch of the Sub-Fund to 30 June 2023.

November 2022

BOCHK Asset Management Limited

BOCHK Wealth Creation Series

Eighth Addendum to the Explanatory Memorandum dated January 2020

Important

If you are in doubt about the contents of this document, you should seek independent professional financial advice.

This Eighth Addendum forms part of and should be read together with the Explanatory Memorandum of the BOCHK Wealth Creation Series (the “**Fund**”) dated January 2020, as amended by the First Addendum dated May 2020, the Second Addendum dated June 2020, the Third Addendum dated December 2020, the Fourth Addendum dated June 2021, the Fifth Addendum dated October 2021, the Sixth Addendum dated December 2021 and the Seventh Addendum dated June 2022 (the “**Explanatory Memorandum**”). The Manager accepts full responsibility for the accuracy of the information contained in this Eighth Addendum, 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 misleading.

Unless otherwise defined herein, words and expressions defined in the Explanatory Memorandum shall have the same meaning when used in this Eighth Addendum.

Establishment of BOCHK All Weather China New Dynamic Equity Fund (the “Sub-Fund”)

The Manager has decided to establish a new Sub-Fund named BOCHK All Weather China New Dynamic Equity Fund. As of the date of this Addendum, the Sub-Fund has already entered into FFI Agreement with the US IRS and registered with the US IRS.

The following is inserted as Appendix XIV of the Explanatory Memorandum after “**APPENDIX XIII – BOCHK ALL WEATHER ESG MULTI-ASSET FUND**” with effect from 23 September 2022:

APPENDIX XIV

BOCHK ALL WEATHER CHINA NEW DYNAMIC EQUITY FUND

This Appendix comprises information in relation to BOCHK All Weather China New Dynamic Equity Fund, a Sub-Fund of the Fund.

Initial Offer

Units of BOCHK All Weather China New Dynamic Equity Fund will be available for subscription during the period commencing 9 a.m. (Hong Kong time) on 10 October 2022 to 5 p.m. (Hong Kong time) on 31 October 2022 (or such other dates or time as the Manager and the Trustee may determine). It is expected that the first Dealing Day will be 1 November 2022. If such day is not a Business Day, the following Business Day will become the first Dealing Day.

The following class(es) of Units will be offered at the initial offer price (exclusive of preliminary charge) set out below during the initial offer period:

| Class | Class currency | Initial Offer Price |
|-------------------|-------------------------------|----------------------------|
| Class A1 (HKD) | Hong Kong Dollar | HKD10 |
| Class A2 (USD) | United States Dollar | USD10 |
| Class A3 (RMB) | Renminbi | RMB10 |
| Class A4 (AUD-H) | Australian Dollar (Hedged) | AUD10 |
| Class A5 (NZD-H) | New Zealand Dollar (Hedged) | NZD10 |
| Class A6 (CAD-H) | Canadian Dollar (Hedged) | CAD10 |
| Class A7 (GBP-H) | British Pound (Hedged) | GBP10 |
| Class A8 (RMB-H) | Renminbi (Hedged) | RMB10 |
| Class A9 (EUR-H) | Euro (Hedged) | EUR10 |
| Class A10 (SGD-H) | Singapore Dollar (Hedged) | SGD10 |
| Class A11 (JPY-H) | Japanese Yen (Hedged) | JPY100 |
| Class A12 (CHF-H) | Swiss Franc (Hedged) | CHF10 |
| Class A13 (USD-H) | United States Dollar (Hedged) | USD10 |
| Class C1 (HKD) | Hong Kong Dollar | HKD10 |
| Class C2 (USD) | United States Dollar | USD10 |
| Class C3 (RMB) | Renminbi | RMB10 |
| Class C4 (RMB-H) | Renminbi (Hedged) | RMB10 |
| Class C5 (USD-H) | United States Dollar (Hedged) | USD10 |
| Class I1 (HKD) | Hong Kong Dollar | HKD10 |
| Class I2 (USD) | United States Dollar | USD10 |
| Class I3 (RMB) | Renminbi | RMB10 |
| Class I4 (AUD-H) | Australian Dollar (Hedged) | AUD10 |
| Class I5 (NZD-H) | New Zealand Dollar (Hedged) | NZD10 |

| Class | Class currency | Initial Offer Price |
|-------------------|-------------------------------|----------------------------|
| Class I6 (CAD-H) | Canadian Dollar (Hedged) | CAD10 |
| Class I7 (GBP-H) | British Pound (Hedged) | GBP10 |
| Class I8 (RMB-H) | Renminbi (Hedged) | RMB10 |
| Class I9 (EUR-H) | Euro (Hedged) | EUR10 |
| Class I10 (SGD-H) | Singapore Dollar (Hedged) | SGD10 |
| Class I11 (JPY-H) | Japanese Yen (Hedged) | JPY100 |
| Class I12 (CHF-H) | Swiss Franc (Hedged) | CHF10 |
| Class I13 (USD-H) | United States Dollar (Hedged) | USD10 |
| Class X1 (HKD) | Hong Kong Dollar | HKD10 |
| Class X2 (USD) | United States Dollar | USD10 |
| Class X3 (RMB) | Renminbi | RMB10 |
| Class X4 (RMB-H) | Renminbi (Hedged) | RMB10 |
| Class X5 (USD-H) | United States Dollar (Hedged) | USD10 |

The Manager is entitled to charge a preliminary charge of up to 5.25% of the initial offer price.

Units will be issued on the last Business Day of the initial offer period in respect of applications received prior to 5 p.m. (Hong Kong time) on the last Business Day of the initial offer period (together with cleared funds received prior to such time or such later time as the Manager may agree) and accepted by the Manager. If applications and/or cleared funds are received after the relevant time, such applications shall be carried forward to the next Dealing Day.

The Manager has set a minimum total subscription amount of HKD150 million to be received during the initial offer period failing which the Manager may either extend the initial offer period or decide that the Sub-Fund shall not launch. Notwithstanding the aforesaid, the Manager reserves the right to proceed with the launch of the Sub-Fund even if the minimum total subscription amount is not achieved. If the Manager decides not to launch the Sub-Fund, application moneys paid by applicants will be returned without interest within 4 Business Days after the close of the initial offer period by cheque through the post or by telegraphic transfer to the bank account from which the moneys originated, at the risk and expense of the applicants or in such other manner determined by the Manager and the Trustee.

Base Currency

The base currency of the Sub-Fund is Hong Kong Dollar.

Investment Objective and Policy

The investment objective of the Sub-Fund is to provide income and capital growth over the medium and longer term primarily through active asset allocation in a portfolio of equity securities, listed in stock markets of Mainland China, Hong Kong and/or United States, of Chinese companies that can benefit from the rapid economic growth and/or provide products and services that meet the demands of an evolving economy of Mainland China, Hong Kong, Macau and/or Taiwan. "Chinese companies" are companies that are domiciled in or derive substantial revenue from or have significant business or economic activities in Mainland China, Hong Kong, Macau and/or Taiwan.

Investment Strategy

Primary investments

The Sub-Fund aims to achieve its investment objective by investing at least 70% of its latest available Net Asset Value in equity securities, which are listed in stock markets of Mainland China, Hong Kong and/or United States, of Chinese companies. Such equity securities may include, but are not limited to, shares, exchange traded funds ("**ETFs**") and American Depositary Receipts ("**ADRs**").

The Manager will assess potential companies based on quantitative factors (e.g. company revenues, earnings, assets, etc.) and qualitative considerations (e.g. financial strength, management expertise, industry cycles, research and development strength, etc.) to determine whether such companies can benefit from the rapid economic growth and/or whether their products and services meet the demands of the evolving economy of Mainland China, Hong Kong, Macau and/or Taiwan. The Sub-Fund may focus on industries including consumer discretionary, healthcare, industrials and utilities, information technology, telecommunications, etc. The Sub-Fund will not aim to focus its investments on any market capitalisation, although the allocation in small or mid-capitalisation companies may be more than 30% of the Sub-Fund's latest available Net Asset Value, depending on the Manager's assessment at different times.

Ancillary investments

The Sub-Fund may also invest in aggregate less than 30% of its latest available Net Asset Value in (i) other equity securities of companies which are not categorized into the industries mentioned under "Primary investments" above and/or are not domiciled in, do not derive substantial revenue from and do not have significant business or economic activities in Mainland China, Hong Kong, Macau and/or Taiwan, (ii) collective investment schemes, which may or may not invest in industries mentioned under "Primary investments" above, managed by the Manager or external asset managers, including QFI funds (i.e. funds that are authorized by the SFC and eligible to directly invest in the Mainland China market through a Qualified Foreign Investor ("**QFI**")); (iii) fixed income instruments; and (iv) other asset classes (the Sub-Fund's exposure to each of which will not exceed 10% of its latest available Net Asset Value), such as real estate investment trusts ("**REITs**"), credit linked notes, participatory notes, collateralised and/or securitised products (such as asset backed securities or mortgage backed securities) and commodities (through ETF or other permissible means).

The Sub-Fund's exposure to debt instruments with loss absorption features (including contingent convertible bonds, additional Tier 1 capital and Tier 2 capital instruments, subordinated debts, total loss absorbing capacity eligible securities, etc.) shall be less than 30% of its latest available Net Asset Value. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

The Sub-Fund will not invest more than 10% of its latest available Net Asset Value in securities issued by or guaranteed by any single sovereign that is rated non-investment grade and/or unrated (including its government, public or local authority).

Investment in the Mainland China domestic market

The Sub-Fund may access the Mainland China securities market through available means, including but not limited to direct investment through the QFI status of the Manager, Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect ("**Stock Connects**"), China Interbank Bond Market ("**CIBM**"), mutual bond market access between Mainland China and Hong Kong ("**Bond Connect**"), or through other collective investment schemes including QFI funds or such other means as permitted by the relevant regulatory authorities from time to time. The Sub-Fund may invest 30% or more of its latest available Net Asset Value in equities of companies that are listed on the ChiNext market and/or the Science and Technology Innovation Board ("**STAR Board**"). The Sub-Fund's total (direct and indirect) investment in the Mainland China domestic market will be in aggregate less than 50% of the latest available Net Asset Value of the Sub-Fund.

Cash or cash equivalents

The Sub-Fund may temporarily hold 100% of its assets in cash or cash equivalents (including short term money market instruments and bank deposits) in adverse market conditions for the purposes of managing downside risk or liquidity, should the Manager deem such strategy necessary under exceptional circumstances such as a significant market downturn or market crisis.

Financial derivative instruments and securities financing transactions

The Sub-Fund may use financial derivative instruments for hedging purposes. The Manager will not engage in Securities Financing Transactions on behalf of the Sub-Fund. Prior approval will be sought from the SFC and not less than 1 month's notice will be given to affected Unitholders if there is a change in such practice.

Use of Derivatives

The Sub-Fund may acquire financial derivative instruments for hedging purposes only. The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's latest available Net Asset Value.

Specific Risk Factors

Investors should refer to the relevant risks under the section headed "Risk Factors" in the main part of the Explanatory Memorandum, including "Market risk" and "Risks relating to hedging and the hedged classes", and the following specific risk factors for the Sub-Fund:

Equity investment and volatility risk

Investors should pay attention to risks generally associated with equity investment, namely, the market value of the stocks may go down as well as up. Prices of equity securities may be volatile. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, the business and social conditions in local and global marketplace, and issuer-specific factors. Changes in value of a security may be attributable to market perception of a particular issuer (for example its financial conditions and profitability) or general stock market fluctuations that affect all issuers. If the market value of equity securities in which the Sub-Fund invests in goes down, investors may suffer substantial losses.

Concentration risk

The Sub-Fund's investments focus in Mainland China, Hong Kong, Macau and/or Taiwan. The Sub-Fund's investment objective may also result in a focus on certain industries, including consumer discretionary, healthcare, industrials and utilities, information technology, telecommunications, etc., and therefore its portfolio of investment may not be diversified compared to other broad-based funds. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting those country or region. Please refer to the risk factor "**Concentration risk**" in the main part of the Explanatory Memorandum.

Concentration of the Sub-Fund's investments in particular industries may involve significant volatility and risks greater than those generally associated with more diversified funds. The industries in which the Sub-Fund will invest may be associated with innovation and new technologies, which may be challenged by dynamic market conditions, new competing products and services, and rapid improvements in existing products and services. Such companies may be subject to significant instability and fluctuations in valuations. In addition, the valuation of securities associated with such industries may be higher than those of more traditional industries, and the Sub-Fund may suffer a loss when there is a revaluation of these securities.

Innovation and new technologies companies may have a weighted voting rights (WVR) structure (or the so-called dual-class shares structure) under which some key individuals including the founders and key management hold specific classes of shares that are attached with higher voting power than ordinary shares and are disproportionate to the shareholding, or other governance right or arrangement of the beneficiary's economic interest in the equity securities of the issuer. This leads to issues relating to shareholder rights and corporate governance as well as investor protection, which may have a negative impact on the Sub-Fund where the Sub-Fund invests in the ordinary shares of such companies.

Emerging markets risk

Investing in emerging markets involves increased risks and special considerations not typically associated with investment in more developed economies or markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility. Please refer to the relevant risk factor "**Emerging markets risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Small-capitalisation/mid-capitalisation companies risk

The Sub-Fund may have exposure to the stock of small-capitalisation/mid-capitalisation companies, which may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

Currency risk

Whilst the base currency of the Sub-Fund is Hong Kong Dollar, the Sub-Fund's assets may be invested in securities and other investments that are denominated in currencies different from the Sub-Fund's base currency. Also, a class of units may be designated in a currency other than the base currency of the Sub-Fund. Although the Sub-Fund may engage in currency hedging, the value of the Sub-Fund's investments and so the Net Asset Value of the Sub-Fund may still be affected favourably or unfavourably by fluctuations in exchange rates and by changes in exchange rate controls. Please refer to the relevant risk factor "**Currency risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Mainland China market risk

Investing in the Mainland China market is subject to risks specific to the Mainland China market. Please refer to the relevant risk factors "**Mainland China market risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Investment in China A-Share market

The Sub-Fund may have (direct or indirect) exposure to the China A-Share market. The existence of a liquid trading market for China A-Shares may depend on whether there is supply of, and demand for, such China A-Shares. The price at which securities may be purchased or sold by the Sub-Fund may be adversely affected if trading markets for China A-Shares are limited or absent, and the Sub-Fund may in turn be adversely affected. Further, the Shanghai Stock Exchange and the Shenzhen Stock Exchange on which China A-Shares are traded are undergoing development and the market capitalisation of, and trading volumes on, those stock exchanges are lower than those in more developed markets. The China A-Share market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention) than those in more developed markets. Market volatility and settlement difficulties in the China A-Share markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may affect the value of the Sub-Fund.

Securities exchanges in Mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. In particular, trading band limits are imposed by the stock exchanges on China A-Shares, where trading for a security may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. A suspension will render it impossible for the Sub-Fund to liquidate positions and can thereby expose the Sub-Fund to losses. Further, when the suspension is subsequently lifted, it may not be possible for the Sub-Fund to liquidate positions at a favourable price. The Sub-Fund may therefore suffer a loss in its investment.

Investment in China B-Share market

Investors should note that the stock exchanges in Mainland China on which the China B-Shares are listed are still at a developmental stage, and their respective market capitalisation and trading volume are much lower than those in more developed financial markets. Market volatility and potential lack of liquidity due to low trading volume in the China B-Shares markets may result in prices of securities traded on such markets fluctuating significantly, which may result in substantial changes to the price of the Units of the Sub-Fund.

Risks relating to QFI and QFI funds

The Sub-Fund is not a QFI but may obtain access to securities and instruments issued or distributed within Mainland China directly using QFI status of the Manager or through QFI funds, and may be subject to the following risks. The Manager is a QFI holder ("**QFI Holder**").

Risks relating to RMB denominated securities: Securities in the Mainland China securities market are denominated in RMB. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. Please refer to the relevant risk factors "**RMB currency risk**" and "**RMB foreign exchange control risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Risks relating to the Qualified Foreign Investor (QFI) regime: Investors should note that QFI status could be suspended or revoked/terminated or otherwise invalidated, which may result in the Sub-Fund suffering substantial losses as the Sub-Fund may be required to dispose of its securities holdings or prohibited from trading of relevant securities and repatriation of the Sub-Fund's monies. There is no assurance that the QFI Holder will continue to maintain its QFI status. The rules and restrictions under QFI regulations, generally apply to the QFI Holder as a whole and not simply to the investments made by the Sub-Fund.

Repatriation and liquidity risks: Repatriations of capital and net profits out of Mainland China by the Sub-Fund via a QFI or QFI funds are currently not subject to repatriation restrictions (such as lock up periods) or prior approval, although authenticity and compliance reviews will be conducted, and monthly reports on remittances and repatriations will be submitted to SAFE by the QFI Custodian. However, there is no guarantee that restrictions will not be imposed in future. Any restrictions on repatriation of the invested capital and net profits out of Mainland China may impact on the relevant fund's ability to meet redemption requests from the Sub-Fund. The repatriation process may be subject to certain requirements set out in the relevant regulations such as submission of certain documents, and completion of the repatriation process may be subject to delay. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the control of the Manager (or the manager of a QFI fund). Therefore, the Sub-Fund may be subject to liquidity risk.

Legal and regulatory risk: The application of the rules relevant to QFI may depend on the interpretation given by the relevant Mainland regulatory authorities. Any changes to the relevant rules may have an adverse impact on investments made by the Sub-Fund or the QFI funds and hence the Sub-Fund's performance. The current QFI rules and regulations are subject to change, which may have potential retrospective effect. For an QFI fund, in the worst case, the relevant QFI fund may be terminated if it is not legal or viable to operate because of changes to the application of the relevant rules. The Sub-Fund's holdings in the relevant the QFI fund will be realised in case of such termination, and the Sub-Fund may suffer losses in its initial investment in such fund.

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

Mainland China brokerage risk: In relation to the Sub-Fund's investments issued and transacted within the Mainland China, execution and settlement of transactions or the transfer of any funds or securities may be arranged for or conducted by Mainland Brokers appointed by QFI Holder and/or the QFI Custodian appointed by the QFI Holder jointly with the Custodian. There is a risk that the Sub-Fund may suffer losses from the default, bankruptcy or disqualification of the Mainland Brokers and/or the QFI Custodian. In such event, the Sub-Fund may be adversely affected in the execution or settlement of any transaction or in the transfer of any funds or securities.

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

Risks relating to QFI funds that are exchange traded funds (QFI ETFs): Investment in QFI ETFs is subject to RMB currency risk and risks associated with the QFI regime set out above. In addition:

- (a) QFI ETFs typically seek to track a particular China A-Share market index by directly investing in the China A-Shares constituting such market index using QFI status. As with other exchange traded funds, QFI ETFs are subject to tracking error risks (i.e. the returns of a QFI ETF may deviate from the performance of the index it is designed to track) due to a number of factors.

The Sub-Fund will trade units in QFI ETFs on the Stock Exchange of Hong Kong (where trading prices are affected by market factors such as demand and supply). The trading days or hours of the Mainland China and Hong Kong stock markets are not exactly the same and this may affect the QFI ETFs' ability to track the market index. Further, any suspension due to a trading band limit in the Mainland China stock markets may render it impossible for the QFI ETFs to acquire certain index security, increasing the tracking error. These factors may result in the QFI ETFs' units being traded at a substantial premium or discount to their net asset value.

- (b) QFI ETFs involve cross-border transfer of funds. They may be riskier than traditional exchange traded funds investing directly in markets other than the Mainland China. The operation of QFI ETFs depends heavily on the expertise and infrastructure of the QFI ETF's manager (or its mainland parent company). There is no assurance that the QFI ETFs will be operated as envisaged and the Sub-Fund may sustain a loss in its investment and the Sub-Fund may suffer a loss.

RMB currency risk/Risks relating to RMB denominated securities

Investors may invest in RMB/RMB-hedged Units of the Sub-Fund. Non-RMB based investors (e.g. Hong Kong investors) may have to convert Hong Kong dollar or other currency(ies) into RMB when investing in RMB/RMB-hedged Units and subsequently convert the RMB redemption proceeds and/or dividend payment (if any) back to Hong Kong dollar or such other currency(ies). Investors will incur currency conversion costs and may suffer losses depending on the exchange rate movements of RMB relative to Hong Kong dollar or such other currencies and by changes in exchange rate controls.

Class denominated in RMB will generally be valued with reference to the offshore RMB (known as "**CNH**") rather than the onshore RMB (known as "**CNY**"). While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently. 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 investors.

The Sub-Fund may have exposure to securities that are denominated in RMB. Investment in the Sub-Fund will be subject to RMB currency risks. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. There is no guarantee that RMB will not depreciate. The Sub-Fund may suffer losses in case of depreciation of RMB. Under exceptional circumstances, payment of redemptions in RMB may be delayed due to the exchange controls and restrictions applicable to RMB. Please refer to the relevant risk factors "**RMB currency risk**" and "**RMB foreign exchange control risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Risks associated with Stock Connects

Insofar as the Sub-Fund invests through Stock Connects, investors should refer to the associated risks set out in the risk factor "**Risks associated with Stock Connects**" and "**Risks associated with the ChiNext market and/or STAR Board**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Risks relating to Exchange-traded funds (ETFs)

The trading prices of units/shares in an ETF may be at a discount or premium to the net asset value of the units/shares of such ETF due to various factors such as supply and demand forces in the secondary trading market for such units/shares in the ETF. This price discrepancy may be particularly likely to emerge during periods of high market volatility and uncertainty. Valuation of units/shares in an ETF will primarily be made by reference to the last traded price. Where the Sub-Fund buys at a premium, it may suffer losses even if the net asset value is higher when it sells the relevant share/units in the ETF, and it may not fully recover its investment in the event of termination of the ETF.

In addition, an ETF may not be able to perfectly track the index it is designed to track, because of fees and expenses, imperfect correlation between the ETF's assets and the underlying securities within the relevant tracking index, adjustments to the tracking index and regulatory policies. The return from investing in an ETF may therefore deviate from the return of its tracking index.

An ETF which is designed to track a market index is not "actively managed", therefore when there is a decline in the relevant index, the ETF will also decrease in value. The ETF may not adopt any temporary defensive position against market downturns. The Sub-Fund may lose part or all of its investment in the ETF.

There can be no assurance that an active trading market will exist or be maintained for units/shares of an ETF on any securities exchange on which units/shares of an ETF may be traded.

Synthetic ETFs typically invest in derivative instruments to replicate the performance of an underlying index. Investment in synthetic ETFs will be subject to the credit risk of the counterparties who issue the derivatives. If the counterparties default, the Sub-Fund may suffer substantial losses of its investment in the relevant ETFs. Since derivative issuers are predominantly international financial institutions, the failure of one derivative counterparty could potentially have a "knock on" effect on other counterparties. Some synthetic ETFs have collateral to reduce the counterparty risks but if the market value of the collateral has fallen substantially, the ETFs may suffer losses when they seek to realise the collateral. The Sub-Fund's investment in the ETFs will suffer losses accordingly.

Risks of investing in ADRs

Although ADRs have risks similar to the securities that they represent, they may also involve higher expenses and may trade at a discount (or premium) to the underlying security. In addition, depositary receipts may not pass through voting and other shareholder rights, and may be less liquid than the underlying securities listed on an exchange.

Risks relating to debt securities

Investment in debt securities is subject to the credit/default risk of the issuers of the debt securities that the Sub-Fund may invest in, which may be unable or unwilling to make timely payments on principal and/or interest. Some of the securities that the Sub-Fund invests in may be unrated. In general, debt securities that have a lower credit rating (such as debt securities that are rated below investment/recognized grade or that are unrated) will be more susceptible to the credit risk of the issuers. If the issuer of a security is in default with respect to interest or principal payments, the Sub-Fund may lose its entire investment. Adverse events or market conditions may have a larger negative impact on the prices of non-investment/non-recognized grade or unrated debt securities than on higher-rated debt securities. Such debt securities in emerging markets may also be subject to higher volatility and lower liquidity compared to debt securities in more developed markets. Please refer to the relevant risk factor "**Below investment grade and unrated securities risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against such issuers as they may be incorporated outside Hong Kong and subject to foreign laws.

Credit ratings of fixed income securities may be subject to certain limitations and do not guarantee the credit worthiness of the security, issuer and/or guarantor (as applicable) at all times. Further, the credit appraisal system in Mainland China and the rating methodologies employed in Mainland China may be different from those employed in other markets. Credit ratings given by rating agencies in Mainland China may therefore not be directly comparable with those given by other international rating agencies.

Investment/recognized grade securities or their issuers may be subject to downgrading risk. In the event of downgrading, the risks of default may be higher, and the Sub-Fund's investments in such securities may be adversely affected. Please refer to the relevant risk factor "**Credit rating downgrade risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Debt securities are sensitive to changes in interest rates. Please refer to the relevant risk factor "**Interest rate risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

The debt securities in certain countries/regions may be subject to higher volatility and lower liquidity compared to more developed markets. The price of securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may incur significant trading costs.

The Sub-Fund may invest in sovereign debts which are subject to certain risks. Please refer to the relevant risk factor "**Sovereign debt risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

Risks of investing in convertible bonds

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

Risk associated with debt instrument with loss-absorption feature

Debt instruments with loss-absorption feature are subject to greater risks when compared to traditional debt instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of pre-defined trigger events (e.g. when the issuer is near or at the point of non-viability or when the issuer's capital ratio falls to a specified level), which are likely to be outside of the issuer's control. Such trigger events are complex and difficult to predict and may result in a significant or total reduction in the value of such instruments.

In the event of activation of a trigger, there may be potential price contagion and volatility to the entire asset class. Debt instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.

The Sub-Fund may invest in contingent convertible bonds, which are hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level. Upon the occurrence of a predetermined event (known as a trigger event), contingent convertible bonds will be converted into shares of the issuing company (potentially at a discounted price as a result of the deterioration in the financial condition of the issuing company), or cause the permanent write-down to zero of the principal investment and/or accrued interest such that the principal amount invested may be lost on a permanent or temporary basis.

Contingent convertible bonds are risky and highly complex instruments. Coupon payments on contingent convertible bonds are discretionary and may at any point, for any reason, and for any length of time also be ceased or deferred by the issuer.

The Sub-Fund may invest in senior non-preferred debts. While these instruments are generally senior to subordinated debts, they may be subject to write-down upon the occurrence of a trigger event and will no longer fall under the creditor ranking hierarchy of the issuer. This may result in total loss of principal invested.

Risks of investing in notes

Investment in notes (such as credit linked notes and participatory notes) is subject to the credit risk of the issuer and these instruments may be illiquid. Please refer to the relevant risk factors “**Derivative and structured product risk**” and “**Liquidity risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Exposure to shares or bonds may be obtained through investment in participatory notes. Participatory notes may not be listed and are subject to the terms and conditions imposed by their issuer. These terms may lead to delays in implementing the Sub-Fund’s investment strategy due to restrictions on the issuer acquiring or disposing of the securities underlying the participatory notes. Investment in participatory notes can be illiquid as there is no active market in participatory notes. In order to meet redemption requests, the Sub-Fund relies upon the counterparty issuing the participatory notes to quote a price to unwind any part of the participatory notes. This price will reflect the market liquidity conditions and the size of the transaction.

By seeking exposure to investments in certain listed securities through participatory notes, the Sub-Fund is exposed to the credit risk of the issuer of the participatory notes. There is a risk that the issuer will not settle a transaction due to a credit or liquidity problem, thus causing the Sub-Fund to suffer a loss.

An investment in a participatory notes is not an investment directly in the underlying securities themselves. An investment in the participatory notes does not entitle the participatory notes holder to the beneficial interest in the underlying securities nor to make any claim against the company issuing the underlying securities. Investment through participatory notes may lead to a dilution of performance of the Sub-Fund when compared to a fund investing directly in similar assets.

Risks of investing in other collective investment schemes

The Sub-Fund will be subject to the risks associated with the underlying funds when investing in other funds. The Sub-Fund does not have control of the investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved which may have a negative impact to the Net Asset Value of the Sub-Fund.

The underlying collective investment schemes in which the Sub-Fund may invest may not be regulated by the SFC. There may be additional costs involved when investing into these underlying collective investment schemes. There is also no guarantee that the underlying collective investment schemes will always have sufficient liquidity to meet the Sub-Fund's redemption requests as and when made.

If the Sub-Fund invests in an underlying fund managed by the Manager or a connected person of the Manager, all initial charges on such underlying fund will be waived. The Manager may not obtain a rebate on any fees or charges levied by such underlying fund or its manager. Where potential conflicts of interest arise, the Manager will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section headed "**Conflicts of Interest**" in the main part of the Explanatory Memorandum.

Risks of investing in REITs

The Sub-Fund may invest in REITs which invest primarily in real estate and this may involve a higher level of risk. The REITs invested in by the Sub-Fund may not necessarily be authorised by the SFC.

The prices of REITs are affected by changes in the value of the underlying properties owned by the REITs. Investment in REITs may therefore subject the Sub-Fund to risks similar to those from direct ownership of real property.

Real estate investments are relatively illiquid and this may affect the ability of a REIT to vary its investment portfolio or liquidate part of its assets in response to changes in economic conditions, international securities markets, foreign exchange rates, interest rates, real estate markets or other conditions. Adverse global economic conditions could adversely affect the business, financial condition and results of operations of REITs. REITs may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than other securities.

Further, returns from REITs are dependent on management skills. Investments made by REITs generally may not be diversified. In addition, certain REITs in which the Sub-Fund may invest may have their assets concentrated in specific real property sectors, and are therefore subject to the risks associated with adverse developments in these sectors.

REITs are also subject to heavy cash flow dependency, defaults by borrowers and self liquidation. Further, borrowers under mortgages held by REITs or lessees of property that REITs own may be unable to meet their obligations to the REITs. On the other hand, if the key tenants experience a downturn in their businesses or their financial condition, they may fail to make timely rental payments or default under their leases. Tenants in a particular industry might also be affected by any adverse downturn in that industry and this may result in their failure to make timely rental payments or to default under the leases. In the event of a default, a REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments. The REITs may suffer losses as a result.

REITs may have limited financial resources and may be subject to borrowing limits. Consequently, REITs may need to rely on external sources of funding to expand their portfolios, which may not be available on commercially acceptable terms or at all. If a REIT cannot obtain capital from external sources, it may not be able to acquire properties when strategic opportunities exist.

Any due diligence exercise conducted by REITs on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies. Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow of the REITs.

The Sub-Fund does not invest directly in real estate, and insofar as it directly invests in REITs, any dividend policy or dividend payout at the Sub-Fund level may not be representative of the dividend policy or dividend payout of the relevant underlying REIT.

Risks associated with China Interbank Bond Market and Bond Connect

Insofar as the Sub-Fund invests through China Interbank Bond Market, investors should refer to the associated risks set out in the risk factor “**Risks associated with China Interbank Bond Market and Bond Connect**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

“Dim Sum” bond market risks

The “Dim Sum” bond (i.e. bonds issued outside of Mainland China but denominated in RMB) market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the “Dim Sum” bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalization of the offshore RMB (CNH) market by the relevant regulator(s).

Risks of investing in urban investment bonds

Urban investment bonds are issued by local government financing vehicles (“**LGFVs**”), such bonds are typically not guaranteed by local governments or the central government of the PRC. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the Sub-Fund could suffer substantial loss and the Net Asset Value of the Sub-Fund could be adversely affected.

Currency risk/hedging risk

Because the Sub-Fund’s assets and liabilities may be denominated in currencies different from the Sub-Fund’s base currency (Hong Kong Dollar), the Sub-Fund may be affected unfavourably by changes in the exchange rates between the Sub-Fund’s base currency and other currencies. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions. Changes in currency exchange rates may influence the value of the Sub-Fund’s investments and hence the value of Units in terms of the Sub-Fund’s base currency. An investor may suffer losses arising from changes in currency exchange rates of investments held by the Sub-Fund.

The Manager may, in accordance with the investment strategy, use hedging techniques to attempt to offset currency risks, including hedging the currencies in which the underlying assets of the Sub-Fund are denominated against the Sub-Fund's base currency. There is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result. There can be no assurance that any currency hedging strategy employed by the Manager will fully and effectively eliminate the currency exposure of the Sub-Fund.

Risks associated with collateralized and/or securitized products such as asset backed securities (including asset backed commercial papers) or mortgage backed securities

The Sub-Fund may invest in collateralized and/or securitized products such as asset backed securities (including asset backed commercial papers) or mortgage backed securities which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligation relating to the underlying assets are not met, which may adversely impact the returns of the securities.

Mainland China tax considerations in respect of the Sub-Fund

By investing in Mainland China securities, the Sub-Fund may be subject to withholding income tax ("**WIT**"), value added tax ("**VAT**") and other taxes imposed in the Mainland China. Investors should refer to the heading "**Mainland China**" in the section headed "**Taxation**" for further details.

Tax Provision

It is the intention of the Manager to operate the affairs of the Manager and the Sub-Fund such that they are not Mainland China tax resident enterprises and have no establishment or place of business ("**PE**") in Mainland China for Mainland China CIT purposes, although this is not guaranteed.

The Sub-Fund will invest in China A-Shares through QFIs or the Stock Connects. Given that the Sub-Fund started to invest in China A-Shares after 17 November 2014 through the QFIs and Stock Connects, the Sub-Fund is temporarily exempt from Mainland China WIT on the capital gains derived from investments in China A-Shares according to Circular 79, Circular 81 and Circular 127 and no Mainland China WIT provision will be made on the gross realized and unrealized capital gains derived by the Sub-Fund from investments in China A-Shares through the QFIs and Stock Connects. For gains derived from investment in China A-Shares via QFIs and Stock Connects, the Sub-Fund is also temporarily exempt from Mainland China VAT according to Circular 36 and Circular 127. If there is any update on the tax rules applied to the Stock Connects in the future, the Manager will review and adjust the Mainland China WIT and Mainland China VAT provisioning approach on capital gains for the Stock Connects accordingly.

The tax exemptions granted under Circular 79, Circular 81 and Circular 127 are temporary. It is possible that the applicable tax law, regulations and practice may be changed. In such cases, the Sub-Fund may have tax liabilities in the PRC which it has not provided for. Such tax liabilities will be deducted from the Sub-Fund's assets and the Sub-Fund's Net Asset Value will be adversely affected. In this case, existing and subsequent investors will be disadvantaged as they will bear for a disproportionately higher amount of tax liabilities as compared to the liability at the time of investment in the Sub-Fund.

The Sub-Fund will also invest in China B-Shares and Mainland China debt securities.

Under the prevailing Mainland China CIT Law and regulations, capital gains derived by a non-resident from disposal of China B-Shares could be subject to WIT at 10%. Under prevailing Mainland China VAT rules, it is not clear whether there is VAT exemption on capital gains if a Sub-Fund invests in China B-Shares. Thus, there may be VAT imposed on a Sub-Fund for trading of China B-Shares. Under current practice no WIT or VAT is imposed on non-residents where both the purchase and sales of the China B-Shares are via the stock exchange market. The position in practice may change if the STA expresses another view and/or that new official tax circulars are issued to provide further guidance.

Under Circular 36, gains from disposal of Mainland China debt instruments invested via QFI should be exempted from VAT. Under the prevailing CIT Law, there is no specific provision on whether capital gains derived by a non-resident investor (including the Sub-Fund) from disposal of Mainland China debt instruments (e.g. bonds issued by Mainland China companies) would be considered as Mainland China sourced income and subject to Mainland China WIT at 10%. Based on the current interpretation of the STA and the local tax authorities, gains derived by foreign investors (including the Sub-Fund) from investment in Mainland China debt securities should not be treated as Mainland China sourced income thus should not be subject to Mainland China WIT. Under the current practice, no WIT is imposed on capital gains derived by non-residents from disposal of Mainland China debt instruments. If the relevant interpretation/practice changes in the future, the Fund/Sub-Fund(s) may still turn to certain treaty relief applicable to Hong Kong tax residents.

Under the arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the "**Arrangement**"), capital gains derived by Hong Kong tax residents from alienation of shares issued by Mainland China companies may be taxed in Mainland China if the recipient, at any time within 12 months preceding such alienation, had a participation of at least 25% of the capital in that Mainland China company or if the Mainland China company is an immovable properties-rich company (i.e. Mainland China companies in which 50% or more of their assets are comprised, directly or indirectly, of immovable properties situated in Mainland China at any time within 36 months preceding such alienation). Due to the Sub-Fund's investment restrictions, the Sub-Fund cannot hold more than 10% of any ordinary shares issued by any single issuer. In such a case, the capital gains derived from the alienation of the shares of non-immovable properties-rich China B-Shares companies would not be subject to Mainland China WIT, subject to the assessment of the Mainland China tax authorities. In addition, under the Arrangement, capital gain derived by a Hong Kong tax resident from disposal of onshore Mainland China debt instruments should not be taxable in Mainland China. The aforesaid WIT relief on disposal of China B-Shares and debt instruments will be subject to assessment by the Mainland China tax authorities. Before a Hong Kong tax resident can enjoy relief under the Arrangement, a Hong Kong Tax Resident Certificate ("**HKTRC**") issued by the Inland Revenue Department ("**IRD**") should be submitted to the relevant Mainland China tax authority for this purpose. As at the date of this Addendum to the Explanatory Memorandum, the Sub-Fund has not yet obtained the HKTRC from the IRD. If the Mainland China tax authorities enforce the collection of WIT on capital gains and require the Sub-Fund to provide a HKTRC in order to obtain the WIT relief, the Manager will apply for a HKTRC on behalf of the Sub-Fund.

In light of the uncertainty on the income tax treatment on capital gains derived from disposal of China B-Shares and debt instruments, and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for Mainland China WIT on such gains or income and withhold the tax for the account of the Sub-Fund. After careful consideration of the Manager's assessment and having taken and considered independent professional tax advice relating to the Sub-Fund's eligibility to benefit from the Arrangement, and in accordance with such advice, the Manager holds a view that the Sub-Fund is a Hong Kong tax resident for the purpose of the Arrangement and is able to enjoy the WIT relief on capital gains derived from the alienation of the shares of non-immovable properties-rich China B-Shares companies and from the disposal of onshore Mainland China debt instruments under the Arrangement.

According to the prevailing Mainland China CIT Law and regulations, the dividend incomes derived from investment in A-Shares and B-shares should be subject to 10% WIT, subject to reduction under relevant double tax treaties (if any). The entity distributing such interests/dividends is technically required to withhold such tax. Per Circular 36, such dividend incomes are not included in the taxable scope of VAT. According to the prevailing Mainland China CIT Law and regulations, PRC sourced deposit interest incomes should be subject to 10% WIT.

According to Circular 36, interest income received by QFIs and CIBM investors from investment in Mainland China debt securities shall be subject to 6% VAT unless a special exemption applies. Deposit interest income is not subject to VAT and interest income earned on PRC government bonds issued by the Ministry of Finance ("**MOF**"), or bonds issued by local government of a province, autonomous regions, and municipalities directly under the Central Government or municipalities separately listed on the state plan, as approved by the State Council, is exempted from VAT.

On 22 November 2018, the MOF and STA released Caishui [2018] No. 108 ("**Circular 108**") on tax treatment for Overseas Institutional Investors ("**OII**s") investing in Mainland China bond market dated 7 November 2018.

Circular 108 mentioned that the interest income of the bonds derived by OII in the Mainland China bond market is exempted from WIT and VAT for three years effective from 7 November 2018 to 6 November 2021. The relevant exemption period under Circular 108 has been expired on 6 November 2021. On 22 November 2021, the MOF and the STA issued Announcement [2021] No.34 ("**Circular 34**"), which stipulated that the policy to exempt the WIT and VAT would be extended to 31 December 2025.

The prevailing VAT regulations do not specifically exempt VAT on interest income received by foreign investors from investments in Mainland China debt securities via Bond Connect. In the absence of specific taxation rule/guidance by the PRC tax authorities on the tax treatment on income from investment in China debt securities via Bond Connect, the Manager expects the tax authorities may make reference to Circular 108 and Circular 34 would not impose VAT on debt securities investment income via Bond Connect. In practice, the PRC tax authorities also have not imposed VAT in this regard.

In addition, urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), education surcharge (currently at the rate of 3%) and local education surcharge (currently at 2%) are imposed based on the VAT liabilities.

The Manager, having taken and considered the independent professional tax advice and in accordance with such advice, has determined that

- (1) No Mainland China WIT provision will be made on the gross realized and unrealized capital gains derived from investments in China A-Shares and B-Shares, except for those capital gains derived from investments in China B-Shares issued by Mainland China tax resident companies which are immovable properties-rich companies.
- (2) A 10% provision for Mainland China WIT will be provided for the gross realized and unrealized capital gains derived by the Sub-Fund from investments in China B-Shares issued by Mainland China tax resident companies which are immovable properties-rich companies. The methodology adopted by the Manager in identifying whether or not Mainland China resident companies are immovable properties rich companies has been agreed and accepted by the independent tax advisor. The amount of provision will be disclosed in the financial statements of the Sub-Fund.
- (3) No Mainland China WIT provision will be made on the gross realized and unrealized capital gains from the disposal of Mainland China debt securities, and no Mainland China WIT provision will be provided on the interest income from Mainland China fixed income instruments derived for the period from 7 November 2018 to 6 November 2021.
- (4) A 6% VAT provision will be made on the interest income derived from Mainland China fixed income instruments (other than (i) interest income from PRC government bonds issued by the Ministry of Finance or approved local government bonds and (ii) interest income from Mainland China fixed income instruments derived for the period from 7 November 2018 to 6 November 2021). Local surcharges at 12% of the VAT amount will also be made.

Any Mainland China WIT/VAT provision made by the Manager in respect of the Sub-Fund may be lower than or higher than the Sub-Fund's actual tax liabilities. It should also be noted that there is a possibility of the Mainland China tax rules being changed and taxes being applied retrospectively. The Manager, acting in the best interest of Unitholders, will assess the tax provisioning approach on an on-going basis.

If the actual tax levied by STA is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund.

On the other hand, the actual tax liabilities may be lower than the tax provision made, in which case those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager, will as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund.

Available Classes

The following classes of Units have been established and may be made available for sale from time to time. The Manager has an absolute discretion to determine from time to time the availability of any Class of Units to any investor. Investors should check with the Manager whether any class of Units is currently offered.

| Class | Class currency | Investors to whom the class is available |
|-------------------|-------------------------------|---|
| Class A1 (HKD) | Hong Kong Dollar | Retail public |
| Class A2 (USD) | United States Dollar | Retail public |
| Class A3 (RMB) | Renminbi | Retail public |
| Class A4 (AUD-H) | Australian Dollar (Hedged) | Retail public |
| Class A5 (NZD-H) | New Zealand Dollar (Hedged) | Retail public |
| Class A6 (CAD-H) | Canadian Dollar (Hedged) | Retail public |
| Class A7 (GBP-H) | British Pound (Hedged) | Retail public |
| Class A8 (RMB-H) | Renminbi (Hedged) | Retail public |
| Class A9 (EUR-H) | Euro (Hedged) | Retail public |
| Class A10 (SGD-H) | Singapore Dollar (Hedged) | Retail public |
| Class A11 (JPY-H) | Japanese Yen (Hedged) | Retail public |
| Class A12 (CHF-H) | Swiss Franc (Hedged) | Retail public |
| Class A13 (USD-H) | United States Dollar (Hedged) | Retail public |
| Class C1 (HKD) | Hong Kong Dollar | Retail public |
| Class C2 (USD) | United States Dollar | Retail public |
| Class C3 (RMB) | Renminbi | Retail public |
| Class C4 (RMB-H) | Renminbi (Hedged) | Retail public |
| Class C5 (USD-H) | United States Dollar (Hedged) | Retail public |
| Class I1 (HKD) | Hong Kong Dollar | Institutional clients |
| Class I2 (USD) | United States Dollar | Institutional clients |
| Class I3 (RMB) | Renminbi | Institutional clients |
| Class I4 (AUD-H) | Australian Dollar (Hedged) | Institutional clients |
| Class I5 (NZD-H) | New Zealand Dollar (Hedged) | Institutional clients |
| Class I6 (CAD-H) | Canadian Dollar (Hedged) | Institutional clients |
| Class I7 (GBP-H) | British Pound (Hedged) | Institutional clients |

| Class | Class currency | Investors to whom the class is available |
|-------------------|-------------------------------|---|
| Class I8 (RMB-H) | Renminbi (Hedged) | Institutional clients |
| Class I9 (EUR-H) | Euro (Hedged) | Institutional clients |
| Class I10 (SGD-H) | Singapore Dollar (Hedged) | Institutional clients |
| Class I11 (JPY-H) | Japanese Yen (Hedged) | Institutional clients |
| Class I12 (CHF-H) | Swiss Franc (Hedged) | Institutional clients |
| Class I13 (USD-H) | United States Dollar (Hedged) | Institutional clients |
| Class X1 (HKD) | Hong Kong Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X2 (USD) | United States Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X3 (RMB) | Renminbi | For use by the Manager itself and in managing segregated portfolios |
| Class X4 (RMB-H) | Renminbi (Hedged) | For use by the Manager itself and in managing segregated portfolios |
| Class X5 (USD-H) | United States Dollar (Hedged) | For use by the Manager itself and in managing segregated portfolios |

Investment Minima

| Class | Class A1 (HKD) | Class A2 (USD) | Class A3 (RMB) | Class A4 (AUD-H) | Class A5 (NZD-H) | Class A6 (CAD-H) | Class A7 (GBP-H) | Class A8 (RMB-H) | Class A9 (EUR-H) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (USD-H) | Class C1 (HKD) | Class C2 (USD) | Class C3 (RMB) |
|--|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|----------------|----------------|----------------|
| Minimum Subscription Amount | HKD10,000 | USD1,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | USD1,000 | HKD10,000 | USD1,000 | RMB10,000 |
| Minimum Subsequent Subscription Amount | HKD10,000 | USD1,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | USD1,000 | HKD10,000 | USD1,000 | RMB10,000 |
| Minimum Holding | HKD10,000 | USD1,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | USD1,000 | HKD10,000 | USD1,000 | RMB10,000 |
| Minimum Redemption Amount | HKD10,000 | USD1,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | USD1,000 | HKD10,000 | USD1,000 | RMB10,000 |

| Class | Class C4 (RMB-H) | Class C5 (USD-H) | Class I1 (HKD) | Class I2 (USD) | Class I3 (RMB) | Class I4 (AUD-H) | Class I5 (NZD-H) | Class I6 (CAD-H) | Class I7 (GBP-H) | Class I8 (RMB-H) | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (USD-H) | Class X1 (HKD) |
|--|------------------|------------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|----------------|
| Minimum Subscription Amount | RMB10,000 | USD1,000 | HKD8,000,000 | USD1,000,000 | RMB8,000,000 | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 | RMB8,000,000 | EUR1,000,000 | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | USD1,000,000 | N/A |
| Minimum Subsequent Subscription Amount | RMB10,000 | USD1,000 | HKD1,000,000 | USD120,000 | RMB1,000,000 | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 | RMB1,000,000 | EUR120,000 | SGD120,000 | JPY12,000,000 | CHF120,000 | USD120,000 | N/A |
| Minimum Holding | RMB10,000 | USD1,000 | HKD8,000,000 | USD1,000,000 | RMB8,000,000 | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 | RMB8,000,000 | EUR1,000,000 | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | USD1,000,000 | N/A |
| Minimum Redemption Amount | RMB10,000 | USD1,000 | HKD1,000,000 | USD120,000 | RMB800,000 | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 | RMB800,000 | EUR120,000 | SGD120,000 | JPY12,000,000 | CHF120,000 | USD120,000 | N/A |

| Class | Class X2 (USD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (USD-H) |
|--|----------------|----------------|------------------|------------------|
| Minimum Subscription Amount | N/A | N/A | N/A | N/A |
| Minimum Subsequent Subscription Amount | N/A | N/A | N/A | N/A |
| Minimum Holding | N/A | N/A | N/A | N/A |
| Minimum Redemption Amount | N/A | N/A | N/A | N/A |

Fees

Fees payable by investors

| Class | Class A1 (HKD) | Class A2 (USD) | Class A3 (RMB) | Class A4 (AUD-H) | Class A5 (NZD-H) | Class A6 (CAD-H) | Class A7 (GBP-H) | Class A8 (RMB-H) | Class A9 (EUR-H) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (USD-H) | Class C1 (HKD) | Class C2 (USD) | Class C3 (RMB) |
|--|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |

| Class | Class C4 (RMB-H) | Class C5 (USD-H) | Class I1 (HKD) | Class I2 (USD) | Class I3 (RMB) | Class I4 (AUD-H) | Class I5 (NZD-H) | Class I6 (CAD-H) | Class I7 (GBP-H) | Class I8 (RMB-H) | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (USD-H) | Class X1 (HKD) |
|--|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|-------------------|
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |

| Class | Class X2 (USD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (USD-H) |
|--|-------------------|-------------------|---------------------|---------------------|
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |

Fees payable by the Sub-Fund (% Net Asset Value of the Sub-Fund)

| Class | Class A1 (HKD) | Class A2 (USD) | Class A3 (RMB) | Class A4 (AUD-H) | Class A5 (NZD-H) | Class A6 (CAD-H) | Class A7 (GBP-H) | Class A8 (RMB-H) | Class A9 (EUR-H) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (USD-H) | Class C1 (HKD) | Class C2 (USD) | Class C3 (RMB) |
|----------------|--|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|
| Management Fee | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of HKD20,000 | | | | | | | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | | | | | | | |

| Class | Class C4 (RMB-H) | Class C5 (USD-H) | Class I1 (HKD) | Class I2 (USD) | Class I3 (RMB) | Class I4 (AUD-H) | Class I5 (NZD-H) | Class I6 (CAD-H) | Class I7 (GBP-H) | Class I8 (RMB-H) | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (USD-H) | Class X1 (HKD) |
|----------------|--|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|-------------------|
| Management Fee | 1.5% p.a. | 1.5% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 0% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of HKD20,000 | | | | | | | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | | | | | | | |

| Class | Class X2 (USD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (USD-H) |
|----------------|--|-------------------|---------------------|---------------------|
| Management Fee | 0% p.a. | 0% p.a. | 0% p.a. | 0% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of HKD20,000 | | | |
| Custody Fees | Up to 0.3% p.a. | | | |

Establishment Costs

The costs of establishment of the BOCHK All Weather China New Dynamic Equity Fund are approximately HKD600,000.

Dealing Day

Every Business Day.

Dealing Deadline

5 p.m. (Hong Kong time) on the relevant Dealing Day.

Dealing through the Authorised Distributor(s) or other authorised electronic means may involve different dealing procedures and an earlier cut-off time may be imposed before the Dealing Deadlines for receiving instructions. Investors should confirm the arrangements with the Authorised Distributor(s) concerned.

Subscription, Redemption and Switching of Units

For details regarding the procedures for subscription, redemption and switching, see the main part of the Explanatory Memorandum under “**Purchase of Units**”, “**Redemption of Units**” and “**Switching between classes**”.

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends.

Currently, the Manager does not intend to make any distributions for any of the available classes of Units.

If there is a change of the distribution policy of the Sub-Fund, the Manager will seek the prior approval of the SFC and/or provide at least one month’s prior notice to Unitholders (where necessary).

Valuation

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

Reports and Accounts for the Sub-Fund

The first financial year of the Sub-Fund will end on 30 June 2023.

The first annual report in respect of the Sub-Fund will be published for the period from the launch of the Sub-Fund to 30 June 2023. The first unaudited semi-annual report in respect of the Sub-Fund will be published for the half year period ended 31 December 2023.

September 2022

BOCHK Asset Management Limited

BOCHK Wealth Creation Series

Seventh Addendum to the Explanatory Memorandum dated January 2020

Important

If you are in doubt about the contents of this document, you should seek independent professional financial advice.

This Seventh Addendum forms part of and should be read together with the Explanatory Memorandum of the BOCHK Wealth Creation Series (the “**Fund**”) dated January 2020, as amended by the First Addendum dated May 2020, the Second Addendum dated June 2020, the Third Addendum dated December 2020, the Fourth Addendum dated June 2021, the Fifth Addendum dated October 2021 and the Sixth Addendum dated December 2021 (the “**Explanatory Memorandum**”). The Manager accepts full responsibility for the accuracy of the information contained in this Seventh Addendum, 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 misleading.

Unless otherwise defined herein, words and expressions defined in the Explanatory Memorandum shall have the same meaning when used in this Seventh Addendum.

The Manager has decided to make the following changes to the Fund and the relevant Sub-Funds, and the Explanatory Memorandum is amended as follows with immediate effect, unless otherwise specified:

1. The list of names under the heading “**Directors of the Manager**” under the section entitled “**Administration**” of the Explanatory Memorandum shall be deleted and replaced with the following:

“YUAN Shu
YIP Man Kai
CHAN Man
TAM Ming Fai
SHEN Hua
CHAN Lap Bong
LO King Wa”

2. The following section shall be inserted immediately after the section headed **“Use of Derivatives”** under **“APPENDIX IV BOCHK ALL WEATHER CNY EQUITY FUND”** of the Explanatory Memorandum:–

“Investment Adviser

Bank of China Investment Management Co., Ltd. is the investment adviser in respect of the Sub-Fund. It provides investment advice to the Manager in relation to the Sub-Fund and has no investment management functions. Bank of China Investment Management Co., Ltd is registered as an investment management company at China Securities Regulatory Commission, and is permitted under relevant laws and regulations to provide investment advice in relation to investments of the Sub-Fund.”

June 2022

BOCHK Wealth Creation Series

Sixth Addendum to the Explanatory Memorandum dated January 2020

Important

If you are in doubt about the contents of this document, you should seek independent professional financial advice.

This Sixth Addendum forms part of and should be read together with the Explanatory Memorandum of the BOCHK Wealth Creation Series (the “**Fund**”) dated January 2020, as amended by the First Addendum dated May 2020, the Second Addendum dated June 2020, the Third Addendum dated December 2020, the Fourth Addendum dated June 2021, the Fifth Addendum dated October 2021 (the “**Explanatory Memorandum**”). The Manager accepts full responsibility for the accuracy of the information contained in this Sixth Addendum, 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 misleading.

Unless otherwise defined herein, words and expressions defined in the Explanatory Memorandum shall have the same meaning when used in this Sixth Addendum.

With effect from 1 January 2022, the Explanatory Memorandum shall be updated as follows:–

1. The information under the heading “**Manager/QFI Holder**” under the section headed “**Administration**” of the Explanatory Memorandum shall be removed in its entirety and replaced with the following:–

“BOCHK Asset Management Limited
中銀香港資產管理有限公司
40/F, Bank of China Tower,
1 Garden Road, Central,
Hong Kong”

2. The address under the heading “**Enquiries and Complaints to the Manager**” under the section headed “**Important Information for Investors**” of the Explanatory Memorandum shall be removed in its entirety and replaced with the following:–

“BOCHK Asset Management Limited
40/F, Bank of China Tower,
1 Garden Road, Central,
Hong Kong”

December 2021

BOCHK Wealth Creation Series

Fifth Addendum to the Explanatory Memorandum dated January 2020

Important

If you are in doubt about the contents of this document, you should seek independent professional financial advice.

This Fifth Addendum forms part of and should be read together with the Explanatory Memorandum of the BOCHK Wealth Creation Series (the “**Fund**”) dated January 2020, as amended by the First Addendum dated May 2020, the Second Addendum dated June 2020, the Third Addendum dated December 2020, and the Fourth Addendum dated June 2021 (the “**Explanatory Memorandum**”). The Manager accepts full responsibility for the accuracy of the information contained in this Fifth Addendum, 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 misleading.

Unless otherwise defined herein, words and expressions defined in the Explanatory Memorandum shall have the same meaning when used in this Fifth Addendum.

With effect from 29 October 2021 the Explanatory Memorandum shall be updated as follows:–

1. The information under the header “**Trustee and Registrar**” as set out under the section headed “**ADMINISTRATION**” in the main part of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:–

“BOCI-Prudential Trustee Limited
中銀國際英國保誠信託有限公司
Suites 1501-1507 & 1513-1516, 15/F,
1111 King’s Road, Taikoo Shing,
Hong Kong”

2. The risk factor headed “**(xxv) Risks associated with the Small and Medium Enterprise board and/or ChiNext market**” under the section headed “**RISK FACTORS**” in the main part of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:–

“Risks associated with the ChiNext market and/or STAR Board – The relevant Sub-Fund(s) may invest in the ChiNext market and/or the Science and Technology Innovation Board (“**STAR Board**”) via the Stock Connects. Investments in the ChiNext market and/or STAR Board may result in significant losses for the relevant Sub-Fund(s) and their investors. The following additional risks apply:

Higher fluctuation on stock prices and liquidity risks

Listed companies on the ChiNext market and/or STAR Board are usually of emerging nature with smaller operating scale. Listed companies on ChiNext market and STAR Board are subject to wider price fluctuation limits, and due to higher entry thresholds for investors, may have limited liquidity, compared with other boards. Hence, companies listed on these boards are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the main boards.

Over-valuation risk

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

Differences in regulations

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

Delisting risk

It may be more common and faster for companies listed on ChiNext market and/or STAR Board to delist. ChiNext market and STAR Board have stricter criteria for delisting compared to the main boards. This may have an adverse impact on the relevant Sub-Fund if the companies that it invests in are delisted.

Concentration risk

STAR Board is a newly established board and may have a limited number of listed companies during the initial stage. Investments in STAR Board may be concentrated in a small number of stocks and subject the relevant Sub-Fund to higher concentration risk."

3. All cross references to the risk factor headed "**Risks associated with the Small and Medium Enterprise board and/or ChiNext market**" throughout the Explanatory Memorandum shall be replaced with "**Risks associated with the ChiNext market and/or STAR Board**".
4. The fourth paragraph under the section headed "**Investment Strategy**" under "**Appendix II BOCHK All Weather China High Yield Bond Fund**" shall be deleted in its entirety and replaced with the following:–

"**Non-Investment Grade**" refers to a credit rating of BB+ or below from Standard & Poor's, Ba1 or below from Moody's or an equivalent rating from an internationally recognised rating agency. While these credit ratings provided by the relevant rating agencies serve as a point of reference, the Manager will conduct its own assessment on the credit quality based on various factors. In selecting unrated Debt Securities, the Manager may apply its internal credit rating to determine the credit quality."

5. The sixth paragraph under the section headed "**Investment Strategy**" under "**Appendix IV BOCHK All Weather CNY Equity Fund**" shall be deleted in its entirety and replaced with the following:–

"The aggregate investment in securities with a credit rating of BB+ or below (assigned by any Mainland China credit rating agency) or unrated securities will not exceed 10% of the latest available Net Asset Value of the Sub-Fund, except where the credit rating of a security is downgraded to BB+ or below, in which case the 10% limit may be exceeded temporarily but the Manager will, having regard to the interests of the Unitholders, seek to dispose of all such downgraded securities in a gradual and orderly manner in light of the then prevailing market conditions to bring investments in securities with a credit rating of BB+ or below to no more than 10% of the latest available Net Asset Value of the Sub-Fund. While these credit ratings provided by the relevant rating agencies serve as a point of reference, the Manager will conduct its own assessment on the credit quality based on various factors. For this purpose, if the relevant security does not itself have a credit rating, then reference can be made to the credit rating of the issuer of the security. If both the security and the relevant issuer are not rated, then the security will be classified as unrated."

6. The following new risk factor shall be inserted immediately following the risk factor headed "**Risks relating to ADRs**" under the section headed "**Specific Risk Factors**" under "**Appendix IV BOCHK All Weather CNY Equity Fund**" of the Explanatory Memorandum:–

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

7. The eighth paragraph under the section headed "**Investment Strategy**" under "**Appendix V BOCHK All Weather Asian Bond Fund**" of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:–

"The Sub-Fund will invest not less than 50% of its Net Asset Value in investment grade bonds and may invest more than 30% of its latest available Net Asset Value in non-investment grade fixed income securities and/or unrated fixed income securities. "**Investment grade**" means a rating of BBB- or above from Standard & Poor's, Baa3 or above from Moody's or an equivalent rating from any internationally recognized credit rating agency. While these credit ratings provided by the relevant rating agencies serve as a point of reference, the Manager will conduct its own assessment on the credit quality based on various factors. For this purpose, if the relevant security does not itself have a credit rating, then reference can be made to the credit rating of the issuer of the security. If both the security and the relevant issuer are not rated, then the security will be classified as unrated."

8. The sixth paragraph under the section headed "**Investment Strategy**" under "**Appendix VI BOCHK All Weather Asia (Ex-Japan) Equity Fund**" of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:–

"The Sub-Fund will not invest more than 10% of its total Net Asset Value in asset backed securities (including asset backed commercial papers), mortgage backed securities, bonds that are rated BB+ or below (as rated by any Mainland China credit rating agency) or below investment grade (as rated by any internationally recognized credit rating agency) and unrated bonds. While these credit ratings provided by the relevant rating agencies serve as a point of reference, the Manager will conduct its own assessment on the credit quality based on various factors."

9. The second paragraph under the section headed "**Risks relating to debt securities**" under the section headed "**Specific Risk Factors**" under "**Appendix VI BOCHK All Weather Asia (Ex-Japan) Equity Fund**" of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:–

"Credit ratings of fixed income securities may be subject to certain limitations and do not guarantee the credit worthiness of the security, issuer and/or guarantor (as applicable) at all times. Further, the credit appraisal system in Mainland China and the rating methodologies employed in Mainland China may be different from those employed in other markets. Credit ratings given by rating agencies in Mainland China may therefore not be directly comparable with those given by other international rating agencies. Investment grade securities may be subject to downgrading risk. In the event of downgrading, the risks of default may be higher, and the Sub-Fund's investments in such securities may be adversely affected. Please refer to the relevant risk factor "**Credit rating downgrade risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum"

10. The second paragraph under the section headed "**Investment Strategy**" under "**Appendix VII BOCHK All Weather China Income Fund**" of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:–

"The Sub-Fund does not have a specific requirement on the credit ratings of the underlying fixed income securities and may invest in investment grade, non-investment grade and unrated fixed income securities. For offshore fixed income securities, "**investment grade**" means a rating of BBB- or above from Standard & Poor's, Baa3 or above from Moody's or an equivalent rating from any internationally recognized credit rating agency, and if both the fixed income securities and the relevant issuer are not rated, then the fixed income securities will be classified as unrated. While these credit ratings provided by the relevant rating agencies serve as a point of reference, the Manager will conduct its own assessment on the credit quality based on various factors. In selecting unrated offshore fixed income securities and for Mainland China fixed income securities, the Manager will apply its internal credit rating to determine the credit quality."

11. The second paragraph under the section headed "**Investment Strategy**" under "**Appendix VIII BOCHK All Weather Asia Pacific High Income Fund**" of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:–

"The Sub-Fund does not have a specific requirement on the credit ratings of the underlying fixed income securities and may invest in investment grade, non-investment grade and unrated fixed income securities. For fixed income securities, "**investment grade**" means a rating of BBB- or above from Standard & Poor's, Baa3 or above from Moody's or an equivalent rating from any internationally recognized credit rating agency, and if both the fixed income securities and the relevant issuer are not rated, then the fixed income securities will be classified as unrated. While these credit ratings provided by the relevant rating agencies serve as a point of reference, the Manager will conduct its own assessment on the credit quality based on various factors. In selecting unrated fixed income securities, the Manager will apply its internal credit rating to determine the credit quality. The Sub-Fund may invest more than 30% of its latest available Net Asset Value in non-investment grade fixed income securities and/or unrated fixed income securities."

12. The second paragraph under the section headed "**Investment Strategy**" under "**Appendix IX BOCHK All Weather Belt and Road Bond Fund**" of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:–

"The Sub-Fund does not have a specific requirement on the credit ratings of the underlying fixed income securities and may invest in investment grade, non-investment grade and unrated fixed income securities. For fixed income securities, "**investment grade**" means a rating of BBB- or above from Standard & Poor's, Baa3 or above from Moody's or an equivalent rating from any internationally recognized credit rating agency, and if both the fixed income securities and the relevant issuer are not rated, then the fixed income securities will be classified as unrated. While these credit ratings provided by the relevant rating agencies serve as a point of reference, the Manager will conduct its own assessment on the credit quality based on various factors. In selecting unrated fixed income securities, the Manager will apply its internal credit rating to determine the credit quality. The Sub-Fund may invest more than 30% of its latest available Net Asset Value in non-investment grade fixed income securities and/or unrated fixed income securities."

13. The third paragraph under the section headed "**Investment Strategy**" under "**Appendix X BOCHK All Weather Short Term Bond Fund**" of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:–

"While these credit ratings provided by the relevant rating agencies serve as a point of reference, the Manager will conduct its own assessment on the credit quality based on various factors. Notwithstanding the foregoing, the Sub-Fund may invest in unrated fixed income securities, i.e. both the fixed income securities and the relevant issuer are not rated. In such case, the Manager will refer to the rating of the guarantor of the fixed income securities in order to align with the credit rating requirements as set out above (i.e. being investment grade or at least AA+ (as the case may be))."

14. The second paragraph under the section headed "**Investment Strategy**" under "**Appendix XI BOCHK All Weather Greater Bay Area Strategy Fund**" of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:–

"The Sub-Fund does not have a specific requirement on the credit ratings of the underlying fixed income securities and may invest in investment/recognized grade, non-investment/non-recognized grade and unrated fixed income securities. For offshore fixed income securities issued outside of Mainland China, "**investment grade**" means a rating of BBB- or above from Standard & Poor's, Baa3 or above from Moody's or an equivalent rating from any internationally recognized credit rating agency for the fixed income securities or the relevant issuer. For onshore fixed income securities issued in Mainland China, "**recognized grade**" means at least AA+ as assigned by one of the local rating agencies recognized by the relevant authorities of Mainland China on the fixed income securities or the relevant issuer. While these credit ratings provided by the relevant rating agencies serve as a point of reference, the Manager will conduct its own assessment on the credit quality based on various factors. If both the fixed income securities and the relevant issuer are not rated, then the fixed income securities will be classified as unrated. In selecting unrated fixed income securities, the Manager will apply its internal credit rating to determine the credit quality. The Sub-Fund may invest more than 30% of its latest available Net Asset Value in non-investment/non-recognized grade fixed income securities and/or unrated fixed income securities."

15. The second paragraph under the section headed "**Investment Strategy**" under "**Appendix XII BOCHK All Weather Asian High Yield Bond Fund**" of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:–

"The Sub-Fund may at any time invest at least 70% of its latest available Net Asset Value in higher-yielding debt securities (i.e. non-investment/non-recognized grade debt securities and unrated debt securities). "**Non-investment grade**" refers to a credit rating of BB+ or below from Standard & Poor's, Ba1 or below from Moody's or an equivalent rating from any internationally recognized credit rating agency for the fixed income securities or the relevant issuer. For onshore fixed income securities issued in Mainland China, "**non-recognized grade**" means below AA+ as assigned by one of the local rating agencies recognized by the relevant authorities of Mainland China on the fixed income securities or the relevant issuer. While these credit ratings provided by the relevant rating agencies serve as a point of reference, the Manager will conduct its own assessment on the credit quality based on various factors. If both the fixed income securities and the relevant issuer are not rated, then the fixed income securities will be classified as unrated. However, the Sub-Fund will not invest more than 10% of its latest available Net Asset Value in securities issued by or guaranteed by any single sovereign that is rated non-investment grade and/or unrated (including its government, public or local authority)."

16. The following new section shall be inserted immediately following the section headed **“ESGRM and IA’s methodology”** under **“Appendix XIII BOCHK All Weather ESG Multi-Asset Fund”** of the Explanatory Memorandum:–

“Additional Information about the Sub-Fund

With effective from 1 January 2022, additional information in relation to the Sub-Fund, for example in relation to its ESG focus, the relevant ESG rating methodologies, the sources and processing of ESG data, etc., are available at the Manager’s website (www.bochkam.com) or at the offices of the Manager during normal working hours. This website has not been reviewed by the SFC.”

October 2021

BOCHK Asset Management Limited

BOCHK Wealth Creation Series

Fourth Addendum to the Explanatory Memorandum dated January 2020

Important

If you are in doubt about the contents of this document, you should seek independent professional financial advice.

This Fourth Addendum forms part of and should be read together with the Explanatory Memorandum of the BOCHK Wealth Creation Series (the "**Fund**") dated January 2020, as amended by the First Addendum dated May 2020, the Second Addendum dated June 2020 and the Third Addendum dated December 2020 (the "**Explanatory Memorandum**"). The Manager accepts full responsibility for the accuracy of the information contained in this Fourth Addendum, 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 misleading.

Unless otherwise defined herein, words and expressions defined in the Explanatory Memorandum shall have the same meaning when used in this Fourth Addendum.

Establishment of BOCHK All Weather ESG Multi-Asset Fund (the "Sub-Fund")

The Manager has decided to establish a new Sub-Fund named BOCHK All Weather ESG Multi-Asset Fund. As of the date of this Addendum, the Sub-Fund has already entered into FFI Agreement with the US IRS and registered with the US IRS.

The following is inserted as Appendix XIII of the Explanatory Memorandum after "**APPENDIX XII – BOCHK ALL WEATHER ASIAN HIGH YIELD BOND FUND**" with effect from 29 June 2021:–

APPENDIX XIII

BOCHK ALL WEATHER ESG MULTI-ASSET FUND

This Appendix comprises information in relation to BOCHK All Weather ESG Multi-Asset Fund, a Sub-Fund of the Fund.

Initial Offer

Units of BOCHK All Weather ESG Multi-Asset Fund will be available for subscription during the period commencing 9 a.m. (Hong Kong time) on 29 June 2021 to 5 p.m. (Hong Kong time) on 29 July 2021 (or such other dates or time as the Manager and the Trustee may determine). It is expected that the first Dealing Day will be 30 July 2021. If such day is not a Business Day, the following Business Day will become the first Dealing Day.

The following class(es) of Units will be offered at the initial offer price (exclusive of preliminary charge) set out below during the initial offer period:

| Class | Class currency | Initial Offer Price |
|-------------------|-----------------------------|----------------------------|
| Class A1 (USD) | United States Dollar | USD10 |
| Class A2 (HKD) | Hong Kong Dollar | HKD10 |
| Class A3 (RMB) | Renminbi | RMB10 |
| Class A4 (AUD-H) | Australian Dollar (Hedged) | AUD10 |
| Class A5 (NZD-H) | New Zealand Dollar (Hedged) | NZD10 |
| Class A6 (CAD-H) | Canadian Dollar (Hedged) | CAD10 |
| Class A7 (GBP-H) | British Pound (Hedged) | GBP10 |
| Class A8 (HKD-H) | Hong Kong Dollar (Hedged) | HKD10 |
| Class A9 (RMB-H) | Renminbi (Hedged) | RMB10 |
| Class A10 (EUR-H) | Euro (Hedged) | EUR10 |
| Class A11 (SGD-H) | Singapore Dollar (Hedged) | SGD10 |
| Class A12 (JPY-H) | Japanese Yen (Hedged) | JPY100 |
| Class A13 (CHF-H) | Swiss Franc (Hedged) | CHF10 |
| Class C1 (USD) | United States Dollar | USD10 |
| Class C2 (HKD) | Hong Kong Dollar | HKD10 |
| Class C3 (RMB) | Renminbi | RMB10 |
| Class C4 (HKD-H) | Hong Kong Dollar (Hedged) | HKD10 |
| Class C5 (RMB-H) | Renminbi (Hedged) | RMB10 |
| Class I1 (USD) | United States Dollar | USD10 |
| Class I2 (HKD) | Hong Kong Dollar | HKD10 |
| Class I3 (RMB) | Renminbi | RMB10 |
| Class I4 (AUD-H) | Australian Dollar (Hedged) | AUD10 |
| Class I5 (NZD-H) | New Zealand Dollar (Hedged) | NZD10 |

| Class | Class currency | Initial Offer Price |
|-------------------|---------------------------|----------------------------|
| Class I6 (CAD-H) | Canadian Dollar (Hedged) | CAD10 |
| Class I7 (GBP-H) | British Pound (Hedged) | GBP10 |
| Class I8 (HKD-H) | Hong Kong Dollar (Hedged) | HKD10 |
| Class I9 (RMB-H) | Renminbi (Hedged) | RMB10 |
| Class I10 (EUR-H) | Euro (Hedged) | EUR10 |
| Class I11 (SGD-H) | Singapore Dollar (Hedged) | SGD10 |
| Class I12 (JPY-H) | Japanese Yen (Hedged) | JPY100 |
| Class I13 (CHF-H) | Swiss Franc (Hedged) | CHF10 |
| Class X1 (USD) | United States Dollar | USD10 |
| Class X2 (HKD) | Hong Kong Dollar | HKD10 |
| Class X3 (RMB) | Renminbi | RMB10 |
| Class X4 (HKD-H) | Hong Kong Dollar (Hedged) | HKD10 |
| Class X5 (RMB-H) | Renminbi (Hedged) | RMB10 |

The Manager is entitled to charge a preliminary charge of up to 5.25% of the initial offer price.

Units will be issued on the last Business Day of the initial offer period in respect of applications received prior to 5 p.m. (Hong Kong time) on the last Business Day of the initial offer period (together with cleared funds received prior to such time or such later time as the Manager may agree) and accepted by the Manager. If applications and/or cleared funds are received after the relevant time, such applications shall be carried forward to the next Dealing Day.

The Manager has set a minimum total subscription amount of USD20 million to be received during the initial offer period failing which the Manager may either extend the initial offer period or decide that the Sub-Fund shall not launch. Notwithstanding the aforesaid, the Manager reserves the right to proceed with the launch of the Sub-Fund even if the minimum total subscription amount is not achieved. If the Manager decides not to launch the Sub-Fund, application moneys paid by applicants will be returned without interest within 4 Business Days after the close of the initial offer period by cheque through the post or by telegraphic transfer to the bank account from which the moneys originated, at the risk and expense of the applicants or in such other manner determined by the Manager and the Trustee.

Base Currency

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

Investment Objective and Policy

The investment objective of the Sub-Fund is to provide income and capital growth over the medium and longer term through active asset allocation in a portfolio of fixed income securities and equity securities that are consistent with the principles of environmental, social and governance (“**ESG**”)-focused investing.

Investment Strategy

Primary investments

The Sub-Fund aims to achieve its investment objective by investing at least 70% of its latest available Net Asset Value in (i) fixed income securities including bonds, convertible bonds, bills, notes, money market instruments, deposits and other fixed or floating rate securities, and/or (ii) equity securities, which or whose issuer is reflecting the ESG-related investment focus in accordance with one or more of the following: the ESG principles adopted in the United Nations Global Compact Principles, the Organisation for Economic Co-operation and Development's (OECD) guiding principles on corporate governance, the International Labour Organization's (ILO) standards, International Capital Market Association's Green Bond Principles, Social Bond Principles and/or Sustainability Bond Guidelines, etc. The Sub-Fund adopts a dynamic asset allocation strategy, and under normal circumstances, the Sub-Fund may invest up to 80% of its latest available Net Asset Value in fixed income securities and up to 80% of its latest available Net Asset Value in equity securities, and such limits may be temporarily exceeded under extreme market conditions. The asset allocation depends on the Manager's assessment at different times. These investments may be denominated in various currencies. The Sub-Fund will not aim to focus its investments on any single country or region or market capitalisation. However, investments in any country or region may be concentrated, depending on the Manager's assessment of the market conditions at different times.

Selection of eligible ESG investments

In selecting eligible ESG investments, the Manager will use two models – the Manager's internal proprietary ESG rating methodology ("**ESGRM**"), as well as the methodology of Amundi Hong Kong Limited, the Investment Advisor of the Sub-Fund ("**IA's methodology**") – which will apply one or more of the abovementioned ESG principles (collectively, referred to as the "**ESG Criteria**"). IA's methodology provides comprehensive assessment of the global investment universe; while ESGRM is specifically designed to assess developing markets, where ESG development lags behind more developed markets and ESG data is insufficient. ESGRM will also be used in relation to investments rated borderline ineligible or unrated under IA's methodology. Under both models, the Manager will generally regard the top 50% of the assessed investment universe as eligible ESG investments. For the avoidance of doubt, the Manager will refer to relevant information provided by the Investment Advisor while retaining investment discretion in the selection of eligible ESG.

ESGRM (comprising both quantitative rating and qualitative adjustment) is a dynamic rating methodology to assign scores to individual rating factors under each of the environmental, social and governance aspects of a company in order to assess its ESG performance. Relevant analysts of the Manager may also make qualitative adjustment to the ESG ratings generated under the quantitative model when considered necessary. Both IA's methodology and ESGRM may take into account ESG data from third party providers.

In addition, any green, social and/or sustainability bonds which are aligned with the International Capital Market Association's Green Bond Principles, Social Bond Principles and/or Sustainability Bond Guidelines will also fall within the eligible ESG universe.

The Manager will then apply its own internal analysis based on fundamental analysis and valuation approach to select securities from the eligible ESG universe.

Based on the Investment Advisor's exclusion policies, the eligible ESG investments, which shall make up at least 70% of the Sub-Fund's latest available Net Asset Value, will not consist of companies (a) in contradiction with the Investment Advisor's ESG policy on controversial sectors (including coal and tobacco) and/or (b) that do not respect international conventions, internationally recognized frameworks or national regulations.

Credit rating requirements for fixed income investments

The Sub-Fund may invest in investment/recognized grade, non-investment/non-recognized grade and unrated fixed income securities. The Sub-Fund may invest up to 50% of its latest available Net Asset Value in non-investment/non-recognized grade fixed income securities and/or unrated fixed income securities. For offshore fixed income securities issued outside of Mainland China, "investment grade" means a rating of BBB- or above from Standard & Poor's, Baa3 or above from Moody's or an equivalent rating from any internationally recognized credit rating agency for the fixed income securities or (if a fixed income security is not rated) the relevant issuer and/or guarantor (if any). For onshore fixed income securities issued in Mainland China, "recognized grade" means at least AA+ as assigned by one of the local rating agencies recognized by the relevant authorities of the Mainland China on the fixed income securities or (if a fixed income security is not rated) the relevant issuer and/or guarantor (if any). In determining the rating of any fixed income securities, the Manager will primarily consider the ratings of such fixed income securities in the first instance. While these credit ratings provided by the relevant rating agencies serve as a point of reference, the Manager will conduct its own assessment on the credit quality based on various factors. For the avoidance of doubt, if the ratings of the fixed income securities, the issuer or the guarantor amongst credit rating agencies differ, the highest available rating assigned by an internationally recognised credit agency (for offshore fixed income securities issued outside of the Mainland China) or local rating agencies recognized by the relevant authorities of the Mainland China (for onshore fixed income securities issued in Mainland China) will be used for this determination. A fixed income security will be considered as "unrated" if no rating is assigned to any of the fixed income instrument, its issuer nor its guarantor (if any) by any internationally recognized credit rating agency or local rating agencies recognized by the relevant authorities of the Mainland China (as applicable). In selecting unrated fixed income securities, the Manager will apply its internal credit rating to determine the credit quality. However, the Sub-Fund will not invest more than 10% of its latest available Net Asset Value in securities issued by or guaranteed by any single sovereign that is rated non-investment grade and/or unrated (including its government, public or local authority).

Ancillary investments

The Sub-Fund may also invest in aggregate less than 30% of its latest available Net Asset Value in (i) collective investment schemes or portfolios managed by the Manager or external asset managers, including QFI funds and exchange traded funds ("**ETFs**") (including synthetic ETFs (i.e. ETFs that track an index by investing primarily in derivative instruments)); and (ii) other asset classes (the Sub-Fund's exposure to each of which will not exceed 10% of its latest available Net Asset Value), such as American Depositary Receipts ("**ADRs**"), real estate investment trusts ("**REITs**"), credit linked notes, participatory notes, collateralised and/or securitised products (such as asset backed securities or mortgage backed securities) and commodities (through ETF or other permissible means).

The Sub-Fund's direct and indirect exposure to RMB-denominated debt securities and equity securities issued in Mainland China will be obtained through available means, including but not limited to investment through the Qualified Foreign Investor ("QFI") status of the Manager, Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect ("**Stock Connects**"), China Interbank Bond Market ("**CIBM**"), mutual bond market access between Mainland China and Hong Kong ("**Bond Connect**"), or through other collective investment schemes including QFI funds (i.e. funds that are authorized by the SFC and eligible to directly invest in the Mainland China market through QFI) or such other means as permitted by the relevant regulatory authorities from time to time. The Sub-Fund's total investment in the Mainland China domestic market will be in aggregate less than 30% of the latest available Net Asset Value of the Sub-Fund.

The Sub-Fund's exposure to debt instruments with loss absorption features (including contingent convertible bonds, additional Tier 1 capital and Tier 2 capital instruments, subordinated debts, total loss absorbing capacity eligible securities, etc.) shall be less than 30% of its latest available Net Asset Value. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

The Sub-Fund may invest up to 20% of its latest available Net Asset Value in urban investment bonds (i.e. debt instruments issued by mainland Chinese local government financing vehicles ("**LGFVs**") and traded in the onshore and/or offshore bond markets). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investment or infrastructure projects.

Cash or cash equivalents

The Sub-Fund may temporarily hold 100% of its assets in cash or cash equivalents (including short term money market instruments and bank deposits) in adverse market conditions for the purposes of managing downside risk or liquidity, should the Manager deem such strategy necessary under exceptional circumstances such as a significant market downturn or market crisis.

Financial derivative instruments and securities financing transactions

The Sub-Fund may use financial derivative instruments for hedging purposes. The Manager will not engage in Securities Financing Transactions on behalf of the Sub-Fund. Prior approval will be sought from the SFC and not less than 1 month's notice will be given to affected Unitholders if there is a change in such practice.

Use of Derivatives

The Sub-Fund may acquire financial derivative instruments for hedging purposes only. The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's latest available Net Asset Value.

Investment Adviser

Amundi Hong Kong Limited is the investment adviser in respect of the Sub-Fund. It provides investment advice based on its proprietary ESG rating methodology to the Manager in relation to the Sub-Fund and has no investment management functions. Amundi Hong Kong Limited is licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities as defined in Schedule 5 of the SFO, and is permitted under relevant laws and regulations to provide investment advice in relation to investments of the Sub-Fund.

ESGRM and IA's methodology

ESGRM is developed by BOCHK Asset Management Limited internally and aims to assess the ESG performance of a company. ESG performance of a company is defined as its ability to anticipate and control risk from the environmental, social and governance aspects, with consideration of the opportunities in and threats to the sector, as well as their ESG disclosures. It is a dynamic rating methodology to assign a score to individual ESG factors (such as Greenhouse gas emission, percentage of women in workforce, percentage of independent directors, etc., while such individual ESG factors may be updated from time to time, as applicable. ESGRM (comprising quantitative rating and/or qualitative adjustment) is run on a monthly basis on the investment universe, therefore the ESG rating scales are updated accordingly. Generally, the Manager will regard the top 50% of the assessed investment universe as eligible ESG investments.

The Investment Adviser's best-in-class ESG methodology provides a comprehensive assessment of the global investment universe; similar to the ESGRM, the IA's methodology also combines a quantitative approach with qualitative analysis. The Investment Adviser's ESG ratings measure the ESG performance of a company, e.g. the ability of a company to anticipate and manage the E, S and G risks and opportunities inherent to its industry and to its individual situation. Such ratings also assess the ability of the company's management team to handle severe controversies. An ESG rating will be assigned on the assessed investment based on the Investment Adviser's criteria and weightings, after which Investment Adviser's ESG analysts will also integrate qualitative input to derive the final ESG rating. The top 50% of the assessed investment universe will generally be regarded as eligible ESG investments.

The Investment Adviser's exclusion policy, which may be updated from time to time, excludes (a) companies involved in the production, sale, storage or services for and of anti-personnel mines and cluster bombs, prohibited by the Ottawa and Oslo treaties; (b) companies involved in the production, sale or storage of chemical, biological and depleted uranium weapons; and (c) companies that violate, repeatedly and seriously, one or more of the ten principles of the United Nations Global Compact. In addition, Investment Adviser implements specific sectoral exclusion policies for coal and tobacco.

Specific Risk Factors

Investors should refer to the relevant risks under the section headed "Risk Factors" in the main part of the Explanatory Memorandum, including "Market risk" and "Risks relating to hedging and the hedged classes", and the following specific risk factors for the Sub-Fund:

ESG investment policy risk

The Sub-Fund may invest based on the ESG Criteria as set out in the investment policy. The use of ESG Criteria may affect the Sub-Fund's investment performance and, as such, the Sub-Fund may perform differently compared to similar funds that do not use such criteria. For instance, ESG Criteria used in the Sub-Fund's investment policy may result in the Sub-Fund forgoing opportunities to buy certain securities when it might otherwise be advantageous to do so, and/or selling securities due to ESG Criteria when it might be disadvantageous to do so. As such, the application of ESG Criteria may restrict the ability of the Sub-Fund to acquire or dispose of its investments at a price and time that it wishes to do so, and may therefore result in a loss to the Sub-Fund.

The use of ESG Criteria may also result in the Sub-Fund being concentrated in companies with a focus on ESG Criteria and its value may be more volatile than that of a fund having a more diverse portfolio of investments.

The selection of securities may involve the Manager's subjective judgement. There is also a lack of standardised taxonomy of ESG Criteria evaluation methodology and the way in which different funds apply such ESG Criteria may vary.

The Manager and the Investment Advisor's ESG process takes into account ESG data and research from external data providers, which may be incomplete, inaccurate or unavailable. As a result, there is a risk associated with the assessment of a security or issuer based on such information or data.

Risks relating to debt securities

Investment in debt securities is subject to the credit/default risk of the issuers of the debt securities that the Sub-Fund may invest in, which may be unable or unwilling to make timely payments on principal and/or interest. Some of the securities that the Sub-Fund invests in may be unrated. In general, debt securities that have a lower credit rating (such as debt securities that are rated below investment/recognized grade or that are unrated) will be more susceptible to the credit risk of the issuers. If the issuer of a security is in default with respect to interest or principal payments, the Sub-Fund may lose its entire investment. Adverse events or market conditions may have a larger negative impact on the prices of non-investment/non-recognized grade or unrated debt securities than on higher-rated debt securities. Such debt securities in emerging markets may also be subject to higher volatility and lower liquidity compared to debt securities in more developed markets. Please refer to the relevant risk factor "**Below investment grade and unrated securities risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against such issuers as they may be incorporated outside Hong Kong and subject to foreign laws.

Credit ratings of fixed income securities may be subject to certain limitations and do not guarantee the credit worthiness of the security, issuer and/or guarantor (as applicable) at all times. Further, the credit appraisal system in Mainland China and the rating methodologies employed in Mainland China may be different from those employed in other markets. Credit ratings given by rating agencies in Mainland China may therefore not be directly comparable with those given by other international rating agencies.

Investment/recognized grade securities or their issuers may be subject to downgrading risk. In the event of downgrading, the risks of default may be higher, and the Sub-Fund's investments in such securities may be adversely affected. Please refer to the relevant risk factor "**Credit rating downgrade risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Debt securities are sensitive to changes in interest rates. Please refer to the relevant risk factor "**Interest rate risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

The debt securities in certain countries/regions may be subject to higher volatility and lower liquidity compared to more developed markets. The price of securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may incur significant trading costs.

The Sub-Fund may invest in sovereign debts which are subject to certain risks. Please refer to the relevant risk factor "**Sovereign debt risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

Equity investment and volatility risk

Investors should pay attention to risks generally associated with equity investment, namely, the market value of the stocks may go down as well as up. Prices of equity securities may be volatile. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, the business and social conditions in local and global marketplace, and issuer-specific factors. Changes in value of a security may be attributable to market perception of a particular issuer (for example its financial conditions and profitability) or general stock market fluctuations that affect all issuers. If the market value of equity securities in which the Sub-Fund invests in goes down, investors may suffer substantial losses.

Concentration risk

Depending on the Manager's assessment of market conditions at different times, the Sub-Fund may from time to time focus its investments in certain country or region and its portfolio of investment may not be diversified compared to other broad-based funds. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting those country or region. Please refer to the risk factor "**Concentration risk**" in the main part of the Explanatory Memorandum.

Emerging markets risk

Investing in emerging markets involves increased risks and special considerations not typically associated with investment in more developed economies or markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility. Please refer to the relevant risk factor "**Emerging markets risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Mainland China market risk

Investing in the Mainland China market is subject to risks specific to the Mainland China market. Please refer to the relevant risk factors “**Mainland China market risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Currency risk

Whilst the base currency of the Sub-Fund is US\$, the Sub-Fund’s assets may be invested in securities and other investments that are denominated in currencies different from the Sub-Fund’s base currency. Also, a class of units may be designated in a currency other than the base currency of the Sub-Fund. Although the Sub-Fund may engage in currency hedging, the value of the Sub-Fund’s investments and so the Net Asset Value of the Sub-Fund may still be affected favourably or unfavourably by fluctuations in exchange rates and by changes in exchange rate controls. Please refer to the relevant risk factor “**Currency risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks of investing in convertible bonds

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

Risk associated with debt instrument with loss-absorption feature

Debt instruments with loss-absorption feature are subject to greater risks when compared to traditional debt instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of pre-defined trigger events (e.g. when the issuer is near or at the point of non-viability or when the issuer’s capital ratio falls to a specified level), which are likely to be outside of the issuer’s control. Such trigger events are complex and difficult to predict and may result in a significant or total reduction in the value of such instruments.

In the event of activation of a trigger, there may be potential price contagion and volatility to the entire asset class. Debt instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.

The Sub-Fund may invest in contingent convertible bonds, which are hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level. Upon the occurrence of a predetermined event (known as a trigger event), contingent convertible bonds will be converted into shares of the issuing company (potentially at a discounted price as a result of the deterioration in the financial condition of the issuing company), or cause the permanent write-down to zero of the principal investment and/or accrued interest such that the principal amount invested may be lost on a permanent or temporary basis.

Contingent convertible bonds are risky and highly complex instruments. Coupon payments on contingent convertible bonds are discretionary and may at any point, for any reason, and for any length of time also be ceased or deferred by the issuer.

The Sub-Fund may invest in senior non-preferred debts. While these instruments are generally senior to subordinated debts, they may be subject to write-down upon the occurrence of a trigger event and will no longer fall under the creditor ranking hierarchy of the issuer. This may result in total loss of principal invested.

Risks of investing in notes

Investment in notes (such as credit linked notes and participatory notes) is subject to the credit risk of the issuer and these instruments may be illiquid. Please refer to the relevant risk factors “**Derivative and structured product risk**” and “**Liquidity risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Exposure to shares or bonds may be obtained through investment in participatory notes. Participatory notes may not be listed and are subject to the terms and conditions imposed by their issuer. These terms may lead to delays in implementing the Sub-Fund’s investment strategy due to restrictions on the issuer acquiring or disposing of the securities underlying the participatory notes. Investment in participatory notes can be illiquid as there is no active market in participatory notes. In order to meet redemption requests, the Sub-Fund relies upon the counterparty issuing the participatory notes to quote a price to unwind any part of the participatory notes. This price will reflect the market liquidity conditions and the size of the transaction.

By seeking exposure to investments in certain listed securities through participatory notes, the Sub-Fund is exposed to the credit risk of the issuer of the participatory notes. There is a risk that the issuer will not settle a transaction due to a credit or liquidity problem, thus causing the Sub-Fund to suffer a loss.

An investment in a participatory notes is not an investment directly in the underlying securities themselves. An investment in the participatory notes does not entitle the participatory notes holder to the beneficial interest in the underlying securities nor to make any claim against the company issuing the underlying securities. Investment through participatory notes may lead to a dilution of performance of the Sub-Fund when compared to a fund investing directly in similar assets.

Risks of investing in other collective investment schemes

The Sub-Fund will be subject to the risks associated with the underlying funds when investing in other funds. The Sub-Fund does not have control of the investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved which may have a negative impact to the Net Asset Value of the Sub-Fund.

The underlying collective investment schemes in which the Sub-Fund may invest may not be regulated by the SFC. There may be additional costs involved when investing into these underlying collective investment schemes. There is also no guarantee that the underlying collective investment schemes will always have sufficient liquidity to meet the Sub-Fund’s redemption requests as and when made.

If the Sub-Fund invests in an underlying fund managed by the Manager or a connected person of the Manager, all initial charges on such underlying fund will be waived. The Manager may not obtain a rebate on any fees or charges levied by such underlying fund or its manager. Where potential conflicts of interest arise, the Manager will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section headed “**Conflicts of Interest**” in the main part of the Explanatory Memorandum.

Risks of investing in REITs

The Sub-Fund may invest in REITs which invest primarily in real estate and this may involve a higher level of risk. The REITs invested in by the Sub-Fund may not necessarily be authorised by the SFC.

The prices of REITs are affected by changes in the value of the underlying properties owned by the REITs. Investment in REITs may therefore subject the Sub-Fund to risks similar to those from direct ownership of real property.

Real estate investments are relatively illiquid and this may affect the ability of a REIT to vary its investment portfolio or liquidate part of its assets in response to changes in economic conditions, international securities markets, foreign exchange rates, interest rates, real estate markets or other conditions. Adverse global economic conditions could adversely affect the business, financial condition and results of operations of REITs. REITs may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than other securities.

Further, returns from REITs are dependent on management skills. Investments made by REITs generally may not be diversified. In addition, certain REITs in which the Sub-Fund may invest may have their assets concentrated in specific real property sectors, and are therefore subject to the risks associated with adverse developments in these sectors.

REITs are also subject to heavy cash flow dependency, defaults by borrowers and self liquidation. Further, borrowers under mortgages held by REITs or lessees of property that REITs own may be unable to meet their obligations to the REITs. On the other hand, if the key tenants experience a downturn in their businesses or their financial condition, they may fail to make timely rental payments or default under their leases. Tenants in a particular industry might also be affected by any adverse downturn in that industry and this may result in their failure to make timely rental payments or to default under the leases. In the event of a default, a REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments. The REITs may suffer losses as a result.

REITs may have limited financial resources and may be subject to borrowing limits. Consequently, REITs may need to rely on external sources of funding to expand their portfolios, which may not be available on commercially acceptable terms or at all. If a REIT cannot obtain capital from external sources, it may not be able to acquire properties when strategic opportunities exist.

Any due diligence exercise conducted by REITs on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies. Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow of the REITs.

The Sub-Fund does not invest directly in real estate, and insofar as it directly invests in REITs, any dividend policy or dividend payout at the Sub-Fund level may not be representative of the dividend policy or dividend payout of the relevant underlying REIT.

Risks relating to Exchange-traded funds (ETFs)

The trading prices of units/shares in an ETF may be at a discount or premium to the net asset value of the units/shares of such ETF due to various factors such as supply and demand forces in the secondary trading market for such units/shares in the ETF. This price discrepancy may be particularly likely to emerge during periods of high market volatility and uncertainty. Valuation of units/shares in an ETF will primarily be made by reference to the last traded price. Where the Sub-Fund buys at a premium, it may suffer losses even if the net asset value is higher when it sells the relevant share/units in the ETF, and it may not fully recover its investment in the event of termination of the ETF.

In addition, an ETF may not be able to perfectly track the index it is designed to track, because of fees and expenses, imperfect correlation between the ETF's assets and the underlying securities within the relevant tracking index, adjustments to the tracking index and regulatory policies. The return from investing in an ETF may therefore deviate from the return of its tracking index.

An ETF which is designed to track a market index is not "actively managed", therefore when there is a decline in the relevant index, the ETF will also decrease in value. The ETF may not adopt any temporary defensive position against market downturns. The Sub-Fund may lose part or all of its investment in the ETF.

There can be no assurance that an active trading market will exist or be maintained for units/shares of an ETF on any securities exchange on which units/shares of an ETF may be traded.

Synthetic ETFs typically invest in derivative instruments to replicate the performance of an underlying index. Investment in synthetic ETFs will be subject to the credit risk of the counterparties who issue the derivatives. If the counterparties default, the Sub-Fund may suffer substantial losses of its investment in the relevant ETFs. Since derivative issuers are predominantly international financial institutions, the failure of one derivative counterparty could potentially have a "knock on" effect on other counterparties. Some synthetic ETFs have collateral to reduce the counterparty risks but if the market value of the collateral has fallen substantially, the ETFs may suffer losses when they seek to realise the collateral. The Sub-Fund's investment in the ETFs will suffer losses accordingly.

Risks of investing in ADRs

Although ADRs have risks similar to the securities that they represent, they may also involve higher expenses and may trade at a discount (or premium) to the underlying security. In addition, depositary receipts may not pass through voting and other shareholder rights, and may be less liquid than the underlying securities listed on an exchange.

Investment in China A-Share market

The Sub-Fund may have (direct or indirect) exposure to the China A-Share market. The existence of a liquid trading market for China A-Shares may depend on whether there is supply of, and demand for, such China A-Shares. The price at which securities may be purchased or sold by the Sub-Fund may be adversely affected if trading markets for China A-Shares are limited or absent, and the Sub-Fund may in turn be adversely affected. Further, the Shanghai Stock Exchange and the Shenzhen Stock Exchange on which China A-Shares are traded are undergoing development and the market capitalisation of, and trading volumes on, those stock exchanges are lower than those in more developed markets. The China A-Share market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention) than those in more developed markets. Market volatility and settlement difficulties in the China A-Share markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may affect the value of the Sub-Fund.

Securities exchanges in Mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. In particular, trading band limits are imposed by the stock exchanges on China A-Shares, where trading for a security may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. A suspension will render it impossible for the Sub-Fund to liquidate positions and can thereby expose the Sub-Fund to losses. Further, when the suspension is subsequently lifted, it may not be possible for the Sub-Fund to liquidate positions at a favourable price. The Sub-Fund may therefore suffer a loss in its investment.

Investment in China B-Share market

Investors should note that the stock exchanges in Mainland China on which the China B-Shares are listed are still at a developmental stage, and their respective market capitalisation and trading volume are much lower than those in more developed financial markets. Market volatility and potential lack of liquidity due to low trading volume in the China B-Shares markets may result in prices of securities traded on such markets fluctuating significantly, which may result in substantial changes to the price of the Units of the Sub-Fund.

Risks relating to QFI and QFI funds

The Sub-Fund is not a QFI but may obtain access to securities and instruments issued or distributed within Mainland China directly using QFI status of the Manager or through QFI funds, and may be subject to the following risks. The Manager is a QFI holder (“**QFI Holder**”).

Risks relating to RMB denominated securities: Securities in the Mainland China securities market are denominated in RMB. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. Please refer to the relevant risk factors “**RMB currency risk**” and “**RMB foreign exchange control risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks relating to the Qualified Foreign Investor (QFI) regime: Investors should note that QFI status could be suspended or revoked, which may have an adverse effect on the Sub-Fund’s performance as the Sub-Fund may be required to dispose of its securities holdings. There is no assurance that the QFI Holder will continue to maintain its QFI status. The rules and restrictions under QFI regulations, generally apply to the QFI Holder as a whole and not simply to the investments made by the Sub-Fund.

Repatriation and liquidity risks: Repatriations of capital and net profits out of Mainland China by the Sub-Fund via a QFI or QFI funds are currently not subject to repatriation restrictions (such as lock up periods) or prior approval, although authenticity and compliance reviews will be conducted, and monthly reports on remittances and repatriations will be submitted to SAFE by the QFI Custodian. However, there is no guarantee that restrictions will not be imposed in future. Any restrictions on repatriation of the invested capital and net profits out of Mainland China may impact on the relevant fund’s ability to meet redemption requests from the Sub-Fund. The repatriation process may be subject to certain requirements set out in the relevant regulations such as submission of certain documents, and completion of the repatriation process may be subject to delay. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the control of the Manager (or the manager of a QFI fund). Therefore, the Sub-Fund may be subject to liquidity risk.

Legal and regulatory risk: The application of the rules relevant to QFI may depend on the interpretation given by the relevant Mainland regulatory authorities. Any changes to the relevant rules may have an adverse impact on investments made by the Sub-Fund or the QFI funds and hence the Sub-Fund’s performance. The current QFI rules and regulations are subject to change, which may take retrospective effect. For an QFI fund, in the worst case, the relevant QFI fund may be terminated if it is not legal or viable to operate because of changes to the application of the relevant rules. The Sub-Fund’s holdings in the relevant the QFI fund will be realised in case of such termination, and the Sub-Fund may suffer losses in its initial investment in such fund.

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

Mainland China brokerage risk: In relation to the Sub-Fund's investments issued and transacted within the Mainland China, execution and settlement of transactions or the transfer of any funds or securities may be arranged for or conducted by Mainland Brokers appointed by QFI Holder and/or the QFI Custodian appointed by the QFI Holder jointly with the Custodian. There is a risk that the Sub-Fund may suffer losses from the default, bankruptcy or disqualification of the Mainland Brokers and/or the QFI Custodian. In such event, the Sub-Fund may be adversely affected in the execution or settlement of any transaction or in the transfer of any funds or securities.

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

Risks relating to QFI funds that are exchange traded funds (QFI ETFs): Investment in QFI ETFs is subject to RMB currency risk and risks associated with the QFI regime set out above. In addition:

- (a) QFI ETFs typically seek to track a particular China A-Share market index by directly investing in the China A-Shares constituting such market index using QFI status. As with other exchange traded funds, QFI ETFs are subject to tracking error risks (i.e. the returns of a QFI ETF may deviate from the performance of the index it is designed to track) due to a number of factors.

The Sub-Fund will trade units in QFI ETFs on the Stock Exchange of Hong Kong (where trading prices are affected by market factors such as demand and supply). The trading days or hours of the Mainland China and Hong Kong stock markets are not exactly the same and this may affect the QFI ETFs' ability to track the market index. Further, any suspension due to a trading band limit in the Mainland China stock markets may render it impossible for the QFI ETFs to acquire certain index security, increasing the tracking error. These factors may result in the QFI ETFs' units being traded at a substantial premium or discount to their net asset value.

- (b) QFI ETFs involve cross-border transfer of funds. They may be riskier than traditional exchange traded funds investing directly in markets other than the Mainland China. The operation of QFI ETFs depends heavily on the expertise and infrastructure of the QFI ETF's manager (or its mainland parent company). There is no assurance that the QFI ETFs will be operated as envisaged and the Sub-Fund may sustain a loss in its investment and the Sub-Fund may suffer a loss.

RMB currency risk/Risks relating to RMB denominated securities

Investors may invest in RMB/RMB-hedged Units of the Sub-Fund. Non-RMB based investors (e.g. Hong Kong investors) may have to convert Hong Kong dollar or other currency(ies) into RMB when investing in RMB/RMB-hedged Units and subsequently convert the RMB redemption proceeds and/or dividend payment (if any) back to Hong Kong dollar or such other currency(ies). Investors will incur currency conversion costs and may suffer losses depending on the exchange rate movements of RMB relative to Hong Kong dollar or such other currencies and by changes in exchange rate controls.

Class denominated in RMB will generally be valued with reference to the offshore RMB (known as “**CNH**”) rather than the onshore RMB (known as “**CNY**”). While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently. 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 investors.

The Sub-Fund may have exposure to securities that are denominated in RMB. Investment in the Sub-Fund will be subject to RMB currency risks. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. There is no guarantee that RMB will not depreciate. The Sub-Fund may suffer losses in case of depreciation of RMB. Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB. Please refer to the relevant risk factors “**RMB currency risk**” and “**RMB foreign exchange control risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks associated with Stock Connects

Insofar as the Sub-Fund invests through Stock Connects, investors should refer to the associated risks set out in the risk factor “**Risks associated with Stock Connects**” and “**Risks associated with the Small and Medium Enterprise board and/or ChiNext market**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks associated with China Interbank Bond Market and Bond Connect

Insofar as the Sub-Fund invests through China Interbank Bond Market, investors should refer to the associated risks set out in the risk factor “**Risks associated with China Interbank Bond Market and Bond Connect**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

“Dim Sum” bond market risks

The “Dim Sum” bond (i.e. bonds issued outside of Mainland China but denominated in RMB) market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the “Dim Sum” bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalization of the offshore RMB (CNH) market by the relevant regulator(s).

Risks of investing in urban investment bonds

Urban investment bonds are issued by local government financing vehicles (“**LGFVs**”), such bonds are typically not guaranteed by local governments or the central government of the PRC. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the Sub-Fund could suffer substantial loss and the Net Asset Value of the Sub-Fund could be adversely affected.

Currency risk/hedging risk

Because the Sub-Fund's assets and liabilities may be denominated in currencies different from the Sub-Fund's base currency (US\$), the Sub-Fund may be affected unfavourably by changes in the exchange rates between the Sub-Fund's base currency and other currencies. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions. Changes in currency exchange rates may influence the value of the Sub-Fund's investments and hence the value of Units in terms of the Sub-Fund's base currency. An investor may suffer losses arising from changes in currency exchange rates of investments held by the Sub-Fund.

The Manager may, in accordance with the investment strategy, use hedging techniques to attempt to offset currency risks, including hedging the currencies in which the underlying assets of the Sub-Fund are denominated against the Sub-Fund's base currency. There is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result. There can be no assurance that any currency hedging strategy employed by the Manager will fully and effectively eliminate the currency exposure of the Sub-Fund.

Risks associated with collateralized and/or securitized products such as asset backed securities (including asset backed commercial papers) or mortgage backed securities

The Sub-Fund may invest in collateralized and/or securitized products such as asset backed securities (including asset backed commercial papers) or mortgage backed securities which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligation relating to the underlying assets are not met, which may adversely impact the returns of the securities.

Risks relating to dynamic asset allocation strategy

The dynamic asset allocation of the Sub-Fund may not achieve the desired results under all circumstances and market conditions. In addition, the investments of the Sub-Fund may be periodically rebalanced and therefore the Sub-Fund may incur greater transaction costs than a Sub-Fund with static allocation strategy.

Mainland China tax considerations in respect of the Sub-Fund

By investing in Mainland China securities, the Sub-Fund may be subject to withholding income tax ("**WIT**"), value added tax ("**VAT**") and other taxes imposed in the Mainland China. Investors should refer to the heading "**Mainland China**" in the section headed "**Taxation**" for further details.

Tax Provision

It is the intention of the Manager to operate the affairs of the Manager and the Sub-Fund such that they are not Mainland China tax resident enterprises and have no establishment or place of business ("**PE**") in Mainland China for Mainland China CIT purposes, although this is not guaranteed.

The Sub-Fund will invest in China A-Shares through QFIs or the Stock Connects. Given that the Sub-Fund started to invest in China A-Shares after 17 November 2014 through the QFIs and Stock Connects, the Sub-Fund is temporarily exempt from Mainland China WIT on the capital gains derived from investments in China A-Shares according to Circular 79, Circular 81 and Circular 127 and no Mainland China WIT provision will be made on the gross realized and unrealized capital gains derived by the Sub-Fund from investments in China A-Shares through the QFIs and Stock Connects. For gains derived from investment in China A-Shares via QFIs and Stock Connects, the Sub-Fund is also temporarily exempt from Mainland China VAT according to Circular 70, Circular 36 and Circular 127. If there is any update on the tax rules applied to the Stock Connects in the future, the Manager will review and adjust the Mainland China WIT and Mainland China VAT provisioning approach on capital gains for the Stock Connects accordingly.

The tax exemptions granted under Circular 79, Circular 81 and Circular 127 are temporary. It is possible that the applicable tax law, regulations and practice may be changed. In such cases, the Sub-Fund may have tax liabilities in the PRC which it has not provided for. Such tax liabilities will be deducted from the Sub-Fund's assets and the Sub-Fund's Net Asset Value will be adversely affected. In this case, existing and subsequent investors will be disadvantaged as they will bear for a disproportionately higher amount of tax liabilities as compared to the liability at the time of investment in the Sub-Fund.

The Sub-Fund will also invest in China B-Shares and Mainland China debt securities.

Under the prevailing Mainland China CIT Law and regulations, capital gains derived by a non-resident from disposal of China B-Shares could be subject to WIT at 10%. Under prevailing Mainland China VAT rules, it is not clear whether there is VAT exemption on capital gains if a Sub-Fund invests in China B-Shares. Thus, there may be VAT imposed on a Sub-Fund for trading of China B-Shares. Under current practice no WIT or VAT is imposed on non-residents where both the purchase and sales of the China B-Shares are via the stock exchange market. The position in practice may change if the STA expresses another view and/or that new official tax circulars are issued to provide further guidance.

Under the prevailing CIT Law, there is no specific provision on whether capital gains derived by a non-resident investor (including the Sub-Fund) from disposal of Mainland China debt instruments (e.g. bonds issued by Mainland China companies) would be considered as Mainland China sourced income and subject to Mainland China WIT at 10%. Based on the current interpretation of the STA and the local tax authorities, gains derived by foreign investors (including the Sub-Fund) from investment in Mainland China debt securities should not be treated as Mainland China sourced income thus should not be subject to Mainland China WIT. Under the current practice, no WIT is imposed on capital gains derived by non-residents from disposal of Mainland China debt instruments. If the relevant interpretation/practice changes in the future, the Fund/Sub-Fund(s) may still turn to certain treaty relief applicable to Hong Kong tax residents.

Under the arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the "**Arrangement**"), capital gains derived by Hong Kong tax residents from alienation of shares issued by Mainland China companies may be taxed in Mainland China if the recipient, at any time within 12 months preceding such alienation, had a participation of at least 25% of the capital in that Mainland China company or if the Mainland China company is an immovable properties-rich company (i.e. Mainland China companies in which 50% or more of their assets are comprised, directly or indirectly, of immovable properties situated in Mainland China). Due to the Sub-Fund's investment restrictions, the Sub-Fund cannot hold more than 10% of any ordinary shares issued by any single issuer. In such a case, the capital gains derived from the alienation of the shares of non-immovable properties-rich China B-Shares companies would not be subject to Mainland China WIT, subject to the assessment of the Mainland China tax authorities. In addition, under the Arrangement, capital gain derived by a Hong Kong tax resident from disposal of onshore Mainland China debt instruments should not be taxable in Mainland China. The aforesaid WIT relief on disposal of China B-Shares and debt instruments will be subject to assessment by the Mainland China tax authorities. Before a Hong Kong tax resident can enjoy relief under the Arrangement, a Hong Kong Tax Resident Certificate ("**HKTRC**") issued by the Inland Revenue Department ("**IRD**") should be submitted to the relevant Mainland China tax authority for this purpose. As at the date of this Addendum to the Explanatory Memorandum, the Sub-Fund has not yet obtained the HKTRC from the IRD. If the Mainland China tax authorities enforce the collection of WIT on capital gains and require the Sub-Fund to provide a HKTRC in order to obtain the WIT relief, the Manager will apply for a HKTRC on behalf of the Sub-Fund.

In light of the uncertainty on the income tax treatment on capital gains derived from disposal of China B-Shares and debt instruments, and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for Mainland China WIT on such gains or income and withhold the tax for the account of the Sub-Fund. After careful consideration of the Manager's assessment and having taken and considered independent professional tax advice relating to the Sub-Fund's eligibility to benefit from the Arrangement, and in accordance with such advice, the Manager holds a view that the Sub-Fund is a Hong Kong tax resident for the purpose of the Arrangement and is able to enjoy the WIT relief on capital gains derived from the alienation of the shares of non-immovable properties-rich China B-Shares companies and from the disposal of onshore Mainland China debt instruments under the Arrangement.

Interest income received by QFIs and CIBM investors from investment in Mainland China debt securities shall be subject to 6% VAT unless a special exemption applies. According to Caishui [2016] No. 36 (the "**Notice 36**"), deposit interest income is not subject to VAT and interest income earned on PRC government bonds issued by the Ministry of Finance ("**MOF**"), or bonds issued by local government of a province, autonomous regions, and municipalities directly under the Central Government or municipalities separately listed on the state plan, as approved by the State Council, is exempted from VAT.

On 22 November 2018, the MOF and STA released Caishui [2018] No. 108 ("**Circular 108**") on tax treatment for Overseas Institutional Investors ("**OIIs**") investing in Mainland China bond market dated 7 November 2018.

Circular 108 mentioned that the interest income of the bonds derived by OIIs in the Mainland China bond market is exempted from WIT and VAT for three years effective from 7 November 2018 to 6 November 2021.

The prevailing VAT regulations do not specifically exempt VAT on interest income received by foreign investors from investments in Mainland China debt securities via Bond Connect. In the absence of specific taxation rule/guidance by the PRC tax authorities on the tax treatment on income from investment in China debt securities via Bond Connect, the Manager expects the tax authorities may make reference to Circular 108 and would not impose VAT on debt securities investment income via Bond Connect. In practice, the PRC tax authorities also have not imposed VAT in this regard.

In addition, urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), education surcharge (currently at the rate of 3%) and local education surcharge (currently at 2%) are imposed based on the VAT liabilities.

The Manager, having taken and considered the independent professional tax advice and in accordance with such advice, has determined that

- (1) No Mainland China WIT provision will be made on the gross realized and unrealized capital gains derived from investments in China B-Shares, except for those capital gains derived from investments in China B-Shares issued by Mainland China tax resident companies which are immovable properties-rich companies.
- (2) A 10% provision for Mainland China WIT will be provided for the gross realized and unrealized capital gains derived by the Sub-Fund from investments in China B-Shares issued by Mainland China tax resident companies which are immovable properties-rich companies. The methodology adopted by the Manager in identifying whether or not Mainland China resident companies are immovable properties rich companies has been agreed and accepted by the independent tax advisor. The amount of provision will be disclosed in the financial statements of the Sub-Fund.
- (3) No Mainland China WIT provision will be made on the gross realized and unrealized capital gains from the disposal of Mainland China debt securities, and no Mainland China WIT provision will be provided on the interest income from Mainland China fixed income instruments derived for the period from 7 November 2018 to 6 November 2021.
- (4) A 6% VAT provision will be made on the interest income derived from Mainland China fixed income instruments (other than (i) interest income from PRC government bonds issued by the Ministry of Finance or approved local government bonds and (ii) interest income from Mainland China fixed income instruments derived for the period from 7 November 2018 to 6 November 2021). Local surcharges at 12% of the VAT amount will also be made.

Any Mainland China WIT/VAT provision made by the Manager in respect of the Sub-Fund may be lower than or higher than the Sub-Fund's actual tax liabilities. It should also be noted that there is a possibility of the Mainland China tax rules being changed and taxes being applied retrospectively. The Manager, acting in the best interest of Unitholders, will assess the tax provisioning approach on an on-going basis.

If the actual tax levied by STA is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund.

On the other hand, the actual tax liabilities may be lower than the tax provision made, in which case those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager, will as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund.

Distributions out of capital risk

Distributions may be paid out of the capital of the Sub-Fund. The Manager may distribute out of the capital of the Sub-Fund if the net distributable income attributable to the relevant class of Units during the relevant period is insufficient to pay distributions as declared. The Manager may also at its discretion pay dividend out of gross income while charging/paying all or part of the Sub-Fund's fees and expenses to/out of the capital of the Sub-Fund (resulting in an increase in distributable income for the payment of dividends by the Sub-Fund), and thereby effectively pay distributions out of capital of the Sub-Fund. **Investors should note that the payment of distributions out of, or effectively out of, capital represents a return or a withdrawal of part of the amount the investors originally invested or capital gain attributable to that original amount. Distributions will result in an immediate decrease in the Net Asset Value of the relevant Units.**

The distribution amount and Net Asset Value of the hedged classes may be adversely affected by differences in the interest rates of the reference currency of the hedged classes 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 classes.

Available Classes

The following classes of Units have been established and may be made available for sale from time to time. The Manager has an absolute discretion to determine from time to time the availability of any Class of Units to any investor. Investors should check with the Manager whether any class of Units is currently offered.

| Class | Class currency | Investors to whom the class is available |
|-------------------|-----------------------------|---|
| Class A1 (USD) | United States Dollar | Retail public |
| Class A2 (HKD) | Hong Kong Dollar | Retail public |
| Class A3 (RMB) | Renminbi | Retail public |
| Class A4 (AUD-H) | Australian Dollar (Hedged) | Retail public |
| Class A5 (NZD-H) | New Zealand Dollar (Hedged) | Retail public |
| Class A6 (CAD-H) | Canadian Dollar (Hedged) | Retail public |
| Class A7 (GBP-H) | British Pound (Hedged) | Retail public |
| Class A8 (HKD-H) | Hong Kong Dollar (Hedged) | Retail public |
| Class A9 (RMB-H) | Renminbi (Hedged) | Retail public |
| Class A10 (EUR-H) | Euro (Hedged) | Retail public |
| Class A11 (SGD-H) | Singapore Dollar (Hedged) | Retail public |
| Class A12 (JPY-H) | Japanese Yen (Hedged) | Retail public |
| Class A13 (CHF-H) | Swiss Franc (Hedged) | Retail public |
| Class C1 (USD) | United States Dollar | Retail public |
| Class C2 (HKD) | Hong Kong Dollar | Retail public |
| Class C3 (RMB) | Renminbi | Retail public |
| Class C4 (HKD-H) | Hong Kong Dollar (Hedged) | Retail public |
| Class C5 (RMB-H) | Renminbi (Hedged) | Retail public |
| Class I1 (USD) | United States Dollar | Institutional clients |
| Class I2 (HKD) | Hong Kong Dollar | Institutional clients |
| Class I3 (RMB) | Renminbi | Institutional clients |
| Class I4 (AUD-H) | Australian Dollar (Hedged) | Institutional clients |
| Class I5 (NZD-H) | New Zealand Dollar (Hedged) | Institutional clients |
| Class I6 (CAD-H) | Canadian Dollar (Hedged) | Institutional clients |
| Class I7 (GBP-H) | British Pound (Hedged) | Institutional clients |
| Class I8 (HKD-H) | Hong Kong Dollar (Hedged) | Institutional clients |
| Class I9 (RMB-H) | Renminbi (Hedged) | Institutional clients |
| Class I10 (EUR-H) | Euro (Hedged) | Institutional clients |

| Class | Class currency | Investors to whom the class is available |
|-------------------|---------------------------|---|
| Class I11 (SGD-H) | Singapore Dollar (Hedged) | Institutional clients |
| Class I12 (JPY-H) | Japanese Yen (Hedged) | Institutional clients |
| Class I13 (CHF-H) | Swiss Franc (Hedged) | Institutional clients |
| Class X1 (USD) | United States Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X2 (HKD) | Hong Kong Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X3 (RMB) | Renminbi | For use by the Manager itself and in managing segregated portfolios |
| Class X4 (HKD-H) | Hong Kong Dollar (Hedged) | For use by the Manager itself and in managing segregated portfolios |
| Class X5 (RMB-H) | Renminbi (Hedged) | For use by the Manager itself and in managing segregated portfolios |

Investment Minima

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (RMB) | Class A4 (AUD-H) | Class A5 (NZD-H) | Class A6 (CAD-H) | Class A7 (GBP-H) | Class A8 (HKD-H) | Class A9 (RMB-H) | Class A10 (EUR-H) | Class A11 (SGD-H) | Class A12 (JPY-H) | Class A13 (CHF-H) | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB) |
|--|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|----------------|----------------|----------------|
| Minimum Subscription Amount | USD1,000 | HKD10,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | HKD10,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | USD1,000 | HKD10,000 | RMB10,000 |
| Minimum Subsequent Subscription Amount | USD1,000 | HKD10,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | HKD10,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | USD1,000 | HKD10,000 | RMB10,000 |
| Minimum Holding | USD1,000 | HKD10,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | HKD10,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | USD1,000 | HKD10,000 | RMB10,000 |
| Minimum Redemption Amount | USD1,000 | HKD10,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | HKD10,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | USD1,000 | HKD10,000 | RMB10,000 |

| Class | Class C4 (HKD-H) | Class C5 (RMB-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (RMB) | Class I4 (AUD-H) | Class I5 (NZD-H) | Class I6 (CAD-H) | Class I7 (GBP-H) | Class I8 (HKD-H) | Class I9 (RMB-H) | Class I10 (EUR-H) | Class I11 (SGD-H) | Class I12 (JPY-H) | Class I13 (CHF-H) | Class X1 (USD) |
|--|------------------|------------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|----------------|
| Minimum Subscription Amount | HKD10,000 | RMB10,000 | USD1,000,000 | HKD8,000,000 | RMB8,000,000 | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 | HKD8,000,000 | RMB8,000,000 | EUR1,000,000 | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | N/A |
| Minimum Subsequent Subscription Amount | HKD10,000 | RMB10,000 | USD120,000 | HKD1,000,000 | RMB1,000,000 | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 | HKD1,000,000 | RMB1,000,000 | EUR120,000 | SGD120,000 | JPY12,000,000 | CHF120,000 | N/A |
| Minimum Holding | HKD10,000 | RMB10,000 | USD1,000,000 | HKD8,000,000 | RMB8,000,000 | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 | HKD8,000,000 | RMB8,000,000 | EUR1,000,000 | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | N/A |
| Minimum Redemption Amount | HKD10,000 | RMB10,000 | USD120,000 | HKD1,000,000 | RMB800,000 | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 | HKD1,000,000 | RMB800,000 | EUR120,000 | SGD120,000 | JPY12,000,000 | CHF120,000 | N/A |

| Class | Class X2 (HKD) | Class X3 (RMB) | Class X4 (HKD-H) | Class X5 (RMB-H) |
|--|----------------|----------------|------------------|------------------|
| Minimum Subscription Amount | N/A | N/A | N/A | N/A |
| Minimum Subsequent Subscription Amount | N/A | N/A | N/A | N/A |
| Minimum Holding | N/A | N/A | N/A | N/A |
| Minimum Redemption Amount | N/A | N/A | N/A | N/A |

Fees

Fees payable by investors

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (RMB) | Class A4 (AUD-H) | Class A5 (NZD-H) | Class A6 (CAD-H) | Class A7 (GBP-H) | Class A8 (HKD-H) | Class A9 (RMB-H) | Class A10 (EUR-H) | Class A11 (SGD-H) | Class A12 (JPY-H) | Class A13 (CHF-H) | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB) |
|--|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |

| Class | Class C4 (HKD-H) | Class C5 (RMB-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (RMB) | Class I4 (AUD-H) | Class I5 (NZD-H) | Class I6 (CAD-H) | Class I7 (GBP-H) | Class I8 (HKD-H) | Class I9 (RMB-H) | Class I10 (EUR-H) | Class I11 (SGD-H) | Class I12 (JPY-H) | Class I13 (CHF-H) | Class X1 (USD) |
|--|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|-------------------|
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |

| Class | Class X2 (HKD) | Class X3 (RMB) | Class X4 (HKD-H) | Class X5 (RMB-H) |
|--|-------------------|-------------------|---------------------|---------------------|
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |

Fees payable by the Sub-Fund (% Net Asset Value of the Sub-Fund)

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (RMB) | Class A4 (AUD-H) | Class A5 (NZD-H) | Class A6 (CAD-H) | Class A7 (GBP-H) | Class A8 (HKD-H) | Class A9 (RMB-H) | Class A10 (EUR-H) | Class A11 (SGD-H) | Class A12 (JPY-H) | Class A13 (CHF-H) | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB) |
|----------------|---|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|
| Management Fee | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. | 1.5% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | | | | | | | |

| Class | Class C4 (HKD-H) | Class C5 (RMB-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (RMB) | Class I4 (AUD-H) | Class I5 (NZD-H) | Class I6 (CAD-H) | Class I7 (GBP-H) | Class I8 (HKD-H) | Class I9 (RMB-H) | Class I10 (EUR-H) | Class I11 (SGD-H) | Class I12 (JPY-H) | Class I13 (CHF-H) | Class X1 (USD) |
|----------------|---|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|-------------------|
| Management Fee | 1.5% p.a. | 1.5% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 0% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | | | | | | | |

| Class | Class X2 (HKD) | Class X3 (RMB) | Class X4 (HKD-H) | Class X5 (RMB-H) |
|----------------|---|-------------------|---------------------|---------------------|
| Management Fee | 0% p.a. | 0% p.a. | 0% p.a. | 0% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | |
| Custody Fees | Up to 0.3% p.a. | | | |

Establishment Costs

The costs of establishment of the BOCHK All Weather ESG Multi-Asset Fund are approximately USD100,000.

Dealing Day

Every Business Day.

Dealing Deadline

5 p.m. (Hong Kong time) on the relevant Dealing Day.

Dealing through the Authorised Distributor(s) or other authorised electronic means may involve different dealing procedures and an earlier cut-off time may be imposed before the Dealing Deadlines for receiving instructions. Investors should confirm the arrangements with the Authorised Distributor(s) concerned.

Subscription, Redemption and Switching of Units

For details regarding the procedures for subscription, redemption and switching, see the main part of the Explanatory Memorandum under “**Purchase of Units**”, “**Redemption of Units**” and “**Switching between classes**”.

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends.

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, 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. The Manager may also at its discretion pay dividend out of gross income while charging/paying all or part of the Sub-Fund’s fees and expenses to/out of the capital of the Sub-Fund (resulting in an increase in distributable income for the payment of dividends by the Sub-Fund), and thereby effectively pay distributions out of capital of the Sub-Fund. Payment of dividends out of, or effectively out of, capital amounts to a return or withdrawal of part of an investor’s original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of, or effectively out of, the 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.bochkam.com. This website has not been reviewed by the SFC.

Class A1 (USD), Class A2 (HKD), Class A3 (RMB), Class A4 (AUD-H), Class A5 (NZD-H), Class A6 (CAD-H), Class A7 (GBP-H), Class A8 (HKD-H), Class A9 (RMB-H), Class A10 (EUR-H), Class A11 (SGD-H), Class A12 (JPY-H), Class A13 (CHF-H):

For these classes of Units, it is the current intention of the Manager to declare and pay dividends on a monthly basis (or, subject to one month's prior notice to the relevant Unitholders, such other frequency as the Manager and the Trustee consider appropriate). It is intended that the first distribution will be made 3 months after the launch date of the Sub-Fund, subject to the Manager's discretion.

Investors should note that dividends, if any, may be paid from income and/or out of, or effectively out of, capital of the Sub-Fund.

Please refer to the section headed "**Distributions**" and the risk factor headed "**Distributions out of capital risk**" in the Appendix for further details.

Investors should note that there is no guarantee of regular distribution payments nor, where distribution is made, the amount being distributed, during the period investors hold the Units of the Sub-Fund.

Class C1 (USD), Class C2 (HKD), Class C3 (RMB), Class C4 (HKD-H), Class C5 (RMB-H), Class I1 (USD), Class I2 (HKD), Class I3 (RMB), Class I4 (AUD-H), Class I5 (NZD-H), Class I6 (CAD-H), Class I7 (GBP-H), Class I8 (HKD-H), Class I9 (RMB-H), Class I10 (EUR-H), Class I11 (SGD-H), Class I12 (JPY-H), Class I13 (CHF-H), Class X1 (USD), Class X2 (HKD), Class X3 (RMB), Class X4 (HKD-H), Class X5 (RMB-H):

Currently, the Manager does not intend to make any distributions for these classes of Units.

If there is a change of the distribution policy of the Sub-Fund, the Manager will seek the prior approval of the SFC and/or provide at least one month's prior notice to Unitholders (where necessary).

Valuation

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

Reports and Accounts for the Sub-Fund

The first financial year of the Sub-Fund will end on 30 June 2022.

The first annual report in respect of the Sub-Fund will be published for the period from the launch of the Sub-Fund to 30 June 2022. The first unaudited semi-annual report in respect of the Sub-Fund will be published for the half year period ended 31 December 2021.

June 2021

BOCHK Asset Management Limited

BOCHK Wealth Creation Series

Third Addendum to the Explanatory Memorandum dated January 2020

Important

If you are in doubt about the contents of this document, you should seek independent professional financial advice.

This Third Addendum forms part of and should be read together with the Explanatory Memorandum of the BOCHK Wealth Creation Series (the "**Fund**") dated January 2020, as amended by the First Addendum dated May 2020 and Second Addendum dated June 2020 (the "**Explanatory Memorandum**"). The Manager accepts full responsibility for the accuracy of the information contained in this Third Addendum, 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 misleading.

Unless otherwise defined herein, words and expressions defined in the Explanatory Memorandum shall have the same meaning when used in this Third Addendum.

The Manager has decided to make the following changes to the Fund and the Sub-Funds, and the Explanatory Memorandum is amended as follows with immediate effect, unless otherwise specified:

1. Unless otherwise specified, the following references throughout the Explanatory Memorandum shall be updated as follows:–
 - (a) all references to "Renminbi Qualified Foreign Institutional Investor" or "RMB qualified foreign institutional investors" throughout the Explanatory Memorandum shall be replaced with "Qualified Foreign Investor";
 - (b) all references to "QFII", "RQFII", "RQFIIs" "QFII/RQFII", "QFIIs, RQFIIs", "QFII or RQFII", "QFIIs or RQFIIs", "QFIIs/RQFIIs", "QFIIs and RQFIIs", "RQFII or qualified foreign institutional investors (QFII)" and "(R)QFII" throughout the Explanatory Memorandum shall be replaced with "QFI";
 - (c) all references to "a QFII or a RQFII" or "an RQFII" throughout the Explanatory Memorandum shall be replaced with "a QFI";
 - (d) all references to "QFII Custodian or RQFII Custodian", "QFII Custodian/RQFII Custodian" or "QFII custodian ("**QFII Custodian**")/RQFII Custodian" throughout the Explanatory Memorandum shall be replaced with "QFI Custodian";
 - (e) all references to "QFII/RQFII quota", "RQFII quota" or "RQFII quotas" throughout the Explanatory Memorandum shall be replaced with "QFI status";

- (f) all references to “the QFII regime or the RQFII regime” throughout the Explanatory Memorandum shall be replaced with “the QFI regime”;
- (g) all references to “Renminbi Qualified Foreign Institutional Investor (“**RQFII**”) quota” in throughout the Explanatory Memorandum shall be replaced with “Qualified Foreign Investor (“**QFI**”) status”.

The above changes shall not apply to relevant references used in the following title or sentence in the first paragraph under “(ii) Capital gains” of “(a) Corporate Income Tax (“**CIT**”):” under the heading “**The Fund/Sub-Fund(s)**” of the sub-section headed “**Mainland China**” under the section headed “**Taxation**” in the Explanatory Memorandum:

- (i) “The MOF, STA and CSRC jointly issued Caishui [2014] No. 79 – “the Notice on the issues of temporary exemption from the imposition of corporate income tax arising from gains from the transfer of equity investment assets such as PRC domestic stocks by QFII and RQFII” (財政部、國家稅務總局、證監會關於QFII和RQFII取得中國境內的股票等權益性投資資產轉讓所得暫免徵收企業所得稅問題的通知(財稅〔2014〕79號))””; and
 - (ii) “Circular 79 also states that gains realized by QFIIs and RQFIIs prior to 17 November 2014 from disposal of equity investments should be subject to Mainland WIT according to the PRC CIT Law.”
2. The heading “**Manager/QFII Holder/RQFII Holder**” under the section entitled “**Administration**” of the Explanatory Memorandum shall be deleted in its entirety and replaced with “**Manager/QFI Holder**”.
 3. The definitions of “**QFII**”, “**QFII Custodian**”, “**QFII Holder**”, “**RQFII**”, “**RQFII Custodian**” and “**RQFII Holder**” in the section entitled “**Definitions**” of the Explanatory Memorandum shall be deleted in their entireties.
 4. The following definitions shall be inserted in the section entitled “**Definitions**” of the Explanatory Memorandum in accordance with the alphabetical order:

“**QFI**” qualified foreign investor(s) approved pursuant to the relevant laws and regulations of Mainland China, as may be promulgated and/or amended from time to time

“**QFI Custodian**” Agricultural Bank of China Limited

“**QFI Holder**” BOCHK Asset Management Limited

5. The second paragraph under the heading “**The QFII Custodian/RQFII Custodian**” (re-entitled “**The QFI Custodian**”) under the section entitled “**Management of the Fund**” of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

“Agricultural Bank of China Limited (the “**Bank**”) has been appointed as the QFI Custodian under the QFI regime in respect of the investments held by the relevant Sub-Fund(s).”

6. The sub-section entitled **“Qualified Foreign Institutional Investor (“QFII”) and Renminbi Qualified Foreign Institutional Investor (“RQFII”)”** under the section entitled **“Investment and Borrowing Restrictions”** of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following, and all cross-references to this sub-section in the Explanatory Memorandum shall be updated accordingly:

“Qualified Foreign Investor (“QFI”)”

Some Sub-Funds may have exposure to securities and instruments issued or distributed within Mainland China through the QFI regime.

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

- (i) the Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors jointly issued by the CSRC, the PBOC and the SAFE on 25 September 2020 and effective from 1 November 2020 (《合格境外機構投資者和人民幣合格境外機構投資者境內證券期貨投資管理辦法》);
- (ii) the Provisions on Issues Concerning the Implementation of the Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors issued by the CSRC on 25 September 2020 and effective from 1 November 2020 (關於實施《合格境外機構投資者和人民幣合格境外機構投資者境內證券期貨投資管理辦法》有關問題的規定);
- (iii) the “Regulations on Funds of Domestic Securities and Futures Investment by Foreign Institutional Investors” issued by the PBOC and the SAFE on 7 May 2020 and effective from 6 June 2020 (《境外機構投資者境內證券期貨投資資金管理規定》); and
- (iv) any other applicable regulations promulgated by the relevant authorities.

Based on the above prevailing QFI regulations, the Qualified Foreign Institutional Investors (QFII) regime and RMB Qualified Foreign Institutional Investors (RQFII) regime have been merged and been regulated by the same set of regulations, and the previously separate requirements for QFII and RQFII qualifications are unified. A foreign institutional investor outside Mainland China may apply to the CSRC for the QFI License. There is no need for a foreign institutional investor having held either a QFII or RQFII license to re-apply for the QFI License. Since the Manager has been granted with QFI license and RQFII license by CSRC, it shall be regarded as a QFI Holder, and may freely select to use funds in foreign currencies which can be traded on CFETS (defined below) and/or offshore RMB funds to be remitted in to carry out Mainland China domestic securities and futures investment as long as separate cash accounts for receiving such cash are duly opened.

For remittance of foreign currencies, the Manager (as a QFI Holder) shall open foreign exchange account(s) for the remitted funds in foreign currencies and a corresponding RMB special deposit account for each relevant foreign exchange account; for remittance of offshore RMB funds, the Manager (as a QFI Holder) shall open RMB special deposit account(s) for the remitted funds in offshore RMB. QFI Holders are not subject to investment quota limits.

Under the QFI regime, a QFI Holder may freely choose the timing and currency in which investment capital will be remitted into Mainland China, which can be in offshore RMB and/or a foreign currency based on its investment plan.

The Custodian has been appointed by the Trustee to hold the assets of the relevant Sub-Fund. The Manager, in its capacity as a QFI, and the Custodian have appointed Agricultural Bank of China Limited as the QFI Custodian in respect of the QFI securities, pursuant to relevant laws and regulations.

Securities and instruments issued or distributed within Mainland China will be maintained by the QFI Custodian pursuant to regulations of Mainland China through securities accounts with the relevant Mainland China securities depositories in such name as may be permitted or required in accordance with law of Mainland China.”

7. The second and third paragraphs under the heading “Coverage of Investor Compensation Fund” under the sub-section entitled “**Stock Connects**” under the section entitled “**Investment and Borrowing Restrictions**” of the Explanatory Memorandum shall be deleted in their entireties and replaced respectively with the following:

“For defaults occurring on or after 1 January 2020, the Investor Compensation Fund also covers investors’ losses in relation to securities traded on a stock market operated by the SSE or the SZSE and in respect of which an order for sale or purchase is permitted to be routed through the Northbound link of a Stock Connect arrangement.”

8. The second paragraph under “(b) Business Tax (“**BT**”) and surtax” under the heading “**The Fund/ Sub-Fund(s)**” of the sub-section headed “**Mainland China**” under the section headed “**Taxation**” in the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:–

“Caishui [2005] 155 states that gains derived by QFIIs from the trading of Mainland securities (including China A-Shares and other Mainland China listed securities) are exempt from BT. The PRC BT law which came into effect on 1 January 2009 has not changed this exemption treatment at the time of this Explanatory Memorandum. Since QFI are qualified foreign institutional investors which are allowed to make investments in the Mainland China capital markets, there should be a basis to make reference to the exemption treatment of Caishui [2005] 155 on QFI.”

9. The sub-section headed “No Protection by Investor Compensation Fund” under the risk factor entitled “**(xxiv) Risks associated with Stock Connects**” under the section entitled “**Risk Factors**” of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

“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 section headed “**Stock Connects**”, the relevant Sub-Fund(s)’ investments through Northbound Shanghai Trading Link or Northbound Shenzhen Trading Link trading under Stock Connects is covered by the Hong Kong’s Investor Compensation Fund since 1 January 2020, but is not covered by the China Securities Investor Protection Fund. Therefore the relevant Sub-Fund(s) are exposed to the risks of default of the broker(s) it engages in its trading in China A-Shares through the program.”
10. The sub-section headed “**Risks relating to the Renminbi Qualified Foreign Institutional Investor (RQFII) regime**” under the risk factor entitled “**Risks relating to RQFII funds**” (re-entitled as “**Risks relating to QFI funds**”) under the section entitled “**Specific Risk Factors**” in “**Appendix I BOCHK All Weather Global Opportunities Fund**”, “**Appendix II BOCHK All Weather China High Yield Bond Fund**”, “**Appendix III BOCHK All Weather Hong Kong Equity Fund**”, “**Appendix VIII BOCHK All Weather Asia Pacific High Income Fund**”, “**Appendix IX BOCHK All Weather Belt and Road Bond Fund**” of the Explanatory Memorandum shall be deleted in their entireties and replaced with the following:–

“Risks relating to the Qualified Foreign Investor (QFI) regime: Repatriations of capital out of Mainland China by QFI funds are currently not subject to repatriation restrictions (such as lock up periods) or prior approval, although authenticity and compliance reviews will be conducted, and monthly reports on remittances and repatriations will be submitted to SAFE by the QFI Custodian. However, there is no guarantee that restrictions will not be imposed in future. Any restrictions on repatriation of the invested capital out of Mainland China may impact on a QFI fund’s ability to meet redemption requests from the Sub-Fund. The repatriation process may be subject to certain requirements set out in the relevant regulations such as submission of certain documents, and completion of the repatriation process may be subject to delay. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the control of the Manager (or the manager of a QFI fund). Therefore, the Sub-Fund may be subject to liquidity risk insofar as it invests in QFI funds.

The application of the rules relevant to QFI may depend on the interpretation given by the relevant Mainland regulatory authorities. Any changes to the relevant rules may have an adverse impact on investments made by the QFI funds and hence the Sub-Fund’s performance. The current QFI rules and regulations are subject to change, which may take retrospective effect. In the worst case, the relevant QFI fund may be terminated if it is not legal or viable to operate because of changes to the application of the relevant rules. The Sub-Fund’s holdings in the relevant the QFI fund will be realised in case of such termination, and the Sub-Fund may suffer losses in its initial investment in such fund.”

11. The wording “, which has obtained RQFII status in Mainland China” in the first paragraph under the heading “**Renminbi Qualified Foreign Institutional Investor (“RQFII”)**” (re-entitled “**Qualified Foreign Investor (“QFI”)**”) under “**Appendix IV BOCHK All Weather CNY Equity Fund**” and under “**Appendix VI BOCHK All Weather Asia (Ex-Japan) Equity Fund**” of the Explanatory Memorandum shall be deleted in their entireties respectively.
12. Sub-paragraphs (a) to (f) related to the opinion from Mainland China legal counsel under the second paragraph under the heading “**Renminbi Qualified Foreign Institutional Investor (“RQFII”)**” (re-entitled “**Qualified Foreign Investor (“QFI”)**”) under “**Appendix IV BOCHK All Weather CNY Equity Fund**” and under “**Appendix VI BOCHK All Weather Asia (Ex-Japan) Equity Fund**” of the Explanatory Memorandum shall be deleted in their entireties and replaced with the following respectively:
 - (a) where the Manager (as a QFI Holder) appoints multiple QFI Custodians, one of which should be designated as its main QFI Custodian; where the Manager (as a QFI Holder) appoints one QFI Custodian, such QFI Custodian shall act as its main QFI Custodian;
 - (b) securities account(s) with the relevant depositories and maintained by the QFI Custodian(s) and the RMB special deposit account(s) with the QFI Custodian(s) (respectively, the “**securities account(s)**” and the “**cash account(s)**”) have been or will be opened in the joint names of the Manager (as a QFI Holder) and the Sub-Fund for the sole benefit and use of the Sub-Fund in accordance with all applicable laws, rules and regulations of Mainland China and with approval from all competent authorities in Mainland China;
 - (c) the assets held/credited in the securities account(s) (i) belong solely to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager (as a QFI Holder), the Custodian, the QFI Custodian(s) and any Mainland Broker(s) appointed by the Manager to execute transactions for the Sub-Fund in Mainland China (“**Mainland Broker**”) and from the assets of other clients of the Manager (as a QFI Holder), the Custodian, the QFI Custodian(s) and any Mainland Broker(s);
 - (d) the assets held/credited in the cash account(s) (i) become an unsecured debt owing from the QFI Custodian(s) to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager (as a QFI Holder) and any Mainland Broker(s), and from the assets of other clients of the Manager (as a QFI Holder) and any Mainland Broker(s);
 - (e) the Trustee, for and on behalf of the Sub-Fund is the only entity which has a valid claim of ownership over the assets in the securities account(s) and the debt in the amount deposited in the cash account(s) of the Sub-Fund;
 - (f) if the Manager (as a QFI Holder) or any Mainland Broker(s) is liquidated, the assets contained in the securities account(s) and the cash account(s) of the Sub-Fund will not form part of the liquidation assets of the Manager (as a QFI Holder) or such Mainland Broker(s) in liquidation in the Mainland China; and

- (g) if the QFI Custodian(s) is/are liquidated, (i) the assets contained in the securities account(s) of the Sub-Fund will not form part of the liquidation assets of the QFI Custodian(s) in liquidation in the Mainland China, and (ii) the assets contained in the cash account(s) of the Sub-Fund will form part of the liquidation assets of the QFI Custodian(s) in liquidation in the Mainland China and the Sub-Fund will become an unsecured creditor for the amount deposited in the cash account(s).
13. The sub-sections headed “**Risks regarding RQFII status and RQFII quota**” (re-entitled “**Risks regarding QFI status**”), “**Repatriation and liquidity risks**” and “**Application RQFII rules**” (re-entitled “**Application of QFI rules**”) under the risk factor entitled “**RQFII risk**” (re-entitled “**QFI risk**”) under the section entitled “**Specific Risk Factors**” in “**Appendix IV BOCHK All Weather CNY Equity Fund**” of the Explanatory Memorandum shall be deleted in their entireties and replaced with the following, and all cross-references to these sub-sections in the Explanatory Memorandum shall be updated accordingly:

“Risks regarding QFI status

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

Investors should note that there can be no assurance that the QFI Holder will continue to maintain its QFI status, or that redemption requests can be processed in a timely manner due to regulations on repatriation or adverse changes in relevant laws or regulations. In extreme circumstances, the Sub-Fund may incur significant losses due to limited investment capabilities, or may not be able to fully implement or pursue its investment objective or strategy, due to QFI investment restrictions, illiquidity of the Mainland China securities market, and/or delay or disruption in execution of trades or in settlement of trades.

The rules and restrictions under QFI regulations, generally apply to the QFI Holder as a whole and not simply to the investments made by the Sub-Fund. Relevant regulators in Mainland China are vested with the power to impose regulatory sanctions if the QFI Holder or the QFI Custodian violates any provision of the QFI rules. Any violations could result in the revocation of the QFI’s licence or other regulatory sanctions and may adversely impact on the investment by the Sub-Fund.

Repatriation and liquidity risks

In addition, certain restrictions imposed by the Chinese government on QFI may have an adverse effect on the Sub-Fund’s liquidity and performance. The PBOC and the SAFE regulate and monitor the repatriation of funds out of Mainland China by the QFI pursuant to the QFI rules. Repatriations by QFI in respect of the Sub-Fund are currently not subject to any lock-up periods, prior approval or other repatriation restrictions, although authenticity and compliance reviews will be conducted, and monthly reports on remittances and repatriations will be submitted to SAFE by the QFI Custodian. The repatriation process may be subject to certain requirements set out in the relevant regulations such as submission of certain documents, and completion of the repatriation process may be subject to delay. There is no assurance, however, that Mainland China rules and regulations will not change or

that repatriation restrictions will not be imposed in the future. Any restrictions on repatriation of the invested capital and net profits may impact on the Sub-Fund's ability to meet redemption requests from the Unitholders. Furthermore, as the QFI Custodian's review on authenticity and compliance is conducted on each repatriation, the repatriation may be delayed or even rejected by the QFI Custodian in case of non-compliance with the QFI rules and regulations. In such case, it is expected that redemption proceeds will be paid to the redeeming Unitholder as soon as practicable after completion of the repatriation of funds concerned. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the Manager's control.

Application of QFI rules

The QFI rules and regulations described under the section "**Qualified Foreign Investor ("QFI")**" in the main part of the Explanatory Memorandum enable offshore RMB and/or foreign currencies which can be traded on the China Foreign Exchange Trade System to be remitted into and repatriated out of Mainland China. The relevant rules and their application may depend on the interpretation given by the relevant Mainland authorities. Any changes to the relevant rules and regulations may have an adverse impact on investors' investment in the Sub-Fund. In the worst scenario, the Manager may determine that the Sub-Fund shall be terminated if it is not legal or viable to operate the Sub-Fund because of changes to the application of the relevant rules.

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

14. The heading and the first four paragraphs under the sub-section headed "**Risks relating to Renminbi Qualified Foreign Institutional Investor (RQFII) regime**" (re-entitled "**Risks relating to Qualified Foreign Investor (QFI) regime**") under the risk factor entitled "**Risks relating to RQFII and RQFII funds**" (re-entitled "**Risks relating to QFI and QFI funds**") under the section entitled "**Specific Risk Factors**" in "**Appendix VI BOCHK All Weather Asia (Ex-Japan) Equity Fund**" and "**Appendix VII BOCHK All Weather China Income Fund**" shall be deleted in their entireties and replaced respectively with the following:

"Risks relating to the Qualified Foreign Investor (QFI) regime: Investors should note that QFI status could be suspended or revoked, which may have an adverse effect on the Sub-Fund's performance as the Sub-Fund may be required to dispose of its securities holdings. There is no assurance that the QFI Holder will continue to maintain its QFI status. The rules and restrictions under QFI regulations, generally apply to the QFI Holder as a whole and not simply to the investments made by the Sub-Fund.

Repatriations of capital and net profits out of Mainland China by the Sub-Fund via a QFI or QFI funds are currently not subject to repatriation restrictions (such as lock up periods) or prior approval, although authenticity and compliance reviews will be conducted, and monthly reports on remittances and repatriations will be submitted to SAFE by the QFI Custodian. However, there is no guarantee that restrictions will not be imposed in future. Any restrictions on repatriation of the invested capital and net profits out of Mainland China may impact on the relevant fund's ability to meet redemption

requests from the Sub-Fund. The repatriation process may be subject to certain requirements set out in the relevant regulations such as submission of certain documents, and completion of the repatriation process may be subject to delay. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the control of the Manager (or the manager of a QFI fund). Therefore, the Sub-Fund may be subject to liquidity risk.”

15. The (a) sub-sections headed “**Risks relating to Renminbi Qualified Foreign Institutional Investor (RQFII) regime**” (re-entitled “**Risks relating to Qualified Foreign Investor (QFI) regime**”) and “**Repatriation and liquidity risks**” under the risk factor entitled “**Risks relating to RQFII and RQFII funds**” (re-entitled “**Risks relating to QFI and QFI funds**”) under the section entitled “**Specific Risk Factors**” in “**Appendix X BOCHK All Weather Short Term Bond Fund**” and “**Appendix XII BOCHK All Weather Asian High Yield Bond Fund**”, and (b) sub-sections headed “**Risks relating to Qualified Foreign Institutional Investor (QFII)/Renminbi Qualified Foreign Institutional Investor (RQFII) regimes**” (re-entitled “**Risks relating to Qualified Foreign Investor (QFI) regime**”) and “**Repatriation and liquidity risks**” under the risk factor entitled “**Risks relating to QFII/RQFII and RQFII funds**” (re-entitled “**Risks relating to QFI and QFI funds**”) under the section entitled “**Specific Risk Factors**” in “**Appendix XI BOCHK All Weather Greater Bay Area Strategy Fund**” of the Explanatory Memorandum shall be deleted in their entireties and replaced respectively with the following, and all cross-references to these sub-sections in the Explanatory Memorandum shall be updated accordingly:

“Risks relating to the Qualified Foreign Investor (QFI) regime: Investors should note that QFI status could be suspended or revoked, which may have an adverse effect on the Sub-Fund’s performance as the Sub-Fund may be required to dispose of its securities holdings. There is no assurance that the QFI Holder will continue to maintain its QFI status. The rules and restrictions under QFI regulations, generally apply to the QFI Holder as a whole and not simply to the investments made by the Sub-Fund.

Repatriation and liquidity risks: Repatriations of capital and net profits out of Mainland China by the Sub-Fund via a QFI or QFI funds are currently not subject to repatriation restrictions (such as lock up periods) or prior approval, although authenticity and compliance reviews will be conducted, and monthly reports on remittances and repatriations will be submitted to SAFE by the QFI Custodian. However, there is no guarantee that restrictions will not be imposed in future. Any restrictions on repatriation of the invested capital and net profits out of Mainland China may impact on the relevant fund’s ability to meet redemption requests from the Sub-Fund. The repatriation process may be subject to certain requirements set out in the relevant regulations such as submission of certain documents, and completion of the repatriation process may be subject to delay. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the control of the Manager (or the manager of a QFI fund). Therefore, the Sub-Fund may be subject to liquidity risk.”

16. The references to “Qualified Foreign Institutional Investor (“**QFII**”)/Renminbi Qualified Foreign Institutional Investor (“**RQFII**”) quota” and “QFII, RQFII” in the fourth paragraph under the section entitled “**Investment Strategy**” in “**Appendix XI BOCHK All Weather Greater Bay Area Strategy Fund**” of the Explanatory Memorandum shall be deleted in their entireties and replaced with “Qualified Foreign Investor (“**QFI**”) status” and “QFI” respectively.

17. The heading and the first paragraph under the risk factor **“Risks relating to QFII/RQFII and RQFII funds”** under the section entitled **“Specific Risk Factors”** in **“Appendix XI BOCHK All Weather Greater Bay Area Strategy Fund”** of the Explanatory Memorandum shall be deleted in their entirety and replaced with the following, and all cross-references to this risk factor in the Explanatory Memorandum shall be updated accordingly:

“Risks relating to QFI and QFI funds

The Sub-Fund is not a QFI but may obtain access to securities and instruments issued or distributed within Mainland China directly using the QFI status of a QFI, or through QFI funds, and may be subject to the following risks. The Manager is a QFI Holder.”

December 2020

BOCHK Asset Management Limited

BOCHK Wealth Creation Series

Second Addendum to the Explanatory Memorandum dated January 2020

Important

If you are in doubt about the contents of this document, you should seek independent professional financial advice.

This Second Addendum forms part of and should be read together with the Explanatory Memorandum of the BOCHK Wealth Creation Series (the “**Fund**”) dated January 2020, as amended by the First Addendum dated May 2020 (the “**Explanatory Memorandum**”). The Manager accepts full responsibility for the accuracy of the information contained in this Second Addendum, 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 misleading.

Unless otherwise defined herein, words and expressions defined in the Explanatory Memorandum shall have the same meaning when used in this Second Addendum.

Establishment of BOCHK All Weather Asian High Yield Bond Fund (the “Sub-Fund”)

The Manager has decided to establish a new Sub-Fund named BOCHK All Weather Asian High Yield Bond Fund. As of the date of this Addendum, the Sub-Fund has already entered into FFI Agreement with the US IRS and registered with the US IRS.

The following is inserted as Appendix XII of the Explanatory Memorandum after “**APPENDIX XI – BOCHK ALL WEATHER GREATER BAY AREA STRATEGY FUND**” with effect from 5 June 2020:–

APPENDIX XII

BOCHK ALL WEATHER ASIAN HIGH YIELD BOND FUND

This Appendix comprises information in relation to BOCHK All Weather Asian High Yield Bond Fund, a Sub-Fund of the Fund.

Initial Offer

Units of BOCHK All Weather Asian High Yield Bond Fund will be available for subscription during the period commencing 9 a.m. (Hong Kong time) on 8 June 2020 to 5 p.m. (Hong Kong time) on 29 June 2020 (or such other dates or time as the Manager and the Trustee may determine). It is expected that the first Dealing Day will be 30 June 2020. If such day is not a Business Day, the following Business Day will become the first Dealing Day.

The following class(es) of Units will be offered at the initial offer price (exclusive of preliminary charge) set out below during the initial offer period:

| Class | Class currency | Initial Offer Price |
|-------------------|-----------------------------|----------------------------|
| Class A1 (USD) | United States Dollar | USD10 |
| Class A2 (HKD) | Hong Kong Dollar | HKD10 |
| Class A3 (RMB) | Renminbi | RMB10 |
| Class A4 (AUD-H) | Australian Dollar (Hedged) | AUD10 |
| Class A5 (NZD-H) | New Zealand Dollar (Hedged) | NZD10 |
| Class A6 (CAD-H) | Canadian Dollar (Hedged) | CAD10 |
| Class A7 (GBP-H) | British Pound (Hedged) | GBP10 |
| Class A8 (HKD-H) | Hong Kong Dollar (Hedged) | HKD10 |
| Class A9 (RMB-H) | Renminbi (Hedged) | RMB10 |
| Class A10 (EUR-H) | Euro (Hedged) | EUR10 |
| Class A11 (SGD-H) | Singapore Dollar (Hedged) | SGD10 |
| Class A12 (JPY-H) | Japanese Yen (Hedged) | JPY100 |
| Class A13 (CHF-H) | Swiss Franc (Hedged) | CHF10 |
| Class C1 (USD) | United States Dollar | USD10 |
| Class C2 (HKD) | Hong Kong Dollar | HKD10 |
| Class C3 (RMB) | Renminbi | RMB10 |
| Class C4 (HKD-H) | Hong Kong Dollar (Hedged) | HKD10 |
| Class C5 (RMB-H) | Renminbi (Hedged) | RMB10 |
| Class I1 (USD) | United States Dollar | USD10 |
| Class I2 (HKD) | Hong Kong Dollar | HKD10 |
| Class I3 (RMB) | Renminbi | RMB10 |
| Class I4 (AUD-H) | Australian Dollar (Hedged) | AUD10 |
| Class I5 (NZD-H) | New Zealand Dollar (Hedged) | NZD10 |

| Class | Class currency | Initial Offer Price |
|-------------------|---------------------------|----------------------------|
| Class I6 (CAD-H) | Canadian Dollar (Hedged) | CAD10 |
| Class I7 (GBP-H) | British Pound (Hedged) | GBP10 |
| Class I8 (HKD-H) | Hong Kong Dollar (Hedged) | HKD10 |
| Class I9 (RMB-H) | Renminbi (Hedged) | RMB10 |
| Class I10 (EUR-H) | Euro (Hedged) | EUR10 |
| Class I11 (SGD-H) | Singapore Dollar (Hedged) | SGD10 |
| Class I12 (JPY-H) | Japanese Yen (Hedged) | JPY100 |
| Class I13 (CHF-H) | Swiss Franc (Hedged) | CHF10 |
| Class X1 (USD) | United States Dollar | USD10 |
| Class X2 (HKD) | Hong Kong Dollar | HKD10 |
| Class X3 (RMB) | Renminbi | RMB10 |
| Class X4 (HKD-H) | Hong Kong Dollar (Hedged) | HKD10 |
| Class X5 (RMB-H) | Renminbi (Hedged) | RMB10 |

The Manager is entitled to charge a preliminary charge of up to 3% of the initial offer price.

Units will be issued on the last Business Day of the initial offer period in respect of applications received prior to 5 p.m. (Hong Kong time) on the last Business Day of the initial offer period (together with cleared funds received prior to such time or such later time as the Manager may agree) and accepted by the Manager. If applications and/or cleared funds are received after the relevant time, such applications shall be carried forward to the next Dealing Day.

The Manager has set a minimum total subscription amount of USD20 million to be received during the initial offer period failing which the Manager may either extend the initial offer period or decide that the Sub-Fund shall not launch. Notwithstanding the aforesaid, the Manager reserves the right to proceed with the launch of the Sub-Fund even if the minimum total subscription amount is not achieved. If the Manager decides not to launch the Sub-Fund, application moneys paid by applicants will be returned without interest within 4 Business Days after the close of the initial offer period by cheque through the post or by telegraphic transfer to the bank account from which the moneys originated, at the risk and expense of the applicants or in such other manner determined by the Manager and the Trustee.

Base Currency

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

Investment Objective and Policy

The investment objective of the Sub-Fund is to generate long-term capital growth and income by investing primarily in high yield fixed income securities issued by governments, government agencies, supra-nationals, banks or companies which are domiciled in or derive revenue from or have business or economic activities in Asia or are denominated in any Asian currencies, as well as deposits with the aforementioned banks or financial institutions.

Investment Strategy

The Sub-Fund aims to achieve its investment objective by investing at least 70% of its latest available Net Asset Value in high yield fixed income securities including bonds, convertible bonds, contingent convertible bonds, bills, notes, money market instruments, deposits and other fixed or floating rate securities issued by governments, government agencies, banks or companies which derive revenue from or have business or economic activities in Asia, or are denominated in any Asian currencies.

The Sub-Fund may at any time invest at least 70% of its latest available Net Asset Value in higher-yielding debt securities (i.e. non-investment/non-recognized grade debt securities and unrated debt securities). "Non-investment grade" refers to a credit rating of BB+ or below from Standard & Poor's, Ba1 or below from Moody's or an equivalent rating from any internationally recognized credit rating agency for the fixed income securities or the relevant issuer. For onshore fixed income securities issued in Mainland China, "non-recognized grade" means below AA+ as assigned by one of the local rating agencies recognized by the relevant authorities of Mainland China on the fixed income securities or the relevant issuer. If both the fixed income securities and the relevant issuer are not rated, then the fixed income securities will be classified as unrated. However, the Sub-Fund will not invest more than 10% of its latest available Net Asset Value in securities issued by or guaranteed by any single sovereign that is rated non-investment grade and/or unrated (including its government, public or local authority).

The Sub-Fund may also invest (i) less than 30% of its latest available Net Asset Value in (a) investment/recognized grade debt securities and/or (b) fixed income securities issued by non-Asian issuers and/or not denominated in any Asian currencies; (ii) up to 10% of its latest available Net Asset Value in collective investment schemes or portfolios managed by the Manager or external asset managers, including RQFII funds and exchange traded funds ("**ETFs**") (including synthetic ETFs (i.e. ETFs that track an index by investing primarily in derivative instruments)); and (iii) less than 30% of its latest available Net Asset Value in other asset classes (the Sub-Fund's exposure to each of which will not exceed 10% of its latest available Net Asset Value), such as equity securities (including but not limited to China A-Shares, B-Shares and H-Shares), American Depositary Receipts ("**ADRs**"), real estate investment trusts ("**REITs**"), credit linked notes, participatory notes, collateralised and/or securitised products (such as asset backed securities or mortgage backed securities) and commodities (through ETF or other permissible means).

The Sub-Fund's direct and indirect exposure to RMB-denominated debt securities and equity securities issued in Mainland China will be obtained through available means, including but not limited to investment through the Manager's Renminbi Qualified Foreign Institutional Investor ("**RQFII**") quota, Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect ("**Stock Connects**"), China Interbank Bond Market ("**CIBM**"), mutual bond market access between Mainland China and Hong Kong ("**Bond Connect**"), or through other collective investment schemes including RQFII funds (i.e. funds that are authorized by the SFC and eligible to directly invest in the Mainland China market through RQFII) or such other means as permitted by the relevant regulatory authorities from time to time. The Sub-Fund's total investment in the Mainland China domestic market will be in aggregate up to 20% of the latest available Net Asset Value of the Sub-Fund.

The Sub-Fund's exposure to debt instruments with loss absorption features (including contingent convertible bonds, additional Tier 1 capital and Tier 2 capital instruments, subordinated debts, total loss absorbing capacity eligible securities, etc.) shall be less than 30% of its latest available Net Asset Value. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

The Sub-Fund may invest up to 20% of its latest available Net Asset Value in urban investment bonds (i.e. debt instruments issued by mainland Chinese local government financing vehicles (“LGFVs”) and traded in the onshore and/or offshore bond markets). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investment or infrastructure projects.

The Sub-Fund may temporarily hold 100% of its assets in cash or cash equivalents (including short term money market instruments and bank deposits) in adverse market conditions for the purposes of managing downside risk or liquidity, should the Manager deem such strategy necessary under exceptional circumstances such as a significant market downturn or market crisis.

The Sub-Fund may use financial derivative instruments for hedging purposes. The Manager will not engage in Securities Financing Transactions on behalf of the Sub-Fund. Prior approval will be sought from the SFC and not less than 1 month’s notice will be given to affected Unitholders if there is a change in such practice.

Use of Derivatives

The Sub-Fund may acquire financial derivative instruments for hedging purposes only. The Sub-Fund’s net derivative exposure may be up to 50% of the Sub-Fund’s latest available Net Asset Value.

Specific Risk Factors

Investors should refer to the relevant risks under the section headed “Risk Factors” in the main part of the Explanatory Memorandum, including “Market risk” and “Risks relating to hedging and the hedged classes”, and the following specific risk factors for the Sub-Fund:

Risks relating to debt securities

Investment in debt securities is subject to the credit/default risk of the issuers of the debt securities that the Sub-Fund may invest in, which may be unable or unwilling to make timely payments on principal and/or interest. Some of the securities that the Sub-Fund invests in may be unrated. In general, debt securities that have a lower credit rating (such as debt securities that are rated below investment/recognized grade or that are unrated) will be more susceptible to the credit risk of the issuers. If the issuer of a security is in default with respect to interest or principal payments, the Sub-Fund may lose its entire investment. Adverse events or market conditions may have a larger negative impact on the prices of non-investment/non-recognized grade or unrated debt securities than on higher-rated debt securities. Such debt securities in emerging markets may also be subject to higher volatility and lower liquidity compared to debt securities in more developed markets. Please refer to the relevant risk factor “**Below investment grade and unrated securities risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against such issuers as they may be incorporated outside Hong Kong and subject to foreign laws.

Credit ratings of fixed income securities may be subject to certain limitations and do not guarantee the credit worthiness of the security and/or issuer at all times. Further, the credit appraisal system in Mainland China and the rating methodologies employed in Mainland China may be different from those employed in other markets. Credit ratings given by rating agencies in Mainland China may therefore not be directly comparable with those given by other international rating agencies.

Investment/recognized grade securities or their issuers may be subject to downgrading risk. In the event of downgrading, the risks of default may be higher, and the Sub-Fund's investments in such securities may be adversely affected. Please refer to the relevant risk factor "**Credit rating downgrade risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Debt securities are sensitive to changes in interest rates. Please refer to the relevant risk factor "**Interest rate risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

The debt securities in the Asian countries/regions may be subject to higher volatility and lower liquidity compared to more developed markets. The price of securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may incur significant trading costs.

The Sub-Fund may invest in sovereign debts which are subject to certain risks. Please refer to the relevant risk factor "**Sovereign debt risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

Concentration risk

Depending on the Manager's assessment of market conditions at different times, the Sub-Fund may from time to time focus its investments in certain country or region (such as Asia) and its portfolio of investment may not be diversified compared to other broad-based funds. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting those country or region. Please refer to the risk factor "**Concentration risk**" in the main part of the Explanatory Memorandum.

Emerging markets risk

Investing in emerging markets involves increased risks and special considerations not typically associated with investment in more developed economies or markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility. Please refer to the relevant risk factor "**Emerging markets risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Mainland China market risk

Investing in the Mainland China market is subject to risks specific to the Mainland China market. Please refer to the relevant risk factors "**Mainland China market risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Currency risk

Whilst the base currency of the Sub-Fund is US\$, the Sub-Fund's assets may be invested in securities and other investments that are denominated in currencies different from the Sub-Fund's base currency. Also, a class of units may be designated in a currency other than the base currency of the Sub-Fund. Although the Sub-Fund may engage in currency hedging, the value of the Sub-Fund's investments and so the Net Asset Value of the Sub-Fund may still be affected favourably or unfavourably by fluctuations in exchange rates and by changes in exchange rate controls. Please refer to the relevant risk factor "**Currency risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Risks of investing in convertible bonds

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

Risk associated with debt instrument with loss-absorption feature

Debt instruments with loss-absorption feature are subject to greater risks when compared to traditional debt instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of pre-defined trigger events (e.g. when the issuer is near or at the point of non-viability or when the issuer's capital ratio falls to a specified level), which are likely to be outside of the issuer's control. Such trigger events are complex and difficult to predict and may result in a significant or total reduction in the value of such instruments.

In the event of activation of a trigger, there may be potential price contagion and volatility to the entire asset class. Debt instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.

The Sub-Fund may invest in contingent convertible bonds, which are hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level. Upon the occurrence of a predetermined event (known as a trigger event), contingent convertible bonds will be converted into shares of the issuing company (potentially at a discounted price as a result of the deterioration in the financial condition of the issuing company), or cause the permanent write-down to zero of the principal investment and/or accrued interest such that the principal amount invested may be lost on a permanent or temporary basis.

Contingent convertible bonds are risky and highly complex instruments. Coupon payments on contingent convertible bonds are discretionary and may at any point, for any reason, and for any length of time also be ceased or deferred by the issuer.

The Sub-Fund may invest in senior non-preferred debts. While these instruments are generally senior to subordinated debts, they may be subject to write-down upon the occurrence of a trigger event and will no longer fall under the creditor ranking hierarchy of the issuer. This may result in total loss of principal invested.

Risks of investing in notes

Investment in notes (such as credit linked notes and participatory notes) is subject to the credit risk of the issuer and these instruments may be illiquid. Please refer to the relevant risk factors "**Derivative and structured product risk**" and "**Liquidity risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Exposure to shares or bonds may be obtained through investment in participatory notes. Participatory notes may not be listed and are subject to the terms and conditions imposed by their issuer. These terms may lead to delays in implementing the Sub-Fund's investment strategy due to restrictions on the issuer acquiring or disposing of the securities underlying the participatory notes. Investment in participatory notes can be illiquid as there is no active market in participatory notes. In order to meet redemption requests, the Sub-Fund relies upon the counterparty issuing the participatory notes to quote a price to unwind any part of the participatory notes. This price will reflect the market liquidity conditions and the size of the transaction.

By seeking exposure to investments in certain listed securities through participatory notes, the Sub-Fund is exposed to the credit risk of the issuer of the participatory notes. There is a risk that the issuer will not settle a transaction due to a credit or liquidity problem, thus causing the Sub-Fund to suffer a loss.

An investment in a participatory notes is not an investment directly in the underlying securities themselves. An investment in the participatory notes does not entitle the participatory notes holder to the beneficial interest in the underlying securities nor to make any claim against the company issuing the underlying securities. Investment through participatory notes may lead to a dilution of performance of the Sub-Fund when compared to a fund investing directly in similar assets.

Risks of investing in other collective investment schemes

The Sub-Fund will be subject to the risks associated with the underlying funds when investing in other funds. The Sub-Fund does not have control of the investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved which may have a negative impact to the Net Asset Value of the Sub-Fund.

The underlying collective investment schemes in which the Sub-Fund may invest may not be regulated by the SFC. There may be additional costs involved when investing into these underlying collective investment schemes. There is also no guarantee that the underlying collective investment schemes will always have sufficient liquidity to meet the Sub-Fund's redemption requests as and when made.

If the Sub-Fund invests in an underlying fund managed by the Manager or a connected person of the Manager, all initial charges on such underlying fund will be waived. The Manager may not obtain a rebate on any fees or charges levied by such underlying fund or its manager. Where potential conflicts of interest arise, the Manager will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section headed "**Conflicts of Interest**" in the main part of the Explanatory Memorandum.

Equity investment and volatility risk

Investors should pay attention to risks generally associated with equity investment, namely, the market value of the stocks may go down as well as up. Prices of equity securities may be volatile. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, the business and social conditions in local and global marketplace, and issuer-specific factors. Changes in value of a security may be attributable to market perception of a particular issuer (for example its financial conditions and profitability) or general stock market fluctuations that affect all issuers. If the market value of equity securities in which the Sub-Fund invests in goes down, investors may suffer substantial losses.

Risks of investing in REITs

The Sub-Fund may invest in REITs which invest primarily in real estate and this may involve a higher level of risk. The REITs invested in by the Sub-Fund may not necessarily be authorised by the SFC.

The prices of REITs are affected by changes in the value of the underlying properties owned by the REITs. Investment in REITs may therefore subject the Sub-Fund to risks similar to those from direct ownership of real property.

Real estate investments are relatively illiquid and this may affect the ability of a REIT to vary its investment portfolio or liquidate part of its assets in response to changes in economic conditions, international securities markets, foreign exchange rates, interest rates, real estate markets or other conditions. Adverse global economic conditions could adversely affect the business, financial condition and results of operations of REITs. REITs may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than other securities.

Further, returns from REITs are dependent on management skills. Investments made by REITs generally may not be diversified. In addition, certain REITs in which the Sub-Fund may invest may have their assets concentrated in specific real property sectors, and are therefore subject to the risks associated with adverse developments in these sectors.

REITs are also subject to heavy cash flow dependency, defaults by borrowers and self liquidation. Further, borrowers under mortgages held by REITs or lessees of property that REITs own may be unable to meet their obligations to the REITs. On the other hand, if the key tenants experience a downturn in their businesses or their financial condition, they may fail to make timely rental payments or default under their leases. Tenants in a particular industry might also be affected by any adverse downturn in that industry and this may result in their failure to make timely rental payments or to default under the leases. In the event of a default, a REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments. The REITs may suffer losses as a result.

REITs may have limited financial resources and may be subject to borrowing limits. Consequently, REITs may need to rely on external sources of funding to expand their portfolios, which may not be available on commercially acceptable terms or at all. If a REIT cannot obtain capital from external sources, it may not be able to acquire properties when strategic opportunities exist.

Any due diligence exercise conducted by REITs on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies. Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow of the REITs.

The Sub-Fund does not invest directly in real estate, and insofar as it directly invests in REITs, any dividend policy or dividend payout at the Sub-Fund level may not be representative of the dividend policy or dividend payout of the relevant underlying REIT.

Risks relating to Exchange-traded funds (ETFs)

The trading prices of units/shares in an ETF may be at a discount or premium to the net asset value of the units/shares of such ETF due to various factors such as supply and demand forces in the secondary trading market for such units/shares in the ETF. This price discrepancy may be particularly likely to emerge during periods of high market volatility and uncertainty. Valuation of units/shares in an ETF will primarily be made by reference to the last traded price. Where the Sub-Fund buys at a premium, it may suffer losses even if the net asset value is higher when it sells the relevant share/units in the ETF, and it may not fully recover its investment in the event of termination of the ETF.

In addition, an ETF may not be able to perfectly track the index it is designed to track, because of fees and expenses, imperfect correlation between the ETF's assets and the underlying securities within the relevant tracking index, adjustments to the tracking index and regulatory policies. The return from investing in an ETF may therefore deviate from the return of its tracking index.

An ETF which is designed to track a market index is not "actively managed", therefore when there is a decline in the relevant index, the ETF will also decrease in value. The ETF may not adopt any temporary defensive position against market downturns. The Sub-Fund may lose part or all of its investment in the ETF.

There can be no assurance that an active trading market will exist or be maintained for units/shares of an ETF on any securities exchange on which units/shares of an ETF may be traded.

Synthetic ETFs typically invest in derivative instruments to replicate the performance of an underlying index. Investment in synthetic ETFs will be subject to the credit risk of the counterparties who issue the derivatives. If the counterparties default, the Sub-Fund may suffer substantial losses of its investment in the relevant ETFs. Since derivative issuers are predominantly international financial institutions, the failure of one derivative counterparty could potentially have a "knock on" effect on other counterparties. Some synthetic ETFs have collateral to reduce the counterparty risks but if the market value of the collateral has fallen substantially, the ETFs may suffer losses when they seek to realise the collateral. The Sub-Fund's investment in the ETFs will suffer losses accordingly.

Risks of investing in ADRs

Although ADRs have risks similar to the securities that they represent, they may also involve higher expenses and may trade at a discount (or premium) to the underlying security. In addition, depositary receipts may not pass through voting and other shareholder rights, and may be less liquid than the underlying securities listed on an exchange.

Investment in China A-Share market

The Sub-Fund may have (direct or indirect) exposure to the China A-Share market. The existence of a liquid trading market for China A-Shares may depend on whether there is supply of, and demand for, such China A-Shares. The price at which securities may be purchased or sold by the Sub-Fund may be adversely affected if trading markets for China A-Shares are limited or absent, and the Sub-Fund may in turn be adversely affected. Further, the Shanghai Stock Exchange and the Shenzhen Stock Exchange on which China A-Shares are traded are undergoing development and the market capitalisation of, and trading volumes on, those stock exchanges are lower than those in more developed markets. The China A-Share market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention) than those in more developed markets. Market volatility and settlement difficulties in the China A-Share markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may affect the value of the Sub-Fund.

Securities exchanges in Mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. In particular, trading band limits are imposed by the stock exchanges on China A-Shares, where trading for a security may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. A suspension will render it impossible for the Sub-Fund to liquidate positions and can thereby expose the Sub-Fund to losses. Further, when the suspension is subsequently lifted, it may not be possible for the Sub-Fund to liquidate positions at a favourable price. The Sub-Fund may therefore suffer a loss in its investment.

Investment in China B-Share market

Investors should note that the stock exchanges in Mainland China on which the China B-Shares are listed are still at a developmental stage, and their respective market capitalisation and trading volume are much lower than those in more developed financial markets. Market volatility and potential lack of liquidity due to low trading volume in the China B-Shares markets may result in prices of securities traded on such markets fluctuating significantly, which may result in substantial changes to the price of the Units of the Sub-Fund.

Risks relating to RQFII and RQFII funds

The Sub-Fund is not a RQFII but may obtain access to securities and instruments issued or distributed within Mainland China directly using RQFII quota of a RQFII, or through RQFII funds, and may be subject to the following risks. The Manager is a RQFII Holder.

Risks relating to RMB denominated securities: Securities in the Mainland China securities market are denominated in RMB. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. Please refer to the relevant risk factors “**RMB currency risk**” and “**RMB foreign exchange control risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks relating to the Renminbi Qualified Foreign Institutional Investor (RQFII) regimes: Investors should note that RQFII status could be suspended or revoked, which may have an adverse effect on the Sub-Fund’s performance as the Sub-Fund may be required to dispose of its securities holdings. Investment through the RQFII regime is subject to the availability of RQFII quota. There is no assurance that the RQFII Holder will continue to maintain its RQFII status or to make available its RQFII quota, or sufficient quota will be available for investment by the Sub-Fund or a RQFII fund. Therefore the Sub-Fund’s ability to obtain exposure to the Mainland China securities market may be limited by the availability of RQFII quota.

RQFII quotas are generally granted to the RQFII Holder. The rules and restrictions under RQFII regulations, generally apply to the RQFII Holder as a whole and not simply to the investments made by the Sub-Fund.

Repatriation and liquidity risks: Repatriations of capital and net profits out of Mainland China by the Sub-Fund via a RQFII or RQFII funds that are open-ended funds are currently not subject to repatriation restrictions (such as lock up periods) or prior approval, but there is no guarantee that restrictions will not be imposed in future. Any restrictions on repatriation of the invested capital and net profits out of Mainland China may impact on the relevant fund’s ability to meet redemption requests from the Sub-Fund. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the control of the Manager (or the manager of a RQFII fund). Therefore, the Sub-Fund may be subject to liquidity risk.

Legal and regulatory risk: The application of the rules relevant to RQFII may depend on the interpretation given by the relevant Mainland regulatory authorities. Any changes to the relevant rules may have an adverse impact on investments made by the Sub-Fund or the RQFII funds and hence the Sub-Fund’s performance. The current RQFII rules and regulations are subject to change, which may take retrospective effect. For an RQFII fund, in the worst case, the relevant RQFII fund may be terminated if it is not legal or viable to operate because of changes to the application of the relevant rules. The Sub-Fund’s holdings in the relevant the RQFII fund will be realised in case of such termination, and the Sub-Fund may suffer losses in its initial investment in such fund.

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

Mainland China brokerage risk: In relation to the Sub-Fund's investments issued and transacted within the Mainland China, execution and settlement of transactions or the transfer of any funds or securities may be arranged for or conducted by Mainland Brokers appointed by RQFII Holder and/or the RQFII Custodian appointed by the RQFII Holder jointly with the Custodian. There is a risk that the Sub-Fund may suffer losses from the default, bankruptcy or disqualification of the Mainland Brokers and/or the RQFII Custodian. In such event, the Sub-Fund may be adversely affected in the execution or settlement of any transaction or in the transfer of any funds or securities.

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

Risks relating to RQFII funds that are exchange traded funds (RQFII ETFs): Investment in RQFII ETFs is subject to RMB currency risk and risks associated with the RQFII regime set out above. In addition:

- (a) RQFII ETFs typically seek to track a particular China A-Share market index by directly investing in the China A-Shares constituting such market index using RQFII quota. As with other exchange traded funds, RQFII ETFs are subject to tracking error risks (i.e. the returns of a RQFII ETF may deviate from the performance of the index it is designed to track) due to a number of factors.

The Sub-Fund will trade units in RQFII ETFs on the Stock Exchange of Hong Kong (where trading prices are affected by market factors such as demand and supply). The trading days or hours of Mainland China and Hong Kong stock markets are not exactly the same and this may affect the RQFII ETFs' ability to track the market index. Further, any suspension due to a trading band limit in the Mainland China stock markets may render it impossible for the RQFII ETFs to acquire certain index security, increasing the tracking error. These factors may result in the RQFII ETFs' units being traded at a substantial premium or discount to their net asset value.

- (b) RQFII ETFs involve cross-border transfer of funds. They may be riskier than traditional exchange traded funds investing directly in markets other than Mainland China. The operation of RQFII ETFs depends heavily on the expertise and infrastructure of the RQFII ETF's manager (or its mainland parent company). There is no assurance that the RQFII ETFs will be operated as envisaged and the Sub-Fund may sustain a loss in its investment and the Sub-Fund may suffer a loss.

RMB currency risk/Risks relating to RMB denominated securities

Investors may invest in RMB/RMB-hedged Units of the Sub-Fund. Non-RMB based investors (e.g. Hong Kong investors) may have to convert Hong Kong dollar or other currency(ies) into RMB when investing in RMB/RMB-hedged Units and subsequently convert the RMB redemption proceeds and/or dividend payment (if any) back to Hong Kong dollar or such other currency(ies). Investors will incur currency conversion costs and may suffer losses depending on the exchange rate movements of RMB relative to Hong Kong dollar or such other currencies and by changes in exchange rate controls.

Class denominated in RMB will generally be valued with reference to the offshore RMB (known as “**CNH**”) rather than the onshore RMB (known as “**CNY**”). While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently. 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 investors.

The Sub-Fund may have exposure to securities that are denominated in RMB. Investment in the Sub-Fund will be subject to RMB currency risks. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. There is no guarantee that RMB will not depreciate. The Sub-Fund may suffer losses in case of depreciation of RMB. Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB. Please refer to the relevant risk factors “**RMB currency risk**” and “**RMB foreign exchange control risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks associated with Stock Connects

Insofar as the Sub-Fund invests through Stock Connects, investors should refer to the associated risks set out in the risk factor “**Risks associated with Stock Connects**” and “**Risks associated with the Small and Medium Enterprise board and/or ChiNext market**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks associated with China Interbank Bond Market and Bond Connect

Insofar as the Sub-Fund invests through China Interbank Bond Market, investors should refer to the associated risks set out in the risk factor “**Risks associated with China Interbank Bond Market and Bond Connect**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

“Dim Sum” bond market risks

The “Dim Sum” bond (i.e. bonds issued outside of Mainland China but denominated in RMB) market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the “Dim Sum” bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalization of the offshore RMB (CNH) market by the relevant regulator(s).

Risks of investing in urban investment bonds

Urban investment bonds are issued by local government financing vehicles (“**LGFVs**”), such bonds are typically not guaranteed by local governments or the central government of the PRC. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the Sub-Fund could suffer substantial loss and the Net Asset Value of the Sub-Fund could be adversely affected.

Currency risk/hedging risk

Because the Sub-Fund's assets and liabilities may be denominated in currencies different from the Sub-Fund's base currency (US\$), the Sub-Fund may be affected unfavourably by changes in the exchange rates between the Sub-Fund's base currency and other currencies. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions. Changes in currency exchange rates may influence the value of the Sub-Fund's investments and hence the value of Units in terms of the Sub-Fund's base currency. An investor may suffer losses arising from changes in currency exchange rates of investments held by the Sub-Fund.

The Manager may, in accordance with the investment strategy, use hedging techniques to attempt to offset currency risks, including hedging the currencies in which the underlying assets of the Sub-Fund are denominated against the Sub-Fund's base currency. There is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result. There can be no assurance that any currency hedging strategy employed by the Manager will fully and effectively eliminate the currency exposure of the Sub-Fund.

Risks associated with collateralized and/or securitized products such as asset backed securities (including asset backed commercial papers) or mortgage backed securities

The Sub-Fund may invest in collateralized and/or securitized products such as asset backed securities (including asset backed commercial papers) or mortgage backed securities which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligation relating to the underlying assets are not met, which may adversely impact the returns of the securities.

Mainland China tax considerations in respect of the Sub-Fund

By investing in Mainland China securities, the Sub-Fund may be subject to withholding income tax ("**WIT**"), value added tax ("**VAT**") and other taxes imposed in the Mainland China. Investors should refer to the heading "**Mainland China**" in the section headed "**Taxation**" for further details.

Tax Provision

It is the intention of the Manager to operate the affairs of the Manager and the Sub-Fund such that they are not Mainland China tax resident enterprises and have no establishment or place of business ("**PE**") in Mainland China for Mainland China CIT purposes, although this is not guaranteed.

The Sub-Fund will invest in China A-Shares through the Stock Connects. Given that the Sub-Fund started to invest in China A-Shares after 17 November 2014 through the Stock Connects, the Sub-Fund is temporarily exempt from Mainland China WIT on the capital gains derived from investments in China A-Shares according to Circular 81 and Circular 127 and no Mainland China WIT provision will be made on the gross realized and unrealized capital gains derived by the Sub-Fund from investments in China A-Shares through the Stock Connects. For gains derived from investment in China A-Shares via Stock Connects, the Sub-Fund is also temporarily exempt from Mainland China VAT according to Circular 36 and Circular 127. If there is any update on the tax rules applied to the Stock Connects in the future, the Manager will review and adjust the Mainland China WIT and Mainland China VAT provisioning approach on capital gains for the Stock Connects accordingly.

The Sub-Fund will also invest in China B-Shares and Mainland China debt securities.

Under the prevailing PRC CIT Law and regulations, capital gains derived by a non-resident from disposal of China B-Shares could be subject to WIT at 10%. Under prevailing Mainland China VAT rules, it is not clear whether there is VAT exemption on capital gains if a Sub-Fund invests in China B-Shares. Thus, there may be VAT imposed on a Sub-Fund for trading of China B-Shares. Under current practice no WIT or VAT is imposed on non-residents where both the purchase and sales of the China-B Shares are via the stock exchange market. The position in practice may change if the STA expresses another view and/or that new official tax circulars are issued to provide further guidance.

Under the prevailing CIT Law, there is no specific provision on whether capital gains derived by a non-resident investor (including the Sub-Fund) from disposal of Mainland China debt instruments (e.g. bonds issued by Mainland China companies) would be considered as Mainland China sourced income and subject to Mainland China WIT at 10%. Based on the current interpretation of the STA and the local tax authorities, gains derived by foreign investors (including the Sub-Fund) from investment in Mainland China debt securities should not be treated as Mainland China sourced income thus should not be subject to Mainland China WIT. Under the current practice, no WIT is imposed on capital gains derived by non-residents from disposal of Mainland China debt instruments. If the relevant interpretation/practice changes in the future, the Fund/Sub-Fund(s) may still turn to certain treaty relief applicable to Hong Kong tax residents.

Under the arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the "**Arrangement**"), capital gains derived by Hong Kong tax residents from alienation of shares issued by Mainland China companies may be taxed in Mainland China if the recipient, at any time within 12 months preceding such alienation, had a participation of at least 25% of the capital in that Mainland China company or if the Mainland China company is an immovable properties-rich company (i.e. Mainland China companies in which 50% or more of their assets are comprised, directly or indirectly, of immovable properties situated in Mainland China). Due to the Sub-Fund's investment restrictions, the Sub-Fund cannot hold more than 10% of any ordinary shares issued by any single issuer. In such a case, the capital gains derived from the alienation of the shares of non-immovable properties-rich China B-Shares companies would not be subject to Mainland China WIT, subject to the assessment of the Mainland China tax authorities. In addition, under the Arrangement, capital gain derived by a Hong Kong tax resident from disposal of onshore Mainland China debt instruments should not be taxable in Mainland China. The aforesaid WIT relief on disposal of China B-Shares and debt instruments will be subject to assessment by the Mainland China tax authorities. Before a Hong Kong tax resident can enjoy relief under the Arrangement, a Hong Kong Tax Resident Certificate ("**HKTRC**") issued by the Inland Revenue Department ("**IRD**") should be submitted to the relevant Mainland China tax authority for this purpose. As at the date of this Addendum to the Explanatory Memorandum, the Sub-Fund has not yet obtained the HKTRC from the IRD. If the Mainland China tax authorities enforce the collection of WIT on capital gains and require the Sub-Fund to provide a HKTRC in order to obtain the WIT relief, the Manager will apply for a HKTRC on behalf of the Sub-Fund.

In light of the uncertainty on the income tax treatment on capital gains derived from disposal of China B-Shares and debt instruments, and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for Mainland China WIT on such gains or income and withhold the tax for the account of the Sub-Fund. After careful consideration of the Manager's assessment and having taken and considered independent professional tax advice relating to the Sub-Fund's eligibility to benefit from the Arrangement, and in accordance with such advice, the Manager holds a view that the Sub-Fund is a Hong Kong tax resident for the purpose of the Arrangement and is able to enjoy the WIT relief on capital gains derived from the alienation of the shares of non-immovable properties-rich China B-Shares companies and from the disposal of onshore Mainland China debt instruments under the Arrangement.

The prevailing VAT regulations do not specifically exempt VAT on interest income received by RQFIs and qualified foreign financial institutions for directly investing in CIBM or via Bond Connect ("**CIBM investor**") from investments in Mainland China debt securities. Interest income received by RQFIs and CIBM investors from investment in Mainland China debt securities shall be subject to 6% VAT unless a special exemption applies. According to Caishui [2016] No. 36 (the "**Notice 36**"), deposit interest income is not subject to VAT and interest income earned on PRC government bonds issued by the Ministry of Finance ("**MOF**"), or bonds issued by local government of a province, autonomous regions, and municipalities directly under the Central Government or municipalities separately listed on the state plan, as approved by the State Council, is exempted from VAT.

In addition, urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), education surcharge (currently at the rate of 3%) and local education surcharge (currently at 2%) are imposed based on the VAT liabilities.

On 22 November 2018, the MOF and STA released Caishui [2018] No. 108 ("**Circular 108**") on tax treatment for Overseas Institutional Investors ("**OIs**") investing in Mainland China bond market dated 7 November 2018.

Circular 108 mentioned that the interest income of the bonds derived by OIs in the Mainland China bond market is exempted from WIT and VAT for three years effective from 7 November 2018 to 6 November 2021.

The Manager, having taken and considered the independent professional tax advice and in accordance with such advice, has determined that

- (1) No Mainland China WIT provision will be made on the gross realized and unrealized capital gains derived from investments in China B-Shares, except for those capital gains derived from investments in China B-Shares issued by Mainland China tax resident companies which are immovable properties-rich companies.
- (2) A 10% provision for Mainland China WIT will be provided for the gross realized and unrealized capital gains derived by the Sub-Fund from investments in China B-Shares issued by Mainland China tax resident companies which are immovable properties-rich companies. The methodology adopted by the Manager in identifying whether or not Mainland China resident companies are immovable properties rich companies has been agreed and accepted by the independent tax advisor. The amount of provision will be disclosed in the financial statements of the Sub-Fund.

- (3) No Mainland China WIT provision will be made on the gross realized and unrealized capital gains from the disposal of Mainland China debt securities, and no Mainland China WIT provision will be provided on the interest income from Mainland China fixed income instruments derived for the period from 7 November 2018 to 6 November 2021.
- (4) A 6% VAT provision will be made on the interest income derived from Mainland China fixed income instruments (other than (i) interest income from PRC government bonds issued by the Ministry of Finance or approved local government bonds and (ii) interest income from Mainland China fixed income instruments derived for the period from 7 November 2018 to 6 November 2021). Local surcharges at 12% of the VAT amount will also be made.

Any Mainland China WIT/VAT provision made by the Manager in respect of the Sub-Fund may be lower than or higher than the Sub-Fund's actual tax liabilities. It should also be noted that there is a possibility of the Mainland China tax rules being changed and taxes being applied retrospectively. The Manager, acting in the best interest of Unitholders, will assess the tax provisioning approach on an on-going basis.

If the actual tax levied by STA is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund.

On the other hand, the actual tax liabilities may be lower than the tax provision made, in which case those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager, will as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund.

Distributions out of capital risk

Distributions may be paid out of the capital of the Sub-Fund. The Manager may distribute out of the capital of the Sub-Fund if the net distributable income attributable to the relevant class of Units during the relevant period is insufficient to pay distributions as declared. The Manager may also at its discretion pay dividend out of gross income while charging/paying all or part of the Sub-Fund's fees and expenses to/out of the capital of the Sub-Fund (resulting in an increase in distributable income for the payment of dividends by the Sub-Fund), and thereby effectively pay distributions out of capital of the Sub-Fund. **Investors should note that the payment of distributions out of, or effectively out of, capital represents a return or a withdrawal of part of the amount the investors originally invested or capital gain attributable to that original amount. Distributions will result in an immediate decrease in the Net Asset Value of the relevant Units.**

The distribution amount and Net Asset Value of the hedged classes may be adversely affected by differences in the interest rates of the reference currency of the hedged classes 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 classes.

Available Classes

The following classes of Units have been established and may be made available for sale from time to time. The Manager has an absolute discretion to determine from time to time the availability of any Class of Units to any investor. Investors should check with the Manager whether any class of Units is currently offered.

| Class | Class currency | Investors to whom the class is available |
|-------------------|-----------------------------|---|
| Class A1 (USD) | United States Dollar | Retail public |
| Class A2 (HKD) | Hong Kong Dollar | Retail public |
| Class A3 (RMB) | Renminbi | Retail public |
| Class A4 (AUD-H) | Australian Dollar (Hedged) | Retail public |
| Class A5 (NZD-H) | New Zealand Dollar (Hedged) | Retail public |
| Class A6 (CAD-H) | Canadian Dollar (Hedged) | Retail public |
| Class A7 (GBP-H) | British Pound (Hedged) | Retail public |
| Class A8 (HKD-H) | Hong Kong Dollar (Hedged) | Retail public |
| Class A9 (RMB-H) | Renminbi (Hedged) | Retail public |
| Class A10 (EUR-H) | Euro (Hedged) | Retail public |
| Class A11 (SGD-H) | Singapore Dollar (Hedged) | Retail public |
| Class A12 (JPY-H) | Japanese Yen (Hedged) | Retail public |
| Class A13 (CHF-H) | Swiss Franc (Hedged) | Retail public |
| Class C1 (USD) | United States Dollar | Retail public |
| Class C2 (HKD) | Hong Kong Dollar | Retail public |
| Class C3 (RMB) | Renminbi | Retail public |
| Class C4 (HKD-H) | Hong Kong Dollar (Hedged) | Retail public |
| Class C5 (RMB-H) | Renminbi (Hedged) | Retail public |
| Class I1 (USD) | United States Dollar | Institutional clients |
| Class I2 (HKD) | Hong Kong Dollar | Institutional clients |
| Class I3 (RMB) | Renminbi | Institutional clients |
| Class I4 (AUD-H) | Australian Dollar (Hedged) | Institutional clients |
| Class I5 (NZD-H) | New Zealand Dollar (Hedged) | Institutional clients |
| Class I6 (CAD-H) | Canadian Dollar (Hedged) | Institutional clients |

| Class | Class currency | Investors to whom the class is available |
|-------------------|---------------------------|---|
| Class I7 (GBP-H) | British Pound (Hedged) | Institutional clients |
| Class I8 (HKD-H) | Hong Kong Dollar (Hedged) | Institutional clients |
| Class I9 (RMB-H) | Renminbi (Hedged) | Institutional clients |
| Class I10 (EUR-H) | Euro (Hedged) | Institutional clients |
| Class I11 (SGD-H) | Singapore Dollar (Hedged) | Institutional clients |
| Class I12 (JPY-H) | Japanese Yen (Hedged) | Institutional clients |
| Class I13 (CHF-H) | Swiss Franc (Hedged) | Institutional clients |
| Class X1 (USD) | United States Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X2 (HKD) | Hong Kong Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X3 (RMB) | Renminbi | For use by the Manager itself and in managing segregated portfolios |
| Class X4 (HKD-H) | Hong Kong Dollar (Hedged) | For use by the Manager itself and in managing segregated portfolios |
| Class X5 (RMB-H) | Renminbi (Hedged) | For use by the Manager itself and in managing segregated portfolios |

Investment Minima

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (RMB) | Class A4 (AUD-H) | Class A5 (NZD-H) | Class A6 (CAD-H) | Class A7 (GBP-H) | Class A8 (HKD-H) | Class A9 (RMB-H) | Class A10 (EUR-H) | Class A11 (SGD-H) | Class A12 (JPY-H) | Class A13 (CHF-H) | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB) |
|--|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|----------------|----------------|----------------|
| Minimum Subscription Amount | USD1,000 | HKD10,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | HKD10,000 | RMB10,000 | EUR1,000 | SGD1,000 | JYP100,000 | CHF1,000 | USD1,000 | HKD10,000 | RMB10,000 |
| Minimum Subsequent Subscription Amount | USD1,000 | HKD10,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | HKD10,000 | RMB10,000 | EUR1,000 | SGD1,000 | JYP100,000 | CHF1,000 | USD1,000 | HKD10,000 | RMB10,000 |
| Minimum Holding | USD1,000 | HKD10,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | HKD10,000 | RMB10,000 | EUR1,000 | SGD1,000 | JYP100,000 | CHF1,000 | USD1,000 | HKD10,000 | RMB10,000 |
| Minimum Redemption Amount | USD1,000 | HKD10,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | HKD10,000 | RMB10,000 | EUR1,000 | SGD1,000 | JYP100,000 | CHF1,000 | USD1,000 | HKD10,000 | RMB10,000 |

| Class | Class C4 (HKD-H) | Class C5 (RMB-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (RMB) | Class I4 (AUD-H) | Class I5 (NZD-H) | Class I6 (CAD-H) | Class I7 (GBP-H) | Class I8 (HKD-H) | Class I9 (RMB-H) | Class I10 (EUR-H) | Class I11 (SGD-H) | Class I12 (JPY-H) | Class I13 (CHF-H) | Class X1 (USD) |
|--|------------------|------------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|----------------|
| Minimum Subscription Amount | HKD10,000 | RMB10,000 | USD1,000,000 | HKD8,000,000 | RMB8,000,000 | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 | HKD8,000,000 | RMB8,000,000 | EUR1,000,000 | SGD1,000,000 | JYP100,000,000 | CHF1,000,000 | N/A |
| Minimum Subsequent Subscription Amount | HKD10,000 | RMB10,000 | USD120,000 | HKD1,000,000 | RMB1,000,000 | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 | HKD1,000,000 | RMB1,000,000 | EUR120,000 | SGD120,000 | JYP12,000,000 | CHF120,000 | N/A |
| Minimum Holding | HKD10,000 | RMB10,000 | USD1,000,000 | HKD8,000,000 | RMB8,000,000 | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 | HKD8,000,000 | RMB8,000,000 | EUR1,000,000 | SGD1,000,000 | JYP100,000,000 | CHF1,000,000 | N/A |
| Minimum Redemption Amount | HKD10,000 | RMB10,000 | USD120,000 | HKD1,000,000 | RMB800,000 | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 | HKD1,000,000 | RMB800,000 | EUR120,000 | SGD120,000 | JYP12,000,000 | CHF120,000 | N/A |

| Class | Class X2 (HKD) | Class X3 (RMB) | Class X4 (HKD-H) | Class X5 (RMB-H) |
|--|----------------|----------------|------------------|------------------|
| Minimum Subscription Amount | N/A | N/A | N/A | N/A |
| Minimum Subsequent Subscription Amount | N/A | N/A | N/A | N/A |
| Minimum Holding | N/A | N/A | N/A | N/A |
| Minimum Redemption Amount | N/A | N/A | N/A | N/A |

Fees

Fees payable by investors

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (RMB) | Class A4 (AUD-H) | Class A5 (NZD-H) | Class A6 (CAD-H) | Class A7 (GBP-H) | Class A8 (HKD-H) | Class A9 (RMB-H) | Class A10 (EUR-H) | Class A11 (SGD-H) | Class A12 (JPY-H) | Class A13 (CHF-H) | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB) |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-------------------|
| Preliminary Charge (% of Issue Price) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |
| Class | Class C4 (HKD-H) | Class C5 (RMB-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (RMB) | Class I4 (AUD-H) | Class I5 (NZD-H) | Class I6 (CAD-H) | Class I7 (GBP-H) | Class I8 (HKD-H) | Class I9 (RMB-H) | Class I10 (EUR-H) | Class I11 (SGD-H) | Class I12 (JPY-H) | Class I13 (CHF-H) | Class X1 (USD) |
| Preliminary Charge (% of Issue Price) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |
| Class | Class X2 (HKD) | Class X3 (RMB) | Class X4 (HKD-H) | Class X5 (RMB-H) | | | | | | | | | | | | |
| Preliminary Charge (% of Issue Price) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | | | | | | | | | | | | |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | | | | | | | | | | | | |
| Switching Charge (% of the Issue Price of the new class) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | | | | | | | | | | | | |

Fees payable by the Sub-Fund (% Net Asset Value of the Sub-Fund)

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (RMB) | Class A4 (AUD-H) | Class A5 (NZD-H) | Class A6 (CAD-H) | Class A7 (GBP-H) | Class A8 (HKD-H) | Class A9 (RMB-H) | Class A10 (EUR-H) | Class A11 (SGD-H) | Class A12 (JPY-H) | Class A13 (CHF-H) | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB) |
|----------------|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-------------------|
| Management Fee | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | | | | | | | |
| Class | Class C4 (HKD-H) | Class C5 (RMB-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (RMB) | Class I4 (AUD-H) | Class I5 (NZD-H) | Class I6 (CAD-H) | Class I7 (GBP-H) | Class I8 (HKD-H) | Class I9 (RMB-H) | Class I10 (EUR-H) | Class I11 (SGD-H) | Class I12 (JPY-H) | Class I13 (CHF-H) | Class X1 (USD) |
| Management Fee | 1.25% p.a. | 1.25% p.a. | 0.875% p.a. | 0.875% p.a. | 0.875% p.a. | 0.875% p.a. | 0.875% p.a. | 0.875% p.a. | 0.875% p.a. | 0.875% p.a. | 0.875% p.a. | 0.875% p.a. | 0.875% p.a. | 0.875% p.a. | 0.875% p.a. | 0% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | | | | | | | |
| Class | Class X2 (HKD) | Class X3 (RMB) | Class X4 (HKD-H) | Class X5 (RMB-H) | | | | | | | | | | | | |
| Management Fee | 0% p.a. | 0% p.a. | 0% p.a. | 0% p.a. | | | | | | | | | | | | |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | | | | | | | |

Establishment Costs

The costs of establishment of the BOCHK All Weather Asian High Yield Bond Fund are approximately USD80,000.

Dealing Day

Every Business Day.

Dealing Deadline

5 p.m. (Hong Kong time) on the relevant Dealing Day.

Dealing through the Authorised Distributor(s) or other authorised electronic means may involve different dealing procedures and an earlier cut-off time may be imposed before the Dealing Deadlines for receiving instructions. Investors should confirm the arrangements with the Authorised Distributor(s) concerned.

Subscription, Redemption and Switching of Units

For details regarding the procedures for subscription, redemption and switching, see the main part of the Explanatory Memorandum under “**Purchase of Units**”, “**Redemption of Units**” and “**Switching between classes**”.

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends.

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, 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. The Manager may also at its discretion pay dividend out of gross income while charging/paying all or part of the Sub-Fund’s fees and expenses to/out of the capital of the Sub-Fund (resulting in an increase in distributable income for the payment of dividends by the Sub-Fund), and thereby effectively pay distributions out of capital of the Sub-Fund. Payment of dividends out of, or effectively out of, capital amounts to a return or withdrawal of part of an investor’s original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of, or effectively out of, the 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.bochkam.com. This website has not been reviewed by the SFC.

Class A1 (USD), Class A2 (HKD), Class A3 (RMB), Class A4 (AUD-H), Class A5 (NZD-H), Class A6 (CAD-H), Class A7 (GBP-H), Class A8 (HKD-H), Class A9 (RMB-H), Class A10 (EUR-H), Class A11 (SGD-H), Class A12 (JPY-H), Class A13 (CHF-H):

For these classes of Units, it is the current intention of the Manager to declare and pay dividends on a monthly basis (or, subject to one month's prior notice to the relevant Unitholders, such other frequency as the Manager and the Trustee consider appropriate). It is intended that the first distribution will be made 3 months after the launch date of the Sub-Fund, subject to the Manager's discretion.

Investors should note that dividends, if any, may be paid from income and/or out of, or effectively out of, capital of the Sub-Fund.

Please refer to the section headed "**Distributions**" and the risk factor headed "**Distributions out of capital risk**" in the Appendix for further details.

Investors should note that there is no guarantee of regular distribution payments nor, where distribution is made, the amount being distributed, during the period investors hold the Units of the Sub-Fund.

Class C1 (USD), Class C2 (HKD), Class C3 (RMB), Class C4 (HKD-H), Class C5 (RMB-H), Class I1 (USD), Class I2 (HKD), Class I3 (RMB), Class I4 (AUD-H), Class I5 (NZD-H), Class I6 (CAD-H), Class I7 (GBP-H), Class I8 (HKD-H), Class I9 (RMB-H), Class I10 (EUR-H), Class I11 (SGD-H), Class I12 (JPY-H), Class I13 (CHF-H), Class X1 (USD), Class X2 (HKD), Class X3 (RMB), Class X4 (HKD-H), Class X5 (RMB-H):

Currently, the Manager does not intend to make any distributions for these classes of Units.

If there is a change of the distribution policy of the Sub-Fund, the Manager will seek the prior approval of the SFC and/or provide at least one month's prior notice to Unitholders (where necessary).

Valuation

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

Reports and Accounts for the Sub-Fund

The first financial year of the Sub-Fund will end on 30 June 2021.

The first annual report in respect of the Sub-Fund will be published for the period from the launch of the Sub-Fund to 30 June 2021. The first unaudited semi-annual report in respect of the Sub-Fund will be published for the half year period ended 31 December 2020.

June 2020

BOCHK Asset Management Limited

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BOCHK Wealth Creation Series

First Addendum to the Explanatory Memorandum dated January 2020

Important

If you are in doubt about the contents of this document, you should seek independent professional financial advice.

This First Addendum forms part of and should be read together with the Explanatory Memorandum of the BOCHK Wealth Creation Series (the “**Fund**”) dated January 2020, as amended from time to time (the “**Explanatory Memorandum**”). The Manager accepts full responsibility for the accuracy of the information contained in this First Addendum, 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 misleading.

Unless otherwise defined herein, words and expressions defined in the Explanatory Memorandum shall have the same meaning when used in this First Addendum.

The Manager has decided to make the following changes to the Fund and the Sub-Funds, and the Explanatory Memorandum is amended as follows with immediate effect, unless otherwise specified:

1. The list of names under the heading “**Directors of the Manager**” under the section entitled “**Administration**” of the Explanatory Memorandum shall be deleted and replaced with the following:

“YUAN Shu
KAN Wai Mun Carmen
CHAN Man
TAM Ming Fai
SHEN Hua
CHAN Lap Bong
HAN Jianchiu”

2. With effect from 1 July 2020, the item “**Trustee Fee**” for all classes in the table under the sub-heading “**Fees payable by the Sub-Fund (% Net Asset Value of the Sub-Fund)**” under the heading “**Fees**” in “**Appendix III BOCHK All Weather Hong Kong Equity Fund**” of the Explanatory Memorandum shall be deleted and replaced with the following:

“Trustee Fee Up to 0.125% p.a., subject to a minimum monthly fee of HKD20,000”

3. The eighth paragraph under the section entitled “**Investment Strategy**” in “**Appendix V BOCHK All Weather Asian Bond Fund**” of the Explanatory Memorandum shall be deleted and replaced with the following:

“The Sub-Fund will invest not less than 50% of its Net Asset Value in investment grade bonds and may invest more than 30% of its latest available Net Asset Value in non-investment grade fixed income securities and/or unrated fixed income securities. “**Investment grade**” means a rating of BBB- or above from Standard & Poor’s, Baa3 or above from Moody’s or an equivalent rating from any internationally recognized credit rating agency. For this purpose, if the relevant security does not itself have a credit rating, then reference can be made to the credit rating of the issuer of the security. If both the security and the relevant issuer are not rated, then the security will be classified as unrated.”

4. The first paragraph under the risk factor “**Risks relating to debt securities**” under the section entitled “**Specific Risk Factors**” in “**Appendix V BOCHK All Weather Asian Bond Fund**” of the Explanatory Memorandum shall be deleted and replaced with the following:

“Investment in debt securities is subject to the credit/default risk of the issuers of the debt securities that the Sub-Fund may invest in, which may be unable or unwilling to make timely payments on principal and/or interest. Some of the securities that the Sub-Fund invests in may be unrated. In general, debt securities that have a lower credit rating (such as debt securities that are rated below investment grade or that are unrated) will be more susceptible to the credit risk of the issuers. If the issuer of a security is in default with respect to interest or principal payments, the Sub-Fund may lose its entire investment. Adverse events or market conditions may have a larger negative impact on the prices of non-investment grade or unrated debt securities than on higher-rated debt securities. Such debt securities in emerging markets may also be subject to higher volatility and lower liquidity compared to debt securities in more developed markets. Please refer to the relevant risk factor “**Below investment grade and unrated securities risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against such issuers as they may be incorporated outside Hong Kong and subject to foreign laws.”

5. The second paragraph under the section entitled “**Investment Strategy**” in “**Appendix VIII BOCHK All Weather Asia Pacific High Income Fund**” of the Explanatory Memorandum shall be deleted and replaced with the following:

“The Sub-Fund does not have a specific requirement on the credit ratings of the underlying fixed income securities and may invest in investment grade, non-investment grade and unrated fixed income securities. For fixed income securities, “**investment grade**” means a rating of BBB- or above from Standard & Poor’s, Baa3 or above from Moody’s or an equivalent rating from any internationally recognized credit rating agency, and if both the fixed income securities and the relevant issuer are not rated, then the fixed income securities will be classified as unrated. In selecting unrated fixed income securities, the Manager will apply its internal credit rating to determine the credit quality. The Sub-Fund may invest more than 30% of its latest available Net Asset Value in non-investment grade fixed income securities and/or unrated fixed income securities.”

6. The first paragraph under the risk factor “**Risks relating to debt securities**” under the section entitled “**Specific Risk Factors**” in “**Appendix VIII BOCHK All Weather Asia Pacific High Income Fund**” of the Explanatory Memorandum shall be deleted and replaced with the following:

“Investment in debt securities is subject to the credit/default risk of the issuers of the debt securities that the Sub-Fund may invest in, which may be unable or unwilling to make timely payments on principal and/or interest. Some of the securities that the Sub-Fund invests in may be unrated. In general, debt securities that have a lower credit rating (such as debt securities that are rated below investment grade or that are unrated) will be more susceptible to the credit risk of the issuers. If the issuer of a security is in default with respect to interest or principal payments, the Sub-Fund may lose its entire investment. Adverse events or market conditions may have a larger negative impact on the prices of non-investment grade or unrated debt securities than on higher-rated debt securities. Such debt securities in emerging markets may also be subject to higher volatility and lower liquidity compared to debt securities in more developed markets. Please refer to the relevant risk factor “**Below investment grade and unrated securities risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against such issuers as they may be incorporated outside Hong Kong and subject to foreign laws.”

7. The second paragraph under the section entitled “**Investment Strategy**” in “**Appendix IX BOCHK All Weather Belt and Road Bond Fund**” of the Explanatory Memorandum shall be deleted and replaced with the following:

“The Sub-Fund does not have a specific requirement on the credit ratings of the underlying fixed income securities and may invest in investment grade, non-investment grade and unrated fixed income securities. For fixed income securities, “**investment grade**” means a rating of BBB- or above from Standard & Poor’s, Baa3 or above from Moody’s or an equivalent rating from any internationally recognized credit rating agency, and if both the fixed income securities and the relevant issuer are not rated, then the fixed income securities will be classified as unrated. In selecting unrated fixed income securities, the Manager will apply its internal credit rating to determine the credit quality. The Sub-Fund may invest more than 30% of its latest available Net Asset Value in non-investment grade fixed income securities and/or unrated fixed income securities.”

8. The first paragraph under the risk factor “**Risks relating to debt securities**” under the section entitled “**Specific Risk Factors**” in “**Appendix IX BOCHK All Weather Belt and Road Bond Fund**” of the Explanatory Memorandum shall be deleted and replaced with the following:

“Investment in debt securities is subject to the credit/default risk of the issuers of the debt securities that the Sub-Fund may invest in, which may be unable or unwilling to make timely payments on principal and/or interest. Some of the securities that the Sub-Fund invests in may be unrated. In general, debt securities that have a lower credit rating (such as debt securities that are rated below investment grade or that are unrated) will be more susceptible to the credit risk of the issuers. If the issuer of a security is in default with respect to interest or principal payments, the Sub-Fund may lose its entire investment. Adverse events or market conditions may have a larger negative impact on the prices of non-investment grade or unrated debt securities than on higher-rated debt securities.

Such debt securities in emerging markets may also be subject to higher volatility and lower liquidity compared to debt securities in more developed markets. Please refer to the relevant risk factor “**Below investment grade and unrated securities risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against such issuers as they may be incorporated outside Hong Kong and subject to foreign laws.”

9. The second paragraph under the section entitled “**Investment Strategy**” in “**Appendix XI BOCHK All Weather Greater Bay Area Strategy Fund**” of the Explanatory Memorandum shall be deleted and replaced with the following:

“The Sub-Fund does not have a specific requirement on the credit ratings of the underlying fixed income securities and may invest in investment/recognized grade, non-investment/non-recognized grade and unrated fixed income securities. For offshore fixed income securities issued outside of Mainland China, “investment grade” means a rating of BBB- or above from Standard & Poor’s, Baa3 or above from Moody’s or an equivalent rating from any internationally recognized credit rating agency for the fixed income securities or the relevant issuer. For onshore fixed income securities issued in Mainland China, “recognized grade” means at least AA+ as assigned by one of the local rating agencies recognized by the relevant authorities of Mainland China on the fixed income securities or the relevant issuer. If both the fixed income securities and the relevant issuer are not rated, then the fixed income securities will be classified as unrated. In selecting unrated fixed income securities, the Manager will apply its internal credit rating to determine the credit quality. The Sub-Fund may invest more than 30% of its latest available Net Asset Value in non-investment/non-recognized grade fixed income securities and/or unrated fixed income securities.”

10. The first paragraph under the risk factor “**Risks relating to debt securities**” under the section entitled “**Specific Risk Factors**” in “**Appendix XI BOCHK All Weather Greater Bay Area Strategy Fund**” of the Explanatory Memorandum shall be deleted and replaced with the following:

“Investment in debt securities is subject to the credit/default risk of the issuers of the debt securities that the Sub-Fund may invest in, which may be unable or unwilling to make timely payments on principal and/or interest. Some of the securities that the Sub-Fund invests in may be unrated. In general, debt securities that have a lower credit rating (such as debt securities that are rated below investment/recognized grade or that are unrated) will be more susceptible to the credit risk of the issuers. If the issuer of a security is in default with respect to interest or principal payments, the Sub-Fund may lose its entire investment. Adverse events or market conditions may have a larger negative impact on the prices of non-investment/non-recognized grade or unrated debt securities than on higher-rated debt securities. Such debt securities in emerging markets may also be subject to higher volatility and lower liquidity compared to debt securities in more developed markets. Please refer to the relevant risk factor “**Below investment grade and unrated securities risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against such issuers as they may be incorporated outside Hong Kong and subject to foreign laws.”

May 2020

BOCHK Asset Management Limited

IMPORTANT INFORMATION FOR INVESTORS

This Explanatory Memorandum comprises information relating to BOCHK Wealth Creation Series. BOCHK Wealth Creation Series is an open-ended unit trust established as an umbrella unit trust under the laws of Hong Kong by a trust deed dated 4 June 2012 between BOCHK Asset Management Limited 中銀香港資產管理有限公司 as manager and BOCI-Prudential Trustee Limited 中銀國際英國保誠信託有限公司 as trustee.

The Manager accepts full responsibility for the accuracy of the information contained in this Explanatory Memorandum, 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 misleading. However, neither the delivery of this Explanatory Memorandum or any Product Key Facts Statements of the Sub-Funds nor the offer or issue of Units shall under any circumstances constitute a representation that the information contained in this Explanatory Memorandum or any Product Key Facts Statements of the Sub-Funds is correct as of any time subsequent to the date of publication. This Explanatory Memorandum and the Product Key Facts Statements of the Sub-Funds may from time to time be updated. Intending applicants for Units should ask the Manager if any supplements to this Explanatory Memorandum or any later Explanatory Memorandum or Product Key Facts Statements for the Sub-Funds have been issued.

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

The Fund and the Sub-Funds have been authorised by the SFC pursuant to section 104 of the SFO. The Sub-Funds fall within Chapter 7 of the SFC's Code on Unit Trusts and Mutual Funds. SFC authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

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

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

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

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.

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

Enquiries and Complaints to the Manager

All investors' enquiries and complaints directed to the Manager should be made in writing and sent to the following address:

BOCHK Asset Management Limited
5/F Bank of China Building
2A Des Voeux Road Central
Hong Kong

The Manager will respond to investors' enquiries or complaints in writing as soon as practicable.

Further Information

Investors may access the website of the Manager at www.bochkam.com for further information on the Fund and the Sub-Funds. Please note that the website does not form part of this Explanatory Memorandum. It has not been reviewed by the SFC.

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ADMINISTRATION

Manager/QFII Holder/RQFII Holder

BOCHK Asset Management Limited
中銀香港資產管理有限公司
5/F Bank of China Building
2A Des Voeux Road Central
Hong Kong

Trustee and Registrar

BOCI-Prudential Trustee Limited
中銀國際英國保誠信託有限公司
12/F & 25/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

Auditors

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Directors of the Manager

YUAN Shu
KAN Wai Mun Carmen
SUN Dawei
TSANG Kam Yin Wendy
SHEN Hua
CHAN Lap Bong
HAN Jianchiu

Custodian

Bank of China (Hong Kong) Limited
中國銀行(香港)有限公司
14/F Bank of China Tower
1 Garden Road
Central
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QFII Custodian/RQFII Custodian

Agricultural Bank of China Limited
No. 69, Jianguomen Nei Avenue
Dongcheng District
Beijing 100005
China

Solicitors to the Manager

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

DEFINITIONS

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

- “Accounting Date”** 30 June in each year or such other date or dates in each year as the Manager may from time to time specify in respect of any Sub-Fund and notify to the Trustee and the Unitholders of such Sub-Fund
- “Accounting Period”** a period commencing on the date of establishment of the relevant Sub-Fund or on the date next following an Accounting Date of the relevant Sub-Fund and ending on the next succeeding Accounting Date for such Sub-Fund
- “Authorised Distributor”** any person appointed by the Manager to distribute Units of some or all of the Sub-Funds to potential investors
- “Business Day”** a day (other than a Saturday and Sunday) on which banks in Hong Kong are open for normal banking business or such other day or days as the Manager and the Trustee may agree from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
- “China” or “PRC”** the People’s Republic of China
- “China A-Shares”** shares issued by companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, traded in Renminbi and available for investment by Mainland investors, holders of the RQFII or qualified foreign institutional investors (QFII) status and foreign strategic investors approved by the China Securities Regulatory Commission
- “Code”** the Code on Unit Trusts and Mutual Funds (as amended) issued by the SFC
- “connected person”** in relation to the Manager, means:
- (a) any person, company or fund beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of the Manager or being able to exercise, directly or indirectly, 20% or more of the total votes in the Manager; or
 - (b) any person, company or fund controlled by a person who or which meets one or both of the descriptions given in (a); or
 - (c) any member of the group of which the Manager forms part; or

(d) any director or officer of the Manager or of any of its connected persons as defined in (a), (b) or (c) above

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| "CSRC" | the China Securities Regulatory Commission |
| "Custodian" | Bank of China (Hong Kong) Limited |
| "Dealing Day" | the days on which Units are subscribed for or redeemed, as described in the Appendix for the relevant Sub-Fund(s) |
| "Dealing Deadline" | 5 p.m. (Hong Kong time) on a Dealing Day or such other time as the Manager may from time to time with the approval of the Trustee determine, as described in the Appendix for the relevant Sub-Fund(s) |
| "Explanatory Memorandum" | this Explanatory Memorandum including the Appendices, as each may be amended, updated or supplemented from time to time |
| "Fund" | BOCHK Wealth Creation Series |
| "Government and other public securities" | any investment issued by, or the payment of principal and interest on, which is guaranteed by a government, or any fixed-interest investment issued by its public or local authorities or other multilateral agencies |
| "Hong Kong" | Hong Kong Special Administrative Region of the PRC |
| "HK\$" | Hong Kong Dollars, the lawful currency of Hong Kong |
| "Issue Price" | in respect of each Sub-Fund the issue price per Unit as more fully described in the section "Purchase of Units" |
| "Manager" | BOCHK Asset Management Limited |
| "Mainland China" or "Mainland" | All customs territory of the People's Republic of China (not including Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan of the People's Republic of China) |
| "Net Asset Value" | the net asset value of the Fund or a Sub-Fund or of a Unit, as the context may require, calculated in accordance with the provisions of the Trust Deed as summarised below under the section headed "Valuation" |
| "PBOC" | the People's Bank of China |
| "QFII" | a qualified foreign institutional investor approved pursuant to the relevant laws and regulations of Mainland China, as may be promulgated and/or amended from time to time |

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| “QFII Custodian” | Agricultural Bank of China Limited |
| “QFII Holder” | BOCHK Asset Management Limited |
| “Qualified Exchange Traded Funds” | exchange traded funds that are: <ul style="list-style-type: none"> (a) authorized by the SFC under 8.6 or 8.10 of the Code; or (b) listed and regularly traded on internationally recognized stock exchanges open to the public (nominal listing not accepted) and either (i) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under 8.6 of the Code; or (ii) the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under 8.10 of the Code |
| “Reverse Repurchase Transactions” | transactions whereby a Sub-Fund purchases securities from a counterparty of sale and repurchase transactions and agrees to sell such securities back at an agreed price in the future |
| “Sale and Repurchase Transactions” | transactions whereby a Sub-Fund sells its securities to a counterparty of reverse repurchase transactions and agrees to buy such securities back at an agreed price with a financing cost in the future |
| “Securities Financing Transactions” | collectively securities lending transactions, sale and repurchase transactions and reverse repurchase transactions |
| “Securities Lending Transactions” | transactions whereby a Sub-Fund lends its securities to a security-borrowing counterparty for an agreed fee |
| “REIT” | real estate investment trust |
| “Redemption Price” | the price at which Units will be redeemed as more fully described in the section headed “Redemption of Units” |
| “Registrar” | BOCI-Prudential Trustee Limited in its capacity as registrar of the Fund |
| “RMB” or “Renminbi” | renminbi, the lawful currency of the PRC |
| “RQFII” | a Renminbi qualified foreign institutional investor approved pursuant to the relevant laws and regulations of Mainland China, as may be promulgated and/or amended from time to time |

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| “RQFII Custodian” | Agricultural Bank of China Limited |
| “RQFII Holder” | BOCHK Asset Management Limited |
| “SAFE” | the State Administration of Foreign Exchange |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SFO” | the Securities and Futures Ordinance, Laws of Hong Kong (Chapter 571) |
| “Stock Connects” | the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect |
| “Sub-Fund” | a separate pool of assets of the Fund that is invested and administered separately from other assets of the Fund |
| “Substantial Financial Institution” | an authorized institution as defined in section 2(1) of the Banking Ordinance (Chapter 155 of Laws of Hong Kong) or a financial institution which is on an ongoing basis subject to prudential regulation and supervision, with a minimum net asset value of HK\$2 billion or its equivalent in foreign currency |
| “Trust Deed” | the trust deed dated 4 June 2012 establishing the Fund and entered into by the Manager and the Trustee (as amended) |
| “Trustee” | BOCI-Prudential Trustee Limited in its capacity as trustee of the Fund |
| “Unit” | an undivided share of the Sub-Fund to which the Unit relates and except where used in relation to a particular class of Unit a reference to Units means and included Units of all classes |
| “Unitholder” | a person registered as a holder of a Unit |
| “US\$” | US Dollars, the lawful currency of the United States of America |
| “Valuation Day” | each Dealing Day or such other days as the Manager may from time to time determine as are described in the Appendix for the relevant Sub-Fund(s) |
| “Valuation Point” | the close of business in the last relevant market to close on each Valuation Day or such other time on such other day as the Manager may from time to time determine, as described in the Appendix for the relevant Sub-Fund(s) to calculate the Net Asset Value |

THE FUND

BOCHK Wealth Creation Series 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 Sub-Funds currently offered by the BOCHK Wealth Creation Series are set out in the Appendices to this Explanatory Memorandum. The Manager may create further Sub-Fund(s) in the future. Investors should contact the Manager to obtain the latest offering document relating to the available Sub-Fund(s).

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

INVESTMENT OBJECTIVE

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

MANAGEMENT OF THE FUND

The Manager

The Manager of the Fund is BOCHK Asset Management Limited.

The Manager was incorporated in Hong Kong on 28 October 2010. It is licensed to conduct Types 1 (dealing in securities), 4 (advising on securities) and 9 (asset management) regulated activities as defined in Schedule 5 of the SFO. Such regulated activities include dealing in securities, advising on securities and asset management.

The Manager is a wholly-owned subsidiary of BOCHK Asset Management (Cayman) Limited ("**BOCHK AM (Cayman)**"). BOCHK AM (Cayman) is a wholly owned subsidiary of BOC Hong Kong (Holdings) Limited which is listed on the Stock Exchange of Hong Kong.

The Manager undertakes the investment of the assets of the Fund. The Manager may appoint sub-managers or investment advisers in relation to specific Sub-Funds. The remuneration of such sub-managers and investment advisers will be borne by the Manager.

The Trustee

The Trustee of the Fund is BOCI-Prudential Trustee Limited, which is a registered trust company in Hong Kong. The Trustee is a joint venture founded by BOC Group Trustee Company Limited and Prudential Corporation Holdings Limited. BOC Group Trustee Company Limited is owned by Bank of China (Hong Kong) Limited and BOC International Holdings Limited, which are subsidiaries of Bank of China Limited. The principal activity of the Trustee is the provision of trustee services.

Under the Trust Deed, the Trustee shall take into custody or under its control all the investments, cash and other assets forming part of the assets of each Sub-Fund and hold them in trust for the Unitholders of the relevant Sub-Fund in accordance with the provisions of the Trust Deed and, to the extent permitted by law, such investments, cash and registrable assets shall be registered in the name of or to the order of the Trustee and such investments, cash and other assets of the relevant Sub-Fund shall be dealt with as the Trustee may think proper for the purpose of providing for the safe keeping thereof. The Trustee may, from time to time appoint such person or persons (including a connected person) as custodian or co-custodians in respect of the whole or any part of the assets of any Sub-Fund and may empower any such custodian or co-custodian to appoint, with no objection in writing by the Trustee, sub-custodians. 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 (A) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of its agent, nominee, custodian, co-custodian or sub-custodian which are appointed for the custody and/or safekeeping of any of the investments, cash and other assets of a Sub-Fund (each a “**Correspondent**”); and (B) be responsible during the term of appointment of each Correspondent for satisfying itself that such Correspondent retained remain suitably qualified and competent on an ongoing basis to provide the relevant services to the Fund or any Sub-Fund. The Trustee shall be liable for any act or omission of any Correspondent that is a connected person of the Trustee as if the same were the act or omission of the Trustee, but provided that the Trustee has discharged its obligations set out in (A) and (B) the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any Correspondent that is not a connected person of the Trustee.

The Trustee shall not be responsible for any act, omission, insolvency or bankruptcy of Euroclear Bank S.A./N.V., Clearstream Banking, S.A. or any other such central depository or clearing system in relation to any investment deposited with such central depository or clearing system.

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

Subject as provided in the Trust Deed, the Trustee is entitled to be indemnified from the assets of the Fund and/or each Sub-Fund from and against any and all actions, costs, claims, damages, expenses or demands (other than those imposed under Hong Kong law or resulting from breaches of trust through fraud or negligence on the part of the Trustee or any of its officers, employees, agents or delegates for which the Trustee would be liable under the Trust Deed), which may be incurred by or asserted against the Trustee in performing its obligations or duties in connection with the Fund or a Sub-Fund.

The Manager is solely responsible for making investment decisions in relation to the Fund and/or each Sub-Fund. The Trustee shall take reasonable care to ensure that the investment and borrowing limitations set out under the section headed “Investment and Borrowing Restrictions”, Schedule 1 of this Explanatory Memorandum and any specific investment and borrowing limitations as set out in the relevant Appendix as they relate to a Sub-Fund and the conditions under which such Sub-Fund is authorised pursuant to the SFO are complied with and save for the aforesaid, the Trustee is not responsible and has no liability for any investment decision made by the Manager.

The Trustee is not responsible for the preparation or issue of this Explanatory Memorandum and therefore accepts no responsibility for any information contained in this Explanatory Memorandum other than the descriptions under this section headed “The Trustee” and neither the Trustee nor any of its subsidiaries, affiliates, directors and other officers, shareholders, servants, employees, agents or permitted delegates accept any responsibility or liability for any information contained in this Explanatory Memorandum other than the description under this section headed “The Trustee”.

Registrar

BOCI-Prudential Trustee Limited has also been appointed as the Registrar of the Fund. The Registrar is responsible for maintaining the register of Unitholders, which will be kept at the registered office of the Registrar in Hong Kong.

The Registrar will also be responsible for providing transfer agency services to the Fund and the Sub-Funds, including but not limited to, processing applications for the subscription, conversion and redemption of the Units.

The Registrar is not responsible for the preparation or issue of the Explanatory Memorandum and therefore accepts no responsibility for any information contained in this Explanatory Memorandum other than the descriptions under this section headed “**Registrar**” and neither the Registrar nor any of its subsidiaries affiliates, directors and other officers, shareholders, servants employees, agents or permitted delegates accept any responsibility or liability for any information contained in this Explanatory Memorandum other than the description under this section headed “**Registrar**”.

The Custodian

The Trustee has appointed Bank of China (Hong Kong) Limited (BOCHK) as the custodian of the Fund.

The Custodian was incorporated in Hong Kong on 16 October 1964. As a locally incorporated licensed bank, it was re-structured to the present form since 1 October 2001 by combining the businesses of ten of the twelve banks in Hong Kong originally belonging to the Bank of China Group. In addition, it holds shares in BOC Credit Card (International) Limited.

BOC Hong Kong (Holdings) Limited was incorporated in Hong Kong on 12 September 2001 to hold the entire equity interest in BOCHK, its principal operating subsidiary. After a successful global initial public offering, BOC Hong Kong (Holdings) Limited began trading on the Main Board of the Stock Exchange of Hong Kong Limited on 25 July 2002 with stock code “**2388**” and became a Hang Seng Index constituent stock on 2 December 2002.

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

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

The QFII Custodian/RQFII Custodian

For Sub-Fund(s) that invest directly in securities and instruments issued or distributed within Mainland China through a QFII or a RQFII, the relevant QFII or RQFII is required to appoint a custodian in Mainland China for the custody of assets, pursuant to relevant laws and regulations. Under applicable laws and regulations, the QFII Custodian or RQFII Custodian is responsible for the custody of assets of the relevant Sub-Fund(s) acquired through and/or in connection with the QFII/RQFII quota of the QFII/RQFII Holder within Mainland China. It will supervise the operation of the investments that are made through the QFII regime or the RQFII regime, handle the remittance and repatriation of funds and report to the relevant authorities in Mainland China.

Agricultural Bank of China Limited (the “**Bank**”) has been appointed as the QFII Custodian and RQFII Custodian (separately under the QFII regime and the RQFII regime) in respect of the investments held by the relevant Sub-Fund(s).

The predecessor of the Bank is Agricultural Cooperative Bank established in 1951. Since the late 1970s, the Bank has evolved from a state-owned specialized bank to a wholly state-owned commercial bank and subsequently a state-controlled commercial bank. The Bank was restructured into a joint stock limited liability company in January 2009. Then it was listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange respectively in July 2010, which marked the completion of its transformation into a public shareholding commercial bank.

As one of the major integrated financial service providers in Mainland China, the Bank provides a diverse suite of corporate and retail banking products and services for a broad range of customers, and conducts treasury operations and asset management. Its business scope also includes, among other things, investment banking, fund management, financial leasing and life insurance.

As one of the first group of qualified banks licensed for custody business, the Bank is the third largest custodian bank in Mainland China. Its custodian service department has more than 20 years of experience, over 300 employees, and 30 executive heads with average 20 years of working experience. The Bank's custody capability has further expanded into the fields of open-end funds, insurance assets, securities company, (R)QFII, (R)QDII, CIBM direct access, QFLP/QDLP/QDIE, trust products, bank financial products, trading products, special liquidity products, equity funds and pension funds etc. In addition, the Bank has maintained a deep and good relationship with regulatory authorities to enable effective communications and better services.

Authorised Distributors

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

CLASSES OF UNITS

Different classes of Units may be offered for each Sub-Fund. Although the assets attributable to each class of Units of a Sub-Fund will form one single pool, each class of Units may be denominated in a different 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 and subsequent subscription amounts and holding amounts, and minimum redemption and switching amounts. Investors should refer to the relevant Appendix for the available classes of Units and the applicable minimum amounts. The Manager may in its discretion agree to accept applications for subscription, redemption and switching of certain classes below the applicable minimum amounts.

The currency of denomination of a class of Units will be indicated in the name of the class of Units. In addition, a Sub-Fund may offer “**currency hedged**” classes of Units (indicated with a suffix “**H**”). For the currency hedged classes of Units, hedging will be performed to hedge the currency of denomination of the class of Units against (i) the base currency of the Sub-Fund; or (ii) the currency of the assets that are primarily invested in. There is no assurance that hedging will be effective. Any gains or losses from currency hedging shall accrue to the value of the relevant currency hedged class of Units.

DEALING DAY AND DEALING DEADLINE

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

Investors should note that subscription, redemption or switching of Units may be placed through Authorised Distributor(s) or through other authorised and/or electronic means as from time to time determined by the Manager. Dealing through the Authorised Distributor(s) or other authorised electronic means may involve different dealing procedures and an earlier cut-off time may be imposed before the Dealing Deadlines for receiving instructions. Investors should confirm the arrangements with the Authorised Distributor(s) concerned.

PURCHASE OF UNITS

Initial Offer

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

Subsequent Subscription

Following the close of the initial offer period, Units will be issued at the prevailing Issue Price per Unit. The Issue Price on any Dealing Day will be the Net Asset Value of the relevant class of Units of the Sub-Fund as at the Valuation Point in respect of the Dealing Day divided by the number of such class of Units then in issue, rounded to 2 decimal places with 0.005 being rounded up. Any rounding adjustment shall be retained for the benefit of the relevant Sub-Fund. In calculating the Issue Price, the Manager may impose surcharges to compensate for the difference between the price at which assets of the relevant Sub-Fund are to be valued and the total cost of acquiring such assets including other relevant expenses such as taxes, governmental charges, brokerages, etc.

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

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

Application Procedure

To purchase Units an investor should complete the application form, which may be obtained from the Authorised Distributor(s) or the Manager (the "**Application Form**"), and return the original Application Form to the Authorised Distributor(s) concerned (details of which as set out in the Application Form) or the Manager. Further supporting documents (described in the Application Form) should also be provided together with the Application Form.

Applications will generally be accepted on a Dealing Day only if cleared funds have been received on or prior to such Dealing Day in relation to which Units are to be issued. Notwithstanding the above, a Sub-Fund may rely upon application orders received, even prior to receipt of application moneys, and may issue Units to investors according to such orders and invest the expected application amounts. If payment is not cleared within 4 Business Days following the relevant Dealing Day (or such other date as the Manager with the approval of the Trustee shall determine and notify the relevant applicant at the time of receipt of the application), the Manager reserves the right to cancel the transaction. In such circumstances, an investor may be required to settle the difference between the prices at issue and at cancellation of the Units concerned and in addition the appropriate cancellation fees and charges as representing the administrative costs involved in processing the application.

The initial Application Form may also be sent by facsimile. The original of any Application Form sent by facsimile must follow promptly, unless the Trustee agrees otherwise. For any subsequent subscription, the Application Form may also be sent by facsimile or other means from time to time determined by the Manager and the Trustee, unless the original is required.

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

The Manager, at its discretion, is entitled to impose a preliminary charge of up to 5.25% on the Issue Price of each Unit. The current rates are described in the relevant Appendix for each Sub-Fund. The Manager may retain such charge for its own absolute use and benefit or may in its discretion re-allow or pay all or part of the preliminary charge (and any other fees received) to intermediaries provided that such fees and charges are those which the Manager is entitled to receive for its own benefit. The Manager also has discretion to waive the preliminary charge in whole or in part in relation to any subscription for Units whether generally or in a particular case.

Investment Minima

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

The Manager has the discretion to waive, change or accept an amount lower than the above minimum initial subscription, minimum holding, minimum subsequent subscription and minimum redemption amounts, whether generally or in a particular case (e.g. for any monthly saving plan).

Payment Procedure

Subscription moneys should normally be paid in the relevant base currency or the class currency of such class of Units as determined by the Manager or the Trustee and disclosed in the relevant Appendix. Unless otherwise specified in the relevant Appendix relating to a Sub-Fund and subject to the agreement of the Trustee or the Manager, and to applicable limits on foreign exchange, arrangements can be made for applicants to pay for Units in most other major currencies and, in such cases, the cost of currency conversion will be borne by the applicant.

All payments should be made by cheque, direct transfer, telegraphic transfer or banker's draft. Cheques and banker's drafts should be crossed "**a/c payee only, not negotiable**" and made payable to "**BOCI-Prudential Trustee Limited**", stating the name of the relevant Sub-Fund to be subscribed, and sent with the Application Form. Payment by cheque is likely to cause delay in receipt of cleared funds and Units generally will not be issued until the cheque is cleared. Any costs of transfer of application moneys to a Sub-Fund will be payable by the applicant. Currency conversion will be subject to availability of the currency concerned.

Details of payments by telegraphic transfer are set out in the Application Form.

All application moneys must originate from an account held in the name of the applicant. No third party payments shall be accepted. The applicant is responsible for providing the evidence of its source of application moneys.

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

General

All holdings will be held for investors in registered form and no certificates will be issued. Evidence of title will be the entry on the register of Unitholders. Unitholders should therefore be aware of the importance of ensuring that the Manager and the Trustee are informed of any change to the registered details.

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

REDEMPTION OF UNITS

Redemption Procedure

Unitholders who wish to redeem their Units may do so on any Dealing Day by submitting a redemption request to an Authorised Distributor or the Trustee before the Dealing Deadline for the relevant Sub-Fund, as defined in the relevant Appendix. Unless otherwise stated in the Appendix of the relevant Sub-Fund, redemption requests received after the Dealing Deadline will be carried forward and dealt with on the next Dealing Day.

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

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

A redemption request must specify (i) the name of the Sub-Fund and the value or number of Units to be redeemed; (ii) the relevant class of Units to be redeemed; (iii) the name(s) of the registered holder(s); and (iv) the payment instructions for the redemption proceeds. Investors should be reminded that if they choose to send redemption requests by facsimile, they bear their own risk of the requests not being received or being illegible.

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

Payment of Redemption Proceeds

The Redemption Price on any Dealing Day shall be the price per Unit ascertained by dividing the Net Asset Value of the relevant class of the Sub-Fund as at the Valuation Point in respect of the Dealing Day by the number of such class of Units then in issue rounded to 2 decimal places with 0.005 being rounded up. Any rounding adjustment shall be retained by the relevant Sub-Fund. Such price shall be calculated in the base currency of the relevant Sub-Fund and quoted by the Manager in such base currency and in such other currency or currencies at the Manager's discretion (with prior notice to the Trustee) by converting such price to its equivalent in such other currency or currencies at the same rate as the Manager shall apply in calculating the Net Asset Value as at the Valuation Point. In calculating the Redemption Price, the Manager may impose deductions to compensate for the difference between the price at which assets of the relevant Sub-Fund are to be valued and the net proceeds which would be received on sale of such assets after deducting relevant expenses such as taxes, governmental charges, brokerages, etc.

The Manager may at its option impose a redemption charge of up to 5.25% of the Redemption Price of the relevant class of Units to be redeemed. The redemption charge, if any, is described in the relevant Appendix. The Manager may on any day in its sole and absolute discretion differentiate between Unitholders as to the amount of the redemption charge to be imposed (within the permitted limit).

From the time of the calculation of the Redemption Price to the time at which redemption moneys are converted out of any other currency into the base currency of the relevant Sub-Fund, if there is an officially announced devaluation or depreciation of that other currency, the amount which would otherwise be payable to the redeeming Unitholder shall be reduced as the Manager considers appropriate to take account of the effect of that devaluation or depreciation.

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

Redemption proceeds will not be paid to any redeeming Unitholder until (a) if so required by the Manager or the Trustee, the written original of the redemption request (in the required form) duly signed by the Unitholder has been received; and (b) where redemption proceeds are to be paid by telegraphic transfer, the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Trustee.

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

In the event that there is a delay in receipt by the Manager or the Trustee of the proceeds of realisation of the investments of the relevant Sub-Fund to meet redemption requests, the Manager or the Trustee may delay the payment of the relevant portion of the amount due on the redemption of Units. If the Manager or the Trustee is required by the laws of any relevant jurisdiction to make a withholding from any redemption moneys payable to the holder of a Unit the amount of such withholding shall be deducted from the redemption moneys otherwise payable to such person.

Subject as mentioned above and so long as relevant account details have been provided, redemption proceeds will be paid in the base currency or the class currency of the relevant class of Units by direct transfer or telegraphic transfer, normally within 5 Business Days after the relevant Dealing Day (or as otherwise specified in the Appendix of the relevant Sub-Fund) and in any event within one calendar month of the relevant Dealing Day or (if later) receipt of a properly documented request for redemption of Units, unless the market(s) in which a substantial portion of investments is made is subject to legal or regulatory requirements (such as foreign currency controls), rendering the payment of the redemption money within the aforesaid time period not practicable. In such case, the extended time frame for payment should reflect the additional time needed in light of the specific circumstances in the relevant market(s).

Unless the Manager and the Trustee otherwise agree, redemption proceeds will only be paid to a bank account that bears the name of the redeeming Unitholder. If relevant account details are not provided, redemption proceeds will be paid to the redeeming Unitholder (or to the first-named of joint Unitholders) at the Unitholder's risk by cheque, usually in the base currency or the class currency of the relevant class of Units, and sent to the redeeming Unitholder at the last known address held in the records of the Registrar.

Unless otherwise specified in the relevant Appendix relating to a Sub-Fund and subject to the agreement of the Trustee or the Manager, and to applicable limits on foreign exchange, redemption proceeds can be paid in a currency other than the base currency or the class currency of a Unit at the request and expense of the Unitholder. In such circumstances, the Trustee or the Manager shall use such currency exchange rates as it may from time to time determine. Currency conversion will be subject to availability of the currency concerned. None of the Manager, the Trustee or their respective agents or delegates will be liable to any Unitholder for any loss suffered by any person arising from the said currency conversion.

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

SWITCHING BETWEEN CLASSES

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

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

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

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

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

Where:

N is the number of Units of the New Class to be issued.

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

F is the currency conversion factor determined by the Manager for the relevant Dealing Day as representing the effective rate of exchange between the 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 Dealing Day less any Redemption Charge imposed by the Manager.

S is the Issue Price per Unit for the New Class applicable on the Dealing Day of the New Class coincident with or immediately following the relevant Dealing Day 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 Dealing Day for the New Class falling on or after the satisfaction of such conditions.

SF is a switching charge (if any).

The Manager has a right to impose a switching charge of up to 5.25% of the Issue Price of each Unit of the New Class in relation to the switching of Units and the current rates are set out in the relevant Appendix.

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

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

Restrictions on redemption and switching

The Manager may, after consultation with the Trustee, having regard to the best interests of the Unitholders, suspend the redemption or switching of Units or delay the payment of redemption proceeds during any periods in which the determination of the Net Asset Value of the relevant Sub-Fund is suspended (for details see “**Suspension of Calculation of Net Asset Value**” below).

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

With a view to protecting the interests of Unitholders, the Manager is entitled, with the approval of the Trustee, to limit the number of Units of any Sub-Fund redeemed on any Dealing Day (whether by sale to the Manager or by cancellation of Units) to 10% of the total number of Units of the relevant Sub-Fund in issue. In this event, the limitation will apply pro rata so that all Unitholders of the relevant Sub-Fund who have validly requested to redeem Units of the same Sub-Fund on that Dealing Day will redeem the same proportion of such Units of that Sub-Fund provided that any holdings so requested to be redeemed being in aggregate of not more than 1% of the total number of Units of any Sub-Fund in issue may be redeemed

in full if in the opinion of the Manager with the Trustee's approval the application of such limitation would be unduly onerous or unfair to the Unitholder or Unitholders concerned. Any Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, and will have priority on the next succeeding Dealing Day and all following Dealing Days (in relation to which the Manager has the same power) until the original request has been satisfied in full. If requests for redemption are so carried forward, the Manager will inform the Unitholders concerned within 7 days of such Dealing Day.

The Manager does not authorise practices connected to market timing. It reserves the right to reject any applications for subscriptions, redemptions or switching of Units from a Unitholder which it suspects to use such practices and to take such other measures as it considers necessary 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.

VALUATION

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

- (a) except in the case of any interest in a collective investment scheme to which paragraph (b) applies or a commodity, and subject as provided in paragraph (f) below, all calculations based on the value of investments quoted, listed or dealt in on any stock exchange, over-the-counter market or securities market ("**Securities Market**") shall be made by reference to the last traded price or last available closing price on the principal Securities Market for such investments, at or immediately preceding the Valuation Point, provided that if the Manager in its discretion considers that the prices ruling on a Securities Market other than the principal Securities Market provide in all the circumstances a fairer criterion of value in relation to any such investment, it may adopt such prices with the approval of the Trustee; and in determining such prices the Manager and the Trustee shall be entitled to use and rely on without verification electronic price feeds from such source or sources as they may from time to time determine notwithstanding the prices used are not the last traded or last available closing prices;
- (b) subject as provided in paragraphs (c) and (f) below, the value of each interest in any collective investment scheme shall be the net asset value per unit or share as at the same day, or if such collective investment scheme is not valued as at the same day, the last published net asset value per unit or share in such collective investment scheme (where available) or (if the same is not available) the last published redemption or bid price for such Unit or share at or immediately preceding the Valuation Point;
- (c) if no net asset value, bid and offer prices or price quotations are available as provided in paragraph (b) above, the value of the relevant investment shall be determined from time to time in such manner as the Manager shall determine with the approval of the Trustee;
- (d) the value of any investment which is not quoted, listed or normally dealt in on a Securities Market shall be the initial value thereof equal to the amount expended out of the Sub-Fund in the acquisition of such investment (including in each case the amount of stamp duties, commissions and other acquisition expenses) provided that the Manager may with the approval of the Trustee and shall at the request of the Trustee cause a revaluation to be made by a professional person approved by the Trustee as qualified to value such investment;
- (e) cash, deposits and similar investments shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager and subject to the approval of the Trustee, any adjustment should be made to reflect the value thereof;
- (f) notwithstanding the foregoing, the Manager may with the consent of the Trustee adjust the value of any investment or permit some other method of valuation to be used if, having regard to relevant circumstances, the Manager considers that such adjustment or use of such other method is required to reflect the fair value of the investment; and

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

Suspension of Calculation of Net Asset Value

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

- (a) there is a closure of or the restriction or suspension of trading on any commodities market or securities market on which a substantial part of the investments of the relevant Sub-Fund is normally traded or a breakdown in any of the means normally employed by the Manager or the Trustee (as the case may be) in ascertaining the prices of investments or the Net Asset Value of the relevant Sub-Fund or the Issue Price or Redemption Price per Unit; or
- (b) for any other reason the prices of a substantial part of the investments held or contracted for by the Manager for the account of that Sub-Fund cannot, in the opinion of the Manager after consultation with the Trustee, reasonably, promptly or fairly be ascertained; or
- (c) circumstances exist as a result of which, in the opinion of the Manager after consultation with the Trustee, it is not reasonably practicable to realise any investments held or contracted for the account of that Sub-Fund or it is not possible to do so without seriously prejudicing the interests of Unitholders of the Sub-Fund; or
- (d) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, the investments of that Sub-Fund or the issue or redemption of Units of the relevant class in the Sub-Fund is delayed or cannot, in the opinion of the Manager after consultation with the Trustee, be carried out promptly at normal rates of exchange; or
- (e) when a breakdown in the systems and/or means of communication usually employed in ascertaining the value of a substantial part 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 a substantial part 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, the Trustee or any of their delegates in relation to the operations of that Sub-Fund are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riot, strikes or acts of God; or
- (i) when the Unitholders have resolved to terminate that Sub-Fund.

Such suspension shall take effect forthwith upon the declaration thereof and thereafter there shall be no determination of the Net Asset Value of the relevant Sub-Fund until the Manager shall declare the suspension at an end, except that the suspension shall terminate in any event on the day following the first Business Day on which (i) the condition giving rise to the suspension shall have ceased to exist and (ii) no other condition under which suspension is authorised shall exist.

Whenever the Manager declares such a suspension it shall, as soon as may be practicable after any such declaration and at least once a month during the period of such suspension, publish a notice in the South China Morning Post and Hong Kong Economic Times.

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

INVESTMENT AND BORROWING RESTRICTIONS

The Trust Deed sets out restrictions and prohibitions on the acquisition of certain investments by the Manager and borrowing restrictions. Unless otherwise disclosed in the Appendix for each Sub-Fund, each of the Sub-Fund(s) is subject to the investment restrictions and borrowing restrictions set out in Schedule 1 to this Explanatory Memorandum.

Breach of Investment and Borrowing Restrictions

If the investment and borrowing restrictions for a Sub-Fund are breached, the Manager shall as a priority objective take all steps as are necessary within a reasonable period of time to remedy the situation, taking account of the interests of the Unitholders of the relevant Sub-Fund.

Securities Financing Transactions

Unless otherwise disclosed in the relevant Appendix for a Sub-Fund, the Manager will not engage in Securities Financing Transactions on behalf of any Sub-Fund. Prior approval will be sought from the SFC and not less than 1 month's notice will be given to affected Unitholders if there is a change in such practice.

Where it is disclosed in the relevant Appendix, a Sub-Fund may engage in Securities Financing Transactions. A Sub-Fund may engage in Securities Financing Transactions provided that they are in the best interests of Unitholders of the relevant Sub-Fund to do so and the associated risks have been properly mitigated and addressed. Information on a Sub-Fund's Securities Financing Transactions will be included in the annual report of the Sub-Fund. A summary of the policy of the Manager in relation to Securities Financing Transactions is set out in Schedule 2 to this Explanatory Memorandum.

Qualified Foreign Institutional Investor ("QFII") and Renminbi Qualified Foreign Institutional Investor ("RQFII")

Some Sub-Funds may have exposure to securities and instruments issued or distributed within Mainland China through the QFII regime or the RQFII regime.

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

- (i) the "Measures on the Administration of Domestic Securities Investments of Qualified Foreign Institutional Investors" jointly promulgated by the CSRC, the People's Bank of China and the SAFE on 24 August 2006 which came into effect on 1 September 2006 (《合格境外機構投資者境內證券投資管理辦法》);
- (ii) the "Provisions on Relevant Issues Concerning the Implementation of the Measures on the Administration of Domestic Securities Investments of Qualified Foreign Institutional Investors" promulgated by the CSRC on 27 July 2012 which came into effect on 27 July 2012 (關於實施《合格境外機構投資者境內證券投資管理辦法》有關問題的規定);

- (iii) the “Regulations on Foreign Exchange Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors” issued by the SAFE on 12 June 2018 (《合格境外機構投資者境內證券投資外匯管理規定》);
- (iv) the “Announcement on Relevant Matters concerning Further Improvement in the Investment in the Interbank Bond Market by Foreign Institutional Investors (Announcement [2016] No.3 of the People’s Bank of China)” issued by the People’s Bank of China on 17 February 2016 (《進一步做好境外機構投資者投資銀行間債券市場有關事宜公告》中國人民銀行公告[2016]第3號);
- (v) the Notice on the Issues concerning the Depository and Settlement of Domestic Securities Investment of QFII issued by the CSRC on 4 July 2003 (關於合格境外機構投資者境內證券交易登記結算業務有關問題的通知); and
- (vi) any other applicable regulations promulgated by the relevant authorities.

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

- (i) the “Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors” issued by the CSRC, the PBOC and the SAFE and effective from 1 March 2013 (《人民幣合格境外機構投資者境內證券投資試點辦法》);
- (ii) the “Implementation Rules for the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors” issued by the CSRC and effective from 1 March 2013 (關於實施《人民幣合格境外機構投資者境內證券投資試點辦法》的規定);
- (iii) the “Notice on Issues Relevant to Administration of Domestic Securities Investment by Renminbi Qualified Foreign Institutional Investors” (中國人民銀行國家外匯管理局關於人民幣合格境外機構投資者境內證券投資管理有關問題的通知) issued by the PBOC and SAFE and effective from 12 June 2018 (“**SAFE Rules**”); and
- (iv) any other applicable regulations promulgated by the relevant authorities.

The Manager (as QFII/RQFII Holder) may from time to time make available QFII/RQFII quota for the purpose of the relevant Sub-Fund’s direct investment into Mainland China. Under the SAFE’s QFII/RQFII quota administration policy, the Manager has the flexibility to allocate its QFII/RQFII quota across different fund products under the Manager’s management. The Manager may therefore allocate additional QFII/RQFII quota to a Sub-Fund, or allocate QFII/RQFII quota which may otherwise be available to a Sub-Fund to other products and/or accounts. The Manager may also apply to SAFE for additional QFII/RQFII quota which may be utilised by a Sub-Fund, other clients of the Manager or other products managed by the Manager. However, there is no assurance that the Manager will make available QFII/RQFII quota that is sufficient for a Sub-Fund’s investment at all times.

The Custodian has been appointed by the Trustee to hold the assets of the relevant Sub-Fund. The Manager, in its capacity as a QFII/RQFII, and the Custodian have appointed Agricultural Bank of China Limited as the QFII Custodian in respect of the QFII securities and RQFII Custodian in respect of the RQFII securities, pursuant to relevant laws and regulations.

Securities and instruments issued or distributed within Mainland China will be maintained by the QFII/RQFII Custodian pursuant to PRC regulations through securities accounts with the relevant Mainland China securities depositories in such name as may be permitted or required in accordance with law of Mainland China.

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 framework of the Shanghai-Hong Kong Stock Connect was set out in the Joint Announcement released by the China Securities Regulatory Commission ("**CSRC**") and the SFC on 10 April 2014 regarding the in-principle approval for such program. The framework of the Shenzhen-Hong Kong Stock Connect was set out in the Joint Announcement released by the CSRC and the SFC on 16 August 2016 regarding the in-principle approval for such program. The stock exchanges of the two jurisdictions continue to issue details of the program, e.g. operational rules, from time to time.

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 securities firms in Mainland China 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 securities firms in Mainland China 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 relevant Sub-Fund(s)) 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

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 under risk alert.

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 under risk alert 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 relevant Sub-Fund(s) 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 relevant Sub-Fund(s)) 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 Shanghai-Hong Kong Stock Connect each day.

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

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 and 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 two to three weeks 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 a relevant Sub-Fund) must not exceed 10% of the total issued shares of such listed company; and
- total 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 relevant Sub-Fund(s) 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 relevant Sub-Fund(s) 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

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.

Currently, as for Northbound Shanghai Trading Link or Northbound Shenzhen Trading Link trading, according to the Securities and Futures Ordinance, 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.

Therefore, the relevant Sub-Funds' investments through Northbound trading under Stock Connects are not currently covered by Hong Kong's Investor Compensation Fund. Legislative amendments have been proposed to cover Northbound trading, and are expected to take effect in 2020.

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 Mainland 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 relevant Sub-Fund(s) are concerned, since they are carrying out Northbound trading through securities brokers in Hong Kong and these brokers are not Mainland China brokers, therefore they are not protected by CSIPF in 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*)

China Interbank Bond Market

Participation in China interbank bond markets (“**China Interbank Bond Market**”) by foreign institutional investors (such as the relevant Sub-Fund(s)) is governed by rules and regulations as promulgated by the Mainland China authorities, i.e., PBOC and SAFE. Such rules and regulations may be amended from time to time and include (but are not limited to):

- (i) the “Announcement (2016) No 3” issued by the PBOC (中國人民銀行公告[2016]第3號) on 24 February 2016;
- (ii) the “Implementation Rules for Filing by Foreign Institutional Investors for Investment in Interbank Bond Markets” (境外機構投資者投資銀行間債券市場備案管理實施細則) issued by the Shanghai Head Office of PBOC on 27 May 2016;
- (iii) the “Circular concerning the Foreign Institutional Investors’ Investment in Interbank bond market in relation to foreign currency control” (國家外匯管理局關於境外機構投資者投資銀行間債券市場有關外匯管理問題的通知) issued by SAFE on 27 May 2016;
- (iv) the “Announcement on Matters concerning Filing Management by Foreign Investors for Investment in China Interbank Bond Markets” (關於境外投資者進入中國銀行間債券市場備案管理有關事項的公告) issued by the Shanghai Head Office of PBOC on 19 June 2018;
- (v) the “Circular concerning Further Facilitating Investment by Foreign Institutional Investors in the Interbank Bond Market” (中國人民銀行、國家外匯管理局關於進一步便利境外機構投資者投資銀行間債券市場有關事項的通知) issued by PBOC and SAFE on 30 September 2019; and
- (vi) any other applicable regulations promulgated by the relevant authorities.

Under the prevailing regulations in Mainland China, overseas institutional investors who wish to invest directly in China Interbank Bond Market may do so via an onshore settlement agent, who will be responsible for making the relevant filings and account opening with the relevant authorities. There is no quota limitation.

In terms of fund remittance and repatriation, foreign investors (such as the relevant Sub-Fund(s)) may remit investment principal in RMB or foreign currency into Mainland China for investing in the China Interbank Bond Market. Where the relevant Sub-Fund(s) repatriates funds out of Mainland China, the ratio of RMB to foreign currency (“**Currency Ratio**”) should generally match the original Currency Ratio when the investment principal was remitted into Mainland China, with a maximum permissible deviation of 10%.

Bond Connect

Bond Connect is a new initiative launched in July 2017 for mutual bond market access between Hong Kong and Mainland China established by China Foreign Exchange Trade System & National Interbank Funding Centre (“**CFETS**”), China Central Depository & Clearing Co., Ltd, Shanghai Clearing House, and Hong Kong Exchanges and Clearing Limited and Central Moneymarkets Unit.

Under the prevailing regulations in Mainland China, eligible foreign investors will be allowed to invest in the bonds circulated in the China Interbank Bond Market through the northbound trading of Bond Connect (“**Northbound Trading Link**”). There will be no investment quota for Northbound Trading Link.

Under the Northbound Trading Link, eligible foreign investors are required to appoint the CFETS or other institutions recognised by the PBOC as registration agents to apply for registration with the PBOC.

Pursuant to the prevailing regulations in Mainland China, an offshore custody agent recognised by the Hong Kong Monetary Authority (currently, the Central Moneymarkets Unit) shall open omnibus nominee accounts with the onshore custody agent recognised by the PBOC (currently, the China Central Depository & Clearing Co., Ltd and Shanghai Clearing House). All bonds traded by eligible foreign investors will be registered in the name of Central Moneymarkets Unit, which will hold such bonds as a nominee owner.

Liquidity Risk Management

The Manager has established a liquidity risk management policy which enables it to identify, monitor and manage the liquidity risks of each Sub-Fund 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 the 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 liquidity profile; the redemption policy; the dealing frequency; the ability to enforce redemption limitations and the fair valuation policies of the relevant Sub-Fund(s). These measures seek to ensure fair treatment and transparency for all investors.

The liquidity risk management policy involves monitoring the profile of investments held by the relevant Sub-Fund(s) on an on-going basis to ensure that such investments are appropriate to the redemption policy as stated under the section headed “**Redemption of Units**”, and will facilitate compliance with each Sub-Fund’s obligation to meet redemption requests. Further, the liquidity risk management policy includes details on periodic stress testing carried out by the Manager to manage the liquidity risk of each Sub-Fund under normal and exceptional market conditions.

The Manager’s risk management function is independent from the investment portfolio management function and is responsible for performing ongoing monitoring and periodic stress testing on the liquidity risk of each Sub-Fund in accordance with the Manager’s liquidity risk management policy. Exceptions on liquidity risk related issues are escalated to the Manager’s Compliance and Risk Management Committee with appropriate actions properly documented.

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

- The Manager may suspend the redemption or switching of Units or delay the payment of redemption proceeds during any periods in which the determination of the Net Asset Value of the relevant Sub-Fund(s) is suspended. For further details, please refer to the sub-section headed "**Restrictions on redemption and switching**" under the section headed "**Switching between Classes**";
- In calculating the Issue Price and Redemption Price, the Manager may impose surcharges or deductions to account for the costs of acquisition or disposal of assets including relevant expenses such as taxes, governmental charges, brokerages, etc. For further details, please refer to the sub-section headed "**Subsequent Subscription**" under the section headed "**Purchase of Units**" and the sub-section headed "**Payment of Redemption Proceeds**" under the section headed "**Redemption of Units**";
- The Manager may borrow up to 10% of the latest available Net Asset Value of a Sub-Fund to meet redemption requests. For further details, please refer to the section headed "9. **Borrowing and Leverage**" under Schedule 1.

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.

There can be no assurance that a Sub-Fund will achieve its investment objective. Each Sub-Fund is subject to market fluctuations and to the risks inherent in all investments. The price of Units of any Sub-Fund and the income from them may go down as well as up.

- (i) **Market risk** – 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.
- (ii) **Mainland China market risk** – Investing in the Mainland China market is subject to the risks specific to the Mainland China market.

Since 1978, the PRC 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.

Experience in the interpretation and enforcement of laws and regulations governing commercial contracts and undertakings may be limited. The introduction of new laws and regulations of Mainland China and the interpretation of existing ones may be subject to policy changes reflecting political or social developments in Mainland China. As the legal system of Mainland China develops, changes in such legislation or interpretation thereof may have an adverse effect upon the business of the companies in which the Sub-Funds invest in. This may lead to losses to the relevant Sub-Funds. Mainland accounting standards and practices may deviate significantly from international accounting standards. The settlement and clearing systems of the Mainland securities markets may not be well tested and may be subject to increased risks of error or inefficiency.

Investments in equity interests of Mainland companies may be made through China A-Shares, B-Shares and H-Shares. The Mainland China stock market has in the past experienced substantial price volatility, and there is no assurance that such volatility will not occur in the future. The stocks of small-capitalisation/mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

Investment in RMB denominated bonds may be made in or outside Mainland China. As the number of these securities and their combined total market value are relatively small compared to more developed markets, investments in these securities may be subject to increased price volatility and lower liquidity.

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 relevant Sub-Fund. Laws governing taxation will continue to change and may contain conflicts and ambiguities.

- (iii) **RMB foreign exchange control risk** – The RMB is not currently a freely convertible currency and is subject to exchange control imposed by the Chinese government. Such control of currency conversion and movements in the RMB exchange rates may adversely affect the operations and financial results of companies in Mainland China. Insofar as a Sub-Fund’s assets are invested in Mainland China, it will be subject to the risk of the PRC government’s imposition of restrictions on the repatriation of funds or other assets out of the country, limiting the ability of the relevant Sub-Fund to satisfy payments to investors.
- (iv) **RMB currency risk** – Starting from 2005, the exchange rate of the RMB is no longer pegged to the US dollar. The RMB has now moved to a managed floating exchange rate based on market supply and demand with reference to a basket of foreign currencies. The daily trading price of the RMB against other major currencies in the inter-bank foreign exchange market would be allowed to float within a narrow band around the central parity published by the PBOC. As the exchange rates are based primarily on market forces, the exchange rates for RMB against other currencies, including US dollars and Hong Kong dollars, are susceptible to movements based on external factors. It should be noted that the RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of the Chinese government. The possibility that the appreciation of RMB will be accelerated cannot be excluded. On the other hand, there can be no assurance that the RMB will not be subject to devaluation. Where a Sub-Fund’s assets are invested in RMB denominated assets, any devaluation of the RMB could adversely affect the value of the Sub-Fund’s investments. The Chinese government’s policies on exchange control and repatriation restrictions are subject to change, and the Sub-Fund’s position may be adversely affected.

Renminbi (or RMB) is the only official currency of the PRC. While both onshore RMB (“**CNY**”) and offshore RMB (“**CNH**”) are the same currency, they are traded in different and separated markets. Since the two RMB markets operate independently where the flow between them is highly restricted, onshore and offshore RMB are traded at different rates and their movement may not be in the same direction. Due to the strong demand for offshore RMB, CNH used to be traded at a premium to onshore RMB, although occasional discount may also be observed. If applicable, when calculating the value of a non-RMB denominated or settled asset or the price of a non-RMB denominated class of Units, the Manager will normally apply the exchange rate for offshore RMB market in Hong Kong (the “**CNH rate**”). As mentioned above, the CNH rate may be at a premium or discount to the exchange rate for onshore RMB market in Mainland China (the “**CNY rate**”) and there may be significant bid and offer spreads. The value of the relevant Sub-Fund thus calculated may be subject to fluctuation.

- (v) **Emerging markets risk** – Various countries/regions in which a Sub-Fund may invest are considered as emerging markets. Investing in emerging markets involves increased risks and special considerations not typically associated with investment in more developed economies or markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

Investments in emerging markets will be sensitive to any change in political, social or economic development in the region. Many emerging market countries/regions 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 market countries/regions 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/regions 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.

- (vi) **Accounting and disclosure standards risk** – Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to some countries/regions in which a Sub-Fund may invest may differ from those applicable in developed countries/regions, for example, less information is available to investors and such information may be out of date.
- (vii) **Settlement risk** – Settlement procedures in emerging market countries/regions are frequently less developed and less reliable and may involve the 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. The Sub-Fund may incur substantial losses if its counterparty fails to pay for securities the Sub-Fund has delivered, or for any reason fails to complete its contractual obligations owed to the 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.
- (viii) **Currency risk** – Certain Sub-Funds may be invested in part in assets quoted in currencies other than its base currency. The performance of such Sub-Funds will therefore be affected by movements in the exchange rate between the currencies in which the assets are held and the base currency of the Sub-Funds. Since the Manager aims to maximise returns for such Sub-Funds in terms of their base currency, investors in these Sub-Funds may be exposed to additional currency risk.
- (ix) **Interest rate risk** – Changes in interest rates may affect the value of a security as well as the financial markets in general. Debt securities (such as bonds) are more susceptible to fluctuation in interest rates and may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes and the shape of the yield curves.

(x) **Credit rating downgrade risk** – The credit ratings of fixed-income securities by credit rating agencies are a generally accepted barometer of credit risk. They are, however, subject to certain limitations. For example, the rating of an issuer is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is often a time lag in updating the credit ratings in response to recent credit events. Investment grade securities may be subject to the risk of being downgraded to below investment grade securities. In the event of downgrading in the credit ratings of a security or an issuer relating to a security, the value of a Sub-Fund's investment in such security may be adversely affected. The Manager may or may not dispose of the securities, subject to the investment objectives of the relevant Sub-Fund. In the event of investment grade securities being downgraded to below investment grade securities, the Sub-Fund will also be subject to the below investment grade securities risk outlined in the following paragraph.

(xi) **Below investment grade and unrated securities risk** – A Sub-Fund may invest in securities which are below investment grade or which are unrated. Investors should note that such securities would generally be considered to have a higher credit risk and a greater possibility of default than more highly rated securities. 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.

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

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

(xiii) **Sovereign debt risk** – A Sub-Fund's investment in securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the relevant Sub-Fund to participate in restructuring such debts. The relevant Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

(xiv) **Over-the-counter markets risk** – Over-the-counter (OTC) markets (in which many different kinds of financial derivative instruments and structured products are generally traded) are subject to less governmental regulation and supervision of transactions 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.

- (xv) **Concentration risk** – Certain Sub-Funds may invest only in a specific country/region/market/sector. Each 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. Investors should also be aware that such Sub-Funds are likely to be more volatile than a broad-based fund, such as a global or regional equity fund, as they are more susceptible to fluctuations in value resulting from limited number of holdings or from adverse conditions in their respective countries/regions.
- (xvi) **Risks relating to hedging and the hedged classes** – The Manager is permitted, but not obliged, to use hedging techniques to attempt to offset market and currency risks, including hedging the currencies in which the underlying assets of the Sub-Fund are denominated against the Sub-Fund's base currency or the currency of the assets that the Sub-Funds primarily invested in. There is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result. There can be no assurance that any currency hedging strategy employed by the Manager will fully and effectively eliminate the currency exposure of the Sub-Fund.

Investing in derivative instruments for hedging is subject to the risks of default by the counterparties as set out under the risk factor "**Counterparty risk**" below.

For the currency hedged classes of Units, hedging will be performed to hedge the currency of denomination of the class of Units against (i) the base currency of the Sub-Fund; or (ii) the currency of the assets that are primarily invested in. The effects of hedging will be reflected in the Net Asset Values of the hedged classes. Similarly, any expenses arising from such hedging transactions will be borne by the hedged classes in relation to which they have been incurred which may be significant depending on the prevailing market conditions.

It should also be noted that hedging transactions may be entered into whether the denominated currency of the hedged classes is declining or increasing in value relative to the Sub-Fund's base currency and so, where such hedging is undertaken it may substantially protect Unitholders in the hedged classes against a decrease in the value of the Sub-Fund's base currency relative to the class currency of the hedged classes, but it may also preclude Unitholders from benefiting from an increase in the value of the Sub-Fund's base currency.

- (xvii) **Liquidity risk** – Some of the markets in which a Sub-Fund invests may be less liquid and more volatile than the world's leading stock markets and this may result in the fluctuation in the price of securities traded on such markets. Certain securities may be difficult or impossible to sell, and this would affect the Sub-Fund's ability to acquire or dispose of such securities at their intrinsic value.

Liquidity risk exists if sizeable redemption requests are received as 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 investments.

- (xviii) **Custody 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, a Sub-Fund may even be unable to recover all of its assets. The costs borne by a Sub-Fund in investing and holding investments in such markets will be generally higher than in organised securities markets.
- (xix) **Derivative and structured product risk** – The Sub-Funds may invest in derivatives such as options, futures and convertible securities, and in depositary receipts, participation rights and potentially through other instruments which are linked to the performance of securities or indices such as participation notes, equity swaps and equity linked notes, which are sometimes referred to as “structured products”. Investment in these instruments can be illiquid, if there is no active market in these instruments. Such instruments are complex in nature. Therefore there are risks of mispricing or improper valuation and possibilities that these instruments do not always perfectly track the value of the securities, rates or indices they are designed to track. Improper valuations can result in increased payments to counterparties or a loss in the value of the relevant Sub-Funds. The instruments will also be subject to insolvency or default risk of the issuers or counterparties. In addition, investment through structured products may lead to a dilution of performance of such Sub-Funds when compared to a fund investing directly in similar assets. Besides, many derivative and structured products involve an embedded leverage. This is because such instruments provide significantly larger market exposure than the money paid or deposited when the transaction is entered into, so a relatively small adverse market movement could expose the relevant Sub-Funds to the possibility of a loss exceeding the original amount invested.
- (xx) **Risks on taxation** – A Sub-Fund’s investments may be subject to specific taxes or charges imposed by authorities in some markets. Investors should note that the proceeds from the sale of securities in some markets or the receipt of any dividends or other income may be or may become subject to tax, levies, duties or other fees or charges imposed by the authorities in that market including taxation levied by withholding at source. In addition, taxation of interest and capital gains received by non-residents varies among emerging and less developed markets and, in some cases, may be comparatively high. There may also be less well-defined tax laws and procedures and such laws may permit retroactive taxation so that the relevant Sub-Fund could in the future become subject to local tax liabilities that had not been anticipated in conducting investment activities or valuing assets.
- (xxi) **Restricted markets risk** – The Sub-Funds may invest in securities in jurisdictions (including Mainland China) which impose limitations or restrictions on foreign ownership or holdings. In such circumstances, the Sub-Funds may be required to make investments in the relevant markets directly or indirectly. In either case, legal and regulatory restrictions or limitations may have adverse effect on the liquidity and performance of such investments due to factors such as limitations on fund repatriation, dealing restrictions, adverse tax treatment, higher commission costs, regulatory reporting requirements and reliance on services of local custodians and service providers.

- (xxii) **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, options and other derivatives. 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 investment.
- (xxiii) **Risk of termination** – A Sub-Fund may be terminated in certain circumstances which are summarised under the section “**Termination of the Fund or any Sub-Fund**”. In the event of the termination of a Sub-Fund, such Sub-Fund would have to distribute to the Unitholders their pro rata interest in the assets of the Sub-Fund. It is possible that at the time of such sale or distribution, certain investments held by the relevant Sub-Fund may 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.
- (xxiv) **Risks associated with Stock Connects** – The relevant Sub-Fund(s) may invest through the Stock Connects. In addition to the “**Mainland China market risk**” and “**RMB currency 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 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 regulations are untested and there is no certainty as to how they will be applied, and their application may have retrospective effects. Moreover, the current regulations are subject to change which may be retrospective. There can be no assurance that the Stock Connects will not be abolished. The relevant Sub-Fund(s), 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 relevant Sub-Fund(s)’ ability to invest in China A-Shares through Stock Connects on a timely basis, and the relevant Sub-Fund(s) may not be able to effectively pursue its investment strategies.

Suspension risk

- Each of SEHK, SSE and SZSE (as appropriate) reserves 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 relevant Sub-Fund's ability to access the Mainland China market (and hence its ability to pursue its investment strategy) will be adversely affected.

Differences in trading day

- Stock Connects will only operate on days when both 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 Mainland China market but Hong Kong investors (such as the relevant Sub-Fund(s)) cannot carry out any China A-Shares trading. The relevant Sub-Fund(s) 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 provide a channel for investors from Hong Kong and overseas to access the Mainland China stock market directly.
- The Stock Connects are premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this 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.
- 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 relevant 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

- Regulations of the Mainland China 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 relevant Sub-Fund(s) 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 relevant Sub-Fund(s) may not be able to dispose of holdings of China A-Shares in a timely manner.
- However, the relevant Sub-Fund(s) may request a custodian to open a special segregated account (“**SPSA**”) in CCASS to maintain its holdings in China A-Shares under the enhanced pre-trade checking model. Each SPSA will be assigned a unique “Investor ID” by CCASS for the purpose of facilitating China Stock Connect System to verify the holdings of an investor such as the relevant Sub-Fund(s). Provided that there is sufficient holding in the SPSA when a broker inputs the relevant Sub-Fund(s)’ sell order, the relevant Sub-Fund(s) will be able to dispose of its holdings of China A-Shares (as opposed to the practice of transferring China A-Shares to the broker’s account under the current pre-trade checking model for non-SPSA accounts). Opening of the SPSA accounts for the relevant Sub-Fund(s) will enable it to dispose of its 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 relevant Sub-Fund(s), 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 have established the clearing links and each is 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 central counterparty of the securities market in Mainland China, 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 relevant Sub-Fund(s) 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. Where the articles of association of a listed company do not prohibit the appointment of proxy/multiple proxies by its shareholder, HKSCC will make arrangements to appoint one or more investors as its proxies or representatives to attend shareholders' meetings when instructed. Further, investors (with holdings reaching the thresholds required under the Mainland China regulations and the articles of associations of listed companies) may, through their CCASS participants, pass on proposed resolutions to listed companies via HKSCC under the CCASS rules. HKSCC will pass on such resolutions to the companies as shareholder on record if so permitted under the relevant regulations and requirements. Hong Kong and overseas investors (including the relevant Sub-Fund(s)) 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 very short. Therefore, the relevant Sub-Fund(s) may not be able to participate in some corporate actions in a timely manner.

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 section headed "Stock Connects", the relevant 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 relevant Sub-Fund(s) are exposed to the risks of default of the broker(s) it engages in its trading in China A-Shares through the program.

Taxation risk

- Although the authorities of Mainland China provide temporary tax exemption on gains derived by Hong Kong and overseas investors (including the relevant Sub-Fund(s)) on the transfer of China A-Shares through RQFII status of the Manager and the Stock Connects under Circular 79, Circular 81 and Circular 127, 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 79, Circular 81 and Circular 127 was granted on a temporary basis and there is no assurance that the relevant Sub-Fund(s) will continue to enjoy the tax exemption over a long period of time.

(xxv) ***Risks associated with the Small and Medium Enterprise board and/or ChiNext market*** – The relevant Sub-Fund(s) may invest in the Small and Medium Enterprise ("SME") board and/or the ChiNext market of the Shenzhen Stock Exchange via the Shenzhen-Hong Kong Stock Connect. Investments in the SME board and/or ChiNext market may result in significant losses for the relevant Sub-Fund(s) and their 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 Shenzhen Stock Exchange.

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 Fund if the companies that it invests in are delisted.

(xxvi) ***Risks associated with China Interbank Bond Market and Bond Connect*** – Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the China Interbank Bond Market may result in prices of certain debt securities traded on such market fluctuating significantly. The relevant Sub-Fund(s) investing in such market is therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the relevant Sub-Fund(s) may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

To the extent that the relevant Sub-Fund(s) transact in the China Interbank Bond Market, the relevant Sub-Fund(s) may also be exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the relevant Sub-Fund(s) may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

Since the relevant filings and account opening for investment in the China Interbank Bond Market have to be carried out via the an onshore settlement agent, the relevant Sub-Fund(s) are subject to the risks of default or errors on the part of the onshore settlement agent.

The China Interbank Bond Market is also subject to regulatory risks. The relevant rules and regulations on investment in the China Interbank Bond Market is subject to change which may have potential retrospective effect. In the event that the relevant Mainland Chinese authorities suspend account opening or trading on the China Interbank Bond Market, the relevant Sub-Fund(s)' ability to invest in the China Interbank Bond Market will be limited and, after exhausting other trading alternatives, the relevant Sub-Funds may suffer substantial losses as a result.

Investment in China Interbank Bond Market via Northbound Trading Link under Bond Connect

For investments via Bond Connect, the relevant filings, registration with PBOC and account opening have to be carried out via an onshore settlement agent, an offshore custody agent, registration agent or other third parties (as the case may be). As such, a Sub-Fund is subject to the risks of default or errors on the part of such third parties.

Investing in the China Interbank Bond Market via Bond Connect is also subject to regulatory risks. The relevant rules and regulations on these regimes are subject to change which may have potential retrospective effect. In the event that the relevant Mainland Chinese authorities suspend account opening or trading on the China Interbank Bond Market, the relevant Sub-Fund's ability to invest in the China Interbank Bond Market will be adversely affected. In such event, the relevant Sub-Fund's ability to achieve its investment objective will be negatively affected.

Trading through Bond Connect is performed through newly developed trading platforms and operational systems. There is no assurance that such systems will function properly or will continue to be adapted to changes and developments in the market. In the event that the relevant systems fail to function properly, trading through Bond Connect may be disrupted. A Sub-Fund's ability to trade through Bond Connect (and hence to pursue its investment strategy) may therefore be adversely affected. In addition, where a Sub-Fund invests in the China Interbank Bond Market through Bond Connect, it may be subject to risks of delays inherent in the order placing and/or settlement systems.

Taxation Risk

There is no specific written guidance by the Mainland China tax authorities on the treatment of income tax and other tax categories payable in respect of trading in China Interbank Bond Market by eligible foreign institutional investors via Bond Connect. Hence it is uncertain as to the relevant Sub-Fund's tax liabilities for trading in China Interbank Bond Market via Bond Connect. Investors should refer to the heading "**Mainland China**" in the section headed "**Taxation**" for further details on Mainland China taxation and associated risks.

(xxvii) **Foreign Account Tax Compliance Act** – Sections 1471-1474 (referred to as "**FATCA**") of the United States ("**US**") Internal Revenue Code of 1986, as amended ("**IRS Code**") impose a reporting regime and a potentially a 30% FATCA withholding tax with respect to certain payments (including, but not limited to interest and dividends from securities of US issuers and the gross proceeds from the sale of such securities), to certain persons, such as the Fund and the Sub-Funds. All such payments may be subject to a FATCA withholding tax of 30%, unless the recipient of the payment satisfies certain requirements intended to enable the US Internal Revenue Service ("**IRS**") to identify US 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 enter into an agreement (an "**FFI Agreement**") and amongst other things, (i) identify direct or indirect

owners who are U.S. persons (ii) report to the IRS the name, address, and tax identification number of certain U.S. persons that own, directly or indirectly, an interest in the Fund, as well as certain other information related to such interest and (iii) impose a U.S. FATCA withholding tax on certain payments made to certain account holders. Under an FFI Agreement or an applicable intergovernmental agreement (“**IGA**”), an FFI generally will be required to provide information, representations and waivers of non-US law as may be required to comply with the provisions of the rules, including, information regarding its direct and indirect US accountholders.

In general, an FFI which does not sign an FFI Agreement or is not otherwise exempt will face a punitive 30% FATCA withholding tax on all “**withholdable payments**” derived from US sources, including dividends, interest and certain derivative payments made on or after 1 July 2014, starting from 1 January 2019, the gross proceeds from the sale of stocks and debt obligations generating US source dividends or interest, and the starting the later of December 31, 2018 or the date of when foreign passthrough payments is defined by the IRS, certain foreign payments (currently reserved for future definition).

Hong Kong has on 13 November 2014 entered into an IGA for the implementation of FATCA, adopting “**Model 2**” IGA arrangements. Under this “**Model 2**” IGA arrangement, FFIs in Hong Kong (such as the Fund and the Sub-Funds) would be required to enter into the FFI Agreement with the US IRS, register with the US IRS and comply with the terms of FFI Agreement and IGA. Otherwise they will be subject to a 30% FATCA withholding tax on relevant US-sourced payments to them.

FFIs in Hong Kong (such as the Fund and the Sub-Funds) complying with the terms in the “**Model 2**” IGA (i) will generally not be subject to the above described 30% FATCA withholding tax; and (ii) will not be required to withhold tax on payments to recalcitrant accounts (i.e. accounts of which the holders do not consent to FATCA reporting and disclosure to the US IRS), or close those recalcitrant accounts (provided that information regarding such recalcitrant account holders is reported to the US IRS), but may be required to withhold tax on certain payments made to non-compliant FFIs.

As of the date hereof, each Sub-Fund established as at the date hereof has already entered into FFI Agreement with the US IRS and registered with the US IRS. Tax advice has been obtained that the Fund does not need to be registered with the IRS.

The Fund and each Sub-Fund will endeavour to satisfy the requirements imposed under FATCA and the FFI Agreement to avoid any FATCA 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.

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 to the extent permitted by applicable laws and regulations; (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 and in compliance with all applicable laws and regulations.

Each Unitholder and prospective investor should consult with his own tax advisor as to the potential impact of FATCA in its own tax situation.

(xxviii) ***Risks associated with collateral management and re-investment of cash collateral*** – Where a Sub-Fund enters into a securities financing transaction or an OTC derivative transaction or securities financing transaction, collateral may be received from or provided to the relevant counterparty.

Notwithstanding that a Sub-Fund may only accept non-cash collateral which is highly liquid, the relevant Sub-Fund is subject to the risk that it will be unable to liquidate collateral provided to it to cover a counterparty default. The relevant Sub-Fund is also subject to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Where cash collateral received by a Sub-Fund is re-invested, the relevant Sub-Fund will be exposed to the risk of a failure or default of the issuer of the relevant security in which the cash collateral has been invested.

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

Finance charges received by a Sub-Fund under a securities lending transaction may be reinvested in order to generate additional income. Similarly cash collateral received by a Sub-Fund may also be reinvested in order to generate additional income. In both circumstances, the relevant Sub-Fund will be exposed to market risk in respect of any such investments and may incur a loss in reinvesting the financing charges and cash collateral it receives. Such a loss may arise due to a decline in the value of the investment made. A decline in the value of investment of the cash collateral would reduce the amount of collateral available to be returned by the relevant Sub-Fund to the securities lending counterparty at the conclusion of the securities lending contract. The relevant Sub-Fund would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the relevant Sub-Fund.

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

If the additional income which is generated through finance charges imposed by a Sub-Fund on the counterparty of a Reverse Repurchase Transaction is reinvested, the relevant Sub-Fund will assume market risk in respect of such investments.

In view of the above, investment in any Sub-Fund should be regarded as long term in nature. The Sub-Funds are, therefore, only suitable for investors who can afford the risks involved.

Investors should refer to the relevant Appendix for details of any additional risks specific to a Sub-Fund.

EXPENSES AND CHARGES

Management Fee

The Manager is entitled to receive a management fee accrued daily and payable monthly in arrears out of each Sub-Fund as a percentage of the Net Asset Value of each class of Unit in a Sub-Fund as at each Valuation Day at the rates set out in the Appendix for the relevant Sub-Fund subject to a maximum fee of 2.5% per annum.

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

Unitholders shall be given not less than one month's prior notice should there be any increase of the management fee from the current level to the maximum level.

Performance Fee

The Manager may charge a performance fee for certain Sub-Fund(s), payable out of the assets of the relevant Sub-Fund based on its Net Asset Value. 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.

Trustee Fee

The Trustee is entitled to a Trustee Fee, payable out of the assets of each Sub-Fund based on the Net Asset Value of the relevant Sub-Fund at the rate set out in relevant Appendix for the Sub-Fund subject to a maximum fee of 0.5% per annum subject to a monthly minimum fee as agreed between the Manager and the Trustee. The Trustee's fee is accrued daily and is payable monthly in arrears.

The Trustee also acts as the Registrar of the Fund.

Unitholders shall be given not less than one month's prior notice should there be any increase of the Trustee Fee from the current level up to the maximum level.

Custodian Fee

In respect of each Sub-Fund, the Custodian is entitled to, among others, transaction charges at customary market rates and Custody Fees at different rates, largely depending on the markets where the Custodian is required to hold the relevant Sub-Fund's assets. The Custodian's fees and charges are accrued daily and are payable monthly in arrears. The Custodian will also be entitled to reimbursement by the relevant Sub-Fund for any out-of-pocket expenses incurred in the course of its duties.

The current rate of the Custody Fees set out in the Appendix represents the maximum of such Custody Fees payable by the relevant Sub-Fund.

For Sub-Funds that invest through a RQFII, the fee charged by the RQFII Custodian is included in the Custodian's fee.

Establishment Costs

The establishment costs of the Fund and the following Sub-Fund(s) have been fully amortised: BOCHK All Weather Global Opportunities Fund, BOCHK All Weather China High Yield Bond Fund, BOCHK Hong Kong Equity Fund, BOCHK All Weather CNY Equity Fund and BOCHK All Weather Asian Bond Fund. Investors may refer to the relevant Appendix for information on the amount of the establishment costs in relation to other Sub-Funds. Where subsequent Sub-Funds are established in the future, the Manager and the Trustee 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 a period of three Accounting Periods (or such other period as determined by the Manager after consultation with the Trustee).

General

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

Each Sub-Fund will bear the cost of (a) all stamp and other duties, taxes, governmental charges, brokerages, commissions, exchange costs and commissions, bank charges, transfer fees and expenses, registration fees and expenses, transaction fees of the Trustee, custodian or sub-custodian and proxy fees and expenses, collection fees and expenses, insurance and security costs, and any other costs, charges or expenses payable in respect of the acquisition, holding and realisation of any investment or other property or any cash, deposit or loan (including the claiming or collection of income or other rights in respect thereof and including any fees or expenses charged or incurred by the Trustee or the Manager or any connected person in the event of the Trustee or the Manager or such connected person rendering services or effecting transactions giving rise to such fees or expenses), (b) the fees and expenses of the Auditors and the Registrar, (c) fees charged by the Trustee in connection with valuing the assets of the Sub-Fund or any part thereof, calculating the issue and redemption prices of Units of the Sub-Fund and preparing financial statements, (d) all legal charges incurred by the Manager or the Trustee in connection with the Sub-Fund, (e) out-of-pocket expenses incurred by the Trustee wholly and exclusively in the performance of its duties, (f) the expenses of or incidental to the preparation of deeds supplemental to the Trust Deed, (g) the expenses of holding meetings of Unitholders and of giving notices to Unitholders, (h) the costs and expenses of obtaining and maintaining a listing for the Units of the Sub-Fund on any stock exchange or exchanges selected by the Manager and approved by the Trustee and/or in obtaining and maintaining any approval or authorisation of the Sub-Fund or in complying with any undertaking given, or agreement entered into in connection with, or any rules governing such listing, approval or authorisation, and (i) without prejudice to the generality of the foregoing, all costs incurred in publishing the issue and redemption prices of Units of the Sub-Fund, all costs of preparing, printing and distributing all statements, accounts and reports pursuant to the provisions of the Trust Deed (including the Auditors' fees and Trustee's fee), the expenses of preparing and printing any explanatory memorandum, and any other expenses, deemed by the Manager, after consulting the Trustee, to have been incurred in compliance with or in connection with any change in or introduction of any law or regulation or directive (whether or not having the force of law) of any governmental or other regulatory authority or with the provisions of any code relating to unit trusts.

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

Cash Rebates and Soft Commissions

Neither the Manager 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.

The Manager, the investment delegate (if any) and/or any of their connected person reserves the right to effect transactions by or through a broker or dealer with whom the Manager, the investment delegate (if any) and/or any of their connected persons has an arrangement under which that broker or dealer will from time to time provide to or procure for the Manager, the investment delegate (if any) and/or any of their connected persons goods or services for which no direct payment is made by instead the Manager, the investment delegate (if any) and/or any of their connected persons under takes to place business with that broker or dealer. The Manager shall procure that no such arrangements are entered into unless (i) 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 or the investment delegate (if any) in their ability to manage the relevant Sub-Fund or otherwise; (ii) the transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates; (iii) periodic disclosure is made in the annual report of the Fund or the relevant Sub-Fund in the form of a statement describing the soft dollar policies and practices of the Manager or the investment delegate (if any), including a description of goods and services received by them; and (iv) the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer. 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.

Hong Kong

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

- (a) The Fund and the Sub-Funds are not expected to be subject to Hong Kong tax in respect of any of its authorised activities.
- (b) No tax will be payable by Unitholders in Hong Kong in respect of dividends or other income distributions of any Sub-Fund so authorised or in respect of any capital gains arising on a sale, redemption or other disposal of Units of such Sub-Fund, except that Hong Kong profits tax may arise where such transactions form part of a trade, profession or business carried on in Hong Kong.

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

Automatic Exchange of Financial Account Information

The Inland Revenue (Amendment) (No.3) Ordinance (the “**Ordinance**”) came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information (“**AEOI**”). The Ordinance requires Financial Institutions (“**FI**”) in Hong Kong to collect Unitholders’ certain information and to report annually the required information of Unitholders who are a tax resident in jurisdictions which signed a Competent Authority Agreement (“**CAA**”) with Hong Kong (collectively “**reportable jurisdictions**”) with the Hong Kong Inland Revenue Department (“**IRD**”) commencing from the year 2018 for the purpose of AEOI. In general, the IRD may in turn exchange such information with the competent authorities of the reportable jurisdictions. Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has a CAA; however, the Fund, the Sub-Funds, the Manager and/or its agents may further collect information relating to tax residents of jurisdiction other than the reportable jurisdictions.

The Fund and each Sub-Fund, as a Hong Kong FI, are required to comply with the Ordinance, which means that the Fund, the Sub-Funds, the Manager and/or its agents shall collect and provide to IRD information relating to Unitholders who are tax resident in the reportable jurisdictions.

The Ordinance requires the Fund, amongst other things: (i) register its status as a “Reporting Financial Institution” with the IRD; (ii) conduct due diligence on its accounts (i.e., Unitholders) to identify whether any such accounts are considered as “**Reportable Accounts**” under the Ordinance; and (iii) report to the IRD information on such Reportable Accounts. The IRD is expected on an annual basis to transmit the required information reported to it to the competent authorities of the relevant reportable jurisdictions. Broadly, the Ordinance requires that Hong Kong FIs should report on: (i) individuals or entities that are tax resident of a reportable jurisdiction; and (ii) Controlling Persons (as defined under the Ordinance) of a Unitholder that is not a natural person who are tax resident in a reportable jurisdiction. Under the Ordinance, details of Unitholders, including but not limited to their name, place of birth (for individuals only), address, tax residency(ies), tax identification number(s) (“**TINs**”) (if any), account details, account balance/value, and income or sale or redemption proceeds, may be reported to the IRD and subsequently exchanged with the competent authorities of the relevant reportable jurisdictions with which Hong Kong has a CAA in force.

To assist identifying Unitholders who are reportable persons under the Ordinance, the Fund, the Sub-Funds, the Manager and/or its agents may require Unitholders and prospective investors to complete self-certification forms for determination of their respective tax residency status and other information prescribed under the Ordinance.

Under the Ordinance, self-certification shall be obtained from all Unitholders who acquire, or otherwise being transferred with Units on or after 1 January 2017. A failure by a prospective investor to provide a duly completed self-certification will result in the subscription for Units being rejected. Also, the Fund, its Sub-Funds, the Manager and/or its agent reserves the right to require Unitholders that exist before 1 January 2017 that date to determine their respective tax residences and other information required under the Ordinance.

By investing in the Fund and/or the Sub-Funds and/or continuing to invest in the Fund and/or the Sub-Funds, Unitholders acknowledge that they may be required to provide additional information to the Fund, the Sub-Funds, the Manager and/or its agents in order for the Fund and/or the Sub-Funds to comply with the Ordinance. The Unitholder’s information (and information pertaining to Controlling Persons, as defined in the Ordinance, of a Unitholder that is not a natural person), may be exchanged by the IRD to competent authorities of the relevant reportable jurisdictions with which Hong Kong has a CAA in force.

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

Mainland China

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 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.

The Fund/Sub-Fund(s) would invest in securities including i) debt securities issued by Mainland China tax residents outside Mainland China, ii) debt securities issued and traded within Mainland China, iii) China A-Shares and China B-Shares listed in Mainland China, iv) securities investment funds which are authorized by the China Securities Regulatory Commission, v) stock index futures or vi) other permissible investments in Mainland China via RMB qualified foreign institutional investors (“**RQFII**”) (collectively, “**Mainland Securities**”). By investing in Mainland Securities, the Fund/Sub-Fund(s) may be subject to withholding income tax and other taxes imposed in Mainland China.

The Fund/Sub-Fund(s)

(a) Corporate Income Tax (“**CIT**”):

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

The Manager intends to manage the Fund/Sub-Fund(s) in such a manner that the Fund/Sub-Fund(s) should not be treated as a tax resident enterprise of Mainland China or a non-tax resident enterprise with a PE in Mainland China for CIT purposes, although this cannot be guaranteed. As such, it is expected that the Fund/Sub-Fund(s) should not be subject to CIT on an assessment basis and would only be subject to Mainland withholding income tax (“**WIT**”) to the extent the Fund/Sub-Fund(s) directly derives Mainland China sourced income in respect of its investments in Mainland Securities.

(i) Interest/dividends

Interest income derived from government bonds issued by the Ministry of Finance (“**MOF**”), or bonds issued by local government of a province, autonomous regions, municipalities directly under the Central Government, or municipalities separately listed on the state plan, as approved by the State Council (“**PRC government bonds**”), is exempt from Mainland WIT.

Unless a specific exemption is applicable, non-Mainland tax residents without PE in the Mainland China, including the Fund/Sub-Fund(s), are subject to Mainland WIT on the payment of interests on debt instruments issued by Mainland tax residents, including bonds issued by enterprises established within Mainland China and the dividend income received from A-Shares or B-Shares of companies listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. The general Mainland WIT rate applicable is 10%, subject to reduction under relevant double tax treaties (if any). The entity distributing such interests/dividends is technically required to withhold such tax. Accordingly, the Sub-Fund may be subject to Mainland WIT and/or other Mainland China taxes on any cash dividends, distributions and interests it receives from its investment in Mainland Securities.

There is no specific guidance by the Mainland China tax authorities on the tax payable in respect of interests received from trading in China Interbank Bond Market by foreign institutional investors, so the above general principle should apply.

Under current regulations in Mainland China, if a foreign investor (such as the Fund/Sub-Fund(s)) invests in debt securities and China A-Shares through RQFII, any Mainland China tax liability may, if it arises, be payable by the RQFII. However under the terms of the arrangement between the RQFII and the Fund/Sub-Fund(s), the RQFII will pass on any tax liability to the Fund/Sub-Fund(s). As such, the Fund/Sub-Fund(s) is the ultimate party which bears the risks relating to any Mainland taxes which are so levied by the relevant Mainland China tax authority.

Under the Arrangement between 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 Fund/Sub-Fund(s) can be eligible to enjoy a preferential rate of 7% of Mainland WIT under the Arrangement. If the Fund/Sub-Fund(s) cannot enjoy the preferential rate, the general rate of 10% will be applicable to the Fund/Sub-Fund(s) on interests.

Pursuant to the "Circular on the Corporate Income Tax and Value-Added Tax Policy for Foreign Institutions to Invest in the Onshore Bond Market" (Caishui [2018] No.108) ("**Circular 108**") jointly issued by the MOF and State Taxation Administration ("**STA**") of the PRC on 22 November 2018, bond interest income derived by foreign institutions from investing in the onshore bond market is temporarily exempted from CIT for the period from 7th November 2018 to 6th November 2021.

(ii) Capital gains

The MOF, STA and CSRC jointly issued Caishui [2014] No. 79 – “the Notice on the issues of temporary exemption from the imposition of corporate income tax arising from gains from the transfer of equity investment assets such as PRC domestic stocks by QFII and RQFII” (財政部、國家稅務總局、證監會關於QFII和RQFII取得中國境內的股票等權益性投資資產轉讓所得暫免徵收企業所得稅問題的通知 (財稅〔2014〕79號)) (“**Circular 79**”). Under Circular 79, capital gains realized by QFIIs and RQFIIs from the disposal of equity investments (including shares in Mainland China enterprises) are temporarily exempt from Mainland WIT effective from 17 November 2014. Circular 79 also states that gains realized by QFIIs and RQFIIs prior to 17 November 2014 from disposal of equity investments should be subject to Mainland WIT according to the PRC CIT Law. Circular 79 is applicable to QFIIs and RQFIIs which do not have a PE in Mainland China, or QFIIs and RQFIIs which have a PE in Mainland China, but the gains derived from the disposal of equity investments are not connected to such PE.

The MOF, STA and CSRC have also 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 (財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知 (財稅〔2014〕81號)) (“**Circular 81**”) which states that CIT, individual income tax and business tax will be temporarily exempt on gains derived by Hong Kong and overseas investors (including the relevant Sub-Fund(s)) on the trading of China A-Shares through the Shanghai-Hong Kong Stock Connect. Separately, The MOF, STA 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 (財政部、國家稅務總局、證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知 (財稅〔2016〕127號)) (“**Circular 127**”) which states that CIT, and individual income tax will be temporarily exempt on gains derived by Hong Kong and overseas investors (including the relevant Sub-Fund(s)) on the trading of China A-Shares through the Shenzhen-Hong Kong Stock Connect.

There is no specific rule governing taxes on capital gains derived by QFIIs, RQFIIs or direct trading in China Interbank Bond Market by foreign institutional investors from trading of Mainland China debt securities. In the absence of such specific rules, the CIT treatment should be governed by the general tax provisions of the PRC CIT Law and would be subject to the interpretation of the Mainland China tax authorities. Based on the current interpretation of the STA and the local tax authorities, gains derived by QFIIs, RQFIIs and direct trading in China Interbank Bond Market by foreign institutional investors from investment in Mainland China debt securities should not be treated as Mainland China sourced income thus should not be subject to Mainland WIT. If the relevant interpretation changes in the future, the Fund/Sub-Fund(s) may still turn to certain treaty relief applicable to Hong Kong tax residents. Under the Arrangement, capital gains derived by a Hong Kong tax resident from transfer of debt instruments issued by the PRC government or Mainland China corporations should be eligible for tax treaty relief and should not be taxable in Mainland China.

Pursuant to the relevant Mainland China tax regulations, to enjoy the tax treaty relief under the Arrangement, a Hong Kong tax resident should submit to the relevant Mainland China tax authorities with application documents (including a Hong Kong Tax Resident Certificate (“**HKTRC**”) issued by the Inland Revenue Department of Hong Kong (the “**IRD**”)) for assessment. As at the date of this Explanatory Memorandum, none of the Sub-Funds has obtained a HKTRC from the IRD. If the Mainland China tax authorities require a Sub-Fund to provide a HKTRC in order to obtain the WIT exemption, the Manager will apply for a HKTRC on behalf of such Sub-Fund.

The tax exemptions granted under Circular 79, Circular 81, Circular 127 and Circular 108 are only temporary. It is possible that the applicable tax law, regulations and practice may change from time to time and taxes being applied retrospectively. As such, as and when the Mainland China authorities announce the expiry date of the exemption or change the current interpretation, the Fund/Sub-Fund(s) may need to make provisions to reflect taxes payable for realized and unrealized gains derived from disposal of Mainland Securities after the expiry date of the exemption, if applicable. As such, there is a risk that the Fund/Sub-Fund(s) will incur tax liabilities, which may potentially cause substantial loss to the Fund/Sub-Fund(s) and the Net Asset Value of the Fund/Sub-Fund(s) may require further adjustment to take into account any retrospective application of new tax regulations and development, including change in interpretation of the relevant regulations by the Mainland China tax authority.

Although a notice by the STA confirmed the applicability of tax to dividends, profit distribution and interest paid to investors, at present, there are no specific Mainland China tax regulations addressing the WIT treatment on capital gains derived from the disposal of China B-Shares. In the absence of such rules, the general tax law provisions apply. At this point of time in practice, the Mainland China tax authorities have not strictly enforced collection of WIT on gains derived by overseas investors (including the Fund/Sub-Fund(s)) from investment in China B-Shares via stock exchange. The position in practice may change if the STA expresses another view and/or that new official tax circulars are issued to provide further guidance.

Please refer to the section “**Mainland China Tax Risk**” or “**Mainland China -tax considerations in respect of the Sub-Fund**” of the relevant Sub-Fund(s) for the tax provision policy of the Sub-Fund(s).

(b) Business Tax (“**BT**”) and surtaxes

The revised PRC Provisional Regulations of Business Tax (“**BT law**”) which came into effect on 1 January 2009 stipulates that gains derived by taxpayers from the trading of marketable securities would be subject to BT at 5%.

Caishui [2005] 155 states that gains derived by QFIs from the trading of Mainland securities (including China A-Shares and other Mainland China listed securities) are exempt from BT. The PRC BT law which came into effect on 1 January 2009 has not changed this exemption treatment at the time of this Explanatory Memorandum. Since both RQFIs and QFIs are qualified foreign institutional investors which are allowed to make investments in the Mainland China capital markets, there should be a basis to make reference to the exemption treatment of Caishui [2005] 155 on RQFIs.

Circular 81 states that BT will be temporarily exempt on gains derived by Hong Kong and overseas investors from trading of China A-Shares through the Shanghai-Hong Kong Stock Connect.

For marketable securities other than those trading under QFII/RQFII and the Shanghai-Hong Kong Stock Connect, the BT law shall apply to levy BT at 5% on the difference between the selling and buying prices of those marketable securities.

In general, there is no Mainland China BT on dividend income or profit distributions on equity investment in Mainland China.

As a matter of practice BT has not been strictly enforced by local tax bureau on capital gains derived by non-Mainland-China tax resident enterprises from the trading (i.e. both buy and sales) of China B-Shares.

The BT law has not specifically exempt BT on interest earned by non-financial institution from bond investments. Hence, except for government bonds, interest on bonds in theory may be subject to BT at 5%. Dividend income or profit distributions on equity investment derived from Mainland China are not included in the taxable scope of BT.

In addition, urban maintenance and construction tax (currently at the rate ranging from 1% to 7%) and education surcharge (currently at the rate of 3%) and local education surcharge (currently at the rate of 2%) are imposed based on the BT liabilities, effected from 1 December 2010.

After the full roll out of Value-added tax reform, income derived by taxpayers from investments in Mainland Securities would be subject to Value-added tax instead of BT effective from 1 May 2016. As such, BT (if applicable) would only apply to income derived by the Sub-Funds before 1 May 2016.

(c) Value-added Tax (“**VAT**”) and other surtaxes

With the Circular Caishui [2016] No. 36 (“**Circular 36**”) regarding the final stage of VAT reform which came into effect on 1 May 2016, gains derived from the trading of Mainland Securities will be subject to VAT instead of BT starting from 1 May 2016.

According to Circular 36 and Caishui [2016] No. 70, a supplementary notice to Caishui [2016] No. 36 issued by the MOF and the STA concerning the financial industry (“**Circular 70**”), gains derived by QFII and RQFII from the transfer of Mainland Securities will be exempt from VAT since 1 May 2016. Circular 70 also states that the gains derived from investment in China interbank local currency markets (including money market, bond market and derivatives market) by foreign investors, which are qualified by PBOC, are exempt from VAT since 1 May 2016. Based on Circular 36 and Circular 127, the gains derived from transfer 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.

However, other than the VAT exemption in the paragraph above, Circular 36 shall apply to levy VAT at 6% on the difference between the selling and purchase prices in trading of those marketable securities. Where capital gains are derived from transfer of offshore investment (e.g. H-Shares), VAT in general is not imposed as the purchase and disposal are often concluded and completed of Mainland China.

Under prevailing VAT rules, it is not clear whether there is VAT exemption on capital gains derived by non-Mainland China tax resident enterprises from the trading (i.e. both buy and sales) of China B-Shares. Thus, there may be VAT imposed on a Sub-Fund for trading of China B-Shares. Under current practice no VAT is imposed on non-residents where both the purchase and sales of the China B-Shares are via the stock exchange market. The position in practice may change if the STA expresses another view and/or that new official tax circulars are issued to provide further guidance.

Interest income received by QFII and RQFII from investments in Mainland China debt securities shall be subject to 6% VAT unless special exemption applies. According to the Circular 36 and Caishui [2016] No. 46, deposit interest income is not subject to VAT and interest income earned on PRC government bonds is exempted from VAT.

Further to Circular 36 and Circular 70, interest income derived from holding of financial bonds issued by Mainland China incorporated financial institutions in China Interbank Bond Market or exchange market by financial institutions is exempt from VAT. However, such exemption is technically not applicable to interest derived from bonds other than the aforesaid. Hence interest income from debt securities other than the aforesaid may be subject to VAT at 6%.

Pursuant to Circular 108 jointly issued by the MOF and STA on 22 November 2018, the bond interest income derived by foreign institutions investing in the onshore bond market is temporarily exempted from VAT for the period from 7 November 2018 to 6 November 2021.

Unless otherwise disclosed in the relevant Appendix, in light of Circular 108 and having taken and considered independent professional tax advice and acting in accordance with such advice, no WIT or VAT provision will be made on unrealised interest income derived from debt securities issued or distributed in Mainland China received/receivable by the sub-funds until 7 November 2021.

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

If VAT is applicable, there are also other surtaxes (which include Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) that would amount to as high as 12% of VAT payable.

(d) Stamp Duty (“SD”)

SD under the Mainland China laws generally applies to the execution and receipt of all taxable documents listed in the PRC’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- and B-Shares traded on the Mainland China stock exchanges and loan contracts. In the case of contracts for sale of China A- and B-Shares, such SD is currently imposed on the seller but not the buyer, at the rate of 0.1%.

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 since 5 December 2016.

Various tax reform policies have been implemented by the PRC government in recent years, and existing tax laws and regulations may be revised or amended in the future. There is a possibility that the current tax laws, regulations and practice in 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 relevant Sub-Fund. Moreover, there is no assurance that tax incentives currently offered to foreign companies, if any, will not be abolished and the existing tax laws and regulations will not be revised or amended in the future. Any changes in tax policies may reduce the after-tax profits of the companies in 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 a Sub-Fund for Mainland China tax obligations. The Manager’s current policy on tax provisions is disclosed in the Appendix for the relevant Sub-Fund.

REPORTS AND ACCOUNTS

The Fund's financial year end is on 30 June in each year, with the first financial year ending on 30 June 2013. Copies of the annual report and audited accounts (in English and Chinese) will be made available to Unitholders as soon as possible, and in any event within four months, after the end of the financial year.

The Manager will also make available unaudited semi-annual reports (in English and Chinese) to Unitholders within two months after 31 December in each year.

The Manager will notify the Unitholders where such reports can be obtained once such reports are available (in printed and electronic form). Such notices will be issued within four months of the end of the relevant financial year in case of the annual audited accounts, and within two months of the end of the period to which they relate in case of the unaudited interim reports. Unitholders will be notified of the means of accessing the reports and accounts as and when they become available. Printed copies of the reports and accounts will also be available at the office of the Manager upon request.

DISTRIBUTION OF INCOME

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

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

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

VOTING RIGHTS

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

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

PUBLICATION OF PRICES

The Net Asset Value per Unit of each Sub-Fund at each Valuation Day will be published at least once a month in Hong Kong in the South China Morning Post and Hong Kong Economic Times.

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 and duly stamped with sufficient stamp duty before the form is passed to the Trustee. The transferor will be deemed to remain the holder of the Units transferred until the name of the transferee is entered in the register of Unitholders in respect of such Units.

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

COMPULSORY REDEMPTION OR TRANSFER OF UNITS

The Manager or the Trustee may require a Unitholder to transfer the Unitholder's Units or may redeem such units in accordance with the Trust Deed if it shall come to the notice of the Manager or the Trustee that the Unitholder holds such Units (a) in breach of the law or requirements of any country or region, any governmental authority or any stock exchange on which such Units are listed or (b) in circumstances (whether directly or indirectly affecting such Unitholder and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager or the Trustee to be relevant) which, in the opinion of the Manager or the Trustee, might result in the Fund and/or any Sub-Fund in relation to such class of Units incurring any liability to taxation or suffering any other pecuniary disadvantage which the Fund or the Sub-Fund might not otherwise have incurred or suffered.

TRUST DEED

The Fund was established under the laws of Hong Kong by a Trust Deed dated 4 June 2012 made between BOCHK Asset Management Limited as Manager and BOCI-Prudential Trustee Limited as Trustee.

The Trust Deed contains provisions for the indemnification of the parties and their exculpation from liability in certain circumstances. 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.

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

TERMINATION OF THE FUND OR ANY SUB-FUND

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

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

- (a) if the Manager goes into liquidation, becomes bankrupt or if a receiver is appointed over any of their assets and not discharged within 60 days; or
- (b) if in the opinion of the Trustee, the Manager is incapable of performing or fails to perform its duties satisfactorily or shall do any other thing which in the opinion of the Trustee is calculated to bring the Fund into disrepute or to be harmful to the interests of the Unitholders; or
- (c) if any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable in consultation with the relevant regulatory agencies (the SFC in Hong Kong) to continue the Fund; or
- (d) within 30 days of the Manager leaving office, no new manager is appointed; or
- (e) no new trustee is appointed within six months of the Trustee giving notice of its desire to retire.

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

- (a) on any date, in relation to the Fund, the aggregate Net Asset Value of all Units outstanding thereunder shall be less than US\$5 million or in relation to a Sub-Fund, the aggregate Net Asset Value of the Units of the relevant class outstanding thereunder shall be less than US\$5 million (or other amounts disclosed in the Appendix); or
- (b) in the opinion of the Manager, it is impracticable or inadvisable to continue a Sub-Fund and/or any class of Units of a Sub-Fund (as the case may be) (including without limitation, a situation where it is no longer economically viable to operate the Sub-Fund); or
- (c) any law shall be passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable in consultation with the relevant regulatory agencies (the SFC in Hong Kong) to continue the Fund or a Sub-Fund.

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

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

Any unclaimed proceeds or other cash held by the Trustee upon termination of the Fund, a Sub-Fund or a class of Units, as the case may be, may at the expiration of twelve months from the date upon which the same were payable be paid into court subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

ANTI-MONEY LAUNDERING REGULATIONS

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

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

These exceptions will only apply if the financial institution or intermediary referred to above is within a country or region recognised as having sufficient anti-money laundering regulations. The Manager and the Trustee nevertheless reserve the right to request such information as is necessary to verify the identity of an applicant and the source of payment. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Manager or the Trustee may refuse to accept the application and the subscription moneys relating thereto and refuse to pay any redemption proceeds if an applicant for Units delays in producing or fails to produce any information required for the purposes of verification of identity or source of fund.

CONFLICTS OF INTEREST

The Manager, the Trustee, the Custodian and their respective connected persons may from time to time act as trustee, administrator, registrar, manager, custodian, investment manager or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients including those which have similar investment objectives to those of any Sub-Fund or contract with or enter into financial, banking or other transaction with one another or with any investor of the Sub-Funds, or with company or body any of whose shares or securities form part of any Sub-Fund or may be interested in any such contract or transactions. 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. If such conflicts arise, each will, at all times, act in accordance with the terms of the Trust Deed and have regard in such event to its obligations to the Fund, the Sub-Funds and the Unitholders and will endeavour to ensure that such conflicts are managed and minimized so far as reasonably practicable and that measures are adopted that seek to ensure such conflicts are resolved fairly, taking into account the interests of Unitholders of the relevant Sub-Fund as a whole. Compliance procedures and measures such as segregation of duties and responsibilities together with different reporting lines have been implemented to minimise potential conflicts of interest. In any event, the Manager shall ensure that all investment opportunities will be fairly allocated.

The Manager may enter into trades for the account of a Sub-Fund with the accounts of other clients of the Manager or its affiliates ("**cross trades**"). Such cross trades will only be undertaken where the sale and purchase decisions are in the best interests of both clients and fall within the investment objective, restrictions and policies of both clients, the cross trades are executed on arm's length terms at current market value, and the reasons for such cross trades are documented prior to execution. Cross trades may also be entered into between house accounts (i.e. account owned by the Manager or any of its connected persons over which it can exercise control and influence) and client accounts in accordance with applicable laws and regulations.

Subject to the restrictions and requirements applicable from time to time, the Manager, any investment delegates 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 carried out in good faith and effected on best available terms negotiated on an arm's length basis and in the best interests of the Unitholders of the relevant Sub-Fund. Any transactions between a Sub-Fund and the Manager, the investment delegate 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 delegate 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.

FACSIMILE OR ELECTRONIC INSTRUCTIONS

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

Applicants or investors should be reminded that if they choose to send the applications or requests for subscription, redemption or switching by facsimile or any other electronic means, they bear their own risk of such applications or requests not being received, or being illegible. Applicants or investors should note that the Fund, the Manager, the Trustee and 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 or request sent by facsimile or any other electronic means or any amendment to such application or request or for any loss caused in respect of any action taken as a consequence of such faxed or any other electronic instructions believed in good faith to have originated from properly authorized persons. This is notwithstanding the fact that a facsimile or any other electronic transmission report produced by the originator of such transmission discloses that such transmission was sent. Applicants or investors should therefore for their own benefit confirm with the Manager or the Registrar safe receipt of an application or a request.

CERTIFICATION FOR COMPLIANCE WITH FATCA OR OTHER APPLICABLE LAWS

Each investor (i) shall be required to, upon demand by 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 the IRS Code and the United States Treasury Regulations promulgated under the IRS Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority in any jurisdiction (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments in a timely manner, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction (including any law, rule and requirement relating to AEOI), including reporting obligations that may be imposed by future legislation.

POWER TO DISCLOSE INFORMATION TO TAX AUTHORITIES

Subject to applicable laws and regulations in Hong Kong, the Fund, the relevant Sub-Fund, the Trustee or the Manager or any of their authorised person(s) (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the US IRS and the IRD), certain information in relation to a Unitholder, including but not limited to the Unitholder's name, address, tax residency(ies), taxpayer identification number(s) (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 (including any law, rule and requirement relating to AEOI), regulation or agreement under FATCA).

PERSONAL DATA

Pursuant to the provisions of the Personal Data (Privacy) Ordinance (Chapter 486 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, if any (as specified in the relevant Appendix); and
- (c) the latest financial reports of the Fund.

APPENDIX I

BOCHK ALL WEATHER GLOBAL OPPORTUNITIES FUND

This Appendix comprises information in relation to BOCHK All Weather Global Opportunities Fund, a Sub-Fund of the Fund.

Base Currency

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

Investment Objective and Policy

BOCHK All Weather Global Opportunities Fund aims to provide long term capital growth by investing primarily in a managed portfolio of equities, bonds, exchange traded funds (**ETFs**), REITs, RQFII funds (as defined below) and other assets.

Investment Strategy

Through active allocation and securities selection, the Sub-Fund aims to mitigate short term volatilities and weather through different market cycles. The Manager will employ active strategies to allocate the portfolio between equities, bonds and other assets.

The Manager will invest primarily in securities in global markets for diversification. The Manager may allocate investments (e.g. equities and bonds) in different geographical regions according to its assessment of market conditions. However, the Sub-Fund will not aim to focus its investments on any single country or region or specific industries or sectors although the allocation in certain country, region, sector or industry may be relatively significant, depending on the Manager's assessment at different times.

The Sub-Fund's portfolio will not be constructed by reference to a benchmark of any particular stock or bond market. The Sub-Fund may, if considered appropriate under adverse market conditions (for example in times of a financial crisis), hold substantial amounts of its portfolio in cash and cash-based instruments. However, there is no guarantee that a positive return can be achieved.

The Sub-Fund may invest in debt securities issued by a variety of issuers including but not limited to governments, quasi-government organisations, multinational organisations, financial institutions and corporations. There is no minimum credit rating requirement in respect of the debt securities in which the Sub-Fund may invest. At the Manager's discretion, the Sub-Fund may invest in below investment grade or unrated debt securities. However, it is expected that at least 70% of the debt securities held directly by the Sub-Fund will be rated investment grade or above. The Sub-Fund will not invest more than 10% of its Net Asset Value in securities issued or guaranteed by the government of any member state of the Organisation for Economic Co-operation and Development (OECD) with a credit rating below investment grade.

The Manager will engage in both top-down and bottom-up analysis. As part of its top-down analysis, the Manager will consider the latest macro political and economic scenarios, corporate earnings and valuations, market sentiment and price momentums. As part of its bottom-up analysis, the Manager will review the relevant potential security that may be acquired for the Sub-Fund. An investment will be made only when the investment case is supported by both top-down and bottom-up analysis. It is expected that the equity portion of the Sub-Fund will mainly be invested in securities of large-cap and mid-cap companies, although investments in small-cap companies may also be made.

The Sub-Fund may also invest in ETFs, REITs and other assets, such as investment funds, that give exposure to different asset classes such as commodities, including energy (e.g. oil), metals (e.g. gold and silver) and agricultural commodities, and real estate. The Sub-Fund may invest in synthetic ETFs (i.e. ETFs that track an index by investing primarily in derivative instruments) authorized by the SFC, but will not invest in any ETFs that employ short-sale or leverage strategies.

To further help achieve its investment objective, the Sub-Fund may invest in securities denominated in RMB. The Sub-Fund's total RMB exposure is not expected to exceed 50% of its Net Asset Value.

The Sub-Fund may access the Mainland China securities market through investment in other funds that are authorised by the SFC and eligible to directly invest in such market through Renminbi Qualified Foreign Institutional Investor ("**RQFII funds**") or such other means as permitted by the relevant regulatory authorities from time to time including the Stock Connects. The Sub-Fund may invest not more than 30% of its Net Asset Value in China A-Shares directly through Stock Connects (please refer to the section "**Stock Connects**" in the main part of the Explanatory Memorandum for details regarding Stock Connects). Investment in RQFII funds will mainly focus on the RQFII funds managed by the Manager and will be in aggregate up to 50% of the Net Asset Value of the Sub-Fund. The underlying investments held through RQFII funds may include, but are not limited to, China A-Shares, bonds and other instruments permitted under applicable Mainland China regulations. The Sub-Fund may also invest not more than 10% of its Net Asset Value directly in China B-Shares. Should this investment policy change, at least one month's prior written notification will be given to Unitholders and the offering documents will be accordingly updated.

The Sub-Fund may invest in currency forward contracts, index futures and bond futures and use options strategy for hedging purposes. Save as aforesaid, the Sub-Fund will not invest in derivatives or structured products or structured instruments for either hedging or investment purposes. The Sub-Fund will not invest in mortgage-backed securities.

Where the Sub-Fund invests in ETFs and other investment funds managed by the Manager, any initial charges and redemption charges on such investments will be waived and the Manager will not obtain a rebate on fees charged by such investment funds. Potential conflicts of interest may arise, and the Manager will resolve such conflicts in accordance with the section in the main part of the Explanatory Memorandum headed "**Conflicts of Interest**".

Indicative Allocation of the Portfolio

The following table shows an indicative allocation of the investment types of the Sub-Fund (which is for reference only and may change subject to market conditions):

| Type of investments | Percentage (of Net Asset Value) |
|---|---------------------------------|
| Equity | 0-80% |
| Bond | 20-70*% |
| Commodities (through ETFs/investment funds) | 0-10% |
| REITs | 0-50% |
| RQFII funds | 0-50% |
| Cash | 0-30% |

* Investment in bonds may increase in adverse market conditions, for example, in significantly falling equity markets.

Use of Derivatives

The Sub-Fund may acquire financial derivative instruments for hedging purposes only. The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's latest available Net Asset Value.

Specific Risk Factors

Investors should refer to the relevant risks under the section headed "Risk Factors" in the main part of the Explanatory Memorandum, including "Market risk", "RMB currency risk", "Emerging markets risk", "Currency risk" and "Risks relating to hedging and the hedged classes", and the following specific risk factors for the Sub-Fund:

Mainland China market risk

Investing in the Mainland China market is subject to risks specific to the Mainland China market.

Please refer to the relevant risk factor "**Mainland China market risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Emerging markets risk

Investing in emerging markets involves increased risks and special considerations not typically associated with investment in more developed economies or markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility. Please refer to the relevant risk factor "**Emerging markets risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Risks relating to equity securities

Equity markets may fluctuate significantly with prices rising and falling sharply, and this will have a direct impact on the Sub-Fund's Net Asset Value. Factors affecting the values of equity securities are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, regional or global economic instability, currency and interest rate fluctuations. When equity markets are extremely volatile, the Sub-Fund's Net Asset Value may fluctuate substantially. If the market value of equity securities in which the Sub-Fund invests in goes down, investors may suffer a substantial loss as a result.

Investment in China A-Share market

The Sub-Fund may have exposure to the China A-Share market directly or through investment in RQFII funds. The existence of a liquid trading market for China A-Shares may depend on whether there is supply of, and demand for, such China A-Shares. The price at which securities may be purchased or sold by the Sub-Fund or the relevant RQFII funds may be adversely affected if trading markets for China A-Shares are limited or absent, and the Sub-Fund may in turn be adversely affected. Further, the Shanghai Stock Exchange and the Shenzhen Stock Exchange on which China A-Shares are traded are undergoing development and the market capitalisation of, and trading volumes on, those stock exchanges are lower than those in more developed markets. The China A-Share market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention) than those in more developed markets. Market volatility and settlement difficulties in the China A-Share markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may affect the value of the Sub-Fund or the RQFII fund(s).

Securities exchanges in Mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. In particular, trading band limits are imposed by the stock exchanges on China A-Shares, where trading for a security may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. A suspension will render it impossible for the Sub-Fund or the RQFII funds to liquidate positions and can thereby expose the Sub-Fund or the RQFII funds to losses. Further, when the suspension is subsequently lifted, it may not be possible for the Sub-Fund or the RQFII funds to liquidate positions at a favourable price. The Sub-Fund may therefore suffer a loss in its investment.

Risks relating to China B-Shares

Investors should note that the stock exchanges in Mainland China on which the China B-Shares are listed are still at a developmental stage, and their respective market capitalisation and trading volume are much lower than those in more developed financial markets. Market volatility and potential lack of liquidity due to low trading volume in the China B-Shares markets may result in prices of securities traded on such markets fluctuating significantly, which may result in substantial changes to the price of the Units of the Sub-Fund.

Risks relating to debt securities

Investment in debt securities is subject to the credit risk of the issuers which may be unable or unwilling to make timely payments on principal and/or interest. Some of the securities that the Sub-Fund invests in may be unrated. In general, debt securities that have a lower credit rating or that are unrated will be more susceptible to the credit risk of the issuers. Please refer to the relevant risk factor “**Below investment grade and unrated securities risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against such issuers as they may be incorporated outside Hong Kong and subject to foreign laws.

Credit ratings of fixed income securities may be subject to certain limitations. Investment grade securities may be subject to downgrading risk. In the event of downgrading, the risks of default may be higher, and the Sub-Fund’s investments in such securities may be adversely affected. Please refer to the relevant risk factor “**Credit rating downgrade risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Debt securities are sensitive to changes in interest rates. Please refer to the relevant risk factor “**Interest rate risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks relating to Exchange-traded funds (ETFs)

The trading prices of units/shares in an ETF may be at a discount or premium to the net asset value of the units/shares of such ETF due to various factors such as supply and demand forces in the secondary trading market for such units/shares in the ETF. This price discrepancy may be particularly likely to emerge during periods of high market volatility and uncertainty. Valuation of units/shares in an ETF will primarily be made by reference to the last traded price. Where the Sub-Fund buys at a premium, it may suffer losses even if the net asset value is higher when it sells the relevant share/units in the ETF, and it may not fully recover its investment in the event of termination of the ETF.

In addition, an ETF may not be able to perfectly track the index it is designed to track, because of fees and expenses, imperfect correlation between the ETF’s assets and the underlying securities within the relevant tracking index, adjustments to the tracking index and regulatory policies. The return from investing in an ETF may therefore deviate from the return of its tracking index.

An ETF which is designed to track a market index is not “**actively managed**”, therefore when there is a decline in the relevant index, the ETF will also decrease in value. The ETF may not adopt any temporary defensive position against market downturns. The Sub-Fund may lose part or all of its investment in the ETF.

There can be no assurance that an active trading market will exist or be maintained for units/shares of an ETF on any securities exchange on which units/shares of an ETF may be traded.

Synthetic ETFs typically invest in derivative instruments to replicate the performance of an underlying index. Investment in synthetic ETFs will be subject to the credit risk of the counterparties who issue the derivatives. If the counterparties default, the Sub-Fund may suffer substantial losses of its investment in the relevant ETFs. Since derivative issuers are predominantly international financial institutions, the failure of one derivative counterparty could potentially have a “knock on” effect on other counterparties. Some synthetic ETFs have collateral to reduce the counterparty risks but if the market value of the collateral has fallen substantially, the ETFs may suffer losses when they seek to realise the collateral. The Sub-Fund’s investment in the ETFs will suffer losses accordingly.

Risks associated with Stock Connects

Insofar as the Sub-Fund invests through Stock Connects, investors should refer to the associated risks set out in the risk factor “**Risks associated with Stock Connects**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks relating to RQFII funds

The Sub-Fund may invest in the Mainland China securities market through RQFII funds, which may be subject to the following risks.

Risks relating to RMB denominated securities: RQFII funds primarily invest in Mainland China securities that are denominated in RMB. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. Please refer to the relevant risk factors “**RMB currency risk**” and “**RMB foreign exchange control risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks relating to the Renminbi Qualified Foreign Institutional Investor (RQFII) regime: Investment through the RQFII regime is subject to the availability of RQFII quota. There is no assurance that sufficient quota will be available for investment by a RQFII fund. Therefore the Sub-Fund’s ability to obtain exposure to the Mainland China securities market may be limited by the availability of RQFII quota.

Repatriations of capital out of Mainland China by RQFII funds that are open-ended funds are currently not subject to repatriation restrictions or prior approval, but there is no guarantee that restrictions will not be imposed in future. Any restrictions on repatriation of the invested capital out of Mainland China may impact on a RQFII fund’s ability to meet redemption requests from the Sub-Fund. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the control of the Manager (or the manager of a RQFII fund). Therefore, the Sub-Fund may be subject to liquidity risk insofar as it invests in RQFII funds.

The application of the rules relevant to RQFII may depend on the interpretation given by the relevant Mainland regulatory authorities. Any changes to the relevant rules may have an adverse impact on investments made by the RQFII funds and hence the Sub-Fund’s performance. The current RQFII rules and regulations are subject to change, which may take retrospective effect. In the worst case, the relevant RQFII fund may be terminated if it is not legal or viable to operate because of changes to the application of the relevant rules. The Sub-Fund’s holdings in the relevant the RQFII fund will be realised in case of such termination, and the Sub-Fund may suffer losses in its initial investment in such fund.

Risks relating to RQFII funds that are exchange traded funds (RQFII ETFs): Investment in RQFII ETFs is subject to RMB currency risk and risks associated with the RQFII regime set out above. In addition:

- (a) RQFII ETFs typically seek to track a particular China A-Share market index by directly investing in the China A-Shares constituting such market index using RQFII quota. As with other exchange traded funds, RQFII ETFs are subject to tracking error risks (i.e. the returns of a RQFII ETF may deviate from the performance of the index it is designed to track) due to a number of factors.

The Sub-Fund will trade units in RQFII ETFs on the Stock Exchange of Hong Kong (where trading prices are affected by market factors such as demand and supply). The trading days or hours of Mainland China and Hong Kong stock markets are not exactly the same and this may affect the RQFII ETFs' ability to track the market index. Further, any suspension due to a trading band limit in the Mainland China stock markets may render it impossible for the RQFII ETFs to acquire certain index security, increasing the tracking error. These factors may result in the RQFII ETFs' units being traded at a substantial premium or discount to their net asset value and the Sub-Fund may suffer a loss.

- (b) RQFII ETFs involve cross-border transfer of funds. They may be riskier than traditional exchange traded funds investing directly in markets other than Mainland China. The operation of RQFII ETFs depends heavily on the expertise and infrastructure of the RQFII ETF's manager (or its mainland parent company). There is no assurance that the RQFII ETFs will be operated as envisaged and the Sub-Fund may sustain a loss in its investment.

Investment in Mainland China bond markets via RQFII funds: The Sub-Fund may have exposure to the Mainland China bond markets through investment in RQFII funds. The Mainland China bond markets (including the exchange and interbank bond markets) are in a stage of development and the volume of trading may be lower than more developed markets. Liquidity of the bonds will be lower in the absence of an active secondary market. RQFII funds investing in such market are therefore subject to liquidity risks and may suffer losses in trading Mainland China bonds. The bid and offer spreads of the prices of the Mainland China bonds may be large, so significant trading and realisation costs may be incurred.

The Mainland China bond markets are also subject to regulatory risks. Due to irregularities in the interbank bond market trading activities, the China Central Depository & Clearing Co., Ltd (the central clearing entity) suspended new account opening on the interbank bond market for specific types of products. Although RQFII funds that are mutual funds offered to the public were not affected, there is no assurance that future regulatory actions will not affect such funds. If accounts are suspended, or cannot be opened, the RQFII funds' and hence the Sub-Fund's ability to invest in the interbank bond market will be limited and they may suffer substantial losses as a result.

Mainland China taxation: There could be Mainland China tax liabilities on income derived from investments in Mainland Securities. Mainland China tax laws contain uncertainties, and changes in such laws may have retrospective effect. It may be the practice for some RQFII funds to make provisions for potential tax liabilities in Mainland China. Such provisions may be excessive or inadequate to meet the actual tax liabilities. Even if tax provisions are made, any shortfall between the provisions and actual tax liabilities will be debited from the RQFII funds' assets and the RQFII funds' and hence the Sub-Fund's value may be adversely affected.

Risks of investing in other funds: Investment in other funds (such as RQFII funds) may involve another layer of fees charged at the underlying fund level. This is because, in addition to the expenses and charges payable by the Sub-Fund as disclosed in this Explanatory Memorandum, the Sub-Fund will bear indirectly the fees charged by the managers and other service providers of the underlying funds, or will incur charges in subscribing for or redeeming units in the underlying funds. The Manager will consider various factors in selecting the underlying funds, for example, the investment objective and strategy, level of fees and charges, the redemption frequency and liquidity of such funds. However, there is no assurance that the investment objective or strategy of an underlying fund will be successfully achieved.

If the Sub-Fund invests in an underlying fund managed by the Manager or a connected person of the Manager, all initial charges on such underlying fund will be waived. The Manager may not obtain a rebate on any fees or charges levied by such underlying fund or its manager. Where potential conflicts of interest arise, the Manager will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section headed "**Conflicts of Interest**" in the main part of the Explanatory Memorandum.

Mainland China Tax Risk

By investing in RMB denominated Mainland securities issued by tax residents in Mainland China, the Sub-Fund may be subject to withholding income tax ("**WIT**") and other taxes imposed in Mainland China. Investors should refer to the heading "**Mainland China**" in the section headed "**Taxation**" for further details.

Tax Provision

It is the intention of the Manager to operate the affairs of the Manager and the Sub-Fund such that they are not Mainland China tax resident enterprises and have no establishment or place of business ("**PE**") in Mainland China for Mainland China CIT purposes, although this is not guaranteed.

The Sub-Fund will invest in China A-Shares through the Stock Connects.

Given that the Sub-Fund invests in China A-Shares through the Stock Connects, the Sub-Fund is temporarily exempt from Mainland China WIT on the capital gains according to Circular 81 and Circular 127 and no Mainland China tax provision will be made on the gross realized and unrealized capital gains derived by the Sub-Fund from investments in China A-Shares through the Stock Connects. If there is any update on the tax rules applied to the Stock Connects in the future, the Manager will review and adjust the capital gain tax provisioning approach for Stock Connects accordingly.

The tax exemptions granted under Circular 81 and Circular 127 are temporary. It is possible that the applicable tax law, regulations and practice may be changed. In such cases, the Sub-Fund may have tax liabilities in Mainland China which it has not provided for. Such tax liabilities will be deducted from the Sub-Fund's assets and the Sub-Fund's Net Asset Value will be adversely affected. In this case, existing and subsequent investors will be disadvantaged as they will bear for a disproportionately higher amount of tax liabilities as compared to the liability at the time of investment in the Sub-Fund.

The Sub-Fund will invest in China B-Shares. Under the arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the "**Arrangement**"), capital gains derived by Hong Kong tax residents from alienation of shares issued by Mainland China companies may be taxed in Mainland China if the recipient, at any time within 12 months preceding such alienation, had a participation of at least 25% of the capital in that Mainland China company or if the Mainland China company is an immovable properties-rich company (i.e. Mainland China companies in which 50% or more of their assets are comprised, directly or indirectly, of immovable properties situated in Mainland China). Due to the Sub-Fund's investment restrictions, the Sub-Fund cannot hold more than 10% of any ordinary shares issued by any single issuer. In such a case, the capital gains derived from the alienation of the shares of non-immovable

properties-rich China B-Shares companies would not be subject to Mainland China WIT, subject to the assessment of Mainland China tax authorities. Before a Hong Kong tax resident can enjoy relief under the Arrangement, a Hong Kong Tax Resident Certificate (“**HKTRC**”) issued by the Inland Revenue Department (“**IRD**”) should be submitted to the relevant Mainland China tax authority for this purpose. As at the date of this Explanatory Memorandum, the Sub-Fund has not yet obtained the HKTRC from the IRD. If the Mainland China tax authorities enforce the collection of WIT on capital gains derived from investment in China B-Shares and require the Sub-Fund to provide a HKTRC in order to obtain the WIT relief, the Manager will apply for a HKTRC on behalf of the Sub-Fund.

In light of the uncertainty on the income tax treatment on capital gains and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for Mainland China WIT on such gains or income and withhold the tax for the account of the Sub-Fund. After careful consideration of the Manager’s assessment and having taken and considered independent professional tax advice relating to the Sub-Fund’s eligibility to benefit from the Arrangement, and in accordance with such advice, the Manager holds a view that the Sub-Fund is a Hong Kong tax resident for the purpose of the Arrangement and is able to enjoy the WIT relief on capital gains derived from the alienation of the shares of non-immovable properties-rich China B-Shares companies under the Arrangement. In this connection, the Manager, having taken and considered the independent professional tax advice and in accordance with such advice, has determined that

- (1) No Mainland China WIT provision will be made on the gross realized and unrealized capital gains derived from investments in China B-Shares, except for those capital gains derived from investments in China B-Shares issued by Mainland China tax resident companies which are immovable properties-rich companies.
- (2) A 10% provision for Mainland China WIT will be provided for the gross realized and unrealized capital gains derived by the Sub-Fund from investments in China B-Shares issued by Mainland China tax resident companies which are immovable properties-rich companies. The methodology adopted by the Manager in identifying whether or not Mainland China resident companies are immovable properties rich companies has been agreed and accepted by the independent tax advisor. The amount of provision will be disclosed in the financial statements of the Sub-Fund.

It should be noted that there are uncertainties in relation to the Manager’s determination of Mainland China WIT provision, including:

- The Arrangement may be changed in the future and the Sub-Fund may ultimately be required to pay Mainland China WIT on capital gains.
- As at the date of this Explanatory Memorandum, the Sub-Fund has not yet obtained the HKTRC from the IRD. If Mainland China tax authorities enforce the collection of WIT on capital gains and require the Sub-Fund to provide a HKTRC, the Manager will apply for a HKTRC on behalf of the Sub-Fund. Whether the Manager is able to obtain a HKTRC on behalf of the Sub-Fund is subject to prevailing practice of Hong Kong and/or Mainland China tax authorities. The Sub-Fund may need to apply with the IRD for a HKTRC on an annual basis, which is subject to the assessment of the IRD. There is a risk that the Manager will not be able to obtain a HKTRC on behalf of the Sub-Fund.

- To date, the Mainland China tax authorities have not sought to enforce WIT collection on capital gains derived by foreign investors from investments in China B-Shares. If Mainland China tax authorities start to enforce WIT collection on capital gains, the relief under the Arrangement is still subject to the assessment of Mainland China tax authorities. Even if the Manager, in accordance with the independent professional tax advice, believes that the Sub-Fund should be eligible for such relief, the Mainland China tax authorities may ultimately hold a different view.
- Due to the limitation to the availability of the public information in Mainland China (e.g. in determining whether ownership of an associate company will constitute an immovable properties-rich investment), the information to be adopted by the Mainland China tax authorities in assessing immovable properties-rich companies may be different from the information used by the Manager in assessing immovable properties-rich companies which may result in different conclusion by the Manager for some China B-Share companies to those of the Mainland China tax authorities.

Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, any sums withheld in excess of the tax liability incurred or is expected to be incurred by the Sub-Funds shall be released and transferred to the Sub-Fund's accounts forming part of the Sub-Fund's assets. The amount of such tax provision will be disclosed in the accounts of the Sub-Fund.

For the above reasons, any Mainland China WIT provision on capital gains made by the Manager in respect of the Sub-Fund may be lower than or higher than the Sub-Fund's actual tax liabilities. It should also be noted that there is a possibility of the Mainland China tax rules being changed and taxes being applied retrospectively. The Manager, acting in the best interest of Unitholders, will assess the WIT provisioning approach on an on-going basis.

If the actual tax levied by STA is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund.

On the other hand, the actual tax liabilities may be lower than the tax provision made, in which case those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager, will as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund.

Risks relating to REITs and property-related companies

The Sub-Fund may invest in REITs and other property-related companies which invest primarily in real estate and this may involve a higher level of risk. The REITs invested in by the Sub-Fund may not necessarily be authorised by the SFC and their dividend policy may differ from that of the Sub-Fund.

The prices of REITs and other property-related companies are affected by changes in the value of the underlying properties owned by the REITs/property-related companies. Investment in REITs and other property-related companies may therefore subject the Sub-Fund to risks similar to those from direct ownership of real property.

Real estate investments are relatively illiquid and this may affect the ability of a REIT or a property related company to vary its investment portfolio or liquidate part of its assets in response to changes in economic conditions, international securities markets, foreign exchange rates, interest rates, real estate markets or other conditions. Adverse global economic conditions could adversely affect the business, financial condition and results of operations of REITs. REITs may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than other securities.

Further, returns from REITs and other property-related companies are dependent on management skills. Investments made by REITs and other property-related companies generally may not be diversified. In addition, certain REITs in which the Sub-Fund may invest may have their assets concentrated in specific real property sectors, and are therefore subject to the risks associated with adverse developments in these sectors.

REITs and other property-related companies are also subject to heavy cash flow dependency, defaults by borrowers and self-liquidation. Further, borrowers under mortgages held by REITs or other property-related companies or lessees of property that REITs or other property-related companies own may be unable to meet their obligations to the REITs or other property-related companies. On the other hand, if the key tenants experience a downturn in their businesses or their financial condition, they may fail to make timely rental payments or default under their leases. Tenants in a particular industry might also be affected by any adverse downturn in that industry and this may result in their failure to make timely rental payments or to default under the leases. In the event of a default, a REIT or other property-related company may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments. The REITs may suffer losses as a result.

REITs may have limited financial resources and may be subject to borrowing limits. Consequently, REITs may need to rely on external sources of funding to expand their portfolios, which may not be available on commercially acceptable terms or at all. If a REIT cannot obtain capital from external sources, it may not be able to acquire properties when strategic opportunities exist.

Any due diligence exercise conducted by REITs on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies. Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow of the REITs.

Risks relating to commodities

The Sub-Fund may gain exposure to different commodities (including energy, metals and agricultural commodities) indirectly through listed securities such as ETFs and other investment funds. Commodity markets generally are subject to greater risks than other markets. It is a feature of commodities generally that they are subject to rapid changes and the risks involved may also change relatively quickly. Commodity prices are determined by forces of supply and demand in the commodity markets and these forces are themselves influenced by, without limitation, consumption patterns, macro-economic factors, weather, natural disasters, trade, fiscal controls and policies of governments and other unforeseeable events.

In addition, because of the geographical distribution of certain commodities (i.e. in emerging markets), the Sub-Fund may be exposed to issues such as heightened political risks, sovereign intervention and the potential for sovereign claims to output, acts of war, or increase in resources-related rents and taxes. There is also the risk of sharp fluctuations in production and secular consumption trends, which may adversely affect the performance of the Sub-Fund.

Derivative instruments risk

Insofar as the Sub-Fund acquires derivative instruments for hedging, it will be subject to additional risks. There can be no assurance that any hedging techniques will fully and effectively eliminate the risk exposure of the Sub-Fund. Derivative instruments may be illiquid and are complex in nature. In adverse situations, the Sub-Fund's use of derivatives for hedging may become ineffective and the Sub-Fund may suffer significant losses. The price of a derivative instrument can be very volatile which may result in losses in excess of the amount invested in the derivative instruments by the Sub-Fund. A derivative instrument is subject to the risk that the counterparty of the instrument will not fulfil its obligations to the Sub-Fund, and this may result in losses to the Sub-Fund.

Transactions in options also carry a high degree of risk. Selling ("**writing**" or "**granting**") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "**covered**" by the seller holding a corresponding position in the underlying investment, the risk may be reduced.

For currency forward contracts, suitable hedging transactions may not be available in all circumstances and there can be no assurance that the Sub-Fund will engage in such transactions at any given time or from time to time. Forward contracts are not traded on exchanges and are not standardised.

Please refer to the relevant risk factors "**Counterparty risk**" and "**Risks relating to hedging and the hedged classes**" under the section headed "Risk Factors" in the main part of the Explanatory Memorandum.

RMB currency risk/Risks relating to RMB denominated securities

Investors may invest in RMB-hedged Units of the Sub-Fund. Non-RMB based investors (e.g. Hong Kong investors) may have to convert Hong Kong dollar or other currency(ies) into RMB when investing in RMB-hedged Units and subsequently convert the RMB redemption proceeds and/or dividend payment (if any) back to Hong Kong dollar or such other currency(ies). Investors will incur currency conversion costs and may suffer losses depending on the exchange rate movements of RMB relative to Hong Kong dollar or such other currencies.

Class denominated in RMB will generally be valued with reference to the offshore RMB (known as “**CNH**”) rather than the onshore RMB (known as “**CNY**”). While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently. As such, CNH does not necessarily have the same exchange rate and may not move in the same direction as CNY.

The Sub-Fund may have exposure to securities that are denominated in RMB. Investment in the Sub-Fund will be subject to RMB currency risks. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. Please refer to the relevant risk factors “**RMB currency risk**” and “**RMB foreign exchange control risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

RMB securities listed on the Hong Kong Stock Exchange, for example, RMB denominated REITs, are denominated, traded and settled in RMB. Unlike Hong Kong dollar denominated securities, there may not be a liquid or active market for trading of RMB securities. Therefore, the Sub-Fund may not be able to sell such investments on a timely basis, or may have to sell at a discount to the net asset value of such securities. Also, the liquidity and trading price of such securities could be adversely affected by the limited availability of RMB outside of Mainland China and RMB repatriation restrictions.

RMB denominated debt securities issued outside of Mainland China are not normally listed on a stock exchange or a securities market where trading is conducted on a regular basis and may be subject to additional liquidity risk. In the absence of an active secondary market, the Sub-Fund may need to hold the debt securities until their maturity date. Further, the bid and offer spread of the price of RMB denominated debt securities may be high, leading to significant trading costs in trading such securities.

Available Classes

The following classes of Units have been established and may be made available for sale from time to time. The Manager has an absolute discretion to determine from time to time the availability of any Class of Units to any investor. Investors should check with the Manager whether any class of Units is currently offered.

| Class | Class currency | Investors to whom the class is available |
|-------------------|-----------------------------|---|
| Class A1 (USD) | United States Dollar | Retail public |
| Class A2 (HKD) | Hong Kong Dollar | Retail public |
| Class A3 (AUD-H) | Australian Dollar (Hedged) | Retail public |
| Class A4 (NZD-H) | New Zealand Dollar (Hedged) | Retail public |
| Class A5 (CAD-H) | Canadian Dollar (Hedged) | Retail public |
| Class A6 (GBP-H) | British Pound (Hedged) | Retail public |
| Class A7 (RMB-H) | Renminbi (Hedged) | Retail public |
| Class A8 (RMB) | Renminbi | Retail public |
| Class A9 (EUR-H) | Euro (Hedged) | Retail public |
| Class A10 (SGD-H) | Singapore Dollar (Hedged) | Retail public |
| Class A11 (JPY-H) | Japanese Yen (Hedged) | Retail public |
| Class A12 (CHF-H) | Swiss Franc (Hedged) | Retail public |
| Class A13 (HKD-H) | Hong Kong Dollar (Hedged) | Retail public |
| Class C1 (USD) | United States Dollar | Retail public |
| Class C2 (HKD) | Hong Kong Dollar | Retail public |
| Class C3 (RMB) | Renminbi | Retail public |
| Class C4 (RMB-H) | Renminbi (Hedged) | Retail public |
| Class C5 (HKD-H) | Hong Kong Dollar (Hedged) | Retail public |
| Class I1 (USD) | United States Dollar | Institutional clients |
| Class I2 (HKD) | Hong Kong Dollar | Institutional clients |
| Class I3 (AUD-H) | Australian Dollar (Hedged) | Institutional clients |
| Class I4 (NZD-H) | New Zealand Dollar (Hedged) | Institutional clients |
| Class I5 (CAD-H) | Canadian Dollar (Hedged) | Institutional clients |

| Class | Class currency | Investors to whom the class is available |
|-------------------|---------------------------|---|
| Class I6 (GBP-H) | British Pound (Hedged) | Institutional clients |
| Class I7 (RMB-H) | Renminbi (Hedged) | Institutional clients |
| Class I8 (RMB) | Renminbi | Institutional clients |
| Class I9 (EUR-H) | Euro (Hedged) | Institutional clients |
| Class I10 (SGD-H) | Singapore Dollar (Hedged) | Institutional clients |
| Class I11 (JPY-H) | Japanese Yen (Hedged) | Institutional clients |
| Class I12 (CHF-H) | Swiss Franc (Hedged) | Institutional clients |
| Class I13 (HKD-H) | Hong Kong Dollar (Hedged) | Institutional clients |
| Class X1 (USD) | United States Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X2 (HKD) | Hong Kong Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X3 (RMB) | Renminbi | For use by the Manager itself and in managing segregated portfolios |
| Class X4 (RMB-H) | Renminbi (Hedged) | For use by the Manager itself and in managing segregated portfolios |
| Class X5 (HKD-H) | Hong Kong Dollar (Hedged) | For use by the Manager itself and in managing segregated portfolios |

For classes of Units launched subsequent to the initial offer period of the Sub-Fund, the initial issue of such class Units will be made at the prevailing Issue Price of Class A Units denominated in the same currency or Class A Units denominated in the base currency (exclusive of preliminary charge).

Investment Minima

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (AUD-H) | Class A4 (NZD-H) | Class A5 (CAD-H) | Class A6 (GBP-H) | Class A7 (RMB-H) | Class A8 (RMB) | Class A9 (EUR-H) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (HKD-H) |
|---|---------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Minimum Subscription Amount | USD1,000 | HKD10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | HKD10,000 |
| Minimum Subsequent Subscription Amount | USD1,000 | HKD10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | HKD10,000 |
| Minimum Holding | USD1,000 | HKD10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | HKD10,000 |
| Minimum Redemption Amount | USD1,000 | HKD10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | HKD10,000 |
| Class | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB) | Class C4 (RMB-H) | Class C5 (HKD-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (AUD-H) | Class I4 (NZD-H) | Class I5 (CAD-H) | Class I6 (GBP-H) | Class I7 (RMB-H) | Class I8 (RMB) |
| Minimum Subscription Amount | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD1,000,000 | HKD8,000,000 | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 | RMB8,000,000 | RMB8,000,000 |
| Minimum Subsequent Subscription Amount | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD120,000 | HKD1,000,000 | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 | RMB1,000,000 | RMB1,000,000 |
| Minimum Holding | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD1,000,000 | HKD8,000,000 | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 | RMB8,000,000 | RMB8,000,000 |
| Minimum Redemption Amount | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD120,000 | HKD1,000,000 | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 | RMB800,000 | RMB800,000 |
| Class | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (HKD-H) | Class X1 (USD) | Class X2 (HKD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (HKD-H) | | | |
| Minimum Subscription Amount | EUR1,000,000 | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | HKD8,000,000 | N/A | N/A | N/A | N/A | N/A | | | |
| Minimum Subsequent Subscription Amount | EUR120,000 | SGD120,000 | JPY12,000,000 | CHF120,000 | HKD1,000,000 | N/A | N/A | N/A | N/A | N/A | | | |
| Minimum Holding | EUR1,000,000 | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | HKD8,000,000 | N/A | N/A | N/A | N/A | N/A | | | |
| Minimum Redemption Amount | EUR120,000 | SGD120,000 | JPY12,000,000 | CHF120,000 | HKD1,000,000 | N/A | N/A | N/A | N/A | N/A | | | |

Fees

Fees payable by investors

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (AUD-H) | Class A4 (NZD-H) | Class A5 (CAD-H) | Class A6 (GBP-H) | Class A7 (RMB-H) | Class A8 (RMB) | Class A9 (EUR-H) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (HKD-H) |
|--|---------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Class | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB) | Class C4 (RMB-H) | Class C5 (HKD-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (AUD-H) | Class I4 (NZD-H) | Class I5 (CAD-H) | Class I6 (GBP-H) | Class I7 (RMB-H) | Class I8 (RMB) |
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Class | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (HKD-H) | Class X1 (USD) | Class X2 (HKD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (HKD-H) | | | |
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | | | |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | | | |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | | | |

Fees payable by the Sub-Fund (% Net Asset Value of the Sub-Fund)

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (AUD-H) | Class A4 (NZD-H) | Class A5 (CAD-H) | Class A6 (GBP-H) | Class A7 (RMB-H) | Class A8 (RMB) | Class A9 (EUR-H) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (HKD-H) |
|----------------|--|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Management Fee | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% |
| Trustee Fee | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. |
| Custody Fees | Up to 0.125% p.a., subject to a minimum monthly fee of US\$2,500 | | | | | | | | | | | | |
| | Up to 0.3% p.a. | | | | | | | | | | | | |

| Class | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB) | Class C4 (RMB-H) | Class C5 (HKD-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (AUD-H) | Class I4 (NZD-H) | Class I5 (CAD-H) | Class I6 (GBP-H) | Class I7 (RMB-H) | Class I8 (RMB) |
|----------------|--|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| Management Fee | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 0.875% | 0.875% | 0.875% | 0.875% | 0.875% | 0.875% | 0.875% | 0.875% |
| Trustee Fee | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. |
| Custody Fees | Up to 0.125% p.a., subject to a minimum monthly fee of US\$2,500 | | | | | | | | | | | | |
| | Up to 0.3% p.a. | | | | | | | | | | | | |

| Class | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (HKD-H) | Class X1 (USD) | Class X2 (HKD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (HKD-H) |
|----------------|--|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Management Fee | 0.875% | 0.875% | 0.875% | 0.875% | 0.875% | 0% | 0% | 0% | 0% | 0% |
| Trustee Fee | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. |
| Custody Fees | Up to 0.125% p.a., subject to a minimum monthly fee of US\$2,500 | | | | | | | | | |
| | Up to 0.3% p.a. | | | | | | | | | |

Establishment Costs

The costs of establishment of the BOCHK All Weather Global Opportunities Fund have been fully amortized.

Dealing Day

Every Business Day.

Dealing Deadline

5 p.m. (Hong Kong time) on the relevant Dealing Day.

Dealing through the Authorised Distributor(s) or other authorised electronic means may involve different dealing procedures and an earlier cut-off time may be imposed before the Dealing Deadlines for receiving instructions. Investors should confirm the arrangements with the Authorised Distributor(s) concerned.

Subscription, Redemption and Switching of Units

For details regarding the procedures for subscription, redemption and switching, see the main part of the Explanatory Memorandum under “**Purchase of Units**”, “**Redemption of Units**” and “**Switching between classes**”.

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and the amount of distributions. If the Manager decides to make distributions, only the net income attributable to the relevant classes will be distributed, after deducting charges and expenses.

Class A1 (USD), Class A2 (HKD), Class A3 (AUD-H), Class A4 (NZD-H), Class A5 (CAD-H), Class A6 (GBP-H), Class A7 (RMB-H), Class A8 (RMB), Class A9 (EUR-H), Class A10 (SGD-H), Class A11 (JPY-H), Class A12 (CHF-H) and Class A13 (HKD-H):

For these classes of Units, it is the current intention of the Manager to declare and pay dividends on a quarterly basis, i.e. March, June, September and December (or, subject to one month’s prior notice to the relevant Unitholders, such other frequency as the Manager and the Trustee consider appropriate).

Investors should note that there is no guarantee of regular distribution payments during the period investors hold the Units of the Sub-Fund.

Class C1 (USD), Class C2 (HKD), Class C3 (RMB), Class C4 (RMB-H), Class C5 (HKD-H), Class I1 (USD), Class I2 (HKD), Class I3 (AUD-H), Class I4 (NZD-H), Class I5 (CAD-H), Class I6 (GBP-H), Class I7 (RMB-H), Class I8 (RMB), Class I9 (EUR-H), Class I10 (SGD-H), Class I11 (JPY-H), Class I12 (CHF-H), Class I13 (HKD-H), Class X1 (USD), Class X2 (HKD), Class X3 (RMB), Class X4 (RMB-H) and Class X5 (HKD-H):

Currently, the Manager does not intend to make any distributions for these classes of Units.

Valuation

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

Investments in ETFs will be valued pursuant paragraph (a) of the section headed “**Valuation**” in the main part of the Explanatory Memorandum as a security listed or quoted on a securities market, unless the Manager and the Trustee otherwise determine.

APPENDIX II

BOCHK ALL WEATHER CHINA HIGH YIELD BOND FUND

This Appendix comprises information in relation to BOCHK All Weather China High Yield Bond Fund, a Sub-Fund of the Fund.

Base Currency

The base currency of the Sub-Fund is RMB.

Investment Objective and Policy

The investment objective of the Sub-Fund is to generate long-term capital growth and income in RMB terms by investing primarily in fixed income and debt securities (hereinafter collectively referred to in this investment objective and policy as “**Debt Securities**”) that are denominated in RMB or other currencies. The Sub-Fund may also invest in RMB denominated deposits.

In order to achieve its investment objective, the Sub-Fund will directly invest in a managed pool of Debt Securities issued and traded outside of Mainland China.

The Sub-Fund will also invest indirectly in Debt Securities listed or traded in the Mainland China securities market through investment in other funds that are authorised by the SFC and eligible to directly invest in such market through Renminbi Qualified Foreign Institutional Investor (“**RQFII funds**”). The underlying Debt Securities may be listed on a Mainland China stock exchange or traded in the China Interbank Bond Market. Investment in RQFII funds will be in aggregate up to 20% of the Net Asset Value of the Sub-Fund.

Investment Strategy

The Debt Securities that the Sub-Fund may invest in include, but are not limited to, bills, notes, bonds, floating rate notes, money market instruments, certificates of deposit, commercial paper, exchangeable bonds and convertible bonds issued by issuers such as governments, government agencies, supranational entities, corporations, financial institutions and banks. The issuers may or may not be domiciled in Mainland China. The Sub-Fund will invest at least 70% of its Net Asset Value in a portfolio of Debt Securities issued by governments or quasi-governments or listed or unlisted corporations which are domiciled in or derive substantial revenue from or have significant business/economic/operational activities in Mainland China, Hong Kong, Macau and/or Taiwan.

The Sub-Fund will invest in both RMB denominated Debt Securities (“**RMB Debt Securities**”) and non-RMB denominated Debt Securities. For non-RMB denominated Debt Securities, the Manager will dynamically perform currency hedging to hedge the non-RMB currency exposure back to RMB, subject to the allocation of investments (based on currency exposure) below. The Manager may also actively hedge against interest rate risks for any Debt Securities. For the purpose of currency and interest rate hedging, the Manager will make use of derivative instruments such as swaps, futures and deliverable and non-deliverable currency forwards. The Sub-Fund will not invest in derivative instruments for investment purposes. The Sub-Fund will not invest in structured products or structured deposits for any purposes.

The Sub-Fund may at any time invest over 50% of its Net Asset Value in higher-yielding Non-Investment Grade Debt Securities and unrated Debt Securities. However, to mitigate counterparty risks, the Sub-Fund will not invest more than 10% of its Net Asset Value in securities issued by or guaranteed by any single country or region that is rated Non-Investment Grade and/or unrated (including its government and a public or local authority of that country or region).

“Non-Investment Grade” refers to a credit rating of BB+ or below from Standard & Poor’s, Ba1 or below from Moody’s or an equivalent rating from an internationally recognised rating agency. In selecting unrated Debt Securities, the Manager may apply its internal credit rating to determine the credit quality.

The allocation of the investments (based on currency exposure) of the Sub-Fund will be as follows:

- i. at least 70% of its Net Asset Value in investments denominated and settled in RMB (including RMB-denominated collective investment schemes) and/or investments denominated in other currencies and hedged back into RMB;
- ii. up to 30% of its Net Asset Value in non-RMB denominated investments without performing any RMB currency hedge.

Different strategies including, but not limited to, duration strategies, yield curve strategies, credit strategies, sector allocation strategies may be used:

Duration strategies: The Sub-Fund may invest in securities with different maturities when interest rates and/or inflation rates change and the market has not fully priced in such changes, with an aim to reinvest principal and coupon payment proceeds at higher reinvestment rates.

Yield curve strategies: The Sub-Fund may make an overweight or an underweight allocation to different bonds based on the expected changes in the shape of the RMB yield curve term structure.

Credit strategies: The Sub-Fund may invest in a type of bonds if their extra yields over other bonds of similar maturities (i.e. credit spreads) are high enough to compensate the Sub-Fund for the credit risk and liquidity risk on a portfolio basis.

Sector allocation strategies: The Sub-Fund may make an overweight allocation to a particular sector (such as bonds issued by commercial banks) or market if its risk-adjusted return profile is expected to be more attractive than others.

Subject to the investment objective and applicable investment restrictions, the Sub-Fund may at any time use any additional and/or alternative methods or strategies deemed appropriate by the Manager so as to take advantage of any investment opportunities that arise.

Use of Derivatives

The Sub-Fund may acquire financial derivative instruments for hedging purposes only. The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's latest available Net Asset Value.

Additional Investment and Borrowing Restrictions

If prevailing or expected market circumstances require, the Manager may, on a temporary basis, invest a substantial portion of the Sub-Fund's assets in cash or cash equivalents, RMB denominated deposits, certificates of deposit and/or money market instruments, short-term paper and/or similar short-term instruments. In that event, the aggregate value of the Sub-Fund's holding of RMB denominated securities, instruments and bank deposits issued by a single entity may not exceed 10% of its Net Asset Value, except:

- i. where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25% of the Net Asset Value of the Sub-Fund; or
- ii. in the case of Government and other public securities*, up to 30% may be invested in the same issue; or
- iii. in respect of any deposit of less than US\$1 million or its equivalent in RMB, where the Sub-Fund cannot otherwise diversify as a result of its size.

* *"Government and other public securities" shall bear the same meaning as defined in the section headed "Definitions" in the main part of the Explanatory Memorandum*

Further, the Sub-Fund will not borrow for the purpose of acquiring investments.

Specific Risk Factors

Investors should refer to the relevant risks under the section headed "Risk Factors" in the main part of the Explanatory Memorandum, including "Market risk", "RMB currency risk" and "Risks relating to hedging and the hedged classes", and the following specific risk factors for the Sub-Fund:

Risks relating to the RMB

There is no assurance that RMB will not be subject to devaluation, in which case the value of the Sub-Fund's investments will be adversely affected. RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies and repatriation restrictions imposed by the Chinese government. If such policies change in future, the Sub-Fund's or the investors' position may be adversely affected. Please refer to the relevant risk factors "**RMB currency risk**" and "**RMB foreign exchange control risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Where an investor subscribes for Units denominated in a non-RMB currency, the Manager may convert part or all of such subscriptions into RMB prior to investment at the applicable exchange rate. As RMB is not freely convertible, currency conversion is also subject to availability of RMB at the relevant time (i.e. it is possible there is not sufficient RMB for currency conversion in case of sizeable subscriptions in non-RMB classes). The Manager has the absolute discretion to reject any application made in non-RMB currency funds (whether such application is in relation to a RMB class) where it determines that there is not sufficient RMB for currency conversion.

Investors should note that insofar as they convert another currency into RMB to invest in the RMB class of the Sub-Fund, and subsequently convert any RMB redemption proceeds back to such other currency, they may suffer losses if RMB depreciates against such other currency. On the other hand, since the base currency of the Sub-Fund is RMB and/or its investments are primarily denominated in RMB, investors who invest in the Sub-Fund via a class of Units that is not denominated in RMB (e.g. USD) should note that they may also suffer losses in case of depreciation of the RMB.

The Sub-Fund may invest in securities that are denominated in RMB but settled in other currencies (such as USD or HKD). Its performance may be adversely affected by the movements in the exchange rates between RMB and such other currencies.

When calculating the value of a non-RMB denominated or settled asset or the price of a non-RMB denominated class of Units, the Manager will normally apply the exchange rate for offshore RMB market in Hong Kong (the “**CNH rate**”). The CNH rate may be at a premium or discount to the exchange rate for onshore RMB market in Mainland China (the “**CNY rate**”) and there may be significant bid and offer spreads. The value of the Sub-Fund thus calculated may be subject to fluctuation.

Credit risk

Investment in Debt Securities is subject to the credit risk of the issuers which may be unable or unwilling to make timely payments on principal and/or interest. Debt Securities are typically offered on an unsecured basis without collateral, and will rank equally with other unsecured debts of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer’s assets will be paid to holders of the relevant securities only after all secured claims have been satisfied in full. The Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

Investors may suffer a significant loss if the issuers of any of the securities default in payment. Please refer to the risk factors “**Credit risk**” and “**Credit rating downgrading risk**” in the main part of the Explanatory Memorandum.

High-yield/non-investment grade/unrated Debt Securities

The Sub-Fund may make significant investments in Non-Investment Grade Debt Securities or unrated Debt Securities. In general, the fact that a security is given a lower credit rating (or is unrated) is associated with a higher risk, because of generally lower credit worthiness and liquidity, greater fluctuation in value and higher chance of default than investment grade securities. Please refer to the risk factor “**Below investment grade and unrated securities risk**” in the main part of the Explanatory Memorandum.

In the event of a default or credit rating downgrading of the issuers, the Sub-Fund's value will be adversely affected and investors may suffer a significant loss as a result. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against such issuers as they may be incorporated outside Hong Kong and subject to foreign laws.

Limited pool of investments

Although the issuance of offshore RMB Debt Securities has increased substantially in recent years, supply may lag the demand for such securities under certain circumstances. Therefore, the Debt Securities that may be acquired by the Sub-Fund are relatively limited and the remaining duration of such instruments may be short. Although the Manager expects that there will be sufficient issues of Debt Securities for the Sub-Fund to construct its investment portfolio, the choice of investments may not be as diverse as other types of funds. Securities held by the Sub-Fund may be issued by a limited number of issuer(s) or financial institution(s), and accordingly, there will be additional credit risk.

Mainland China market risk

Insofar as the Sub-Fund invests in securities issued by entities which are incorporated or domiciled in Mainland China, or which have their business and operations in Mainland China, the Sub-Fund may be subject to the risks specific to the Mainland China market.

Please refer to the risk factor "**Mainland China market risk**" in the main part of the Explanatory Memorandum.

Emerging markets risk

Investing in emerging markets involves increased risks and special considerations not typically associated with investment in more developed economies or markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility. Please refer to the relevant risk factor "**Emerging markets risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Concentration risk

The Sub-Fund focuses its investments on the offshore RMB Debt Securities market and its portfolio of investments may not be diversified compared to other broad-based funds. Please refer to the risk factor "**Concentration risk**" in the main part of the Explanatory Memorandum.

Valuation risk

Valuation of the 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.

The value of Debt Securities may be affected by changing market conditions or other significant market events affecting valuation. For example, in the event of downgrading of an issuer, the value of the relevant Debt Securities may decline rapidly.

Liquidity risk

The Debt Securities held by the Sub-Fund may not be listed or actively traded and consequently liquidity may be low. Moreover, the accumulation and disposal of holdings in some investments may be time consuming and may need to be conducted at unfavourable prices. The Sub-Fund may also encounter difficulties in disposing of assets at their fair price due to adverse market conditions leading to limited liquidity. There is also no guarantee that market making arrangements will be in place to make a market and quote a price for all investments of the Sub-Fund.

In the absence of an active secondary market, the Sub-Fund may need to hold investments until their maturity date. If sizeable redemption requests are received, the Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the Sub-Fund may suffer losses in trading such investments. Even if a secondary market is developed, the prices at which the Sub-Fund's investments are traded may be higher or lower than the initial subscription prices due to many factors including the prevailing interest rates. Further, the bid and offer spreads of the price of Debt Securities in which the Sub-Fund invests may be high, and the Sub-Fund may therefore incur significant trading costs and may even suffer losses when selling such investments.

Risks relating to RQFII funds

The Sub-Fund may invest in the Mainland China securities market through RQFII funds, which may be subject to the following risks.

Risks relating to RMB denominated securities: RQFII funds primarily invest in Mainland China securities that are denominated in RMB. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. Please refer to the relevant risk factors "**RMB currency risk**" and "**RMB foreign exchange control risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Risks relating to the Renminbi Qualified Foreign Institutional Investor (RQFII) regime: Investment through the RQFII regime is subject to the availability of RQFII quota. There is no assurance that sufficient quota will be available for investment by a RQFII fund. Therefore the Sub-Fund's ability to obtain exposure to the Mainland China securities market may be limited by the availability of RQFII quota.

Repatriations of capital out of Mainland China by RQFII funds that are open-ended funds are currently not subject to repatriation restrictions or prior approval, but there is no guarantee that restrictions will not be imposed in future. Any restrictions on repatriation of the invested capital out of Mainland China may impact on a RQFII fund's ability to meet redemption requests from the Sub-Fund. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the control of the Manager (or the manager of a RQFII fund). Therefore, the Sub-Fund may be subject to liquidity risk insofar as it invests in RQFII funds.

The application of the rules relevant to RQFII may depend on the interpretation given by the relevant Mainland regulatory authorities. Any changes to the relevant rules may have an adverse impact on investments made by the RQFII funds and hence the Sub-Fund's performance. The current RQFII rules and regulations are subject to change, which may take retrospective effect. In the worst case, the relevant RQFII fund may be terminated if it is not legal or viable to operate because of changes to the application of the relevant rules. The Sub-Fund's holdings in the relevant the RQFII fund will be realised in case of such termination, and the Sub-Fund may suffer losses in its initial investment in such fund.

Investment in Mainland China bond markets via RQFII funds: The Sub-Fund may have exposure to the Mainland China bond markets through investment in RQFII funds. The Mainland China bond markets (including the exchange and interbank bond markets) are in a stage of development and the volume of trading may be lower than more developed markets. Liquidity of the bonds will be lower in the absence of an active secondary market. RQFII funds investing in such market are therefore subject to liquidity risks and may suffer losses in trading Mainland China bonds. The bid and offer spreads of the prices of the Mainland China bonds may be large, so significant trading and realisation costs may be incurred.

The Mainland China bond markets are also subject to regulatory risks. Due to irregularities in the interbank bond market trading activities, the China Central Depository & Clearing Co., Ltd (the central clearing entity) suspended new account opening on the interbank bond market for specific types of products. Although RQFII funds that are mutual funds offered to the public were not affected, there is no assurance that future regulatory actions will not affect such funds. If accounts are suspended, or cannot be opened, the RQFII funds' and hence the Sub-Fund's ability to invest in the interbank bond market will be limited and they may suffer substantial losses as a result.

Mainland China taxation: There could be Mainland China tax liabilities on income derived from investments in Mainland Debt Securities. Mainland China tax laws contain uncertainties, and changes in such laws may have retrospective effect. It may be the practice for some RQFII funds to make provisions for potential tax liabilities in Mainland China. Such provisions may be excessive or inadequate to meet the actual tax liabilities. Even if tax provisions are made, any shortfall between the provisions and actual tax liabilities will be debited from the RQFII funds' assets and the RQFII funds' and hence the Sub-Fund's value may be adversely affected.

Risks of investing in other funds: Investment in other funds (such as RQFII funds) may involve another layer of fees charged at the underlying fund level. This is because, in addition to the expenses and charges payable by the Sub-Fund as disclosed in this Explanatory Memorandum, the Sub-Fund will bear indirectly the fees charged by the managers and other service providers of the underlying funds, or will incur charges in subscribing for or redeeming units in the underlying funds. The Manager will consider various factors in selecting the underlying funds, for example, the investment objective and strategy, level of fees and charges, the redemption frequency and liquidity of such funds. However, there is no assurance that the investment objective or strategy of an underlying fund will be successfully achieved.

If the Sub-Fund invests in an underlying fund managed by the Manager or a connected person of the Manager, all initial charges on such underlying fund will be waived. The Manager may not obtain a rebate on any fees or charges levied by such underlying fund or its manager. Where potential conflicts of interest arise, the Manager will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section headed "**Conflicts of Interest**" in the main part of the Explanatory Memorandum.

Interest rate risk

In general, Debt Securities are sensitive to changes in interest rates. Please refer to the relevant risk factor "**Interest rate risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Derivative instruments risk

Insofar as the Sub-Fund acquires derivative instruments for currency and interest rate hedging, it will be subject to additional risks. There can be no assurance that any hedging techniques will fully and effectively eliminate the risk exposure of the Sub-Fund. Derivative instruments may be illiquid and are complex in nature. In adverse situations, the Sub-Fund's use of derivatives for hedging may become ineffective and the Sub-Fund may suffer significant losses. The price of a derivative instrument can be very volatile which may result in losses in excess of the amount invested in the derivative instruments by the Sub-Fund. A derivative instrument is subject to the risk that the counterparty of the instrument will not fulfil its obligations to the Sub-Fund, and this may result in losses to the Sub-Fund. The market for offshore RMB deliverable and non-deliverable forwards has continued to develop and liquidity has improved over the past years. However, subject to market conditions, the availability of RMB forwards that could be used by the Sub-Fund for hedging purposes may be limited and costly, compared with other world major currencies of developed countries/regions. Therefore, the effectiveness of the hedging techniques used by the Manager may be subject to limitations in changing market conditions.

Please refer to the relevant risk factors "**Counterparty risk**" and "**Risks relating to hedging and the hedged classes**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Currency risk/hedging risk

Because the Sub-Fund's assets and liabilities may be denominated in currencies different from the Sub-Fund's base currency (RMB), the Sub-Fund may be affected unfavourably by changes in the exchange rates between the Sub-Fund's base currency and other currencies. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions. Changes in currency exchange rates may influence the value of the Sub-Fund's investments and hence the value of Units in terms of the Sub-Fund's base currency. An investor may suffer losses arising from changes in currency exchange rates of investments held by the Sub-Fund.

The Manager may, in accordance with the investment strategy, use hedging techniques to attempt to offset currency risks, including hedging the currencies in which the underlying assets of the Sub-Fund are denominated against the Sub-Fund's base currency. There is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result. There can be no assurance that any currency hedging strategy employed by the Manager will fully and effectively eliminate the currency exposure of the Sub-Fund.

Mainland China tax considerations in respect of the Sub-Fund

By investing in RMB denominated Debt Securities issued by tax residents in Mainland China, the Sub-Fund may be subject to withholding income tax ("**WIT**") and other taxes imposed in Mainland China. Investors should refer to the heading "**Mainland China**" in the section headed "**Taxation**" for further details.

Tax Provision

It is the intention of the Manager to operate the affairs of the Manager and the Sub-Fund such that they are not Mainland China tax resident enterprises and have no establishment or place of business ("**PE**") in Mainland China for Mainland China CIT purposes, although this is not guaranteed.

The Sub-fund may invest in RMB Debt Securities issued by PRC government or corporations domiciled in Mainland China (together referred to as "**Mainland Debt Securities**"). Based on the current interpretation of the STA and the local tax authorities, gains derived by foreign investors (including the Sub-Fund) from investment in Mainland Debt Securities should not be treated as Mainland China sourced income thus should not be subject to Mainland China WIT. If the relevant interpretation changes in the future, the Fund/Sub-Fund(s) may still turn to certain treaty relief applicable to Hong Kong tax residents.

Under the arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the "**Arrangement**"), certain relief is applicable to Hong Kong tax residents. One type of such relief under the Arrangement is that capital gains derived by a Hong Kong tax resident from transfer of Mainland China debt instruments issued by the PRC government and corporation should not be taxable in Mainland China. Before a Hong Kong tax resident can enjoy relief under the Arrangement, a Hong Kong Tax Resident Certificate ("**HKTRC**") issued by the Inland Revenue Department ("**IRD**") should be submitted to the relevant Mainland China tax authority for this purpose. As at the date of this Explanatory Memorandum, the Sub-Fund has not yet obtained the HKTRC from the IRD. If the Mainland China tax authorities enforce the collection of WIT on capital gains and require the Sub-Fund to provide a HKTRC in order to obtain the WIT relief, the Manager will apply for a HKTRC on behalf of the Sub-Fund.

In light of the uncertainty on the income tax treatment on capital gains and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for WIT on such gains or income and withhold the tax for the account of the Sub-Fund. After careful consideration of the Manager's assessment and having taken and considered independent professional tax advice relating to the Sub-Fund's eligibility to benefit from the Arrangement, and in accordance with such advice, the Manager holds a view that the Sub-Fund is a Hong Kong tax resident for the purpose of the Arrangement and should be able to enjoy the WIT relief on gross capital gains derived from the disposal of Mainland Debt Securities under the

Arrangement. In this connection, the Manager, having taken and considered the independent professional tax advice and in accordance with such advice, has determined that no Mainland China WIT provision will be made on the gross realized and unrealized capital gains derived from the disposal of Mainland Debt Securities.

It should be noted that there are uncertainties in relation to the Manager's determination of Mainland China WIT provision, including

- The Arrangement may be changed in the future and the Sub-Fund may ultimately be required to pay Mainland China WIT on capital gains.
- As at the date of this Explanatory Memorandum, the Sub-Fund has not yet obtained the HKTRC from IRD. If the Mainland China tax authorities enforce the collection of WIT on capital gains and require the Sub-Fund to provide a HKTRC, the Manager will apply for a HKTRC on behalf of the Sub-Fund. Whether the Manager is able to obtain a HKTRC on behalf of the Sub-Fund is subject to prevailing practice of Hong Kong and/or Mainland China tax authorities. The Sub-Fund may need to apply with the IRD for a HKTRC on an annual basis, which is subject to the assessment of the IRD. There is a risk that the Manager will not be able to obtain a HKTRC on behalf of the Sub-Fund in future if there is a change of the applicable tax rules or prevailing practice and enforcement in Hong Kong and/or Mainland China.
- To date, the Mainland China tax authorities have not sought to enforce WIT collection on capital gains derived by foreign investors in trading of RMB Debt Securities issued by PRC government and corporations domiciled in Mainland China which are traded outside Mainland China. If the Mainland China tax authorities start to enforce WIT collection on capital gains, the relief under the Arrangement is still subject to the assessment of the relevant Mainland China tax authorities. Even if the Manager, in accordance with the independent professional tax advice, believes that the Sub-Fund should be eligible for such relief, the Mainland China tax authorities may ultimately hold a different view.

For the above reasons, the Manager's assessment on no Mainland China WIT provision on capital gains for the Sub-Fund may be different from the actual tax liability of the Sub-Fund.

It should also be noted that there is a possibility of the Mainland China tax rules being changed and taxes being applied retrospectively. The Manager, acting in the best interest of Unitholders, will assess the WIT provisioning approach on an on-going basis.

If the SAT levies Mainland China WIT on capital gains from disposal of Mainland Debt Securities which the Manager has not provided for, there will be a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund.

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

Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund.

Available Classes

The following classes of Units have been established and may be made available for sale from time to time. The Manager has an absolute discretion to determine from time to time the availability of any Class of Units to any investor. Investors should check with the Manager whether any class of Units is currently offered.

| Class | Class currency | Investors to whom the class is available |
|-------------------|-------------------------------|---|
| Class A1 (RMB) | Renminbi | Retail public |
| Class A2 (USD) | United States Dollar | Retail public |
| Class A3 (HKD) | Hong Kong Dollar | Retail public |
| Class A4 (AUD-H) | Australian Dollar (Hedged) | Retail public |
| Class A5 (NZD-H) | New Zealand Dollar (Hedged) | Retail public |
| Class A6 (CAD-H) | Canadian Dollar (Hedged) | Retail public |
| Class A7 (GBP-H) | British Pound (Hedged) | Retail public |
| Class A8 (USD-H) | United States Dollar (Hedged) | Retail public |
| Class A9 (EUR-H) | Euro (Hedged) | Retail public |
| Class A10 (SGD-H) | Singapore Dollar (Hedged) | Retail public |
| Class A11 (JPY-H) | Japanese Yen (Hedged) | Retail public |
| Class A12 (CHF-H) | Swiss Franc (Hedged) | Retail public |
| Class A13 (HKD-H) | Hong Kong Dollar (Hedged) | Retail public |
| Class C1 (RMB) | Renminbi | Retail public |
| Class C2 (USD) | United States Dollar | Retail public |
| Class C3 (HKD) | Hong Kong Dollar | Retail public |
| Class C4 (USD-H) | United States Dollar (Hedged) | Retail public |
| Class C5 (HKD-H) | Hong Kong Dollar (Hedged) | Retail public |
| Class I1 (RMB) | Renminbi | Institutional clients |

| Class | Class currency | Investors to whom the class is available |
|-------------------|-------------------------------|---|
| Class I2 (USD) | United States Dollar | Institutional clients |
| Class I3 (HKD) | Hong Kong Dollar | Institutional clients |
| Class I4 (USD-H) | United States Dollar (Hedged) | Institutional clients |
| Class I5 (AUD-H) | Australian Dollar (Hedged) | Institutional clients |
| Class I6 (NZD-H) | New Zealand Dollar (Hedged) | Institutional clients |
| Class I7 (CAD-H) | Canadian Dollar (Hedged) | Institutional clients |
| Class I8 (GBP-H) | British Pound (Hedged) | Institutional clients |
| Class I9 (EUR-H) | Euro (Hedged) | Institutional clients |
| Class I10 (SGD-H) | Singapore Dollar (Hedged) | Institutional clients |
| Class I11 (JPY-H) | Japanese Yen (Hedged) | Institutional clients |
| Class I12 (CHF-H) | Swiss Franc (Hedged) | Institutional clients |
| Class I13 (HKD-H) | Hong Kong Dollar (Hedged) | Institutional clients |
| Class X1 (RMB) | Renminbi | For use by the Manager itself and in managing segregated portfolios |
| Class X2 (USD) | United States Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X3 (HKD) | Hong Kong Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X4 (USD-H) | United States Dollar (Hedged) | For use by the Manager itself and in managing segregated portfolios |
| Class X5 (HKD-H) | Hong Kong Dollar (Hedged) | For use by the Manager itself and in managing segregated portfolios |

For classes of Units launched subsequent to the initial offer period of the Sub-Fund, the initial issue of such class Units will be made at the prevailing Issue Price of Class A Units denominated in the same currency or Class A Units denominated in the base currency (exclusive of preliminary charge).

Investment Minima

| Class | Class A1 (RMB) | Class A2 (USD) | Class A3 (HKD) | Class A4 (AUD-H) | Class A5 (NZD-H) | Class A6 (CAD-H) | Class A7 (GBP-H) | Class A8 (USD-H) | Class A9 (EUR-H) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (HKD-H) |
|--|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Minimum Subscription Amount | RMB10,000 | USD1,000 | HKD10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | USD1,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | HKD10,000 |
| Minimum Subsequent Subscription Amount | RMB10,000 | USD1,000 | HKD10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | USD1,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | HKD10,000 |
| Minimum Holding | RMB10,000 | USD1,000 | HKD10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | USD1,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | HKD10,000 |
| Minimum Redemption Amount | RMB10,000 | USD1,000 | HKD10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | USD1,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | HKD10,000 |

| Class | Class C1 (RMB) | Class C2 (USD) | Class C3 (HKD) | Class C4 (USD-H) | Class C5 (HKD-H) | Class I1 (RMB) | Class I2 (USD) | Class I3 (HKD) | Class I4 (USD-H) | Class I5 (AUD-H) | Class I6 (NZD-H) | Class I7 (CAD-H) | Class I8 (GBP-H) |
|--|-------------------|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Minimum Subscription Amount | RMB10,000 | USD1,000 | HKD10,000 | USD1,000 | HKD10,000 | RMB8,000,000 | USD1,000,000 | HKD8,000,000 | USD1,000,000 | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 |
| Minimum Subsequent Subscription Amount | RMB10,000 | USD1,000 | HKD10,000 | USD1,000 | HKD10,000 | RMB1,000,000 | USD120,000 | HKD1,000,000 | USD120,000 | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 |
| Minimum Holding | RMB10,000 | USD1,000 | HKD10,000 | USD1,000 | HKD10,000 | RMB8,000,000 | USD1,000,000 | HKD8,000,000 | USD1,000,000 | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 |
| Minimum Redemption Amount | RMB10,000 | USD1,000 | HKD10,000 | USD1,000 | HKD10,000 | RMB800,000 | USD120,000 | HKD1,000,000 | USD120,000 | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 |

| Class | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (HKD-H) | Class X1 (RMB) | Class X2 (USD) | Class X3 (HKD) | Class X4 (USD-H) | Class X5 (HKD-H) |
|--|---------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Minimum Subscription Amount | EUR1,000,000 | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | HKD8,000,000 | N/A | N/A | N/A | N/A | N/A |
| Minimum Subsequent Subscription Amount | EUR120,000 | SGD120,000 | JPY12,000,000 | CHF120,000 | HKD1,000,000 | N/A | N/A | N/A | N/A | N/A |
| Minimum Holding | EUR1,000,000 | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | HKD8,000,000 | N/A | N/A | N/A | N/A | N/A |
| Minimum Redemption Amount | EUR120,000 | SGD120,000 | JPY12,000,000 | CHF120,000 | HKD1,000,000 | N/A | N/A | N/A | N/A | N/A |

Fees

Fees payable by investors

| Class | Class A1 (RMB) | Class A2 (USD) | Class A3 (HKD) | Class A4 (AUD-H) | Class A5 (NZD-H) | Class A6 (CAD-H) | Class A7 (GBP-H) | Class A8 (USD-H) | Class A9 (EUR-H) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (HKD-H) |
|--|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |

| Class | Class C1 (RMB) | Class C2 (USD) | Class C3 (HKD) | Class C4 (USD-H) | Class C5 (HKD-H) | Class I1 (RMB) | Class I2 (USD) | Class I3 (HKD) | Class I4 (USD-H) | Class I5 (AUD-H) | Class I6 (NZD-H) | Class I7 (CAD-H) | Class I8 (GBP-H) |
|--|-------------------|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |

| Class | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (HKD-H) | Class X1 (RMB) | Class X2 (USD) | Class X3 (HKD) | Class X4 (USD-H) | Class X5 (HKD-H) |
|--|---------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |

Fees payable by the Sub-Fund (% Net Asset Value of the Sub-Fund)

| Class | Class A1 (RMB) | Class A2 (USD) | Class A3 (HKD) | Class A4 (AUD-H) | Class A5 (NZD-H) | Class A6 (CAD-H) | Class A7 (GBP-H) | Class A8 (USD-H) | Class A9 (EUR-H) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (HKD-H) |
|----------------|--|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Management Fee | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of RMB15,000 | | | | | | | | | | | | |
| Custody Fees | Up to 0.3 % p.a. | | | | | | | | | | | | |

| Class | Class C1 (RMB) | Class C2 (USD) | Class C3 (HKD) | Class C4 (USD-H) | Class C5 (HKD-H) | Class I1 (RMB) | Class I2 (USD) | Class I3 (HKD) | Class I4 (USD-H) | Class I5 (AUD-H) | Class I6 (NZD-H) | Class I7 (CAD-H) | Class I8 (GBP-H) |
|----------------|--|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Management Fee | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 1.25% p.a. | 0.875% p.a. | 0.875% p.a. | 0.875% p.a. | 0.875% p.a. | 0.875% p.a. | 0.875% p.a. | 0.875% p.a. | 0.875% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of RMB15,000 | | | | | | | | | | | | |
| Custody Fees | Up to 0.3 % p.a. | | | | | | | | | | | | |

| Class | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (HKD-H) | Class X1 (RMB) | Class X2 (USD) | Class X3 (HKD) | Class X4 (USD-H) | Class X5 (HKD-H) |
|----------------|--|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Management Fee | 0.875% p.a. | 0.875% p.a. | 0.875% p.a. | 0.875% p.a. | 0.875% p.a. | 0% p.a. | 0% p.a. | 0% p.a. | 0% p.a. | 0% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of RMB15,000 | | | | | | | | | |
| Custody Fees | Up to 0.3 % p.a. | | | | | | | | | |

Establishment Costs

The costs of establishment of the BOCHK All Weather China High Yield Bond Fund have been fully amortized.

Dealing Day

Every Business Day.

Dealing Deadline

5 p.m. (Hong Kong time) on the relevant Dealing Day.

Dealing through the Authorised Distributor(s) or other authorised electronic means may involve different dealing procedures and an earlier cut-off time may be imposed before the Dealing Deadlines for receiving instructions. Investors should confirm the arrangements with the Authorised Distributor(s) concerned.

Subscription, Redemption and Switching of Units

For details regarding the procedures for subscription, redemption and switching, see the main part of the Explanatory Memorandum under **“Purchase of Units”, “Redemption of Units” and “Switching between classes”**.

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends. If the Manager decides to make distributions, only the net income attributable to the relevant classes will be distributed, after deducting charges and expenses.

Class A1 (RMB), Class A2 (USD), Class A3 (HKD), Class A4 (AUD-H), Class A5 (NZD-H), Class A6 (CAD-H), Class A7 (GBP-H), Class A8 (USD-H), Class A9 (EUR-H), Class A10 (SGD-H), Class A11 (JPY-H), Class A12 (CHF-H) and Class A13 (HKD-H):

For these classes of Units, it is the current intention of the Manager to declare and pay dividends on a quarterly basis, i.e. March, June, September and December (or, subject to one month's prior notice to the relevant Unitholders, such other frequency as the Manager and the Trustee consider appropriate).

Investors should note that there is no guarantee of regular distribution payments during the period investors hold the Units of the Sub-Fund.

Class C1 (RMB), Class C2 (USD), Class C3 (HKD), Class C4 (USD-H), Class 5 (HKD-H), Class I1 (RMB), Class I2 (USD), Class I3 (HKD), Class I4 (USD-H), Class I5 (AUD-H), Class I6 (NZD-H), Class I7 (CAD-H), Class I8 (GBP-H), Class I9 (EUR-H), Class I10 (SGD-H), Class I11 (JPY-H), Class I12 (CHF-H), Class I13 (HKD-H), Class X1 (RMB), Class X2 (USD), Class X3 (HKD), Class X4 (USD-H) and Class X5 (HKD-H):

Currently, the Manager does not intend to make any distributions for these classes of Units.

Valuation

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

APPENDIX III

BOCHK ALL WEATHER HONG KONG EQUITY FUND

This Appendix comprises information in relation to BOCHK All Weather Hong Kong Equity Fund, a Sub-Fund of the Fund.

Base Currency

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

Investment Objective and Policy

The investment objective of the Sub-Fund is to achieve long-term capital growth through investing primarily in equity securities in the Hong Kong market.

Investment Strategy

The Sub-Fund aims to achieve its investment objective by investing not less than 70% of its latest available Net Asset Value in equities that are listed on the Stock Exchange of Hong Kong.

The Sub-Fund may also invest in: (i) real estate investment trusts ("**REITs**") listed on the Stock Exchange of Hong Kong; (ii) equities of companies or securities listed on other stock exchanges and (iii) securities in the Mainland China securities market.

The Sub-Fund may access the Mainland China securities market through investment in other funds that are authorised by the SFC and eligible to directly invest in such market through Renminbi Qualified Foreign Institutional Investor ("**RQFII funds**") or such other means as permitted by the relevant regulatory authorities from time to time including the "**Stock Connects**". The Sub-Fund may invest not more than 20% of its Net Asset Value in China A-Shares directly through Stock Connects (please refer to the section "Stock Connects" in the main part of the Explanatory Memorandum for details regarding Stock Connects). The underlying investments held through RQFII funds may include, but are not limited to, China A-Shares, bonds and other instruments permitted under applicable Mainland China regulations. Investment in RQFII funds will be in aggregate up to 20% of the Net Asset Value of the Sub-Fund. For RQFII funds that are exchange traded funds listed on the Stock Exchange of Hong Kong, the Sub-Fund's investment in each such exchange traded fund will not exceed 10% of the Sub-Fund's Net Asset Value.

The Sub-Fund may invest in exchange traded funds (ETFs) including synthetic ETFs (i.e. ETFs that track an index by investing primarily in derivative instruments) authorized by the SFC that track an index related to the Mainland China market. The Sub-Fund may also invest not more than 10% of its Net Asset Value directly in China B-Shares. Should this investment policy change, at least one month's prior written notification will be given to Unitholders and the offering documents will be accordingly updated.

The Sub-Fund's total investment in the Mainland China securities market (including but not limited to China A-Shares, China B-Shares and indirect exposure through RQFII funds) will be in aggregate up to 20% of the Net Asset Value of the Sub-Fund.

The Sub-Fund may hold up to 30% of its latest available Net Asset Value in fixed income instruments, cash and bank deposits in adverse market conditions for the purposes of managing downside risk. The Sub-Fund may invest in, inter alia, Hong Kong dollar denominated fixed or floating rate instruments and convertible bonds issued or fully guaranteed by the Hong Kong government, the Exchange Fund or corporations or agencies or bodies wholly or partly owned by the Hong Kong government. The Sub-Fund may also invest in US Treasury bills, notes and bonds and Treasury Inflation-Protected Securities (TIPS).

The Sub-Fund will not invest more than 10% of its Net Asset Value in securities issued by or guaranteed by any single country or region that is rated non-investment grade (including its government and a public or local authority of that country or region).

The Sub-Fund (i) will enter into currency forward contracts, swaps, financial futures and options contracts and (ii) may use options strategy for hedging purposes only. The Sub-Fund will not invest in any derivative instruments for investment purposes.

Asset Allocation Ranges

The ranges of asset allocation of the Sub-Fund are as follows:

| Asset Allocation* | Max. | Min. |
|--------------------------|-------------|-------------|
| Equities | 100% | 70% |
| REITs | 30% | 0% |
| RQFII fund(s) | 20% | 0% |
| Fixed income | 30% | 0% |
| Cash and bank deposits | 30% | 0% |

* For indication only and may vary in times of extreme volatility or during severe adverse market conditions.

Geographical Distribution

The Sub-Fund will mainly invest in equities and REITs listed on the Stock Exchange of Hong Kong and equities of companies listed on other stock exchanges.

Use of Derivatives

The Sub-Fund may acquire financial derivative instruments for hedging purposes only. The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's latest available Net Asset Value.

Specific Risk Factors

Investors should refer to the relevant risks under the section headed "Risk Factors" in the main part of the Explanatory Memorandum, including "Market risk", "Emerging markets risk", "RMB currency risk" and "Risks relating to hedging and the hedged classes" and the following specific risk factors for the Sub-Fund:

Concentration risk

The Sub-Fund focuses its investments in the Hong Kong/Mainland China market and its portfolio of investments may not be diversified compared to other broad-based funds. Please refer to the risk factor “**Concentration risk**” in the main part of the Explanatory Memorandum.

Mainland China market risk

Investing in the Mainland China market is subject to the risks specific to the Mainland China market.

Please refer to the relevant risk factor “**Mainland China market risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Emerging markets risk

Investing in emerging markets involves increased risks and special considerations not typically associated with investment in more developed economies or markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility. Please refer to the relevant risk factor “**Emerging markets risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Equity investment and volatility risk

Investors should pay attention to risks generally associated with equity investment, namely, the market value of the stocks may go down as well as up. Prices of equity securities may be volatile. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, and the business and social conditions in local and global marketplace. Changes in value of a security may be attributable to market perception of a particular issuer (for example its financial conditions and profitability) or general stock market fluctuations that affect all issuers. If the market value of equity securities in which the Sub-Fund invests in goes down, investors may suffer substantial losses.

RMB currency risk/Risks relating to RMB denominated securities

Investors may invest in RMB-hedged Units of the Sub-Fund. Non-RMB based investors (e.g. Hong Kong investors) may have to convert Hong Kong dollar or other currency(ies) into RMB when investing in RMB-hedged Units and subsequently convert the RMB redemption proceeds and/or dividend payment (if any) back to Hong Kong dollar or such other currency(ies). Investors will incur currency conversion costs and may suffer losses depending on the exchange rate movements of RMB relative to Hong Kong dollar or such other currencies.

Class denominated in RMB will generally be valued with reference to the offshore RMB (known as “**CNH**”) rather than the onshore RMB (known as “**CNY**”). While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently. As such, CNH does not necessarily have the same exchange rate and may not move in the same direction as CNY.

The Sub-Fund may have exposure to securities that are denominated in RMB. Investment in the Sub-Fund will be subject to RMB currency risks. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. Please refer to the relevant risk factors “**RMB currency risk**” and “**RMB foreign exchange control risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Investment in China A-Share market

The Sub-Fund may have exposure to the China A-Share market directly or through investment in RQFII funds. The existence of a liquid trading market for China A-Shares may depend on whether there is supply of, and demand for, such China A-Shares. The price at which securities may be purchased or sold by the Sub-Fund or the relevant RQFII funds may be adversely affected if trading markets for China A-Shares are limited or absent, and the Sub-Fund may in turn be adversely affected. Further, the Shanghai Stock Exchange and the Shenzhen Stock Exchange on which China A-Shares are traded are undergoing development and the market capitalisation of, and trading volumes on, those stock exchanges are lower than those in more developed markets. The China A-Share market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention) than those in more developed markets. Market volatility and settlement difficulties in the China A-Share markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may affect the value of the Sub-Fund or the RQFII fund(s).

Securities exchanges in Mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. In particular, trading band limits are imposed by the stock exchanges on China A-Shares, where trading for a security may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. A suspension will render it impossible for the Sub-Fund or the RQFII funds to liquidate positions and can thereby expose the Sub-Fund or the RQFII funds to losses. Further, when the suspension is subsequently lifted, it may not be possible for the Sub-Fund or the RQFII funds to liquidate positions at a favourable price. The Sub-Fund may therefore suffer a loss in its investment.

Risks relating to China B-Shares

Investors should note that the stock exchanges in Mainland China on which the China B-Shares are listed are still at a developmental stage, and their respective market capitalisation and trading volume are much lower than those in more developed financial markets. Market volatility and potential lack of liquidity due to low trading volume in the China B-Shares markets may result in prices of securities traded on such markets fluctuating significantly, which may result in substantial changes to the price of the Units of the Sub-Fund.

Risks relating to debt securities

Investment in debt securities is subject to the credit risk of the issuers which may be unable or unwilling to make timely payments on principal and/or interest. Some of the securities that the Sub-Fund invests in may be unrated. In general, debt securities that have a lower credit rating or that are unrated will be more susceptible to the credit risk of the issuers. Please refer to the relevant risk factor “**Below investment grade and unrated securities risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against such issuers as they may be incorporated outside Hong Kong and subject to foreign laws.

Credit ratings of fixed income securities may be subject to certain limitations. Investment grade securities may be subject to downgrading risk. In the event of downgrading, the risks of default may be higher, and the Sub-Fund's investments in such securities may be adversely affected. Please refer to the relevant risk factor "**Credit rating downgrade risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Debt securities are sensitive to changes in interest rates. Please refer to the relevant risk factor "**Interest rate risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Risks associated with Stock Connects

Insofar as the Sub-Fund invests through Stock Connects, investors should refer to the associated risks set out in the risk factor "**Risks associated with Stock Connects**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Risks relating to RQFII funds

The Sub-Fund may invest in the Mainland China securities market through RQFII funds, which may be subject to the following risks.

Risks relating to RMB denominated securities: RQFII funds primarily invest in Mainland China securities that are denominated in RMB. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. Please refer to the relevant risk factors "**RMB currency risk**" and "**RMB foreign exchange control risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Risks relating to the Renminbi Qualified Foreign Institutional Investor (RQFII) regime: Investment through the RQFII regime is subject to the availability of RQFII quota. There is no assurance that sufficient quota will be available for investment by a RQFII fund. Therefore the Sub-Fund's ability to obtain exposure to the Mainland China securities market may be limited by the availability of RQFII quota.

Repatriations of capital out of Mainland China by RQFII funds that are open-ended funds are currently not subject to repatriation restrictions or prior approval, but there is no guarantee that restrictions will not be imposed in future. Any restrictions on repatriation of the invested capital out of Mainland China may impact on a RQFII fund's ability to meet redemption requests from the Sub-Fund. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the control of the Manager (or the manager of a RQFII fund). Therefore, the Sub-Fund may be subject to liquidity risk insofar as it invests in RQFII funds.

The application of the rules relevant to RQFII may depend on the interpretation given by the relevant Mainland regulatory authorities. Any changes to the relevant rules may have an adverse impact on investments made by the RQFII funds and hence the Sub-Fund's performance. The current RQFII rules and regulations are subject to change, which may take retrospective effect. In the worst case, the relevant RQFII fund may be terminated if it is not legal or viable to operate because of changes to the application of the relevant rules. The Sub-Fund's holdings in the relevant the RQFII fund will be realised in case of such termination, and the Sub-Fund may suffer losses in its initial investment in such fund.

Risks relating to RQFII funds that are exchange traded funds (RQFII ETFs): Investment in RQFII ETFs is subject to RMB currency risk and risks associated with the RQFII regime set out above. In addition:

- (a) RQFII ETFs typically seek to track a particular China A-Share market index by directly investing in the China A-Shares constituting such market index using RQFII quota. As with other exchange traded funds, RQFII ETFs are subject to tracking error risks (i.e. the returns of a RQFII ETF may deviate from the performance of the index it is designed to track) due to a number of factors.

The Sub-Fund will trade units in RQFII ETFs on the Stock Exchange of Hong Kong (where trading prices are affected by market factors such as demand and supply). The trading days or hours of Mainland China and Hong Kong stock markets are not exactly the same and this may affect the RQFII ETFs' ability to track the market index. Further, any suspension due to a trading band limit in the Mainland China stock markets may render it impossible for the RQFII ETFs to acquire certain index security, increasing the tracking error. These factors may result in the RQFII ETFs' units being traded at a substantial premium or discount to their net asset value.

- (b) RQFII ETFs involve cross-border transfer of funds. They may be riskier than traditional exchange traded funds investing directly in markets other than Mainland China. The operation of RQFII ETFs depends heavily on the expertise and infrastructure of the RQFII ETF's manager (or its mainland parent company). There is no assurance that the RQFII ETFs will be operated as envisaged and the Sub-Fund may sustain a loss in its investment and the Sub-Fund may suffer a loss.

Investment in Mainland China bond markets via RQFII funds: The Sub-Fund may have exposure to the Mainland China bond markets through investment in RQFII funds. The Mainland China bond markets (including the exchange and interbank bond markets) are in a stage of development and the volume of trading may be lower than more developed markets. Liquidity of the bonds will be lower in the absence of an active secondary market. RQFII funds investing in such market are therefore subject to liquidity risks and may suffer losses in trading Mainland China bonds. The bid and offer spreads of the prices of the Mainland China bonds may be large, so significant trading and realisation costs may be incurred.

The Mainland China bond markets are also subject to regulatory risks. Due to irregularities in the interbank bond market trading activities, the China Central Depository & Clearing Co., Ltd (the central clearing entity) suspended new account opening on the interbank bond market for specific types of products. Although RQFII funds that are mutual funds offered to the public were not affected, there is no assurance that future regulatory actions will not affect such funds. If accounts are suspended, or cannot be opened, the RQFII funds' and hence the Sub-Fund's ability to invest in the interbank bond market will be limited and they may suffer substantial losses as a result.

Mainland China taxation: There could be Mainland China tax liabilities on income derived from investments in Mainland Securities. Mainland China tax laws contain uncertainties, and changes in such laws may have retrospective effect. It may be the practice for some RQFII funds to make provisions for potential tax liabilities in Mainland China. Such provisions may be excessive or inadequate to meet the actual tax liabilities. Even if tax provisions are made, any shortfall between the provisions and actual tax liabilities will be debited from the RQFII funds' assets and the RQFII funds' and hence the Sub-Fund's value may be adversely affected.

Risks of investing in other funds: Investment in other funds (such as RQFII funds) may involve another layer of fees charged at the underlying fund level. This is because, in addition to the expenses and charges payable by the Sub-Fund as disclosed in this Explanatory Memorandum, the Sub-Fund will bear indirectly the fees charged by the managers and other service providers of the underlying funds, or will incur charges in subscribing for or redeeming units in the underlying funds. The Manager will consider various factors in selecting the underlying funds, for example, the investment objective and strategy, level of fees and charges, the redemption frequency and liquidity of such funds. However, there is no assurance that the investment objective or strategy of an underlying fund will be successfully achieved.

If the Sub-Fund invests in an underlying fund managed by the Manager or a connected person of the Manager, all initial charges on such underlying fund will be waived. The Manager may not obtain a rebate on any fees or charges levied by such underlying fund or its manager. Where potential conflicts of interest arise, the Manager will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section headed “**Conflicts of Interest**” in the main part of the Explanatory Memorandum.

Risks relating to Exchange-traded funds (ETFs)

The trading prices of units/shares in an ETF may be at a discount or premium to the net asset value of the units/shares of such ETF due to various factors such as supply and demand forces in the secondary trading market for such units/shares in the ETF. This price discrepancy may be particularly likely to emerge during periods of high market volatility and uncertainty. Valuation of units/shares in an ETF will primarily be made by reference to the last traded price. Where the Sub-Fund buys at a premium, it may suffer losses even if the net asset value is higher when it sells the relevant share/units in the ETF, and it may not fully recover its investment in the event of termination of the ETF.

In addition, an ETF may not be able to perfectly track the index it is designed to track, because of fees and expenses, imperfect correlation between the ETF’s assets and the underlying securities within the relevant tracking index, adjustments to the tracking index and regulatory policies. The return from investing in an ETF may therefore deviate from the return of its tracking index.

An ETF which is designed to track a market index is not “**actively managed**”, therefore when there is a decline in the relevant index, the ETF will also decrease in value. The ETF may not adopt any temporary defensive position against market downturns. The Sub-Fund may lose part or all of its investment in the ETF.

There can be no assurance that an active trading market will exist or be maintained for units/shares of an ETF on any securities exchange on which units/shares of an ETF may be traded.

Synthetic ETFs typically invest in derivative instruments to replicate the performance of an underlying index. Investment in synthetic ETFs will be subject to the credit risk of the counterparties who issue the derivatives. If the counterparties default, the Sub-Fund may suffer substantial losses of its investment in the relevant ETFs. Since derivative issuers are predominantly international financial institutions, the failure of one derivative counterparty could potentially have a “**knock on**” effect on other counterparties. Some synthetic ETFs have collateral to reduce the counterparty risks but if the market value of the collateral has fallen substantially, the ETFs may suffer losses when they seek to realise the collateral. The Sub-Fund’s investment in the ETFs will suffer losses accordingly.

Mainland China Tax Risk

By investing in RMB denominated Mainland China securities issued by tax residents in Mainland China, the Sub-Fund may be subject to withholding income tax (“**WIT**”) and other taxes imposed in Mainland China. Investors should refer to the heading “**Mainland China**” in the section headed “**Taxation**” for further details.

Tax Provision

It is the intention of the Manager to operate the affairs of the Manager and the Sub-Fund such that they are not Mainland China tax resident enterprises and have no establishment or place of business (“**PE**”) in Mainland China for Mainland China CIT purposes, although this is not guaranteed.

The Sub-Fund will invest in China A-Shares through the Stock Connects.

Given that the Sub-Fund invests in China A-Shares through the Stock Connects, the Sub-Fund is temporarily exempt from Mainland China WIT on the capital gains according to Circular 81 and Circular 127 and no Mainland China tax provision will be made on the gross realized and unrealized capital gains derived by the Sub-Fund from investments in China A-Shares through the Stock Connects. If there is any update on the tax rules applied to the Stock Connects in the future, the Manager will review and adjust the capital gain tax provisioning approach for Stock Connects accordingly.

The tax exemptions granted under Circular 81 and Circular 127 are temporary. It is possible that the applicable tax law, regulations and practice may be changed. In such cases, the Sub-Fund may have tax liabilities in Mainland China which it has not provided for. Such tax liabilities will be deducted from the Sub-Fund’s assets and the Sub-Fund’s Net Asset Value will be adversely affected. In this case, existing and subsequent investors will be disadvantaged as they will bear for a disproportionately higher amount of tax liabilities as compared to the liability at the time of investment in the Sub-Fund.

The Sub-Fund will invest in China B-Shares. Under the arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the “**Arrangement**”), capital gains derived by Hong Kong tax residents from alienation of shares issued by Mainland China companies may be taxed in Mainland China if the recipient, at any time within 12 months preceding such alienation, had a participation of at least 25% of the capital in that Mainland China company or if the Mainland China company is an immovable properties-rich company (i.e. Mainland China companies in which 50% or more of their assets are comprised, directly or indirectly, of immovable properties situated in Mainland China). Due to the Sub-Fund’s investment restrictions, the Sub-Fund cannot hold more than 10% of any ordinary shares issued by any single issuer. In such a case, the capital gains derived from the alienation of the shares of non-immovable properties-rich China B-Shares companies would not be subject to Mainland China WIT, subject to the assessment of the Mainland China tax authorities. Before a Hong Kong tax resident can enjoy relief under the Arrangement, a Hong Kong Tax Resident Certificate (“**HKTRC**”) issued by the Inland Revenue Department (“**IRD**”) should be submitted to the relevant Mainland China tax authority for this purpose. As at the date of this Explanatory Memorandum, the Sub-Fund has not yet obtained the HKTRC from the IRD. If the Mainland China tax authorities enforce the collection of WIT on capital gains and require the Sub-Fund to provide a HKTRC in order to obtain the WIT relief, the Manager will apply for a HKTRC on behalf of the Sub-Fund.

In light of the uncertainty on the income tax treatment on capital gains and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for Mainland China WIT on such gains or income and withhold the tax for the account of the Sub-Fund. After careful consideration of the Manager's assessment and having taken and considered independent professional tax advice relating to the Sub-Fund's eligibility to benefit from the Arrangement, and in accordance with such advice, the Manager holds a view that the Sub-Fund is a Hong Kong tax resident for the purpose of the Arrangement and is able to enjoy the WIT relief on capital gains derived from the alienation of the shares of non-immovable properties-rich China B-Shares companies under the Arrangement. In this connection, the Manager, having taken and considered the independent professional tax advice and in accordance with such advice, has determined that

- (1) No Mainland China WIT provision will be made on the gross realized and unrealized capital gains derived from investments in China B-Shares, except for those capital gains derived from investments in China B-Shares issued by Mainland China tax resident companies which are immovable properties-rich companies.
- (2) A 10% provision for Mainland China WIT will be provided for the gross realized and unrealized capital gains derived by the Sub-Fund from investments in China B-Shares issued by Mainland China tax resident companies which are immovable properties-rich companies. The methodology adopted by the Manager in identifying whether or not Mainland China resident companies are immovable properties rich companies has been agreed and accepted by the independent tax advisor. The amount of provision will be disclosed in the financial statements of the Sub-Fund.

It should be noted that there are uncertainties in relation to the Manager's determination of Mainland China WIT provision, including:

- The Arrangement may be changed in the future and the Sub-Fund may ultimately be required to pay Mainland China WIT on capital gains.
- As at the date of this Explanatory Memorandum, the Sub-Fund has not yet obtained the HKTRC from the IRD. If the Mainland China tax authorities enforce the collection of WIT on capital gains and require the Sub-Fund to provide a HKTRC, the Manager will apply for a HKTRC on behalf of the Sub-Fund. Whether the Manager is able to obtain a HKTRC on behalf of the Sub-Fund is subject to prevailing practice of Hong Kong and/or Mainland China tax authorities. The Sub-Fund may need to apply with the IRD for a HKTRC on an annual basis, which is subject to the assessment of the IRD. There is a risk that the Manager will not be able to obtain a HKTRC on behalf of the Sub-Fund.
- To date, the Mainland China tax authorities have not sought to enforce WIT collection on capital gains derived by foreign investors from trading of China B-Shares. If the Mainland China tax authorities start to enforce WIT collection on capital gains, the relief under the Arrangement is still subject to the assessment of the Mainland China tax authorities. Even if the Manager, in accordance with the independent professional tax advice, believes that the Sub-Fund should be eligible for such relief, the Mainland China tax authorities may ultimately hold a different view.

- Due to the limitation to the availability of the public information in Mainland China (e.g. in determining whether ownership of an associate company will constitute an immovable properties-rich investment), the information to be adopted by the Mainland China tax authorities in assessing immovable properties-rich companies may be different from the information used by the Manager in assessing immovable properties-rich companies which may result in different conclusion by the Manager for some China B-Share companies to those of the Mainland China tax authorities.

Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, any sums withheld in excess of the tax liability incurred or is expected to be incurred by the Sub-Fund shall be released and transferred to the Sub-Fund's accounts forming part of the Sub-Fund's assets. The amount of such tax provision will be disclosed in the accounts of the Sub-Fund.

For the above reasons, any WIT provision on capital gains made by the Manager in respect of the Sub-Fund may be lower than or higher than the Sub-Fund's actual tax liabilities. It should also be noted that there is a possibility of the Mainland China tax rules being changed and taxes being applied retrospectively. The Manager, acting in the best interest of Unitholders, will assess the WIT provisioning approach on an on-going basis.

If the actual tax levied by STA is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund.

On the other hand, the actual tax liabilities may be lower than the tax provision made, in which case those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager, will as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund.

Risks relating to REITs

The Sub-Fund may invest in REITs which invest primarily in real estate and this may involve a higher level of risk. The REITs invested in by the Sub-Fund may not necessarily be authorised by the SFC and their dividend policy may differ from that of the Sub-Fund.

The prices of REITs are affected by changes in the value of the underlying properties owned by the REITs. Investment in REITs may therefore subject the Sub-Fund to risks similar to those from direct ownership of real property.

Real estate investments are relatively illiquid and this may affect the ability of a REIT to vary its investment portfolio or liquidate part of its assets in response to changes in economic conditions, international securities markets, foreign exchange rates, interest rates, real estate markets or other conditions. Adverse global economic conditions could adversely affect the business, financial condition and results of operations of REITs. REITs may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than other securities.

Further, returns from REITs are dependent on management skills. Investments made by REITs generally may not be diversified. In addition, certain REITs in which the Sub-Fund may invest may have their assets concentrated in specific real property sectors, and are therefore subject to the risks associated with adverse developments in these sectors.

REITs are also subject to heavy cash flow dependency, defaults by borrowers and self-liquidation. Further, borrowers under mortgages held by REITs or lessees of property that REITs own may be unable to meet their obligations to the REITs. On the other hand, if the key tenants experience a downturn in their businesses or their financial condition, they may fail to make timely rental payments or default under their leases. Tenants in a particular industry might also be affected by any adverse downturn in that industry and this may result in their failure to make timely rental payments or to default under the leases. In the event of a default, a REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments. The REITs may suffer losses as a result.

REITs may have limited financial resources and may be subject to borrowing limits. Consequently, REITs may need to rely on external sources of funding to expand their portfolios, which may not be available on commercially acceptable terms or at all. If a REIT cannot obtain capital from external sources, it may not be able to acquire properties when strategic opportunities exist.

Any due diligence exercise conducted by REITs on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies. Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow of the REITs.

Derivative instruments risk

Insofar as the Sub-Fund acquires derivative instruments (i.e. currency forward contracts, swaps, financial futures and options contracts) for hedging, it will be subject to additional risks. There can be no assurance that any hedging techniques will fully and effectively eliminate the risk exposure of the Sub-Fund. Derivative instruments may be illiquid and are complex in nature. In adverse situations, the Sub-Fund's use of derivatives for hedging may become ineffective and the Sub-Fund may suffer significant losses. The price of a derivative instrument can be very volatile which may result in losses in excess of the amount invested in the derivative instruments by the Sub-Fund. A derivative instrument is subject to the risk that the counterparty of the instrument will not fulfil its obligations to the Sub-Fund, and this may result in losses to the Sub-Fund.

Transactions in options also carry a high degree of risk. Selling (“**writing**” or “**granting**”) an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is “**covered**” by the seller holding a corresponding position in the underlying investment, the risk may be reduced.

Please refer to the relevant risk factors “**Counterparty risk**” and “**Risks relating to hedging and the hedged classes**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Available Classes

The following classes of Units have been established and may be made available for sale from time to time. The Manager has an absolute discretion to determine from time to time the availability of any Class of Units to any investor. Investors should check with the Manager whether any class of Units is currently offered.

| Class | Class currency | Investors to whom the class is available |
|-------------------|-------------------------------|---|
| Class A1 (HKD) | Hong Kong Dollar | Retail public |
| Class A2 (USD) | United States Dollar | Retail public |
| Class A3 (AUD-H) | Australian Dollar (Hedged) | Retail public |
| Class A4 (NZD-H) | New Zealand Dollar (Hedged) | Retail public |
| Class A5 (CAD-H) | Canadian Dollar (Hedged) | Retail public |
| Class A6 (GBP-H) | British Pound (Hedged) | Retail public |
| Class A7 (RMB-H) | Renminbi (Hedged) | Retail public |
| Class A8 (RMB) | Renminbi | Retail public |
| Class A9 (EUR-H) | Euro (Hedged) | Retail public |
| Class A10 (SGD-H) | Singapore Dollar (Hedged) | Retail public |
| Class A11 (JPY-H) | Japanese Yen (Hedged) | Retail public |
| Class A12 (CHF-H) | Swiss Franc (Hedged) | Retail public |
| Class A13 (USD-H) | United States Dollar (Hedged) | Retail public |
| Class C1 (HKD) | Hong Kong Dollar | Retail public |
| Class C2 (USD) | United States Dollar | Retail public |
| Class C3 (RMB) | Renminbi | Retail public |
| Class C4 (RMB-H) | Renminbi (Hedged) | Retail public |

| Class | Class currency | Investors to whom the class is available |
|-------------------|-------------------------------|---|
| Class C5 (USD-H) | United States Dollar (Hedged) | Retail public |
| Class I1 (HKD) | Hong Kong Dollar | Institutional clients |
| Class I2 (USD) | United States Dollar | Institutional clients |
| Class I3 (AUD-H) | Australian Dollar (Hedged) | Institutional clients |
| Class I4 (NZD-H) | New Zealand Dollar (Hedged) | Institutional clients |
| Class I5 (CAD-H) | Canadian Dollar (Hedged) | Institutional clients |
| Class I6 (GBP-H) | British Pound (Hedged) | Institutional clients |
| Class I7 (RMB-H) | Renminbi (Hedged) | Institutional clients |
| Class I8 (RMB) | Renminbi | Institutional clients |
| Class I9 (EUR-H) | Euro (Hedged) | Institutional clients |
| Class I10 (SGD-H) | Singapore Dollar (Hedged) | Institutional clients |
| Class I11 (JPY-H) | Japanese Yen (Hedged) | Institutional clients |
| Class I12 (CHF-H) | Swiss Franc (Hedged) | Institutional clients |
| Class I13 (USD-H) | United States Dollar (Hedged) | Institutional clients |
| Class X1 (HKD) | Hong Kong Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X2 (USD) | United States Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X3 (RMB) | Renminbi | For use by the Manager itself and in managing segregated portfolios |
| Class X4 (RMB-H) | Renminbi (Hedged) | For use by the Manager itself and in managing segregated portfolios |
| Class X5 (USD-H) | United States Dollar (Hedged) | For use by the Manager itself and in managing segregated portfolios |

For classes of Units launched subsequent to the initial offer period of the Sub-Fund, the initial issue of such class Units will be made at the prevailing Issue Price of Class A Units denominated in the same currency or Class A Units denominated in the base currency (exclusive of preliminary charge).

Investment Minima

| Class | Class A1 (HKD) | Class A2 (USD) | Class A3 (AUD-H) | Class A4 (NZD-H) | Class A5 (CAD-H) | Class A6 (GBP-H) | Class A7 (RMB-H) | Class A8 (RMB) | Class A9 (EUR-H) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (USD-H) |
|---|---------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Minimum Subscription Amount | HKD10,000 | USD1,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | USD1,000 |
| Minimum Subsequent Subscription Amount | HKD10,000 | USD1,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | USD1,000 |
| Minimum Holding | HKD10,000 | USD1,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | USD1,000 |
| Minimum Redemption Amount | HKD10,000 | USD1,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | USD1,000 |
| Class | Class C1 (HKD) | Class C2 (USD) | Class C3 (RMB) | Class C4 (RMB-H) | Class C5 (USD-H) | Class I1 (HKD) | Class I2 (USD) | Class I3 (AUD-H) | Class I4 (NZD-H) | Class I5 (CAD-H) | Class I6 (GBP-H) | Class I7 (RMB-H) | Class I8 (RMB) |
| Minimum Subscription Amount | HKD10,000 | USD1,000 | RMB10,000 | RMB10,000 | USD1,000 | HKD8,000,000 | USD1,000,000 | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 | RMB8,000,000 | RMB8,000,000 |
| Minimum Subsequent Subscription Amount | HKD10,000 | USD1,000 | RMB10,000 | RMB10,000 | USD1,000 | HKD1,000,000 | USD120,000 | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 | RMB1,000,000 | RMB1,000,000 |
| Minimum Holding | HKD10,000 | USD1,000 | RMB10,000 | RMB10,000 | USD1,000 | HKD8,000,000 | USD1,000,000 | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 | RMB8,000,000 | RMB8,000,000 |
| Minimum Redemption Amount | HKD10,000 | USD1,000 | RMB10,000 | RMB10,000 | USD1,000 | HKD1,000,000 | USD120,000 | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 | RMB800,000 | RMB800,000 |
| Class | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (USD-H) | Class X1 (HKD) | Class X2 (USD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (USD-H) | | | |
| Minimum Subscription Amount | EUR1,000,000 | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | USD1,000,000 | NA | NA | NA | NA | NA | | | |
| Minimum Subsequent Subscription Amount | EUR120,000 | SGD120,000 | JPY12,000,000 | CHF120,000 | USD120,000 | NA | NA | NA | NA | NA | | | |
| Minimum Holding | EUR1,000,000 | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | USD1,000,000 | NA | NA | NA | NA | NA | | | |
| Minimum Redemption Amount | EUR120,000 | SGD120,000 | JPY12,000,000 | CHF120,000 | USD120,000 | NA | NA | NA | NA | NA | | | |

Fees

Fees payable by investors

| Class | Class A1 (HKD) | Class A2 (USD) | Class A3 (AUD-H) | Class A4 (NZD-H) | Class A5 (CAD-H) | Class A6 (GBP-H) | Class A7 (RMB-H) | Class A8 (RMB) | Class A9 (EUR-H) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (USD-H) |
|--|---------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Class | Class C1 (HKD) | Class C2 (USD) | Class C3 (RMB) | Class C4 (RMB-H) | Class C5 (USD-H) | Class I1 (HKD) | Class I2 (USD) | Class I3 (AUD-H) | Class I4 (NZD-H) | Class I5 (CAD-H) | Class I6 (GBP-H) | Class I7 (RMB-H) | Class I8 (RMB) |
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Class | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (USD-H) | Class X1 (HKD) | Class X2 (USD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (USD-H) | | | |
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | | | |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | | | |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | | | |

Fees payable by the Sub-Fund (% Net Asset Value of the Sub-Fund)

| Class | Class A1 (HKD) | Class A2 (USD) | Class A3 (AUD-H) | Class A4 (NZD-H) | Class A5 (CAD-H) | Class A6 (GBP-H) | Class A7 (RMB-H) | Class A8 (RMB) | Class A9 (EUR-H) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (USD-H) |
|----------------|---|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Management Fee | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% |
| | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | | | | |

| Class | Class C1 (HKD) | Class C2 (USD) | Class C3 (RMB) | Class C4 (RMB-H) | Class C5 (USD-H) | Class I1 (HKD) | Class I2 (USD) | Class I3 (AUD-H) | Class I4 (NZD-H) | Class I5 (CAD-H) | Class I6 (GBP-H) | Class I7 (RMB-H) | Class I8 (RMB) |
|----------------|---|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| Management Fee | 1.25% | 1.25% | 1.25% | 1.25% | 1.25% | 0.875% | 0.875% | 0.875% | 0.875% | 0.875% | 0.875% | 0.875% | 0.875% |
| | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | | | | |

| Class | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (USD-H) | Class X1 (HKD) | Class X2 (USD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (USD-H) |
|----------------|---|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Management Fee | 0.875% | 0.875% | 0.875% | 0.875% | 0.875% | 0% | 0% | 0% | 0% | 0% |
| | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. | p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | |

Establishment Costs

The costs of establishment of the BOCHK All Weather Hong Kong Equity Fund have been fully amortized.

Dealing Day

Every Business Day.

Dealing Deadline

5 p.m. (Hong Kong time) on the relevant Dealing Day.

Dealing through the Authorised Distributor(s) or other authorised electronic means may involve different dealing procedures and an earlier cut-off time may be imposed before the Dealing Deadlines for receiving instructions. Investors should confirm the arrangements with the Authorised Distributor(s) concerned.

Subscription, Redemption and Switching of Units

For details regarding the procedures for subscription, redemption and switching, see the main part of the Explanatory Memorandum under **“Purchase of Units”**, **“Redemption of Units”** and **“Switching between classes”**.

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and the amount of distributions. Currently, the Manager does not intend to make any distributions from the Sub-Fund. If the Manager decides to make distributions, prior approval will be sought from the SFC and not less than 1 month’s notice will be given to affected Unitholders.

Valuation

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

APPENDIX IV

BOCHK ALL WEATHER CNY EQUITY FUND

This Appendix comprises information in relation to BOCHK All Weather CNY Equity Fund, a Sub-Fund of the Fund.

Definitions

For this Sub-Fund, “**HK & Mainland Business Day**” shall mean a day (other than a Saturday) on which banks and stock exchanges in Hong Kong and Mainland China are open for normal business or such other day or days as the Manager and the Trustee may agree from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a HK & Mainland Business Day unless the Manager and the Trustee determine otherwise.

Base Currency

The base currency of the Sub-Fund is RMB.

Investment Objective and Policy

The investment objective of the Sub-Fund is to achieve long term capital growth through primarily investing in China A-Shares through Renminbi Qualified Foreign Institutional Investor (“**RQFII**”).

Investment Strategy

The Sub-Fund will invest at least 70% of its latest available Net Asset Value in (i) China A-Shares; (ii) securities investment funds which are authorized by the CSRC; (iii) securities in initial public offering and placement of shares including China A-Shares, and (iv) other instruments from time to time approved by the CSRC for investment by a RQFII through the Manager’s RQFII quota.

The Sub-Fund may also invest in China A-Shares through Stock Connects provided that investment through Stock Connects will be up to 30% of the Sub-Fund’s latest available Net Asset Value (please refer to the section “**Stock Connects**” in the main part of the Explanatory Memorandum for details regarding Stock Connects).

The Sub-Fund’s investment in securities investment funds which are authorized by the CSRC will not exceed 10% of the latest available Net Asset Value of the Sub-Fund.

Subject to applicable regulations, the Sub-Fund may also hold up to 30% of its latest available Net Asset Value in onshore fixed income instruments, cash and bank deposits or offshore securities such as equities, REITs, exchange traded funds (“**ETFs**”), American Depositary Receipts (“**ADRs**”), fixed income instruments, cash and bank deposits for the purposes of managing downside risk. Direct exposure to RMB denominated fixed income and debt instruments issued or distributed in Mainland China may be gained via the Manager’s RQFII quota, China Interbank Bond Market and/or other means as may be permitted by the relevant regulations from time to time. (please refer to the section “**China Interbank Bond Market**” in the main part of the Explanatory Memorandum for details regarding China Interbank Bond Market).

The Sub-Fund will not invest in urban investment bonds (i.e. debt instruments issued by local government financing vehicles (“**LGFVs**”) and traded in the Mainland China exchange-traded bond market and inter-bank bond market). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investment and infrastructure projects.

The aggregate investment in securities with a credit rating of BB+ or below (assigned by any Mainland China credit rating agency) or unrated securities will not exceed 10% of the latest available Net Asset Value of the Sub-Fund, except where the credit rating of a security is downgraded to BB+ or below, in which case the 10% limit may be exceeded temporarily but the Manager will, having regard to the interests of the Unitholders, seek to dispose of all such downgraded securities in a gradual and orderly manner in light of the then prevailing market conditions to bring investments in securities with a credit rating of BB+ or below to no more than 10% of the latest available Net Asset Value of the Sub-Fund. For this purpose, if the relevant security does not itself have a credit rating, then reference can be made to the credit rating of the issuer of the security. If both the security and the relevant issuer are not rated, then the security will be classified as unrated.

The Sub-Fund will not invest more than 10% of its latest available Net Asset Value in securities issued by or guaranteed by any single country or region that is rated non-investment grade by international credit rating agencies (including its government and a public or local authority of that country or region).

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

The Sub-Fund will enter into currency forward contracts, swaps, financial futures (including stock index futures) and option contracts for hedging purposes only. The Sub-Fund will not invest in any derivative instruments for investment purposes.

The Manager will not engage in Securities Financing Transactions on behalf of the Sub-Fund. Prior approval will be sought from the SFC and not less than 1 month’s notice will be given to affected Unitholders if there is a change in such practice.

Asset Allocation Ranges

The ranges of asset allocation of the Sub-Fund are as follows:

| Asset Allocation* | Max. | Min. |
|--|-------------|-------------|
| Equities | 100% | 70% |
| REITs | 30% | 0% |
| ETFs | 30% | 0% |
| ADRs | 30% | 0% |
| Fixed Income | 30% | 0% |
| Cash and bank deposits | 30% | 0% |
| Securities investment funds authorized by the CSRC | 10% | 0% |

* For indication only and may vary in times of extreme volatility or during severe adverse market conditions.

Use of Derivatives

The Sub-Fund may acquire financial derivative instruments for hedging purposes only. The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's latest available Net Asset Value.

Renminbi Qualified Foreign Institutional Investor ("RQFII")

Currently it is intended that the Sub-Fund will obtain exposure to securities and instruments issued or distributed in Mainland China by using the RQFII quotas of the Manager, which has obtained RQFII status in Mainland China. Please refer to the section "**Renminbi Qualified Foreign Institutional Investor ("RQFII")**" in the main part of the Explanatory Memorandum for an overview of the RQFII regime.

Investors should pay attention to the sections headed "**RQFII risk**" and "**Mainland China brokerage risk**" under the "**Specific Risk Factors**" section in relation to investment through the RQFII regime. The Manager has obtained an opinion from Mainland China legal counsel to the effect that, as a matter of Mainland China laws:

- (a) securities account(s) with the relevant depositories and RMB special deposit account(s) with the RQFII Custodian (respectively, the "**securities account(s)**" and the "**cash account(s)**") shall be opened in the joint names of the Manager (as RQFII Holder) and the Sub-Fund for the sole benefit and use of the Sub-Fund in accordance with all applicable laws and regulations of Mainland China and with approval from all competent authorities in Mainland China;
- (b) the assets held/credited in the securities account(s) (i) belong solely to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager (as RQFII holder), the RQFII Custodian and any Mainland Broker(s) and from the assets of other clients of the Manager (as RQFII holder), the RQFII Custodian and any Mainland Broker(s);
- (c) the assets held/credited in the cash account(s) (i) become an unsecured debt owing from the RQFII Custodian to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager (as RQFII holder) and any Mainland Broker(s), and from the assets of other clients of the Manager (as RQFII holder) and any Mainland Broker(s);

- (d) the Trustee, for and on behalf of the Sub-Fund is the only entity which has a valid claim of ownership over the assets in the securities account(s) and the debt in the amount deposited in the cash account(s) of the Sub-Fund;
- (e) if the Manager (as RQFII holder) or any Mainland Broker(s) is liquidated, the assets contained in the securities account(s) and cash account(s) of the Sub-Fund will not form part of the liquidation assets of the Manager (as RQFII holder) or such Mainland Broker(s) in liquidation in Mainland China; and
- (f) if the RQFII Custodian is liquidated, (i) the assets contained in the securities account(s) of the Sub-Fund will not form part of the liquidation assets of the RQFII Custodian in liquidation in Mainland China, and (ii) the assets contained in the cash account(s) of the Sub-Fund will form part of the liquidation assets of the RQFII Custodian in liquidation in Mainland China and the Sub-Fund will become an unsecured creditor for the amount deposited in the cash account(s).

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

- (i) the Trustee takes into its custody or under its control the assets of the Sub-Fund, including assets deposited in the securities account(s) and cash account(s) with the RQFII Custodian, and holds the same in trust for the Unitholders;
- (ii) the Trustee registers the assets of the Sub-Fund, including assets deposited in the securities account(s) and cash account(s) with the RQFII Custodian, to the order of the Trustee; and
- (iii) the RQFII Custodian will look to the Trustee for instructions (through the Custodian) and solely act in accordance with such instructions, save as otherwise required under applicable regulations.

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

Specific Risk Factors

Investors should refer to the relevant risks under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum and the following specific risk factors in respect of the Sub-Fund:

Investment risk – The Sub-Fund mainly invests in equity securities and such securities may fall in value. Investors may suffer losses as a result. The Sub-Fund is not principal guaranteed and the purchase of its Units is not the same as investing directly in equity securities.

Mainland China market risk – Insofar as the Sub-Fund invests in securities issued or distributed in Mainland China, or by entities which have their business and operations in Mainland China, the Sub-Fund may be subject to the risks specific to the Mainland China market. Please refer to the risk factors “**Mainland China market risk**” and “**Concentration risk**” in the main part of the Explanatory Memorandum.

Emerging markets risk – Investing in emerging markets involves increased risks and special considerations not typically associated with investment in more developed economies or markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility. Please refer to the relevant risk factor “**Emerging markets risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Equity investment and volatility risk – Investors should pay attention to risks generally associated with equity investment, namely, the market value of the stocks may go down as well as up. Prices of equity securities may be volatile. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, and the business and social conditions in local and global marketplace. Changes in value of a security may be attributable to market perception of a particular issuer (for example its financial conditions and profitability) or general stock market fluctuations that affect all issuers. If the market value of equity securities in which the Sub-Fund invests in goes down, investors may suffer substantial losses.

Risks relating to China A-Shares market – The existence of a liquid trading market for China A-Shares may depend on whether there is supply of, and demand for, such China A-Shares. The price at which securities may be purchased or sold by the Sub-Fund and the Net Asset Value of the Sub-Fund may be adversely affected if trading markets for China A-Shares are limited or absent, and the Sub-Fund may in turn be adversely affected. Further, the Shanghai Stock Exchange and the Shenzhen Stock Exchange on which China A-Shares are traded are undergoing development and the market capitalisation of, and trading volumes on, those stock exchanges are lower than those in more developed markets. The China A-Share market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention) than those in more developed markets. Market volatility and settlement difficulties in the China A-Share markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may affect the value of the Sub-Fund.

Securities exchanges in Mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. In particular, trading band limits are imposed by the stock exchanges on China A-Shares, where trading for a security may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. A suspension will render it impossible for the Manager to liquidate positions and can thereby expose the Sub-Fund to significant losses. Further, when the suspension is subsequently lifted, it may not be possible for the Manager to liquidate positions at a favourable price.

Liquidity risk – Some of the Sub-Fund’s investments may be subject to higher liquidity risk. Lower liquidity may arise from a low trading volume of securities, or if trading restrictions or temporary suspensions on trading are imposed. Investment in securities that have lower liquidity may reduce returns for or result in substantial losses to the Sub-Fund if the Sub-Fund is unable to sell such securities at the time or price that is desirable. Liquidity could be reduced within a very short period of time especially during a financial market crisis. Please refer to the risk factor headed “**Liquidity risk**” in the main part of the Explanatory Memorandum.

RMB currency/currency conversion risk – The Sub-Fund may have substantial exposure to investments denominated in RMB. Investors should refer to the risk factor headed “**RMB currency risk**” in the main part of the Explanatory Memorandum.

RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of and repatriation restrictions imposed by the Chinese government. If such policies change in future, the Sub-Fund's or the investors' position may be adversely affected. There is no assurance that RMB will not be subject to devaluation, in which case the value of their investments will be adversely affected.

Where an investor subscribes for Units denominated in a currency other than RMB, all or part of the subscription monies will be converted into RMB for investment in underlying securities, while realisation proceeds in RMB will be converted to the relevant class currency for payment of redemption proceeds at the applicable exchange rate. As a result, investors will be exposed to foreign exchange fluctuations between RMB and the relevant class currency and may suffer losses arising from such fluctuations.

As RMB is not freely convertible, currency conversion is also subject to availability of RMB at the relevant time (i.e. it is possible there is not sufficient RMB for currency conversion in case of sizeable subscriptions in non-RMB classes). The Manager has the absolute discretion to reject any application made in a currency other than RMB (whether such application is in relation to a RMB class) where it determines that there is not sufficient RMB for currency conversion.

Investors should note that insofar as they convert another currency into RMB to invest in the RMB class of the Sub-Fund, and subsequently convert any RMB redemption proceeds back to such other currency, they may suffer losses if RMB depreciates against such other currency. On the other hand, since the Base Currency of the Sub-Fund is RMB and/or its investments are primarily denominated in RMB, investors who invest in the Sub-Fund via a class of Units that is not denominated in RMB (e.g. USD) should note that they may also suffer losses in case of depreciation of the RMB.

In calculating the net asset value of Units of non-RMB class, the Manager will apply the CNH rate (i.e. the exchange rate for the offshore RMB market in Hong Kong). The CNH rate may be at a premium or discount to the exchange rate for the onshore RMB market in Mainland China (i.e. the CNY exchange rate); there may be significant bid and offer spreads and the value of the Sub-Fund thus calculated may be subject to fluctuation. Further, there may be significant trading costs incurred and investing in classes of Units denominated in a non-RMB currency may suffer losses.

Risks associated with Stock Connects

Insofar as the Sub-Fund invests through Stock Connects, investors should refer to the associated risks set out in the risk factor "**Risks associated with Stock Connects**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Risks associated with China Interbank Bond Market – Insofar as the Sub-Fund invests through China Interbank Bond Market, investors should refer to the associated risks set out in the risk factor "**Risks associated with China Interbank Bond Market and Bond Connect**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

RQFII risk – The Sub-Fund is not a RQFII but may obtain access to securities and instruments issued or distributed within Mainland China directly using RQFII quotas of a RQFII. The Sub-Fund may invest directly in RQFII eligible securities investment via the RQFII status of the Manager. The following risks are relevant to the RQFII regime:

Risks regarding RQFII status and RQFII quota

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

Investors should note that there can be no assurance that the RQFII Holder will continue to maintain its RQFII status or to make available its RQFII quota, or the Sub-Fund will be allocated a sufficient portion of RQFII quota from the RQFII Holder to meet all applications for subscription to the Sub-Fund, or that redemption requests can be processed in a timely manner due to repatriation restrictions or adverse changes in relevant laws or regulations. The Sub-Fund may not have exclusive use of the entire RQFII quota granted by SAFE to the RQFII (i.e. the Manager), as the RQFII may in its discretion allocate RQFII quota which may otherwise be available to the Sub-Fund to other products. There can be no assurance that the RQFII can allocate sufficient RQFII quota to the Sub-Fund to meet all applications for subscription of Units in the Sub-Fund. The aforementioned restrictions may respectively result in a rejection of applications and a suspension of dealings of the Sub-Fund. In extreme circumstances, the Sub-Fund may incur significant losses due to insufficiency of RQFII quota, limited investment capabilities, or may not be able to fully implement or pursue its investment objective or strategy, due to RQFII investment restrictions, illiquidity of the Mainland China securities market, and/or delay or disruption in execution of trades or in settlement of trades.

RQFII quotas are generally granted to the RQFII. The rules and restrictions under RQFII regulations, generally apply to the RQFII Holder as a whole and not simply to the investments made by the Sub-Fund. It is provided in the SAFE Rules that the size of the quota may be reduced or cancelled by the SAFE if the RQFII Holder is unable to use its RQFII quota effectively within one year since the quota is granted. If the SAFE reduces the RQFII Holder's quota, it may affect the Manager's ability to effectively pursue the investment strategy of the Sub-Fund. On the other hand, the SAFE is vested with the power to impose regulatory sanctions if the RQFII Holder or the RQFII Custodian violates any provision of the SAFE Rules. Any violations could result in the revocation of the RQFII's quota or other regulatory sanctions and may adversely impact on the portion of the RQFII's quota made available for investment by the Sub-Fund.

Repatriation and liquidity risks

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

Application of RQFII rules

The RQFII regulations described under the section “**Renminbi Qualified Foreign Institutional Investor (“RQFII”)**” in the main part of the Explanatory Memorandum enable RMB to be remitted into and repatriated out of Mainland China. The rules are relatively new and their application may depend on the interpretation given by the relevant Mainland authorities. Any changes to the relevant rules and regulations may have an adverse impact on investors’ investment in the Sub-Fund. In the worst scenario, the Manager may determine that the Sub-Fund shall be terminated if it is not legal or viable to operate the Sub-Fund because of changes to the application of the relevant rules.

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

Cash deposited with the RQFII Custodian

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

Mainland China brokerage risk – In relation to the Sub-Fund’s investments issued within Mainland China, execution and settlement of transactions or the transfer of any funds or securities may be arranged for or conducted by Mainland Brokers appointed by RQFII Holder and/or the RQFII Custodian appointed by the RQFII Holder jointly with the Custodian. There is a risk that the Sub-Fund may suffer losses from the default, bankruptcy or disqualification of the Mainland Brokers and/or the RQFII Custodian. In such event, the Sub-Fund may be adversely affected in the execution or settlement of any transaction or in the transfer of any funds or securities.

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

Risks of investing in other funds – The Sub-Fund may invest in funds which are authorised by the CSRC for investment by the retail public in Mainland China. Investors should note that such investment may involve another layer of fees charged at the underlying fund level. This is because, in addition to the expenses and charges payable by the Sub-Fund as disclosed in this Explanatory Memorandum, the Sub-Fund will bear indirectly the fees charged by the managers and other service providers of the underlying funds, or

will incur charges in subscribing for or redeeming units in the underlying funds. The Manager will consider various factors in selecting the underlying funds, for example, the investment objective and strategy, level of fees and charges, the redemption frequency and liquidity of such funds. However, there is no assurance that the investment objective or strategy of an underlying fund will be successfully achieved.

If the Sub-Fund invests in an underlying fund managed by the Manager or a connected person of the Manager, all initial charges on such underlying fund will be waived. The Manager may not obtain a rebate on any fees or charges levied by such underlying fund or its manager. Where potential conflicts of interest arise, the Manager will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section headed "**Conflicts of Interest**" in the main part of the Explanatory Memorandum.

Risks of investing in IPO securities – The prices of securities involved in 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.

Risks relating to Exchange-traded funds (ETFs) – The trading prices of units/shares in an ETF may be at a discount or premium to the net asset value of the units/shares of such ETF due to various factors such as supply and demand forces in the secondary trading market for such units/shares in the ETF. This price discrepancy may be particularly likely to emerge during periods of high market volatility and uncertainty. Valuation of units/shares in an ETF will primarily be made by reference to the last traded price. Where the Sub-Fund buys at a premium, it may suffer losses even if the net asset value is higher when it sells the relevant share/units in the ETF, and it may not fully recover its investment in the event of termination of the ETF.

In addition, an ETF may not be able to perfectly track the index it is designed to track, because of fees and expenses, imperfect correlation between the ETF's assets and the underlying securities within the relevant tracking index, adjustments to the tracking index and regulatory policies. The return from investing in an ETF may therefore deviate from the return of its tracking index.

An ETF which is designed to track a market index is not "**actively managed**", therefore when there is a decline in the relevant index, the ETF will also decrease in value. The ETF may not adopt any temporary defensive position against market downturns. The Sub-Fund may lose part or all of its investment in the ETF.

There can be no assurance that an active trading market will exist or be maintained for units/shares of an ETF on any securities exchange on which units/shares of an ETF may be traded.

Risks relating to REITs and property-related companies – The Sub-Fund may invest in REITs and other property-related companies which invest primarily in real estate and this may involve a higher level of risk. The REITs invested in by the Sub-Fund may not necessarily be authorised by the SFC and their dividend policy may differ from that of the Sub-Fund.

The prices of REITs and other property-related companies are affected by changes in the value of the underlying properties owned by the REITs/property-related companies. Investment in REITs and other property-related companies may therefore subject the Sub-Fund to risks similar to those from direct ownership of real property.

Real estate investments are relatively illiquid and this may affect the ability of a REIT or a property related company to vary its investment portfolio or liquidate part of its assets in response to changes in economic conditions, international securities markets, foreign exchange rates, interest rates, real estate markets or other conditions. Adverse global economic conditions could adversely affect the business, financial condition and results of operations of REITs. REITs may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than other securities.

Further, returns from REITs and other property-related companies are dependent on management skills. Investments made by REITs and other property-related companies generally may not be diversified. In addition, certain REITs in which the Sub-Fund may invest may have their assets concentrated in specific real property sectors, and are therefore subject to the risks associated with adverse developments in these sectors.

REITs and other property-related companies are also subject to heavy cash flow dependency, defaults by borrowers and self-liquidation. Further, borrowers under mortgages held by REITs or other property-related companies or lessees of property that REITs or other property-related companies own may be unable to meet their obligations to the REITs or other property-related companies. On the other hand, if the key tenants experience a downturn in their businesses or their financial condition, they may fail to make timely rental payments or default under their leases. Tenants in a particular industry might also be affected by any adverse downturn in that industry and this may result in their failure to make timely rental payments or to default under the leases. In the event of a default, a REIT or other property-related company may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments. The REITs may suffer losses as a result.

REITs may have limited financial resources and may be subject to borrowing limits. Consequently, REITs may need to rely on external sources of funding to expand their portfolios, which may not be available on commercially acceptable terms or at all. If a REIT cannot obtain capital from external sources, it may not be able to acquire properties when strategic opportunities exist.

Any due diligence exercise conducted by REITs on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies. Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow of the REITs.

Risks relating to ADRs – Although ADRs have risks similar to the securities that they represent, they may also involve higher expenses and may trade at a discount (or premium) to the underlying security. In addition, depositary receipts may not pass through voting and other shareholder rights, and may be less liquid than the underlying securities listed on an exchange.

Derivative instruments risk – Insofar as the Sub-Fund acquires derivative instruments for hedging, it will be subject to additional risks. There can be no assurance that any hedging techniques will fully and effectively eliminate the risk exposure of the Sub-Fund.

Derivative instruments may be illiquid and are complex in nature. In adverse situations, the Sub-Fund's use of derivatives for hedging may become ineffective and the Sub-Fund may suffer significant losses. The price of a derivative instrument can be very volatile which may result in losses in excess of the amount invested in the derivative instruments by the Sub-Fund. A derivative instrument is subject to the risk that the counterparty of the instrument will not fulfil its obligations to the Sub-Fund, and this may result in losses to the Sub-Fund.

Please refer to the relevant risk factors "**Counterparty risk**" and "**Hedging risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Mainland China tax considerations in respect of the Sub-Fund

By investing in Mainland China securities, the Sub-Fund may be subject to withholding income tax ("**WIT**") and other taxes imposed in Mainland China. Investors should refer to the heading "**Mainland China**" in the section headed "**Taxation**" for further details.

Tax Provision

It is the intention of the Manager to operate the affairs of the Manager and the Sub-Fund such that they are not Mainland China tax resident enterprises and have no establishment or place of business ("**PE**") in Mainland China for Mainland China CIT purposes, although this is not guaranteed.

The Sub-Fund will invest in China A-Shares by using the RQFII quotas of the Manager or the Stock Connects and fixed income instruments issued or distributed in Mainland China by using the RQFII quotas of the Manager.

Given that the Sub-Fund started to invest in China A-Shares after 17 November 2014 through RQFII or the Stock Connects, the Sub-Fund is temporarily exempt from Mainland China WIT on the capital gains derived from investments in China A-Shares according to Circular 79, Circular 81 and Circular 127. No Mainland China WIT provision will be made on the gross realized and unrealized capital gains derived from investments in China A-Shares through RQFII or the Stock Connects. If there is any update on the tax rules applied to the Stock Connects in the future, the Manager will review and adjust the capital gain tax provisioning approach for Stock Connects accordingly.

The tax exemptions granted under Circular 79, Circular 81 and Circular 127 are only temporary. It is possible that the applicable tax law, regulations and practice may be changed. In such cases, the Sub-Fund may have tax liabilities in Mainland China which it has not provided for. Such tax liabilities will be deducted from the Sub-Fund's assets, will cause the Sub-Fund's Net Asset Value to be adversely affected. In this case, existing and subsequent investors will be disadvantaged as they will bear for a disproportionately higher amount of tax liabilities as compared to the liability at the time of investment in the Sub-Fund.

There is no specific rule governing taxes on capital gains derived by QFIs or RQFIs from the trading of fixed income instruments. In the absence of such specific rules, the CIT treatment should be governed by the general tax provisions of the PRC CIT Law and would be subject to the interpretation of the Mainland China tax authorities. Based on the current interpretation of the STA and the local tax authorities, gains derived by QFIs and RQFIs from investment in Mainland China debt securities should not be treated as Mainland China sourced income thus should not be subject to Mainland China WIT. If the relevant interpretation changes in the future, the Fund/Sub-Fund(s) could still turn to certain treaty relief applicable to Hong Kong tax residents. Under the arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the "**Arrangement**"), capital gains derived by a Hong Kong tax resident from disposal of Mainland China fixed income instruments should not be subject to Mainland China WIT.

Before a Hong Kong tax resident can enjoy relief under the Arrangement, a Hong Kong Tax Resident Certificate ("**HKTRC**") issued by the Inland Revenue Department ("**IRD**") should be submitted to the relevant Mainland China tax authority for this purpose. As at the date of this Explanatory Memorandum, the Sub-Fund has not yet obtained the HKTRC from the IRD. If the Mainland China tax authorities enforce the collection of WIT on capital gains and require the Sub-Fund to provide a HKTRC in order to obtain the WIT relief, the Manager will apply for a HKTRC on behalf of the Sub-Fund.

In light of the uncertainty on the income tax treatment on capital gains and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for WIT on such gains or income and withhold the tax for the account of the Sub-Fund. After careful consideration of the Manager's assessment and having taken and considered independent professional tax advice relating to the Sub-Fund's eligibility to benefit from the Arrangement, and in accordance with such advice, the Manager holds a view that the Sub-Fund is a Hong Kong tax resident for the purpose of the Arrangement and is able to enjoy the WIT relief on gross capital gains derived from the disposal of Mainland China debt instruments. In this connection, the Manager, having taken and considered the independent professional tax advice and in accordance with such advice, has determined that no Mainland China WIT provision will be made on the gross realized and unrealized capital gains derived from the disposal of debt instruments issued by the PRC government and Mainland China corporations.

It should be noted that there are uncertainties in relation to the Manager's determination of Mainland China WIT provision, including:

- The Arrangement may be changed in the future and the Sub-Fund may ultimately be required to pay Mainland China WIT on capital gains.
- As at the date of this Explanatory Memorandum, the Sub-Fund has not yet obtained the HKTRC from the IRD. If the Mainland China tax authorities enforce the collection of WIT on capital gains and require the Sub-Fund to provide a HKTRC, the Manager will apply for a HKTRC on behalf of the Sub-Fund. Whether the Manager is able to obtain a HKTRC on behalf of the Sub-Fund is subject to prevailing practice of Hong Kong and/or Mainland China tax authorities. The Sub-Fund may need to apply with the IRD for a HKTRC on an annual basis, which is subject to the assessment of the IRD. There is a risk that the Manager will not be able to obtain a HKTRC on behalf of the Sub-Fund.

- To date, the Mainland China tax authorities have not sought to enforce WIT collection on capital gains derived by RQFIs such as the Manager for the Sub-Fund in trading of Mainland China fixed income instruments. If the Mainland China tax authorities start to enforce WIT collection on capital gains, the relief under the Arrangement is still subject to the assessment. Even if the Manager, in accordance with the independent professional tax advice, believes that the Sub-Fund should be eligible for such relief, the Mainland China tax authorities may ultimately hold a different view.

For the above reasons, the Manager's assessment on no Mainland China WIT provision on capital gains for the Sub-Fund may be different from the actual tax liability of the Sub-Fund.

It should also be noted that there is a possibility of the Mainland China tax rules being changed and taxes being applied retrospectively. The Manager, acting in the best interest of Unitholders, will assess the WIT provisioning approach on an on-going basis.

If the STA levies Mainland China WIT on capital gains from disposal of Mainland China debt instruments which the Manager has not provided for, there will be a shortfall in the tax provision amount (or if the Manager did not make any tax provision), investors should note that the Net Asset Value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund.

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

Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund.

Available Classes

The following classes of Units have been established and may be made available for sale from time to time. The Manager has an absolute discretion to determine from time to time the availability of any Class of Units to any investor. Investors should check with the Manager whether any class of Units is currently offered.

| Class | Class currency | Investors to whom the class is available |
|-------------------|-------------------------------|---|
| Class A1 (RMB) | Renminbi | Retail public |
| Class A2 (USD) | United States Dollar | Retail public |
| Class A3 (HKD) | Hong Kong Dollar | Retail public |
| Class A4 (AUD-H) | Australian Dollar (Hedged) | Retail public |
| Class A5 (NZD-H) | New Zealand Dollar (Hedged) | Retail public |
| Class A6 (CAD-H) | Canadian Dollar (Hedged) | Retail public |
| Class A7 (GBP-H) | British Pound (Hedged) | Retail public |
| Class A8 (USD-H) | United States Dollar (Hedged) | Retail public |
| Class A9 (HKD-H) | Hong Kong Dollar (Hedged) | Retail public |
| Class A10 (EUR-H) | Euro (Hedged) | Retail public |
| Class A11 (SGD-H) | Singapore Dollar (Hedged) | Retail public |
| Class A12 (JPY-H) | Japanese Yen (Hedged) | Retail public |
| Class A13 (CHF-H) | Swiss Franc (Hedged) | Retail public |
| Class C1 (RMB) | Renminbi | Retail public |
| Class C2 (USD) | United States Dollar | Retail public |
| Class C3 (HKD) | Hong Kong Dollar | Retail public |
| Class C4 (HKD-H) | Hong Kong Dollar (Hedged) | Retail public |
| Class C5 (USD-H) | United States Dollar (Hedged) | Retail public |
| Class I1 (RMB) | Renminbi | Institutional clients |
| Class I2 (USD) | United States Dollar | Institutional clients |
| Class I3 (HKD) | Hong Kong Dollar | Institutional clients |
| Class I4 (AUD-H) | Australian Dollar (Hedged) | Institutional clients |
| Class I5 (NZD-H) | New Zealand Dollar (Hedged) | Institutional clients |
| Class I6 (CAD-H) | Canadian Dollar (Hedged) | Institutional clients |

| Class | Class currency | Investors to whom the class is available |
|-------------------|-------------------------------|---|
| Class I7 (GBP-H) | British Pound (Hedged) | Institutional clients |
| Class I8 (EUR-H) | Euro (Hedged) | Institutional clients |
| Class I9 (SGD-H) | Singapore Dollar (Hedged) | Institutional clients |
| Class I10 (JPY-H) | Japanese Yen (Hedged) | Institutional clients |
| Class I11 (CHF-H) | Swiss Franc (Hedged) | Institutional clients |
| Class I12 (HKD-H) | Hong Kong Dollar (Hedged) | Institutional clients |
| Class I13 (USD-H) | United States Dollar (Hedged) | Institutional clients |
| Class X1 (RMB) | Renminbi | For use by the Manager itself and in managing segregated portfolios |
| Class X2 (USD) | United States Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X3 (HKD) | Hong Kong Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X4 (HKD-H) | Hong Kong Dollar (Hedged) | For use by the Manager itself and in managing segregated portfolios |
| Class X5 (USD-H) | United States Dollar (Hedged) | For use by the Manager itself and in managing segregated portfolios |

For classes of Units launched subsequent to the initial offer period of the Sub-Fund, the initial issue of such class Units will be made at the prevailing Issue Price of Class A Units denominated in the same currency or Class A Units denominated in the base currency (exclusive of preliminary charge).

Investment Minima

| Class | Class A1 (RMB) | Class A2 (USD) | Class A3 (HKD) | Class A4 (AUD-H) | Class A5 (NZD-H) | Class A6 (CAD-H) | Class A7 (GBP-H) | Class A8 (USD-H) | Class A9 (HKD-H) | Class A10 (EUR-H) | Class A11 (SGD-H) | Class A12 (JPY-H) | Class A13 (CHF-H) |
|--|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Minimum Initial Subscription Amount | RMB10,000 | USD1,000 | HKD10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | USD1,000 | HKD10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 |
| Minimum Subsequent Subscription Amount | RMB10,000 | USD1,000 | HKD10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | USD1,000 | HKD10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 |
| Minimum Holding | RMB10,000 | USD1,000 | HKD10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | USD1,000 | HKD10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 |
| Minimum Redemption Amount | RMB10,000 | USD1,000 | HKD10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | USD1,000 | HKD10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 |

| Class | Class C1 (RMB) | Class C2 (USD) | Class C3 (HKD) | Class C4 (HKD-H) | Class C5 (USD-H) | Class I1 (RMB) | Class I2 (USD) | Class I3 (HKD) | Class I4 (AUD-H) | Class I5 (NZD-H) | Class I6 (CAD-H) | Class I7 (GBP-H) | Class I8 (EUR-H) |
|--|-------------------|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Minimum Initial Subscription Amount | RMB10,000 | USD1,000 | HKD10,000 | HKD10,000 | USD1,000 | RMB8,000,000 | USD1,000,000 | HKD8,000,000 | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 | EUR1,000,000 |
| Minimum Subsequent Subscription Amount | RMB10,000 | USD1,000 | HKD10,000 | HKD10,000 | USD1,000 | RMB1,000,000 | USD120,000 | HKD1,000,000 | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 | EUR120,000 |
| Minimum Holding | RMB10,000 | USD1,000 | HKD10,000 | HKD10,000 | USD1,000 | RMB8,000,000 | USD1,000,000 | HKD8,000,000 | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 | EUR1,000,000 |
| Minimum Redemption Amount | RMB10,000 | USD1,000 | HKD10,000 | HKD10,000 | USD1,000 | RMB800,000 | USD120,000 | HKD1,000,000 | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 | EUR120,000 |

| Class | Class I9 (SGD-H) | Class I10 (JPY-H) | Class I11 (CHF-H) | Class I12 (HKD-H) | Class I13 (USD-H) | Class X1 (RMB) | Class X2 (USD) | Class X3 (HKD) | Class X4 (HKD-H) | Class X5 (USD-H) |
|--|---------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Minimum Initial Subscription Amount | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | HKD8,000,000 | USD1,000,000 | N/A | N/A | N/A | N/A | N/A |
| Minimum Subsequent Subscription Amount | SGD120,000 | JPY12,000,000 | CHF120,000 | HKD1,000,000 | USD120,000 | N/A | N/A | N/A | N/A | N/A |
| Minimum Holding | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | HKD8,000,000 | USD1,000,000 | N/A | N/A | N/A | N/A | N/A |
| Minimum Redemption Amount | SGD120,000 | JPY12,000,000 | CHF120,000 | HKD1,000,000 | USD120,000 | N/A | N/A | N/A | N/A | N/A |

Fees

Fees payable by investors

| Class | Class A1 (RMB) | Class A2 (USD) | Class A3 (HKD) | Class A4 (AUD-H) | Class A5 (NZD-H) | Class A6 (CAD-H) | Class A7 (GBP-H) | Class A8 (USD-H) | Class A9 (HKD-H) | Class A10 (EUR-H) | Class A11 (SGD-H) | Class A12 (JPY-H) | Class A13 (CHF-H) |
|--|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |

| Class | Class C1 (RMB) | Class C2 (USD) | Class C3 (HKD) | Class C4 (HKD-H) | Class C5 (USD-H) | Class I1 (RMB) | Class I2 (USD) | Class I3 (HKD) | Class I4 (AUD-H) | Class I5 (NZD-H) | Class I6 (CAD-H) | Class I7 (GBP-H) | Class I8 (EUR-H) |
|--|-------------------|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |

| Class | Class I9 (SGD-H) | Class I10 (JPY-H) | Class I11 (CHF-H) | Class I12 (HKD-H) | Class I13 (USD-H) | Class X1 (RMB) | Class X2 (USD) | Class X3 (HKD) | Class X4 (HKD-H) | Class X5 (USD-H) |
|--|---------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |

Fees payable by the Sub-Fund (% Net Asset Value of the Sub-Fund)

| Class | Class A1 (RMB) | Class A2 (USD) | Class A3 (HKD) | Class A4 (AUD-H) | Class A5 (NZD-H) | Class A6 (CAD-H) | Class A7 (GBP-H) | Class A8 (USD-H) | Class A9 (HKD-H) | Class A10 (EUR-H) | Class A11 (SGD-H) | Class A12 (JPY-H) | Class A13 (CHF-H) |
|----------------|--|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Management Fee | 1.75% | 1.75% | 1.75% | 1.75% | 1.75% | 1.75% | 1.75% | 1.75% | 1.75% | 1.75% | 1.75% | 1.75% | 1.75% |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of RMB20,000 | | | | | | | | | | | | |
| Custody Fees | Up to 0.1% p.a. (inclusive of RQFII Custodian fee) | | | | | | | | | | | | |

| Class | Class C1 (RMB) | Class C2 (USD) | Class C3 (HKD) | Class C4 (HKD-H) | Class C5 (USD-H) | Class I1 (RMB) | Class I2 (USD) | Class I3 (HKD) | Class I4 (AUD-H) | Class I5 (NZD-H) | Class I6 (CAD-H) | Class I7 (GBP-H) | Class I8 (EUR-H) |
|----------------|--|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Management Fee | 1.75% | 1.75% | 1.75% | 1.75% | 1.75% | 0.875% | 0.875% | 0.875% | 0.875% | 0.875% | 0.875% | 0.875% | 0.875% |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of RMB20,000 | | | | | | | | | | | | |
| Custody Fees | Up to 0.1% p.a. (inclusive of RQFII Custodian fee) | | | | | | | | | | | | |

| Class | Class I9 (SGD-H) | Class I10 (JPY-H) | Class I11 (CHF-H) | Class I12 (HKD-H) | Class I13 (USD-H) | Class X1 (RMB) | Class X2 (USD) | Class X3 (HKD) | Class X4 (HKD-H) | Class X5 (USD-H) |
|----------------|--|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Management Fee | 0.875% p.a. | 0.875% p.a. | 0.875% p.a. | 0.875% p.a. | 0.875% p.a. | 0% p.a. | 0% p.a. | 0% p.a. | 0% p.a. | 0% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of RMB20,000 | | | | | | | | | |
| Custody Fees | Up to 0.1% p.a. (inclusive of RQFII Custodian fee) | | | | | | | | | |

Establishment Costs

The costs of establishment of the BOCHK All Weather CNY Equity Fund have been fully amortized.

Dealing Day

Every HK & Mainland Business Day.

Dealing Deadline

5 p.m. (Hong Kong time) on the relevant Dealing Day.

Dealing through the Authorised Distributor(s) or other authorised electronic means may involve different dealing procedures and an earlier cut-off time may be imposed before the Dealing Deadlines for receiving instructions. Investors should confirm the arrangements with the Authorised Distributor(s) concerned.

Subscription, Redemption and Switching of Units

For details regarding the procedures for subscription, redemption and switching, see the main part of the Explanatory Memorandum under **“Purchase of Units”, “Redemption of Units” and “Switching between classes”**.

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and the amount of distributions. Currently, the Manager does not intend to make any distributions from the Sub-Fund. If the Manager decides to make distributions, prior approval will be sought from the SFC and not less than 1 month’s notice will be given to affected Unitholders.

Valuation

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

APPENDIX V

BOCHK ALL WEATHER ASIAN BOND FUND

This Appendix comprises information in relation to BOCHK All Weather Asian Bond Fund, a Sub-Fund of the Fund.

Base Currency

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

Investment Objective and Policy

The investment objective of the Sub-Fund is to provide income and capital growth over the medium to longer term by investing primarily in fixed income securities issued by any Asia Pacific governments, government agencies, supra-nationals, banks or companies which derive substantial revenue from or have significant business or economic activities in Asia Pacific or are denominated in any Asia Pacific currency.

Investment Strategy

The countries and regions in which the Sub-Fund may invest in include, but are not limited to: Australia, Bangladesh, Mainland China, Hong Kong, India, Indonesia, Japan, Macau, Malaysia, Mongolia, New Zealand, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand and Vietnam. The Sub-Fund will not aim to focus its investments on any single country or region or specific industries or sectors although the allocation in certain country, region, sector or industry may be relatively significant, depending on the Manager's assessment at different times.

The Sub-Fund aims to achieve its investment objective by investing at least 70% of its latest available Net Asset Value in a portfolio of fixed income securities consisting of bonds, convertible bonds, notes and other fixed or floating rate securities issued by Asia Pacific governments, government agencies, supra-nationals, banks or companies which derive substantial revenue from or have significant business or economic activities in Asia Pacific or are denominated in any Asia Pacific currency.

The Sub-Fund may invest up to 30% of its latest available Net Asset Value (i) in fixed income securities consisting of bonds, convertible bonds, notes and other fixed or floating rate securities issued by governments, government agencies, supra-nationals, banks or companies outside the Asia Pacific region; (ii) in collective investment schemes (including funds that are authorised by the SFC and eligible to directly invest in Mainland China through Renminbi Qualified Foreign Institutional Investor ("**RQFII funds**") and exchange traded funds ("**ETFs**") but excluding synthetic ETFs (i.e. ETFs that track an index by investing primarily in derivative instruments) and any exchange traded products that employ short-sale and/or leverage strategies); (iii) in equity securities including but not limited to shares (including China A-Shares and China B-Shares), American Depositary Receipts ("**ADRs**") and real estate investment trusts ("**REITs**"); or (iv) in cash, cash equivalents, short-term money market instruments and bank deposits in adverse market conditions for the purposes of managing downside risk. The Sub-Fund may invest up to 10% of its latest available Net Asset Value in collective investment schemes which are non-eligible schemes and not authorised by the SFC.

The Sub-Fund may invest up to 30% of its latest available Net Asset Value in convertible bonds. The equity securities, cash, cash equivalents, short-term money market instruments and bank deposits invested by the Sub-Fund may be issued by issuers in any country or region and denominated in any currency.

The Sub-Fund may access the Mainland China securities market through available means, including but not limited to direct investment through the Manager's RQFII quota, China Interbank Bond Market or such other means as permitted by the relevant regulatory authorities from time to time or indirectly through other collective investment schemes. The Sub-Fund's total investment in the Mainland China securities market (including but not limited to China A-Shares, China B-Shares, fixed income instruments and indirect exposure through RQFII funds) will be in aggregate up to 10% of the Net Asset Value of the Sub-Fund.

The Sub-Fund will not invest more than 10% of its total Net Asset Value in asset backed securities (including asset backed commercial papers) or mortgage backed securities.

The Sub-Fund may invest up to 10% of its latest available Net Asset Value in participatory notes (P-notes), which are freely transferable securities issued by banks or broker-dealers that are designed to replicate the performance of certain issuers and markets by giving exposure to the performance of specific stocks or bonds that the Sub-Fund may not be able to invest in directly because of local holding restrictions affecting such stocks or bonds in the jurisdiction of their issue.

The Sub-Fund will invest not less than 50% of its Net Asset Value in investment grade bonds. "**Investment grade**" means a rating of BBB- or above from Standard & Poor's, Baa3 or above from Moody's or an equivalent rating from any internationally recognized credit rating agency. For this purpose, if the relevant security does not itself have a credit rating, then reference can be made to the credit rating of the issuer of the security. If both the security and the relevant issuer are not rated, then the security will be classified as unrated.

The Sub-Fund will not invest more than 10% of its Net Asset Value 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).

The Sub-Fund may enter into currency forward contracts, non-deliverable forward contracts, swaps, credit indices, financial futures and options contracts for hedging purposes only. Save as expressly disclosed above, the Sub-Fund will not invest in any derivative instruments for investment purposes.

The Manager will not engage in Securities Financing Transactions on behalf of the Sub-Fund. Prior approval will be sought from the SFC and not less than 1 month's notice will be given to affected Unitholders if there is a change in such practice.

Use of Derivatives

The Sub-Fund may acquire financial derivative instruments for hedging purposes only. The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's latest available Net Asset Value.

Specific Risk Factors

Investors should refer to the relevant risks under the section headed “Risk Factors” in the main part of the Explanatory Memorandum, including “Market risk” and “Risks relating to hedging and the hedged classes” and the following specific risk factors for the Sub-Fund:

Concentration risk

The Sub-Fund focuses its investments in the Asia Pacific region and its portfolio of investments may not be diversified compared to other broad-based funds. The value of the Sub-Fund may be more volatile than that of a fund having a more diversified portfolio of assets. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Asia Pacific markets. Please refer to the risk factor “**Concentration risk**” in the main part of the Explanatory Memorandum.

Mainland China market risk

Investing in the Mainland China market is subject to risks specific to the Mainland China market. Please refer to the relevant risk factors “**Mainland China market risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Emerging markets risk

Many countries/regions in the Asia Pacific region are emerging markets. In general, investment in emerging markets is subject to a higher risk of loss. It involves special considerations not typically associated with investment in more developed economies or markets, such as greater political, tax, economic, foreign exchange, liquidity, regulatory legal and taxation, settlement and custodian risk.

Please refer to the relevant risk factors “**Emerging markets risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Currency risk

Whilst the base currency of the Sub-Fund is US\$, the Sub-Fund’s assets may be invested in securities and other investments that are denominated in currencies of Asia Pacific markets. Also, a class of units may be designated in a currency other than the base currency of the Sub-Fund. Although the Sub-Fund may engage in currency hedging, the value of the Sub-Fund’s investments and so the Net Asset Value of the Sub-Fund may still be affected favourably or unfavourably by fluctuations in exchange rates and by changes in exchange rate controls. Please refer to the relevant risk factor “**Currency risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Emerging markets may be subject to additional political, social, economic, regulatory and settlement risks. These factors may adversely affect the exchange rates of emerging market currencies and hence the value of the securities held by the Sub-Fund. Currencies of emerging markets may be more volatile than major world currencies such as Euro, Japanese Yen or British Pound.

The economies of emerging countries/regions are generally heavily dependent on international trade and have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries/regions with which they trade. Adverse economic developments may also result in substantial depreciation in currency exchange rates or unstable currency fluctuations.

Certain economic and political events including changes in foreign exchange policies could have a major impact on currency exchange rates. Some of the emerging countries/regions have in recent years experienced high capital inflows and high rates of inflation, which may have an impact on the exchange policy of the government or the central banks of these countries/regions. Such policies may include capital control measures or direct intervention in the currency market, leading to sudden and substantial devaluation of the local currency concerned.

RMB hedged class risk and RMB risk

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

Investors may invest in RMB-hedged Units of the Sub-Fund. Non-RMB based investors (e.g. Hong Kong investors) may have to convert Hong Kong dollar or other currency(ies) into RMB when investing in RMB-hedged Units and subsequently convert the RMB redemption proceeds and/or dividend payment (if any) back to Hong Kong dollar or such other currency(ies). Investors will incur currency conversion costs and may suffer losses depending on the exchange rate movements of RMB relative to Hong Kong dollar or such other currencies.

Class denominated in RMB will generally be valued with reference to the offshore RMB (known as “**CNH**”) rather than the onshore RMB (known as “**CNY**”). While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently. As such, CNH does not necessarily have the same exchange rate and may not move in the same direction as CNY.

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

Please also refer to the risk factor “**RMB currency risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Equity investment and volatility risk

Investors should pay attention to risks generally associated with equity investment, namely, the market value of the stocks may go down as well as up. Prices of equity securities may be volatile. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, and the business and social conditions in local and global marketplace. Changes in value of a security may be attributable to market perception of a particular issuer (for example its financial conditions and profitability) or general stock market fluctuations that affect all issuers. If the market value of equity securities in which the Sub-Fund invests in goes down, investors may suffer substantial losses.

Risks relating to debt securities

Investment in debt securities is subject to the credit risk of the issuers which may be unable or unwilling to make timely payments on principal and/or interest. Some of the securities that the Sub-Fund invests in may be unrated. In general, debt securities that have a lower credit rating or that are unrated will be more susceptible to the credit risk of the issuers. Please refer to the relevant risk factor “**Below investment grade and unrated securities risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against such issuers as they may be incorporated outside Hong Kong and subject to foreign laws.

Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.

Credit ratings of fixed income securities may be subject to certain limitations. Investment grade securities may be subject to downgrading risk. In the event of downgrading, the risks of default may be higher, and the value of the Sub-Fund may be adversely affected. The Manager may or may not be able to dispose of the debt instruments that are being downgraded. Please refer to the relevant risk factor “**Credit rating downgrade risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Debt securities are sensitive to changes in interest rates. Please refer to the relevant risk factor “**Interest rate risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

The debt securities in Asia Pacific markets may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may incur significant trading costs.

The Sub-Fund may invest in sovereign debts which are subject to certain risks. Please refer to the relevant risk factor “**Sovereign debt risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Valuation of the Sub-Fund’s investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

Risks of investing in other collective investment schemes

The Sub-Fund will be subject to the risks associated with the underlying funds when investing in other funds. The Sub-Fund does not have control of the investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved which may have a negative impact to the Net Asset Value of the Sub-Fund.

The underlying collective investment schemes in which the Sub-Fund may invest may not be regulated by the SFC. There may be additional costs involved when investing into these underlying collective investment schemes. There is also no guarantee that the underlying collective investment schemes will always have sufficient liquidity to meet the Sub-Fund’s redemption requests as and when made.

If the Sub-Fund invests in an underlying fund managed by the Manager or a connected person of the Manager, all initial charges on such underlying fund will be waived. The Manager may not obtain a rebate on any fees or charges levied by such underlying fund or its manager. Where potential conflicts of interest arise, the Manager will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section headed “**Conflicts of Interest**” in the main part of the Explanatory Memorandum.

Risks of investing in convertible bonds

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

Risks of investing in Exchange-traded funds (ETFs)

The trading prices of units/shares in an ETF may be at a discount or premium to the net asset value of the units/shares of such ETF due to various factors such as supply and demand forces in the secondary trading market for such units/shares in the ETF. This price discrepancy may be particularly likely to emerge during periods of high market volatility and uncertainty. Valuation of units/shares in an ETF will primarily be made by reference to the last traded price. Where the Sub-Fund buys at a premium, it may suffer losses even if the net asset value is higher when it sells the relevant share/units in the ETF, and it may not fully recover its investment in the event of termination of the ETF.

In addition, an ETF may not be able to perfectly track the index it is designed to track, because of fees and expenses, imperfect correlation between the ETF’s assets and the underlying securities within the relevant tracking index, adjustments to the tracking index and regulatory policies. The return from investing in an ETF may therefore deviate from the return of its tracking index.

An ETF which is designed to track a market index is not “**actively managed**”, therefore when there is a decline in the relevant index, the ETF will also decrease in value. The ETF may not adopt any temporary defensive position against market downturns. The Sub-Fund may lose part or all of its investment in the ETF.

There can be no assurance that an active trading market will exist or be maintained for units/shares of an ETF on any securities exchange on which units/shares of an ETF may be traded.

Risks of investing in REITs

The Sub-Fund may invest in REITs which invest primarily in real estate and this may involve a higher level of risk. The REITs invested in by the Sub-Fund may not necessarily be authorised by the SFC.

The prices of REITs are affected by changes in the value of the underlying properties owned by the REITs. Investment in REITs may therefore subject the Sub-Fund to risks similar to those from direct ownership of real property.

Real estate investments are relatively illiquid and this may affect the ability of a REIT to vary its investment portfolio or liquidate part of its assets in response to changes in economic conditions, international securities markets, foreign exchange rates, interest rates, real estate markets or other conditions. Adverse global economic conditions could adversely affect the business, financial condition and results of operations of REITs. REITs may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than other securities.

Further, returns from REITs are dependent on management skills. Investments made by REITs generally may not be diversified. In addition, certain REITs in which the Sub-Fund may invest may have their assets concentrated in specific real property sectors, and are therefore subject to the risks associated with adverse developments in these sectors.

REITs are also subject to heavy cash flow dependency, defaults by borrowers and self-liquidation. Further, borrowers under mortgages held by REITs or lessees of property that REITs own may be unable to meet their obligations to the REITs. On the other hand, if the key tenants experience a downturn in their businesses or their financial condition, they may fail to make timely rental payments or default under their leases. Tenants in a particular industry might also be affected by any adverse downturn in that industry and this may result in their failure to make timely rental payments or to default under the leases. In the event of a default, a REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments. The REITs may suffer losses as a result.

REITs may have limited financial resources and may be subject to borrowing limits. Consequently, REITs may need to rely on external sources of funding to expand their portfolios, which may not be available on commercially acceptable terms or at all. If a REIT cannot obtain capital from external sources, it may not be able to acquire properties when strategic opportunities exist.

Any due diligence exercise conducted by REITs on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies. Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow of the REITs.

The Sub-Fund does not invest directly in real estate, and insofar as it directly invests in REITs, any dividend policy or dividend payout at the Sub-Fund level may not be representative of the dividend policy or dividend payout of the relevant underlying REIT.

Risks of investing in ADRs

Although ADRs have risks similar to the securities that they represent, they may also involve higher expenses and may trade at a discount (or premium) to the underlying security. In addition, depositary receipts may not pass through voting and other shareholder rights, and may be less liquid than the underlying securities listed on an exchange.

Risks relating to participatory notes

Exposure to shares or bonds may be obtained through investment in participatory notes. Participatory notes may not be listed and are subject to the terms and conditions imposed by their issuer. These terms may lead to delays in implementing the Sub-Fund's investment strategy due to restrictions on the issuer acquiring or disposing of the securities underlying the participatory notes. Investment in participatory notes can be illiquid as there is no active market in participatory notes. In order to meet redemption requests, the Sub-Fund relies upon the counterparty issuing the participatory notes to quote a price to unwind any part of the participatory notes. This price will reflect the market liquidity conditions and the size of the transaction.

By seeking exposure to investments in certain listed securities through participatory notes, the Sub-Fund is exposed to the credit risk of the issuer of the participatory notes. There is a risk that the issuer will not settle a transaction due to a credit or liquidity problem, thus causing the Sub-Fund to suffer a loss.

An investment in a participatory notes is not an investment directly in the shares or bonds themselves. An investment in the participatory notes does not entitle the participatory notes holder to the beneficial interest in the shares or bonds nor to make any claim against the company issuing the shares or bonds. Investment through participatory notes may lead to a dilution of performance of the Sub-Fund when compared to a fund investing directly in similar assets.

Risks associated with asset backed securities (including asset backed commercial papers) or mortgage backed securities

The Sub-Fund may invest in asset backed securities (including asset backed commercial papers) or mortgage backed securities which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.

Derivative instruments risk

Insofar as the Sub-Fund acquires derivative instruments (i.e. currency forward contracts, non-deliverable forward contracts, swaps, credit indices, financial futures and options contracts) for hedging, it will be subject to additional risks. There can be no assurance that any hedging techniques will fully and effectively eliminate the risk exposure of the Sub-Fund. Derivative instruments may be illiquid and are complex in nature. In adverse situations, the Sub-Fund's use of derivatives for hedging may become ineffective and the Sub-Fund may suffer significant losses. The price of a derivative instrument can be very volatile which may result in losses in excess of the amount invested in the derivative instruments by the Sub-Fund. A derivative instrument is subject to the risk that the counterparty of the instrument may not fulfil its obligations to the Sub-Fund, and this may result in losses to the Sub-Fund.

Transactions in options also carry a high degree of risk. Selling (“**writing**” or “**granting**”) an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is “covered” by the seller holding a corresponding position in the underlying investment, the risk may be reduced.

Please refer to the relevant risk factors “**Counterparty risk**” and “**Risks relating to hedging and the hedged classes**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Distributions out of capital risk

Distributions may be paid out of the capital of the Sub-Fund. The Manager may distribute out of the capital of the Sub-Fund if the net distributable income attributable to the relevant class of Units during the relevant period is insufficient to pay distributions as declared. The Manager may also at its discretion pay dividend out of gross income while charging/paying all or part of the Sub-Fund’s fees and expenses to/out of the capital of the Sub-Fund (resulting in an increase in distributable income for the payment of dividends by the Sub-Fund), and thereby effectively pay distributions out of capital of the Sub-Fund. **Investors should note that the payment of distributions out of, or effectively out of, capital represents a return or a withdrawal of part of the amount the investors originally invested or capital gain attributable to that amount. Distributions will result in an immediate decrease in the Net Asset Value of the relevant Units.**

The distribution amount and Net Asset Value of the hedged classes may be adversely affected by differences in the interest rates of the reference currency of the hedged classes 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 classes.

Available Classes

The following classes of Units have been established and may be made available for sale from time to time. The Manager has an absolute discretion to determine from time to time the availability of any Class of Units to any investor. Investors should check with the Manager whether any class of Units is currently offered.

| Class | Class currency | Investors to whom the class is available |
|-------------------|-----------------------------|---|
| Class A1 (USD) | United States Dollar | Retail public |
| Class A2 (HKD) | Hong Kong Dollar | Retail public |
| Class A3 (AUD-H) | Australian Dollar (Hedged) | Retail public |
| Class A4 (NZD-H) | New Zealand Dollar (Hedged) | Retail public |
| Class A5 (CAD-H) | Canadian Dollar (Hedged) | Retail public |
| Class A6 (GBP-H) | British Pound (Hedged) | Retail public |
| Class A7 (RMB-H) | Renminbi (Hedged) | Retail public |
| Class A8 (EUR-H) | Euro (Hedged) | Retail public |
| Class A9 (RMB) | Renminbi | Retail public |
| Class A10 (SGD-H) | Singapore Dollar (Hedged) | Retail public |
| Class A11 (JPY-H) | Japanese Yen (Hedged) | Retail public |
| Class A12 (CHF-H) | Swiss Franc (Hedged) | Retail public |
| Class A13 (HKD-H) | Hong Kong Dollar (Hedged) | Retail public |
| Class C1 (USD) | United States Dollar | Retail public |
| Class C2 (HKD) | Hong Kong Dollar | Retail public |
| Class C3 (RMB-H) | Renminbi (Hedged) | Retail public |
| Class C4 (RMB) | Renminbi | Retail public |
| Class C5 (HKD-H) | Hong Kong Dollar (Hedged) | Retail public |
| Class I1 (USD) | United States Dollar | Institutional clients |
| Class I2 (HKD) | Hong Kong Dollar | Institutional clients |
| Class I3 (RMB-H) | Renminbi (Hedged) | Institutional clients |
| Class I4 (AUD-H) | Australian Dollar (Hedged) | Institutional clients |
| Class I5 (NZD-H) | New Zealand Dollar (Hedged) | Institutional clients |

| Class | Class currency | Investors to whom the class is available |
|-------------------|---------------------------|---|
| Class I6 (CAD-H) | Canadian Dollar (Hedged) | Institutional clients |
| Class I7 (GBP-H) | British Pound (Hedged) | Institutional clients |
| Class I8 (RMB) | Renminbi | Institutional clients |
| Class I9 (EUR-H) | Euro (Hedged) | Institutional clients |
| Class I10 (SGD-H) | Singapore Dollar (Hedged) | Institutional clients |
| Class I11 (JPY-H) | Japanese Yen (Hedged) | Institutional clients |
| Class I12 (CHF-H) | Swiss Franc (Hedged) | Institutional clients |
| Class I13 (HKD-H) | Hong Kong Dollar (Hedged) | Institutional clients |
| Class X1 (USD) | United States Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X2 (HKD) | Hong Kong Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X3 (RMB) | Renminbi | For use by the Manager itself and in managing segregated portfolios |
| Class X4 (RMB-H) | Renminbi (Hedged) | For use by the Manager itself and in managing segregated portfolios |
| Class X5 (HKD-H) | Hong Kong Dollar (Hedged) | For use by the Manager itself and in managing segregated portfolios |

For classes of Units launched subsequent to the initial offer period of the Sub-Fund, the initial issue of such class Units will be made at the prevailing Issue Price of Class A Units denominated in the same currency or Class A Units denominated in the base currency (exclusive of preliminary charge).

Investment Minima

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (AUD-H) | Class A4 (NZD-H) | Class A5 (CAD-H) | Class A6 (GBP-H) | Class A7 (RMB-H) | Class A8 (EUR-H) | Class A9 (RMB) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (HKD-H) |
|--|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|----------------------|----------------------|----------------------|----------------------|
| Minimum Subscription Amount | USD1,000 | HKD10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | EUR1,000 | RMB10,000 | SGD1,000 | JPY100,000 | CHF1,000 | HKD10,000 |
| Minimum Subsequent Subscription Amount | USD1,000 | HKD10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | EUR1,000 | RMB10,000 | SGD1,000 | JPY100,000 | CHF1,000 | HKD10,000 |
| Minimum Holding | USD1,000 | HKD10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | EUR1,000 | RMB10,000 | SGD1,000 | JPY100,000 | CHF1,000 | HKD10,000 |
| Minimum Redemption Amount | USD1,000 | HKD10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | EUR1,000 | RMB10,000 | SGD1,000 | JPY100,000 | CHF1,000 | HKD10,000 |

| Class | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB-H) | Class C4 (RMB) | Class C5 (HKD-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (RMB-H) | Class I4 (AUD-H) | Class I5 (NZD-H) | Class I6 (CAD-H) | Class I7 (GBP-H) | Class I8 (RMB) |
|--|-------------------|-------------------|---------------------|-------------------|---------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| Minimum Subscription Amount | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD1,000,000 | HKD8,000,000 | RMB8,000,000 | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 | RMB8,000,000 |
| Minimum Subsequent Subscription Amount | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD120,000 | HKD1,000,000 | RMB1,000,000 | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 | RMB1,000,000 |
| Minimum Holding | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD1,000,000 | HKD8,000,000 | RMB8,000,000 | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 | RMB8,000,000 |
| Minimum Redemption Amount | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD120,000 | HKD1,000,000 | RMB1,000,000 | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 | RMB1,000,000 |

| Class | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (HKD-H) | Class X1 (USD) | Class X2 (HKD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (HKD-H) |
|--|---------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Minimum Subscription Amount | EUR1,000,000 | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | HKD8,000,000 | N/A | N/A | N/A | N/A | N/A |
| Minimum Subsequent Subscription Amount | EUR120,000 | SGD120,000 | JPY12,000,000 | CHF120,000 | HKD1,000,000 | N/A | N/A | N/A | N/A | N/A |
| Minimum Holding | EUR1,000,000 | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | HKD8,000,000 | N/A | N/A | N/A | N/A | N/A |
| Minimum Redemption Amount | EUR120,000 | SGD120,000 | JPY12,000,000 | CHF120,000 | HKD1,000,000 | N/A | N/A | N/A | N/A | N/A |

Fees

Fees payable by investors

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (AUD-H) | Class A4 (NZD-H) | Class A5 (CAD-H) | Class A6 (GBP-H) | Class A7 (RMB-H) | Class A8 (EUR-H) | Class A9 (RMB) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (HKD-H) |
|--|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|----------------------|----------------------|----------------------|----------------------|
| Preliminary Charge (% of Issue Price) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |

| Class | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB-H) | Class C4 (RMB) | Class C5 (HKD-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (RMB-H) | Class I4 (AUD-H) | Class I5 (NZD-H) | Class I6 (CAD-H) | Class I7 (GBP-H) | Class I8 (RMB) |
|--|-------------------|-------------------|---------------------|-------------------|---------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| Preliminary Charge (% of Issue Price) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |

| Class | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (HKD-H) | Class X1 (USD) | Class X2 (HKD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (HKD-H) |
|--|---------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Preliminary Charge (% of Issue Price) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |

Fees payable by the Sub-Fund (% Net Asset Value of the Sub-Fund)

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (AUD-H) | Class A4 (NZD-H) | Class A5 (CAD-H) | Class A6 (GBP-H) | Class A7 (RMB-H) | Class A8 (EUR-H) | Class A9 (RMB) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (HKD-H) |
|----------------|---|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|----------------------|----------------------|----------------------|----------------------|
| Management Fee | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | | | | |

| Class | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB-H) | Class C4 (RMB) | Class C5 (HKD-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (RMB-H) | Class I4 (AUD-H) | Class I5 (NZD-H) | Class I6 (CAD-H) | Class I7 (GBP-H) | Class I8 (RMB) |
|----------------|---|-------------------|---------------------|-------------------|---------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| Management Fee | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | | | | |

| Class | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (HKD-H) | Class X1 (USD) | Class X2 (HKD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (HKD-H) |
|----------------|---|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Management Fee | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0% p.a. | 0% p.a. | 0% p.a. | 0% p.a. | 0% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | |

Establishment Costs

The costs of establishment of the BOCHK All Weather Asian Bond Fund have been fully amortized.

Dealing Day

Every Business Day.

Dealing Deadline

5 p.m. (Hong Kong time) on the relevant Dealing Day.

Dealing through the Authorised Distributor(s) or other authorised electronic means may involve different dealing procedures and an earlier cut-off time may be imposed before the Dealing Deadlines for receiving instructions. Investors should confirm the arrangements with the Authorised Distributor(s) concerned.

Subscription, Redemption and Switching of Units

For details regarding the procedures for subscription, redemption and switching, see the main part of the Explanatory Memorandum under “**Purchase of Units**”, “**Redemption of Units**” and “**Switching between classes**”.

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends.

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, 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. The Manager may also at its discretion pay dividend out of gross income while charging/paying all or part of a Sub-Fund's fees and expenses to/out of the capital of a Sub-Fund (resulting in an increase in distributable income for the payment of dividends by the Sub-Fund), and thereby effectively pay distributions out of capital of a Sub-Fund. Payment of dividends out of, or effectively out of, capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of, or effectively 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.bochkam.com. This website has not been reviewed by the SFC.

Class A1 (USD), Class A2 (HKD), Class A3 (AUD-H), Class A4 (NZD-H), Class A5 (CAD-H), Class A6 (GBP-H), Class A7 (RMB-H), Class A8 (EUR-H), Class A9 (RMB), Class A10 (SGD-H), Class A11 (JPY-H), Class A12 (CHF-H) and Class A13 (HKD-H):

For these classes of Units, it is the current intention of the Manager to declare and pay dividends on a monthly basis (or, subject to one month's prior notice to the relevant Unitholders, such other frequency as the Manager and the Trustee consider appropriate). It is intended that the first distribution will be made 3 months after the launch date of the Sub-Fund, subject to the Manager's discretion.

Investors should note that dividends, if any, may be paid from income and/or out of, or effectively out of, capital of the Sub-Fund.

Please refer to the section headed "**Distributions**" and the risk factor headed "**Distributions out of capital risk**" in the Appendix for further details.

Investors should note that there is no guarantee of regular distribution payments during the period investors hold the Units of the Sub-Fund.

Class C1 (USD), Class C2 (HKD), Class C3 (RMB-H), Class C4 (RMB), Class C5 (HKD-H), Class I1 (USD), Class I2 (HKD), Class I3 (RMB-H), Class I4 (AUD-H), Class I5 (NZD-H), Class I6 (CAD-H), Class I7 (GBP-H), Class I8 (RMB), Class I9 (EUR-H), Class I10 (SGD-H), Class I11 (JPY-H), Class I12 (CHF-H), Class I13 (HKD-H), Class X1 (USD), Class X2 (HKD), Class X3 (RMB), Class X4 (RMB-H) and Class X5 (HKD-H):

Currently, the Manager does not intend to make any distributions for these classes of Units.

If there is a change of the distribution policy of the Sub-Fund, the Manager will seek the prior approval of the SFC and/or provide at least one month's prior notice to Unitholders (where necessary).

Valuation

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

APPENDIX VI

BOCHK ALL WEATHER ASIA (EX-JAPAN) EQUITY FUND

This Appendix comprises information in relation to BOCHK All Weather Asia (ex-Japan) Equity Fund, a Sub-Fund of the Fund.

Base Currency

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

Investment Objective and Policy

The investment objective of the Sub-Fund is to provide capital growth over the long term by investing primarily in equity securities that are listed in or that are issued by companies which derive substantial revenue from or have significant business or economic activities in Asia (excluding Japan).

Investment Strategy

The Sub-Fund aims to achieve its investment objective by investing not less than 70% of its latest available Net Asset Value in equity securities that are listed in or that are issued by companies which derive substantial revenue from or have significant business or economic activities in Asia (excluding Japan), including but not limited to shares, exchange traded funds (“**ETFs**”) and American Depositary Receipts (“**ADRs**”). The Sub-Fund may also invest in real estate investment trusts (REITs) which have underlying properties primarily located in the Asia ex-Japan region.

The countries and regions in which the Sub-Fund may invest in include, but are not limited to: Australia, Mainland China, South Korea, Taiwan, Hong Kong, India, Singapore, Malaysia, Indonesia, Thailand, Philippines and New Zealand. The Sub-Fund will not aim to focus its investments on any single country or region or specific industries or sectors although the allocation in certain country, region, sector or industry may be relatively significant, depending on the Manager’s assessment at different times.

The Sub-Fund may invest in ETFs including synthetic ETFs (i.e. ETFs that track an index by investing primarily in derivative instruments), but will not invest in any ETFs that employ short-sale and/or leverage strategies.

The Sub-Fund may access the Mainland China securities market through available means, including but not limited to direct investment through the Manager's RQFII quota, China Interbank Bond Market or such other means as permitted by the relevant regulatory authorities from time to time including the Stock Connects (please refer to the section "**Stock Connects**" in the main part of the Explanatory Memorandum for details regarding Stock Connects). Further, the Sub-Fund may also obtain indirect exposure to China A-Shares through investing in other funds that are authorised by the SFC and eligible to directly invest in the Mainland China market through Renminbi Qualified Foreign Institutional Investor ("**RQFII funds**"). The Sub-Fund's total (direct and indirect) exposure to China A-Shares, China B-Shares and Mainland China debt securities will not exceed 30% of the Sub-Fund's Net Asset Value. The Sub-Fund's total exposure in Mainland China debt securities market (including urban investment bonds (i.e. debt instruments issued by local government financing vehicles and traded in the Mainland China exchange-traded bond market and inter-bank bond market)) will not exceed 10% of the Sub-Fund's Net Asset Value.

The Sub-Fund may hold up to 30% of its latest available Net Asset Value in fixed income instruments, cash, cash equivalents, short-term money market instruments and bank deposits in adverse market conditions for the purposes of managing downside risk.

The Sub-Fund will not invest more than 10% of its total Net Asset Value in asset backed securities (including asset backed commercial papers), mortgage backed securities, bonds that are rated BB+ or below (as rated by any Mainland China credit rating agency) or below investment grade (as rated by any internationally recognized credit rating agency) and unrated bonds.

The Sub-Fund will not invest more than 10% of its Net Asset Value 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).

The Sub-Fund will enter into currency forward contracts, swaps, financial futures and options contracts and may use options strategy for hedging purposes only. The Sub-Fund will not invest in any derivative instruments for investment purposes. The Sub-Fund will not invest in structured products or structured deposits for investment or hedging purposes.

The Manager will not engage in Securities Financing Transactions on behalf of the Sub-Fund. Prior approval will be sought from the SFC and not less than 1 month's notice will be given to affected Unitholders if there is a change in such practice.

Asset Allocation Ranges

The ranges of asset allocation of the Sub-Fund are as follows:

| Asset Allocation* | Max. | Min. |
|--|-------------|-------------|
| Equities | 100% | 70% |
| ETFs | 100% | 0% |
| ADRs | 100% | 0% |
| REITs | 100% | 0% |
| Fixed income | 30% | 0% |
| Cash, cash equivalents, short-term money market instruments and bank deposits | 30% | 0% |

* For indication only and may vary in times of extreme volatility or during severe adverse market conditions.

Use of Derivatives

The Sub-Fund may acquire financial derivative instruments for hedging purposes only. The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's latest available Net Asset Value.

Renminbi Qualified Foreign Institutional Investor ("RQFII")

Currently it is intended that the Sub-Fund may obtain exposure to securities and instruments issued or distributed in the Mainland China by using the RQFII quotas of the Manager, which has obtained RQFII status in Mainland China. Please refer to the section "**Renminbi Qualified Foreign Institutional Investor ("RQFII")**" in the main part of the Explanatory Memorandum for an overview of the RQFII regime.

Investors should pay attention to the sections headed "**Risks relating to RQFII and RQFII funds**" and "**Mainland China brokerage risk**" under the "**Specific Risk Factors**" section in relation to investment through the RQFII regime. The Manager has obtained an opinion from Mainland China legal counsel to the effect that, as a matter of Mainland China laws:

- (a) securities account(s) with the relevant depositories and maintained by the RQFII Custodian and RMB special deposit account(s) with the RQFII Custodian (respectively, the "**securities account(s)**" and the "**cash account(s)**") shall be opened in the joint names of the Manager (as RQFII Holder) and the Sub-Fund for the sole benefit and use of the Sub-Fund in accordance with all applicable laws and regulations of Mainland China and with approval from all competent authorities in Mainland China;
- (b) the assets held/credited in the securities account(s) (i) belong solely to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager (as RQFII Holder), the Custodian, the RQFII Custodian and any Mainland Broker(s) and from the assets of other clients of the Manager (as RQFII Holder), the Custodian, the RQFII Custodian and any Mainland Broker(s);

- (c) the assets held/credited in the cash account(s) (i) become an unsecured debt owing from the RQFII Custodian to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager (as RQFII Holder) and any Mainland Broker(s), and from the assets of other clients of the Manager (as RQFII Holder) and any Mainland Broker(s);
- (d) the Trustee, for and on behalf of the Sub-Fund is the only entity which has a valid claim of ownership over the assets in the securities account(s) and the debt in the amount deposited in the cash account(s) of the Sub-Fund;
- (e) if the Manager (as RQFII Holder) or any Mainland Broker(s) is liquidated, the assets contained in the securities account(s) and cash account(s) of the Sub-Fund will not form part of the liquidation assets of the Manager (as RQFII Holder) or such Mainland Broker(s) in liquidation in Mainland China; and
- (f) if the RQFII Custodian is liquidated, (i) the assets contained in the securities account(s) of the Sub-Fund will not form part of the liquidation assets of the RQFII Custodian in liquidation in Mainland China, and (ii) the assets contained in the cash account(s) of the Sub-Fund will form part of the liquidation assets of the RQFII Custodian in liquidation in Mainland China and the Sub-Fund will become an unsecured creditor for the amount deposited in the cash account(s).

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

- (i) the Trustee takes into its custody or under its control the assets of the Sub-Fund, including assets deposited in the securities account(s) and cash account(s) with the RQFII Custodian, and holds the same in trust for the Unitholders;
- (ii) the Trustee registers the assets of the Sub-Fund, including assets deposited in the securities account(s) and cash account(s) with the RQFII Custodian, to the order of the Trustee; and
- (iii) the RQFII Custodian will look to the Trustee for instructions (through the Custodian) and solely act in accordance with such instructions, save as otherwise required under applicable regulations.

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

Specific Risk Factors

Investors should refer to the relevant risks under the section headed "Risk Factors" in the main part of the Explanatory Memorandum, including "Market risk", "RMB currency risk", "Emerging markets risk" and "Risks relating to hedging and the hedged classes" and the following specific risk factors for the Sub-Fund:

Concentration risk

The Sub-Fund focuses its investments in the Asia (ex Japan) region and its portfolio of investments may not be diversified compared to other broad-based funds. Please refer to the risk factor “**Concentration risk**” in the main part of the Explanatory Memorandum.

Mainland China market risk

Investing in the Mainland China market is subject to risks specific to the Mainland China market. Please refer to the relevant risk factors “**Mainland China market risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Emerging markets risk

Many countries/regions in the Asian region are emerging markets. In general, investment in emerging markets is subject to a higher risk of loss. Please refer to the relevant risk factor “**Emerging markets risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks relating to emerging market currencies

Whilst the base currency of the Sub-Fund is US\$, the Sub-Fund’s assets may be invested in securities and other investments that are denominated in currencies of Asian markets. Although the Sub-Fund may engage in currency hedging, the value of the Sub-Fund’s investments and so the Net Asset Value of the Sub-Fund may still be affected favourably or unfavourably by fluctuations in exchange rates. Please refer to the relevant risk factor “**Currency risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Emerging markets may be subject to additional political, social, economic, regulatory and settlement risks. These factors may adversely affect the exchange rates of emerging market currencies and hence the value of the securities held by the Sub-Fund. Currencies of emerging markets may be more volatile than major world currencies such as Euro, Japanese Yen or British Pound.

The economies of emerging countries/regions are generally heavily dependent on international trade and have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries/regions with which they trade. Adverse economic developments may also result in substantial depreciation in currency exchange rates or unstable currency fluctuations.

Certain economic and political events including changes in foreign exchange policies could have a major impact on currency exchange rates. Some of the emerging countries/regions have in recent years experienced high capital inflows and high rates of inflation, which may have an impact on the exchange policy of the government or the central banks of these countries/regions. Such policies may include capital control measures or direct intervention in the currency market, leading to sudden and substantial devaluation of the local currency concerned.

Equity investment and volatility risk

Investors should pay attention to risks generally associated with equity investment, namely, the market value of the stocks may go down as well as up. Prices of equity securities may be volatile. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, and the business and social conditions in local and global marketplace. Changes in value of a security may be attributable to market perception of a particular issuer (for example its financial conditions and profitability) or general stock market fluctuations that affect all issuers. If the market value of equity securities in which the Sub-Fund invests in goes down, investors may suffer substantial losses.

RMB currency risk/Risks relating to RMB denominated securities

Investors may invest in RMB-hedged Units of the Sub-Fund. Non-RMB based investors (e.g. Hong Kong investors) may have to convert Hong Kong dollar or other currency(ies) into RMB when investing in RMB-hedged Units and subsequently convert the RMB redemption proceeds and/or dividend payment (if any) back to Hong Kong dollar or such other currency(ies). Investors will incur currency conversion costs and may suffer losses depending on the exchange rate movements of RMB relative to Hong Kong dollar or such other currencies.

Class denominated in RMB will generally be valued with reference to the offshore RMB (known as “**CNH**”) rather than the onshore RMB (known as “**CNY**”). While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently. As such, CNH does not necessarily have the same exchange rate and may not move in the same direction as CNY.

The Sub-Fund may have exposure to securities that are denominated in RMB. Investment in the Sub-Fund will be subject to RMB currency risks. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. Please refer to the relevant risk factors “**RMB currency risk**” and “**RMB foreign exchange control risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Investment in China A-Share market

The Sub-Fund may have exposure to the China A-Share market directly or through investment in RQFII funds. The existence of a liquid trading market for China A-Shares may depend on whether there is supply of, and demand for, such China A-Shares. The price at which securities may be purchased or sold by the Sub-Fund or the relevant RQFII funds may be adversely affected if trading markets for China A-Shares are limited or absent, and the Sub-Fund may in turn be adversely affected. Further, the Shanghai Stock Exchange and the Shenzhen Stock Exchange on which China A-Shares are traded are undergoing development and the market capitalisation of, and trading volumes on, those stock exchanges are lower than those in more developed markets. The China A-Share market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention) than those in more developed markets. Market volatility and settlement difficulties in the China A-Share markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may affect the value of the Sub-Fund or the RQFII fund(s).

Securities exchanges in Mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. In particular, trading band limits are imposed by the stock exchanges on China A-Shares, where trading for a security may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. A suspension will render it impossible for the Sub-Fund or the RQFII funds to liquidate positions and can thereby expose the Sub-Fund or the RQFII funds to losses. Further, when the suspension is subsequently lifted, it may not be possible for the Sub-Fund or the RQFII funds to liquidate positions at a favourable price. The Sub-Fund may therefore suffer a loss in its investment.

Investment in China B-Share market

Investors should note that the stock exchanges in Mainland China on which the China B-Shares are listed are still at a developmental stage, and their respective market capitalisation and trading volume are much lower than those in more developed financial markets. Market volatility and potential lack of liquidity due to low trading volume in the China B-Shares markets may result in prices of securities traded on such markets fluctuating significantly, which may result in substantial changes to the price of the Units of the Sub-Fund.

Risks relating to debt securities

Investment in debt securities is subject to the credit risk of the issuers which may be unable or unwilling to make timely payments on principal and/or interest. Some of the securities that the Sub-Fund invests in may be unrated. In general, debt securities that have a lower credit rating or that are unrated will be more susceptible to the credit risk of the issuers. Please refer to the relevant risk factor “**Below investment grade and unrated securities risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against such issuers as they may be incorporated outside Hong Kong and subject to foreign laws.

Credit ratings of fixed income securities may be subject to certain limitations. Investment grade securities may be subject to downgrading risk. In the event of downgrading, the risks of default may be higher, and the Sub-Fund’s investments in such securities may be adversely affected. Please refer to the relevant risk factor “**Credit rating downgrade risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Debt securities are sensitive to changes in interest rates. Please refer to the relevant risk factor “**Interest rate risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks relating to RQFII and RQFII funds

The Sub-Fund is not a RQFII but may obtain access to securities and instruments issued or distributed within Mainland China directly using RQFII quotas of a RQFII or through RQFII funds, and may be subject to the following risks.

Risks relating to RMB denominated securities: Securities in the Mainland China securities market are denominated in RMB. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. Please refer to the relevant risk factors “**RMB currency risk**” and “**RMB foreign exchange control risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks relating to the Renminbi Qualified Foreign Institutional Investor (RQFII) regime: Investors should note that RQFII status could be suspended or revoked, which may have an adverse effect on the Sub-Fund’s performance as the Sub-Fund may be required to dispose of its securities holdings. Investment through the RQFII regime is subject to the availability of RQFII quota. There is no assurance that the RQFII Holder will continue to maintain its RQFII status or to make available its RQFII quota, or sufficient quota will be available for investment by the Sub-Fund or a RQFII fund. Therefore the Sub-Fund’s ability to obtain exposure to the Mainland China securities market may be limited by the availability of RQFII quota.

The Manager may allocate its RQFII quota as described under the section “Renminbi Qualified Foreign Institutional Investor (“RQFII”)” in the main part of the Explanatory Memorandum. There is no assurance that the Manager will make available RQFII quota that is sufficient for the Sub-Fund’s investment at all times.

RQFII quotas are generally granted to the RQFII. The rules and restrictions under RQFII regulations, generally apply to the RQFII Holder as a whole and not simply to the investments made by the Sub-Fund. It is provided in the SAFE Rules that the size of the quota may be reduced or cancelled by the SAFE if the RQFII Holder is unable to use its RQFII quota effectively within one year since the quota is granted. If the SAFE reduces the RQFII Holder’s quota, it may affect the Manager’s ability to effectively pursue the investment strategy of the Sub-Fund via the RQFII quota of the RQFII Holder. On the other hand, the SAFE is vested with the power to impose regulatory sanctions if the RQFII Holder or the RQFII Custodian violates any provision of the SAFE Rules. Any violations could result in the revocation of the RQFII’s quota or other regulatory sanctions and may adversely impact on the portion of the RQFII’s quota made available for investment by the Sub-Fund.

Repatriations of capital out of Mainland China by the Sub-Fund or RQFII funds that are open-ended funds are currently not subject to repatriation restrictions or prior approval, but there is no guarantee that restrictions will not be imposed in future. Any restrictions on repatriation of the invested capital out of Mainland China may impact on the relevant fund’s ability to meet redemption requests from the Sub-Fund. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the control of the Manager (or the manager of a RQFII fund). Therefore, the Sub-Fund may be subject to liquidity risk.

The application of the rules relevant to RQFII may depend on the interpretation given by the relevant Mainland regulatory authorities. Any changes to the relevant rules may have an adverse impact on investments made by the Sub-Fund or the RQFII funds and hence the Sub-Fund’s performance. The current RQFII rules and regulations are subject to change, which may take retrospective effect. In the worst case, the relevant RQFII fund may be terminated if it is not legal or viable to operate because of changes to the application of the relevant rules. The Sub-Fund’s holdings in the relevant the RQFII fund will be realised in case of such termination, and the Sub-Fund may suffer losses in its initial investment in such fund.

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

Mainland China brokerage risk – In relation to the Sub-Fund’s investments issued and transacted within Mainland China (other than via Stock Connects), execution and settlement of transactions or the transfer of any funds or securities may be arranged for or conducted by Mainland Brokers appointed by RQFII Holder and/or the RQFII Custodian appointed by the RQFII Holder jointly with the Custodian. There is a risk that the Sub-Fund may suffer losses from the default, bankruptcy or disqualification of the Mainland Brokers and/or the RQFII Custodian. In such event, the Sub-Fund may be adversely affected in the execution or settlement of any transaction or in the transfer of any funds or securities.

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

Risks relating to RQFII funds that are exchange traded funds (RQFII ETFs): Investment in RQFII ETFs is subject to RMB currency risk and risks associated with the RQFII regime set out above. In addition:

- (a) RQFII ETFs typically seek to track a particular China A-Share market index by directly investing in the China A-Shares constituting such market index using RQFII quota. As with other exchange traded funds, RQFII ETFs are subject to tracking error risks (i.e. the returns of a RQFII ETF may deviate from the performance of the index it is designed to track) due to a number of factors.

The Sub-Fund will trade units in RQFII ETFs on the Stock Exchange of Hong Kong (where trading prices are affected by market factors such as demand and supply). The trading days or hours of Mainland China and Hong Kong stock markets are not exactly the same and this may affect the RQFII ETFs’ ability to track the market index. Further, any suspension due to a trading band limit in the Mainland China stock markets may render it impossible for the RQFII ETFs to acquire certain index security, increasing the tracking error. These factors may result in the RQFII ETFs’ units being traded at a substantial premium or discount to their net asset value.

- (b) RQFII ETFs involve cross-border transfer of funds. They may be riskier than traditional exchange traded funds investing directly in markets other than Mainland China. The operation of RQFII ETFs depends heavily on the expertise and infrastructure of the RQFII ETF’s manager (or its mainland parent company). There is no assurance that the RQFII ETFs will be operated as envisaged and the Sub-Fund may sustain a loss in its investment and the Sub-Fund may suffer a loss.

Risks of investing in other funds: Investment in other funds (such as RQFII funds) may involve another layer of fees charged at the underlying fund level. This is because, in addition to the expenses and charges payable by the Sub-Fund as disclosed in this Explanatory Memorandum, the Sub-Fund will bear indirectly the fees charged by the managers and other service providers of the underlying funds, or will incur charges in subscribing for or redeeming units in the underlying funds. The Manager will consider various factors in selecting the underlying funds, for example, the investment objective and strategy, level of fees and charges, the redemption frequency and liquidity of such funds. However, there is no assurance that the investment objective or strategy of an underlying fund will be successfully achieved.

If the Sub-Fund invests in an underlying fund managed by the Manager or a connected person of the Manager, all initial charges on such underlying fund will be waived. The Manager may not obtain a rebate on any fees or charges levied by such underlying fund or its manager. Where potential conflicts of interest arise, the Manager will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section headed “**Conflicts of Interest**” in the main part of the Explanatory Memorandum.

Risks associated with Stock Connects

Insofar as the Sub-Fund invests through Stock Connects, investors should refer to the associated risks set out in the risk factor “**Risks associated with Stock Connects**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks associated with China Interbank Bond Market

Insofar as the Sub-Fund invests through China Interbank Bond Market, investors should refer to the associated risks set out in the risk factor “**Risks associated with China Interbank Bond Market and Bond Connect**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks relating to Exchange-traded funds (ETFs)

The trading prices of units/shares in an ETF may be at a discount or premium to the net asset value of the units/shares of such ETF due to various factors such as supply and demand forces in the secondary trading market for such units/shares in the ETF. This price discrepancy may be particularly likely to emerge during periods of high market volatility and uncertainty. Valuation of units/shares in an ETF will primarily be made by reference to the last traded price. Where the Sub-Fund buys at a premium, it may suffer losses even if the net asset value is higher when it sells the relevant share/units in the ETF, and it may not fully recover its investment in the event of termination of the ETF.

In addition, an ETF may not be able to perfectly track the index it is designed to track, because of fees and expenses, imperfect correlation between the ETF’s assets and the underlying securities within the relevant tracking index, adjustments to the tracking index and regulatory policies. The return from investing in an ETF may therefore deviate from the return of its tracking index.

An ETF which is designed to track a market index is not “**actively managed**”, therefore when there is a decline in the relevant index, the ETF will also decrease in value. The ETF may not adopt any temporary defensive position against market downturns. The Sub-Fund may lose part or all of its investment in the ETF.

There can be no assurance that an active trading market will exist or be maintained for units/shares of an ETF on any securities exchange on which units/shares of an ETF may be traded.

Synthetic ETFs typically invest in derivative instruments to replicate the performance of an underlying index. Investment in synthetic ETFs will be subject to the credit risk of the counterparties who issue the derivatives. If the counterparties default, the Sub-Fund may suffer substantial losses of its investment in the relevant ETFs. Since derivative issuers are predominantly international financial institutions, the failure of one derivative counterparty could potentially have a “knock on” effect on other counterparties. Some synthetic ETFs have collateral to reduce the counterparty risks but if the market value of the collateral has fallen substantially, the ETFs may suffer losses when they seek to realise the collateral. The Sub-Fund’s investment in the ETFs will suffer losses accordingly.

Risks relating to REITs

The Sub-Fund may invest in REITs which invest primarily in real estate and this may involve a higher level of risk. The REITs invested in by the Sub-Fund may not necessarily be authorised by the SFC and their dividend policy may differ from that of the Sub-Fund.

The prices of REITs are affected by changes in the value of the underlying properties owned by the REITs. Investment in REITs may therefore subject the Sub-Fund to risks similar to those from direct ownership of real property.

Real estate investments are relatively illiquid and this may affect the ability of a REIT to vary its investment portfolio or liquidate part of its assets in response to changes in economic conditions, international securities markets, foreign exchange rates, interest rates, real estate markets or other conditions. Adverse global economic conditions could adversely affect the business, financial condition and results of operations of REITs. REITs may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than other securities.

Further, returns from REITs are dependent on management skills. Investments made by REITs generally may not be diversified. In addition, certain REITs in which the Sub-Fund may invest may have their assets concentrated in specific real property sectors, and are therefore subject to the risks associated with adverse developments in these sectors.

REITs are also subject to heavy cash flow dependency, defaults by borrowers and self-liquidation. Further, borrowers under mortgages held by REITs or lessees of property that REITs own may be unable to meet their obligations to the REITs. On the other hand, if the key tenants experience a downturn in their businesses or their financial condition, they may fail to make timely rental payments or default under their leases. Tenants in a particular industry might also be affected by any adverse downturn in that industry and this may result in their failure to make timely rental payments or to default under the leases. In the event of a default, a REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments. The REITs may suffer losses as a result.

REITs may have limited financial resources and may be subject to borrowing limits. Consequently, REITs may need to rely on external sources of funding to expand their portfolios, which may not be available on commercially acceptable terms or at all. If a REIT cannot obtain capital from external sources, it may not be able to acquire properties when strategic opportunities exist.

Any due diligence exercise conducted by REITs on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies. Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow of the REITs.

Risks relating to ADRs

Although ADRs have risks similar to the securities that they represent, they may also involve higher expenses and may trade at a discount (or premium) to the underlying security. In addition, depositary receipts may not pass through voting and other shareholder rights, and may be less liquid than the underlying securities listed on an exchange.

Derivative instruments risk

Insofar as the Sub-Fund acquires derivative instruments (i.e. currency forward contracts, swaps, financial futures and options contracts) for hedging, it will be subject to additional risks. There can be no assurance that any hedging techniques will fully and effectively eliminate the risk exposure of the Sub-Fund. Derivative instruments may be illiquid and are complex in nature. In adverse situations, the Sub-Fund's use of derivatives for hedging may become ineffective and the Sub-Fund may suffer significant losses. The price of a derivative instrument can be very volatile which may result in losses in excess of the amount invested in the derivative instruments by the Sub-Fund. A derivative instrument is subject to the risk that the counterparty of the instrument will not fulfil its obligations to the Sub-Fund, and this may result in losses to the Sub-Fund.

Transactions in options also carry a high degree of risk. Selling ("**writing**" or "**granting**") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "covered" by the seller holding a corresponding position in the underlying investment, the risk may be reduced.

Please refer to the relevant risk factors "**Counterparty risk**" and "**Risks relating to hedging and the hedged classes**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Mainland China tax considerations in respect of the Sub-Fund

By investing in Mainland China securities, the Sub-Fund may be subject to withholding income tax ("**WIT**"), value added tax ("**VAT**") and other taxes imposed in Mainland China. Investors should refer to the heading "**Mainland China**" in the section headed "**Taxation**" for further details.

Tax Provision

It is the intention of the Manager to operate the affairs of the Manager and the Sub-Fund such that they are not Mainland China tax resident enterprises and have no establishment or place of business (“PE”) in Mainland China for Mainland China CIT purposes, although this is not guaranteed.

The Sub-Fund will invest in China A-Shares through the Manager’s (which is a Hong Kong tax resident) RQFII quota and/or the Stock Connects, China B-Shares and Mainland China debt securities.

Given that the Sub-Fund started to invest in China A-Shares after 17 November 2014 through either RQFII or the Stock Connects, the Sub-Fund is temporarily exempt from Mainland China WIT on the capital gains according to Circular 79, Circular 81 and Circular 127 and no Mainland China tax provision will be made on the gross realized and unrealized capital gains derived by the Sub-Fund from investments in China A-Shares through RQFII or the Stock Connects. If there is any update on the tax rules applied to the Stock Connects in the future, the Manager will review and adjust the capital gain tax provisioning approach for the Stock Connects accordingly.

The tax exemptions granted under Circular 79, Circular 81 and Circular 127 are temporary. It is possible that the applicable tax law, regulations and practice may be changed. In such cases, the Sub-Fund may have tax liabilities in Mainland China which it has not provided for. Such tax liabilities will be deducted from the Sub-Fund’s assets and the Sub-Fund’s Net Asset Value will be adversely affected. In this case, existing and subsequent investors will be disadvantaged as they will bear for a disproportionately higher amount of tax liabilities as compared to the liability at the time of investment in the Sub-Fund.

The Sub-Fund will invest in China B-Shares and Mainland China debt securities.

Under the prevailing PRC CIT Law and regulations, capital gains derived by a non-resident from disposal of China B-Shares could be subject to WIT at 10%, but under current practice no WIT is imposed on non-residents where both the purchase and sales of the China-B Shares are via the stock exchange market.

Under the prevailing CIT Law, there is no specific provision on whether capital gains derived by a non-resident investor (including the Sub-Fund) from disposal of Mainland China debt instruments (e.g. bonds issued by Mainland China companies) would be considered as Mainland China sourced income and subject to Mainland China WIT at 10%. Under the current practice, no WIT is imposed on capital gains derived by non-residents from disposal of Mainland China debt instruments. If the relevant interpretation/practice changes in the future, the Fund/Sub-Fund(s) may still turn to certain treaty relief applicable to Hong Kong tax residents.

Under the arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the "**Arrangement**"), capital gains derived by Hong Kong tax residents from alienation of shares issued by Mainland China companies may be taxed in Mainland China if the recipient, at any time within 12 months preceding such alienation, had a participation of at least 25% of the capital in that Mainland China company or if the Mainland China company is an immovable properties-rich company (i.e. Mainland China companies in which 50% or more of their assets are comprised, directly or indirectly, of immovable properties situated in Mainland China). Due to the Sub-Fund's investment restrictions, the Sub-Fund cannot hold more than 10% of any ordinary shares issued by any single issuer. In such a case, the capital gains derived from the alienation of the shares of non-immovable properties-rich China B-Shares companies would not be subject to Mainland China WIT, subject to the assessment of the Mainland China tax authorities. In addition, under the Arrangement, capital gain derived by a Hong Kong tax resident from disposal of Mainland China debt instruments should not be taxable in Mainland China. The aforesaid WIT relief on disposal of China B-Shares and debt instruments will be subject to assessment by the Mainland China tax authorities. Before a Hong Kong tax resident can enjoy relief under the Arrangement, a Hong Kong Tax Resident Certificate ("**HKTRC**") issued by the Inland Revenue Department ("**IRD**") should be submitted to the relevant Mainland China tax authority for this purpose. As at the date of this Explanatory Memorandum, the Sub-Fund has not yet obtained the HKTRC from the IRD. If the Mainland China tax authorities enforce the collection of WIT on capital gains and require the Sub-Fund to provide a HKTRC in order to obtain the WIT relief, the Manager will apply for a HKTRC on behalf of the Sub-Fund.

In light of the uncertainty on the income tax treatment on capital gains derived from disposal of China B-Shares and debt instruments, and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for Mainland China WIT on such gains or income and withhold the tax for the account of the Sub-Fund. After careful consideration of the Manager's assessment and having taken and considered independent professional tax advice relating to the Sub-Fund's eligibility to benefit from the Arrangement, and in accordance with such advice, the Manager holds a view that the Sub-Fund is a Hong Kong tax resident for the purpose of the Arrangement and is able to enjoy the WIT relief on capital gains derived from the alienation of the shares of non-immovable properties-rich China B-Shares companies and from the disposal of Mainland China debt instruments under the Arrangement.

The prevailing VAT regulations do not specifically exempt VAT on interest income received by QFIs, RQFIs and qualified foreign financial institutions for directly investing in CIBM or via Bond Connect ("**CIBM investor**") from investments in Mainland China debt securities. Interest income received by QFIs, RQFIs and CIBM investors from investment in Mainland China debt securities shall be subject to 6% VAT unless a special exemption applies. According to Circular 36, deposit interest income is not subject to VAT and interest income earned on PRC government bonds issued by the MOF, or bonds issued by local government of a province, autonomous regions, and municipalities directly under the Central Government or municipalities separately listed on the state plan, as approved by the State Council, is exempted from VAT.

In addition, urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), education surcharge (currently at the rate of 3%) and local education surcharge (currently at 2%) are imposed based on the VAT liabilities.

On 22 November 2018, the MOF and STA released Circular 108 on tax treatment for OIs investing in Mainland China bond market dated 7 November 2018.

Circular 108 mentioned that the interest income of the bonds derived by OIs in the Mainland China bond market is exempted from WIT and VAT for three years effective from 7 November 2018 to 6 November 2021.

The Manager, having taken and considered the independent professional tax advice and in accordance with such advice, has determined that

- (1) No Mainland China WIT provision will be made on the gross realized and unrealized capital gains derived from investments in China B-Shares, except for those capital gains derived from investments in China B-Shares issued by Mainland China tax resident companies which are immovable properties-rich companies.
- (2) A 10% provision for Mainland China WIT will be provided for the gross realized and unrealized capital gains derived by the Sub-Fund from investments in China B-Shares issued by Mainland China tax resident companies which are immovable properties-rich companies. The methodology adopted by the Manager in identifying whether or not Mainland China resident companies are immovable properties rich companies has been agreed and accepted by the independent tax advisor. The amount of provision will be disclosed in the financial statements of the Sub-Fund.
- (3) No Mainland China WIT provision will be made on the gross realized and unrealized capital gains from the disposal of Mainland China debt securities, and no Mainland China WIT provision will be provided on the interest income from Mainland China fixed income instruments derived for the period from 7 November 2018 to 6 November 2021.
- (4) A 6% VAT provision will be made on the interest income derived from Mainland China fixed income instruments (other than (i) interest income from PRC government bonds issued by the Ministry of Finance or approved local government bonds and (ii) interest income from Mainland China fixed income instruments derived for the period from 7 November 2018 to 6 November 2021). Local surcharges at 12% of the VAT amount will also be made.

It should be noted that there are uncertainties in relation to the Manager's determination of Mainland China WIT provision, including:

- The Arrangement may be changed in the future and the Sub-Fund may ultimately be required to pay Mainland China WIT on capital gains.
- As at the date of this Explanatory Memorandum, the Sub-Fund has not yet obtained the HKTRC from the IRD. If the Mainland China tax authorities enforce the collection of WIT on capital gains and require the Sub-Fund to provide a HKTRC, the Manager will apply for a HKTRC on behalf of the Sub-Fund. Whether the Manager is able to obtain a HKTRC on behalf of the Sub-Fund is subject to prevailing practice of Hong Kong and/or Mainland China tax authorities. The Sub-Fund may need to apply with the IRD for a HKTRC on an annual basis, which is subject to the assessment of the IRD. There is a risk that the Manager will not be able to obtain a HKTRC on behalf of the Sub-Fund.
- To date, the Mainland China tax authorities have not sought to enforce WIT collection on capital gains derived by foreign investors from investments in China B-Shares. If the Mainland China tax authorities start to enforce WIT collection on capital gains, the relief under the Arrangement is still subject to the assessment of the Mainland China tax authorities. Even if the Manager, in accordance with the independent professional tax advice, believes that the Sub-Fund should be eligible for such relief, the Mainland China tax authorities may ultimately hold a different view.
- Due to the limitation to the availability of the public information in Mainland China (e.g. in determining whether ownership of an associate company will constitute an immovable properties-rich investment), the information to be adopted by the Mainland China tax authorities in assessing immovable properties-rich companies may be different from the information used by the Manager in assessing immovable properties-rich companies which may result in different conclusion by the Manager for some China B-Share companies to those of the Mainland China tax authorities.

Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, any sums withheld in excess of the tax liability incurred or is expected to be incurred by the Sub-Fund shall be released and transferred to the Sub-Fund's accounts forming part of the Sub-Fund's assets. The amount of such tax provision will be disclosed in the accounts of the Sub-Fund.

For the above reasons, any Mainland China WIT/VAT provision made by the Manager in respect of the Sub-Fund may be lower than or higher than the Sub-Fund's actual tax liabilities. It should also be noted that there is a possibility of the Mainland China tax rules being changed and taxes being applied retrospectively. The Manager, acting in the best interest of Unitholders, will assess the tax provisioning approach on an on-going basis.

If the actual tax levied by STA is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund.

On the other hand, the actual tax liabilities may be lower than the tax provision made, in which case those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager, will as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund.

Available Classes

The following classes of Units have been established and may be made available for sale from time to time. The Manager has an absolute discretion to determine from time to time the availability of any Class of Units to any investor. Investors should check with the Manager whether any class of Units is currently offered.

| Class | Class currency | Investors to whom the class is available |
|-------------------|-----------------------------|---|
| Class A1 (USD) | United States Dollar | Retail public |
| Class A2 (HKD) | Hong Kong Dollar | Retail public |
| Class A3 (AUD-H) | Australian Dollar (Hedged) | Retail public |
| Class A4 (NZD-H) | New Zealand Dollar (Hedged) | Retail public |
| Class A5 (CAD-H) | Canadian Dollar (Hedged) | Retail public |
| Class A6 (GBP-H) | British Pound (Hedged) | Retail public |
| Class A7 (RMB-H) | Renminbi (Hedged) | Retail public |
| Class A8 (EUR-H) | Euro (Hedged) | Retail public |
| Class A9 (RMB) | Renminbi | Retail public |
| Class A10 (SGD-H) | Singapore Dollar (Hedged) | Retail public |
| Class A11 (JPY-H) | Japanese Yen (Hedged) | Retail public |
| Class A12 (CHF-H) | Swiss Franc (Hedged) | Retail public |
| Class A13 (HKD-H) | Hong Kong Dollar (Hedged) | Retail public |
| Class C1 (USD) | United States Dollar | Retail public |
| Class C2 (HKD) | Hong Kong Dollar | Retail public |
| Class C3 (RMB) | Renminbi | Retail public |
| Class C4 (RMB-H) | Renminbi (Hedged) | Retail public |
| Class C5 (HKD-H) | Hong Kong Dollar (Hedged) | Retail public |
| Class I1 (USD) | United States Dollar | Institutional clients |
| Class I2 (HKD) | Hong Kong Dollar | Institutional clients |
| Class I3 (AUD-H) | Australian Dollar (Hedged) | Institutional clients |
| Class I4 (NZD-H) | New Zealand Dollar (Hedged) | Institutional clients |
| Class I5 (CAD-H) | Canadian Dollar (Hedged) | Institutional clients |
| Class I6 (GBP-H) | British Pound (Hedged) | Institutional clients |

| Class | Class currency | Investors to whom the class is available |
|-------------------|---------------------------|---|
| Class I7 (RMB-H) | Renminbi (Hedged) | Institutional clients |
| Class I8 (RMB) | Renminbi | Institutional clients |
| Class I9 (EUR-H) | Euro (Hedged) | Institutional clients |
| Class I10 (SGD-H) | Singapore Dollar (Hedged) | Institutional clients |
| Class I11 (JPY-H) | Japanese Yen (Hedged) | Institutional clients |
| Class I12 (CHF-H) | Swiss Franc (Hedged) | Institutional clients |
| Class I13 (HKD-H) | Hong Kong Dollar (Hedged) | Institutional clients |
| Class X1 (USD) | United States Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X2 (HKD) | Hong Kong Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X3 (RMB) | Renminbi | For use by the Manager itself and in managing segregated portfolios |
| Class X4 (RMB-H) | Renminbi (Hedged) | For use by the Manager itself and in managing segregated portfolios |
| Class X5 (HKD-H) | Hong Kong Dollar (Hedged) | For use by the Manager itself and in managing segregated portfolios |

For classes of Units launched subsequent to the initial offer period of the Sub-Fund, the initial issue of such class Units will be made at the prevailing Issue Price of Class A Units denominated in the same currency or Class A Units denominated in the base currency (exclusive of preliminary charge).

Investment Minima

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (AUD-H) | Class A4 (NZD-H) | Class A5 (CAD-H) | Class A6 (GBP-H) | Class A7 (RMB-H) | Class A8 (EUR-H) | Class A9 (RMB) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (HKD-H) |
|--|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|----------------------|----------------------|----------------------|----------------------|
| Minimum Subscription Amount | USD1,000 | HKD10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | EUR1,000 | RMB10,000 | SGD1,000 | JPY100,000 | CHF1,000 | HKD10,000 |
| Minimum Subsequent Subscription Amount | USD1,000 | HKD10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | EUR1,000 | RMB10,000 | SGD1,000 | JPY100,000 | CHF1,000 | HKD10,000 |
| Minimum Holding | USD1,000 | HKD10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | EUR1,000 | RMB10,000 | SGD1,000 | JPY100,000 | CHF1,000 | HKD10,000 |
| Minimum Redemption Amount | USD1,000 | HKD10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | EUR1,000 | RMB10,000 | SGD1,000 | JPY100,000 | CHF1,000 | HKD10,000 |

| Class | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB) | Class C4 (RMB-H) | Class C5 (HKD-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (AUD-H) | Class I4 (NZD-H) | Class I5 (CAD-H) | Class I6 (GBP-H) | Class I7 (RMB-H) | Class I8 (RMB) |
|--|-------------------|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| Minimum Subscription Amount | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD1,000,000 | HKD8,000,000 | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 | RMB8,000,000 | RMB8,000,000 |
| Minimum Subsequent Subscription Amount | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD120,000 | HKD1,000,000 | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 | RMB1,000,000 | RMB1,000,000 |
| Minimum Holding | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD1,000,000 | HKD8,000,000 | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 | RMB8,000,000 | RMB8,000,000 |
| Minimum Redemption Amount | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD120,000 | HKD1,000,000 | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 | RMB800,000 | RMB800,000 |

| Class | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (HKD-H) | Class X1 (USD) | Class X2 (HKD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (HKD-H) |
|--|---------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Minimum Subscription Amount | EUR1,000,000 | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | HKD8,000,000 | N/A | N/A | N/A | N/A | N/A |
| Minimum Subsequent Subscription Amount | EUR120,000 | SGD120,000 | JPY12,000,000 | CHF120,000 | HKD1,000,000 | N/A | N/A | N/A | N/A | N/A |
| Minimum Holding | EUR1,000,000 | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | HKD8,000,000 | N/A | N/A | N/A | N/A | N/A |
| Minimum Redemption Amount | EUR120,000 | SGD120,000 | JPY12,000,000 | CHF120,000 | HKD1,000,000 | N/A | N/A | N/A | N/A | N/A |

Fees

Fees payable by investors

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (AUD-H) | Class A4 (NZD-H) | Class A5 (CAD-H) | Class A6 (GBP-H) | Class A7 (RMB-H) | Class A8 (EUR-H) | Class A9 (RMB) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (HKD-H) |
|--|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|----------------------|----------------------|----------------------|----------------------|
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |

| Class | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB) | Class C4 (RMB-H) | Class C5 (HKD-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (AUD-H) | Class I4 (NZD-H) | Class I5 (CAD-H) | Class I6 (GBP-H) | Class I7 (RMB-H) | Class I8 (RMB) |
|--|-------------------|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |

| Class | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (HKD-H) | Class X1 (USD) | Class X2 (HKD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (HKD-H) |
|--|---------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |

Fees payable by the Sub-Fund (% Net Asset Value of the Sub-Fund)

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (AUD-H) | Class A4 (NZD-H) | Class A5 (CAD-H) | Class A6 (GBP-H) | Class A7 (RMB-H) | Class A8 (EUR-H) | Class A9 (RMB) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (HKD-H) |
|----------------|---|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|----------------------|----------------------|----------------------|----------------------|
| Management Fee | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. (inclusive of RQFII Custodian Fee, if any) | | | | | | | | | | | | |

| Class | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB) | Class C4 (RMB-H) | Class C5 (HKD-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (AUD-H) | Class I4 (NZD-H) | Class I5 (CAD-H) | Class I6 (GBP-H) | Class I7 (RMB-H) | Class I8 (RMB) |
|----------------|---|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| Management Fee | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. (inclusive of RQFII Custodian Fee, if any) | | | | | | | | | | | | |

| Class | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (HKD-H) | Class X1 (USD) | Class X2 (HKD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (HKD-H) |
|----------------|---|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Management Fee | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 0% p.a. | 0% p.a. | 0% p.a. | 0% p.a. | 0% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. (inclusive of RQFII Custodian Fee, if any) | | | | | | | | | |

Establishment Costs

The costs of establishment of the BOCHK All Weather Asia (ex-Japan) Equity Fund are approximately HKD460,000.

Dealing Day

Every Business Day.

Dealing Deadline

5 p.m. (Hong Kong time) on the relevant Dealing Day.

Dealing through the Authorised Distributor(s) or other authorised electronic means may involve different dealing procedures and an earlier cut-off time may be imposed before the Dealing Deadlines for receiving instructions. Investors should confirm the arrangements with the Authorised Distributor(s) concerned.

Subscription, Redemption and Switching of Units

For details regarding the procedures for subscription, redemption and switching, see the main part of the Explanatory Memorandum under "**Purchase of Units**", "**Redemption of Units**" and "**Switching between classes**".

Distributions

The Manager has discretion as to whether not to make any distribution of dividends, the frequency of distribution and the amount of distributions. Currently, the Manager does not intend to make any distributions from the Sub-Fund. If the Manager decides to make distributions, prior approval will be sought from the SFC (if required) and not less than 1 month's notice will be given to affected Unitholders.

Valuation

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

APPENDIX VII

BOCHK ALL WEATHER CHINA INCOME FUND

This Appendix comprises information in relation to BOCHK All Weather China Income Fund*, a Sub-Fund of the Fund.

Base Currency

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

Investment Objective and Policy

The investment objective of the Sub-Fund is to provide income and capital growth over the medium and longer term primarily through active asset allocation in a portfolio of fixed income securities and equity securities in Mainland China, Hong Kong and Macau markets.

Investment Strategy

The Sub-Fund aims to achieve its investment objective by investing at least 70% of its latest available Net Asset Value in (i) equity securities of companies that are listed in or that are issued by companies which are domiciled in or derive substantial revenue from or have significant business or economic activities in Mainland China, Hong Kong and Macau, and/or (ii) fixed income securities including bonds, convertible bonds, notes and other fixed or floating rate securities issued by governments, government agencies, supra-nationals, banks or companies which are domiciled in or derive substantial revenue from or have significant business or economic activities in Mainland China, Hong Kong and Macau. These investments may be denominated in various currencies, including RMB. The Sub-Fund will not aim to focus its investments on any single country or region, specific industries or sectors, or market capitalisation. The asset allocation depends on the Manager's assessment at different times.

The Sub-Fund does not have a specific requirement on the credit ratings of the underlying fixed income securities and may invest in investment grade, non-investment grade and unrated fixed income securities. For offshore fixed income securities, "investment grade" means a rating of BBB- or above from Standard & Poor's, Baa3 or above from Moody's or an equivalent rating from any internationally recognized credit rating agency, and if both the fixed income securities and the relevant issuer are not rated, then the fixed income securities will be classified as unrated. In selecting unrated offshore fixed income securities and for Mainland China fixed income securities, the Manager will apply its internal credit rating to determine the credit quality.

Further, the Sub-Fund will not invest more than 10% of its latest available Net Asset Value in securities issued by or guaranteed by any single sovereign that is rated non-investment grade and/or unrated (including its government, public or local authority).

The Sub-Fund may gain exposure to equity securities and debt securities through available means, including but not limited to direct investment through the Manager's RQFII quota, China interbank bond market, the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect ("**Stock Connects**") or such other means as permitted by the relevant regulatory authorities from time to time. Further, the Sub-Fund may also obtain indirect exposure to securities through other collective investment schemes, and in particular for China A-Shares or Mainland China debt securities, through funds that are authorised by the SFC and eligible to directly invest in the Mainland China market through Renminbi Qualified Foreign Institutional Investor ("**RQFII funds**"). The Sub-Fund's total (direct and indirect) exposure to China A-Shares, China B-Shares and Mainland China debt securities will be less than 30% of the Sub-Fund's Net Asset Value.

The Sub-Fund will invest, in aggregate, less than 30% of its latest available Net Asset Value in investment funds (or collective investment schemes), exchange traded funds ("**ETFs**"), real estate investment trusts ("**REITs**"), American Depositary Receipts ("**ADRs**") and other assets. The Sub-Fund may invest in synthetic ETFs (i.e. ETFs that track an index by investing primarily in derivative instruments).

The Sub-Fund may invest, in aggregate, less than 30% of its latest available Net Asset Value in (i) urban investment bonds (i.e. debt instruments issued by local government financing vehicles ("**LGFVs**")), and (ii) collateralised and/or securitised products (such as asset backed securities or mortgage backed securities). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investment and infrastructure projects.

The Sub-Fund will enter into financial derivative instruments for hedging purposes. The Sub-Fund may also invest less than 10% of its latest available Net Asset Value in participatory notes ("**P-notes**"), which are freely transferable securities issued by banks or broker-dealers that are designed to replicate the performance of certain issuers and markets by giving exposure to the performance of specific stocks or bonds that the Sub-Fund may not be able to invest in directly because of local holding restrictions affecting such stocks or bonds in the jurisdiction of their issue. Save as disclosed above, the Sub-Fund will not invest in any other derivative instruments for investment purposes.

The Manager will not engage in Securities Financing Transactions on behalf of the Sub-Fund. Prior approval will be sought from the SFC and not less than 1 month's notice will be given to affected Unitholders if there is a change in such practice.

Use of Derivatives

The Sub-Fund may acquire financial derivative instruments for hedging purposes only. The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's latest available Net Asset Value.

Specific Risk Factors

Investors should refer to the relevant risks under the section headed "Risk Factors" in the main part of the Explanatory Memorandum, including "Market risk" and "Risks relating to hedging and the hedged classes", and the following specific risk factors for the Sub-Fund:

Concentration risk

The Sub-Fund focuses its investments in Mainland China, Hong Kong, and Macau and its portfolio of investments may not be diversified compared to other broad-based funds. Please refer to the risk factor “**Concentration risk**” in the main part of the Explanatory Memorandum.

Currency risk

Underlying investments of the Sub-Fund may be denominated in currencies other than the base currency of the Sub-Fund. Also, a Class may be designated in a currency other than the base currency of the Sub-Fund. Please refer to the risk factor “**Currency risk**” in the main part of the Explanatory Memorandum.

Equity investment and volatility risk

Investors should pay attention to risks generally associated with equity investment, namely, the market value of the stocks may go down as well as up. Prices of equity securities may be volatile. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, the business and social conditions in local and global marketplace, and issuer-specific factors. Changes in value of a security may be attributable to market perception of a particular issuer (for example its financial conditions and profitability) or general stock market fluctuations that affect all issuers. If the market value of equity securities in which the Sub-Fund invests in goes down, investors may suffer substantial losses.

Small-capitalisation/mid-capitalisation companies risk

The Sub-Fund may have exposure to the stock of small-capitalisation/mid-capitalisation companies, which may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

Risks relating to debt securities

Investment in debt securities is subject to the credit/default risk of the issuers of the debt securities that the Sub-Fund may invest in, which may be unable or unwilling to make timely payments on principal and/or interest. Some of the securities that the Sub-Fund invests in may be unrated. In general, debt securities that have a lower credit rating or that are unrated will be more susceptible to the credit risk of the issuers. Please refer to the relevant risk factor “**Below investment grade and unrated securities risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against such issuers as they may be incorporated outside Hong Kong and subject to foreign laws.

Credit ratings of fixed income securities may be subject to certain limitations. Investment grade securities may be subject to downgrading risk. In the event of downgrading, the risks of default may be higher, and the Sub-Fund’s investments in such securities may be adversely affected. Please refer to the relevant risk factor “**Credit rating downgrade risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Debt securities are sensitive to changes in interest rates. Please refer to the relevant risk factor “**Interest rate risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

The Sub-Fund may invest in sovereign debts which are subject to certain risks. Please refer to the relevant risk factor “**Sovereign debt risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Valuation of the Sub-Fund’s investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

Risks of investing in convertible bonds

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

“Dim Sum” bond market risks

The “Dim Sum” bond (i.e. bonds issued outside of Mainland China but denominated in RMB) market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the “Dim Sum” bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalization of the offshore RMB (CNH) market by the relevant regulator(s).

Mainland China market risk

The Sub-Fund may invest in securities in the Mainland China market and is subject to risks specific to the China market. Please refer to the relevant risk factor “**Mainland China market risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Emerging markets risk

Investing in emerging markets involves increased risks and special considerations not typically associated with investment in more developed economies or markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility. Please refer to the relevant risk factor “**Emerging markets risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks of investing in urban investment bonds

Urban investment bonds are issued by local government financing vehicles (“**LGFVs**”), such bonds are typically not guaranteed by local governments or the central government of PRC. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the Sub-Fund could suffer substantial loss and the Net Asset Value of the Sub-Fund could be adversely affected.

Investment in China A-Share market

The Sub-Fund may have exposure to the China A-Share market directly or through investment in RQFII funds. The existence of a liquid trading market for China A-Shares may depend on whether there is supply of, and demand for, such China A-Shares. The price at which securities may be purchased or sold by the Sub-Fund or the relevant RQFII funds may be adversely affected if trading markets for China A-Shares are limited or absent, and the Sub-Fund may in turn be adversely affected. Further, the Shanghai Stock Exchange and the Shenzhen Stock Exchange on which China A-Shares are traded are undergoing development and the market capitalisation of, and trading volumes on, those stock exchanges are lower than those in more developed markets. The China A-Share market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention) than those in more developed markets. Market volatility and settlement difficulties in the China A-Share markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may affect the value of the Sub-Fund or the RQFII fund(s).

Securities exchanges in Mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. In particular, trading band limits are imposed by the stock exchanges on China A-Shares, where trading for a security may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. A suspension will render it impossible for the Sub-Fund or the RQFII funds to liquidate positions and can thereby expose the Sub-Fund or the RQFII funds to losses. Further, when the suspension is subsequently lifted, it may not be possible for the Sub-Fund or the RQFII funds to liquidate positions at a favourable price. The Sub-Fund may therefore suffer a loss in its investment.

Investment in China B-Share market

Investors should note that the stock exchanges in Mainland China on which the China B-Shares are listed are still at a developmental stage, and their respective market capitalisation and trading volume are much lower than those in more developed financial markets. Market volatility and potential lack of liquidity due to low trading volume in the China B-Shares markets may result in prices of securities traded on such markets fluctuating significantly, which may result in substantial changes to the price of the Units of the Sub-Fund.

Risks relating to RQFII and RQFII funds

The Sub-Fund is not a RQFII but may obtain access to securities and instruments issued or distributed within Mainland China directly using RQFII quotas of a RQFII or through RQFII funds, and may be subject to the following risks.

Risks relating to RMB denominated securities: Securities in the Mainland China securities market are denominated in RMB. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. Please refer to the relevant risk factors “**RMB currency risk**” and “**RMB foreign exchange control risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks relating to the Renminbi Qualified Foreign Institutional Investor (RQFII) regime: Investors should note that RQFII status could be suspended or revoked, which may have an adverse effect on the Sub-Fund’s performance as the Sub-Fund may be required to dispose of its securities holdings. Investment through the RQFII regime is subject to the availability of RQFII quota. There is no assurance that the RQFII Holder will continue to maintain its RQFII status or to make available its RQFII quota, or sufficient quota will be available for investment by the Sub-Fund or a RQFII fund. Therefore the Sub-Fund’s ability to obtain exposure to the Mainland China securities market may be limited by the availability of RQFII quota.

The Manager may allocate its RQFII quota as described under the section “Renminbi Qualified Foreign Institutional Investor (“RQFII”)” in the main part of the Explanatory Memorandum. There is no assurance that the Manager will make available RQFII quota that is sufficient for the Sub-Fund’s investment at all times.

RQFII quotas are generally granted to the RQFII. The rules and restrictions under RQFII regulations, generally apply to the RQFII Holder as a whole and not simply to the investments made by the Sub-Fund. It is provided in the SAFE Rules that the size of the quota may be reduced or cancelled by the SAFE if the RQFII Holder is unable to use its RQFII quota effectively within one year since the quota is granted. If the SAFE reduces the RQFII Holder’s quota, it may affect the Manager’s ability to effectively pursue the investment strategy of the Sub-Fund via the RQFII quota of the RQFII Holder. On the other hand, the SAFE is vested with the power to impose regulatory sanctions if the RQFII Holder or the RQFII Custodian violates any provision of the SAFE Rules. Any violations could result in the revocation of the RQFII’s quota or other regulatory sanctions and may adversely impact on the portion of the RQFII’s quota made available for investment by the Sub-Fund.

Repatriations of capital out of Mainland China by the Sub-Fund or RQFII funds that are open-ended funds are currently not subject to repatriation restrictions or prior approval, but there is no guarantee that restrictions will not be imposed in future. Any restrictions on repatriation of the invested capital out of Mainland China may impact on the relevant fund’s ability to meet redemption requests from the Sub-Fund. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the control of the Manager (or the manager of a RQFII fund). Therefore, the Sub-Fund may be subject to liquidity risk.

The application of the rules relevant to RQFII may depend on the interpretation given by the relevant Mainland regulatory authorities. Any changes to the relevant rules may have an adverse impact on investments made by the Sub-Fund or the RQFII funds and hence the Sub-Fund’s performance. The current RQFII rules and regulations are subject to change, which may take retrospective effect. In the worst case, the relevant RQFII fund may be terminated if it is not legal or viable to operate because of changes to the application of the relevant rules. The Sub-Fund’s holdings in the relevant the RQFII fund will be realised in case of such termination, and the Sub-Fund may suffer losses in its initial investment in such fund.

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

Mainland China brokerage risk – In relation to the Sub-Fund’s investments issued and transacted within Mainland China (other than via Stock Connects), execution and settlement of transactions or the transfer of any funds or securities may be arranged for or conducted by Mainland Brokers appointed by RQFII Holder and/or the RQFII Custodian appointed by the RQFII Holder jointly with the Custodian. There is a risk that the Sub-Fund may suffer losses from the default, bankruptcy or disqualification of the Mainland Brokers and/or the RQFII Custodian. In such event, the Sub-Fund may be adversely affected in the execution or settlement of any transaction or in the transfer of any funds or securities.

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

Risks relating to RQFII funds that are exchange traded funds (RQFII ETFs): Investment in RQFII ETFs is subject to RMB currency risk and risks associated with the RQFII regime set out above. In addition:

- (a) RQFII ETFs typically seek to track a particular China A-Share market index by directly investing in the China A-Shares constituting such market index using RQFII quota. As with other exchange traded funds, RQFII ETFs are subject to tracking error risks (i.e. the returns of a RQFII ETF may deviate from the performance of the index it is designed to track) due to a number of factors.

The Sub-Fund will trade units in RQFII ETFs on the Stock Exchange of Hong Kong (where trading prices are affected by market factors such as demand and supply). The trading days or hours of Mainland China and Hong Kong stock markets are not exactly the same and this may affect the RQFII ETFs’ ability to track the market index. Further, any suspension due to a trading band limit in the Mainland China stock markets may render it impossible for the RQFII ETFs to acquire certain index security, increasing the tracking error. These factors may result in the RQFII ETFs’ units being traded at a substantial premium or discount to their net asset value.

- (b) RQFII ETFs involve cross-border transfer of funds. They may be riskier than traditional exchange traded funds investing directly in markets other than Mainland China. The operation of RQFII ETFs depends heavily on the expertise and infrastructure of the RQFII ETF’s manager (or its mainland parent company). There is no assurance that the RQFII ETFs will be operated as envisaged and the Sub-Fund may sustain a loss in its investment and the Sub-Fund may suffer a loss.

Risks of investing in other collective investment schemes

The Sub-Fund will be subject to the risks associated with the underlying funds when investing in other funds. The Sub-Fund does not have control of the investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved which may have a negative impact to the Net Asset Value of the Sub-Fund.

If the Sub-Fund invests in an underlying fund managed by the Manager or a connected person of the Manager, all initial charges on such underlying fund will be waived. The Manager may not obtain a rebate on any fees or charges levied by such underlying fund or its manager. Where potential conflicts of interest arise, the Manager will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section headed “**Conflicts of Interest**” in the main part of the Explanatory Memorandum.

RMB currency risk/Risks relating to RMB denominated securities

Investors may invest in RMB/RMB-hedged Units of the Sub-Fund. Non-RMB based investors (e.g. Hong Kong investors) may have to convert Hong Kong dollar or other currency(ies) into RMB when investing in RMB/RMB-hedged Units and subsequently convert the RMB redemption proceeds and/or dividend payment (if any) back to Hong Kong dollar or such other currency(ies). Investors will incur currency conversion costs and may suffer losses depending on the exchange rate movements of RMB relative to Hong Kong dollar or such other currencies and by changes in exchange rate controls.

Class denominated in RMB will generally be valued with reference to the offshore RMB (known as “**CNH**”) rather than the onshore RMB (known as “**CNY**”). While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently. 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 investors.

The Sub-Fund may have exposure to securities that are denominated in RMB. Investment in the Sub-Fund will be subject to RMB currency risks. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. There is no guarantee that RMB will not depreciate. The Sub-Fund may suffer losses in case of depreciation of RMB. Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB. Please refer to the relevant risk factors “**RMB currency risk**” and “**RMB foreign exchange control risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks associated with Stock Connects

Insofar as the Sub-Fund invests through Stock Connects, investors should refer to the associated risks set out in the risk factor “**Risks associated with Stock Connects**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks associated with China Interbank Bond Market

Insofar as the Sub-Fund invests through China Interbank Bond Market, investors should refer to the associated risks set out in the risk factor “**Risks associated with China Interbank Bond Market and Bond Connect**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Currency risk/hedging risk

Because the Sub-Fund’s assets and liabilities may be denominated in currencies different from the Sub-Fund’s base currency (HK\$), the Sub-Fund may be affected unfavourably by changes in the exchange rates between the Sub-Fund’s base currency and other currencies. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions. Changes in currency exchange rates may influence the value of the Sub-Fund’s investments and hence the value of Units in terms of the Sub-Fund’s base currency. An investor may suffer losses arising from changes in currency exchange rates of investments held by the Sub-Fund.

The Manager may, in accordance with the investment strategy, use hedging techniques to attempt to offset currency risks, including hedging the currencies in which the underlying assets of the Sub-Fund are denominated against the Sub-Fund’s base currency. There is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result. There can be no assurance that any currency hedging strategy employed by the Manager will fully and effectively eliminate the currency exposure of the Sub-Fund.

Risks of investing in REITs

The Sub-Fund may invest in REITs which invest primarily in real estate and this may involve a higher level of risk. The REITs invested in by the Sub-Fund may not necessarily be authorised by the SFC.

The prices of REITs are affected by changes in the value of the underlying properties owned by the REITs. Investment in REITs may therefore subject the Sub-Fund to risks similar to those from direct ownership of real property.

Real estate investments are relatively illiquid and this may affect the ability of a REIT to vary its investment portfolio or liquidate part of its assets in response to changes in economic conditions, international securities markets, foreign exchange rates, interest rates, real estate markets or other conditions. Adverse global economic conditions could adversely affect the business, financial condition and results of operations of REITs. REITs may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than other securities.

Further, returns from REITs are dependent on management skills. Investments made by REITs generally may not be diversified. In addition, certain REITs in which the Sub-Fund may invest may have their assets concentrated in specific real property sectors, and are therefore subject to the risks associated with adverse developments in these sectors.

REITs are also subject to heavy cash flow dependency, defaults by borrowers and self liquidation. Further, borrowers under mortgages held by REITs or lessees of property that REITs own may be unable to meet their obligations to the REITs. On the other hand, if the key tenants experience a downturn in their businesses or their financial condition, they may fail to make timely rental payments or default under their leases. Tenants in a particular industry might also be affected by any adverse downturn in that industry and this may result in their failure to make timely rental payments or to default under the leases. In the event of a default, a REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments. The REITs may suffer losses as a result.

REITs may have limited financial resources and may be subject to borrowing limits. Consequently, REITs may need to rely on external sources of funding to expand their portfolios, which may not be available on commercially acceptable terms or at all. If a REIT cannot obtain capital from external sources, it may not be able to acquire properties when strategic opportunities exist.

Any due diligence exercise conducted by REITs on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies. Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow of the REITs.

The Sub-Fund does not invest directly in real estate, and insofar as it directly invests in REITs, any dividend policy or dividend payout at the Sub-Fund level may not be representative of the dividend policy or dividend payout of the relevant underlying REIT.

Risks relating to Exchange-traded funds (ETFs)

The trading prices of units/shares in an ETF may be at a discount or premium to the net asset value of the units/shares of such ETF due to various factors such as supply and demand forces in the secondary trading market for such units/shares in the ETF. This price discrepancy may be particularly likely to emerge during periods of high market volatility and uncertainty. Valuation of units/shares in an ETF will primarily be made by reference to the last traded price. Where the Sub-Fund buys at a premium, it may suffer losses even if the net asset value is higher when it sells the relevant share/units in the ETF, and it may not fully recover its investment in the event of termination of the ETF.

In addition, an ETF may not be able to perfectly track the index it is designed to track, because of fees and expenses, imperfect correlation between the ETF's assets and the underlying securities within the relevant tracking index, adjustments to the tracking index and regulatory policies. The return from investing in an ETF may therefore deviate from the return of its tracking index.

An ETF which is designed to track a market index is not “**actively managed**”, therefore when there is a decline in the relevant index, the ETF will also decrease in value. The ETF may not adopt any temporary defensive position against market downturns. The Sub-Fund may lose part or all of its investment in the ETF.

There can be no assurance that an active trading market will exist or be maintained for units/shares of an ETF on any securities exchange on which units/shares of an ETF may be traded.

Synthetic ETFs typically invest in derivative instruments to replicate the performance of an underlying index. Investment in synthetic ETFs will be subject to the credit risk of the counterparties who issue the derivatives. If the counterparties default, the Sub-Fund may suffer substantial losses of its investment in the relevant ETFs. Since derivative issuers are predominantly international financial institutions, the failure of one derivative counterparty could potentially have a “**knock on**” effect on other counterparties. Some synthetic ETFs have collateral to reduce the counterparty risks but if the market value of the collateral has fallen substantially, the ETFs may suffer losses when they seek to realise the collateral. The Sub-Fund’s investment in the ETFs will suffer losses accordingly.

Risks of investing in ADRs

Although ADRs have risks similar to the securities that they represent, they may also involve higher expenses and may trade at a discount (or premium) to the underlying security. In addition, depositary receipts may not pass through voting and other shareholder rights, and may be less liquid than the underlying securities listed on an exchange.

Risks relating to participatory notes

Exposure to shares or bonds may be obtained through investment in participatory notes. Participatory notes may not be listed and are subject to the terms and conditions imposed by their issuer. These terms may lead to delays in implementing the Sub-Fund’s investment strategy due to restrictions on the issuer acquiring or disposing of the securities underlying the participatory notes. Investment in participatory notes can be illiquid as there is no active market in participatory notes. In order to meet redemption requests, the Sub-Fund relies upon the counterparty issuing the participatory notes to quote a price to unwind any part of the participatory notes. This price will reflect the market liquidity conditions and the size of the transaction.

By seeking exposure to investments in certain listed securities through participatory notes, the Sub-Fund is exposed to the credit risk of the issuer of the participatory notes. There is a risk that the issuer will not settle a transaction due to a credit or liquidity problem, thus causing the Sub-Fund to suffer a loss.

An investment in a participatory notes is not an investment directly in the shares or bonds themselves. An investment in the participatory notes does not entitle the participatory notes holder to the beneficial interest in the shares or bonds nor to make any claim against the company issuing the shares or bonds. Investment through participatory notes may lead to a dilution of performance of the Sub-Fund when compared to a fund investing directly in similar assets.

Risks associated with asset backed securities (including asset backed commercial papers) or mortgage backed securities

The Sub-Fund may invest in asset backed securities (including asset backed commercial papers) or mortgage backed securities which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligation relating to the underlying assets are not met, which may adversely impact the returns of the securities.

Risks relating to dynamic asset allocation strategy

The dynamic asset allocation of the Sub-Fund may not achieve the desired results under all circumstances and market conditions. In addition, the investments of the Sub-Fund may be periodically rebalanced and therefore the Sub-Fund may incur greater transaction costs than a Sub-Fund with static allocation strategy.

Mainland China tax considerations in respect of the Sub-Fund

By investing in Mainland China securities, the Sub-Fund may be subject to withholding income tax (“**WIT**”), value added tax (“**VAT**”) and other taxes imposed in Mainland China. Investors should refer to the heading “**Mainland China**” in the section headed “**Taxation**” for further details.

Tax Provision

It is the intention of the Manager to operate the affairs of the Manager and the Sub-Fund such that they are not Mainland China tax resident enterprises and have no establishment or place of business (“**PE**”) in Mainland China for Mainland China CIT purposes, although this is not guaranteed.

The Sub-Fund will invest in China A-Shares through the Manager’s (which is a Hong Kong tax resident) RQFII quota and/or the Stock Connects, China B-Shares and Mainland China debt securities.

Given that the Sub-Fund started to invest in China A-Shares after 17 November 2014 through either RQFII or the Stock Connects, the Sub-Fund is temporarily exempt from Mainland China WIT on the capital gains according to Circular 79, Circular 81 and Circular 127 and no Mainland China tax provision will be made on the gross realized and unrealized capital gains derived by the Sub-Fund from investments in China A-Shares through RQFII or the Stock Connects. If there is any update on the tax rules applied to the Stock Connects in the future, the Manager will review and adjust the capital gain tax provisioning approach for the Stock Connects accordingly.

The tax exemptions granted under Circular 79, Circular 81 and Circular 127 are temporary. It is possible that the applicable tax law, regulations and practice may be changed. In such cases, the Sub-Fund may have tax liabilities in Mainland China which it has not provided for. Such tax liabilities will be deducted from the Sub-Fund’s assets and the Sub-Fund’s Net Asset Value will be adversely affected. In this case, existing and subsequent investors will be disadvantaged as they will bear for a disproportionately higher amount of tax liabilities as compared to the liability at the time of investment in the Sub-Fund.

The Sub-Fund will invest in China B-Shares and Mainland China debt securities.

Under the prevailing PRC CIT Law and regulations, capital gains derived by a non-resident from disposal of China B-Shares could be subject to WIT at 10%, but under current practice no WIT is imposed on non-residents where both the purchase and sales of the China-B Shares are via the stock exchange market.

Under the prevailing CIT Law, there is no specific provision on whether capital gains derived by a non-resident investor (including the Sub-Fund) from disposal of Mainland China debt instruments (e.g. bonds issued by Mainland China companies) would be considered as Mainland China sourced income and subject to Mainland China WIT at 10%. Under the current practice, no WIT is imposed on capital gains derived by non-residents from disposal of Mainland China debt instruments. If the relevant interpretation/practice changes in the future, the Fund/Sub-Fund(s) may still turn to certain treaty relief applicable to Hong Kong tax residents.

Under the arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the "**Arrangement**"), capital gains derived by Hong Kong tax residents from alienation of shares issued by Mainland China companies may be taxed in the Mainland China if the recipient, at any time within 12 months preceding such alienation, had a participation of at least 25% of the capital in that Mainland China company or if the Mainland China company is an immovable properties-rich company (i.e. Mainland China companies in which 50% or more of their assets are comprised, directly or indirectly, of immovable properties situated in the Mainland China). Due to the Sub-Fund's investment restrictions, the Sub-Fund cannot hold more than 10% of any ordinary shares issued by any single issuer. In such a case, the capital gains derived from the alienation of the shares of non-immovable properties-rich China B-Shares companies would not be subject to Mainland China WIT, subject to the assessment of the Mainland China tax authorities. In addition, under the Arrangement, capital gain derived by a Hong Kong tax resident from disposal of Mainland China debt instruments should not be taxable in Mainland China. The aforesaid WIT relief on disposal of China B-Shares and debt instruments will be subject to assessment by the Mainland China tax authorities. Before a Hong Kong tax resident can enjoy relief under the Arrangement, a Hong Kong Tax Resident Certificate ("**HKTRC**") issued by the Inland Revenue Department ("**IRD**") should be submitted to the relevant Mainland China tax authority for this purpose. As at the date of this Explanatory Memorandum, the Sub-Fund has not yet obtained the HKTRC from the IRD. If the Mainland China tax authorities enforce the collection of WIT on capital gains and require the Sub-Fund to provide a HKTRC in order to obtain the WIT relief, the Manager will apply for a HKTRC on behalf of the Sub-Fund.

In light of the uncertainty on the income tax treatment on capital gains derived from disposal of China B-Shares and debt instruments, and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for Mainland China WIT on such gains or income and withhold the tax for the account of the Sub-Fund. After careful consideration of the Manager's assessment and having taken and considered independent professional tax advice relating to the Sub-Fund's eligibility to benefit from the Arrangement, and in accordance with such advice, the Manager holds a view that the Sub-Fund is a Hong Kong tax resident for the purpose of the Arrangement and is able to enjoy the WIT relief on capital gains derived from the alienation of the shares of non-immovable properties-rich China B-Shares companies and from the disposal of onshore Mainland China debt instruments under the Arrangement.

The prevailing VAT regulations do not specifically exempt VAT on interest income received by QFIs, RQFIs and CIBM investor from investments in Mainland China debt securities. Interest income received by QFIs, RQFIs and CIBM investors from investment in Mainland China debt securities shall be subject to 6% VAT unless a special exemption applies. According to Circular 36, deposit interest income is not subject to VAT and interest income earned on PRC government bonds issued by the MOF, or bonds issued by local government of a province, autonomous regions, and municipalities directly under the Central Government or municipalities separately listed on the state plan, as approved by the State Council, is exempted from VAT.

In addition, urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), education surcharge (currently at the rate of 3%) and local education surcharge (currently at 2%) are imposed based on the VAT liabilities.

On 22 November 2018, the MOF and STA released Circular 108 on tax treatment for OIs investing in China bond market dated 7 November 2018.

Circular 108 mentioned that the interest income of the bonds derived by OIs in the China bond market is exempted from WIT and VAT for three years effective from 7 November 2018 to 6 November 2021.

The Manager, having taken and considered the independent professional tax advice and in accordance with such advice, has determined that

- (1) No Mainland China WIT provision will be made on the gross realized and unrealized capital gains derived from investments in China B-Shares, except for those capital gains derived from investments in China B-Shares issued by Mainland China tax resident companies which are immovable properties-rich companies.
- (2) A 10% provision for Mainland China WIT will be provided for the gross realized and unrealized capital gains derived by the Sub-Fund from investments in China B-Shares issued by Mainland China tax resident companies which are immovable properties-rich companies. The methodology adopted by the Manager in identifying whether or not Mainland China resident companies are immovable properties rich companies has been agreed and accepted by the independent tax advisor. The amount of provision will be disclosed in the financial statements of the Sub-Fund.
- (3) No Mainland China WIT provision will be made on the gross realized and unrealized capital gains from the disposal of Mainland China debt securities, and no Mainland China WIT provision will be provided on the interest income from Mainland China fixed income instruments derived for the period from 7 November 2018 to 6 November 2021.
- (4) A 6% VAT provision will be made on the interest income derived from Mainland China fixed income instruments (other than (i) interest income from PRC government bonds issued by the Ministry of Finance or approved local government bonds and (ii) interest income from Mainland China fixed income instruments derived for the period from 7 November 2018 to 6 November 2021). Local surcharges at 12% of the VAT amount will also be made.

It should be noted that there are uncertainties in relation to the Manager's determination of Mainland China WIT provision, including:

- The Arrangement may be changed in the future and the Sub-Fund may ultimately be required to pay Mainland China WIT on capital gains.
- As at the date of this Explanatory Memorandum, the Sub-Fund has not yet obtained the HKTRC from the IRD. If the Mainland China tax authorities enforce the collection of WIT on capital gains and require the Sub-Fund to provide a HKTRC, the Manager will apply for a HKTRC on behalf of the Sub-Fund. Whether the Manager is able to obtain a HKTRC on behalf of the Sub-Fund is subject to prevailing practice of Hong Kong and/or Mainland China tax authorities. The Sub-Fund may need to apply with the IRD for a HKTRC on an annual basis, which is subject to the assessment of the IRD. There is a risk that the Manager will not be able to obtain a HKTRC on behalf of the Sub-Fund.
- To date, the Mainland China tax authorities have not sought to enforce WIT collection on capital gains derived by foreign investors from investments in China B-Shares. If the Mainland China tax authorities start to enforce WIT collection on capital gains, the relief under the Arrangement is still subject to the assessment of the Mainland China tax authorities. Even if the Manager, in accordance with the independent professional tax advice, believes that the Sub-Fund should be eligible for such relief, the Mainland China tax authorities may ultimately hold a different view.
- Due to the limitation to the availability of the public information in Mainland China (e.g. in determining whether ownership of an associate company will constitute an immovable properties-rich investment), the information to be adopted by the Mainland China tax authorities in assessing immovable properties-rich companies may be different from the information used by the Manager in assessing immovable properties-rich companies which may result in different conclusion by the Manager for some China B-Share companies to those of the Mainland China tax authorities.

Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, any sums withheld in excess of the tax liability incurred or is expected to be incurred by the Sub-Fund shall be released and transferred to the Sub-Fund's accounts forming part of the Sub-Fund's assets. The amount of such tax provision will be disclosed in the accounts of the Sub-Fund.

For the above reasons, any Mainland China WIT/VAT provision made by the Manager in respect of the Sub-Fund may be lower than or higher than the Sub-Fund's actual tax liabilities. It should also be noted that there is a possibility of the Mainland China tax rules being changed and taxes being applied retrospectively. The Manager, acting in the best interest of Unitholders, will assess the tax provisioning approach on an ongoing basis.

If the actual tax levied by STA is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund.

On the other hand, the actual tax liabilities may be lower than the tax provision made, in which case those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager, will as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund.

Distributions out of capital risk

Distributions may be paid out of the capital of the Sub-Fund. The Manager may distribute out of the capital of the Sub-Fund if the net distributable income attributable to the relevant class of Units during the relevant period is insufficient to pay distributions as declared. The Manager may also at its discretion pay dividend out of gross income while charging/paying all or part of the Sub-Fund's fees and expenses to/out of the capital of the Sub-Fund (resulting in an increase in distributable income for the payment of dividends by the Sub-Fund), and thereby effectively pay distributions out of capital of the Sub-Fund. **Investors should note that the payment of distributions out of, or effectively out of, capital represents a return or a withdrawal of part of the amount the investors originally invested or capital gain attributable to that original amount. Distributions will result in an immediate decrease in the Net Asset Value of the relevant Units.**

The distribution amount and Net Asset Value of the hedged classes may be adversely affected by differences in the interest rates of the reference currency of the hedged classes 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 classes.

Available Classes

The following classes of Units have been established and may be made available for sale from time to time. The Manager has an absolute discretion to determine from time to time the availability of any Class of Units to any investor. Investors should check with the Manager whether any class of Units is currently offered.

| Class | Class currency | Investors to whom the class is available |
|-------------------|-------------------------------|---|
| Class A1 (HKD) | Hong Kong Dollar | Retail public |
| Class A2 (USD) | United States Dollar | Retail public |
| Class A3 (RMB) | Renminbi | Retail public |
| Class A4 (AUD-H) | Australian Dollar (Hedged) | Retail public |
| Class A5 (NZD-H) | New Zealand Dollar (Hedged) | Retail public |
| Class A6 (CAD-H) | Canadian Dollar (Hedged) | Retail public |
| Class A7 (GBP-H) | British Pound (Hedged) | Retail public |
| Class A8 (RMB-H) | Renminbi (Hedged) | Retail public |
| Class A9 (EUR-H) | Euro (Hedged) | Retail public |
| Class A10 (SGD-H) | Singapore Dollar (Hedged) | Retail public |
| Class A11 (JPY-H) | Japanese Yen (Hedged) | Retail public |
| Class A12 (CHF-H) | Swiss Franc (Hedged) | Retail public |
| Class A13 (USD-H) | United States Dollar (Hedged) | Retail public |
| Class C1 (HKD) | Hong Kong Dollar | Retail public |
| Class C2 (USD) | United States Dollar | Retail public |
| Class C3 (RMB) | Renminbi | Retail public |
| Class C4 (RMB-H) | Renminbi (Hedged) | Retail public |
| Class C5 (USD-H) | United States Dollar (Hedged) | Retail public |
| Class I1 (HKD) | Hong Kong Dollar | Institutional clients |
| Class I2 (USD) | United States Dollar | Institutional clients |

| Class | Class currency | Investors to whom the class is available |
|-------------------|-------------------------------|---|
| Class I3 (RMB) | Renminbi | Institutional clients |
| Class I4 (AUD-H) | Australian Dollar (Hedged) | Institutional clients |
| Class I5 (NZD-H) | New Zealand Dollar (Hedged) | Institutional clients |
| Class I6 (CAD-H) | Canadian Dollar (Hedged) | Institutional clients |
| Class I7 (GBP-H) | British Pound (Hedged) | Institutional clients |
| Class I8 (RMB-H) | Renminbi (Hedged) | Institutional clients |
| Class I9 (EUR-H) | Euro (Hedged) | Institutional clients |
| Class I10 (SGD-H) | Singapore Dollar (Hedged) | Institutional clients |
| Class I11 (JPY-H) | Japanese Yen (Hedged) | Institutional clients |
| Class I12 (CHF-H) | Swiss Franc (Hedged) | Institutional clients |
| Class I13 (USD-H) | United States Dollar (Hedged) | Institutional clients |
| Class X1 (HKD) | Hong Kong Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X2 (USD) | United States Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X3 (RMB) | Renminbi | For use by the Manager itself and in managing segregated portfolios |
| Class X4 (RMB-H) | Renminbi (Hedged) | For use by the Manager itself and in managing segregated portfolios |
| Class X5 (USD-H) | United States Dollar (Hedged) | For use by the Manager itself and in managing segregated portfolios |

For classes of Units launched subsequent to the initial offer period of the Sub-Fund, the initial issue of such class Units will be made at the prevailing Issue Price of Class A Units denominated in the same currency or Class A Units denominated in the base currency (exclusive of preliminary charge).

Investment Minima

| Class | Class A1 (HKD) | Class A2 (USD) | Class A3 (RMB) | Class A4 (AUD-H) | Class A5 (NZD-H) | Class A6 (CAD-H) | Class A7 (GBP-H) | Class A8 (RMB-H) | Class A9 (EUR-H) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (USD-H) |
|---------------------------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Minimum Subscription Amount | HKD10,000 | USD1,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | USD1,000 |
| Minimum Subsequent Subscription mount | HKD10,000 | USD1,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | USD1,000 |
| Minimum Holding | HKD10,000 | USD1,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | USD1,000 |
| Minimum Redemption Amount | HKD10,000 | USD1,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | USD1,000 |

| Class | Class C1 (HKD) | Class C2 (USD) | Class C3 (RMB) | Class C4 (RMB-H) | Class C5 (USD-H) | Class I1 (HKD) | Class I2 (USD) | Class I3 (RMB) | Class I4 (AUD-H) | Class I5 (NZD-H) | Class I6 (CAD-H) | Class I7 (GBP-H) | Class I8 (RMB-H) |
|--|-------------------|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Minimum Subscription Amount | HK\$10,000 | US\$1,000 | RMB10,000 | RMB10,000 | USD1,000 | HKD8,000,000 | USD1,000,000 | RMB8,000,000 | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 | RMB8,000,000 |
| Minimum Subsequent Subscription Amount | HK\$10,000 | US\$1,000 | RMB10,000 | RMB10,000 | USD1,000 | HKD1,000,000 | USD120,000 | RMB1,000,000 | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 | RMB1,000,000 |
| Minimum Holding | HK\$10,000 | US\$1,000 | RMB10,000 | RMB10,000 | USD1,000 | HKD8,000,000 | USD1,000,000 | RMB8,000,000 | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 | RMB8,000,000 |
| Minimum Redemption Amount | HK\$10,000 | US\$1,000 | RMB10,000 | RMB10,000 | USD1,000 | HKD1,000,000 | USD120,000 | RMB800,000 | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 | RMB800,000 |

| Class | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (USD-H) | Class X1 (HKD) | Class X2 (USD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (USD-H) |
|--|---------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Minimum Subscription Amount | EUR1,000,000 | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | USD1,000,000 | N/A | N/A | N/A | N/A | N/A |
| Minimum Subsequent Subscription Amount | EUR120,000 | SGD120,000 | JPY12,000,000 | CHF120,000 | USD120,000 | N/A | N/A | N/A | N/A | N/A |
| Minimum Holding | EUR1,000,000 | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | USD1,000,000 | N/A | N/A | N/A | N/A | N/A |
| Minimum Redemption Amount | EUR120,000 | SGD120,000 | JPY12,000,000 | CHF120,000 | USD120,000 | N/A | N/A | N/A | N/A | N/A |

Fees

Fees payable by investors

| Class | Class A1 (HKD) | Class A2 (USD) | Class A3 (RMB) | Class A4 (AUD-H) | Class A5 (NZD-H) | Class A6 (CAD-H) | Class A7 (GBP-H) | Class A8 (RMB-H) | Class A9 (EUR-H) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (USD-H) |
|--|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |

| Class | Class C1 (HKD) | Class C2 (USD) | Class C3 (RMB) | Class C4 (RMB-H) | Class C5 (USD-H) | Class I1 (HKD) | Class I2 (USD) | Class I3 (RMB) | Class I4 (AUD-H) | Class I5 (NZD-H) | Class I6 (CAD-H) | Class I7 (GBP-H) | Class I8 (RMB-H) |
|--|-------------------|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |

| Class | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (USD-H) | Class X1 (HKD) | Class X2 (USD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (USD-H) |
|--|---------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |

Fees payable by the Sub-Fund (% Net Asset Value of the Sub-Fund)

| Class | Class A1 (HKD) | Class A2 (USD) | Class A3 (RMB) | Class A4 (AUD-H) | Class A5 (NZD-H) | Class A6 (CAD-H) | Class A7 (GBP-H) | Class A8 (RMB-H) | Class A9 (EUR-H) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (USD-H) |
|----------------|--|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Management Fee | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of HKD20,000 | | | | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | | | | |

| Class | Class C1 (HKD) | Class C2 (USD) | Class C3 (RMB) | Class C4 (RMB-H) | Class C5 (USD-H) | Class I1 (HKD) | Class I2 (USD) | Class I3 (RMB) | Class I4 (AUD-H) | Class I5 (NZD-H) | Class I6 (CAD-H) | Class I7 (GBP-H) | Class I8 (RMB-H) |
|----------------|--|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Management Fee | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of HKD20,000 | | | | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | | | | |

| Class | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (USD-H) | Class X1 (HKD) | Class X2 (USD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (USD-H) |
|----------------|--|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Management Fee | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 0% p.a. | 0% p.a. | 0% p.a. | 0% p.a. | 0% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of HKD20,000 | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | |

Establishment Costs

The costs of establishment of the BOCHK All Weather China Income Fund are approximately HKD500,000.

Dealing Day

Every Business Day.

Dealing Deadline

5 p.m. (Hong Kong time) on the relevant Dealing Day.

Dealing through the Authorised Distributor(s) or other authorised electronic means may involve different dealing procedures and an earlier cut-off time may be imposed before the Dealing Deadlines for receiving instructions. Investors should confirm the arrangements with the Authorised Distributor(s) concerned.

Subscription, Redemption and Switching of Units

For details regarding the procedures for subscription, redemption and switching, see the main part of the Explanatory Memorandum under **“Purchase of Units”, “Redemption of Units” and “Switching between classes”**.

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends.

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, 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. The Manager may also at its discretion pay dividend out of gross income while charging/paying all or part of the Sub-Fund's fees and expenses to/out of the capital of the Sub-Fund (resulting in an increase in distributable income for the payment of dividends by the Sub-Fund), and thereby effectively pay distributions out of capital of the Sub-Fund. Payment of dividends out of, or effectively out of, capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of, or effectively out of, the 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.bochkam.com. This website has not been reviewed by the SFC.

Class A1 (HKD), Class A2 (USD), Class A3 (RMB), Class A4 (AUD-H), Class A5 (NZD-H), Class A6 (CAD-H), Class A7 (GBP-H), Class A8 (RMB-H), Class A9 (EUR-H), Class A10 (SGD-H), Class A11 (JPY-H), Class A12 (CHF-H) and Class A13 (USD-H):

For these classes of Units, it is the current intention of the Manager to declare and pay dividends on a monthly basis (or, subject to one month's prior notice to the relevant Unitholders, such other frequency as the Manager and the Trustee consider appropriate). It is intended that the first distribution will be made 3 months after the launch date of the Sub-Fund, subject to the Manager's discretion.

Investors should note that dividends, if any, may be paid from income and/or out of, or effectively out of, capital of the Sub-Fund.

Please refer to the section headed "**Distributions**" and the risk factor headed "**Distributions out of capital risk**" in the Appendix for further details.

Investors should note that there is no guarantee of regular distribution payments nor, where distribution is made, the amount being distributed, during the period investors hold the Units of the Sub-Fund.

Class C1 (HKD), Class C2 (USD), Class C3 (RMB), Class C4 (RMB-H), Class C5 (USD-H), Class I1 (HKD), Class I2 (USD), Class I3 (RMB), Class I4 (AUD-H), Class I5 (NZD-H), Class I6 (CAD-H), Class I7 (GBP-H), Class I8 (RMB-H), Class I9 (EUR-H), Class I10 (SGD-H), Class I11 (JPY-H), Class I12 (CHF-H), Class I13 (USD-H), Class X1 (HKD), Class X2 (USD), Class X3 (RMB) Class X4 (RMB-H) and Class X5 (USD-H):

Currently, the Manager does not intend to make any distributions for these classes of Units.

If there is a change of the distribution policy of the Sub-Fund, the Manager will seek the prior approval of the SFC and/or provide at least one month's prior notice to Unitholders (where necessary).

Valuation

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

APPENDIX VIII

BOCHK ALL WEATHER ASIA PACIFIC HIGH INCOME FUND

This Appendix comprises information in relation to BOCHK All Weather Asia Pacific High Income Fund, a Sub-Fund of the Fund.

Base Currency

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

Investment Objective and Policy

The investment objective of the Sub-Fund is to provide income and capital growth over the medium and longer term through active asset allocation in a portfolio of fixed income securities and equity securities which provide higher yield compared to their peers in the Asia Pacific region.

Investment Strategy

The Sub-Fund aims to achieve its investment objective by investing at least 70% of its latest available Net Asset Value in (i) equity securities of companies that are listed in or that are issued by companies which are domiciled in or derive substantial revenue from or have significant business or economic activities in the Asia Pacific region, (ii) equity securities including but not limited to exchange traded funds (“**ETFs**”), real estate investment trusts (“**REITs**”), American Depositary Receipts (“**ADRs**”), and/or (iii) fixed income securities including bonds, convertible bonds, notes and other fixed or floating rate securities issued by governments, government agencies, supra-nationals, banks or companies which are domiciled in or derive substantial revenue from or have significant business or economic activities in the Asia Pacific region. These investments may be denominated in various currencies. The Sub-Fund will not aim to focus its investments on any single country or region, specific industries or sectors, or market capitalisation. The asset allocation depends on the Manager’s assessment at different times.

The Sub-Fund does not have a specific requirement on the credit ratings of the underlying fixed income securities and may invest in investment grade, non-investment grade and unrated fixed income securities. For fixed income securities, “**investment grade**” means a rating of BBB- or above from Standard & Poor’s, Baa3 or above from Moody’s or an equivalent rating from any internationally recognized credit rating agency, and if both the fixed income securities and the relevant issuer are not rated, then the fixed income securities will be classified as unrated. In selecting unrated fixed income securities, the Manager will apply its internal credit rating to determine the credit quality.

Further, the Sub-Fund will not invest more than 10% of its latest available Net Asset Value in securities issued by or guaranteed by any single sovereign that is rated non-investment grade and/or unrated (including its government, public or local authority).

The Sub-Fund will invest, in aggregate, less than 30% of its latest available Net Asset Value in investment funds (or collective investment schemes).

The Sub-Fund's total (direct and indirect) exposure to China A-Shares, China B-Shares and Mainland China debt securities through available means (including but not limited to the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect ("**Stock Connects**"), China Interbank Bond Market, mutual bond market access between Mainland China and Hong Kong ("**Bond Connect**"), or through other collective investment schemes including RQFII funds (i.e. funds that are authorized by the SFC and eligible to directly invest in the Mainland China market through Renminbi Qualified Foreign Institutional Investor) will be less than 20% of the Sub-Fund's Net Asset Value.

The Sub-Fund may hold up to 30% of its latest available Net Asset Value in cash, cash equivalents, short-term money market instruments and bank deposits in adverse market conditions for the purpose of managing downside risk.

The Sub-Fund will enter into financial derivative instruments for hedging purposes. The Sub-Fund may also invest less than 10% of its latest available Net Asset Value in participatory notes ("**P-notes**"), which are freely transferable securities issued by banks or broker-dealers that are designed to replicate the performance of certain issuers and markets by giving exposure to the performance of specific stocks or bonds that (i) the Sub-Fund may not be able to invest in directly because of local holding restrictions affecting such stocks or bonds in the jurisdiction of their issue, or (ii) may not be efficient for the Sub-Fund to invest in directly because of set up cost or potential delays for such investment. Save as disclosed above, the Sub-Fund will not invest in any other derivative instruments for investment purposes.

The Manager will not engage in Securities Financing Transactions on behalf of the Sub-Fund. Prior approval will be sought from the SFC and not less than 1 month's notice will be given to affected Unitholders if there is a change in such practice.

Use of Derivatives

The Sub-Fund may acquire financial derivative instruments for hedging purposes only. The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's latest available Net Asset Value.

Specific Risk Factors

Investors should refer to the relevant risks under the section headed "Risk Factors" in the main part of the Explanatory Memorandum, including "Market risk" and "Risks relating to hedging and the hedged classes", and the following specific risk factors for the Sub-Fund:

Concentration risk

The Sub-Fund focuses its investments in the Asia Pacific region and its portfolio of investments may not be diversified compared to other broad-based funds. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Asia Pacific region. Please refer to the risk factor "**Concentration risk**" in the main part of the Explanatory Memorandum.

Emerging markets risk

Many countries/regions in the Asia Pacific region are emerging markets. In general, investment in emerging markets is subject to a higher risk of loss. It involves special considerations not typically associated with investment in more developed economies or markets, such as greater political, tax, economic, social, foreign exchange, liquidity and regulatory risks, legal, settlement risks, custody risk, the likelihood of high degree of volatility, market suspension, restrictions on foreign investment and control on repatriation of capital. Please refer to the relevant risk factor “**Emerging markets risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Currency risk

Whilst the base currency of the Sub-Fund is US\$, the Sub-Fund’s assets may be invested in securities and other investments that are denominated in currencies of Asia Pacific markets. Also, a class of units may be designated in a currency other than the base currency of the Sub-Fund. Although the Sub-Fund may engage in currency hedging, the value of the Sub-Fund’s investments and so the Net Asset Value of the Sub-Fund may still be affected favourably or unfavourably by fluctuations in exchange rates and by changes in exchange rate controls. Please refer to the relevant risk factor “**Currency risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Emerging markets may be subject to additional political, social, economic, regulatory and settlement risks. These factors may adversely affect the exchange rates of emerging market currencies and hence the value of the securities held by the Sub-Fund. Currencies of emerging markets may be more volatile than major world currencies such as Euro, Japanese Yen or British Pound.

The economies of emerging countries/regions are generally heavily dependent on international trade and have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries/regions with which they trade. Adverse economic developments may also result in substantial depreciation in currency exchange rates or unstable currency fluctuations.

Certain economic and political events including changes in foreign exchange policies could have a major impact on currency exchange rates. Some of the emerging countries/regions have in recent years experienced high capital inflows and high rates of inflation, which may have an impact on the exchange policy of the government or the central banks of these countries/regions. Such policies may include capital control measures or direct intervention in the currency market, leading to sudden and substantial devaluation of the local currency concerned.

Equity investment and volatility risk

Investors should pay attention to risks generally associated with equity investment, namely, the market value of the stocks may go down as well as up. Prices of equity securities may be volatile. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, the business and social conditions in local and global marketplace, and issuer-specific factors. Changes in value of a security may be attributable to market perception of a particular issuer (for example its financial conditions and profitability) or general stock market fluctuations that affect all issuers. If the market value of equity securities in which the Sub-Fund invests in goes down, investors may suffer substantial losses.

Small-capitalisation/mid-capitalisation companies risk

The Sub-Fund may have exposure to the stock of small-capitalisation/mid-capitalisation companies, which may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

Risks relating to debt securities

Investment in debt securities is subject to the credit/default risk of the issuers of the debt securities that the Sub-Fund may invest in, which may be unable or unwilling to make timely payments on principal and/or interest. Some of the securities that the Sub-Fund invests in may be unrated. In general, debt securities that have a lower credit rating or that are unrated will be more susceptible to the credit risk of the issuers. Please refer to the relevant risk factor “**Below investment grade and unrated securities risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against such issuers as they may be incorporated outside Hong Kong and subject to foreign laws.

Credit ratings of fixed income securities may be subject to certain limitations and do not guarantee the credit worthiness of the security and/or issuer at all times. Investment grade securities may be subject to downgrading risk. In the event of downgrading, the risks of default may be higher, and the Sub-Fund’s investments in such securities may be adversely affected. Please refer to the relevant risk factor “**Credit rating downgrade risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Debt securities are sensitive to changes in interest rates. Please refer to the relevant risk factor “**Interest rate risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

The Sub-Fund may invest in sovereign debts which are subject to certain risks. Please refer to the relevant risk factor “**Sovereign debt risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Valuation of the Sub-Fund’s investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

Risks of investing in convertible bonds

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

Risks of investing in REITs

The Sub-Fund may invest in REITs which invest primarily in real estate and this may involve a higher level of risk. The REITs invested in by the Sub-Fund may not necessarily be authorised by the SFC.

The prices of REITs are affected by changes in the value of the underlying properties owned by the REITs. Investment in REITs may therefore subject the Sub-Fund to risks similar to those from direct ownership of real property.

Real estate investments are relatively illiquid and this may affect the ability of a REIT to vary its investment portfolio or liquidate part of its assets in response to changes in economic conditions, international securities markets, foreign exchange rates, interest rates, real estate markets or other conditions. Adverse global economic conditions could adversely affect the business, financial condition and results of operations of REITs. REITs may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than other securities.

Further, returns from REITs are dependent on management skills. Investments made by REITs generally may not be diversified. In addition, certain REITs in which the Sub-Fund may invest may have their assets concentrated in specific real property sectors, and are therefore subject to the risks associated with adverse developments in these sectors.

REITs are also subject to heavy cash flow dependency, defaults by borrowers and self liquidation. Further, borrowers under mortgages held by REITs or lessees of property that REITs own may be unable to meet their obligations to the REITs. On the other hand, if the key tenants experience a downturn in their businesses or their financial condition, they may fail to make timely rental payments or default under their leases. Tenants in a particular industry might also be affected by any adverse downturn in that industry and this may result in their failure to make timely rental payments or to default under the leases. In the event of a default, a REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments. The REITs may suffer losses as a result.

REITs may have limited financial resources and may be subject to borrowing limits. Consequently, REITs may need to rely on external sources of funding to expand their portfolios, which may not be available on commercially acceptable terms or at all. If a REIT cannot obtain capital from external sources, it may not be able to acquire properties when strategic opportunities exist.

Any due diligence exercise conducted by REITs on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies. Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow of the REITs.

The Sub-Fund does not invest directly in real estate, and insofar as it directly invests in REITs, any dividend policy or dividend payout at the Sub-Fund level may not be representative of the dividend policy or dividend payout of the relevant underlying REIT.

Risks relating to Exchange-traded funds (ETFs)

The trading prices of units/shares in an ETF may be at a discount or premium to the net asset value of the units/shares of such ETF due to various factors such as supply and demand forces in the secondary trading market for such units/shares in the ETF. This price discrepancy may be particularly likely to emerge during periods of high market volatility and uncertainty. Valuation of units/shares in an ETF will primarily be made by reference to the last traded price. Where the Sub-Fund buys at a premium, it may suffer losses even if the net asset value is higher when it sells the relevant share/units in the ETF, and it may not fully recover its investment in the event of termination of the ETF.

In addition, an ETF may not be able to perfectly track the index it is designed to track, because of fees and expenses, imperfect correlation between the ETF's assets and the underlying securities within the relevant tracking index, adjustments to the tracking index and regulatory policies. The return from investing in an ETF may therefore deviate from the return of its tracking index.

An ETF which is designed to track a market index is not "**actively managed**", therefore when there is a decline in the relevant index, the ETF will also decrease in value. The ETF may not adopt any temporary defensive position against market downturns. The Sub-Fund may lose part or all of its investment in the ETF.

There can be no assurance that an active trading market will exist or be maintained for units/shares of an ETF on any securities exchange on which units/shares of an ETF may be traded.

Synthetic ETFs typically invest in derivative instruments to replicate the performance of an underlying index. Investment in synthetic ETFs will be subject to the credit risk of the counterparties who issue the derivatives. If the counterparties default, the Sub-Fund may suffer substantial losses of its investment in the relevant ETFs. Since derivative issuers are predominantly international financial institutions, the failure of one derivative counterparty could potentially have a "**knock on**" effect on other counterparties. Some synthetic ETFs have collateral to reduce the counterparty risks but if the market value of the collateral has fallen substantially, the ETFs may suffer losses when they seek to realise the collateral. The Sub-Fund's investment in the ETFs will suffer losses accordingly.

Risks of investing in ADRs

Although ADRs have risks similar to the securities that they represent, they may also involve higher expenses and may trade at a discount (or premium) to the underlying security. In addition, depositary receipts may not pass through voting and other shareholder rights, and may be less liquid than the underlying securities listed on an exchange.

“Dim Sum” bond market risks

The “Dim Sum” bond (i.e. bonds issued outside of Mainland China but denominated in RMB) market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the “Dim Sum” bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalization of the offshore RMB (CNH) market by the relevant regulator(s).

Risks of investing in urban investment bonds

Urban investment bonds are issued by local government financing vehicles (“LGFVs”), such bonds are typically not guaranteed by local governments or the central government of PRC. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the Sub-Fund could suffer substantial loss and the Net Asset Value of the Sub-Fund could be adversely affected.

Investment in China A-Share market

The Sub-Fund may have exposure to the China A-Share market directly or through investment in RQFII funds. The existence of a liquid trading market for China A-Shares may depend on whether there is supply of, and demand for, such China A-Shares. The price at which securities may be purchased or sold by the Sub-Fund or the relevant RQFII funds may be adversely affected if trading markets for China A-Shares are limited or absent, and the Sub-Fund may in turn be adversely affected. Further, the Shanghai Stock Exchange and the Shenzhen Stock Exchange on which China A-Shares are traded are undergoing development and the market capitalisation of, and trading volumes on, those stock exchanges are lower than those in more developed markets. The China A-Share market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention) than those in more developed markets. Market volatility and settlement difficulties in the China A-Share markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may affect the value of the Sub-Fund or the RQFII fund(s).

Securities exchanges in Mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. In particular, trading band limits are imposed by the stock exchanges on China A-Shares, where trading for a security may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. A suspension will render it impossible for the Sub-Fund or the RQFII funds to liquidate positions and can thereby expose the Sub-Fund or the RQFII funds to losses. Further, when the suspension is subsequently lifted, it may not be possible for the Sub-Fund or the RQFII funds to liquidate positions at a favourable price. The Sub-Fund may therefore suffer a loss in its investment.

Investment in China B-Share market

Investors should note that the stock exchanges in Mainland China on which the China B-Shares are listed are still at a developmental stage, and their respective market capitalisation and trading volume are much lower than those in more developed financial markets. Market volatility and potential lack of liquidity due to low trading volume in the China B-Shares markets may result in prices of securities traded on such markets fluctuating significantly, which may result in substantial changes to the price of the Units of the Sub-Fund.

Risks relating to RQFII funds

The Sub-Fund may invest in the Mainland China securities market through RQFII funds, which may be subject to the following risks.

Risks relating to RMB denominated securities: Securities in the Mainland China domestic securities market are denominated in RMB. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. Please refer to the relevant risk factors “**RMB currency risk**” and “**RMB foreign exchange control risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks relating to the Renminbi Qualified Foreign Institutional Investor (RQFII) regime: Investment through the RQFII regime is subject to the availability of RQFII quota. There is no assurance that sufficient quota will be available for investment by a RQFII fund. Therefore the Sub-Fund’s ability to obtain exposure to the Mainland China securities market may be limited by the availability of RQFII quota.

Repatriations of capital out of Mainland China by RQFII funds that are open-ended funds are currently not subject to repatriation restrictions or prior approval, but there is no guarantee that restrictions will not be imposed in future. Any restrictions on repatriation of the invested capital out of Mainland China may impact on a RQFII fund’s ability to meet redemption requests from the Sub-Fund. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the control of the Manager (or the manager of a RQFII fund). Therefore, the Sub-Fund may be subject to liquidity risk insofar as it invests in RQFII funds.

The application of the rules relevant to RQFII may depend on the interpretation given by the relevant Mainland regulatory authorities. Any changes to the relevant rules may have an adverse impact on investments made by the RQFII funds and hence the Sub-Fund’s performance. The current RQFII rules and regulations are subject to change, which may take retrospective effect. In the worst case, the relevant RQFII fund may be terminated if it is not legal or viable to operate because of changes to the application of the relevant rules. The Sub-Fund’s holdings in the relevant the RQFII fund will be realised in case of such termination, and the Sub-Fund may suffer losses in its initial investment in such fund.

Investment in Mainland China bond markets via RQFII funds: The Sub-Fund may have exposure to the Mainland China bond markets through investment in RQFII funds. The Mainland China bond markets (including the exchange and interbank bond markets) are in a stage of development and the volume of trading may be lower than more developed markets. Liquidity of the bonds will be lower in the absence of an active secondary market. RQFII funds investing in such market are therefore subject to liquidity risks and may suffer losses in trading Mainland China bonds. The bid and offer spreads of the prices of the Mainland China bonds may be large, so significant trading and realisation costs may be incurred.

The Mainland China bond markets are also subject to regulatory risks. Due to irregularities in the interbank bond market trading activities, the China Central Depository & Clearing Co., Ltd (the central clearing entity) suspended new account opening on the interbank bond market for specific types of products. Although RQFII funds that are mutual funds offered to the public were not affected, there is no assurance that future regulatory actions will not affect such funds. If accounts are suspended, or cannot be opened, the RQFII funds' and hence the Sub-Fund's ability to invest in the interbank bond market will be limited and they may suffer substantial losses as a result.

Mainland China taxation: There could be Mainland China tax liabilities on income derived from investments in Mainland China debt securities. Mainland China tax laws contain uncertainties, and changes in such laws may have retrospective effect. It may be the practice for some RQFII funds to make provisions for potential tax liabilities in Mainland China. Such provisions may be excessive or inadequate to meet the actual tax liabilities. Even if tax provisions are made, any shortfall between the provisions and actual tax liabilities will be debited from the RQFII funds' assets and the RQFII funds' and hence the Sub-Fund's value may be adversely affected.

Risks relating to RQFII funds that are exchange traded funds (RQFII ETFs): Investment in RQFII ETFs is subject to RMB currency risk and risks associated with the RQFII regime set out above. In addition:

- (a) RQFII ETFs typically seek to track a particular China A-Share market index by directly investing in the China A-Shares constituting such market index using RQFII quota. As with other exchange traded funds, RQFII ETFs are subject to tracking error risks (i.e. the returns of a RQFII ETF may deviate from the performance of the index it is designed to track) due to a number of factors.

The Sub-Fund will trade units in RQFII ETFs on the Stock Exchange of Hong Kong (where trading prices are affected by market factors such as demand and supply). The trading days or hours of the Mainland China and Hong Kong stock markets are not exactly the same and this may affect the RQFII ETFs' ability to track the market index. Further, any suspension due to a trading band limit in the Mainland China stock markets may render it impossible for the RQFII ETFs to acquire certain index security, increasing the tracking error. These factors may result in the RQFII ETFs' units being traded at a substantial premium or discount to their net asset value.

- (b) RQFII ETFs involve cross-border transfer of funds. They may be riskier than traditional exchange traded funds investing directly in markets other than Mainland China. The operation of RQFII ETFs depends heavily on the expertise and infrastructure of the RQFII ETF's manager (or its mainland parent company). There is no assurance that the RQFII ETFs will be operated as envisaged and the Sub-Fund may sustain a loss in its investment and the Sub-Fund may suffer a loss.

Risks of investing in other collective investment schemes

The Sub-Fund will be subject to the risks associated with the underlying funds when investing in other funds. The Sub-Fund does not have control of the investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved which may have a negative impact to the Net Asset Value of the Sub-Fund.

If the Sub-Fund invests in an underlying fund managed by the Manager or a connected person of the Manager, all initial charges on such underlying fund will be waived. The Manager may not obtain a rebate on any fees or charges levied by such underlying fund or its manager. Where potential conflicts of interest arise, the Manager will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section headed “**Conflicts of Interest**” in the main part of the Explanatory Memorandum.

RMB currency risk/Risks relating to RMB denominated securities

Investors may invest in RMB/RMB-hedged Units of the Sub-Fund. Non-RMB based investors (e.g. Hong Kong investors) may have to convert Hong Kong dollar or other currency(ies) into RMB when investing in RMB/RMB-hedged Units and subsequently convert the RMB redemption proceeds and/or dividend payment (if any) back to Hong Kong dollar or such other currency(ies). Investors will incur currency conversion costs and may suffer losses depending on the exchange rate movements of RMB relative to Hong Kong dollar or such other currencies and by changes in exchange rate controls.

Class denominated in RMB will generally be valued with reference to the offshore RMB (known as “**CNH**”) rather than the onshore RMB (known as “**CNY**”). While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently. 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 investors.

The Sub-Fund may have exposure to securities that are denominated in RMB. Investment in the Sub-Fund will be subject to RMB currency risks. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. There is no guarantee that RMB will not depreciate. The Sub-Fund may suffer losses in case of depreciation of RMB. Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB. Please refer to the relevant risk factors “**RMB currency risk**” and “**RMB foreign exchange control risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks associated with Stock Connects

Insofar as the Sub-Fund invests through Stock Connects, investors should refer to the associated risks set out in the risk factor “**Risks associated with Stock Connects**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks associated with China Interbank Bond Market and Bond Connect

Insofar as the Sub-Fund invests through China Interbank Bond Market and Bond Connect, investors should refer to the associated risks set out in the risk factor “**Risks associated with China Interbank Bond Market and Bond Connect**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Currency risk/hedging risk

Because the Sub-Fund’s assets and liabilities may be denominated in currencies different from the Sub-Fund’s base currency (US\$), the Sub-Fund may be affected unfavourably by changes in the exchange rates between the Sub-Fund’s base currency and other currencies. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions. Changes in currency exchange rates may influence the value of the Sub-Fund’s investments and hence the value of Units in terms of the Sub-Fund’s base currency. An investor may suffer losses arising from changes in currency exchange rates of investments held by the Sub-Fund.

The Manager may, in accordance with the investment strategy, use hedging techniques to attempt to offset currency risks, including hedging the currencies in which the underlying assets of the Sub-Fund are denominated against the Sub-Fund’s base currency. There is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result. There can be no assurance that any currency hedging strategy employed by the Manager will fully and effectively eliminate the currency exposure of the Sub-Fund.

Risks relating to participatory notes

Exposure to shares or bonds may be obtained through investment in participatory notes. Participatory notes may not be listed and are subject to the terms and conditions imposed by their issuer. These terms may lead to delays in implementing the Sub-Fund’s investment strategy due to restrictions on the issuer acquiring or disposing of the securities underlying the participatory notes. Investment in participatory notes can be illiquid as there is no active market in participatory notes. In order to meet redemption requests, the Sub-Fund relies upon the counterparty issuing the participatory notes to quote a price to unwind any part of the participatory notes. This price will reflect the market liquidity conditions and the size of the transaction.

By seeking exposure to investments in certain listed securities through participatory notes, the Sub-Fund is exposed to the credit risk of the issuer of the participatory notes. There is a risk that the issuer will not settle a transaction due to a credit or liquidity problem, thus causing the Sub-Fund to suffer a loss.

An investment in a participatory notes is not an investment directly in the shares or bonds themselves. An investment in the participatory notes does not entitle the participatory notes holder to the beneficial interest in the shares or bonds nor to make any claim against the company issuing the shares or bonds. Investment through participatory notes may lead to a dilution of performance of the Sub-Fund when compared to a fund investing directly in similar assets.

Risks associated with asset backed securities (including asset backed commercial papers) or mortgage backed securities

The Sub-Fund may invest in asset backed securities (including asset backed commercial papers) or mortgage backed securities which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligation relating to the underlying assets are not met, which may adversely impact the returns of the securities.

Risks relating to dynamic asset allocation strategy

The dynamic asset allocation of the Sub-Fund may not achieve the desired results under all circumstances and market conditions. In addition, the investments of the Sub-Fund may be periodically rebalanced and therefore the Sub-Fund may incur greater transaction costs than a Sub-Fund with static allocation strategy.

Mainland China tax considerations in respect of the Sub-Fund

By investing in Mainland China securities, the Sub-Fund may be subject to withholding income tax (“**WIT**”), value added tax (“**VAT**”) and other taxes imposed in Mainland China. Investors should refer to the heading “**Mainland China**” in the section headed “**Taxation**” for further details.

Tax Provision

It is the intention of the Manager to operate the affairs of the Manager and the Sub-Fund such that they are not Mainland China tax resident enterprises and have no establishment or place of business (“**PE**”) in the Mainland China for Mainland China CIT purposes, although this is not guaranteed.

The Sub-Fund will invest in China A-Shares through the Stock Connects. Given that the Sub-Fund started to invest in China A-Shares after 17 November 2014 through the Stock Connects, the Sub-Fund is temporarily exempt from Mainland China WIT on the capital gains derived from investments in China A-Shares according to Circular 81 and Circular 127 and no Mainland China WIT provision will be made on the gross realized and unrealized capital gains derived by the Sub-Fund from investments in China A-Shares through the Stock Connects. For gains derived from investment in China A-Shares via Stock Connects, the Sub-Fund is also temporarily exempt from Mainland China VAT according to Circular 36 and Circular 127. If there is any update on the tax rules applied to the Stock Connects in the future, the Manager will review and adjust the Mainland China WIT and Mainland China VAT provisioning approach on capital gains for the Stock Connects accordingly.

The Sub-Fund will also invest in China B-Shares and Mainland China debt securities.

Under the prevailing PRC CIT Law and regulations, capital gains derived by a non-resident from disposal of China B-Shares could be subject to WIT at 10%. Under prevailing Mainland China VAT rules, it is not clear whether there is VAT exemption on capital gains if a Sub-Fund invests in China B-Shares. Thus, there may be VAT imposed on a Sub-Fund for trading of China B-Shares. Under current practice no WIT or VAT is imposed on non-residents where both the purchase and sales of the China-B Shares are via the stock exchange market. The position in practice may change if the STA expresses another view and/or that new official tax circulars are issued to provide further guidance.

Under the prevailing CIT Law, there is no specific provision on whether capital gains derived by a non-resident investor (including the Sub-Fund) from disposal of Mainland China debt instruments (e.g. bonds issued by Mainland China companies) would be considered as Mainland China sourced income and subject to Mainland China WIT at 10%. Based on the current interpretation of the STA and the local tax authorities, gains derived by foreign investors (including the Sub-Fund) from investment in Mainland China debt securities should not be treated as Mainland China sourced income thus should not be subject to Mainland China WIT. Under the current practice, no WIT is imposed on capital gains derived by non-residents from disposal of Mainland China debt instruments. If the relevant interpretation/practice changes in the future, the Fund/Sub-Fund(s) may still turn to certain treaty relief applicable to Hong Kong tax residents.

Under the arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the "**Arrangement**"), capital gains derived by Hong Kong tax residents from alienation of shares issued by Mainland China companies may be taxed in the Mainland China if the recipient, at any time within 12 months preceding such alienation, had a participation of at least 25% of the capital in that Mainland China company or if the Mainland China company is an immovable properties-rich company (i.e. Mainland China companies in which 50% or more of their assets are comprised, directly or indirectly, of immovable properties situated in Mainland China). Due to the Sub-Fund's investment restrictions, the Sub-Fund cannot hold more than 10% of any ordinary shares issued by any single issuer. In such a case, the capital gains derived from the alienation of the shares of non-immovable properties-rich China B-Shares companies would not be subject to Mainland China WIT, subject to the assessment of the Mainland China tax authorities. In addition, under the Arrangement, capital gain derived by a Hong Kong tax resident from disposal of onshore Mainland China debt instruments should not be taxable in Mainland China. The aforesaid WIT relief on disposal of China B-Shares and debt instruments will be subject to assessment by the Mainland China tax authorities. Before a Hong Kong tax resident can enjoy relief under the Arrangement, a Hong Kong Tax Resident Certificate ("**HKTRC**") issued by the Inland Revenue Department ("**IRD**") should be submitted to the relevant Mainland China tax authority for this purpose. As at the date of this Explanatory Memorandum, the Sub-Fund has not yet obtained the HKTRC from the IRD. If the Mainland China tax authorities enforce the collection of WIT on capital gains and require the Sub-Fund to provide a HKTRC in order to obtain the WIT relief, the Manager will apply for a HKTRC on behalf of the Sub-Fund.

In light of the uncertainty on the income tax treatment on capital gains derived from disposal of China B-Shares and debt instruments, and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for Mainland China WIT on such gains or income and withhold the tax for the account of the Sub-Fund. After careful consideration of the Manager's assessment and having taken and considered independent professional tax advice relating to the Sub-Fund's eligibility to benefit from the Arrangement, and in accordance with such advice, the Manager holds a view that the Sub-Fund is a Hong Kong tax resident for the purpose of the Arrangement and is able to enjoy the WIT relief on capital gains derived from the alienation of the shares of non-immovable properties-rich China B-Shares companies and from the disposal of Mainland China debt instruments under the Arrangement.

The prevailing VAT regulations do not specifically exempt VAT on interest income received by QFIs, RQFIs and CIBM investor from investments in Mainland China debt securities. Interest income received by QFIs, RQFIs and CIBM investors from investment in Mainland China debt securities shall be subject to 6% VAT unless a special exemption applies. According to Circular 36, deposit interest income is not subject to VAT and interest income earned on PRC government bonds issued by the MOF, or bonds issued by local government of a province, autonomous regions, and municipalities directly under the Central Government or municipalities separately listed on the state plan, as approved by the State Council, is exempted from VAT.

In addition, urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), education surcharge (currently at the rate of 3%) and local education surcharge (currently at 2%) are imposed based on the VAT liabilities.

On 22 November 2018, the MOF and STA released Circular 108 on tax treatment for OIs investing in China bond market dated 7 November 2018.

Circular 108 mentioned that the interest income of the bonds derived by OIs in the China bond market is exempted from WIT and VAT for three years effective from 7 November 2018 to 6 November 2021.

The Manager, having taken and considered the independent professional tax advice and in accordance with such advice, has determined that

- (1) No Mainland China WIT provision will be made on the gross realized and unrealized capital gains derived from investments in China B-Shares, except for those capital gains derived from investments in China B-Shares issued by Mainland China tax resident companies which are immovable properties-rich companies.
- (2) A 10% provision for Mainland China WIT will be provided for the gross realized and unrealized capital gains derived by the Sub-Fund from investments in China B-Shares issued by Mainland China tax resident companies which are immovable properties-rich companies. The methodology adopted by the Manager in identifying whether or not Mainland China resident companies are immovable properties rich companies has been agreed and accepted by the independent tax advisor. The amount of provision will be disclosed in the financial statements of the Sub-Fund.

- (3) No Mainland China WIT provision will be made on the gross realized and unrealized capital gains from the disposal of Mainland China debt securities, and no Mainland China WIT provision will be provided on the interest income from Mainland China fixed income instruments derived for the period from 7 November 2018 to 6 November 2021.
- (4) A 6% VAT provision will be made on the interest income derived from Mainland China fixed income instruments (other than (i) interest income from PRC government bonds issued by the Ministry of Finance or approved local government bonds and (ii) interest income from Mainland China fixed income instruments derived for the period from 7 November 2018 to 6 November 2021). Local surcharges at 12% of the VAT amount will also be made.

Any Mainland China WIT/VAT provision made by the Manager in respect of the Sub-Fund may be lower than or higher than the Sub-Fund's actual tax liabilities. It should also be noted that there is a possibility of the Mainland China tax rules being changed and taxes being applied retrospectively. The Manager, acting in the best interest of Unitholders, will assess the tax provisioning approach on an on-going basis.

If the actual tax levied by STA is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund.

On the other hand, the actual tax liabilities may be lower than the tax provision made, in which case those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager, will as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund.

Distributions out of capital risk

Distributions may be paid out of the capital of the Sub-Fund. The Manager may distribute out of the capital of the Sub-Fund if the net distributable income attributable to the relevant class of Units during the relevant period is insufficient to pay distributions as declared. The Manager may also at its discretion pay dividend out of gross income while charging/paying all or part of the Sub-Fund's fees and expenses to/out of the capital of the Sub-Fund (resulting in an increase in distributable income for the payment of dividends by the Sub-Fund), and thereby effectively pay distributions out of capital of the Sub-Fund. **Investors should note that the payment of distributions out of, or effectively out of, capital represents a return or a withdrawal of part of the amount the investors originally invested or capital gain attributable to that original amount. Distributions will result in an immediate decrease in the Net Asset Value of the relevant Units.**

The distribution amount and Net Asset Value of the hedged classes may be adversely affected by differences in the interest rates of the reference currency of the hedged classes 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 classes.

Available Classes

The following classes of Units have been established and may be made available for sale from time to time. The Manager has an absolute discretion to determine from time to time the availability of any Class of Units to any investor. Investors should check with the Manager whether any class of Units is currently offered.

| Class | Class currency | Investors to whom the class is available |
|-------------------|-----------------------------|---|
| Class A1 (USD) | United States Dollar | Retail public |
| Class A2 (HKD) | Hong Kong Dollar | Retail public |
| Class A3 (RMB) | Renminbi | Retail public |
| Class A4 (AUD-H) | Australian Dollar (Hedged) | Retail public |
| Class A5 (NZD-H) | New Zealand Dollar (Hedged) | Retail public |
| Class A6 (CAD-H) | Canadian Dollar (Hedged) | Retail public |
| Class A7 (GBP-H) | British Pound (Hedged) | Retail public |
| Class A8 (RMB-H) | Renminbi (Hedged) | Retail public |
| Class A9 (EUR-H) | Euro (Hedged) | Retail public |
| Class A10 (SGD-H) | Singapore Dollar (Hedged) | Retail public |
| Class A11 (JPY-H) | Japanese Yen (Hedged) | Retail public |
| Class A12 (CHF-H) | Swiss Franc (Hedged) | Retail public |
| Class A13 (HKD-H) | Hong Kong Dollar (Hedged) | Retail public |
| Class C1 (USD) | United States Dollar | Retail public |
| Class C2 (HKD) | Hong Kong Dollar | Retail public |
| Class C3 (RMB) | Renminbi | Retail public |
| Class C4 (RMB-H) | Renminbi (Hedged) | Retail public |
| Class C5 (HKD-H) | Hong Kong Dollar (Hedged) | Retail public |
| Class I1 (USD) | United States Dollar | Institutional clients |
| Class I2 (HKD) | Hong Kong Dollar | Institutional clients |
| Class I3 (RMB) | Renminbi | Institutional clients |

| Class | Class currency | Investors to whom the class is available |
|-------------------|-----------------------------|---|
| Class I4 (RMB-H) | Renminbi (Hedged) | Institutional clients |
| Class I5 (AUD-H) | Australian Dollar (Hedged) | Institutional clients |
| Class I6 (NZD-H) | New Zealand Dollar (Hedged) | Institutional clients |
| Class I7 (CAD-H) | Canadian Dollar (Hedged) | Institutional clients |
| Class I8 (GBP-H) | British Pound (Hedged) | Institutional clients |
| Class I9 (EUR-H) | Euro (Hedged) | Institutional clients |
| Class I10 (SGD-H) | Singapore Dollar (Hedged) | Institutional clients |
| Class I11 (JPY-H) | Japanese Yen (Hedged) | Institutional clients |
| Class I12 (CHF-H) | Swiss Franc (Hedged) | Institutional clients |
| Class I13 (HKD-H) | Hong Kong Dollar (Hedged) | Institutional clients |
| Class X1 (USD) | United States Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X2 (HKD) | Hong Kong Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X3 (RMB) | Renminbi | For use by the Manager itself and in managing segregated portfolios |
| Class X4 (RMB-H) | Renminbi (Hedged) | For use by the Manager itself and in managing segregated portfolios |
| Class X5 (HKD-H) | Hong Kong Dollar (Hedged) | For use by the Manager itself and in managing segregated portfolios |

For classes of Units launched subsequent to the initial offer period of the Sub-Fund, the initial issue of such class Units will be made at the prevailing Issue Price of Class A Units denominated in the same currency or Class A Units denominated in the base currency (exclusive of preliminary charge).

Investment Minima

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (RMB) | Class A4 (AUD-H) | Class A5 (NZD-H) | Class A6 (CAD-H) | Class A7 (GBP-H) | Class A8 (RMB-H) | Class A9 (EUR-H) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (HKD-H) |
|---|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Minimum Subscription Amount | USD1,000 | HKD10,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | HKD10,000 |
| Minimum Subsequent Subscription Amount | USD1,000 | HKD10,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | HKD10,000 |
| Minimum Holding | USD1,000 | HKD10,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | HKD10,000 |
| Minimum Redemption Amount | USD1,000 | HKD10,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | HKD10,000 |

| Class | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB) | Class C4 (RMB-H) | Class C5 (HKD-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (RMB) | Class I4 (RMB-H) | Class I5 (AUD-H) | Class I6 (NZD-H) | Class I7 (CAD-H) | Class I8 (GBP-H) |
|---|-------------------|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Minimum Subscription Amount | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD1,000,000 | HKD8,000,000 | RMB8,000,000 | RMB8,000,000 | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 |
| Minimum Subsequent Subscription Amount | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD120,000 | HKD1,000,000 | RMB1,000,000 | RMB1,000,000 | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 |
| Minimum Holding | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD1,000,000 | HKD8,000,000 | RMB8,000,000 | RMB8,000,000 | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 |
| Minimum Redemption Amount | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD120,000 | HKD1,000,000 | RMB800,000 | RMB800,000 | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 |

| Class | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (HKD-H) | Class X1 (USD) | Class X2 (HKD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (HKD-H) |
|---|---------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Minimum Subscription Amount | EUR1,000,000 | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | HKD8,000,000 | N/A | N/A | N/A | N/A | N/A |
| Minimum Subsequent Subscription Amount | EUR120,000 | SGD120,000 | JPY12,000,000 | CHF120,000 | HKD1,000,000 | N/A | N/A | N/A | N/A | N/A |
| Minimum Holding | EUR1,000,000 | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | HKD8,000,000 | N/A | N/A | N/A | N/A | N/A |
| Minimum Redemption Amount | EUR120,000 | SGD120,000 | JPY12,000,000 | CHF120,000 | HKD1,000,000 | N/A | N/A | N/A | N/A | N/A |

Fees

Fees payable by investors

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (RMB) | Class A4 (AUD-H) | Class A5 (NZD-H) | Class A6 (CAD-H) | Class A7 (GBP-H) | Class A8 (RMB-H) | Class A9 (EUR-H) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (HKD-H) |
|---|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |

| Class | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB) | Class C4 (RMB-H) | Class C5 (HKD-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (RMB) | Class I4 (RMB-H) | Class I5 (AUD-H) | Class I6 (NZD-H) | Class I7 (CAD-H) | Class I8 (GBP-H) |
|---|-------------------|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |

| Class | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (HKD-H) | Class X1 (USD) | Class X2 (HKD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (HKD-H) |
|---|---------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Preliminary Charge (% of Issue Price) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% | Up to 5.25% |

Fees payable by the Sub-Fund (% Net Asset Value of the Sub-Fund)

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (RMB) | Class A4 (AUD-H) | Class A5 (NZD-H) | Class A6 (CAD-H) | Class A7 (GBP-H) | Class A8 (RMB-H) | Class A9 (EUR-H) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (HKD-H) |
|----------------|---|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Management Fee | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | | | | |

| Class | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB) | Class C4 (RMB-H) | Class C5 (HKD-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (RMB) | Class I4 (RMB-H) | Class I5 (AUD-H) | Class I6 (NZD-H) | Class I7 (CAD-H) | Class I8 (GBP-H) |
|----------------|---|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Management Fee | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.50% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | | | | |

| Class | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (HKD-H) | Class X1 (USD) | Class X2 (HKD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (HKD-H) |
|----------------|---|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Management Fee | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 1.05% p.a. | 0% p.a. | 0% p.a. | 0% p.a. | 0% p.a. | 0% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | |

Establishment Costs

The costs of establishment of the BOCHK All Weather Asia Pacific High Income Fund are approximately USD80,000.

Dealing Day

Every Business Day.

Dealing Deadline

5 p.m. (Hong Kong time) on the relevant Dealing Day.

Dealing through the Authorised Distributor(s) or other authorised electronic means may involve different dealing procedures and an earlier cut-off time may be imposed before the Dealing Deadlines for receiving instructions. Investors should confirm the arrangements with the Authorised Distributor(s) concerned.

Subscription, Redemption and Switching of Units

For details regarding the procedures for subscription, redemption and switching, see the main part of the Explanatory Memorandum under **“Purchase of Units”, “Redemption of Units” and “Switching between classes”**.

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends.

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, 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. The Manager may also at its discretion pay dividend out of gross income while charging/paying all or part of the Sub-Fund's fees and expenses to/out of the capital of the Sub-Fund (resulting in an increase in distributable income for the payment of dividends by the Sub-Fund), and thereby effectively pay distributions out of capital of the Sub-Fund. Payment of dividends out of, or effectively out of, capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of, or effectively out of, the 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.bochkam.com. This website has not been reviewed by the SFC.

Class A1 (USD), Class A2 (HKD), Class A3 (RMB), Class A4 (AUD-H), Class A5 (NZD-H), Class A6 (CAD-H), Class A7 (GBP-H), Class A8 (RMB-H), Class A9 (EUR-H), Class A10 (SGD-H), Class A11 (JPY-H), Class A12 (CHF-H) and Class A13 (HKD-H):

For these classes of Units, it is the current intention of the Manager to declare and pay dividends on a monthly basis (or, subject to one month's prior notice to the relevant Unitholders, such other frequency as the Manager and the Trustee consider appropriate). It is intended that the first distribution will be made 3 months after the launch date of the Sub-Fund, subject to the Manager's discretion.

Investors should note that dividends, if any, may be paid from income and/or out of, or effectively out of, capital of the Sub-Fund.

Please refer to the section headed "**Distributions**" and the risk factor headed "**Distributions out of capital risk**" in the Appendix for further details.

Investors should note that there is no guarantee of regular distribution payments nor, where distribution is made, the amount being distributed, during the period investors hold the Units of the Sub-Fund.

Class C1 (USD), Class C2 (HKD), Class C3 (RMB), Class C4 (RMB-H), Class C5 (HKD-H), Class I1 (USD), Class I2 (HKD), Class I3 (RMB), Class I4 (RMB-H), Class I5 (AUD-H), Class I6 (NZD-H), Class I7 (CAD-H), Class I8 (GBP-H), Class I9 (EUR-H), Class I10 (SGD-H), Class I11 (JPY-H), Class I12 (CHF-H), Class I13 (HKD-H), Class X1 (USD), Class X2 (HKD), Class X3 (RMB), Class X4 (RMB-H) and Class X5 (HKD-H):

Currently, the Manager does not intend to make any distributions for these classes of Units.

If there is a change of the distribution policy of the Sub-Fund, the Manager will seek the prior approval of the SFC and/or provide at least one month's prior notice to Unitholders (where necessary).

Valuation

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

APPENDIX IX

BOCHK ALL WEATHER BELT AND ROAD BOND FUND

This Appendix comprises information in relation to BOCHK All Weather Belt and Road Bond Fund, a Sub-Fund of the Fund.

Base Currency

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

Investment Objective and Policy

The investment objective of the Sub-Fund is to provide income and capital growth over the medium to longer term by investing primarily in fixed income securities issued by governments, government agencies, supra-nationals, banks or companies which are domiciled in or derive substantial revenue from or have significant business or economic activities in the Belt and Road countries/regions (as defined under the heading “**The Belt and Road Initiative**” below) or are denominated in the local currencies of the relevant Belt and Road countries/regions.

Investment Strategy

The Sub-Fund aims to achieve its investment objective by investing at least 70% of its latest available Net Asset Value in fixed income securities including bonds, convertible bonds, bills, notes and other fixed or floating rate securities issued by governments, government agencies, supra-nationals, banks or companies which are domiciled in or derive substantial revenue from or have significant business or economic activities in the Belt and Road countries/regions or are denominated in the local currencies of the relevant Belt and Road countries/regions. The Sub-Fund will not aim to focus its investments on any single country or region or specific industries or sectors, or market capitalisation, although the allocation in certain country, region, sector or industry, or market capitalisation may be relatively significant, depending on the Manager’s assessment at different times.

The Sub-Fund does not have a specific requirement on the credit ratings of the underlying fixed income securities and may invest in investment grade, non-investment grade and unrated fixed income securities. For fixed income securities, “**investment grade**” means a rating of BBB- or above from Standard & Poor’s, Baa3 or above from Moody’s or an equivalent rating from any internationally recognized credit rating agency, and if both the fixed income securities and the relevant issuer are not rated, then the fixed income securities will be classified as unrated. In selecting unrated fixed income securities, the Manager will apply its internal credit rating to determine the credit quality.

The Sub-Fund's exposure to debt securities and equity securities issued in Mainland China will be obtained through available means, including but not limited to investment through China Interbank Bond Market, Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect ("**Stock Connects**"), mutual bond market access between Mainland China and Hong Kong ("**Bond Connect**"), or through other collective investment schemes including RQFII funds (i.e. funds that are authorized by the SFC and eligible to directly invest in the Mainland China market through Renminbi Qualified Foreign Institutional Investor) or such other means as permitted by the relevant regulatory authorities from time to time. The Sub-Fund's total (direct and indirect (including through other collective investment schemes, such as RQFII funds)) exposure to China A-Shares, China B-Shares and Mainland China debt securities will be less than 20% of the Sub-Fund's Net Asset Value.

The Sub-Fund may invest in aggregate less than 30% of its latest available Net Asset Value (i) in fixed income securities consisting of bonds, convertible bonds, notes and other fixed or floating rate securities issued by governments, government agencies, supra-nationals, banks or companies outside Belt and Road countries/regions; (ii) in collective investment schemes (including RQFII funds and exchange traded funds ("**ETFs**"), including synthetic ETFs (i.e. ETFs that track an index by investing primarily in derivative instruments)); (iii) in cash, cash equivalents, short-term money market instruments and bank deposits in adverse market conditions for the purposes of managing downside risk, and/or (iv) in other asset classes, such as equity securities, American Depositary Receipts ("**ADRs**") and real estate investment trusts ("**REITs**"), total return notes, credit linked notes, participatory notes, collateralized and/or securities products (such as asset backed securities or mortgage backed securities) and commodities (through ETF or other permissible means).

Further, the Sub-Fund will not invest more than 10% of its latest available Net Asset Value in securities issued by or guaranteed by any single sovereign that is rated non-investment grade and/or unrated (including its government, public or local authority).

The Sub-Fund will enter into financial derivative instruments for hedging purposes. The Manager will not engage in Securities Financing Transactions on behalf of the Sub-Fund. Prior approval will be sought from the SFC and not less than 1 month's notice will be given to affected Unitholders if there is a change in such practice.

Use of Derivatives

The Sub-Fund may acquire financial derivative instruments for hedging purposes only. The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's latest available Net Asset Value.

Investment Adviser

Atlantis Investment Management Limited is the investment adviser in respect of the Sub-Fund. It provides investment advice to the Manager in relation to the Sub-Fund and has no investment management functions. Atlantis Investment Management Limited is licensed to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities as defined in Schedule 5 of the SFO, and is permitted under relevant laws and regulations to provide investment advice in relation to investments of the Sub-Fund, subject to relevant SFC licensing conditions.

The Belt and Road Initiative

The “**Belt and Road Initiative**” refers to the Silk Road Economic Belt and 21st Century Maritime Silk Road, a strategy launched by the Chinese government with the intention of promoting economic co-operation among countries/regions along the proposed Belt and Road routes, as published in the “**Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road**” jointly issued by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the PRC government. The Belt and Road Initiative has been designed to enhance the orderly free-flow of economic factors and the efficient allocation of resources. It is also intended to further market integration and create a regional economic co-operation framework of benefit to all.

The Belt and Road covers regions through the continents of Asia, Europe and Africa, connecting the East Asia economic circle with the European economic circle, and encompassing countries/regions with potential for economic development. The Belt and Road Initiative consists of the main components: (1) The Silk Road Economic Belt focuses on bringing together China, Central Asia, Russia and Europe (the Baltic); linking China with the Persian Gulf and the Mediterranean Sea through Central Asia and West Asia; and connecting China with Southeast Asia, South Asia and the Indian Ocean. (2) The 21st-Century Maritime Silk Road is designed to go from China’s coast to Europe through the South China Sea and the Indian Ocean in one route, and from China’s coast through the South China Sea to the South Pacific in the other.

The Belt and Road Initiative aims to take advantage of international transport routes, connecting core cities and key ports to further strengthen collaboration. It involves the development of six major international economic cooperation corridors: the new Eurasia Land Bridge, China-Mongolia-Russia, China-Central Asia-West Asia, China-Indochina Peninsula, China-Pakistan, and Bangladesh-China-India-Myanmar. The major goals of the Belt and Road Initiative are: policy co-ordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds.

Areas of cooperation as promoted by the Belt and Road Initiative include but are not limited to:

- Promoting intergovernmental cooperation, such that Belt and Road countries/regions may fully coordinate their economic development strategies and policies, work out plans and measures for regional cooperation, and jointly provide policy support for the implementation of large-scale projects;
- Improving connectivity in infrastructure construction plans and technical standard systems, while taking into full account the impact of climate change on the construction. This includes improving the infrastructure on transportation, energy, international communications connectivity, etc.;
- Improving investment and trade facilitation by removing the investment and trade barriers, such as by enhancing customs cooperation, expanding trading areas, and developing new forms of trade;
- Deepening cooperation in agriculture, forestry, animal husbandry and fisheries, agricultural machinery manufacturing and farm produce processing, and promote cooperation in marine-product farming, deep-sea fishing, aquatic product processing, seawater desalination, marine biopharmacy, ocean engineering technology, environmental protection industries, marine tourism and other fields;

- Increasing cooperation in the exploration and development of energy sources, and in processing and conversion of energy and resources at or near places where they are exploited to create an integrated industrial chain of energy and resource cooperation;
- Improving the division of labour and distribution of industrial chains by encouraging the entire industrial chain and related industries to develop in concert; establishing R&D, production and marketing systems; and improving industrial supporting capacity and the overall competitiveness of regional industries;
- Deepening financial cooperation, and putting more effort in building a currency stability system, investment and financing system and credit information system in Asia.

“**Belt and Road countries/regions**” referred to herein means Mainland China, Hong Kong, Macau, Taiwan, and the cooperating countries/regions which are listed on the official website of the Belt and Road Initiative hosted by the Chinese State Information Center, or announced by relevant Mainland Chinese authorities by other means, which may be updated from time to time.

Specific Risk Factors

Investors should refer to the relevant risks under the section headed “Risk Factors” in the main part of the Explanatory Memorandum, including “Market risk”, “Mainland China market risk”, and “Risks relating to hedging and the hedged classes”, and the following specific risk factors for the Sub-Fund:

Concentration risk

The Sub-Fund focuses its investments in Belt and Road countries/regions and its portfolio of investments may not be diversified compared to other broad-based funds. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting Belt and Road countries/regions. Please refer to the risk factor “**Concentration risk**” in the main part of the Explanatory Memorandum.

Emerging markets risk

Many Belt and Road countries/regions are emerging markets. In general, investment in emerging markets is subject to a higher risk of loss. It involves special considerations not typically associated with investment in more developed economies or markets, such as greater political, tax, economic, social, foreign exchange, liquidity and regulatory risks, legal, settlement risks, custody risk, the likelihood of high degree of volatility, market suspension, restrictions on foreign investment and control on repatriation of capital. Please refer to the relevant risk factor “**Emerging markets risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks relating to the Belt and Road Initiative

Policy risk

The Belt and Road Initiative is a very broad theme and a new development strategy launched by the Chinese government, and does not have a proven history of success and viability. It is a long term strategic vision which involves policy considerations on the part of the Chinese government and may be subject to on-going changes. As the Sub-Fund primarily invests in the Belt and Road countries/regions, it may be adversely affected as a result of such changes. There can be no assurance that the Belt and Road Initiative will not be changed in the future. Any valid position taken by the Manager at any one point in time to be aligned with the Belt and Road Initiative may no longer be aligned with the Belt and Road Initiative in the future as it may change over time. The Manager may need to effect changes to the Sub-Fund's investment policy in light of changes in the government policies, or may terminate the Sub-Fund if it is no longer feasible for the Sub-Fund to pursue its investment strategies.

Risks associated with Belt and Road countries/regions

Certain Belt and Road countries/regions may be considered to be emerging markets. Please refer to the risk factor "**Emerging markets risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum for further details.

In addition, the Belt and Road countries/regions may have historically experienced times of economic and political instability. Therefore, the Sub-Fund may be affected unfavourably by political developments, social instability, changes in government policies, and other political and economic developments in the Belt and Road countries/regions. Moreover, the Belt and Road Initiative involves development projects across various countries/regions. Changes in the political climate in any of the Belt and Road countries/regions, or new developments or changes in the political relationship among these countries/regions, may in turn result in an impact on the Belt and Road Initiative. Such changes may result in changes to legislation, the interpretation of legislation, or the inducements offered to companies participating in the Belt and Road Initiative projects (e.g. changes to tax policies), which may have retrospective effect. Therefore, the potential political risks involved in the Belt and Road Initiative may be significant.

Some of the companies in Belt and Road countries/regions may be in their preliminary stage of development and may have a smaller operating scale and shorter operating history. Therefore their businesses are subject to higher uncertainty and more fluctuations in their performance. As a result, their stability and resistance to market risks may be lower. Hence, they are subject to higher market volatility and higher turnover ratios than companies in more developed countries/regions. In addition, some of the governments of the Belt and Road countries/regions have taken on substantial debts and are especially large debtors to commercial banks and foreign governments. Investment in debt obligations issued or guaranteed by these governments or their agencies may involve a higher degree of risk. If issuers default on the repayment of debt securities held by the Sub-Fund, the value of the Sub-Fund will be adversely affected.

Risks associated with greenfield projects

The infrastructure projects associated with the Belt and Road Initiative are likely to be those known as “**greenfield**” projects, i.e. the operations are constructed from the ground up, as opposed to “**brownfield**” projects which are based on established prior work. The risks associated with “**greenfield**” projects could be high, and their potential returns are difficult to predict. In particular, where such projects are located in Belt and Road countries/regions that might be subject to political instability, the costs of financing may be significantly higher. As such, the “**greenfield**” projects associated with the Belt and Road Initiative may not be able to generate a stable cash flow, income or capital appreciation.

Eurozone risk

In light of ongoing concerns on the sovereign debt risk of certain countries within the Eurozone, the Sub-Fund’s investments in the region may be subject to higher volatility, liquidity, currency and default risks. Any adverse events, such as credit downgrade of a sovereign or exit of EU members from the Eurozone, may have a negative impact on the value of the Sub-Fund.

Currency risk

Whilst the base currency of the Sub-Fund is US\$, the Sub-Fund’s assets may be invested in securities and other investments that are denominated in currencies of Belt and Road countries/regions. Also, a class of units may be designated in a currency other than the base currency of the Sub-Fund. Although the Sub-Fund may engage in currency hedging, the value of the Sub-Fund’s investments and so the Net Asset Value of the Sub-Fund may still be affected favourably or unfavourably by fluctuations in exchange rates and by changes in exchange rate controls. Please refer to the relevant risk factor “**Currency risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Emerging markets may be subject to additional political, social, economic, regulatory and settlement risks. These factors may adversely affect the exchange rates of emerging market currencies and hence the value of the securities held by the Sub-Fund. Currencies of emerging markets may be more volatile than major world currencies such as Euro, Japanese Yen or British Pound.

The economies of emerging countries/regions are generally heavily dependent on international trade and have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries/regions with which they trade. Adverse economic developments may also result in substantial depreciation in currency exchange rates or unstable currency fluctuations.

Certain economic and political events including changes in foreign exchange policies could have a major impact on currency exchange rates. Some of the emerging countries/regions have in recent years experienced high capital inflows and high rates of inflation, which may have an impact on the exchange policy of the government or the central banks of these countries/regions. Such policies may include capital control measures or direct intervention in the currency market, leading to sudden and substantial devaluation of the local currency concerned.

Risks relating to debt securities

Investment in debt securities is subject to the credit/default risk of the issuers of the debt securities that the Sub-Fund may invest in, which may be unable or unwilling to make timely payments on principal and/or interest. Some of the securities that the Sub-Fund invests in may be unrated. In general, debt securities that have a lower credit rating or that are unrated will be more susceptible to the credit risk of the issuers. Please refer to the relevant risk factor “**Below investment grade and unrated securities risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against such issuers as they may be incorporated outside Hong Kong and subject to foreign laws.

Credit ratings of fixed income securities may be subject to certain limitations and do not guarantee the credit worthiness of the security and/or issuer at all times. Investment grade securities may be subject to downgrading risk. In the event of downgrading, the risks of default may be higher, and the Sub-Fund’s investments in such securities may be adversely affected. Please refer to the relevant risk factor “**Credit rating downgrade risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Debt securities are sensitive to changes in interest rates. Please refer to the relevant risk factor “**Interest rate risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

The Sub-Fund may invest in sovereign debts which are subject to certain risks. Please refer to the relevant risk factor “**Sovereign debt risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Valuation of the Sub-Fund’s investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

Risks of investing in convertible bonds

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

Risks of investing in other collective investment schemes

The Sub-Fund will be subject to the risks associated with the underlying funds when investing in other funds. The Sub-Fund does not have control of the investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved which may have a negative impact to the Net Asset Value of the Sub-Fund.

If the Sub-Fund invests in an underlying fund managed by the Manager or a connected person of the Manager, all initial charges on such underlying fund will be waived. The Manager may not obtain a rebate on any fees or charges levied by such underlying fund or its manager. Where potential conflicts of interest arise, the Manager will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section headed “**Conflicts of Interest**” in the main part of the Explanatory Memorandum.

Equity investment and volatility risk

Investors should pay attention to risks generally associated with equity investment, namely, the market value of the stocks may go down as well as up. Prices of equity securities may be volatile. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, the business and social conditions in local and global marketplace, and issuer-specific factors. Changes in value of a security may be attributable to market perception of a particular issuer (for example its financial conditions and profitability) or general stock market fluctuations that affect all issuers. If the market value of equity securities in which the Sub-Fund invests in goes down, investors may suffer substantial losses.

Risks of investing in REITs

The Sub-Fund may invest in REITs which invest primarily in real estate and this may involve a higher level of risk. The REITs invested in by the Sub-Fund may not necessarily be authorised by the SFC.

The prices of REITs are affected by changes in the value of the underlying properties owned by the REITs. Investment in REITs may therefore subject the Sub-Fund to risks similar to those from direct ownership of real property.

Real estate investments are relatively illiquid and this may affect the ability of a REIT to vary its investment portfolio or liquidate part of its assets in response to changes in economic conditions, international securities markets, foreign exchange rates, interest rates, real estate markets or other conditions. Adverse global economic conditions could adversely affect the business, financial condition and results of operations of REITs. REITs may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than other securities.

Further, returns from REITs are dependent on management skills. Investments made by REITs generally may not be diversified. In addition, certain REITs in which the Sub-Fund may invest may have their assets concentrated in specific real property sectors, and are therefore subject to the risks associated with adverse developments in these sectors.

REITs are also subject to heavy cash flow dependency, defaults by borrowers and self liquidation. Further, borrowers under mortgages held by REITs or lessees of property that REITs own may be unable to meet their obligations to the REITs. On the other hand, if the key tenants experience a downturn in their businesses or their financial condition, they may fail to make timely rental payments or default under their leases. Tenants in a particular industry might also be affected by any adverse downturn in that industry and this may result in their failure to make timely rental payments or to default under the leases. In the event of a default, a REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments. The REITs may suffer losses as a result.

REITs may have limited financial resources and may be subject to borrowing limits. Consequently, REITs may need to rely on external sources of funding to expand their portfolios, which may not be available on commercially acceptable terms or at all. If a REIT cannot obtain capital from external sources, it may not be able to acquire properties when strategic opportunities exist.

Any due diligence exercise conducted by REITs on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies. Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow of the REITs.

The Sub-Fund does not invest directly in real estate, and insofar as it directly invests in REITs, any dividend policy or dividend payout at the Sub-Fund level may not be representative of the dividend policy or dividend payout of the relevant underlying REIT.

Risks relating to Exchange-traded funds (ETFs)

The trading prices of units/shares in an ETF may be at a discount or premium to the net asset value of the units/shares of such ETF due to various factors such as supply and demand forces in the secondary trading market for such units/shares in the ETF. This price discrepancy may be particularly likely to emerge during periods of high market volatility and uncertainty. Valuation of units/shares in an ETF will primarily be made by reference to the last traded price. Where the Sub-Fund buys at a premium, it may suffer losses even if the net asset value is higher when it sells the relevant share/units in the ETF, and it may not fully recover its investment in the event of termination of the ETF.

In addition, an ETF may not be able to perfectly track the index it is designed to track, because of fees and expenses, imperfect correlation between the ETF's assets and the underlying securities within the relevant tracking index, adjustments to the tracking index and regulatory policies. The return from investing in an ETF may therefore deviate from the return of its tracking index.

An ETF which is designed to track a market index is not "**actively managed**", therefore when there is a decline in the relevant index, the ETF will also decrease in value. The ETF may not adopt any temporary defensive position against market downturns. The Sub-Fund may lose part or all of its investment in the ETF.

There can be no assurance that an active trading market will exist or be maintained for units/shares of an ETF on any securities exchange on which units/shares of an ETF may be traded.

Synthetic ETFs typically invest in derivative instruments to replicate the performance of an underlying index. Investment in synthetic ETFs will be subject to the credit risk of the counterparties who issue the derivatives. If the counterparties default, the Sub-Fund may suffer substantial losses of its investment in the relevant ETFs. Since derivative issuers are predominantly international financial institutions, the failure of one derivative counterparty could potentially have a "**knock on**" effect on other counterparties. Some synthetic ETFs have collateral to reduce the counterparty risks but if the market value of the collateral has fallen substantially, the ETFs may suffer losses when they seek to realise the collateral. The Sub-Fund's investment in the ETFs will suffer losses accordingly.

Risks of investing in ADRs

Although ADRs have risks similar to the securities that they represent, they may also involve higher expenses and may trade at a discount (or premium) to the underlying security. In addition, depositary receipts may not pass through voting and other shareholder rights, and may be less liquid than the underlying securities listed on an exchange.

Investment in China A-Share market

The Sub-Fund may have (direct or indirect) exposure to the China A-Share market. The existence of a liquid trading market for China A-Shares may depend on whether there is supply of, and demand for, such China A-Shares. The price at which securities may be purchased or sold by the Sub-Fund may be adversely affected if trading markets for China A-Shares are limited or absent, and the Sub-Fund may in turn be adversely affected. Further, the Shanghai Stock Exchange and the Shenzhen Stock Exchange on which China A-Shares are traded are undergoing development and the market capitalisation of, and trading volumes on, those stock exchanges are lower than those in more developed markets. The China A-Share market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention) than those in more developed markets. Market volatility and settlement difficulties in the China A-Share markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may affect the value of the Sub-Fund.

Securities exchanges in Mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. In particular, trading band limits are imposed by the stock exchanges on China A-Shares, where trading for a security may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. A suspension will render it impossible for the Sub-Fund to liquidate positions and can thereby expose the Sub-Fund to losses. Further, when the suspension is subsequently lifted, it may not be possible for the Sub-Fund to liquidate positions at a favourable price. The Sub-Fund may therefore suffer a loss in its investment.

Investment in China B-Share market

Investors should note that the stock exchanges in Mainland China on which the China B-Shares are listed are still at a developmental stage, and their respective market capitalisation and trading volume are much lower than those in more developed financial markets. Market volatility and potential lack of liquidity due to low trading volume in the China B-Shares markets may result in prices of securities traded on such markets fluctuating significantly, which may result in substantial changes to the price of the Units of the Sub-Fund.

Risks relating to RQFII funds

The Sub-Fund may invest in the Mainland China securities market through RQFII funds, which may be subject to the following risks.

Risks relating to RMB denominated securities: Securities in the Mainland China securities market are denominated in RMB. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. Please refer to the relevant risk factors “**RMB currency risk**” and “**RMB foreign exchange control risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks relating to the Renminbi Qualified Foreign Institutional Investor (RQFII) regime: Investment through the RQFII regime is subject to the availability of RQFII quota. There is no assurance that sufficient quota will be available for investment by a RQFII fund. Therefore the Sub-Fund’s ability to obtain exposure to the Mainland China securities market may be limited by the availability of RQFII quota.

Repatriations of capital out of Mainland China by RQFII funds that are open-ended funds are currently not subject to repatriation restrictions or prior approval, but there is no guarantee that restrictions will not be imposed in future. Any restrictions on repatriation of the invested capital out of Mainland China may impact on a RQFII fund’s ability to meet redemption requests from the Sub-Fund. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the control of the Manager (or the manager of a RQFII fund). Therefore, the Sub-Fund may be subject to liquidity risk insofar as it invests in RQFII funds.

The application of the rules relevant to RQFII may depend on the interpretation given by the relevant Mainland regulatory authorities. Any changes to the relevant rules may have an adverse impact on investments made by the RQFII funds and hence the Sub-Fund’s performance. The current RQFII rules and regulations are subject to change, which may take retrospective effect. In the worst case, the relevant RQFII fund may be terminated if it is not legal or viable to operate because of changes to the application of the relevant rules. The Sub-Fund’s holdings in the relevant the RQFII fund will be realised in case of such termination, and the Sub-Fund may suffer losses in its initial investment in such fund.

Investment in Mainland China bond markets via RQFII funds: The Sub-Fund may have exposure to the Mainland China bond markets through investment in RQFII funds. The Mainland China bond markets (including the exchange and interbank bond markets) are in a stage of development and the volume of trading may be lower than more developed markets. Liquidity of the bonds will be lower in the absence of an active secondary market. RQFII funds investing in such market are therefore subject to liquidity risks and may suffer losses in trading Mainland China bonds. The bid and offer spreads of the prices of the Mainland China bonds may be large, so significant trading and realisation costs may be incurred.

The Mainland China bond markets are also subject to regulatory risks. Due to irregularities in the interbank bond market trading activities, the China Central Depository & Clearing Co., Ltd (the central clearing entity) suspended new account opening on the interbank bond market for specific types of products. Although RQFII funds that are mutual funds offered to the public were not affected, there is no assurance that future regulatory actions will not affect such funds. If accounts are suspended, or cannot be opened, the RQFII funds’ and hence the Sub-Fund’s ability to invest in the interbank bond market will be limited and they may suffer substantial losses as a result.

Mainland China taxation: There could be Mainland China tax liabilities on income derived from investments in Mainland China debt securities. Mainland China tax laws contain uncertainties, and changes in such laws may have retrospective effect. It may be the practice for some RQFII funds to make provisions for potential tax liabilities in Mainland China. Such provisions may be excessive or inadequate to meet the actual tax liabilities. Even if tax provisions are made, any shortfall between the provisions and actual tax liabilities will be debited from the RQFII funds' assets and the RQFII funds' and hence the Sub-Fund's value may be adversely affected.

Risks relating to RQFII funds that are exchange traded funds (RQFII ETFs): Investment in RQFII ETFs is subject to RMB currency risk and risks associated with the RQFII regime set out above. In addition:

- (a) RQFII ETFs typically seek to track a particular China A-Share market index by directly investing in the China A-Shares constituting such market index using RQFII quota. As with other exchange traded funds, RQFII ETFs are subject to tracking error risks (i.e. the returns of a RQFII ETF may deviate from the performance of the index it is designed to track) due to a number of factors.

The Sub-Fund will trade units in RQFII ETFs on the Stock Exchange of Hong Kong (where trading prices are affected by market factors such as demand and supply). The trading days or hours of Mainland China and Hong Kong stock markets are not exactly the same and this may affect the RQFII ETFs' ability to track the market index. Further, any suspension due to a trading band limit in the Mainland China stock markets may render it impossible for the RQFII ETFs to acquire certain index security, increasing the tracking error. These factors may result in the RQFII ETFs' units being traded at a substantial premium or discount to their net asset value.

- (b) RQFII ETFs involve cross-border transfer of funds. They may be riskier than traditional exchange traded funds investing directly in markets other than Mainland China. The operation of RQFII ETFs depends heavily on the expertise and infrastructure of the RQFII ETF's manager (or its mainland parent company). There is no assurance that the RQFII ETFs will be operated as envisaged and the Sub-Fund may sustain a loss in its investment and the Sub-Fund may suffer a loss.

RMB currency risk/Risks relating to RMB denominated securities

Investors may invest in RMB/RMB-hedged Units of the Sub-Fund. Non-RMB based investors (e.g. Hong Kong investors) may have to convert Hong Kong dollar or other currency(ies) into RMB when investing in RMB/RMB-hedged Units and subsequently convert the RMB redemption proceeds and/or dividend payment (if any) back to Hong Kong dollar or such other currency(ies). Investors will incur currency conversion costs and may suffer losses depending on the exchange rate movements of RMB relative to Hong Kong dollar or such other currencies and by changes in exchange rate controls.

Class denominated in RMB will generally be valued with reference to the offshore RMB (known as "**CNH**") rather than the onshore RMB (known as "**CNY**"). While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently. 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 investors.

The Sub-Fund may have exposure to securities that are denominated in RMB. Investment in the Sub-Fund will be subject to RMB currency risks. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. There is no guarantee that RMB will not depreciate. The Sub-Fund may suffer losses in case of depreciation of RMB. Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB. Please refer to the relevant risk factors **“RMB currency risk”** and **“RMB foreign exchange control risk”** under the section headed **“Risk Factors”** in the main part of the Explanatory Memorandum.

Risks associated with Stock Connects

Insofar as the Sub-Fund invests through Stock Connects, investors should refer to the associated risks set out in the risk factor **“Risks associated with Stock Connects”** and **“Risks associated with the Small and Medium Enterprise board and/or ChiNext market”** under the section headed **“Risk Factors”** in the main part of the Explanatory Memorandum.

Risks associated with China Interbank Bond Market and Bond Connect

Insofar as the Sub-Fund invests through China Interbank Bond Market, investors should refer to the associated risks set out in the risk factor **“Risks associated with China Interbank Bond Market and Bond Connect”** under the section headed **“Risk Factors”** in the main part of the Explanatory Memorandum.

“Dim Sum” bond market risks

The “Dim Sum” bond (i.e. bonds issued outside of Mainland China but denominated in RMB) market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the “Dim Sum” bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalization of the offshore RMB (CNH) market by the relevant regulator(s).

Risks of investing in urban investment bonds

Urban investment bonds are issued by local government financing vehicles (**“LGFVs”**), such bonds are typically not guaranteed by local governments or the central government of PRC. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the Sub-Fund could suffer substantial loss and the Net Asset Value of the Sub-Fund could be adversely affected.

Currency risk/hedging risk

Because the Sub-Fund's assets and liabilities may be denominated in currencies different from the Sub-Fund's base currency (US\$), the Sub-Fund may be affected unfavourably by changes in the exchange rates between the Sub-Fund's base currency and other currencies. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions. Changes in currency exchange rates may influence the value of the Sub-Fund's investments and hence the value of Units in terms of the Sub-Fund's base currency. An investor may suffer losses arising from changes in currency exchange rates of investments held by the Sub-Fund.

The Manager may, in accordance with the investment strategy, use hedging techniques to attempt to offset currency risks, including hedging the currencies in which the underlying assets of the Sub-Fund are denominated against the Sub-Fund's base currency. There is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result. There can be no assurance that any currency hedging strategy employed by the Manager will fully and effectively eliminate the currency exposure of the Sub-Fund.

Risks relating to participatory notes

Exposure to shares or bonds may be obtained through investment in participatory notes. Participatory notes may not be listed and are subject to the terms and conditions imposed by their issuer. These terms may lead to delays in implementing the Sub-Fund's investment strategy due to restrictions on the issuer acquiring or disposing of the securities underlying the participatory notes. Investment in participatory notes can be illiquid as there is no active market in participatory notes. In order to meet redemption requests, the Sub-Fund relies upon the counterparty issuing the participatory notes to quote a price to unwind any part of the participatory notes. This price will reflect the market liquidity conditions and the size of the transaction.

By seeking exposure to investments in certain listed securities through participatory notes, the Sub-Fund is exposed to the credit risk of the issuer of the participatory notes. There is a risk that the issuer will not settle a transaction due to a credit or liquidity problem, thus causing the Sub-Fund to suffer a loss.

An investment in a participatory notes is not an investment directly in the shares or bonds themselves. An investment in the participatory notes does not entitle the participatory notes holder to the beneficial interest in the shares or bonds nor to make any claim against the company issuing the shares or bonds. Investment through participatory notes may lead to a dilution of performance of the Sub-Fund when compared to a fund investing directly in similar assets.

Risks associated with asset backed securities (including asset backed commercial papers) or mortgage backed securities

The Sub-Fund may invest in asset backed securities (including asset backed commercial papers) or mortgage backed securities which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligation relating to the underlying assets are not met, which may adversely impact the returns of the securities.

Mainland China tax considerations in respect of the Sub-Fund

By investing in Mainland China securities, the Sub-Fund may be subject to withholding income tax (“**WIT**”), value added tax (“**VAT**”) and other taxes imposed in Mainland China. Investors should refer to the heading “**Mainland China**” in the section headed “**Taxation**” for further details.

Tax Provision

It is the intention of the Manager to operate the affairs of the Manager and the Sub-Fund such that they are not Mainland China tax resident enterprises and have no establishment or place of business (“**PE**”) in Mainland China for Mainland China CIT purposes, although this is not guaranteed.

The Sub-Fund will invest in China A-Shares through the Stock Connects. Given that the Sub-Fund started to invest in China A-Shares after 17 November 2014 through the Stock Connects, the Sub-Fund is temporarily exempt from Mainland China WIT on the capital gains derived from investments in China A-Shares according to Circular 81 and Circular 127 and no Mainland China WIT provision will be made on the gross realized and unrealized capital gains derived by the Sub-Fund from investments in China A-Shares through the Stock Connects. For gains derived from investment in China A-Shares via Stock Connects, the Sub-Fund is also temporarily exempt from Mainland China VAT according to Circular 36 and Circular 127. If there is any update on the tax rules applied to the Stock Connects in the future, the Manager will review and adjust the Mainland China WIT and Mainland China VAT provisioning approach on capital gains for the Stock Connects accordingly.

The Sub-Fund will also invest in China B-Shares and Mainland China debt securities.

Under the prevailing PRC CIT Law and regulations, capital gains derived by a non-resident from disposal of China B-Shares could be subject to WIT at 10%. Under prevailing Mainland China VAT rules, it is not clear whether there is VAT exemption on capital gains if a Sub-Fund invests in China B-Shares. Thus, there may be VAT imposed on a Sub-Fund for trading of China B-Shares. Under current practice no WIT or VAT is imposed on non-residents where both the purchase and sales of the China-B Shares are via the stock exchange market. The position in practice may change if the STA expresses another view and/or that new official tax circulars are issued to provide further guidance.

Under the prevailing CIT Law, there is no specific provision on whether capital gains derived by a non-resident investor (including the Sub-Fund) from disposal of Mainland China debt instruments (e.g. bonds issued by Mainland China companies) would be considered as Mainland China sourced income and subject to Mainland China WIT at 10%. Based on the current interpretation of the STA and the local tax authorities, gains derived by foreign investors (including the Sub-Fund) from investment in Mainland China debt securities should not be treated as Mainland China sourced income thus should not be subject to Mainland China WIT. Under the current practice, no WIT is imposed on capital gains derived by non-residents from disposal of Mainland China debt instruments. If the relevant interpretation/practice changes in the future, the Fund/Sub-Fund(s) may still turn to certain treaty relief applicable to Hong Kong tax residents.

Under the arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the "**Arrangement**"), capital gains derived by Hong Kong tax residents from alienation of shares issued by Mainland China companies may be taxed in Mainland China if the recipient, at any time within 12 months preceding such alienation, had a participation of at least 25% of the capital in that Mainland China company or if the Mainland China company is an immovable properties-rich company (i.e. Mainland China companies in which 50% or more of their assets are comprised, directly or indirectly, of immovable properties situated in the Mainland China). Due to the Sub-Fund's investment restrictions, the Sub-Fund cannot hold more than 10% of any ordinary shares issued by any single issuer. In such a case, the capital gains derived from the alienation of the shares of non-immovable properties-rich China B-Shares companies would not be subject to Mainland China WIT, subject to the assessment of the Mainland China tax authorities. In addition, under the Arrangement, capital gain derived by a Hong Kong tax resident from disposal of onshore Mainland China debt instruments should not be taxable in Mainland China. The aforesaid WIT relief on disposal of China B-Shares and debt instruments will be subject to assessment by the Mainland China tax authorities. Before a Hong Kong tax resident can enjoy relief under the Arrangement, a Hong Kong Tax Resident Certificate ("**HKTRC**") issued by the Inland Revenue Department ("**IRD**") should be submitted to the relevant Mainland China tax authority for this purpose. As at the date of this Explanatory Memorandum, the Sub-Fund has not yet obtained the HKTRC from the IRD. If the Mainland China tax authorities enforce the collection of WIT on capital gains and require the Sub-Fund to provide a HKTRC in order to obtain the WIT relief, the Manager will apply for a HKTRC on behalf of the Sub-Fund.

In light of the uncertainty on the income tax treatment on capital gains derived from disposal of China B-Shares and debt instruments, and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for Mainland China WIT on such gains or income and withhold the tax for the account of the Sub-Fund. After careful consideration of the Manager's assessment and having taken and considered independent professional tax advice relating to the Sub-Fund's eligibility to benefit from the Arrangement, and in accordance with such advice, the Manager holds a view that the Sub-Fund is a Hong Kong tax resident for the purpose of the Arrangement and is able to enjoy the WIT relief on capital gains derived from the alienation of the shares of non-immovable properties-rich China B-Shares companies and from the disposal of Mainland China debt instruments under the Arrangement.

The prevailing VAT regulations do not specifically exempt VAT on interest income received by QFIs, RQFIs and CIBM investor from investments in Mainland China debt securities. Interest income received by QFIs, RQFIs and CIBM investors from investment in Mainland China debt securities shall be subject to 6% VAT unless a special exemption applies. According to Circular 36, deposit interest income is not subject to VAT and interest income earned on PRC government bonds issued by the MOF, or bonds issued by local government of a province, autonomous regions, and municipalities directly under the Central Government or municipalities separately listed on the state plan, as approved by the State Council, is exempted from VAT.

In addition, urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), education surcharge (currently at the rate of 3%) and local education surcharge (currently at 2%) are imposed based on the VAT liabilities.

On 22 November 2018, the MOF and STA released Circular 108 on tax treatment for OIs investing in China bond market dated 7 November 2018.

Circular 108 mentioned that the interest income of the bonds derived by OIs in the China bond market is exempted from WIT and VAT for three years effective from 7 November 2018 to 6 November 2021.

The Manager, having taken and considered the independent professional tax advice and in accordance with such advice, has determined that

- (1) No Mainland China WIT provision will be made on the gross realized and unrealized capital gains derived from investments in China B-Shares, except for those capital gains derived from investments in China B-Shares issued by Mainland China tax resident companies which are immovable properties-rich companies.

- (2) A 10% provision for Mainland China WIT will be provided for the gross realized and unrealized capital gains derived by the Sub-Fund from investments in China B-Shares issued by Mainland China tax resident companies which are immovable properties-rich companies. The methodology adopted by the Manager in identifying whether or not Mainland China resident companies are immovable properties rich companies has been agreed and accepted by the independent tax advisor. The amount of provision will be disclosed in the financial statements of the Sub-Fund.
- (3) No Mainland China WIT provision will be made on the gross realized and unrealized capital gains from the disposal of Mainland China debt securities, and no Mainland China WIT provision will be provided on the interest income from Mainland China fixed income instruments derived for the period from 7 November 2018 to 6 November 2021.
- (4) A 6% VAT provision will be made on the interest income derived from Mainland China fixed income instruments (other than (i) interest income from PRC government bonds issued by the Ministry of Finance or approved local government bonds and (ii) interest income from Mainland China fixed income instruments derived for the period from 7 November 2018 to 6 November 2021). Local surcharges at 12% of the VAT amount will also be made.

Any Mainland China WIT/VAT provision made by the Manager in respect of the Sub-Fund may be lower than or higher than the Sub-Fund's actual tax liabilities. It should also be noted that there is a possibility of the Mainland China tax rules being changed and taxes being applied retrospectively. The Manager, acting in the best interest of Unitholders, will assess the tax provisioning approach on an on-going basis.

If the actual tax levied by STA is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund.

On the other hand, the actual tax liabilities may be lower than the tax provision made, in which case those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager, will as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund.

Distributions out of capital risk

Distributions may be paid out of the capital of the Sub-Fund. The Manager may distribute out of the capital of the Sub-Fund if the net distributable income attributable to the relevant class of Units during the relevant period is insufficient to pay distributions as declared. The Manager may also at its discretion pay dividend out of gross income while charging/paying all or part of the Sub-Fund's fees and expenses to/out of the capital of the Sub-Fund (resulting in an increase in distributable income for the payment of dividends by the Sub-Fund), and thereby effectively pay distributions out of capital of the Sub-Fund. **Investors should note that the payment of distributions out of, or effectively out of, capital represents a return or a withdrawal of part of the amount the investors originally invested or capital gain attributable to that original amount. Distributions will result in an immediate decrease in the Net Asset Value of the relevant Units.**

The distribution amount and Net Asset Value of the hedged classes may be adversely affected by differences in the interest rates of the reference currency of the hedged classes 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 classes.

Available Classes

The following classes of Units have been established and may be made available for sale from time to time. The Manager has an absolute discretion to determine from time to time the availability of any Class of Units to any investor. Investors should check with the Manager whether any class of Units is currently offered.

| Class | Class currency | Investors to whom the class is available |
|-------------------|-----------------------------|---|
| Class A1 (USD) | United States Dollar | Retail public |
| Class A2 (HKD) | Hong Kong Dollar | Retail public |
| Class A3 (RMB) | Renminbi | Retail public |
| Class A4 (AUD-H) | Australian Dollar (Hedged) | Retail public |
| Class A5 (NZD-H) | New Zealand Dollar (Hedged) | Retail public |
| Class A6 (CAD-H) | Canadian Dollar (Hedged) | Retail public |
| Class A7 (GBP-H) | British Pound (Hedged) | Retail public |
| Class A8 (RMB-H) | Renminbi (Hedged) | Retail public |
| Class A9 (EUR-H) | Euro (Hedged) | Retail public |
| Class A10 (SGD-H) | Singapore Dollar (Hedged) | Retail public |
| Class A11 (JPY-H) | Japanese Yen (Hedged) | Retail public |
| Class A12 (CHF-H) | Swiss Franc (Hedged) | Retail public |
| Class A13 (HKD-H) | Hong Kong Dollar (Hedged) | Retail public |
| Class C1 (USD) | United States Dollar | Retail public |
| Class C2 (HKD) | Hong Kong Dollar | Retail public |
| Class C3 (RMB) | Renminbi | Retail public |
| Class C4 (RMB-H) | Renminbi (Hedged) | Retail public |
| Class C5 (HKD-H) | Hong Kong Dollar (Hedged) | Retail public |
| Class I1 (USD) | United States Dollar | Institutional clients |
| Class I2 (HKD) | Hong Kong Dollar | Institutional clients |
| Class I3 (RMB) | Renminbi | Institutional clients |

| Class | Class currency | Investors to whom the class is available |
|-------------------|-----------------------------|---|
| Class I4 (RMB-H) | Renminbi (Hedged) | Institutional clients |
| Class I5 (AUD-H) | Australian Dollar (Hedged) | Institutional clients |
| Class I6 (NZD-H) | New Zealand Dollar (Hedged) | Institutional clients |
| Class I7 (CAD-H) | Canadian Dollar (Hedged) | Institutional clients |
| Class I8 (GBP-H) | British Pound (Hedged) | Institutional clients |
| Class I9 (EUR-H) | Euro (Hedged) | Institutional clients |
| Class I10 (SGD-H) | Singapore Dollar (Hedged) | Institutional clients |
| Class I11 (JPY-H) | Japanese Yen (Hedged) | Institutional clients |
| Class I12 (CHF-H) | Swiss Franc (Hedged) | Institutional clients |
| Class I13 (HKD-H) | Hong Kong Dollar (Hedged) | Institutional clients |
| Class X1 (USD) | United States Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X2 (HKD) | Hong Kong Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X3 (RMB) | Renminbi | For use by the Manager itself and in managing segregated portfolios |
| Class X4 (RMB-H) | Renminbi (Hedged) | For use by the Manager itself and in managing segregated portfolios |
| Class X5 (HKD-H) | Hong Kong Dollar (Hedged) | For use by the Manager itself and in managing segregated portfolios |

For classes of Units launched subsequent to the initial offer period of the Sub-Fund, the initial issue of such class Units will be made at the prevailing Issue Price of Class A Units denominated in the same currency or Class A Units denominated in the base currency (exclusive of preliminary charge).

Investment Minima

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (RMB) | Class A4 (AUD-H) | Class A5 (NZD-H) | Class A6 (CAD-H) | Class A7 (GBP-H) | Class A8 (RMB-H) | Class A9 (EUR-H) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (HKD-H) |
|---|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Minimum Subscription Amount | USD1,000 | HKD10,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | HKD10,000 |
| Minimum Subsequent Subscription Amount | USD1,000 | HKD10,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | HKD10,000 |
| Minimum Holding | USD1,000 | HKD10,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | HKD10,000 |
| Minimum Redemption Amount | USD1,000 | HKD10,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | RMB10,000 | EUR1,000 | SGD1,000 | JPY100,000 | CHF1,000 | HKD10,000 |

| Class | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB) | Class C4 (RMB-H) | Class C5 (HKD-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (RMB) | Class I4 (RMB-H) | Class I5 (AUD-H) | Class I6 (NZD-H) | Class I7 (CAD-H) | Class I8 (GBP-H) |
|---|-------------------|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Minimum Subscription Amount | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD1,000,000 | HKD8,000,000 | RMB8,000,000 | RMB8,000,000 | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 |
| Minimum Subsequent Subscription Amount | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD120,000 | HKD1,000,000 | RMB1,000,000 | RMB1,000,000 | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 |
| Minimum Holding | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD1,000,000 | HKD8,000,000 | RMB8,000,000 | RMB8,000,000 | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 |
| Minimum Redemption Amount | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD120,000 | HKD1,000,000 | RMB800,000 | RMB800,000 | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 |

| Class | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (HKD-H) | Class X1 (USD) | Class X2 (HKD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (HKD-H) |
|---|---------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Minimum Subscription Amount | EUR1,000,000 | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | HKD8,000,000 | N/A | N/A | N/A | N/A | N/A |
| Minimum Subsequent Subscription Amount | EUR120,000 | SGD120,000 | JPY12,000,000 | CHF120,000 | HKD1,000,000 | N/A | N/A | N/A | N/A | N/A |
| Minimum Holding | EUR1,000,000 | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | HKD8,000,000 | N/A | N/A | N/A | N/A | N/A |
| Minimum Redemption Amount | EUR120,000 | SGD120,000 | JPY12,000,000 | CHF120,000 | HKD1,000,000 | N/A | N/A | N/A | N/A | N/A |

Fees

Fees payable by investors

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (RMB) | Class A4 (AUD-H) | Class A5 (NZD-H) | Class A6 (CAD-H) | Class A7 (GBP-H) | Class A8 (RMB-H) | Class A9 (EUR-H) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (HKD-H) |
|---|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Preliminary Charge (% of Issue Price) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |

| Class | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB) | Class C4 (RMB-H) | Class C5 (HKD-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (RMB) | Class I4 (RMB-H) | Class I5 (AUD-H) | Class I6 (NZD-H) | Class I7 (CAD-H) | Class I8 (GBP-H) |
|---|-------------------|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Preliminary Charge (% of Issue Price) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |

| Class | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (HKD-H) | Class X1 (USD) | Class X2 (HKD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (HKD-H) |
|---|---------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Preliminary Charge (% of Issue Price) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |

Fees payable by the Sub-Fund (% Net Asset Value of the Sub-Fund)

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (RMB) | Class A4 (AUD-H) | Class A5 (NZD-H) | Class A6 (CAD-H) | Class A7 (GBP-H) | Class A8 (RMB-H) | Class A9 (EUR-H) | Class A10 (SGD-H) | Class A11 (JPY-H) | Class A12 (CHF-H) | Class A13 (HKD-H) |
|----------------|---|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Management Fee | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | | | | |

| Class | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB) | Class C4 (RMB-H) | Class C5 (HKD-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (RMB) | Class I4 (RMB-H) | Class I5 (AUD-H) | Class I6 (NZD-H) | Class I7 (CAD-H) | Class I8 (GBP-H) |
|----------------|---|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Management Fee | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | | | | |

| Class | Class I9 (EUR-H) | Class I10 (SGD-H) | Class I11 (JPY-H) | Class I12 (CHF-H) | Class I13 (HKD-H) | Class X1 (USD) | Class X2 (HKD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (HKD-H) |
|----------------|---|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Management Fee | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0% p.a. | 0% p.a. | 0% p.a. | 0% p.a. | 0% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | |

Establishment Costs

The costs of establishment of the BOCHK All Weather Belt and Road Bond Fund are approximately USD80,000.

Dealing Day

Every Business Day.

Dealing Deadline

5 p.m. (Hong Kong time) on the relevant Dealing Day.

Dealing through the Authorised Distributor(s) or other authorised electronic means may involve different dealing procedures and an earlier cut-off time may be imposed before the Dealing Deadlines for receiving instructions. Investors should confirm the arrangements with the Authorised Distributor(s) concerned.

Subscription, Redemption and Switching of Units

For details regarding the procedures for subscription, redemption and switching, see the main part of the Explanatory Memorandum under **“Purchase of Units”**, **“Redemption of Units”** and **“Switching between classes”**.

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends.

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, 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. The Manager may also at its discretion pay dividend out of gross income while charging/paying all or part of the Sub-Fund's fees and expenses to/out of the capital of the Sub-Fund (resulting in an increase in distributable income for the payment of dividends by the Sub-Fund), and thereby effectively pay distributions out of capital of the Sub-Fund. Payment of dividends out of, or effectively out of, capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of, or effectively out of, the 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.bochkam.com. This website has not been reviewed by the SFC.

Class A1 (USD), Class A2 (HKD), Class A3 (RMB), Class A4 (AUD-H), Class A5 (NZD-H), Class A6 (CAD-H), Class A7 (GBP-H), Class A8 (RMB-H), Class A9 (EUR-H), Class A10 (SGD-H), Class A11 (JPY-H), Class A12 (CHF-H) and Class A13 (HKD-H):

For these classes of Units, it is the current intention of the Manager to declare and pay dividends on a monthly basis (or, subject to one month's prior notice to the relevant Unitholders, such other frequency as the Manager and the Trustee consider appropriate). It is intended that the first distribution will be made 3 months after the launch date of the Sub-Fund, subject to the Manager's discretion.

Investors should note that dividends, if any, may be paid from income and/or out of, or effectively out of, capital of the Sub-Fund.

Please refer to the section headed "**Distributions**" and the risk factor headed "**Distributions out of capital risk**" in the Appendix for further details.

Investors should note that there is no guarantee of regular distribution payments nor, where distribution is made, the amount being distributed, during the period investors hold the Units of the Sub-Fund.

Class C1 (USD), Class C2 (HKD), Class C3 (RMB), Class C4 (RMB-H), Class C5 (HKD-H), Class I1 (USD), Class I2 (HKD), Class I3 (RMB), Class I4 (RMB-H), Class I5 (AUD-H), Class I6 (NZD-H), Class I7 (CAD-H), Class I8 (GBP-H), Class I9 (EUR-H), Class I10 (SGD-H), Class I11 (JPY-H), Class I12 (CHF-H), Class I13 (HKD-H), Class X1 (USD), Class X2 (HKD), Class X3 (RMB) Class X4 (RMB-H) and Class X5 (HKD-H):

Currently, the Manager does not intend to make any distributions for these classes of Units.

If there is a change of the distribution policy of the Sub-Fund, the Manager will seek the prior approval of the SFC and/or provide at least one month's prior notice to Unitholders (where necessary).

Valuation

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

Reports and Accounts for the Sub-Fund

The first financial year of the Sub-Fund ended on 30 June 2019.

The first annual report in respect of the Sub-Fund was published for the period from the launch of the Sub-Fund to 30 June 2019. The first unaudited semi-annual report in respect of the Sub-Fund will be published for the half year period ended 31 December 2019.

APPENDIX X

BOCHK ALL WEATHER SHORT TERM BOND FUND

This Appendix comprises information in relation to BOCHK All Weather Short Term Bond Fund, a Sub-Fund of the Fund.

Base Currency

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

Investment Objective and Policy

The investment objective of the Sub-Fund is to provide income and capital growth from a managed portfolio of short duration fixed income securities.

Investment Strategy

The Sub-Fund aims to achieve its investment objective by investing at least 70% of its latest available Net Asset Value in fixed income securities including bonds, convertible bonds, contingent convertible bonds, bills, notes*, money market instruments and other fixed or floating rate securities issued by governments (including local governments), government agencies, supra-nationals, banks or companies, as well as deposits. The average duration of the Sub-Fund's investments as a whole is maintained at a level not exceeding 1.5 years. Such fixed income securities may be denominated in any currencies. While the Manager does not intend to focus investments in any specific country or geographical region, investments in any country or region may be concentrated, depending on the Manager's assessment of the market conditions at different times.

In respect of credit ratings of the underlying fixed income securities:

- For offshore fixed income securities issued outside of Mainland China, the Sub-Fund will invest in investment grade fixed income securities and will not invest in non-investment grade fixed income securities. In respect of the foregoing, "**investment grade**" means a rating of BBB- or above from Standard & Poor's, Baa3 or above from Moody's or an equivalent rating from any internationally recognized credit rating agency for the fixed income securities or the relevant issuer.
- For onshore fixed income securities issued in Mainland China, the Sub-Fund will invest in fixed income securities with at least AA+ and will not invest in fixed income securities rated below AA+, as assigned by one of the local rating agencies recognized by the relevant authorities of Mainland China on the fixed income securities or the relevant issuer.

* Notes (including participatory notes) will be used to obtain exposure to debt instruments from markets to which access is restricted. The exposure to participatory notes will be limited to 10% of Sub-Fund's latest available Net Asset Value.

Notwithstanding the foregoing, the Sub-Fund may invest in unrated fixed income securities, i.e. both the fixed income securities and the relevant issuer are not rated. In such case, the Manager will refer to the rating of the guarantor of the fixed income securities in order to align with the credit rating requirements as set out above (i.e. being investment grade or at least AA+ (as the case may be)).

The Sub-Fund's exposure to RMB-denominated debt securities issued in Mainland China will be obtained through available means, including but not limited to investment through the Manager's Renminbi Qualified Foreign Institutional Investor ("**RQFII**") quota, China Interbank Bond Market, mutual bond market access between Mainland China and Hong Kong ("**Bond Connect**"), or through other collective investment schemes including RQFII funds (i.e. funds that are authorized by the SFC and eligible to directly invest in the Mainland China market through RQFII) or such other means as permitted by the relevant regulatory authorities from time to time. The Sub-Fund's total investment in the Mainland China domestic market will be in aggregate up to 20% of the Sub-Fund's latest available Net Asset Value.

The Sub-Fund may invest up to 30% of its latest available Net Asset Value in collateralized and/or securitized products (such as asset backed securities or mortgage backed securities).

The Sub-Fund may also invest up to 30% of its latest available Net Asset Value in collective investment schemes (some of which may in turn invest in, inter alia, a variety of credit assets) or portfolios managed by the Manager or external asset managers, including RQFII funds and exchange traded funds ("**ETFs**") (including synthetic ETFs (i.e. ETFs that track an index by investing primarily in derivative instruments)).

The Sub-Fund's exposure to debt instruments with loss absorption features (including contingent convertible bonds, additional Tier 1 capital and Tier 2 capital instruments, subordinated debts, total loss absorbing capacity eligible securities, etc.) shall not exceed 30% of its latest available Net Asset Value. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

The Sub-Fund may invest up to 10% of its latest available Net Asset Value in urban investment bonds (i.e. debt instruments issued by local government financing vehicles ("**LGFVs**") and traded in the Mainland China exchange-traded bond market and inter-bank bond market). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investment or infrastructure projects.

Further, the Sub-Fund will not invest more than 10% of its latest available Net Asset Value in securities issued by or guaranteed by any single sovereign that is rated non-investment grade and/or unrated (including its government, public or local authority).

The Sub-Fund may temporarily hold 100% of its assets in cash or cash equivalents in adverse market conditions for the purposes of managing downside risk or liquidity, should the Manager deem such strategy necessary under exceptional circumstances such as a significant market downturn or market crisis.

The Sub-Fund will enter into financial derivative instruments, such as foreign exchange derivatives and/or interest rate derivatives, for hedging purposes. The Manager may engage in Sale and Repurchase Transactions as set out in the section "**Sale and Repurchase Transaction**" below.

Use of Derivatives

The Sub-Fund may acquire financial derivative instruments for hedging purposes only. The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's latest available Net Asset Value.

Sale and Repurchase Transaction

The Manager may, on behalf of the Sub-Fund, enter into Sale and Repurchase Transactions for up to 25% (aggregated with any borrowing) of the Sub-Fund's latest available Net Asset Value on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses only. The Manager will not engage in other Securities Financing Transactions on behalf of the Sub-Fund. Prior approval will be sought from the SFC and not less than 1 month's notice will be given to affected Unitholders if there is a change in such practice.

The Manager has a risk management policy in place in respect of Sale and Repurchase Transactions. It is the intention of the Manager to sell securities of the Sub-Fund for cash equal to the market value of the securities provided to the counterparty, subject to a haircut determined by the counterparty. The Manager will perform on-going monitoring of the value of such securities which will be marked to market on a daily basis by the counterparty and/or the Sub-Fund and where either of the parties disagrees with the value of the security determined by the other party, the security will be valued by a pre-appointed third party.

The Manager may carry out any Sale and Repurchase Transactions in respect of the Sub-Fund with or through a connected person of the Manager or the Trustee. Where Sale and Repurchase Transactions are carried out through a connected person, such transactions shall be effected on normal commercial terms negotiated at arm's length and in the best interests of the Unitholders. Where such connected party acts as counterparty they must be subject to the same selection criteria above. Relevant details including fees paid by the Sub-Fund will be disclosed in the connected party transaction section of the annual reports. Please refer to the section headed "**Conflicts of Interest**" in the main part of this Explanatory Memorandum for details.

A summary of the policy of the Manager in relation to Sale and Repurchase Transactions is set out in Schedule 2 to this Explanatory Memorandum. Please also refer to the risk factor "**Risks relating to Sale and Repurchase Transactions**" below.

Specific Risk Factors

Investors should refer to the relevant risks under the section headed “Risk Factors” in the main part of the Explanatory Memorandum, including “Market risk” and “Risks relating to hedging and the hedged classes”, and the following specific risk factors for the Sub-Fund:

Concentration risk

Depending on the Manager’s assessment of market conditions at different times, the Sub-Fund may from time to time focus its investments in certain country or region (such as the Mainland China) and its portfolio of investment may not be diversified compared to other broad-based funds. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting those country or region. Please refer to the risk factor “**Concentration risk**” in the main part of the Explanatory Memorandum.

Mainland China market risk

Investing in the Mainland China market is subject to risks specific to the Mainland China market. Please refer to the relevant risk factors “**Mainland China market risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Emerging markets risk

The Sub-Fund may invest in emerging markets. In general, investment in emerging markets is subject to a higher risk of loss. Please refer to the relevant risk factors “**Emerging markets risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Currency risk

Whilst the base currency of the Sub-Fund is US\$, the Sub-Fund’s assets may be invested in securities and other investments that are denominated in currencies different from the Sub-Fund’s base currency. Also, a class of units may be designated in a currency other than the base currency of the Sub-Fund. Although the Sub-Fund may engage in currency hedging, the value of the Sub-Fund’s investments and so the Net Asset Value of the Sub-Fund may still be affected favourably or unfavourably by fluctuations in exchange rates and by changes in exchange rate controls. Please refer to the relevant risk factor “**Currency risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Emerging markets may be subject to additional political, social, economic, regulatory and settlement risks. These factors may adversely affect the exchange rates of emerging market currencies and hence the value of the securities held by the Sub-Fund. Currencies of emerging markets may be more volatile than major world currencies such as Euro, Japanese Yen or British Pound.

The economies of emerging countries/regions are generally heavily dependent on international trade and have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries/regions with which they trade. Adverse economic developments may also result in substantial depreciation in currency exchange rates or unstable currency fluctuations.

Certain economic and political events including changes in foreign exchange policies could have a major impact on currency exchange rates. Some of the emerging countries/regions have in recent years experienced high capital inflows and high rates of inflation, which may have an impact on the exchange policy of the government or the central banks of these countries/regions. Such policies may include capital control measures or direct intervention in the currency market, leading to sudden and substantial devaluation of the local currency concerned.

Risks relating to debt securities

Investment in debt securities is subject to the credit/default risk of the issuers of the debt securities that the Sub-Fund may invest in, which may be unable or unwilling to make timely payments on principal and/or interest. Some of the securities that the Sub-Fund invests in may be unrated. In general, debt securities that have a lower credit rating (such as debt securities that are rated below investment grade (by an internationally recognised credit agency) or rated below AA+ (by a Mainland China credit rating agency)) or that are unrated will be more susceptible to the credit risk of the issuers. Please refer to the relevant risk factor “**Below investment grade and unrated securities risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against such issuers as they may be incorporated outside Hong Kong and subject to foreign laws.

Credit ratings of fixed income securities may be subject to certain limitations and do not guarantee the credit worthiness of the security and/or issuer at all times. Further, the credit appraisal system in Mainland China and the rating methodologies employed in Mainland China may be different from those employed in other markets. Credit ratings given by rating agencies in Mainland China may therefore not be directly comparable with those given by other international rating agencies.

Investment grade securities or their issuers may be subject to downgrading risk. In the event of downgrading, the risks of default may be higher, and the Sub-Fund’s investments in such securities may be adversely affected. Please refer to the relevant risk factor “**Credit rating downgrade risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Debt securities are sensitive to changes in interest rates. Please refer to the relevant risk factor “**Interest rate risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

The Sub-Fund may invest in sovereign debts which are subject to certain risks. Please refer to the relevant risk factor “**Sovereign debt risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Valuation of the Sub-Fund’s investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

Risks of investing in convertible bonds

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

Risk associated with debt instrument with loss-absorption feature

Debt instruments with loss-absorption feature are subject to greater risks when compared to traditional debt instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of pre-defined trigger events (e.g. when the issuer is near or at the point of non-viability or when the issuer's capital ratio falls to a specified level), which are likely to be outside of the issuer's control. Such trigger events are complex and difficult to predict and may result in a significant or total reduction in the value of such instruments.

In the event of activation of a trigger, there may be potential price contagion and volatility to the entire asset class. Debt instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.

The Sub-Fund may invest in senior non-preferred debts. While these instruments are generally senior to subordinated debts, they may be subject to write-down upon the occurrence of a trigger event and will no longer fall under the creditor ranking hierarchy of the issuer. This may result in total loss of principal invested.

The Sub-Fund may invest in contingent convertible bonds, which are hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level. Upon the occurrence of a predetermined event (known as a trigger event), contingent convertible bonds will be converted into shares of the issuing company (potentially at a discounted price as a result of the deterioration in the financial condition of the issuing company), or cause the permanent write-down to zero of the principal investment and/or accrued interest such that the principal amount invested may be lost on a permanent or temporary basis.

Contingent convertible bonds are risky and highly complex instruments. Coupon payments on contingent convertible bonds are discretionary and may at any point, for any reason, and for any length of time also be ceased or deferred by the issuer.

Trigger level risk: Trigger levels differ and determine exposure to conversion risk. It might be difficult for the Manager to anticipate the trigger events that would require the debt to convert into equity or write down to zero of principal investment and/or accrued interest. Trigger events may include: (i) a reduction in the issuing bank's Core Tier 1/Common Equity Tier 1 (CT1/CET1) ratio or other ratios; (ii) a regulatory authority, at any time, making a subjective determination that an institution is "non-viable", i.e. a determination that the issuing bank requires public sector support in order to prevent the issuer from becoming insolvent, bankrupt or otherwise carry on its business and requiring or causing the conversion of the contingent convertible bonds into equity or write down, in circumstances that are beyond the control of the issuer; or (iii) a national/regional authority deciding to inject capital.

Coupon cancellation: Coupon payments on some contingent convertible bonds are entirely discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time. The discretionary cancellation of payments is not an event of default and there are no possibilities to require re-instatement of coupon payments or payment of any past missed payments. Coupon payments may also be subject to approval by the issuer's regulator and may be suspended in the event there are insufficient distributable reserves. As a result of uncertainty surrounding coupon payments, contingent convertible bonds may be volatile and their price may decline rapidly in the event that coupon payments are suspended.

Capital structure inversion risk: Contrary to the classic capital hierarchy, the Sub-Fund investing in contingent convertible bonds may suffer a loss of capital while equity holders do not, for example, when the loss absorption mechanism of a high trigger/write-down of a contingent convertible bond is activated. This is contrary to the normal order of the capital structure where equity holders are expected to suffer the first loss.

Call extension risk: Some contingent convertible bonds are issued as perpetual instruments and only callable at predetermined levels upon approval of the competent regulatory authority. It cannot be assumed that these perpetual contingent convertible bonds will be called on a call date. Contingent convertible bonds are a form of permanent capital. The Sub-Fund investing in contingent convertible bonds may not receive return of principal as expected on call date or indeed at any date.

Conversion risk: Trigger levels differ between specific contingent convertible bonds and determine exposure to conversion risk. It might be difficult at times for the Manager to assess how the contingent convertible bonds will behave upon conversion. In case of conversion into equity, the Manager might be forced to sell these new equity shares subject to the investment strategy of the Sub-Fund. Given the trigger event is likely to be an event depressing the value of the issuer's common equity, this forced sale may result in the Sub-Fund experiencing some losses.

Valuation and write-down risk: Contingent convertible bonds often offer attractive yield which may be viewed as a complexity premium. The value of contingent convertible bonds may need to be reduced due to a higher risk of overvaluation of such asset class on the relevant eligible markets. Therefore, the Sub-Fund may lose the entire investment value or may be required to accept cash or securities with a value less than the original investment.

Market value fluctuations due to unpredictable factors: The value of contingent convertible bonds is unpredictable and will be influenced by many factors including, without limitation (i) creditworthiness of the issuer and/or fluctuations in such issuer's applicable capital ratios; (ii) supply and demand for the contingent convertible bonds; (iii) general market conditions and available liquidity; and (iv) economic, financial and political events that affect the issuer, its particular market or the financial markets in general.

Liquidity risk: In certain circumstances finding a buyer ready to invest in contingent convertible bonds may be difficult and the Sub-Fund may have to accept a significant discount to the expected value of the contingent convertible bonds to sell them.

Sector concentration risk: Contingent convertible bonds are issued by banking and insurance institutions. Investment in contingent convertible bonds may lead to an increased sector concentration risk. The performance of the Sub-Fund which invest significantly in contingent convertible bonds may therefore be affected by a greater extent on the overall condition of the financial services industry than for the funds following a more diversified strategy.

Subordinated instruments: Contingent convertible bonds will, in the majority of circumstances, be issued in the form of subordinated debt instruments in order to provide the appropriate regulatory capital treatment prior to a conversion. Accordingly, in the event of liquidation, dissolution or winding-up of an issuer prior to a conversion having occurred, the rights and claims of the holders of the contingent convertible bonds, such as the Sub-Fund, against the issuer in respect of or arising under the terms of the contingent convertible bonds shall generally rank junior to the claims of all holders of unsubordinated obligations of the issuer.

Novelty and untested nature: The structure of contingent convertible bonds is innovative yet untested. In a stressed environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform.

Risks of investing in notes

Investment in notes (such as participatory notes) is subject to the credit risk of the issuer and these instruments may be illiquid. Please refer to the relevant risk factors “**Derivative and structured product risk**” and “**Liquidity risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Exposure to shares or bonds may be obtained through investment in participatory notes. Participatory notes may not be listed and are subject to the terms and conditions imposed by their issuer. These terms may lead to delays in implementing the Sub-Fund’s investment strategy due to restrictions on the issuer acquiring or disposing of the securities underlying the participatory notes. Investment in participatory notes can be illiquid as there is no active market in participatory notes. In order to meet redemption requests, the Sub-Fund relies upon the counterparty issuing the participatory notes to quote a price to unwind any part of the participatory notes. This price will reflect the market liquidity conditions and the size of the transaction.

By seeking exposure to investments in certain listed securities through participatory notes, the Sub-Fund is exposed to the credit risk of the issuer of the participatory notes. There is a risk that the issuer will not settle a transaction due to a credit or liquidity problem, thus causing the Sub-Fund to suffer a loss.

An investment in a participatory notes is not an investment directly in the underlying securities themselves. An investment in the participatory notes does not entitle the participatory notes holder to the beneficial interest in the underlying securities nor to make any claim against the company issuing the underlying securities. Investment through participatory notes may lead to a dilution of performance of the Sub-Fund when compared to a fund investing directly in similar assets.

Risks of investing in other collective investment schemes

The Sub-Fund will be subject to the risks associated with the underlying funds when investing in other funds. The Sub-Fund does not have control of the investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved which may have a negative impact to the Net Asset Value of the Sub-Fund.

The underlying collective investment schemes in which the Sub-Fund may invest may not be regulated by the SFC. There may be additional costs involved when investing into these underlying collective investment schemes. There is also no guarantee that the underlying collective investment schemes will always have sufficient liquidity to meet the Sub-Fund’s redemption requests as and when made.

If the Sub-Fund invests in an underlying fund managed by the Manager or a connected person of the Manager, all initial charges on such underlying fund will be waived. The Manager may not obtain a rebate on any fees or charges levied by such underlying fund or its manager. Where potential conflicts of interest arise, the Manager will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section headed “**Conflicts of Interest**” in the main part of the Explanatory Memorandum.

Risks relating to Exchange-traded funds (ETFs)

The trading prices of units/shares in an ETF may be at a discount or premium to the net asset value of the units/shares of such ETF due to various factors such as supply and demand forces in the secondary trading market for such units/shares in the ETF. This price discrepancy may be particularly likely to emerge during periods of high market volatility and uncertainty. Valuation of units/shares in an ETF will primarily be made by reference to the last traded price. Where the Sub-Fund buys at a premium, it may suffer losses even if the net asset value is higher when it sells the relevant share/units in the ETF, and it may not fully recover its investment in the event of termination of the ETF.

In addition, an ETF may not be able to perfectly track the index it is designed to track, because of fees and expenses, imperfect correlation between the ETF's assets and the underlying securities within the relevant tracking index, adjustments to the tracking index and regulatory policies. The return from investing in an ETF may therefore deviate from the return of its tracking index.

An ETF which is designed to track a market index is not "**actively managed**", therefore when there is a decline in the relevant index, the ETF will also decrease in value. The ETF may not adopt any temporary defensive position against market downturns. The Sub-Fund may lose part or all of its investment in the ETF.

There can be no assurance that an active trading market will exist or be maintained for units/shares of an ETF on any securities exchange on which units/shares of an ETF may be traded.

Synthetic ETFs typically invest in derivative instruments to replicate the performance of an underlying index. Investment in synthetic ETFs will be subject to the credit risk of the counterparties who issue the derivatives. If the counterparties default, the Sub-Fund may suffer substantial losses of its investment in the relevant ETFs. Since derivative issuers are predominantly international financial institutions, the failure of one derivative counterparty could potentially have a "**knock on**" effect on other counterparties. Some synthetic ETFs have collateral to reduce the counterparty risks but if the market value of the collateral has fallen substantially, the ETFs may suffer losses when they seek to realise the collateral. The Sub-Fund's investment in the ETFs will suffer losses accordingly.

Risks relating to RQFII and RQFII funds

The Sub-Fund is not a RQFII but may obtain access to securities and instruments issued or distributed within Mainland China directly using RQFII quota of a RQFII, or through RQFII funds, and may be subject to the following risks. The Manager is a RQFII Holder.

Risks relating to RMB denominated securities: Securities in the Mainland China securities market are denominated in RMB. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. Please refer to the relevant risk factors "**RMB currency risk**" and "**RMB foreign exchange control risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Risks relating to the Renminbi Qualified Foreign Institutional Investor (RQFII) regime: Investors should note that RQFII status could be suspended or revoked, which may have an adverse effect on the Sub-Fund's performance as the Sub-Fund may be required to dispose of its securities holdings. Investment through the RQFII regime is subject to the availability of RQFII quota. There is no assurance that the RQFII Holder will continue to maintain its RQFII status or to make available its RQFII quota, or sufficient quota will be available for investment by the Sub-Fund or a RQFII fund. Therefore the Sub-Fund's ability to obtain exposure to the Mainland China securities market may be limited by the availability of RQFII quota.

RQFII quotas are generally granted to the RQFII Holder. The rules and restrictions under RQFII regulations, generally apply to the RQFII Holder as a whole and not simply to the investments made by the Sub-Fund.

Repatriation and liquidity risks: Repatriations of capital and net profits out of Mainland China by the Sub-Fund via a RQFII or RQFII funds that are open-ended funds are currently not subject to repatriation restrictions (such as lock up periods) or prior approval, but there is no guarantee that restrictions will not be imposed in future. Any restrictions on repatriation of the invested capital and net profits out of Mainland China may impact on the relevant fund's ability to meet redemption requests from the Sub-Fund. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the control of the Manager (or the manager of a RQFII fund). Therefore, the Sub-Fund may be subject to liquidity risk.

Legal and regulatory risk: The application of the rules relevant to RQFII may depend on the interpretation given by the relevant Mainland regulatory authorities. Any changes to the relevant rules may have an adverse impact on investments made by the Sub-Fund or the RQFII funds and hence the Sub-Fund's performance. The current RQFII rules and regulations are subject to change, which may take retrospective effect. For an RQFII fund, in the worst case, the relevant RQFII fund may be terminated if it is not legal or viable to operate because of changes to the application of the relevant rules. The Sub-Fund's holdings in the relevant the RQFII fund will be realised in case of such termination, and the Sub-Fund may suffer losses in its initial investment in such fund.

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

Mainland China brokerage risk: In relation to the Sub-Fund's investments issued and transacted within the Mainland China, execution and settlement of transactions or the transfer of any funds or securities may be arranged for or conducted by Mainland Brokers appointed by RQFII Holder and/or the RQFII Custodian appointed by the RQFII Holder jointly with the Custodian. There is a risk that the Sub-Fund may suffer losses from the default, bankruptcy or disqualification of the Mainland Brokers and/or the RQFII Custodian. In such event, the Sub-Fund may be adversely affected in the execution or settlement of any transaction or in the transfer of any funds or securities.

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

Risks relating to RQFII funds that are exchange traded funds (RQFII ETFs): Investment in RQFII ETFs is subject to RMB currency risk and risks associated with the RQFII regime set out above. In addition:

- (a) RQFII ETFs typically seek to track a particular China A-Share market index by directly investing in the China A-Shares constituting such market index using RQFII quota. As with other exchange traded funds, RQFII ETFs are subject to tracking error risks (i.e. the returns of a RQFII ETF may deviate from the performance of the index it is designed to track) due to a number of factors.

The Sub-Fund will trade units in RQFII ETFs on the Stock Exchange of Hong Kong (where trading prices are affected by market factors such as demand and supply). The trading days or hours of the Mainland China and Hong Kong stock markets are not exactly the same and this may affect the RQFII ETFs' ability to track the market index. Further, any suspension due to a trading band limit in the Mainland China stock markets may render it impossible for the RQFII ETFs to acquire certain index security, increasing the tracking error. These factors may result in the RQFII ETFs' units being traded at a substantial premium or discount to their net asset value.

- (b) RQFII ETFs involve cross-border transfer of funds. They may be riskier than traditional exchange traded funds investing directly in markets other than the Mainland China. The operation of RQFII ETFs depends heavily on the expertise and infrastructure of the RQFII ETF's manager (or its mainland parent company). There is no assurance that the RQFII ETFs will be operated as envisaged and the Sub-Fund may sustain a loss in its investment and the Sub-Fund may suffer a loss.

RMB currency risk/Risks relating to RMB denominated securities

Investors may invest in RMB/RMB-hedged Units of the Sub-Fund. Non-RMB based investors (e.g. Hong Kong investors) may have to convert Hong Kong dollar or other currency(ies) into RMB when investing in RMB/RMB-hedged Units and subsequently convert the RMB redemption proceeds and/or dividend payment (if any) back to Hong Kong dollar or such other currency(ies). Investors will incur currency conversion costs and may suffer losses depending on the exchange rate movements of RMB relative to Hong Kong dollar or such other currencies and by changes in exchange rate controls.

Class denominated in RMB will generally be valued with reference to the offshore RMB (known as “**CNH**”) rather than the onshore RMB (known as “**CNY**”). While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently. 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 investors.

The Sub-Fund may have exposure to securities that are denominated in RMB. Investment in the Sub-Fund will be subject to RMB currency risks. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. There is no guarantee that RMB will not depreciate. The Sub-Fund may suffer losses in case of depreciation of RMB. Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB. Please refer to the relevant risk factors “**RMB currency risk**” and “**RMB foreign exchange control risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks associated with China Interbank Bond Market and Bond Connect

Insofar as the Sub-Fund invests through China Interbank Bond Market, investors should refer to the associated risks set out in the risk factor “**Risks associated with China Interbank Bond Market and Bond Connect**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

“Dim Sum” bond market risks

The “Dim Sum” bond (i.e. bonds issued outside of Mainland China but denominated in RMB) market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the “Dim Sum” bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalization of the offshore RMB (CNH) market by the relevant regulator(s).

Risks of investing in urban investment bonds

Urban investment bonds are issued by local government financing vehicles (“**LGFVs**”), such bonds are typically not guaranteed by local governments or the central government of PRC. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the Sub-Fund could suffer substantial loss and the Net Asset Value of the Sub-Fund could be adversely affected.

Currency risk/hedging risk

Because the Sub-Fund's assets and liabilities may be denominated in currencies different from the Sub-Fund's base currency (US\$), the Sub-Fund may be affected unfavourably by changes in the exchange rates between the Sub-Fund's base currency and other currencies. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions. Changes in currency exchange rates may influence the value of the Sub-Fund's investments and hence the value of Units in terms of the Sub-Fund's base currency. An investor may suffer losses arising from changes in currency exchange rates of investments held by the Sub-Fund.

The Manager may, in accordance with the investment strategy, use hedging techniques to attempt to offset currency risks, including hedging the currencies in which the underlying assets of the Sub-Fund are denominated against the Sub-Fund's base currency. There is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result. There can be no assurance that any currency hedging strategy employed by the Manager will fully and effectively eliminate the currency exposure of the Sub-Fund.

Risks associated with collateralized and/or securitized products such as asset backed securities (including asset backed commercial papers) or mortgage backed securities

The Sub-Fund may invest in collateralized and/or securitized products such as asset backed securities (including asset backed commercial papers) or mortgage backed securities which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligation relating to the underlying assets are not met, which may adversely impact the returns of the securities.

Mainland China tax considerations in respect of the Sub-Fund

By investing in Mainland China securities, the Sub-Fund may be subject to withholding income tax ("**WIT**"), value added tax ("**VAT**") and other taxes imposed in Mainland China. Investors should refer to the heading "**Mainland China**" in the section headed "**Taxation**" for further details.

Tax Provision

It is the intention of the Manager to operate the affairs of the Manager and the Sub-Fund such that they are not Mainland China tax resident enterprises and have no establishment or place of business ("**PE**") in Mainland China for Mainland China CIT purposes, although this is not guaranteed.

The Sub-Fund will invest in Mainland China debt securities.

Under the prevailing CIT Law, there is no specific provision on whether capital gains derived by a non-resident investor (including the Sub-Fund) from disposal of Mainland China debt instruments (e.g. bonds issued by Mainland China companies) would be considered as Mainland China sourced income and subject to Mainland China WIT at 10%. Based on the current interpretation of the STA and the local tax authorities, gains derived by foreign investors (including the Sub-Fund) from investment in Mainland China debt securities should not be treated as Mainland China sourced income thus should not be subject to Mainland China WIT. Under the current practice, no WIT is imposed on capital gains derived by non-residents from disposal of Mainland China debt instruments. If the relevant interpretation/practice changes in the future, the Fund/Sub-Fund(s) may still turn to certain treaty relief applicable to Hong Kong tax residents.

The prevailing VAT regulations do not specifically exempt VAT on interest income received by QFIs, RQFIs and qualified foreign financial institutions for directly investing in CIBM or via Bond Connect ("**CIBM investor**") from investments in Mainland China debt securities. Interest income received by QFIs, RQFIs and CIBM investors from investment in Mainland China debt securities shall be subject to 6% VAT unless a special exemption applies. According to Caishui [2016] No. 36 (the "**Notice 36**"), deposit interest income is not subject to VAT and interest income earned on PRC government bonds issued by the Ministry of Finance ("**MOF**"), or bonds issued by local government of a province, autonomous regions, and municipalities directly under the Central Government or municipalities separately listed on the state plan, as approved by the State Council, is exempted from VAT.

In addition, urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), education surcharge (currently at the rate of 3%) and local education surcharge (currently at 2%) are imposed based on the VAT liabilities.

On 22 November 2018, the MOF and STA released Circular 108 on tax treatment for OIs investing in China bond market dated 7 November 2018.

Circular 108 mentioned that the interest income of the bonds derived by OIs in the China bond market is exempted from WIT and VAT for three years effective from 7 November 2018 to 6 November 2021.

The Manager, having taken and considered the independent professional tax advice and in accordance with such advice, has determined that

- (1) No Mainland China WIT provision will be made on the gross realized and unrealized capital gains from the disposal of Mainland China debt securities, and no Mainland China WIT provision will be provided on the interest income from Mainland China fixed income instruments derived for the period from 7 November 2018 to 6 November 2021.
- (2) A 6% VAT provision will be made on the interest income derived from Mainland China fixed income instruments (other than (i) interest income from PRC government bonds issued by the Ministry of Finance or approved local government bonds and (ii) interest income from Mainland China fixed income instruments derived for the period from 7 November 2018 to 6 November 2021). Local surcharges at 12% of the VAT amount will also be made.

Any Mainland China WIT/VAT provision made by the Manager in respect of the Sub-Fund may be lower than or higher than the Sub-Fund's actual tax liabilities. It should also be noted that there is a possibility of the Mainland China tax rules being changed and taxes being applied retrospectively. The Manager, acting in the best interest of Unitholders, will assess the tax provisioning approach on an on-going basis.

If the actual tax levied by STA is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund.

On the other hand, the actual tax liabilities may be lower than the tax provision made, in which case those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager, will as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund.

Risks relating to Sale and Repurchase Transactions

Market risk and counterparty risk: In the event of the failure of the counterparty with which collateral has been placed, the Sub-Fund may suffer loss as there may be delays in recovering collateral placed out or the cash originally received may be less than the collateral placed with the counterparty due to inaccurate pricing of the collateral or market movements.

In respect of the collateral which has been placed with the counterparty, there is a risk that the value of the collateral placed with the counterparty is higher than that of the cash originally received owing to factors including the value of the collateral placed having exceeded the cash received, incorrect pricing, market appreciation in the value of the collateral or an improvement in the credit rating of the issuer of the collateral. Whilst the increased value of collateral, which is to be marked to market on a daily basis, could be fully protected by requiring a return of the collateral and/or margin calls to the counterparty, investors must note that if the counterparty of such transactions becomes insolvent or refuses to honour its obligations to return the relevant securities, the Sub-Fund would experience delays in recovering its securities and may possibly incur a capital loss.

The security collateral provided by the Sub-Fund to the counterparty is normally marked to market daily by the counterparty and/or the Sub-Fund and where either of the parties disagrees with the value of the security collateral determined by the other party, the security collateral will be valued by a pre-appointed third party. The counterparty is subject to a higher risk in a Sale and Repurchase Transaction (such as the risk of default by the Sub-Fund to repurchase the security from the counterparty at a pre-determined future date). In the event that the value of the collateral placed with the counterparty falls by a value that exceeds the threshold pre-determined by the counterparty, due to factors including adverse market movements or a downgrade in the credit rating of the collateral, the Sub-Fund may be required to top up the value by changing the security collateral or provide a margin. Although the Sub-Fund may be required to post a margin for maintaining such transaction, the Sub-Fund may terminate the transaction at any time in order to avoid any further margin or risk.

Distributions out of capital risk

Distributions may be paid out of the capital of the Sub-Fund. The Manager may distribute out of the capital of the Sub-Fund if the net distributable income attributable to the relevant class of Units during the relevant period is insufficient to pay distributions as declared. The Manager may also at its discretion pay dividend out of gross income while charging/paying all or part of the Sub-Fund's fees and expenses to/out of the capital of the Sub-Fund (resulting in an increase in distributable income for the payment of dividends by the Sub-Fund), and thereby effectively pay distributions out of capital of the Sub-Fund. **Investors should note that the payment of distributions out of, or effectively out of, capital represents a return or a withdrawal of part of the amount the investors originally invested or capital gain attributable to that original amount. Distributions will result in an immediate decrease in the Net Asset Value of the relevant Units.**

The distribution amount and Net Asset Value of the hedged classes may be adversely affected by differences in the interest rates of the reference currency of the hedged classes 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 classes.

Available Classes

The following classes of Units have been established and may be made available for sale from time to time. The Manager has an absolute discretion to determine from time to time the availability of any Class of Units to any investor. Investors should check with the Manager whether any class of Units is currently offered.

| Class | Class currency | Investors to whom the class is available |
|-------------------|-----------------------------|---|
| Class A1 (USD) | United States Dollar | Retail public |
| Class A2 (HKD) | Hong Kong Dollar | Retail public |
| Class A3 (RMB) | Renminbi | Retail public |
| Class A4 (RMB-H) | Renminbi (Hedged) | Retail public |
| Class A5 (HKD-H) | Hong Kong Dollar (Hedged) | Retail public |
| Class A6 (EUR-H) | Euro (Hedged) | Retail public |
| Class A7 (GBP-H) | British Pound (Hedged) | Retail public |
| Class A8 (CAD-H) | Canadian Dollar (Hedged) | Retail public |
| Class A9 (AUD-H) | Australian Dollar (Hedged) | Retail public |
| Class A10 (NZD-H) | New Zealand Dollar (Hedged) | Retail public |
| Class A11 (SGD-H) | Singapore Dollar (Hedged) | Retail public |
| Class A12 (JPY-H) | Japanese Yen (Hedged) | Retail public |
| Class A13 (CHF-H) | Swiss Franc (Hedged) | Retail public |
| Class C1 (USD) | United States Dollar | Retail public |
| Class C2 (HKD) | Hong Kong Dollar | Retail public |
| Class C3 (RMB) | Renminbi | Retail public |
| Class C4 (RMB-H) | Renminbi (Hedged) | Retail public |
| Class C5 (HKD-H) | Hong Kong Dollar (Hedged) | Retail public |
| Class I1 (USD) | United States Dollar | Institutional clients |
| Class I2 (HKD) | Hong Kong Dollar | Institutional clients |

| Class | Class currency | Investors to whom the class is available |
|-------------------|-----------------------------|---|
| Class I3 (RMB) | Renminbi | Institutional clients |
| Class I4 (RMB-H) | Renminbi (Hedged) | Institutional clients |
| Class I5 (HKD-H) | Hong Kong Dollar (Hedged) | Institutional clients |
| Class I6 (EUR-H) | Euro (Hedged) | Institutional clients |
| Class I7 (GBP-H) | British Pound (Hedged) | Institutional clients |
| Class I8 (CAD-H) | Canadian Dollar (Hedged) | Institutional clients |
| Class I9 (AUD-H) | Australian Dollar (Hedged) | Institutional clients |
| Class I10 (NZD-H) | New Zealand Dollar (Hedged) | Institutional clients |
| Class I11 (SGD-H) | Singapore Dollar (Hedged) | Institutional clients |
| Class I12 (JPY-H) | Japanese Yen (Hedged) | Institutional clients |
| Class I13 (CHF-H) | Swiss Franc (Hedged) | Institutional clients |
| Class X1 (USD) | United States Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X2 (HKD) | Hong Kong Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X3 (RMB) | Renminbi | For use by the Manager itself and in managing segregated portfolios |
| Class X4 (RMB-H) | Renminbi (Hedged) | For use by the Manager itself and in managing segregated portfolios |
| Class X5 (HKD-H) | Hong Kong Dollar (Hedged) | For use by the Manager itself and in managing segregated portfolios |

For classes of Units launched subsequent to the initial offer period of the Sub-Fund, the initial issue of such class Units will be made at the prevailing Issue Price of Class A Units denominated in the same currency or Class A Units denominated in the base currency (exclusive of preliminary charge).

Investment Minima

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (RMB) | Class A4 (RMB-H) | Class A5 (HKD-H) | Class A6 (EUR-H) | Class A7 (GBP-H) | Class A8 (CAD-H) | Class A9 (AUD-H) | Class A10 (NZD-H) | Class A11 (SGD-H) | Class A12 (JPY-H) | Class A13 (CHF-H) |
|---|---------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Minimum Subscription Amount | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | EUR1,000 | GBP1,000 | CAD1,000 | AUD1,000 | NZD2,000 | SGD1,000 | JPY100,000 | CHF1,000 |
| Minimum Subsequent Subscription Amount | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | EUR1,000 | GBP1,000 | CAD1,000 | AUD1,000 | NZD2,000 | SGD1,000 | JPY100,000 | CHF1,000 |
| Minimum Holding | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | EUR1,000 | GBP1,000 | CAD1,000 | AUD1,000 | NZD2,000 | SGD1,000 | JPY100,000 | CHF1,000 |
| Minimum Redemption Amount | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | EUR1,000 | GBP1,000 | CAD1,000 | AUD1,000 | NZD2,000 | SGD1,000 | JPY100,000 | CHF1,000 |
| Class | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB) | Class C4 (RMB-H) | Class C5 (HKD-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (RMB) | Class I4 (RMB-H) | Class I5 (HKD-H) | Class I6 (EUR-H) | Class I7 (GBP-H) | Class I8 (CAD-H) |
| Minimum Subscription Amount | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD1,000,000 | HKD8,000,000 | RMB8,000,000 | RMB8,000,000 | HKD8,000,000 | EUR1,000,000 | GBP1,000,000 | CAD1,000,000 |
| Minimum Subsequent Subscription Amount | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD120,000 | HKD1,000,000 | RMB1,000,000 | RMB1,000,000 | HKD1,000,000 | EUR120,000 | GBP120,000 | CAD120,000 |
| Minimum Holding | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD1,000,000 | HKD8,000,000 | RMB8,000,000 | RMB8,000,000 | HKD8,000,000 | EUR1,000,000 | GBP1,000,000 | CAD1,000,000 |
| Minimum Redemption Amount | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD120,000 | HKD1,000,000 | RMB800,000 | RMB800,000 | HKD1,000,000 | EUR120,000 | GBP120,000 | CAD120,000 |
| Class | Class I9 (AUD-H) | Class I10 (NZD-H) | Class I11 (SGD-H) | Class I12 (JPY-H) | Class I13 (CHF-H) | Class X1 (USD) | Class X2 (HKD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (HKD-H) | | | |
| Minimum Subscription Amount | AUD1,000,000 | NZD1,000,000 | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | N/A | N/A | N/A | N/A | N/A | | | |
| Minimum Subsequent Subscription Amount | AUD120,000 | NZD120,000 | SGD120,000 | JPY12,000,000 | CHF120,000 | N/A | N/A | N/A | N/A | N/A | | | |
| Minimum Holding | AUD1,000,000 | NZD1,000,000 | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | N/A | N/A | N/A | N/A | N/A | | | |
| Minimum Redemption Amount | AUD120,000 | NZD120,000 | SGD120,000 | JPY12,000,000 | CHF120,000 | N/A | N/A | N/A | N/A | N/A | | | |

Fees

Fees payable by investors

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (RMB) | Class A4 (RMB-H) | Class A5 (HKD-H) | Class A6 (EUR-H) | Class A7 (GBP-H) | Class A8 (CAD-H) | Class A9 (AUD-H) | Class A10 (NZD-H) | Class A11 (SGD-H) | Class A12 (JPY-H) | Class A13 (CHF-H) |
|---|---------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Preliminary Charge (% of Issue Price) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |
| Class | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB) | Class C4 (RMB-H) | Class C5 (HKD-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (RMB) | Class I4 (RMB-H) | Class I5 (HKD-H) | Class I6 (EUR-H) | Class I7 (GBP-H) | Class I8 (CAD-H) |
| Preliminary Charge (% of Issue Price) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |
| Class | Class I9 (AUD-H) | Class I10 (NZD-H) | Class I11 (SGD-H) | Class I12 (JPY-H) | Class I13 (CHF-H) | Class X1 (USD) | Class X2 (HKD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (HKD-H) | | | |
| Preliminary Charge (% of Issue Price) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | | | |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | | | |
| Switching Charge (% of the Issue Price of the new class) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | | | |

Fees payable by the Sub-Fund (% Net Asset Value of the Sub-Fund)

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (RMB) | Class A4 (RMB-H) | Class A5 (HKD-H) | Class A6 (EUR-H) | Class A7 (GBP-H) | Class A8 (CAD-H) | Class A9 (AUD-H) | Class A10 (NZD-H) | Class A11 (SGD-H) | Class A12 (JPY-H) | Class A13 (CHF-H) |
|----------------|---|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Management Fee | 0.3% p.a. | 0.3% p.a. | 0.3% p.a. | 0.3% p.a. | 0.3% p.a. | 0.3% p.a. | 0.3% p.a. | 0.3% p.a. | 0.3% p.a. | 0.3% p.a. | 0.3% p.a. | 0.3% p.a. | 0.3% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | | | | |

| Class | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB) | Class C4 (RMB-H) | Class C5 (HKD-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (RMB) | Class I4 (RMB-H) | Class I5 (HKD-H) | Class I6 (EUR-H) | Class I7 (GBP-H) | Class I8 (CAD-H) |
|----------------|---|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Management Fee | 0.3% p.a. | 0.3% p.a. | 0.3% p.a. | 0.3% p.a. | 0.3% p.a. | 0.2% p.a. | 0.2% p.a. | 0.2% p.a. | 0.2% p.a. | 0.2% p.a. | 0.2% p.a. | 0.2% p.a. | 0.2% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | | | | |

| Class | Class I9 (AUD-H) | Class I10 (NZD-H) | Class I11 (SGD-H) | Class I12 (JPY-H) | Class I13 (CHF-H) | Class X1 (USD) | Class X2 (HKD) | Class X3 (RMB) | Class X4 (RMB-H) | Class X5 (HKD-H) |
|----------------|---|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Management Fee | 0.2% p.a. | 0.2% p.a. | 0.2% p.a. | 0.2% p.a. | 0.2% p.a. | 0% p.a. | 0% p.a. | 0% p.a. | 0% p.a. | 0% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | |

Establishment Costs

The costs of establishment of the BOCHK All Weather Short Term Bond Fund are approximately USD80,000.

Dealing Day

Every Business Day.

Dealing Deadline

12 noon (Hong Kong time) on the relevant Dealing Day.

Dealing through the Authorised Distributor(s) or other authorised electronic means may involve different dealing procedures and an earlier cut-off time may be imposed before the Dealing Deadlines for receiving instructions. Investors should confirm the arrangements with the Authorised Distributor(s) concerned.

Subscription, Redemption and Switching of Units

For details regarding the procedures for subscription, redemption and switching, see the main part of the Explanatory Memorandum under “**Purchase of Units**”, “**Redemption of Units**” and “**Switching between classes**”.

Notwithstanding the disclosure under the sub-sections headed “**Subsequent Subscription**” and “**Payment of Redemption Proceeds**” in the main part of the Explanatory Memorandum, the Issue Price and the Redemption Price of the Sub-Fund shall be calculated as follows:–

- the Issue Price of the Sub-Fund on any Dealing Day will be the Net Asset Value of the relevant class of Units of the Sub-Fund as at the Valuation Point in respect of the Dealing Day divided by the number of such class of Units then in issue, rounded to 4 decimal places with 0.00005 being rounded up; and
- the Redemption Price of the Sub-Fund on any Dealing Day shall be the price per Unit ascertained by dividing the Net Asset Value of the relevant class of the Sub-Fund as at the Valuation Point in respect of the Dealing Day by the number of such class of Units then in issue rounded to 4 decimal places with 0.00005 being rounded up.

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends.

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, 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. The Manager may also at its discretion pay dividend out of gross income while charging/paying all or part of the Sub-Fund's fees and expenses to/out of the capital of the Sub-Fund (resulting in an increase in distributable income for the payment of dividends by the Sub-Fund), and thereby effectively pay distributions out of capital of the Sub-Fund. Payment of dividends out of, or effectively out of, capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of, or effectively out of, the 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.bochkam.com. This website has not been reviewed by the SFC.

Class A1 (USD), Class A2 (HKD), Class A3 (RMB), Class A4 (RMB-H) Class A5 (HKD-H), Class A6 (EUR-H), Class A7 (GBP-H), Class A8 (CAD-H), Class A9 (AUD-H), Class A10 (NZD-H), Class A11 (SGD-H), Class A12 (JPY-H) and Class A13 (CHF-H):

For these classes of Units, it is the current intention of the Manager to declare and pay dividends on a quarterly basis (or, subject to one month's prior notice to the relevant Unitholders, such other frequency as the Manager and the Trustee consider appropriate). It is intended that the first distribution will be made 3 months after the launch date of the Sub-Fund, subject to the Manager's discretion.

Investors should note that dividends, if any, may be paid from income and/or out of, or effectively out of, capital of the Sub-Fund.

Please refer to the section headed "**Distributions**" and the risk factor headed "**Distributions out of capital risk**" in the Appendix for further details.

Investors should note that there is no guarantee of regular distribution payments nor, where distribution is made, the amount being distributed, during the period investors hold the Units of the Sub-Fund.

Class C1 (USD), Class C2 (HKD), Class C3 (RMB), Class C4 (RMB-H), Class C5 (HKD-H), Class I1 (USD), Class I2 (HKD), Class I3 (RMB), Class I4 (RMB-H), Class I5 (HKD-H), Class I6 (EUR-H), Class I7 (GBP-H), Class I8 (CAD-H), Class I9 (AUD-H), Class I10 (NZD-H), Class I11 (SGD-H), Class I12 (JPY-H), Class I13 (CHF-H), Class X1 (USD), Class X2 (HKD), Class X3 (RMB), Class X4 (RMB-H) and Class X5 (HKD-H):

Currently, the Manager does not intend to make any distributions for these classes of Units.

If there is a change of the distribution policy of the Sub-Fund, the Manager will seek the prior approval of the SFC and/or provide at least one month's prior notice to Unitholders (where necessary).

Valuation

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

APPENDIX XI

BOCHK ALL WEATHER GREATER BAY AREA STRATEGY FUND

This Appendix comprises information in relation to BOCHK All Weather Greater Bay Area Strategy Fund, a Sub-Fund of the Fund.

Base Currency

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

Investment Objective and Policy

The investment objective of the Sub-Fund is to provide income and capital growth over medium to longer term by investing primarily in fixed income securities issued by governments, government agencies, supra-nationals, banks or companies which are domiciled in or derive revenue from or have business or economic activities in the Greater Bay Area* or are denominated in Greater Bay Area currencies (including Renminbi, Hong Kong Dollar or Macau Pataca), as well as deposits with the aforementioned banks or financial institutions.

* “Greater Bay Area” in the context of this Sub-Fund is defined as the Special Administrative Region of Hong Kong and the Special Administrative Region of Macau and the relevant municipalities in Guangdong province in the Mainland China.

Investment Strategy

The Sub-Fund aims to achieve its investment objective by investing at least 70% of its latest available Net Asset Value in fixed income securities including bonds, convertible bonds, contingent convertible bonds, bills, notes, money market instruments and other fixed or floating rate securities issued by governments (including local governments), government agencies, supra-nationals, banks, financial institutions or companies which are domiciled in or derive revenue from or have business or economic activities in the Greater Bay Area or are denominated in Greater Bay Area currencies, as well as deposits with the aforementioned banks or financial institutions.

The Sub-Fund does not have a specific requirement on the credit ratings of the underlying fixed income securities and may invest in investment/recognized grade, non-investment/non-recognized grade and unrated fixed income securities. For offshore fixed income securities issued outside of Mainland China, "investment grade" means a rating of BBB- or above from Standard & Poor's, Baa3 or above from Moody's or an equivalent rating from any internationally recognized credit rating agency for the fixed income securities or the relevant issuer. For onshore fixed income securities issued in Mainland China, "recognized grade" means at least AA+ as assigned by one of the local rating agencies recognized by the relevant authorities of Mainland China on the fixed income securities or the relevant issuer. If both the fixed income securities and the relevant issuer are not rated, then the fixed income securities will be classified as unrated. In selecting unrated fixed income securities, the Manager will apply its internal credit rating to determine the credit quality.

The Sub-Fund may also invest in aggregate less than 30% of its latest available Net Asset Value in (i) fixed income securities consisting of bonds, convertible bonds, contingent convertible bonds, bills, notes, money market instruments and other fixed or floating rate securities issued by governments, government agencies, supra-nationals, banks or companies outside the Greater Bay Area and not denominated in Greater Bay Area currencies; (ii) collective investment schemes or portfolios managed by the Manager or external asset managers, including RQFII funds and exchange traded funds ("**ETFs**") (including synthetic ETFs (i.e. ETFs that track an index by investing primarily in derivative instruments)); and (iii) other asset classes (the Sub-Fund's exposure to each of which will not exceed 10% of its latest available Net Asset Value), such as equity securities, American Depositary Receipts ("**ADRs**") and real estate investment trusts ("**REITs**"), credit linked notes, participatory notes, collateralized and/or securitised products (such as asset backed securities or mortgage backed securities) and commodities (through ETF or other permissible means).

The Sub-Fund's exposure to RMB-denominated debt securities and equity securities issued in Mainland China will be obtained through available means, including but not limited to investment through the Manager's Qualified Foreign Institutional Investor ("**QFII**")/Renminbi Qualified Foreign Institutional Investor ("**RQFII**") quota, Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect ("**Stock Connects**"), China Interbank Bond Market ("**CIBM**"), mutual bond market access between Mainland China and Hong Kong ("**Bond Connect**"), or through other collective investment schemes including RQFII funds (i.e. funds that are authorized by the SFC and eligible to directly invest in Mainland China market through RQFII) or such other means as permitted by the relevant regulatory authorities from time to time. Exposure through QFII, RQFII or CIBM will not form the Sub-Fund's primary investments.

The Sub-Fund's exposure to debt instruments with loss absorption features (including contingent convertible bonds, additional Tier 1 capital and Tier 2 capital instruments, subordinated debts, total loss absorbing capacity eligible securities, etc.) shall not exceed 30% of its latest available Net Asset Value. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

The Sub-Fund may invest up to 30% of its latest available Net Asset Value in urban investment bonds (i.e. debt instruments issued by local government financing vehicles ("**LGFVs**") and traded in the Mainland China exchange-traded bond market and inter-bank bond market). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investment or infrastructure projects.

Further, the Sub-Fund will not invest more than 10% of its latest available Net Asset Value in securities issued by or guaranteed by any single sovereign that is rated non-investment grade and/or unrated (including its government, public or local authority).

The Sub-Fund may temporarily hold 100% of its assets in cash or cash equivalents in adverse market conditions for the purposes of managing downside risk or liquidity, should the Manager deem such strategy necessary under exceptional circumstances such as a significant market downturn or market crisis.

The Sub-Fund will enter into financial derivative instruments, such as foreign exchange derivatives and/or interest rate derivatives, for hedging purposes. The Manager will not engage in Securities Financing Transactions on behalf of the Sub-Fund. Prior approval will be sought from the SFC and not less than 1 month's notice will be given to affected Unitholders if there is a change in such practice.

Use of Derivatives

The Sub-Fund may acquire financial derivative instruments for hedging purposes only. The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's latest available Net Asset Value.

Investment Adviser

A & P Investment and Consultancy Ltd. is the investment adviser in respect of the Sub-Fund. It provides investment advice to the Manager in relation to the Sub-Fund and has no investment management functions. A & P Investment and Consultancy Ltd. is a limited company incorporated in Macau, and is permitted under relevant laws and regulations to provide investment advice in relation to investments of the Sub-Fund.

Specific Risk Factors

Investors should refer to the relevant risks under the section headed "Risk Factors" in the main part of the Explanatory Memorandum, including "Market risk" and "Risks relating to hedging and the hedged classes", and the following specific risk factors for the Sub-Fund:

Concentration risk

Depending on the Manager's assessment of market conditions at different times, the Sub-Fund may from time to time focus its investments in certain country or region (such as the Greater Bay Area) and its portfolio of investment may not be diversified compared to other broad-based funds. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting those country or region. Please refer to the risk factor "**Concentration risk**" in the main part of the Explanatory Memorandum.

Mainland China market risk

Investing in the Mainland China market is subject to risks specific to the Mainland China market. Please refer to the relevant risk factors "**Mainland China market risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Emerging markets risk

The Sub-Fund may invest in emerging markets. In general, investment in emerging markets is subject to a higher risk of loss. Please refer to the relevant risk factors "**Emerging markets risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Currency risk

Whilst the base currency of the Sub-Fund is US\$, the Sub-Fund's assets may be invested in securities and other investments that are denominated in currencies different from the Sub-Fund's base currency. Also, a class of units may be designated in a currency other than the base currency of the Sub-Fund. Although the Sub-Fund may engage in currency hedging, the value of the Sub-Fund's investments and so the Net Asset Value of the Sub-Fund may still be affected favourably or unfavourably by fluctuations in exchange rates and by changes in exchange rate controls. Please refer to the relevant risk factor "**Currency risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Emerging markets may be subject to additional political, social, economic, regulatory and settlement risks. These factors may adversely affect the exchange rates of emerging market currencies and hence the value of the securities held by the Sub-Fund. Currencies of emerging markets may be more volatile than major world currencies such as Euro, Japanese Yen or British Pound.

The economies of emerging countries/regions are generally heavily dependent on international trade and have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries/regions with which they trade. Adverse economic developments may also result in substantial depreciation in currency exchange rates or unstable currency fluctuations.

Certain economic and political events including changes in foreign exchange policies could have a major impact on currency exchange rates. Some of the emerging countries/regions have in recent years experienced high capital inflows and high rates of inflation, which may have an impact on the exchange policy of the government or the central banks of these countries/regions. Such policies may include capital control measures or direct intervention in the currency market, leading to sudden and substantial devaluation of the local currency concerned.

Risks relating to debt securities

Investment in debt securities is subject to the credit/default risk of the issuers of the debt securities that the Sub-Fund may invest in, which may be unable or unwilling to make timely payments on principal and/or interest. Some of the securities that the Sub-Fund invests in may be unrated. In general, debt securities that have a lower credit rating (such as debt securities that are rated below investment/recognized grade or that are unrated) will be more susceptible to the credit risk of the issuers. Please refer to the relevant risk factor "**Below investment grade and unrated securities risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against such issuers as they may be incorporated outside Hong Kong and subject to foreign laws.

Credit ratings of fixed income securities may be subject to certain limitations and do not guarantee the credit worthiness of the security and/or issuer at all times. Further, the credit appraisal system in Mainland China and the rating methodologies employed in Mainland China may be different from those employed in other markets. Credit ratings given by rating agencies in Mainland China may therefore not be directly comparable with those given by other international rating agencies.

Investment/recognized grade securities or their issuers may be subject to downgrading risk. In the event of downgrading, the risks of default may be higher, and the Sub-Fund's investments in such securities may be adversely affected. Please refer to the relevant risk factor "**Credit rating downgrade risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Debt securities are sensitive to changes in interest rates. Please refer to the relevant risk factor "**Interest rate risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

The debt securities in the Greater Bay Area may be subject to higher volatility and lower liquidity compared to more developed markets. The price of securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may incur significant trading costs.

The Sub-Fund may invest in sovereign debts which are subject to certain risks. Please refer to the relevant risk factor "**Sovereign debt risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

Risks of investing in convertible bonds

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

Risk associated with debt instrument with loss-absorption feature

Debt instruments with loss-absorption feature are subject to greater risks when compared to traditional debt instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of pre-defined trigger events (e.g. when the issuer is near or at the point of non-viability or when the issuer's capital ratio falls to a specified level), which are likely to be outside of the issuer's control. Such trigger events are complex and difficult to predict and may result in a significant or total reduction in the value of such instruments.

In the event of activation of a trigger, there may be potential price contagion and volatility to the entire asset class. Debt instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.

The Sub-Fund may invest in senior non-preferred debts. While these instruments are generally senior to subordinated debts, they may be subject to write-down upon the occurrence of a trigger event and will no longer fall under the creditor ranking hierarchy of the issuer. This may result in total loss of principal invested.

The Sub-Fund may invest in contingent convertible bonds, which are hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level. Upon the occurrence of a predetermined event (known as a trigger event), contingent convertible bonds will be converted into shares of the issuing company (potentially at a discounted price as a result of the deterioration in the financial condition of the issuing company), or cause the permanent write-down to zero of the principal investment and/or accrued interest such that the principal amount invested may be lost on a permanent or temporary basis.

Contingent convertible bonds are risky and highly complex instruments. Coupon payments on contingent convertible bonds are discretionary and may at any point, for any reason, and for any length of time also be ceased or deferred by the issuer.

Trigger level risk: Trigger levels differ and determine exposure to conversion risk. It might be difficult for the Manager to anticipate the trigger events that would require the debt to convert into equity or write down to zero of principal investment and/or accrued interest. Trigger events may include: (i) a reduction in the issuing bank's Core Tier 1/Common Equity Tier 1 (CT1/CET1) ratio or other ratios; (ii) a regulatory authority, at any time, making a subjective determination that an institution is "non-viable", i.e. a determination that the issuing bank requires public sector support in order to prevent the issuer from becoming insolvent, bankrupt or otherwise carry on its business and requiring or causing the conversion of the contingent convertible bonds into equity or write down, in circumstances that are beyond the control of the issuer; or (iii) a national authority deciding to inject capital.

Coupon cancellation: Coupon payments on some contingent convertible bonds are entirely discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time. The discretionary cancellation of payments is not an event of default and there are no possibilities to require re-instatement of coupon payments or payment of any past missed payments. Coupon payments may also be subject to approval by the issuer's regulator and may be suspended in the event there are insufficient distributable reserves. As a result of uncertainty surrounding coupon payments, contingent convertible bonds may be volatile and their price may decline rapidly in the event that coupon payments are suspended.

Capital structure inversion risk: Contrary to the classic capital hierarchy, the Sub-Fund investing in contingent convertible bonds may suffer a loss of capital while equity holders do not, for example, when the loss absorption mechanism of a high trigger/write-down of a contingent convertible bond is activated. This is contrary to the normal order of the capital structure where equity holders are expected to suffer the first loss.

Call extension risk: Some contingent convertible bonds are issued as perpetual instruments and only callable at predetermined levels upon approval of the competent regulatory authority. It cannot be assumed that these perpetual contingent convertible bonds will be called on a call date. Contingent convertible bonds are a form of permanent capital. The Sub-Fund investing in contingent convertible bonds may not receive return of principal as expected on call date or indeed at any date.

Conversion risk: Trigger levels differ between specific contingent convertible bonds and determine exposure to conversion risk. It might be difficult at times for the Manager to assess how the contingent convertible bonds will behave upon conversion. In case of conversion into equity, the Manager might be forced to sell these new equity shares subject to the investment strategy of the Sub-Fund. Given the trigger event is likely to be an event depressing the value of the issuer's common equity, this forced sale may result in the Sub-Fund experiencing some losses.

Valuation and write-down risk: Contingent convertible bonds often offer attractive yield which may be viewed as a complexity premium. The value of contingent convertible bonds may need to be reduced due to a higher risk of overvaluation of such asset class on the relevant eligible markets. Therefore, the Sub-Fund may lose the entire investment value or may be required to accept cash or securities with a value less than the original investment.

Market value fluctuations due to unpredictable factors: The value of contingent convertible bonds is unpredictable and will be influenced by many factors including, without limitation (i) creditworthiness of the issuer and/or fluctuations in such issuer's applicable capital ratios; (ii) supply and demand for the contingent convertible bonds; (iii) general market conditions and available liquidity; and (iv) economic, financial and political events that affect the issuer, its particular market or the financial markets in general.

Liquidity risk: In certain circumstances finding a buyer ready to invest in contingent convertible bonds may be difficult and the Sub-Fund may have to accept a significant discount to the expected value of the contingent convertible bonds to sell them.

Sector concentration risk: Contingent convertible bonds are issued by banking and insurance institutions. Investment in contingent convertible bonds may lead to an increased sector concentration risk. The performance of the Sub-Fund which invest significantly in contingent convertible bonds may therefore be affected by a greater extent on the overall condition of the financial services industry than for the funds following a more diversified strategy.

Subordinated instruments: Contingent convertible bonds will, in the majority of circumstances, be issued in the form of subordinated debt instruments in order to provide the appropriate regulatory capital treatment prior to a conversion. Accordingly, in the event of liquidation, dissolution or winding-up of an issuer prior to a conversion having occurred, the rights and claims of the holders of the contingent convertible bonds, such as the Sub-Fund, against the issuer in respect of or arising under the terms of the contingent convertible bonds shall generally rank junior to the claims of all holders of unsubordinated obligations of the issuer.

Novelty and untested nature: The structure of contingent convertible bonds is innovative yet untested. In a stressed environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform.

Risks of investing in notes

Investment in notes (such as credit linked notes and participatory notes) is subject to the credit risk of the issuer and these instruments may be illiquid. Please refer to the relevant risk factors “**Derivative and structured product risk**” and “**Liquidity risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Exposure to shares or bonds may be obtained through investment in participatory notes. Participatory notes may not be listed and are subject to the terms and conditions imposed by their issuer. These terms may lead to delays in implementing the Sub-Fund’s investment strategy due to restrictions on the issuer acquiring or disposing of the securities underlying the participatory notes. Investment in participatory notes can be illiquid as there is no active market in participatory notes. In order to meet redemption requests, the Sub-Fund relies upon the counterparty issuing the participatory notes to quote a price to unwind any part of the participatory notes. This price will reflect the market liquidity conditions and the size of the transaction.

By seeking exposure to investments in certain listed securities through participatory notes, the Sub-Fund is exposed to the credit risk of the issuer of the participatory notes. There is a risk that the issuer will not settle a transaction due to a credit or liquidity problem, thus causing the Sub-Fund to suffer a loss.

An investment in a participatory notes is not an investment directly in the underlying securities themselves. An investment in the participatory notes does not entitle the participatory notes holder to the beneficial interest in the underlying securities nor to make any claim against the company issuing the underlying securities. Investment through participatory notes may lead to a dilution of performance of the Sub-Fund when compared to a fund investing directly in similar assets.

Risks of investing in other collective investment schemes

The Sub-Fund will be subject to the risks associated with the underlying funds when investing in other funds. The Sub-Fund does not have control of the investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved which may have a negative impact to the Net Asset Value of the Sub-Fund.

The underlying collective investment schemes in which the Sub-Fund may invest may not be regulated by the SFC. There may be additional costs involved when investing into these underlying collective investment schemes. There is also no guarantee that the underlying collective investment schemes will always have sufficient liquidity to meet the Sub-Fund’s redemption requests as and when made.

If the Sub-Fund invests in an underlying fund managed by the Manager or a connected person of the Manager, all initial charges on such underlying fund will be waived. The Manager may not obtain a rebate on any fees or charges levied by such underlying fund or its manager. Where potential conflicts of interest arise, the Manager will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section headed “**Conflicts of Interest**” in the main part of the Explanatory Memorandum.

Equity investment and volatility risk

Investors should pay attention to risks generally associated with equity investment, namely, the market value of the stocks may go down as well as up. Prices of equity securities may be volatile. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, the business and social conditions in local and global marketplace, and issuer-specific factors. Changes in value of a security may be attributable to market perception of a particular issuer (for example its financial conditions and profitability) or general stock market fluctuations that affect all issuers. If the market value of equity securities in which the Sub-Fund invests in goes down, investors may suffer substantial losses.

Risks of investing in REITs

The Sub-Fund may invest in REITs which invest primarily in real estate and this may involve a higher level of risk. The REITs invested in by the Sub-Fund may not necessarily be authorised by the SFC.

The prices of REITs are affected by changes in the value of the underlying properties owned by the REITs. Investment in REITs may therefore subject the Sub-Fund to risks similar to those from direct ownership of real property.

Real estate investments are relatively illiquid and this may affect the ability of a REIT to vary its investment portfolio or liquidate part of its assets in response to changes in economic conditions, international securities markets, foreign exchange rates, interest rates, real estate markets or other conditions. Adverse global economic conditions could adversely affect the business, financial condition and results of operations of REITs. REITs may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than other securities.

Further, returns from REITs are dependent on management skills. Investments made by REITs generally may not be diversified. In addition, certain REITs in which the Sub-Fund may invest may have their assets concentrated in specific real property sectors, and are therefore subject to the risks associated with adverse developments in these sectors.

REITs are also subject to heavy cash flow dependency, defaults by borrowers and self liquidation. Further, borrowers under mortgages held by REITs or lessees of property that REITs own may be unable to meet their obligations to the REITs. On the other hand, if the key tenants experience a downturn in their businesses or their financial condition, they may fail to make timely rental payments or default under their leases. Tenants in a particular industry might also be affected by any adverse downturn in that industry and this may result in their failure to make timely rental payments or to default under the leases. In the event of a default, a REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments. The REITs may suffer losses as a result.

REITs may have limited financial resources and may be subject to borrowing limits. Consequently, REITs may need to rely on external sources of funding to expand their portfolios, which may not be available on commercially acceptable terms or at all. If a REIT cannot obtain capital from external sources, it may not be able to acquire properties when strategic opportunities exist.

Any due diligence exercise conducted by REITs on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies. Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow of the REITs.

The Sub-Fund does not invest directly in real estate, and insofar as it directly invests in REITs, any dividend policy or dividend payout at the Sub-Fund level may not be representative of the dividend policy or dividend payout of the relevant underlying REIT.

Risks relating to Exchange-traded funds (ETFs)

The trading prices of units/shares in an ETF may be at a discount or premium to the net asset value of the units/shares of such ETF due to various factors such as supply and demand forces in the secondary trading market for such units/shares in the ETF. This price discrepancy may be particularly likely to emerge during periods of high market volatility and uncertainty. Valuation of units/shares in an ETF will primarily be made by reference to the last traded price. Where the Sub-Fund buys at a premium, it may suffer losses even if the net asset value is higher when it sells the relevant share/units in the ETF, and it may not fully recover its investment in the event of termination of the ETF.

In addition, an ETF may not be able to perfectly track the index it is designed to track, because of fees and expenses, imperfect correlation between the ETF's assets and the underlying securities within the relevant tracking index, adjustments to the tracking index and regulatory policies. The return from investing in an ETF may therefore deviate from the return of its tracking index.

An ETF which is designed to track a market index is not "actively managed", therefore when there is a decline in the relevant index, the ETF will also decrease in value. The ETF may not adopt any temporary defensive position against market downturns. The Sub-Fund may lose part or all of its investment in the ETF.

There can be no assurance that an active trading market will exist or be maintained for units/shares of an ETF on any securities exchange on which units/shares of an ETF may be traded.

Synthetic ETFs typically invest in derivative instruments to replicate the performance of an underlying index. Investment in synthetic ETFs will be subject to the credit risk of the counterparties who issue the derivatives. If the counterparties default, the Sub-Fund may suffer substantial losses of its investment in the relevant ETFs. Since derivative issuers are predominantly international financial institutions, the failure of one derivative counterparty could potentially have a "knock on" effect on other counterparties. Some synthetic ETFs have collateral to reduce the counterparty risks but if the market value of the collateral has fallen substantially, the ETFs may suffer losses when they seek to realise the collateral. The Sub-Fund's investment in the ETFs will suffer losses accordingly.

Risks of investing in ADRs

Although ADRs have risks similar to the securities that they represent, they may also involve higher expenses and may trade at a discount (or premium) to the underlying security. In addition, depositary receipts may not pass through voting and other shareholder rights, and may be less liquid than the underlying securities listed on an exchange.

Investment in China A-Share market

The Sub-Fund may have (direct or indirect) exposure to the China A-Share market. The existence of a liquid trading market for China A-Shares may depend on whether there is supply of, and demand for, such China A-Shares. The price at which securities may be purchased or sold by the Sub-Fund may be adversely affected if trading markets for China A-Shares are limited or absent, and the Sub-Fund may in turn be adversely affected. Further, the Shanghai Stock Exchange and the Shenzhen Stock Exchange on which China A-Shares are traded are undergoing development and the market capitalisation of, and trading volumes on, those stock exchanges are lower than those in more developed markets. The China A-Share market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention) than those in more developed markets. Market volatility and settlement difficulties in the China A-Share markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may affect the value of the Sub-Fund.

Securities exchanges in Mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. In particular, trading band limits are imposed by the stock exchanges on China A-Shares, where trading for a security may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. A suspension will render it impossible for the Sub-Fund to liquidate positions and can thereby expose the Sub-Fund to losses. Further, when the suspension is subsequently lifted, it may not be possible for the Sub-Fund to liquidate positions at a favourable price. The Sub-Fund may therefore suffer a loss in its investment.

Investment in China B-Share market

Investors should note that the stock exchanges in Mainland China on which the China B-Shares are listed are still at a developmental stage, and their respective market capitalisation and trading volume are much lower than those in more developed financial markets. Market volatility and potential lack of liquidity due to low trading volume in the China B-Shares markets may result in prices of securities traded on such markets fluctuating significantly, which may result in substantial changes to the price of the Units of the Sub-Fund.

Risks relating to QFII/RQFII and RQFII funds

The Sub-Fund is not a QFII/RQFII but may obtain access to securities and instruments issued or distributed within Mainland China directly using QFII quota of a QFII, RQFII quota of a RQFII, or through RQFII funds, and may be subject to the following risks. The Manager is a QFII holder (“**QFII Holder**”) and RQFII Holder.

Risks relating to RMB denominated securities: Securities in the Mainland China securities market are denominated in RMB. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. Please refer to the relevant risk factors “**RMB currency risk**” and “**RMB foreign exchange control risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks relating to the Qualified Foreign Institutional Investor (QFII)/Renminbi Qualified Foreign Institutional Investor (RQFII) regimes: Investors should note that QFII/RQFII status could be suspended or revoked, which may have an adverse effect on the Sub-Fund’s performance as the Sub-Fund may be required to dispose of its securities holdings. Investment through the QFII/RQFII regime is subject to the availability of QFII/RQFII quota. There is no assurance that the QFII/RQFII Holder will continue to maintain its QFII/RQFII status or to make available its QFII/RQFII quota, or sufficient quota will be available for investment by the Sub-Fund or a RQFII fund. Therefore the Sub-Fund’s ability to obtain exposure to the Mainland China securities market may be limited by the availability of QFII/RQFII quota.

QFII/RQFII quotas are generally granted to the QFII/RQFII Holder. The rules and restrictions under QFII/RQFII regulations, generally apply to the QFII/RQFII Holder as a whole and not simply to the investments made by the Sub-Fund.

Repatriation and liquidity risks: Repatriations of capital and net profits out of Mainland China by the Sub-Fund via a QFII, RQFII or RQFII funds that are open-ended funds are currently not subject to repatriation restrictions (such as lock up periods) or prior approval, but there is no guarantee that restrictions will not be imposed in future. Any restrictions on repatriation of the invested capital and net profits out of Mainland China may impact on the relevant fund’s ability to meet redemption requests from the Sub-Fund. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the control of the Manager (or the manager of a RQFII fund). Therefore, the Sub-Fund may be subject to liquidity risk.

Legal and regulatory risk: The application of the rules relevant to QFII/RQFII may depend on the interpretation given by the relevant Mainland regulatory authorities. Any changes to the relevant rules may have an adverse impact on investments made by the Sub-Fund or the RQFII funds and hence the Sub-Fund’s performance. The current QFII/RQFII rules and regulations are subject to change, which may take retrospective effect. For an RQFII fund, in the worst case, the relevant RQFII fund may be terminated if it is not legal or viable to operate because of changes to the application of the relevant rules. The Sub-Fund’s holdings in the relevant the RQFII fund will be realised in case of such termination, and the Sub-Fund may suffer losses in its initial investment in such fund.

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

Mainland China brokerage risk: In relation to the Sub-Fund's investments issued and transacted within the Mainland China, execution and settlement of transactions or the transfer of any funds or securities may be arranged for or conducted by Mainland Brokers appointed by QFII/RQFII Holder and/or the QFII/RQFII Custodian appointed by the QFII/RQFII Holder jointly with the Custodian. There is a risk that the Sub-Fund may suffer losses from the default, bankruptcy or disqualification of the Mainland Brokers and/or the QFII/RQFII Custodian. In such event, the Sub-Fund may be adversely affected in the execution or settlement of any transaction or in the transfer of any funds or securities.

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

Risks relating to RQFII funds that are exchange traded funds (RQFII ETFs): Investment in RQFII ETFs is subject to RMB currency risk and risks associated with the RQFII regime set out above. In addition:

- (a) RQFII ETFs typically seek to track a particular China A-Share market index by directly investing in the China A-Shares constituting such market index using RQFII quota. As with other exchange traded funds, RQFII ETFs are subject to tracking error risks (i.e. the returns of a RQFII ETF may deviate from the performance of the index it is designed to track) due to a number of factors.

The Sub-Fund will trade units in RQFII ETFs on the Stock Exchange of Hong Kong (where trading prices are affected by market factors such as demand and supply). The trading days or hours of the Mainland China and Hong Kong stock markets are not exactly the same and this may affect the RQFII ETFs' ability to track the market index. Further, any suspension due to a trading band limit in the Mainland China stock markets may render it impossible for the RQFII ETFs to acquire certain index security, increasing the tracking error. These factors may result in the RQFII ETFs' units being traded at a substantial premium or discount to their net asset value.

- (b) RQFII ETFs involve cross-border transfer of funds. They may be riskier than traditional exchange traded funds investing directly in markets other than the Mainland China. The operation of RQFII ETFs depends heavily on the expertise and infrastructure of the RQFII ETF's manager (or its mainland parent company). There is no assurance that the RQFII ETFs will be operated as envisaged and the Sub-Fund may sustain a loss in its investment and the Sub-Fund may suffer a loss.

RMB currency risk/Risks relating to RMB denominated securities

Investors may invest in RMB/RMB-hedged Units of the Sub-Fund. Non-RMB based investors (e.g. Hong Kong investors) may have to convert Hong Kong dollar or other currency(ies) into RMB when investing in RMB/RMB-hedged Units and subsequently convert the RMB redemption proceeds and/or dividend payment (if any) back to Hong Kong dollar or such other currency(ies). Investors will incur currency conversion costs and may suffer losses depending on the exchange rate movements of RMB relative to Hong Kong dollar or such other currencies and by changes in exchange rate controls.

Class denominated in RMB will generally be valued with reference to the offshore RMB (known as “**CNH**”) rather than the onshore RMB (known as “**CNY**”). While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently. 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 investors.

The Sub-Fund may have exposure to securities that are denominated in RMB. Investment in the Sub-Fund will be subject to RMB currency risks. RMB is currently not a freely convertible currency and is subject to foreign exchange controls and repatriation restrictions imposed by the Chinese government. There is no guarantee that RMB will not depreciate. The Sub-Fund may suffer losses in case of depreciation of RMB. Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB. Please refer to the relevant risk factors “**RMB currency risk**” and “**RMB foreign exchange control risk**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks associated with Stock Connects

Insofar as the Sub-Fund invests through Stock Connects, investors should refer to the associated risks set out in the risk factor “**Risks associated with Stock Connects**” and “**Risks associated with the Small and Medium Enterprise board and/or ChiNext market**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

Risks associated with China Interbank Bond Market and Bond Connect

Insofar as the Sub-Fund invests through China Interbank Bond Market, investors should refer to the associated risks set out in the risk factor “**Risks associated with China Interbank Bond Market and Bond Connect**” under the section headed “**Risk Factors**” in the main part of the Explanatory Memorandum.

“Dim Sum” bond market risks

The “Dim Sum” bond (i.e. bonds issued outside of Mainland China but denominated in RMB) market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the “Dim Sum” bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalization of the offshore RMB (CNH) market by the relevant regulator(s).

Risks of investing in urban investment bonds

Urban investment bonds are issued by local government financing vehicles (“**LGFVs**”), such bonds are typically not guaranteed by local governments or the central government of PRC. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the Sub-Fund could suffer substantial loss and the Net Asset Value of the Sub-Fund could be adversely affected.

Currency risk/hedging risk

Because the Sub-Fund's assets and liabilities may be denominated in currencies different from the Sub-Fund's base currency (US\$), the Sub-Fund may be affected unfavourably by changes in the exchange rates between the Sub-Fund's base currency and other currencies. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions. Changes in currency exchange rates may influence the value of the Sub-Fund's investments and hence the value of Units in terms of the Sub-Fund's base currency. An investor may suffer losses arising from changes in currency exchange rates of investments held by the Sub-Fund.

The Manager may, in accordance with the investment strategy, use hedging techniques to attempt to offset currency risks, including hedging the currencies in which the underlying assets of the Sub-Fund are denominated against the Sub-Fund's base currency. There is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result. There can be no assurance that any currency hedging strategy employed by the Manager will fully and effectively eliminate the currency exposure of the Sub-Fund.

Risks associated with collateralized and/or securitized products such as asset backed securities (including asset backed commercial papers) or mortgage backed securities

The Sub-Fund may invest in collateralized and/or securitized products such as asset backed securities (including asset backed commercial papers) or mortgage backed securities which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligation relating to the underlying assets are not met, which may adversely impact the returns of the securities.

Mainland China tax considerations in respect of the Sub-Fund

By investing in Mainland China securities, the Sub-Fund may be subject to withholding income tax ("**WIT**"), value added tax ("**VAT**") and other taxes imposed in the Mainland China. Investors should refer to the heading "**Mainland China**" in the section headed "**Taxation**" for further details.

Tax Provision

It is the intention of the Manager to operate the affairs of the Manager and the Sub-Fund such that they are not Mainland China tax resident enterprises and have no establishment or place of business (“PE”) in Mainland China for Mainland China CIT purposes, although this is not guaranteed.

The Sub-Fund will invest in China A-Shares through the Stock Connects. Given that the Sub-Fund started to invest in China A-Shares after 17 November 2014 through the Stock Connects, the Sub-Fund is temporarily exempt from Mainland China WIT on the capital gains derived from investments in China A-Shares according to Circular 81 and Circular 127 and no Mainland China WIT provision will be made on the gross realized and unrealized capital gains derived by the Sub-Fund from investments in China A-Shares through the Stock Connects. For gains derived from investment in China A-Shares via Stock Connects, the Sub-Fund is also temporarily exempt from Mainland China VAT according to Circular 36 and Circular 127. If there is any update on the tax rules applied to the Stock Connects in the future, the Manager will review and adjust the Mainland China WIT and Mainland China VAT provisioning approach on capital gains for the Stock Connects accordingly.

The Sub-Fund will also invest in China B-Shares and Mainland China debt securities.

Under the prevailing Mainland China CIT Law and regulations, capital gains derived by a non-resident from disposal of China B-Shares could be subject to WIT at 10%. Under prevailing Mainland China VAT rules, it is not clear whether there is VAT exemption on capital gains if a Sub-Fund invests in China B-Shares. Thus, there may be VAT imposed on a Sub-Fund for trading of China B-Shares. Under current practice no WIT or VAT is imposed on non-residents where both the purchase and sales of the China-B Shares are via the stock exchange market. The position in practice may change if the STA expresses another view and/or that new official tax circulars are issued to provide further guidance.

Under the prevailing CIT Law, there is no specific provision on whether capital gains derived by a non-resident investor (including the Sub-Fund) from disposal of Mainland China debt instruments (e.g. bonds issued by Mainland China companies) would be considered as Mainland China sourced income and subject to Mainland China WIT at 10%. Based on the current interpretation of the STA and the local tax authorities, gains derived by foreign investors (including the Sub-Fund) from investment in Mainland China debt securities should not be treated as Mainland China sourced income thus should not be subject to Mainland China WIT. Under the current practice, no WIT is imposed on capital gains derived by non-residents from disposal of Mainland China debt instruments. If the relevant interpretation/practice changes in the future, the Fund/Sub-Fund(s) may still turn to certain treaty relief applicable to Hong Kong tax residents.

Under the arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the "**Arrangement**"), capital gains derived by Hong Kong tax residents from alienation of shares issued by Mainland China companies may be taxed in Mainland China if the recipient, at any time within 12 months preceding such alienation, had a participation of at least 25% of the capital in that Mainland China company or if the Mainland China company is an immovable properties-rich company (i.e. Mainland China companies in which 50% or more of their assets are comprised, directly or indirectly, of immovable properties situated in Mainland China). Due to the Sub-Fund's investment restrictions, the Sub-Fund cannot hold more than 10% of any ordinary shares issued by any single issuer. In such a case, the capital gains derived from the alienation of the shares of non-immovable properties-rich China B-Shares companies would not be subject to Mainland China WIT, subject to the assessment of the Mainland China tax authorities. In addition, under the Arrangement, capital gain derived by a Hong Kong tax resident from disposal of onshore Mainland China debt instruments should not be taxable in Mainland China. The aforesaid WIT relief on disposal of China B-Shares and debt instruments will be subject to assessment by the Mainland China tax authorities. Before a Hong Kong tax resident can enjoy relief under the Arrangement, a Hong Kong Tax Resident Certificate ("**HKTRC**") issued by the Inland Revenue Department ("**IRD**") should be submitted to the relevant Mainland China tax authority for this purpose. As at the date of this Second Addendum to the Explanatory Memorandum, the Sub-Fund has not yet obtained the HKTRC from the IRD. If the Mainland China tax authorities enforce the collection of WIT on capital gains and require the Sub-Fund to provide a HKTRC in order to obtain the WIT relief, the Manager will apply for a HKTRC on behalf of the Sub-Fund.

In light of the uncertainty on the income tax treatment on capital gains derived from disposal of China B-Shares and debt instruments, and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for Mainland China WIT on such gains or income and withhold the tax for the account of the Sub-Fund. After careful consideration of the Manager's assessment and having taken and considered independent professional tax advice relating to the Sub-Fund's eligibility to benefit from the Arrangement, and in accordance with such advice, the Manager holds a view that the Sub-Fund is a Hong Kong tax resident for the purpose of the Arrangement and is able to enjoy the WIT relief on capital gains derived from the alienation of the shares of non-immovable properties-rich China B-Shares companies and from the disposal of onshore Mainland China debt instruments under the Arrangement.

The prevailing VAT regulations do not specifically exempt VAT on interest income received by QFIs, RQFIs and qualified foreign financial institutions for directly investing in CIBM or via Bond Connect ("**CIBM investor**") from investments in Mainland China debt securities. Interest income received by QFIs, RQFIs and CIBM investors from investment in Mainland China debt securities shall be subject to 6% VAT unless a special exemption applies. According to Caishui [2016] No. 36 (the "**Notice 36**"), deposit interest income is not subject to VAT and interest income earned on PRC government bonds issued by the Ministry of Finance ("**MOF**"), or bonds issued by local government of a province, autonomous regions, and municipalities directly under the Central Government or municipalities separately listed on the state plan, as approved by the State Council, is exempted from VAT.

In addition, urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), education surcharge (currently at the rate of 3%) and local education surcharge (currently at 2%) are imposed based on the VAT liabilities.

On 22 November 2018, the MOF and STA released Caishui [2018] No. 108 (“**Circular 108**”) on tax treatment for Overseas Institutional Investors (“**OII**s”) investing in Mainland China bond market dated 7 November 2018.

Circular 108 mentioned that the interest income of the bonds derived by OII in the Mainland China bond market is exempted from WIT and VAT for three years effective from 7 November 2018 to 6 November 2021.

The Manager, having taken and considered the independent professional tax advice and in accordance with such advice, has determined that

- (1) No Mainland China WIT provision will be made on the gross realized and unrealized capital gains derived from investments in China B-Shares, except for those capital gains derived from investments in China B-Shares issued by Mainland China tax resident companies which are immovable properties-rich companies.
- (2) A 10% provision for Mainland China WIT will be provided for the gross realized and unrealized capital gains derived by the Sub-Fund from investments in China B-Shares issued by Mainland China tax resident companies which are immovable properties-rich companies. The methodology adopted by the Manager in identifying whether or not Mainland China resident companies are immovable properties rich companies has been agreed and accepted by the independent tax advisor. The amount of provision will be disclosed in the financial statements of the Sub-Fund.
- (3) No Mainland China WIT provision will be made on the gross realized and unrealized capital gains from the disposal of Mainland China debt securities, and no Mainland China WIT provision will be provided on the interest income from Mainland China fixed income instruments derived for the period from 7 November 2018 to 6 November 2021.
- (4) A 6% VAT provision will be made on the interest income derived from Mainland China fixed income instruments (other than (i) interest income from PRC government bonds issued by the Ministry of Finance or approved local government bonds and (ii) interest income from Mainland China fixed income instruments derived for the period from 7 November 2018 to 6 November 2021). Local surcharges at 12% of the VAT amount will also be made.

Any Mainland China WIT/VAT provision made by the Manager in respect of the Sub-Fund may be lower than or higher than the Sub-Fund’s actual tax liabilities. It should also be noted that there is a possibility of the Mainland China tax rules being changed and taxes being applied retrospectively. The Manager, acting in the best interest of Unitholders, will assess the tax provisioning approach on an on-going basis.

If the actual tax levied by STA is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund.

On the other hand, the actual tax liabilities may be lower than the tax provision made, in which case those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager, will as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

Unitholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund.

Distributions out of capital risk

Distributions may be paid out of the capital of the Sub-Fund. The Manager may distribute out of the capital of the Sub-Fund if the net distributable income attributable to the relevant class of Units during the relevant period is insufficient to pay distributions as declared. The Manager may also at its discretion pay dividend out of gross income while charging/paying all or part of the Sub-Fund's fees and expenses to/out of the capital of the Sub-Fund (resulting in an increase in distributable income for the payment of dividends by the Sub-Fund), and thereby effectively pay distributions out of capital of the Sub-Fund. **Investors should note that the payment of distributions out of, or effectively out of, capital represents a return or a withdrawal of part of the amount the investors originally invested or capital gain attributable to that original amount. Distributions will result in an immediate decrease in the Net Asset Value of the relevant Units.**

The distribution amount and Net Asset Value of the hedged classes may be adversely affected by differences in the interest rates of the reference currency of the hedged classes 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 classes.

Available Classes

The following classes of Units have been established and may be made available for sale from time to time. The Manager has an absolute discretion to determine from time to time the availability of any Class of Units to any investor. Investors should check with the Manager whether any class of Units is currently offered.

| Class | Class currency | Investors to whom the class is available |
|-------------------|-----------------------------|---|
| Class A1 (USD) | United States Dollar | Retail public |
| Class A2 (HKD) | Hong Kong Dollar | Retail public |
| Class A3 (MOP) | Macau Pataca | Retail public |
| Class A4 (RMB) | Renminbi | Retail public |
| Class A5 (AUD-H) | Australian Dollar (Hedged) | Retail public |
| Class A6 (NZD-H) | New Zealand Dollar (Hedged) | Retail public |
| Class A7 (CAD-H) | Canadian Dollar (Hedged) | Retail public |
| Class A8 (GBP-H) | British Pound (Hedged) | Retail public |
| Class A9 (HKD-H) | Hong Kong Dollar (Hedged) | Retail public |
| Class A10 (MOP-H) | Macau Pataca (Hedged) | Retail public |
| Class A11 (RMB-H) | Renminbi (Hedged) | Retail public |
| Class A12 (EUR-H) | Euro (Hedged) | Retail public |
| Class A13 (SGD-H) | Singapore Dollar (Hedged) | Retail public |
| Class A14 (JPY-H) | Japanese Yen (Hedged) | Retail public |
| Class A15 (CHF-H) | Swiss Franc (Hedged) | Retail public |
| Class C1 (USD) | United States Dollar | Retail public |
| Class C2 (HKD) | Hong Kong Dollar | Retail public |
| Class C3 (RMB) | Renminbi | Retail public |
| Class C4 (RMB-H) | Renminbi (Hedged) | Retail public |
| Class C5 (HKD-H) | Hong Kong Dollar (Hedged) | Retail public |
| Class I1 (USD) | United States Dollar | Institutional clients |
| Class I2 (HKD) | Hong Kong Dollar | Institutional clients |
| Class I3 (MOP) | Macau Pataca | Institutional clients |
| Class I4 (RMB) | Renminbi | Institutional clients |

| Class | Class currency | Investors to whom the class is available |
|-------------------|-----------------------------|---|
| Class I5 (HKD-H) | Hong Kong Dollar (Hedged) | Institutional clients |
| Class I6 (MOP-H) | Macau Pataca (Hedged) | Institutional clients |
| Class I7 (RMB-H) | Renminbi (Hedged) | Institutional clients |
| Class I8 (EUR-H) | Euro (Hedged) | Institutional clients |
| Class I9 (AUD-H) | Australian Dollar (Hedged) | Institutional clients |
| Class I10 (NZD-H) | New Zealand Dollar (Hedged) | Institutional clients |
| Class I11 (CAD-H) | Canadian Dollar (Hedged) | Institutional clients |
| Class I12 (GBP-H) | British Pound (Hedged) | Institutional clients |
| Class I13 (SGD-H) | Singapore Dollar (Hedged) | Institutional clients |
| Class I14 (JPY-H) | Japanese Yen (Hedged) | Institutional clients |
| Class I15 (CHF-H) | Swiss Franc (Hedged) | Institutional clients |
| Class X1 (USD) | United States Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X2 (HKD) | Hong Kong Dollar | For use by the Manager itself and in managing segregated portfolios |
| Class X3 (MOP) | Macau Pataca | For use by the Manager itself and in managing segregated portfolios |
| Class X4 (RMB) | Renminbi | For use by the Manager itself and in managing segregated portfolios |
| Class X5 (HKD-H) | Hong Kong Dollar (Hedged) | For use by the Manager itself and in managing segregated portfolios |
| Class X6 (RMB-H) | Renminbi (Hedged) | For use by the Manager itself and in managing segregated portfolios |

For classes of Units launched subsequent to the initial offer period of the Sub-Fund, the initial issue of such class Units will be made at the prevailing Issue Price of Class A Units denominated in the same currency or Class A Units denominated in the base currency (exclusive of preliminary charge).

Investment Minima

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (MOP) | Class A4 (RMB) | Class A5 (AUD-H) | Class A6 (NZD-H) | Class A7 (CAD-H) | Class A8 (GBP-H) | Class A9 (HKD-H) | Class A10 (MOP-H) | Class A11 (RMB-H) | Class A12 (EUR-H) | Class A13 (SGD-H) |
|--|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Minimum Subscription Amount | USD1,000 | HKD10,000 | MOP10,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | HK\$10,000 | MOP10,000 | RMB10,000 | EUR1,000 | SGD1,000 |
| Minimum Subsequent Subscription Amount | USD1,000 | HKD10,000 | MOP10,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | HK\$10,000 | MOP10,000 | RMB10,000 | EUR1,000 | SGD1,000 |
| Minimum Holding | USD1,000 | HKD10,000 | MOP10,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | HK\$10,000 | MOP10,000 | RMB10,000 | EUR1,000 | SGD1,000 |
| Minimum Redemption Amount | USD1,000 | HKD10,000 | MOP10,000 | RMB10,000 | AUD1,000 | NZD2,000 | CAD1,000 | GBP1,000 | HK\$10,000 | MOP10,000 | RMB10,000 | EUR1,000 | SGD1,000 |

| Class | Class A14 (JPY-H) | Class A15 (CHF-H) | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB) | Class C4 (RMB-H) | Class C5 (HKD-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (MOP) | Class I4 (RMB) | Class I5 (HKD-H) | Class I6 (MOP-H) | Class I7 (RMB-H) | Class I8 (EUR-H) |
|--|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Minimum Subscription Amount | JPY100,000 | CHF1,000 | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD1,000,000 | HKD8,000,000 | MOP8,000,000 | RMB8,000,000 | HKD8,000,000 | MOP8,000,000 | RMB8,000,000 | EUR1,000,000 |
| Minimum Subsequent Subscription Amount | JPY100,000 | CHF1,000 | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD120,000 | HKD1,000,000 | MOP1,000,000 | RMB1,000,000 | HKD1,000,000 | MOP1,000,000 | RMB1,000,000 | EUR120,000 |
| Minimum Holding | JPY100,000 | CHF1,000 | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD1,000,000 | HKD8,000,000 | MOP8,000,000 | RMB8,000,000 | HKD8,000,000 | MOP8,000,000 | RMB8,000,000 | EUR1,000,000 |
| Minimum Redemption Amount | JPY100,000 | CHF1,000 | USD1,000 | HKD10,000 | RMB10,000 | RMB10,000 | HKD10,000 | USD120,000 | HKD1,000,000 | MOP1,000,000 | RMB800,000 | HKD1,000,000 | MOP1,000,000 | RMB800,000 | EUR120,000 |

| Class | Class I9 (AUD-H) | Class I10 (NZD-H) | Class I11 (CAD-H) | Class I12 (GBP-H) | Class I13 (SGD-H) | Class I14 (JPY-H) | Class I15 (CHF-H) | Class X1 (USD) | Class X2 (HKD) | Class X3 (MOP) | Class X4 (RMB) | Class X5 (HKD-H) | Class X6 (RMB-H) |
|--|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Minimum Subscription Amount | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | N/A | N/A | N/A | N/A | N/A | N/A |
| Minimum Subsequent Subscription Amount | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 | SGD120,000 | JPY12,000,000 | CHF120,000 | N/A | N/A | N/A | N/A | N/A | N/A |
| Minimum Holding | AUD1,000,000 | NZD1,000,000 | CAD1,000,000 | GBP1,000,000 | SGD1,000,000 | JPY100,000,000 | CHF1,000,000 | N/A | N/A | N/A | N/A | N/A | N/A |
| Minimum Redemption Amount | AUD120,000 | NZD120,000 | CAD120,000 | GBP120,000 | SGD120,000 | JPY12,000,000 | CHF120,000 | N/A | N/A | N/A | N/A | N/A | N/A |

Fees

Fees payable by investors

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (MOP) | Class A4 (RMB) | Class A5 (AUD-H) | Class A6 (NZD-H) | Class A7 (CAD-H) | Class A8 (GBP-H) | Class A9 (HKD-H) | Class A10 (MOP-H) | Class A11 (RMB-H) | Class A12 (EUR-H) | Class A13 (SGD-H) |
|---|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Preliminary Charge (% of Issue Price) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |

| Class | Class A14 (JPY-H) | Class A15 (CHF-H) | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB) | Class C4 (RMB-H) | Class C5 (HKD-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (MOP) | Class I4 (RMB) | Class I5 (HKD-H) | Class I6 (MOP-H) | Class I7 (RMB-H) | Class I8 (EUR-H) |
|---|----------------------|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Preliminary Charge (% of Issue Price) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |

| Class | Class I9 (AUD-H) | Class I10 (NZD-H) | Class I11 (CAD-H) | Class I12 (GBP-H) | Class I13 (SGD-H) | Class I14 (JPY-H) | Class I15 (CHF-H) | Class X1 (USD) | Class X2 (HKD) | Class X3 (MOP) | Class X4 (RMB) | Class X5 (HKD-H) | Class X6 (RMB-H) |
|--|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Preliminary Charge (% of Issue Price) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |
| Redemption Charge (% of Redemption Price) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Switching Charge (% of the Issue Price of the new class) | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% | Up to 3% |

Fees payable by the Sub-Fund (% Net Asset Value of the Sub-Fund)

| Class | Class A1 (USD) | Class A2 (HKD) | Class A3 (MOP) | Class A4 (RMB) | Class A5 (AUD-H) | Class A6 (NZD-H) | Class A7 (CAD-H) | Class A8 (GBP-H) | Class A9 (HKD-H) | Class A10 (MOP-H) | Class A11 (RMB-H) | Class A12 (EUR-H) | Class A13 (SGD-H) |
|----------------|---|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Management Fee | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | | | | |

| Class | Class A14 (JPY-H) | Class A15 (CHF-H) | Class C1 (USD) | Class C2 (HKD) | Class C3 (RMB) | Class C4 (RMB-H) | Class C5 (HKD-H) | Class I1 (USD) | Class I2 (HKD) | Class I3 (MOP) | Class I4 (RMB) | Class I5 (HKD-H) | Class I6 (MOP-H) | Class I7 (RMB-H) | Class I8 (EUR-H) |
|----------------|---|----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Management Fee | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 1% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | | | | | | |

| Class | Class I9 (AUD-H) | Class I10 (NZD-H) | Class I11 (CAD-H) | Class I12 (GBP-H) | Class I13 (SGD-H) | Class I14 (JPY-H) | Class I15 (CHF-H) | Class X1 (USD) | Class X2 (HKD) | Class X3 (MOP) | Class X4 (RMB) | Class X5 (HKD-H) | Class X6 (RMB-H) |
|----------------|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Management Fee | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0.7% p.a. | 0% p.a. | 0% p.a. | 0% p.a. | 0% p.a. | 0% p.a. | 0% p.a. |
| Trustee Fee | Up to 0.125% p.a., subject to a minimum monthly fee of USD2,500 | | | | | | | | | | | | |
| Custody Fees | Up to 0.3% p.a. | | | | | | | | | | | | |

Establishment Costs

The costs of establishment of the BOCHK All Weather Greater Bay Area Strategy Fund are approximately USD80,000.

Dealing Day

Every Business Day.

Dealing Deadline

5 p.m. (Hong Kong time) on the relevant Dealing Day.

Dealing through the Authorised Distributor(s) or other authorised electronic means may involve different dealing procedures and an earlier cut-off time may be imposed before the Dealing Deadlines for receiving instructions. Investors should confirm the arrangements with the Authorised Distributor(s) concerned.

Subscription, Redemption and Switching of Units

For details regarding the procedures for subscription, redemption and switching, see the main part of the Explanatory Memorandum under **“Purchase of Units”**, **“Redemption of Units”** and **“Switching between classes”**.

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends.

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, 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. The Manager may also at its discretion pay dividend out of gross income while charging/paying all or part of the Sub-Fund's fees and expenses to/out of the capital of the Sub-Fund (resulting in an increase in distributable income for the payment of dividends by the Sub-Fund), and thereby effectively pay distributions out of capital of the Sub-Fund. Payment of dividends out of, or effectively out of, capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of, or effectively out of, the 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.bochkam.com. This website has not been reviewed by the SFC.

Class A1 (USD), Class A2 (HKD), Class A3 (MOP), Class A4 (RMB), Class A5 (AUD-H), Class A6 (NZD-H), Class A7 (CAD-H), Class A8 (GBP-H), Class A9 (HKD-H), Class A10 (MOP-H), Class A11 (RMB-H), Class A12 (EUR-H), Class A13 (SGD-H), Class A14 (JPY-H) and Class A15 (CHF-H):

For these classes of Units, it is the current intention of the Manager to declare and pay dividends on a monthly basis (or, subject to one month's prior notice to the relevant Unitholders, such other frequency as the Manager and the Trustee consider appropriate). It is intended that the first distribution will be made 3 months after the launch date of the Sub-Fund, subject to the Manager's discretion.

Investors should note that dividends, if any, may be paid from income and/or out of, or effectively out of, capital of the Sub-Fund.

Please refer to the section headed "**Distributions**" and the risk factor headed "**Distributions out of capital risk**" in the Appendix for further details.

Investors should note that there is no guarantee of regular distribution payments nor, where distribution is made, the amount being distributed, during the period investors hold the Units of the Sub-Fund.

Class C1 (USD), Class C2 (HKD), Class C3 (RMB), Class C4 (RMB-H), Class C5 (HKD-H), Class I1 (USD), Class I2 (HKD), Class I3 (MOP), Class I4 (RMB), Class I5 (HKD-H), Class I6 (MOP-H), Class I7 (RMB-H), Class I8 (EUR-H), Class I9 (AUD-H), Class I10 (NZD-H), Class I11 (CAD-H), Class I12 (GBP-H), Class I13 (SGD-H), Class I14 (JPY-H), Class I15 (CHF-H), Class X1 (USD), Class X2 (HKD), Class X3 (MOP), Class X4 (RMB) Class X5 (HKD-H) and Class X6 (RMB-H):

Currently, the Manager does not intend to make any distributions for these classes of Units.

If there is a change of the distribution policy of the Sub-Fund, the Manager will seek the prior approval of the SFC and/or provide at least one month's prior notice to Unitholders (where necessary).

Valuation

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

Reports and Accounts for the Sub-Fund

The first financial year of the Sub-Fund will end on 30 June 2020.

The first annual report in respect of the Sub-Fund will be published for the period from the launch of the Sub-Fund to 30 June 2020. The first unaudited semi-annual report in respect of the Sub-Fund will be published for the half year period ended 31 December 2019.

SCHEDULE 1 – INVESTMENT AND BORROWING RESTRICTIONS

1. Investment limitations applicable to each Sub-Fund

No holding of any security may be acquired for or added to a Sub-Fund which would be inconsistent with achieving the investment objective of the Sub-Fund or which would result in:–

- (a) the aggregate value of the Sub-Fund's investments in, or exposure to, any single entity (other than Government and other public securities) through the following exceeding 10% of the latest available Net Asset Value of the relevant Sub-Fund:
 - (i) investments in securities issued by that entity;
 - (ii) exposure to that entity through underlying assets of financial derivative instruments; and
 - (iii) net counterparty exposure to that entity arising from transactions of over-the-counter financial derivative instruments.

For the avoidance of doubt, restrictions and limitations on counterparty as set out in sub-paragraphs 1(a), 1(b) and 4.4(c) of this Schedule 1 will not apply to financial derivative instruments that are:

- (A) transacted on an exchange where the clearing house performs a central counterparty role; and
- (B) marked-to-market daily in the valuation of their financial derivative instrument positions and subject to margining requirements at least on a daily basis.

The requirements under this sub-paragraph 1(a) will also apply in the case of sub-paragraphs 6(e) and (j) of this Schedule 1.

- (b) subject to sub-paragraphs 1(a) and 4.4(c) of this Schedule 1, the aggregate value of the Sub-Fund's investments in, or exposure to, entities within the same group through the following exceeding 20% of the latest available Net Asset Value of the relevant Sub-Fund:
 - (i) investments in securities issued by those entities;
 - (ii) exposure to those entities through underlying assets of financial derivative instruments; and
 - (iii) net counterparty exposure to those entities arising from transactions of over-the-counter financial derivative instruments.

For the purposes of sub-paragraphs 1(b) and 1(c) of this Schedule 1, "entities within the same group" means entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognized accounting standards.

The requirements under this sub-paragraph 1(b) will also apply in the case of sub-paragraphs 6(e) and (j) of this Schedule 1.

- (c) the value of the Sub-Fund's cash deposits made with the same entity or entities within the same group exceeding 20% of the latest available Net Asset Value of the relevant Sub-Fund provided that the 20% limit may be exceeded in the following circumstances:
 - (i) cash held before the launch of the Sub-Fund and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested; or
 - (ii) cash proceeds from liquidation of investments prior to the merger or termination of the Sub-Fund, whereby the placing of cash deposits with various financial institutions would not be in the best interests of investors; or
 - (iii) cash proceeds received from subscriptions pending investments and cash held for the settlement of redemption and other payment obligations, whereby the placing of cash deposits with various financial institutions would be unduly burdensome and the cash deposits arrangement would not compromise investors' interests.

For the purposes of this sub-paragraph 1(c), "cash deposits" generally refer to those that are repayable on demand or have the right to be withdrawn by the Sub-Fund and not referable to provision of property or services.

- (d) the Sub-Fund's holding of any ordinary shares (when aggregated with all other Sub-Funds' holdings of such ordinary shares) exceeding 10% of any ordinary shares issued by any single entity.
- (e) the value of the Sub-Fund's investment in securities and other financial products or instruments that are neither listed, quoted nor dealt in on a Securities Market, exceeding 15% of the latest available Net Asset Value of such Sub-Fund.
- (f) the value of the Sub-Fund's total holding of Government and other public securities of the same issue exceeding 30% of the latest available Net Asset Value of such Sub-Fund (save that the Sub-Fund may invest all of its assets in Government and other public securities in at least six different issues). For the avoidance of doubt, 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.

(g) (i) the value of the Sub-Fund's investment in units or shares in other collective investment schemes (namely "**underlying schemes**") which are non-eligible schemes (the list of "**eligible schemes**" is as specified by the SFC from time to time) and not authorized by the SFC in aggregate exceeding 10% of its latest available Net Asset Value; and

(ii) the value of the Sub-Fund's investment in units or shares in each underlying scheme which is either an eligible scheme (the list of "**eligible schemes**" is as specified by the SFC from time to time) or a scheme authorized by the SFC exceeding 30% of its latest available Net Asset Value unless the underlying scheme is authorized by the SFC, and the name and key investment information of the underlying scheme are disclosed in the Offering Document of that Sub-Fund,

provided that:

- (A) no investment may be made in any underlying scheme the investment objective of which is to invest primarily in any investment prohibited by Chapter 7 of the Code;
- (B) where an underlying scheme's objective is to invest primarily in investments restricted by Chapter 7 of the Code, such investments may not be in contravention of the relevant limitation. For the avoidance of doubt, a Sub-Fund may invest in underlying scheme(s) authorized by the SFC under Chapter 8 of the Code (except for hedge funds under 8.7 of the Code), eligible scheme(s) of which the net derivative exposure does not exceed 100% of its total net asset value, and Qualified Exchange Traded Funds in compliance with sub-paragraphs 1(g)(i) and (ii) of this Schedule 1;
- (C) the underlying scheme's objective may not be to invest primarily in other collective investment scheme(s);
- (D) all initial charges and redemption charges on the underlying scheme(s) must be waived if the underlying scheme is managed by the Manager or its connected persons; and
- (E) the Manager or any person acting on behalf of the Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or its management company, or any quantifiable monetary benefits in connection with investments in any underlying scheme.

For the avoidance of doubt:

- (aa) unless otherwise provided under the Code, the spread requirements under sub-paragraphs 1(a), (b), (d) and (e) of this Schedule 1 do not apply to investments in other collective investment schemes by a Sub-Fund;
- (bb) unless otherwise disclosed in the Appendix of a Sub-Fund, the investment by a Sub-Fund in a Qualified Exchange Traded Fund will be considered and treated as listed securities for the purposes of and subject to the requirements in sub-paragraphs 1(a), (b) and (d) of this Schedule 1. Notwithstanding the aforesaid, the investments by a Sub-Fund in Qualified Exchange Traded Funds shall be subject to sub-paragraph 1(e) of this Schedule 1 and the relevant investment limits in Qualified Exchange Traded Funds by a Sub-Fund shall be consistently applied;
- (cc) where investments are made in listed REITs, the requirements under sub-paragraphs 1(a), (b) and (d) of this Schedule 1 apply and where investments are made in unlisted REITs, which are either companies or collective investment schemes, then the requirements under sub-paragraphs 1(e) and (g)(i) of this Schedule 1 apply respectively; and
- (dd) where a Sub-Fund invests in index-based financial derivative instruments, the underlying assets of such financial derivative instruments are not required to be aggregated for the purposes of the investment restrictions or limitations set out in sub-paragraphs 1(a), (b), (c) and (f) of this Schedule 1 provided that the index is in compliance with the requirements under 8.6(e) of the Code.

2. Investment prohibitions applicable to each Sub-Fund

The Manager shall not, unless otherwise specifically provided for in the Code, on behalf of any Sub-Fund:–

- (a) invest in physical commodities unless otherwise approved by the SFC on a case-by-case basis taking into account the liquidity of the physical commodities concerned and availability of sufficient and appropriate additional safeguards where necessary;
- (b) invest in any type of real estate (including buildings) or interests in real estate (including any options or rights but excluding shares in real estate companies and interests in REITs);
- (c) make short sales unless (i) the liability of the relevant Sub-Fund to deliver securities does not exceed 10% of its latest available Net Asset Value; (ii) the security which is to be sold short is actively traded on a Securities Market where short selling activity is permitted; and (iii) the short sales are carried out in accordance with all applicable laws and regulations;
- (d) carry out any naked or uncovered short sale of securities;

- (e) subject to sub-paragraph 1(e) of this Schedule 1, lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, Reverse Repurchase Transactions in compliance with the requirements as set out in sub-paragraphs 5.1 to 5.4 of this Schedule 1 are not subject to the limitations in this sub-paragraph 2(e);
- (f) acquire any asset or engage in any transaction which involves the assumption of any liability by the relevant Sub-Fund which is unlimited. For the avoidance of doubt, the liability of Unitholders of a Sub-Fund is limited to their investments in that Sub-Fund;
- (g) invest in any security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5%, or collectively they own more than 5%, of the total nominal amount of all the issued securities of that class;
- (h) 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 the Sub-Fund's portfolio whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transaction in financial derivative instruments for the purposes of sub-paragraphs 4.5 and 4.6 of this Schedule 1.

3. Feeder Funds

A Sub-Fund which is a feeder fund may invest 90% or more of its total Net Asset Value in a single collective investment scheme ("**underlying scheme**") in accordance with the following provisions -

- (a) such underlying scheme ("**master fund**") must be authorised by the SFC;
- (b) no increase in the overall total of initial charges, redemption charges, management fees, or any other costs and charges payable to the Manager or any of its connected persons borne by the Unitholders or by the feeder fund may result, if the master fund in which the feeder fund invests is managed by the Manager or by a connected person of the Manager;
- (c) notwithstanding proviso (C) to sub-paragraph 1(g) of this Schedule 1, the master fund may invest in other collective investment scheme(s) subject to the investment restrictions as set out in sub-paragraphs 1(g)(i) and (ii) and proviso (A), (B) and (C) to sub-paragraph 1(g) of this Schedule 1.

4. Use of financial derivative instruments

4.1 A Sub-Fund may acquire financial derivative instruments for hedging purposes. For the purposes of this sub-paragraph 4.1, financial derivative instruments are generally considered as being acquired for hedging purposes if they meet all the following criteria:

- (a) they are not aimed at generating any investment return;
- (b) they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss or risks arising from the investments being hedged;
- (c) although they may not necessarily reference to the same underlying assets, they should relate to the same asset class with high correlation in terms of risks and return, and involve taking opposite positions, in respect of the investments being hedged; and
- (d) they exhibit price movements with high negative correlation with the investments being hedged under normal market conditions.

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

4.2 A Sub-Fund may also acquire financial derivative instruments for non-hedging purposes (“**investment purposes**”) subject to the limit that such Sub-Fund’s net exposure relating to these financial derivative instruments (“**net derivative exposure**”) does not exceed 50% of its latest available Net Asset Value provided that such limit may be exceeded in such circumstances as permitted under the Code, handbook, code and/or guideline issued by the SFC from time to time or permitted by the SFC from time to time. For the avoidance of doubt, financial derivative instruments acquired for hedging purposes under sub-paragraph 4.1 of this Schedule 1 will not be counted towards the 50% limit referred to in this sub-paragraph 4.2 so long as there is no residual derivative exposure arising from such hedging arrangement. Net derivative exposure shall be calculated in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time.

4.3 Subject to sub-paragraphs 4.2 and 4.4 of this Schedule 1, a Sub-Fund may invest in financial derivative instruments provided that the exposure to the underlying assets of the financial derivative instruments, together with the other investments of the Sub-Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets and investments as set out in sub-paragraphs 1(a), (b), (c), (f), (g)(i) and (ii), proviso (A) to (C) to sub-paragraph 1(g) and sub-paragraph 2(b) of this Schedule 1.

- 4.4 The financial derivative instruments invested by a Sub-Fund shall be either listed/quoted on a stock exchange or dealt in over-the-counter market and comply with the following provisions:
- (a) the underlying assets consist solely of shares in companies, debt securities, money market instruments, units/shares of collective investment schemes, deposits with substantial financial institutions, Government and other public securities, highly-liquid physical commodities (including gold, silver, platinum and crude oil), financial indices, interest rates, foreign exchange rates, currencies, or other asset classes acceptable to the SFC, in which the Sub-Fund may invest according to its investment objectives and policies;
 - (b) the counterparties to transactions of over-the-counter financial derivative instruments or their guarantors are substantial financial institutions or such other entity acceptable to the SFC;
 - (c) subject to sub-paragraphs 1(a) and (b) of this Schedule 1, a Sub-Fund's net counterparty exposure to a single entity arising from transactions of over-the-counter financial derivative instruments may not exceed 10% of its latest available Net Asset Value provided that the exposure of the Sub-Fund to a counterparty of over-the-counter financial derivative instruments may be lowered by the collateral received (if applicable) by the Sub-Fund and shall be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter financial derivative instruments with that counterparty, if applicable; and
 - (d) the valuation of the financial derivative instruments is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the valuation agent, the Manager or the Trustee or their nominee(s), agent(s) or delegate(s) (as the case may be) independent of the issuer of the financial derivative instruments through measures such as the establishment of a valuation committee or engagement of third party service. The financial derivative instruments can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Sub-Fund's initiative. Further, the valuation agent/administrator should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the financial derivative instruments on a regular basis.
- 4.5 A Sub-Fund should at all times be capable of meeting all its payment and delivery obligations incurred under transactions in financial derivative instruments (whether for hedging or for investment purposes). The Manager shall, as part of its risk management process, monitor to ensure that the transactions in financial derivative instruments in respect of a Sub-Fund are adequately covered on an ongoing basis. For the purposes of this sub-paragraph 4.5, assets that are used to cover the Sub-Fund's payment and delivery obligations incurred under transactions in financial derivative instruments shall be free from any liens and encumbrances, exclude any cash or near cash for the purpose of meeting a call on any sum unpaid on a security, and cannot be applied for any other purposes.

- 4.6 Subject to sub-paragraph 4.5 of this Schedule 1, a transaction in financial derivative instruments which gives rise to a future commitment or contingent commitment of a Sub-Fund shall be covered as follows:
- (a) in the case of financial derivative instruments transactions which will, or may at the Sub-Fund's discretion, be cash settled, the Sub-Fund shall at all times hold sufficient assets that can be liquidated within a short timeframe to meet the payment obligation; and
 - (b) in the case of financial derivative instruments transactions which will, or may at the counterparty's discretion, require physical delivery of the underlying assets, the Sub-Fund shall hold the underlying assets in sufficient quantity at all times to meet the delivery obligation. If the Manager considers the underlying assets to be liquid and tradable, the Sub-Fund may hold other alternative assets in sufficient quantity as cover, provided that such assets may be readily converted into the underlying assets at any time to meet the delivery obligation provided further that the Sub-Fund shall apply safeguard measures such as to apply haircut where appropriate to ensure that such alternative assets held are sufficient to meet its future obligations.
- 4.7 The requirements under sub-paragraphs 4.1 to 4.6 of this Schedule 1 shall apply to embedded financial derivative. For the purposes of this Explanatory Memorandum, an "**embedded financial derivative**" is a financial derivative instrument that is embedded in another security.

5. Securities financing transactions

- 5.1 A Sub-Fund may engage in securities financing transactions, provided that they are in the best interests of Unitholders of such Sub-Fund to do so and the associated risks have been properly mitigated and addressed, and provided further that the counterparties to the securities financing transactions are financial institutions which are subject to ongoing prudential regulation and supervision.
- 5.2 A Sub-Fund shall have at least 100% collateralization in respect of the securities financing transaction(s) into which it enters to ensure there is no uncollateralized counterparty risk exposure arising from these transactions.
- 5.3 All the revenues arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities financing transactions, shall be returned to the Sub-Fund.
- 5.4 A Sub-Fund shall only enter into a securities financing transaction if the terms of such securities financing transaction include the power for the Sub-Fund at any time to recall the securities or the full amount of cash (as the case may be) subject to the securities financing transaction or terminate the securities financing transaction(s) into which it has entered.

6. Collateral

In order to limit the exposure to each counterparty as set out in sub-paragraphs 4.4(c) and 5.2 of this Schedule 1, a Sub-Fund may receive collateral from such counterparty, provided that the collateral complies with the requirements set out below:

- (a) Liquidity – the collateral is sufficiently liquid and tradable in order that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing;
- (b) Valuation – the collateral is marked-to-market daily by using independent pricing sources;
- (c) Credit quality – the collateral is of high credit quality provided that, in the event the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral, such collateral shall be replaced immediately;
- (d) Haircut – the collateral is subject to a prudent haircut policy;
- (e) Diversification – the collateral is appropriately diversified so as to avoid concentrated exposure to any single entity and/or entities within the same group. A Sub-Fund's exposure to the issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in sub-paragraphs 1(a), 1(b), 1(c), 1(f), 1(g)(i) and (ii) and provisos (A) to (C) of sub-paragraph 1(g) and sub-paragraph 2(b) of this Schedule 1;
- (f) Correlation – the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty or the issuer of the financial derivative instruments, or the counterparty of securities financing transactions in such a way that would undermine the effectiveness of the collateral. For this purpose, securities issued by the counterparty or the issuer of the financial derivative instruments, or the counterparty of securities financing transactions or any of their related entities should not be used as collateral;
- (g) Management of operational and legal risks – the Manager has appropriate systems, operational capabilities and legal expertise for proper collateral management;
- (h) Independent custody – the collateral is held by the Trustee or by duly appointed nominee, agent or delegate;
- (i) Enforceability – the collateral is readily accessible or enforceable by the Trustee without further recourse to the issuer of the financial derivative instruments, or the counterparty of the securities financing transactions;

- (j) Re-investment of collateral – any re-investment of collateral received for the account of the relevant Sub-Fund shall be subject to the following requirements:
 - (i) cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorized under 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the Code. For this purpose, money market instruments refer to securities normally dealt in on the money markets, including government bills, certificates of deposit, commercial papers, short-term notes and bankers' acceptances, etc. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments must be taken into account;
 - (ii) non-cash collateral received may not be sold, re-invested or pledged;
 - (iii) the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in sub-paragraphs 7(b) and 7(j) of this Schedule 1;
 - (iv) cash collateral received is not allowed to be further engaged in any securities financing transactions;
 - (v) when the cash collateral received is reinvested into other investment(s), such investment(s) is/are not allowed to be engaged in any securities financing transactions;
- (k) the collateral is free of prior encumbrances; and
- (l) the collateral generally does not include (i) structured products whose payouts rely on embedded financial derivatives or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitized products; or (iv) unlisted collective investment schemes.

Further details relating to the collateral policy of the Fund and/or Sub-Funds are disclosed in Schedule 3.

7. Money Market Funds

In the exercise of its investment powers in relation to a Sub-Fund which is a money market fund ("**Money Market Fund**") authorised by the SFC under 8.2 of the Code, the Manager shall ensure that the core requirements as set out in paragraphs 1, 2, 4, 5, 6, 9, 10.1 and 10.2 of this Schedule 1 shall apply with the following modifications, exemptions or additional requirements:-

- (a) subject to the provisions set out below, a Money Market Fund may only invest in short-term deposits and high quality money market instruments (i.e. securities normally dealt in on the money markets including government bills, certificates of deposit, commercial papers, short-term notes, bankers' acceptances, asset-backed securities such as asset-backed commercial papers), and money market funds that are authorised by the SFC under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC;
- (b) a Money Market Fund shall maintain a portfolio with weighted average maturity not exceeding 60 days and a weighted average life not exceeding 120 days and must not purchase an instrument with a remaining maturity of more than 397 days (or two years in the case of Government and other public securities). For the purposes herein;
 - (i) "**weighted average maturity**" is a measure of the average length of time to maturity of all the underlying securities in a Money Market Fund weighted to reflect the relative holdings in each instrument; and is used to measure the sensitivity of the Money Market Fund to changing money market interest rates; and
 - (ii) "**weighted average life**" is the weighted average of the remaining life of each security held in a Money Market Fund; and is used to measure the credit risk, as well as the liquidity risk, provided that the use of interest rate resets in variable-notes or variable-rate notes generally should not be permitted to shorten the maturity of a security for the purpose of calculating weighted average life, but may be permitted for the purpose of calculating weighted average maturity;

- (c) notwithstanding sub-paragraphs 1(a) and 1(c) of this Schedule 1, the aggregate value of a Money Market Fund's holding of instruments issued by a single entity, together with any deposits held with that same issuer may not exceed 10% of the latest available Net Asset Value of such Money Market Fund except:–
- (i) the value of a Money Market Fund's holding of instruments and deposits issued by a single entity may be increased to 25% of the latest available Net Asset Value of such Money Market Fund if the entity is a substantial financial institution, provided that the total value of such holding does not exceed 10% of the entity's share capital and non-distributable capital reserves; or
 - (ii) up to 30% of a Money Market Fund's latest available Net Asset Value may be invested in Government and other public securities of the same issue; or
 - (iii) in respect of any deposit of less than US\$1,000,000 or its equivalent in the base currency of the relevant Money Market Fund where such Money Market Fund cannot otherwise diversify as a result of its size;
- (d) notwithstanding sub-paragraphs 1(b) and 1(c) of this Schedule 1, the aggregate value of a Money Market Fund's investments in entities within the same group through instruments and deposits may not exceed 20% of its latest available Net Asset Value provided that:
- (i) the aforesaid limit will not apply in respect of cash deposit of less than US\$1,000,000 or its equivalent in the base currency of such Money Market Fund, where it cannot otherwise diversify as a result of its size;
 - (ii) where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%;
- (e) the value of a Money Market Fund's holding of money market funds that are authorised under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC may not in aggregate exceed 10% of its latest available Net Asset Value;
- (f) the value of a Money Market Fund's holding of investments in the form of asset-backed securities may not exceed 15% of its latest available Net Asset Value;

- (g) subject to paragraphs 5 and 6 of this Schedule 1, a Money Market Fund may engage in Sale and Repurchase Transactions, and Reverse Repurchase Transactions in compliance with the following additional requirements:
 - (i) the amount of cash received by the Money Market Fund under Sale and Repurchase Transactions may not in aggregate exceed 10% of its latest available Net Asset Value;
 - (ii) the aggregate amount of cash provided to the same counterparty in Reverse Repurchase Transactions may not exceed 15% of the latest available Net Asset Value of the Money Market Fund;
 - (iii) collateral received may only be cash, high quality money market instruments and may also include, in the case of Reverse Repurchase Transactions, government securities receiving a favourable assessment on credit quality; and
 - (iv) the holding of collateral, together with other investments of the Money Market Fund, must not contravene the investment limitations and requirements set out in the other provisions of this paragraph 7 of this Schedule 1;
- (h) a Money Market Fund may use financial derivative instruments for hedging purposes only;
- (i) the currency risk of an Money Market Fund should be appropriately managed and any material currency risk that arises from investments of the Money Market Fund that are not denominated in its base currency shall be appropriately hedged;
- (j) a Money Market Fund must hold at least 7.5% of its latest available Net Asset Value in daily liquid assets and at least 15% of its latest available Net Asset Value in weekly liquid assets. For the purposes herein:
 - (i) daily liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within one Business Day; and (iii) amount receivable and due unconditionally within one Business Day on pending sales of portfolio securities; and
 - (ii) weekly liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within five Business Days; and (iii) amount receivable and due unconditionally within five Business Days on pending sales of portfolio securities.

8. Index Funds

- 8.1 In the exercise of its investment powers in relation to a Sub-Fund the principal objective of which is to track, replicate or correspond to a financial index or benchmark ("**Underlying Index**"), with an aim of providing or achieving investment results or returns that closely match or correspond to the performance of the Underlying Index ("**Index Fund**"), the Manager shall ensure that the core requirements in paragraphs 1, 2, 4, 5, 6, 9.1, 10.1 and 10.3 of this Schedule 1 shall apply with the modifications or exceptions as set out in sub-paragraphs 8.2 to 8.4 below.
- 8.2 Notwithstanding sub-paragraph 1(a) of this Schedule 1, more than 10% of the latest available Net Asset Value of an Index Fund may be invested in constituent securities issued by a single entity provided that:–
- (a) it is limited to any constituent securities that each accounts for more than 10% of the weighting of the Underlying Index; and
 - (b) the Index Fund's holding of any such constituent securities may not exceed their respective weightings in the Underlying Index, except where weightings are exceeded as a result of changes in the composition of the Underlying Index and the excess is only transitional and temporary in nature,
- 8.3 Investment restrictions in sub-paragraphs 8.2(a) and (b) of this Schedule 1 do not apply if:
- (a) an Index Fund adopts a representative sampling strategy which does not involve the full replication of the constituent securities of the Underlying Index in the exact weightings of such Underlying Index;
 - (b) the strategy is clearly disclosed in the relevant Appendix of the Index Fund;
 - (c) the excess of the weightings of the constituent securities held by the Index Fund over the weightings in the Underlying Index is caused by the implementation of the representative sampling strategy;
 - (d) any excess weightings of the Index Fund's holdings over the weightings in the Underlying Index must be subject to a maximum limit reasonably determined by the Index Fund after consultation with the SFC. In determining this limit, the Index Fund must consider the characteristics of the underlying constituent securities, their weightings and the investment objectives of the Underlying Index and any other suitable factors;
 - (e) limits laid down for the Index Fund pursuant to sub-paragraph 8.3(d) must be disclosed in the relevant Appendix of the Index Fund; and
 - (f) disclosure must be made in the Index Fund's interim and annual financial reports as to whether the limits imposed for the Index Fund itself pursuant to sub-paragraph 8.3(d) of this Schedule 1 have been complied with in full.
- 8.4 Subject to approval of the SFC, the investment restrictions in sub-paragraphs 1(b) and (c) of this Schedule 1 may be modified and the 30% limit in sub-paragraph 1(f) of this Schedule 1 may be exceeded, and an Index Fund may invest all of its assets in Government and other public securities in any number of different issues despite sub-paragraph 1(f) of this Schedule 1.

9. Borrowing and Leverage

The expected maximum level of leverage of each Sub-Fund is as follows:

Cash borrowing

- 9.1 No borrowing shall be made in respect of a Sub-Fund which would result in the principal amount for the time being of all borrowings made for the account of the relevant Sub-Fund exceeding an amount equal to 10% of the latest available Net Asset Value of the relevant Sub-Fund provided always that back-to-back loans do not count as borrowing. For the avoidance of doubt, Securities Lending Transactions and Sale and Repurchase Transactions in compliance with the requirements as set out in sub-paragraphs 5.1 to 5.4 of this Schedule 1 are not borrowings for the purpose of, and are not subject to the limitations in this sub-paragraph 9.1.
- 9.2 Notwithstanding sub-paragraph 9.1 of this Schedule 1, a Money Market Fund may borrow only on a temporary basis for the purposes of meeting redemption requests or defraying operating expenses.

Leverage from the use of financial derivative instruments

- 9.3 A Sub-Fund may also be leveraged through the use of financial derivative instruments and its expected maximum level of leverage through the use of financial derivative instruments (i.e. expected maximum net derivative exposure) is set out in the relevant Appendix.
- 9.4 In calculating the net derivative exposure, derivatives acquired for investment purposes that would generate incremental leverage at the portfolio level of the relevant Sub-Fund are converted into their equivalent positions in their underlying assets. The net derivative exposure is calculated in accordance with the requirements and guidance by the SFC which may be updated from time to time.
- 9.5 The actual level of leverage may be higher than such expected level in exceptional circumstances, for example when there are sudden movements in markets and/or investment prices.

10. Name of Sub-Fund

- 10.1 If the name of a Sub-Fund indicates a particular objective, investment strategy, geographic region or market, the Sub-Fund must, under normal market circumstances, invest at least 70% of its Net Asset Value in securities and other investments to reflect the particular objective, investment strategy or geographic region or market which the Sub-Fund represents.
- 10.2 The name of a Money Market Fund must not appear to draw a parallel between the Money Market Fund and the placement of cash on deposit.
- 10.3 The name of an Index Fund must reflect the nature of an index fund.

SCHEDULE 2 – SUMMARY OF POLICY OF SECURITIES FINANCING TRANSACTIONS

The summary of policy of Securities Financing Transactions set out in this Schedule 2 is only applicable to a Sub-Fund which may engage in Securities Financing Transactions.

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

Securities Financing Transactions

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

Where a Sub-Fund enters into Sale and Repurchase Transactions it sells securities such as bonds for cash and simultaneously agrees to repurchase the securities from the counterparty at a predetermined future date for a predetermined price. A Sale and Repurchase Transaction is economically similar to secured loan, with the counterparty of the relevant Sub-Fund receiving securities as collateral for the cash that it lends to the relevant Sub-Fund.

Under a Reverse Repurchase Transaction, a Sub-Fund purchases securities from a counterparty of Sale and Repurchase Transactions subject to an agreement to re-sell the relevant securities to the counterparty at an agreed price on a specified future date.

A Sub-Fund must have the right to terminate the Securities Financing Transactions at any time and demand the return of all of the securities loaned.

Revenues and Expenses

All revenues arising from Securities Financing Transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the Securities Financing Transactions, shall be returned to the relevant Sub-Fund. Such direct and indirect expenses shall include fees and expenses payable to the custodian bank, international clearing organisations or agents operating or administering such transactions engaged for the relevant Sub-Fund from time to time. Such fees and expenses of any such operating parties engaged for the relevant Sub-Fund, will be at normal commercial rates and will be borne by the relevant Sub-Fund in respect of which the relevant party has been engaged.

Information on the revenues generated under such transactions shall be disclosed in the annual and interim financial reports of the relevant Sub-Fund, along with entities to whom direct and indirect operational costs and fees relating to such transactions are paid. These entities may include the Manager, any investment delegate or any other their connected persons.

Eligible Counterparties

Please refer to Schedule 3 for further details.

Collateral

A Sub-Fund must have at least 100% collateralization in respect of the Securities Financing Transaction(s) into which it enters to ensure there is no uncollateralized counterparty risk exposure arising from these transactions.

Please refer to Schedule 3 for further details.

Maximum and expected level of securities financing transactions

The maximum and expected level of a Sub-Fund's assets available for Securities Financing Transactions are set out in the Appendix of the relevant Sub-Fund.

Types of assets that may be subject to securities financing transactions

The types of assets that may be subject to Securities Financing Transactions include equity securities, fixed income securities, collective investment schemes, money market instruments and cash. Use of such assets is subject to a Sub-Fund's investment objective and policy.

Connected person(s) arrangement

Subject to the policy disclosed in the Appendix for the relevant Sub-Fund, where the Manager is allowed to carry out any Securities Financing Transactions in respect of any Sub-Fund, such transaction may be carried out with or through a connected person of the Manager or the Trustee. Where such Securities Financing Transactions are carried out through a connected person, such transactions shall be effected on normal commercial terms negotiated at arm's length. Relevant details including fees paid by a Sub-Fund will be disclosed in the connected party transaction section of the annual reports.

Safekeeping arrangement

Assets received

Assets (including any collateral) received by a Sub-Fund under a title-transfer arrangement should be held by the Trustee or a custodian, co-custodians, sub-custodian, delegate, nominee or agent in respect of the whole or any part of the assets of any Sub-Fund (each a "**Correspondent**").

Assets provided

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

SCHEDULE 3 – COLLATERAL VALUATION AND MANAGEMENT POLICY

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

A Sub-Fund may receive collateral from a counterparty to a securities financing transaction or OTC derivative transaction in order to reduce its counterparty risk exposure, subject to the investment restrictions and requirements applicable to collateral under Schedule 1.

Nature and quality of the collateral

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

Criteria for selecting counterparties

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

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

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

The counterparty to a securities financing transaction and an OTC derivative transaction must have a credit rating of Baa2/BBB or above (by Moody's or Standard & Poor's, or any other equivalent ratings by internationally recognized credit rating agencies); and Mainland China counterparties with credit rating of AAA or above (by one of the local rating agencies recognized by the relevant authorities of Mainland China). The Manager will also monitor and conduct periodic review on the counterparties' ability and strength in the specific market (e.g. by reference to the counterparties' share capital).

Valuation of collateral

The collateral received is valued daily by an entity that is independent from the counterparty on a mark-to-market basis.

Enforceability of collateral

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

Haircut policy

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

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

Diversification and correlation of collateral

Collateral must be sufficiently diversified. The exposures of a Sub-Fund to the collateral issuers are monitored in accordance with the relevant restrictions on exposure to a single entity and/or entities within the same group as set out in Schedule 1.

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

Cash collateral reinvestment policy

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

Subject to the applicable restrictions in respect of collateral in Schedule 1, cash collateral received by a Sub-Fund may be reinvested in short-term deposits, high quality money market instruments and money market funds authorized under 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC.

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

Safe-keeping of collateral

Any non-cash assets received by a Sub-Fund from a counterparty on a title transfer basis (whether in respect of a securities financing transaction or an OTC derivative transaction) should be held by the Trustee or a Correspondent. This is not applicable in the event that there is no title transfer in which case the collateral will be held by a third party custodian which is unrelated to the provider of the collateral.

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

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

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