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

DCI Investment Trust

EXPLANATORY MEMORANDUM

Da Cheng China Balanced Fund

a sub-fund under the DCI Investment Trust

MANAGER
Da Cheng International Asset Management Company Limited

October 2026

IMPORTANT INFORMATION

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

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

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

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

Any information given or representations made by any dealer, salesman or other person and (in either case) not contained in this Explanatory Memorandum should be regarded as unauthorised and accordingly must not be relied upon.

The Trust and the Sub-Fund are authorized by the Securities and Futures Commission (the "**SFC**") in Hong Kong under Section 104 of the SFO. SFC authorisation is not a recommendation or endorsement of the Sub-Fund nor does it guarantee the commercial merits of the Sub-Fund or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

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

No action has been taken to permit an offering of Units or the distribution of this Explanatory Memorandum in any jurisdiction other than Hong Kong and, accordingly, the Explanatory Memorandum does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer is not authorized or to any person to whom it is unlawful to make such offer or solicitation.

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

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

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

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

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XIAO Jian
ZHAO Bing
XU Zijie

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DEFINITIONS

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

"**A-Shares**" means shares issued by companies incorporated in the PRC and listed on either the Shanghai Stock Exchange or the Shenzhen Stock Exchange, which are traded in RMB and presently available for investment only by domestic PRC investors, QFIIs, RQFIIs and any other qualified foreign investors.

"**B-Shares**" means shares issued by companies incorporated in the PRC and listed on either the Shanghai Stock Exchange or the Shenzhen Stock Exchange, which are traded in foreign currencies and available for investment by domestic PRC investors and foreign investors.

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

"**Business Day**" means a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for general business or such other day or days as the Trustee and the Manager may agree from time to time, provided that, where as a result of a Typhoon Number 8 or higher Signal, Black Rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager with the consent of the Trustee otherwise determines.

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

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

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

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

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

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

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

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

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

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

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

"**Government and other Public Securities**" has the meaning as set out in the Code which at the date of the main body of this Explanatory Memorandum means any investment issued by, or the payment of principal and interest on, which is guaranteed by a government, or any fixed-interest investment issued by its public or local authorities or other multilateral agencies.

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

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

"**Investment Advisor**" means Dacheng Fund Management Company Limited.

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

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

"**PBOC**" means The People's Bank of China.

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

"**PRC Sub-Custodian**" means Bank of China Limited, acting in its capacity as PRC sub-custodian of the Sub-Fund.

"**QFII**" means a qualified foreign institutional investor approved pursuant to the relevant regulations in the PRC.

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

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

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

"**RQFII**" or "**RQFII holder**" means a renminbi qualified foreign institutional investor approved pursuant to the relevant regulations in the PRC.

"**SAFE**" means the State Administration of Foreign Exchange of the PRC.

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

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

"**SGD**" means the currency of Singapore.

"**Shanghai-Hong Kong Stock Connect**" means the securities trading and clearing links programme developed by the Hong Kong Exchanges and Clearing Limited, Shanghai Stock Exchange and China Securities Depository and Clearing Corporation Limited, for mutual market access between mainland China and Hong Kong.

"**Shenzhen-Hong Kong Stock Connect**" means the securities trading and clearing links programme developed by the Hong Kong Exchanges and Clearing Limited, Shenzhen Stock Exchange and China Securities Depository and Clearing Corporation Limited, for mutual market access between mainland China and Hong Kong.

"**SSE**" means the Shanghai Stock Exchange.

"**Stock Connect**" means the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.

"**Sub-Fund**" means the Da Cheng China Balanced Fund.

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

"**SZSE**" means the Shenzhen Stock Exchange.

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

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

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

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

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

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

"**Urban Investment Bonds**" (城投債), means debt instruments issued by local government financing vehicles ("LGFVs") in the PRC listed bond markets and inter-bank bond market or issued outside China. These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investments or infrastructure projects.

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

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

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

SUMMARY

Introduction

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

The Sub-Fund, the second sub-fund of the Trust, has been authorised as a collective investment scheme in the form of a unit trust by the SFC under Section 104 of the SFO and the Code. SFC authorisation is not a recommendation or endorsement of the Sub-Fund nor does it guarantee the commercial merits of the Sub-Fund or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

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

Key information on the Sub-Fund

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

Name of the Sub-Fund	Da Cheng China Balanced Fund
Launch Date	3 March 2014
Investment Minima	<u>RMB Class A Units</u> Minimum initial investment: RMB 10,000 Minimum subsequent investment: RMB 10,000 Minimum holding: RMB 10,000 Minimum redemption: RMB 10,000 <u>RMB Class I Units</u> Minimum initial investment: RMB 6,500,000 Minimum subsequent investment: RMB 100,000 Minimum holding: RMB 6,500,000 Minimum redemption: RMB 100,000 <u>RMB Class P (Acc) Units and RMB Class P (Dist) Units*</u> Minimum initial investment: RMB1 Minimum subsequent investment: RMB1 Minimum holding: RMB1 Minimum redemption: RMB1

	RMB Class M Units# Minimum initial investment: RMB10,000 Minimum subsequent investment: RMB10,000 Minimum holding: RMB10,000 Minimum redemption: RMB10,000 HKD Class A Units Minimum initial investment: HKD 12,000 Minimum subsequent investment: HKD 12,000 Minimum holding: HKD 12,000 Minimum redemption: HKD 12,000 HKD Class I Units Minimum initial investment: HKD 7,500,000 Minimum subsequent investment: HKD 120,000 Minimum holding: HKD 7,500,000 Minimum redemption: HKD 120,000 HKD Class P (Acc) Units and HKD Class P (Dist) Units* Minimum initial investment: HKD1 Minimum subsequent investment: HKD1 Minimum holding: HKD1 Minimum redemption: HKD1 HKD Class M Units# Minimum initial investment: HKD10,000 Minimum subsequent investment: HKD10,000 Minimum holding: HKD10,000 Minimum redemption: HKD10,000 USD Class A Units Minimum initial investment: USD 1,500 Minimum subsequent investment: USD 1,500 Minimum holding: USD 1,500 Minimum redemption: USD 1,500 USD Class I Units Minimum initial investment: USD 1,000,000 Minimum subsequent investment: USD 15,000 Minimum holding: USD 1,000,000 Minimum redemption: USD 15,000 USD Class P (Acc) Units and USD Class P (Dist) Units * Minimum initial investment: USD1 Minimum subsequent investment: USD1 Minimum holding: USD1 Minimum redemption: USD1 USD Class M Units# Minimum initial investment: USD1,000

	Minimum subsequent investment: USD1,000 Minimum holding: USD1,000 Minimum redemption: USD1,000 <u>SGD Class A Units</u> Minimum initial investment: SGD 1,500 Minimum subsequent investment: SGD 1,500 Minimum holding: SGD 1,500 Minimum redemption: SGD 1,500 <u>SGD Class I Units</u> Minimum initial investment: SGD 1,000,000 Minimum subsequent investment: SGD 15,000 Minimum holding: SGD 1,000,000 Minimum redemption: SGD 15,000 <u>SGD Class P (Acc) Units and SGD Class P (Dist) Units*</u> Minimum initial investment: SGD1 Minimum subsequent investment: SGD1 Minimum holding: SGD1 Minimum redemption: SGD1 <u>SGD Class M Units#</u> Minimum initial investment: SGD1,000 Minimum subsequent investment: SGD1,000 Minimum holding: SGD1,000 Minimum redemption: SGD1,000 ** Class P Units are available for investment by retail investors who invest through distributors submitting dealing orders via distribution channels or distributors specified by the Manager.* *# Class M Units are available for investment by managed accounts and other funds managed by the Manager or its associated entity(ies) or by other investors as agreed by the Manager.*
Base Currency	RMB (¥)
Dealing Frequency	Daily
Dividend Policy	No dividends are paid in respect of HKD Class P (Acc) Units, RMB Class P (Acc) Units, USD Class P (Acc) Units and SGD Class P (Acc) Units. In respect of all other classes of Units, the Manager may at its discretion pay dividends monthly subject to PRC withholding tax provisioning. Dividends may be paid out of capital or effectively out of capital of the relevant Class and may result in an immediate reduction of the Net Asset Value per Unit of the Sub-Fund. Dividends will be paid in the currency of the relevant class of Units.

Parties	**Manager**	Da Cheng International Asset Management Company Limited
	Trustee & Registrar	BOCI-Prudential Trustee Limited
	Investment Advisor	Dacheng Fund Management Company Limited
	Custodian	Bank of China (Hong Kong) Limited
	PRC Sub-Custodian	Bank of China Limited
Management Fee		Class A Units: 1.35% (per annum of the Net Asset Value attributable to each relevant Class) Class I Units: 0.85% (per annum of the Net Asset Value attributable to each relevant Class) Class P Units: 1.35% (per annum of the Net Asset Value attributable to each relevant Class) Class M Units: Nil
Performance Fee		Nil
Trustee Fee		0.15% for the first RMB200 million in Net Asset Value, 0.125% for the next RMB200 million in Net Asset Value, and 0.11% for the remaining balance of the Net Asset Value, subject to a monthly minimum of RMB40,000
Custody Fee		Up to 0.10% per annum of the Net Asset Value (inclusive of custody fees payable to PRC Sub-Custodian)
Preliminary Charge		up to 5% of the subscription price
Redemption Charge		nil
Switching Fee		up to 2% of the redemption price of each Unit switched
Other Fees and Expenses		Please refer to the section headed “Fees and Expenses”
Financial Year End		31 December
Website		http://www.dcfund.com.hk

INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTION

Investment objective

The Sub-Fund is a balanced fund and the investment objective of the Sub-Fund is to seek long-term growth of capital and income. The Sub-Fund seeks to achieve its objective through investing directly in fixed income and equity securities issued in China. The majority of the investments of the Sub-Fund will be onshore investments in China and will be denominated and settled in RMB.

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

Investment strategy

Introduction

The Sub-Fund will invest primarily in RMB denominated securities issued in China including (a) stocks and bonds traded on the Shanghai Stock Exchange and Shenzhen Stock Exchange; (b) fixed income instruments traded in the inter-bank bond market; (c) securities investment funds authorised by the CSRC; and (d) any other financial instruments permitted by the CSRC through a RQFII holder.

Bonds invested into by the Sub-Fund may be traded on the inter-bank bond market or the exchange-traded bond market in China (please refer to the section "Overview of the bond market in China" below for further information on China's bond market). The Sub-Fund may also invest into money market instruments traded on the inter-bank bond market only. The Sub-Fund will not engage in stock lending or invest in repo or reverse-repo transactions on the stock markets, the inter-bank or exchange-traded bond markets; however, the Sub-Fund may decide to do so in the future subject to the SFC's prior approval and at least one month's prior notice to Unitholders.

The Sub-Fund will not invest in structured products, structured deposits, financial derivative instruments, asset-backed securities (including mortgage-backed securities) or asset-backed commercial papers for hedging or non-hedging purposes. However, as China's domestic securities markets continue to develop and more types of structured products, structured deposits and financial derivative instruments become available for investment, the Manager may, subject always to the Sub-Fund's investment objective and applicable laws, rules and regulations, decide to invest the Sub-Fund in structured products, structured deposits and financial derivative instruments for hedging and/or investment purposes. If it is decided to do so in the future, the SFC's prior approval will be obtained and at least one month's prior notice will be provided to Unitholders.

The Sub-Fund will invest directly in China's domestic securities markets through the Manager's status as a RQFII and via Stock Connect, the Foreign Access Regime and/or Bond Connect. Investments via the Foreign Access Regime will comprise less than 70% of the Net Asset Value of the Sub-Fund. Please refer to the sections "RQFII regime", "Stock Connect", "Investment in the PRC Inter-bank Bond Market via Foreign Access Regime" and "Investment in the PRC Inter-bank Bond Market via Northbound Trading Link under Bond Connect" below for further information on these schemes.

Asset allocation

The allocation between asset classes will primarily be determined based on a combination of the following considerations:

(a) seeking long-term capital growth while maintaining liquidity of the portfolio;

(b) optimizing return of the asset classes based on a top-down approach; and

(c) using a bottom-up approach looking at the availability of undervalued securities.

Table: Allocation of investments of the Sub-Fund based on asset class:

Asset class	***Indicative percentage of Net Asset Value***
Equity and fixed income portfolio*：listed stocks and bonds (traded on the inter-bank bond market and/or the exchange-traded bond market), securities investment funds which are authorised by the CSRC for offer to the retail public in the PRC^	70%-100%
(a) Cash and cash equivalents, money market instruments# **(b) Debt securities and stocks issued outside China (subject to a maximum of 20%)+**	0-30%
Entire portfolio	100%

* The Sub-Fund's portfolio is subject to change or adjustment based on the analysis undertaken by the Manager and prevailing market conditions and circumstances, subject always to applicable rules and regulations. There is no minimum percentage of the portfolio which will be allocated to either equity or fixed income. The equity portion of the Sub-Fund will be obtained entirely through the RQFII regime, entirely through Stock Connect, or through a combination of the two.

^ Investment in securities investment funds which are authorised by the CSRC for offer to the retail public in the PRC will not exceed 10% of the Net Asset Value of the Sub-Fund.

The Sub-Fund may invest in money market instruments issued in the PRC and traded on the inter-bank bond market including bonds with a remaining maturity of no more than 397 days (inclusive), central bank negotiable instruments with a maturity of no more than one year (inclusive) and any other money market instruments with high liquidity that are recognised by the CSRC.

+ The Sub-Fund may invest in aggregate no more than 20% of its Net Asset Value directly or indirectly (by investing in exchange traded funds, unlisted funds and real estate investment trusts) in

(i) bonds issued outside of China and rated investment grade (i.e. assigned with a rating of BBB- or higher by Standard & Poor's and Fitch Ratings or Baa3 or higher by Moody's or equivalent rating as rated by an international credit rating agency and for this purpose, if the relevant debt security does not itself have a credit rating, then reference can be made to the credit rating of the issuer of such debt security) issued by or guaranteed by the Chinese government, government agencies or entities mainly exercising their economic activity in China, Hong Kong and/or Macau; and

(ii) stocks issued outside of China by (A) companies domiciled in the PRC, Hong Kong or Macau but listed on a stock exchange outside of the PRC; and (B) companies domiciled outside of the PRC, Hong Kong and Macau, but listed on a stock exchange outside of the PRC and whose (x) operations or assets are based mainly in the PRC, Hong Kong and/or Macau; (y) management or ownership is mainly controlled by an entity that is established or incorporated in the PRC, Hong Kong or Macau; or (z) revenues or profits are mainly derived from the PRC, Hong Kong and/or Macau.

For the avoidance of doubt, the Sub-Fund's investment in ETFs will be considered and treated as collective investment schemes for the purposes of and subject to the requirements in 7.11, 7.11A and 7.11B of the Code.

Equity strategy

The equity portion of the Sub-Fund's investment portfolio will be determined using value investing strategies and fundamental, bottom-up research approach, meaning that each stock will be selected by the Manager for inclusion in the Sub-Fund's equity portfolio based on its individual merits. The Manager will look for undervalued securities with potential for capital appreciation over the long term. While effective stock selection is the key to pure performance of the Sub-Fund, exposure to industry sectors will also be monitored as part of the portfolio construction process.

Fixed income strategy

The Manager will focus on fundamental and yield curve analysis to construct an appropriate bond portfolio based on duration strategy, interest rate strategy and overall credit quality. In managing the fixed income portfolio, the Manager will take into account prevailing market conditions while applying the filters of credit risk, liquidity risk, and interest rate risk. Any macro-economic events that may possibly affect the fixed income portfolio will also be considered by the Manager.

For bonds and fixed income instruments issued in China which may be invested by the Sub-Fund, the Sub-Fund will be subject to the following minimum credit rating requirements (as rated by a PRC credit rating agency at the time of investment by the Sub-Fund):

- fixed income instruments (other than short term financial bills): A
- short term financial bills: A-1

In relation to the above requirements, it is expected that the relevant rating will be the credit rating of the fixed income instrument or short term financial bill itself. If the relevant fixed income instrument or short term financial bill itself does not have a credit rating, the Manager may look at the credit rating of the issuer thereof to determine if the above minimum requirements are satisfied. If neither the fixed income instrument or short term financial bill nor its issuer is rated, the fixed income instrument or short term financial bill is classified as unrated, and the Sub-Fund will not invest in such instruments.

In the event that the credit rating of any fixed income instrument or short term financial bill within the Sub-Fund's portfolio falls below the minimum requirement set out above, the Sub-Fund may continue to hold or seek to dispose of such securities but will not make any additional investment into them. The Sub-Fund will not invest in unrated bonds, high yield bonds or Urban Investment Bonds.

Allocation between different types of bonds and money market instruments will be done based on holding period return analysis of the spread movement across different asset classes. In this respect, the Manager will focus on relative value and incremental credit risk amongst various asset classes.

In addition, the Manager will monitor the fixed income portfolio on a daily basis to ensure its investments comply with the asset allocation policy and the investment restrictions applicable to the Sub-Fund. Concurrently, the Manager will take pro-active measures from a top down approach to facilitate both income generation and capital preservation.

Overview of the bond market in China

The bond market in China comprises two markets: the inter-bank bond market and the exchange-traded bond market. Despite some interconnections between them, these markets are differentiated by, amongst other things, participants, products and regulatory oversight.

Currently, the inter-bank bond market is larger and more active than the exchange-traded bond market. Set out below is some key information on the different markets.

Key information on the different markets

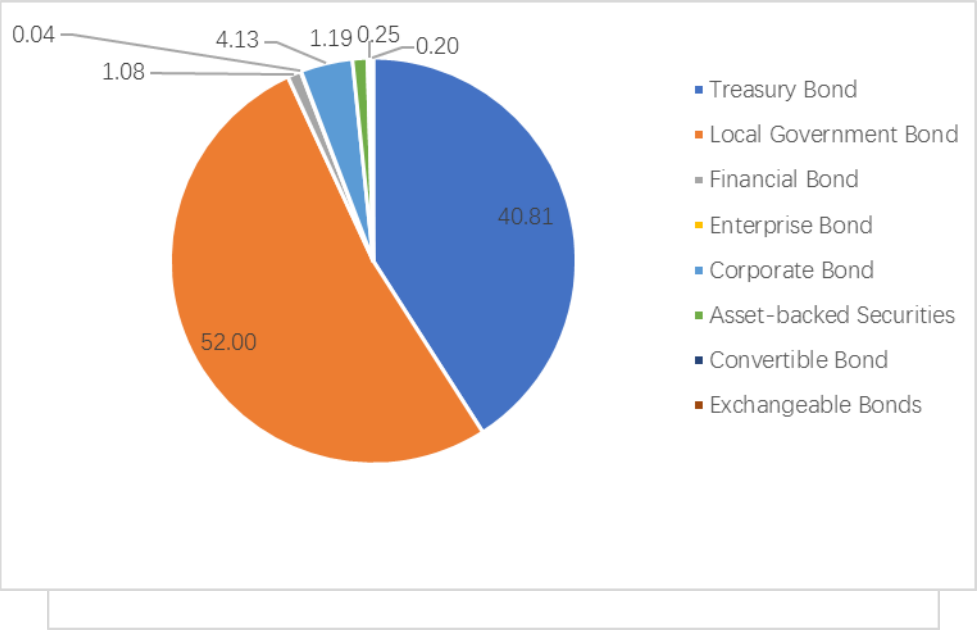
	Inter-bank bond market	**Exchange-traded bond market**
Market size	RMB 72.9 trillion, as at 31 October 2018 (source: China Bond, Wind)	RMB 36.39 trillion, as at 31 October 2018 (source: China Bond, Wind)
Major types of products being traded	Government bonds, central bank bills, policy bank bonds, bank and financial institution bonds, enterprise bonds, urban investment bonds, medium-term notes, commercial papers, SME collective notes, asset-backed securities and panda bonds (RMB-denominated bonds issued by international development institutions)	Government bonds, enterprise bonds , corporate bonds (also called listed company bonds), urban investment bonds and convertible bonds
Key market participants	Policy banks, commercial banks, credit cooperative banks, insurance companies, securities companies, mutual funds, trust and investment companies, finance companies affiliated with corporations, RQFIIs	Commercial banks, insurance companies, securities companies, mutual funds, QFIIs, RQFIIs, corporations and individual investors
Trading and settlement mechanism	Trading mechanism: a quote driven over-the-counter ("**OTC**") market with a market maker mechanism traded outside the securities exchanges, where deals are negotiated between two trading counterparties through an electronic trading system Settlement mechanism: delivery versus payment (DVP), payment after deliver (PAD), delivery after payment (DAP) and delivery free of payment (FOP) are all available, but DVP is the dominant settlement method between counterparties. For DVP trades, the settlement cycle is predominantly T+0, but may also be T+1 on mutual agreement. For other types of settlement, the settlement cycle is decided by agreement of the parties.	Trading mechanism: an electronic order and quote driven system with a market maker mechanism. Settlement mechanism: The China Securities Depository and Clearing Co., Ltd (中國證券登記結算有限責任公司) (the "**CSDCC**") is responsible for the clearing and settlement of bonds traded on the Shanghai and Shenzhen stock exchanges, on a T+1 settlement cycle (with netting settlement)
Regulator	PBOC	CSRC

The counterparty with whom investors will trade	The trading counterparty	CSDCC, which acts as the central counterparty to all securities transactions on the Shanghai and Shenzhen stock exchanges
Any central clearing	China Central Depository & Clearing Co., Ltd (中央國債登記結算公司) (the "**CCDC**"), and commercial papers issued on or after 1 September 2011 are cleared through Shanghai Clearing House (上海清算所)	CSDCC
Liquidity	Spot trading volume: RMB 81,878.96 billion, as at 31 October 2018 (source: Wind)	Spot trading volume: RMB 1,406.7 billion, as at 31 October 2018 (source: Wind)
Associated risks	Counterparty risk Credit risk Liquidity risk	Counterparty risk Credit risk Liquidity risk
Any minimum rating requirements	None	None. However, if upon listing a corporate bond or enterprise bond does not have a credit rating of at least "AA" given by a local credit rating agency, then such bond can only be traded on the fixed income electronic platform of the relevant exchange (固定收益證券綜合電子平臺), which is open only to institutional investors (such as QFIIs and RQFIIs). Bonds that do not satisfy this minimum requirement cannot be traded via the quote-driven platform (競價交易系 統), which is open to all investors, including retail investors.

Major types of debt instruments (and their issuers) in the bond markets

Inter-bank bond market:

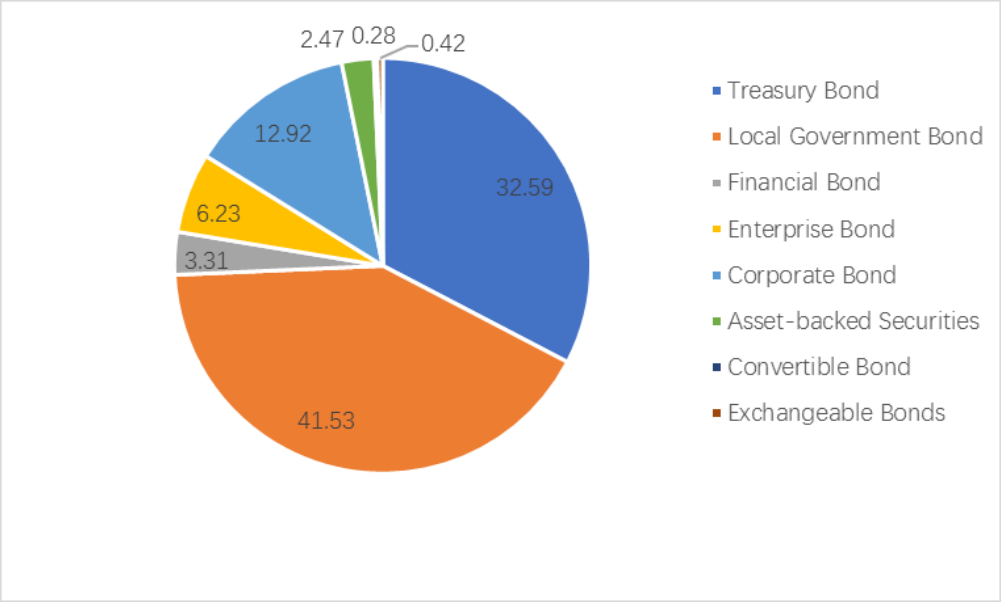
- government bonds (issued by the PRC government);
- policy bank bonds (issued by the policy banks in the PRC, namely the China Development Bank, the Agricultural Development Bank of China and the Export-Import Bank of China);
- medium-term notes (issued by non-financial companies); and
- enterprise bonds (issued by institutions affiliated to central government).



Inter-bank bond market *– types of debt instruments in the inter-bank bond market (Data source: China Bond, Wind, as at 31 October 2018)*

Exchange-traded bond market:

- government bonds (issued by the PRC government);
- enterprise bonds (issued by institutions affiliated to central government);
- corporate bonds (issued by listed companies); and
- convertible bonds (issued by listed companies).



Exchange-traded bond market *– types of debt instruments in the Shanghai exchange-traded bond market (Source: China Bond, Wind, as at 31 October 2018)*

Exchange-traded bond market *– types of debt instruments in the Shenzhen exchange-traded bond market (Source: China Bond, Wind, as at 31 October 2018)*

Yield of major debt instruments

	Government bonds	Policy bank bonds	Enterprise bonds (AAA)
Tenure (years)	Interest rate (% p.a.)	Interest rate (% p.a.)	Interest rate (% p.a.)
0.25	2.3212	2.4147	3.2441
0.5	2.6255	2.7752	3.3541
1	2.8054	2.9227	3.6328
3	3.1595	3.5055	3.9918
5	3.3129	3.8298	4.2548
7	3.5054	4.0826	4.5831
10	3.5086	4.0774	4.6168
15	3.7764	4.3282	4.7841
20	3.8175	4.3484	4.8438
30	4.0552	4.5735	4.9803

Data source: China Bond, Wind; at the end of 31 October 2018

PRC local credit ratings

PRC bonds, whether they are traded on the inter-bank bond-market or the exchange-traded markets, are generally rated by local credit agencies. There are five major credit rating agencies in the PRC. These are Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. (上海新世纪资信评估投资服务有限公司), Dagong Global Credit Rating Co., Ltd (大公国际资信评估有限公司), China LianHe Credit Rating Co., Ltd. (联合信用评级有限公司), China Cheng Xin International Credit Rating Co. Ltd (中诚信国际信用评级有限责任公司) and Pengyuan Credit Rating Co., Ltd (鹏元资信评估有限公司). They are approved by the relevant PRC authorities to conduct ratings business.

The methodology adopted by local credit rating agencies is in general similar to that adopted by international credit rating agencies. Investors may obtain the rating information and methodologies from the websites of above five credit agencies, announcements on the Shanghai and Shenzhen stock exchanges and on the inter-bank bond market website. Investors should, however, exercise caution when referring to PRC local credit ratings of bonds, as the definitions of specific rating assignments and the associated implied default probability may be different from the standards adopted by international credit rating agencies. Please refer to “Risk associated with fixed income instruments - Risks associated with local PRC credit ratings” in the Risk Factors section. Although the Sub-Fund’s fixed income strategy is subject to a minimum credit rating requirement, a bond’s credit rating is only one of a number of factors that the Manager considers in its overall assessment of each bond’s credit quality in constructing the Sub-Fund’s bond portfolio.

<u>Overview of the A-Share market in China</u>

Introduction

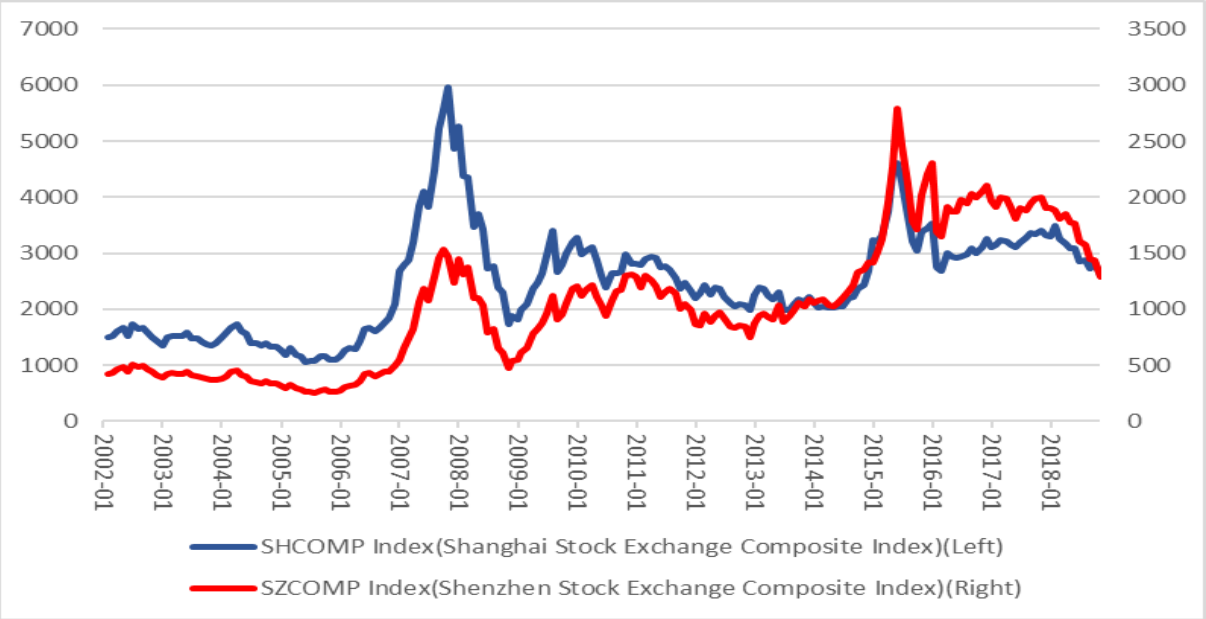
China's A-Share market commenced in 1990 with two exchanges, Shanghai Stock Exchange and Shenzhen Stock Exchange. Shanghai Stock Exchange was established on 26 November 1990 and stocks are further divided into class A-Shares and class B-Shares, with A-Shares limited to domestic investors as well as QFIIs and RQFIIs or through Stock Connect only and B Shares available to both domestic and foreign investors. As of 31 October 2018, there are 1,446 companies listed on the Shanghai Stock Exchange with total market capitalisation of RMB27.86 trillion. Shanghai Stock Exchange’s products cover equities, mutual funds and bonds. The product lines include A-Shares, B-Shares, indices, mutual funds (including exchange traded funds

and listed open-end funds), fixed income products, and diversified financial derivative products (including listed warrants and repurchases).

Shenzhen Stock Exchange was founded on 1 December 1990 and stocks are further divided into class A-Shares and class B-Shares, with A-Shares limited to domestic investors as well as QFIIs and RQFIIs only and B-Shares available to both domestic and foreign investors. As of 31 October 2018 there are 2,127 listed companies, 444 of which are listed on the Shenzhen Stock Exchange main board with total market capitalisation of RMB5.62 trillion, 919 of which are listed on the small and medium enterprises ("SME") board with total market capitalisation of RMB7.25 trillion, and 736 of which are listed on the ChiNext (the board mainly for "hi-tech" companies) with total market capitalisation of RMB4.02 trillion. Shenzhen Stock Exchange's products cover equities, mutual funds and bonds. The product lines include A-Shares, B-Shares, indices, mutual funds (including exchange traded funds and listed open-end funds), fixed income products, and diversified financial derivative products (including listed warrants and repurchases).

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

Chart 1. Shanghai and Shenzhen Composite Index Price

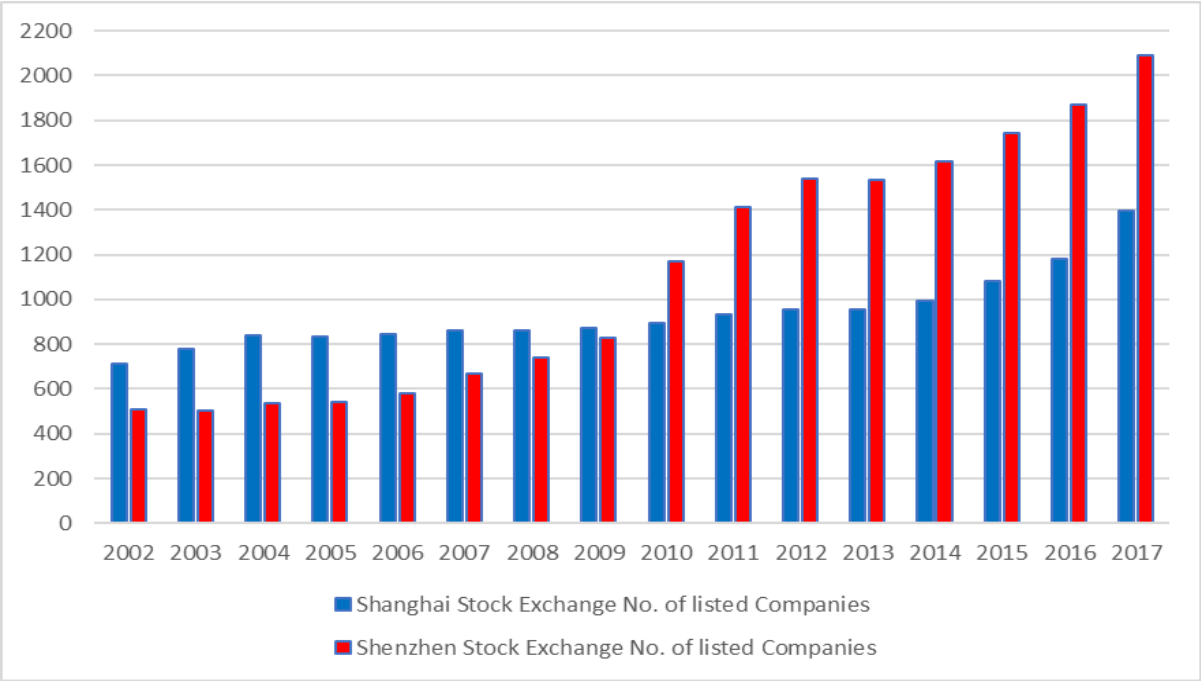


Data source: Bloomberg as of 31 October 2018

Chart 2. Total market capitalisation of both Shanghai Stock Exchange and SZSE

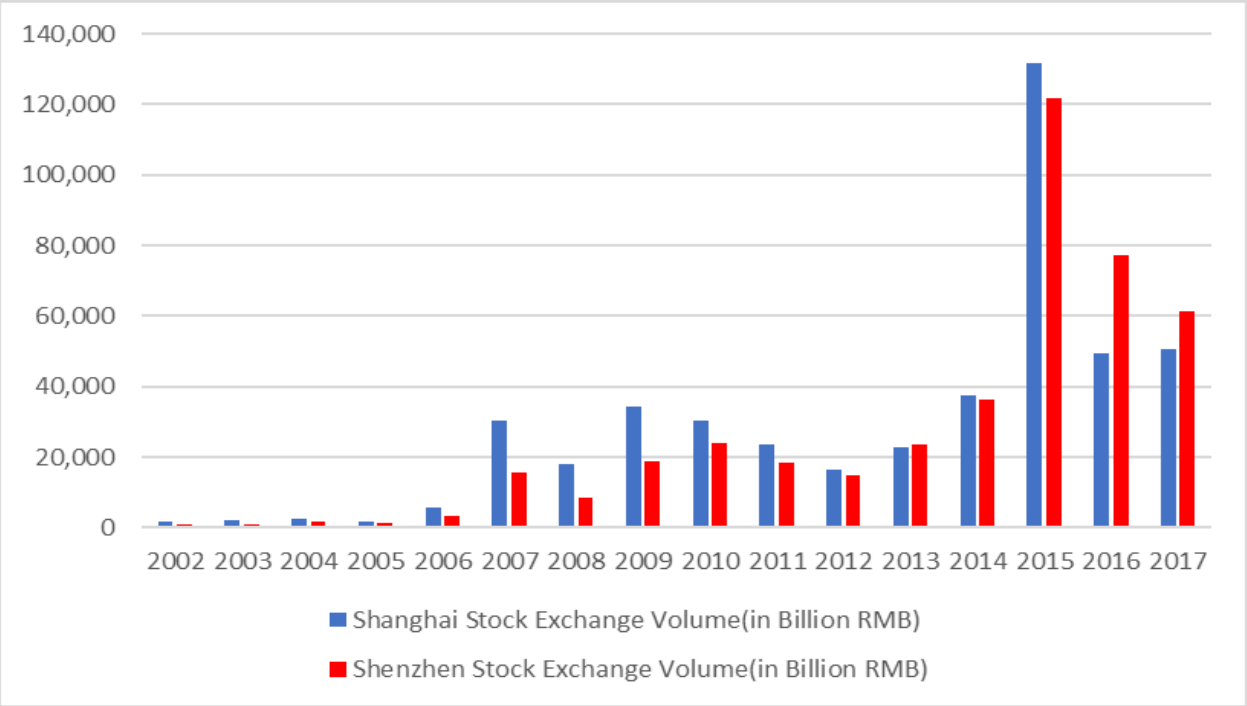
Data source: Bloomberg as of 31 October 2018

Chart 3. Number of companies listed on both Shanghai Stock Exchange and SZSE



Data source: WIND as of 31 Dec 2017

Chart 4. Annual trading volumes (turnover) of both Shanghai Stock Exchange and SZSE



Data source: WIND as of 31 Dec 2017

Differences with the Hong Kong stock market

The major differences between the A-Share market and the Hong Kong stock market are set out in the table below:

	PRC	**Hong Kong**
Key indices	SHCOMP / SZCOMP / CSI 300	HSI / HSCEI
Trading band limits	• 10% for ordinary stocks • 5% for ST/S stocks*	No Limit
Trading lots	100 shares for BUY / 1 share for SELL **	Each stock has its own individual board lot size (an online broker will usually display this along with the stock price when you get a quote); purchases in amounts which are not multiples of the board lot size are done in a separate "odd lot market".
Trading hours	pre-open: 0915-0925 morning session: 0930-1130 afternoon session: 1300-1500 (1457-1500 is closing auction for the Shenzhen Stock Exchange)	pre-open order input: 0900-0915 pre-order matching: 0915-0920 order matching: 0920-0928 morning session: 0930-1200 afternoon session: 1300-1600
Settlement	T+1	T+2

Earnings reporting requirements	Annual report: • Full annual report must be disclosed within 4 months after the reporting period. Interim report: • Full report must be disclosed within 2 months after the reporting period. Quarterly report: • Full report must be disclosed within 1 month after the reporting period. The first quarterly report cannot be disclosed before last year's annual report.	Annual report: • Earnings must be disclosed within 3 months after the reporting period; • Full annual report must be disclosed within 4 months after the reporting period. Interim report: • Earnings must be disclosed within 2 months after the reporting period; • Full report must be disclosed within 3 months after the reporting period.

Note:

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

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

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

No benchmark

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

RQFII regime

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

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

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

All of the Sub-Fund's assets in the PRC (including onshore PRC cash deposits and other investments) will be held by the PRC Sub-Custodian. A securities account has been opened with the CSDCC in the joint names of the Manager (as the RQFII holder) and the Sub-Fund. A special RMB cash account has been established and maintained with the PRC Sub-Custodian in the joint names of the Manager (as the RQFII holder) and the Sub-Fund. The PRC Sub-Custodian shall, in turn, have a cash clearing account with CSDCC for trade settlement according to applicable regulations.

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

(a) securities account(s) with the CSDCC and maintained by the PRC Sub-Custodian and RMB special deposit account(s) with the PRC Sub-Custodian (respectively, the "**securities account(s)"** and the "**cash account(s)**") have been opened in the joint names of the Manager and the Sub-Fund for the sole benefit and use of the Sub-Fund in accordance with all applicable laws and regulations of the PRC and with approval from all competent authorities in the PRC;

(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 PRC Sub-Custodian and any broker appointed to execute transactions for the Sub-Fund in the PRC markets (a "**PRC Broker**"), and from the assets of other clients of the Manager (as RQFII holder), the PRC Sub-Custodian and any PRC Broker;

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

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

(e) if the Manager or any PRC Broker is liquidated, the assets contained in the securities account(s) and cash account(s) of the Sub-Fund will not form part of the liquidation assets of the Manager or such PRC Broker in liquidation in the PRC; and

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

Repatriations in RMB conducted by the Manager as RQFII on behalf of the Sub-Fund are not subject to any restrictions, lock-up periods or prior approval.

Stock Connect

The Stock Connect is a securities trading and clearing links programme developed by the Hong Kong Exchanges and Clearing Limited (the "**HKEx**"), the SSE, the SZSE and the China Securities Depository and Clearing Co., Ltd. (the "**CSDCC**"), which provides mutual stock market access

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

Each of the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect comprises a northbound trading link (the "**Northbound Trading Link**") for investment in PRC shares ("**Northbound Trading**") and a southbound trading link (the "Southbound Trading Link") for investment in Hong Kong shares ("**Southbound Trading**"). Under the Northbound Trading Link, Hong Kong and overseas investors (including the Sub-Fund), through their Hong Kong brokers and securities trading service companies (in Shanghai and in Qianhai Shenzhen respectively) established by the Hong Kong Stock Exchange (the "**SEHK**"), may trade eligible shares listed on the SSE or the SZSE by routing orders to the SSE or SZSE (as the case may be).

Eligible securities

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

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

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

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

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

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

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

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

Trading day

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

Trading quota

Trading under the Stock Connect is subject to a daily quota ("**Daily Quota**") for each of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, which is separate for Northbound and Southbound Trading. The Daily Quota limits the maximum net buy value of cross-boundary trades under the Stock Connect each day. The quotas do not belong to the Sub-Fund and are utilised on a first-come-first-serve basis. The SEHK monitors the quota and publishes the remaining balance of the Northbound Trading Daily Quota at scheduled times on the

HKEx's website. The Daily Quota may change in future. The Manager will not notify investors in case of a change of quota.

Settlement and custody

The Hong Kong Securities Clearing Company Limited (the "**HKSCC**") is responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by Hong Kong market participants and investors. SSE Securities or SZSE Securities acquired by an investor through Northbound Trading is maintained with such investor's broker's or custodian's stock account with the Central Clearing and Settlement System ("**CCASS**") operated by HKSCC.

Corporate actions and shareholders' meetings

Notwithstanding the fact that HKSCC does not claim proprietary interests in the SSE Securities or SZSE Securities held in its omnibus stock account in the CSDCC, the CSDCC as the share registrar for SSE or SZSE listed companies still treats the HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE Securities or SZSE Securities. The HKSCC monitors the corporate actions affecting SSE Securities or SZSE Securities and keeps the relevant CCASS participants informed of all such corporate actions that require CCASS participants to take steps in order to participate in them.

Currency

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

Trading fees

In addition to paying trading fees and stamp duties in connection with A-share trading, the Sub-Fund may be subject to certain other fees which are yet to be determined by the relevant authorities.

Coverage of Investor Compensation Fund

Any investments in SSE Securities or SZSE Securities done by the Sub-Fund through Northbound Trading under the Stock Connect will not be covered by Hong Kong's Investor Compensation Fund.

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

The Investor Compensation Fund only covers 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**"), as defined in the SFO.

Since defaults in relation to Northbound Trading do not involve products listed or traded on SEHK or HKFE, thus, similar to the case of investors trading overseas securities, such defaults will not be covered by the Investor Compensation Fund.

On the other hand, according to the Measures for the Administration of Securities Investor Protection Fund 《證券投資者保護基金管理辦法》, the functions of China Securities Investor Protection Fund ("**CSIPF**", 中國投資者保護基金) include "indemnifying creditors as required by China's relevant policies in case a securities company is subjected to compulsory regulatory

measures including dissolution, closure, bankruptcy and administrative takeover by the CSRC and custodian operation" or "other functions approved by the State Council". However, since Northbound Trading is carried out through securities brokers in Hong Kong and not PRC brokers, the CSIPF also does not extend to protect defaults experienced on Northbound Trading.

Foreign shareholding restrictions

Pursuant to relevant rules and regulations, foreign investors holding A-shares (whether acquired through QFII, RQFII or Stock Connect) are subject to the following shareholding restrictions:

(a) the shareholding of any single foreign investor in an A-share listed company must not exceed 10% of such company's total issued shares; and

(b) the aggregate shareholding of all foreign investors in an A-share listed company must not exceed 30% of such company's total issued shares.

When aggregate foreign shareholding of an individual A-share listed company exceeds the 30% threshold, the foreign investors concerned will be requested to sell the relevant A-shares on a last-in-first-out basis within 5 trading days. If the 30% threshold is exceeded due to trading via Stock Connect, the SEHK will identify the exchange participant(s) concerned and require a force-sell. As a result, it is possible that the Sub-Fund may be required to unwind its positions where it has invested in an A-share listed company in respect of which the aggregate foreign shareholding threshold has been exceeded.

The SSE, SZSE and the SEHK (as the case may be) will issue warnings as the aggregate foreign shareholding of an SSE Security or SZSE Security approaches 30%. Northbound Trading buy orders will be suspended once the aggregate foreign shareholding reaches 28% and will resume when it drops back to 26%. Northbound Trading sell orders will not be affected.

When foreign investors carry out strategic investments in A-share listed companies in accordance with the relevant rules, the shareholding of such strategic investments is not capped by the above-mentioned percentages.

Further information about the Stock Connect is available at the website: http://www.hkex.com.hk/eng/csm/index.htm.

Investment in the PRC Inter-bank Bond Market via Foreign Access Regime

Pursuant to the "Announcement (2016) No 3" issued by the PBOC (中國人民銀行公告 [2016] 第3號) on 24 February 2016, foreign institutional investors can invest in the PRC inter-bank bond market via a foreign access regime ("**Foreign Access Regime**") subject to other rules and regulations as promulgated by the Mainland Chinese authorities, i.e., PBOC and the SAFE. Such rules and regulations may be amended from time to time and include (but are not limited to):

- 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;

- 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; and

- any other applicable regulations promulgated by the relevant authorities.

Under the prevailing regulations in China, foreign institutional investors who wish to invest directly in the PRC inter-bank 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, foreign investors (such as the Sub-Fund) may remit investment principal in RMB or foreign currency into China for investing in the PRC inter-bank bond market. An investor will need to remit investment principal matching at least 50% of its anticipated investment size within nine months after the completion of the filing with the Shanghai Head Office of PBOC, or else an updated filing will need to be made through the onshore settlement agent. For repatriation, where the Sub-Fund 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%.

Investment in the PRC Inter-bank Bond Market via Northbound Trading Link under Bond Connect

Bond Connect is an initiative launched in July 2017 for mutual bond market access between Hong Kong and mainland China ("**Bond Connect**") established by China Foreign Exchange Trade System & National Interbank Funding Centre ("**CFETS**"), China Central Depository & Clearing Co., Ltd, Shanghai Clearing House, and Hong Kong Exchanges and Clearing Limited and Central Moneymarkets Unit.

Bond Connect is governed by rules and regulations as promulgated by the PRC authorities. Such rules and regulations may be amended from time to time and include (but are not limited to):

- the "Interim Measures for the Administration of Mutual Bond Market Access between Mainland China and Hong Kong (Decree No.1 [2017])" (內地與香港債券市場互聯互通合作管理暫行辦法(中國人民銀行令[2017]第1號)) issued by the PBOC on 21 June 2017;

- the "Guide on Registration of Overseas Investors for Northbound Trading in Bond Connect" ("債券通"北向通境外投資者准入備案業務指引) issued by the Shanghai Head Office of PBOC on 22 June 2017; and

- any other applicable regulations promulgated by the relevant authorities.

Under the prevailing regulations in China, eligible foreign investors will be allowed to invest in the bonds circulated in the PRC inter-bank 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 China, an offshore custody agent recognised by the Hong Kong Monetary Authority (currently, the Central Moneymarkets Unit) shall open omnibus nominee accounts with the onshore custody agent recognised by the PBOC (currently, the CSDCC and Interbank Clearing Company Limited). All bonds traded by eligible foreign investors will be registered in the name of Central Moneymarkets Unit, which will hold such bonds as a nominee owner.

Investment restrictions

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

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

(1) investments in securities issued by such entity;

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

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

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

(1) investments in securities issued by such entities;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(v) the Manager or any person acting on behalf of the Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by a managed fund or the

management company of a managed fund, or quantifiable monetary benefits in connection with investments in any managed fund;

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

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

(2) the Explanatory Memorandum must state that:

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

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

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

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

(3) unless otherwise approved by the SFC, no increase in the overall total of initial charges, redemption charges, management company's annual fee, or any other costs and charges payable to the Manager or any of its Connected Persons borne by the Holders or by the Sub-Fund may result, if the master fund in which the Sub-Fund invests is managed by the Manager or by its Connected Person; and

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

(l) if the name of a Sub-Fund indicates a particular objective, investment strategy, geographic region or market, the Sub-Fund should, under normal market circumstances, invest at least 70% of its total Net Asset Value in securities and other investments to reflect the particular objective, investment strategy or geographic region or market which the Sub-Fund represents.

A Sub-Fund shall not:

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

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

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

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

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

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

(g) apply any part of a Sub-Fund in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call is due to be made for any sum unpaid on such investments unless such call could be met in full out of cash or near cash forming part of a Sub-Fund whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transactions in FDIs for the purposes of Chapter 7.29 and 7.30 of the Code.

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

Borrowing

The maximum borrowing of each Sub-Fund shall not exceed 10% of its latest available Net Asset Value. Where the Manager so determines, a Sub-Fund's permitted borrowing level may be a lower percentage. The Trustee may, at the request of the Manager, borrow for the account of a Sub-Fund any currency, and charge or pledge assets of a Sub-Fund, for the following purposes:

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

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

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

HOW TO PURCHASE THE UNITS

How much are the Units?

Initial Offer Period

The Initial Offer Period of SGD Class A Units, SGD Class I Units, SGD Class P (Acc) Units and SGD Class P (Dist) Units and SGD Class M Units will be such dates or times as the Manager may determine.

During the Initial Offer Period, SGD Class A Units, SGD Class I Units, SGD Class P (Acc) Units and SGD Class P (Dist) Units and SGD Class M Units will be offered to investors at an initial offer price of:

- SGD Class A Units: SGD10 per Unit
- SGD Class I Units: SGD10 per Unit
- SGD Class P (Acc) Units and SGD Class P (Dist) Units: SGD10 per Unit
- SGD Class M Units: SGD10 per Unit

Class P Units are available for investment by retail investors who invest through distributors submitting dealing orders via distribution channels or distributors specified by the Manager. Class M Units are available for investment by managed accounts and other funds managed by the Manager or its associated entity(ies) or by other investors as agreed by the Manager.

Subsequent subscription

After the expiry of the Initial Offer Period, SGD Class A Units, SGD Class I Units, SGD Class P (Acc) Units and SGD Class P (Dist) Units and SGD Class M Units will be available for issue on any Dealing Day at the Subscription Price.

Class A Units, Class I Units, Class P Units and Class M Units are available for issue on any Dealing Day at the Subscription Price.

Class P Units are available for investment by retail investors who invest through distributors submitting dealing orders via distribution channels or distributors specified by the Manager.

Class M Units are available for investment by managed accounts and other funds managed by the Manager or its associated entity(ies) or by other investors as agreed by the Manager.

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

The Subscription Prices of RMB Class A Units, RMB Class I Units, RMB Class P (Acc) Units, RMB Class P (Dist) Units and RMB Class M Units will be calculated and quoted in the Base Currency of the Sub-Fund, being RMB.

The Subscription Prices of HKD Class A Units, HKD Class I Units, HKD Class P (Acc) Units, HKD Class P (Dist) Units and HKD Class M Units will be calculated in the Base Currency of the Sub-Fund, then be converted into the class currency at the exchange rate agreed by the Manager and the Trustee.

The Subscription Prices of USD Class A Units, USD Class I Units, USD Class P (Acc) Units, USD Class P (Dist) Units and USD Class M Units will be calculated in the Base Currency of the Sub-Fund, then be converted into the class currency at the exchange rate agreed by the Manager and the Trustee.

The Subscription Prices of SGD Class A Units, SGD Class I Units, SGD Class P (Acc) Units, SGD Class P (Dist) Units and SGD Class M Units will be calculated in the Base Currency of the Sub-Fund, then be converted into the class currency at the exchange rate agreed by the Manager and the Trustee.

How to apply for Units?

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

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

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

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

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

Each applicant whose application is accepted will be sent a contract note confirming details of the purchase of Units but no certificates will be issued.

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

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

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

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

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

Investment Minima

The following investment minima apply to the Sub-Fund:

	Minimum initial investment	*Minimum subsequent investment*	*Minimum holding*	*Minimum redemption amount*
HKD Class A Units	HKD12,000	HKD12,000	HKD12,000	HKD12,000
HKD Class I Units	HKD7,500,000	HKD120,000	HKD7,500,000	HKD120,000
HKD Class P (Acc) Units and HKD Class P (Dist) Units*	HKD1	HKD1	HKD1	HKD1
HKD Class M Units#	HKD10,000	HKD10,000	HKD10,000	HKD10,000
RMB Class A Units	RMB10,000	RMB10,000	RMB10,000	RMB10,000
RMB Class I Units	RMB6,500,000	RMB100,000	RMB6,500,000	RMB100,000
RMB Class P (Acc) Units and RMB Class P (Dist) Units*	RMB1	RMB1	RMB1	RMB1
RMB Class M Units#	RMB10,000	RMB10,000	RMB10,000	RMB10,000
USD Class A Units	USD1,500	USD1,500	USD1,500	USD1,500
USD Class I Units	USD1,000,000	USD15,000	USD1,000,000	USD15,000
USD Class P (Acc) Units and USD Class P (Dist) Units*	USD1	USD1	USD1	USD1
USD Class M Units#	USD1,000	USD1,000	USD1,000	USD1,000
SGD Class A Units	SGD1,500	SGD1,500	SGD1,500	SGD1,500
SGD Class I Units	SGD1,000,000	SGD15,000	SGD1,000,000	SGD15,000

SGD Class P (Acc) Units and SGD Class P (Dist) Units*	SGD1	SGD1	SGD1	SGD1
SGD Class M Units#	SGD1,000	SGD1,000	SGD1,000	SGD1,000

** Class P Units are available for investment by retail investors who invest through distributors submitting dealing orders via distribution channels or distributors specified by the Manager.*

 # Class M USD Units are available for investment by managed accounts and other funds managed by the Manager or its associated entity(ies) or by other investors as agreed by the Manager.

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

Are there any payment or account procedures?

Subscription monies in respect of RMB Units should be paid in RMB. Subscription monies in respect of HKD Units should be paid in HKD. Subscription monies in respect of USD Units should be paid in USD. Subscription monies in respect of SGD Units should be paid in SGD. Payment details are set out in the application form. Payment from third parties or in cash will not be accepted. The applicant is responsible for providing the relevant proof of payment.

Investors need to have a RMB account when subscribing for RMB Units as investors may need to accumulate sufficient RMB to pay the Subscription Price of RMB Units, or if an application is not successful or is successful only in part, the whole or appropriate portion of the Subscription Price in respect of RMB Units will be returned to the relevant investor by crediting into his RMB account. If an application for subscription for RMB Units is successful, the relevant investor will need to maintain a RMB account to receive any distributions or dividends in respect of such Units which will be paid in RMB by the Sub-Fund and be credited to his RMB account.

Following the expansion of the RMB trade settlement scheme, there will no longer be any restrictions on banks in Hong Kong in establishing RMB accounts. However, different banks may have different and/or additional restrictions. There may be additional rules, regulations and restrictions under contemplation or to be issued by the relevant Hong Kong authorities that may be relevant to investments in the Sub-Fund. Investors should check with their banks or professional advisers for updates and details.

Units are in registered form

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

HOW TO REDEEM THE UNITS

How do I redeem my Units?

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

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

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

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

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

How will redemption proceeds be paid to me?

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

The Redemption Prices of each class of Units will be calculated in the Base Currency of the Sub-Fund (being RMB). The Redemption Prices of Units denominated in currencies other than the base currency of the Sub-Fund (being RMB) will then be converted and quoted in the relevant class currency at the exchange rate agreed by the Manager and the Trustee.

In determining the Redemption Price, in certain extraordinary scenarios such as where there is a large realisation request by a single investor, the Manager is entitled to deduct an amount which it

considers represents an appropriate provision for transactional fees or expenses (including stamp duty, other taxes, brokerage, bank charges, transfer fees and registration fees) which are likely to be incurred by the Sub-Fund. Any such deducted amount will be retained by the Sub-Fund and will form part of the assets of the Sub-Fund.

The Manager may at its option impose a redemption charge in respect of the Units to be redeemed as described in the section headed "Expenses and Charges" below. The Manager may on any day in its sole and absolute discretion differentiate between Unitholders as to the amount of the redemption charge to be imposed (within the permitted limit provided in the Trust Deed) on each Unitholder.

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

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

Subject as mentioned above, and save as otherwise agreed by the Manager, and so long as relevant account details have been provided, redemption proceeds will normally be paid in the relevant class currency by telegraphic transfer, within 7 Business Days after the relevant Dealing Day and in any event within one calendar month of the relevant Dealing Day or (if later) receipt of a properly documented request for redemption of Units, unless legal or regulatory requirements in the PRC (such as foreign currency controls) to which the Sub-Fund is subject renders the payment of the redemption proceeds within the aforesaid time period not practicable, but in such a case the SFC's prior approval will be sought before extending the time frame for payment, and such extended time frame should reflect the additional time needed in light of the specific circumstances in the PRC.

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

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

Are there any restrictions on redemption?

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

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

Restrictions on Unitholders and compulsory redemption

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

(a) who is a US person;

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

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

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

SWITCHING

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

Unitholders may request such a switch by giving notice in writing, by facsimile or via other electronic means to the Trustee. Requests received by the Trustee prior to the Dealing Deadline, or such later time as the Manager may agree, in respect of a Dealing Day will be dealt with on that Dealing Day. Neither the Manager nor the Trustee shall be responsible to any Unitholder for any loss resulting from the non-receipt or duplicate receipt of a request for switching or any amendment to a request for switching prior to receipt.

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

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

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

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

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

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

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

DETERMINATION OF NET ASSET VALUE

Calculation of Net Asset Value

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Suspension of determination of Net Asset Value

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

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

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

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

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

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

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

(g) the business operations of the Manager, the Trustee or any agent of the Manager or the Trustee in relation to the operations of the Trust and/or the Sub-Fund are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riot, strikes or acts of God; or

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

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

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

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

Publication of Net Asset Value

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

FEES AND EXPENSES

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

Fees payable by Unitholders

Preliminary charge

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

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

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

Redemption charge

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

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

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

Switching fee

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

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

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

Fees and expenses payable by the Sub-Fund

Management fee

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

On inception of the Sub-Fund, the Manager intends to charge a management fee of 1.35% per annum of the Net Asset Value of the Sub-Fund attributed to Class A Units and Class P Units and a management fee of 0.85% per annum of the Net Asset Value of the Sub-Fund attributed to Class I

Units. No management fee is charged in respect of Class M Units. A portion of the management fee will be shared by the Manager with the Investment Advisor. Any increase in the rates of management fee will only be implemented after giving one month's notice (or such period of notice as the SFC may require) to the affected Unitholders. No increase beyond the maximum management fee stated in the Trust Deed may occur without Unitholder approval. The management fee will be accrued as at each Valuation Day and will be payable monthly in arrears.

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

Performance Fee

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

Trustee Fee

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

The Trustee will be paid a fee of 0.15% for the first RMB200 million in Net Asset Value, 0.125% for the next RMB200 million in Net Asset Value, and 0.11% for the remaining balance of the Net Asset Value. The trustee fee is subject to a monthly minimum of RMB40,000. Any increase in this rate of trustee fee will only be implemented after giving one month's notice (or such period of notice as the SFC may require) to the affected Unitholders. No increase beyond the maximum trustee fee stated in the Trust Deed may occur without Unitholder approval. The trustee fee will be accrued as at each Valuation Day and will be payable monthly in arrears.

Fee payable to the Custodian

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

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

Promotional Expenses

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

Other Expenses

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

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

Establishment Costs

The costs of establishing the Sub-Fund were approximately RMB1,800,000. These costs have been charged to the Sub-Fund and are being amortized over the first 3 accounting periods of the Sub-Fund (or such other period as determined by the Manager).

RISK FACTORS

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

Investment risks

Investment objective risk:

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

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

Concentration risk:

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

Market risk:

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

Risks associated with fixed income instruments:

Interest rate risk

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

As the Sub-Fund's invests in domestic PRC bonds, the Sub-Fund is additionally subject to policy risk as changes in macro-economic policies in the PRC (including monetary policy and fiscal policy)

may have an influence over the PRC's capital markets and affect the pricing of the bonds in the Sub-Fund's portfolio, which may in turn adversely affect the return of the Sub-Fund.

Credit risk

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

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

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

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

Credit rating downgrades risk

Credit rating of issuers of fixed income instruments and credit rating of securities may be downgraded, thus adversely affecting the value and performance of a Sub-Fund holding such investments.

Investing in convertible bonds risks

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

PRC credit ratings risks

Some PRC bonds may have been assigned a credit rating by a local credit rating agency in the PRC. However, at present, the PRC's domestic credit rating industry lacks a strong reputation and authority amongst market participants in comparison to its counterparts in more developed markets.

This is in part due to the highly-regulated nature of the PRC bond markets, which may result in credit ratings being perceived as superfluous. In addition, the rating process may lack transparency and the rating standards may be significantly different from that adopted by internationally recognised credit rating agencies. Consequently, there is little assurance that credit ratings are independent, objective and of adequate quality. In some cases, local credit agencies have been suspected of engaging in "ratings inflation" in order to generate more income from the ratings business. As a result, credit ratings given by local credit rating agencies are often disregarded by market participants when making investment and financing decisions. It will also increase valuation risk as a result of the lack of transparency and independence credit ratings. In selecting the Sub-Fund's fixed income portfolio, the Manager will, in addition to referring to local credit ratings, conduct its own fundamental research and analysis on credit quality. Investors should also exercise caution before relying on any local credit ratings.

Equity securities risk:

As the Sub-Fund will also be directly investing in A-Shares through RQFII, it will be exposed to the risks associated with investments in A-Shares. The investment performance of equity securities depends upon factors which are difficult to predict. Such factors include the possibility of sudden or prolonged market declines and risks associated with individual companies. The fundamental risk associated with any equity portfolio is that the value of the investments it holds may suddenly and substantially decrease in value.

Dependence upon trading market for fixed income instruments and A-Shares risks:

The price at which the fixed income instruments and the A-Shares may be purchased or sold by the Sub-Fund and the Net Asset Value of the Sub-Fund may be adversely affected if trading markets for the fixed income instruments and the A-Shares are limited or absent. Investors should note that the Shanghai Stock Exchange and Shenzhen Stock Exchange on which A-Shares are traded are undergoing development and the market capitalisation of, and trading volumes on, those exchanges are lower than those in more developed financial markets. Similarly, if the trading market for bonds traded on the inter-bank bond market or the exchange-traded bond market is volatile or absent, the value of the Sub-Fund may be adversely affected. Market volatility and settlement difficulties in the A-Share markets may result in significant fluctuations in the prices of securities traded on such markets and thereby changes in the value of the Sub-Fund.

Investing in A-Shares risks:

A-Share market suspension risk

A-Shares may only be bought from, or sold to, the Sub-Fund from time to time where the relevant A-Shares may be sold or purchased on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, as appropriate. Given that the A-Share market is considered volatile and unstable (with the risk of suspension of a particular stock or government intervention), the subscription and redemption of Units may also be disrupted.

Investing in other funds risks:

The Sub-Fund may from time to time invest in securities investment funds issued in China and authorised by the CSRC for retail investment. Investing in other funds may expose the Sub-Fund to the following risks:

Additional fees associated with investing in underlying funds: The value of the shares or units of the underlying funds will take into account their fees and expenses, including fees (in some cases including performance fees) charged by their management companies or investment managers. Some underlying funds may also impose fees or levies which may be payable by the Sub-Fund

when it subscribes to or redeems out of such underlying funds. Whilst the Manager will take the level of any such fees into account when deciding whether or not to invest, investors should nevertheless be aware that investing into underlying funds may involve another layer of fees, in addition to the fees charged by the Sub-Fund.

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

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

Liquidity risk:

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

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

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

Currently, the inter-bank bond market in China is larger and has larger trading volume than the exchange-trade bond market. Nevertheless, China's bond market is still in a stage of development and the bid and offer spread of RMB bonds, whether traded on the inter-bank or listed bond market, may be high and the Sub-Fund may therefore incur significant trading costs and may even suffer losses when selling such investments. In the absence of a regular and active secondary market, the Sub-Fund may not be able to sell its bond holdings at prices the Manager considers advantageous and may need to hold the bonds until their maturity date. If sizeable redemption requests are received, the Sub-Fund may need to liquidate its listed bonds at a discount in order to satisfy such requests and the Sub-Fund may suffer losses. The Manager seeks to control the liquidity risk of the Sub-Fund's bond portfolio by a series of internal management measures in order to meet Unitholders' redemption requests.

Counterparty risk:

The Sub-Fund is subject to the risk of the inability of any counterparty (including any custodian(s)) to perform with respect to transactions, whether due to insolvency, bankruptcy or other circumstances. The Sub-Fund is also subject to the risk that counterparties may not have access to finance and/or assets at the relevant time and may fail to comply with their obligations under the relevant sale and repurchase agreements. Recent well-publicised weaknesses in certain financial institutions may be indicative of increased counterparty risk. In the event of any counterparty (including a custodian) entering an insolvency procedure, the Manager could experience delays in liquidating the Sub-Fund's positions and incur significant losses, including the loss of that portion of the Sub-Fund's portfolio financed through such a transaction, a decline in value of its investment during the period in which the Manager seeks to enforce its rights, an inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights.

RMB currency risk:

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

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

Foreign exchange transactions under the capital account, including principal payments in respect of foreign currency-denominated obligations, currently continue to be subject to significant foreign exchange controls and require the approval of SAFE. On the other hand, the existing PRC foreign exchange regulations have significantly reduced government foreign exchange controls for transactions under the current account, including trade and service related foreign exchange transactions and payment of dividends. Nevertheless, the Manager cannot predict whether the PRC government will continue its existing foreign exchange policy or when the PRC government will allow free conversion of the RMB to foreign currency.

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

Investors may invest in the Sub-Fund in RMB, HKD, USD as well as SGD. There is no guarantee that RMB will not depreciate. It should be noted that the Manager will not effect any foreign exchange hedging on behalf of the Sub-Fund to mitigate the potential risk of loss arising from the conversion between RMB and HKD/USD/SGD. Investors should take into account the potential risk of loss in respect of subscriptions, redemptions and dividends arising from fluctuations in value between HKD/USD/SGD and the RMB.

Where an investor subscribes for Units denominated in a non-RMB currency, the Manager will convert such subscription funds into RMB prior to investment at the applicable exchange rate and subject to the applicable spread. Where an investor redeems Units denominated in a non-RMB currency, the Manager will sell the Sub-Fund's investments, which are denominated in RMB, and convert such proceeds into the relevant non-RMB currency at the applicable exchange rate and subject to the applicable spread. In such case an investor may enjoy a gain in RMB terms but suffer a loss when converting funds between RMB and the non-RMB currency. Currency conversion is also subject to the Sub-Fund's ability to convert the proceeds denominated in RMB into the relevant non-RMB currency which, in turn, might affect the Sub-Fund's ability to meet redemption requests from the Unitholders or delay the payment of redemption proceeds.

In calculating the Net Asset Value per Unit of a 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 the PRC (i.e. the CNY exchange rate) and there may be significant bid and offer spreads. Consequently, there may be significant trading costs incurred and investing in classes of Units denominated in a non-RMB currency exposes investors to potential loss. The value of the Sub-Fund thus calculated may be subject to fluctuation.

Dividends risk:

There is no assurance that the Sub-Fund will declare to pay dividends or distributions. The ability of the Sub-Fund to pay distributions also depends on interest payments made by issuers of onshore PRC fixed income instruments and dividends declared and paid by issuers of the A-Shares net of any PRC dividend withholding tax or provision of 10% for withholding tax and the level of fees and expenses payable by the Sub-Fund.

The ability of the issuers of onshore PRC fixed income instruments to make interest payments and the level of dividends, if any, declared by the issuers of A-Shares are based on numerous factors, including their current financial condition, general economic conditions and, where applicable, their dividend policies. There can be no assurance that such companies will be able to honour payment obligations, declare dividends or make other distributions.

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

Payments or dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of the amount investors originally invested or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate decrease in the Net Asset Value. The Manager may amend the policy with respect to the distribution policy explained above subject to the SFC's prior approval and by giving not less than one month's prior notice to investors.

Investors will not receive any interest payments, dividends or other distributions directly from the PRC issuers of the PRC fixed income instruments or A-Shares within the Sub-Fund's portfolio.

Operational and settlement risks:

The Sub-Fund is subject to operational risks that may arise from any breaches by the Manager's investment management staff of the Manager's operational policies or technical failures of communication and trading systems. Whilst the Manager has in place internal control systems, operational guidelines and contingency procedures to reduce the chances of such operational risks, there is no guarantee events beyond the control of the Manager (such as unauthorised trading,

trading errors or system errors) will not occur. The occurrence of any such events may adversely affect the value of the Sub-Fund.

To the extent that Sub-Fund transacts in the inter-bank bond market in China, the Sub-Fund may also be exposed to risks associated with settlement procedures. Any significant delays in the settlement of transactions or the registration of a transfer may affect the ability to ascertain the value of the Sub-Fund's portfolio and adversely affect the Sub-Fund.

Hedging risk:

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

Restricted markets risk:

The Sub-Fund may invest in Securities in respect of which the PRC imposes limitations or restrictions on foreign ownership or holdings. Such legal and regulatory restrictions or limitations may have adverse effects on the liquidity and performance of such investments due to factors such as limitations on fund repatriation, dealing restrictions, adverse tax treatments, higher commission costs, regulatory reporting requirements and reliance on services of local custodians and service providers.

RQFII regime related risks

RQFII systems risk:

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

Onshore PRC securities acquired by a RQFII for the account of the Sub-Fund are registered in the name of "Da Cheng International Asset Management Co., Ltd. – Da Cheng China Balanced Fund" in accordance with the relevant rules and regulations, and maintained in electronic form via a securities account with the CSDCC. The account is required to bear the name of "Da Cheng China Balanced Fund" as this is the name under which the RQFII is approved by SAFE. The RQFII selects PRC brokers (each a "**PRC Broker**") to act on its behalf in the onshore PRC securities markets as well as the PRC Sub-Custodian to maintain its assets in safe custody.

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

The regulations which regulate investments by RQFIIs in the PRC and the repatriation of capital from RQFII investments are relatively new. The application and interpretation of such investment regulations are therefore relatively untested and there is no certainty as to how they will be applied as the PRC authorities and regulators have been given wide discretion in such investment regulations and there is no precedent or certainty as to how such discretion may be exercised now or in the future.

PRC Sub-Custodian and PRC Brokers risk:

Onshore PRC assets acquired by the Sub-Fund will be maintained by the PRC Sub-Custodian in electronic form via a securities account with the CSDCC and a cash account with the PRC Sub-

Custodian. Pursuant to (i) the Trust Deed, (ii) a master custody agreement between the Trustee and the Custodian, (iii) a sub-custody agreement between the Manager as the RQFII, the Custodian and the PRC Sub-Custodian, and (iv) an operating agreement entered into between the Manager as the RQFII, the Custodian, the PRC Sub-Custodian and the Trustee relating to the custody, operation and management of the Sub-Fund's assets in the PRC, the PRC Sub-Custodian is responsible for providing custody services in respect of the Sub-Fund's cash and securities assets in the PRC acquired. The Custodian shall be liable for the acts and omissions of the PRC Sub-Custodian in relation to assets forming part of the assets of the Sub-Fund. The Trustee shall, in turn, remain responsible for the acts or omissions of the Custodian in the same manner as if such acts or omissions were those of the Trustee.

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

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

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

Repatriation risk:

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

Risks associated with Stock Connect

The Sub-Fund's investments through the Stock Connect may be subject to the following risks.

Quota limitations:

The Stock Connect is subject to quota limitations. The investment quota does not belong to the Sub-Fund and is utilised on a first-come-first-serve basis. In particular, once the remaining balance of the Northbound Trading Daily Quota drops to zero or the Northbound Trading Daily Quota is exceeded during the opening call session, new buy orders will be rejected (though investors will be allowed to sell their cross-boundary securities regardless of the quota balance). The Sub-Fund's ability to invest in A-shares through the Stock Connect may be affected.

Suspension risk:

The Stock Exchange of Hong Kong Limited, the SSE and the SZSE reserve the right to suspend Northbound and/or Southbound Trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the Northbound Trading is effected, the Sub-Fund's ability to access the PRC market through the Stock Connect will be adversely affected.

Differences in trading day:

Stock Connect only operates on days when the SEHK market and the mainland market (SSE and SZSE) are open for trading, and banking services are available in both markets on the corresponding settlement days. Accordingly, there may be occasions when it is a trading day for the PRC market but not a trading day for the Hong Kong market. On these occasions, the Sub-Fund may be subject to a risk of price fluctuations in A-shares as the Sub-Fund will not be able to trade A-shares through the Stock Connect.

Operational risk:

The Stock Connect provides a channel for investors from Hong Kong and overseas to access the China stock market directly. Market participants are able to participate in this programme subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house. As the securities regimes and legal systems of the two markets differ significantly, market participants may need to address issues arising from such differences on an on-going basis in order for the programme to operate.

Further, the "connectivity" in the Stock Connect requires routing of orders across the border. This requires the development of new information technology systems on the part of the SEHK and exchange participants. There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through the programme could be disrupted.

Restrictions on selling imposed by front-end monitoring:

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

As a consequence, if the Sub-Fund wishes to sell certain SSE Securities and SZSE Securities it holds, it must transfer such SSE Securities and SZSE Securities to the accounts of its brokers before the market opens on the day of selling (the "**trading day**"). If it fails to meet this deadline, it will not be able to sell such SSE Securities and SZSE Securities on the relevant trading day. Because of this requirement, the Sub-Fund may not be able to dispose of holdings of SSE Securities and SZSE Securities in a timely manner.

Recalling of eligible stocks:

If a stock is recalled from the scope of eligible stocks for trading via the Stock Connect, the stock can only be sold and cannot be bought. This may affect the Sub-Fund's investment portfolio or strategy if, for example, the Manager wishes to purchase a stock which is recalled from the scope of eligible stocks.

Clearing and settlement risk:

The HKSCC and CSDCC have established the clearing links and each has become a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house. Should the remote event of CSDCC default occur and the CSDCC be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against the CSDCC. HKSCC will in good faith seek recovery of the outstanding stocks and monies from the CSDCC through available legal channels or through the CSDCC's liquidation. In that event, the Sub-Fund may suffer delay in the recovery process or may not be able to fully recover its losses from the CSDCC.

Nominee arrangements:

HKSCC is the nominee holder of the SSE Securities and SZSE Securities acquired by Hong Kong and overseas investors through Stock Connect.

The CSRC Stock Connect rules expressly provide that investors enjoy the rights and benefits of the securities acquired through Stock Connect in accordance with applicable laws. Such rules are departmental regulations having legal effect in the PRC. However, the application of such rules is untested, and there is no assurance that PRC courts will recognise such rules (for example, in liquidation proceedings of PRC companies).

It should be noted that, under the CCASS Rules, HKSCC as nominee holder shall have no obligation to take any legal action or court proceedings to enforce any rights on behalf of the investors in respect of the SSE Securities and SZSE Securities in the PRC or elsewhere. Therefore, although the Sub-Fund's ownership may be ultimately recognised, the Sub-Fund may suffer difficulties or delays in enforcing its rights in SSE Securities or SZSE Securities.

Participation in corporate actions and shareholders' meetings:

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

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

No Protection by Investor Compensation Fund:

Investment through the Stock Connect program is conducted through broker(s), and is subject to the risks of default by such brokers' on their obligations. The Sub-Fund's investment through Northbound Trading under Stock Connect is not covered by Hong Kong's Investor Compensation Fund or the CSIPF. Investors should note that the Sub-Fund is exposed to the risk of default of the broker(s) it engages for its Northbound Trading through the programme.

Regulatory risk:

The Stock Connect is evolving, and will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connect. The regulations are untested and there is no certainty as to how they will be applied, and are subject to change. There can be no assurance that the Stock Connect will not be abolished.

Taxation risk:

Although the relevant authorities have announced that corporate income tax, value added tax, and individual income tax will be temporarily exempted on gains derived by Hong Kong and overseas investors (including the Sub-Fund) on the trading of A-shares through the Stock Connect, dividends from A-shares paid to Hong Kong and overseas investors will continue to be subject to 10% PRC withholding income tax and the company distributing the dividend has the withholding obligation. Further, investors should note that the tax exemption on gains derived from trading of A-shares via the Stock Connect under Notice No. 81 and Notice No. 127 (both as defined in the section headed "Taxation" below) was granted on a temporary basis and there is no assurance that the Sub-Fund will continue to enjoy the tax exemption over a long period of time. If the exemption under Notice No. 81 and Notice No. 127 is withdrawn, or if guidance is issued in relation to the tax position for A-shares traded via the Stock Connect which differs from the current practice of the Manager, any tax on capital gains derived from the trading of A-shares via the Stock Connect may be directly borne by the Sub-Fund and may result in a substantial impact to the Sub-Fund's Net Asset Value.

It is possible that any future announcement by the PRC tax authority may subject the Sub-Fund to unforeseen tax obligations, which may have retrospective effect

Shenzhen-Hong Kong Stock Connect Specific Risks:

The Shenzhen-Hong Kong Stock Connect is newly launched and does not have an operating history and the risks identified above are particularly relevant to the Shenzhen-Hong Kong Stock Connect due to the lack of an operating history. Investors should note that the performance of the Shenzhen-Hong Kong Stock Connect may not be the same as the performance of the Shanghai-Hong Kong Stock Connect to date.

Risks associated with PRC Inter-bank Bond Market

Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the PRC inter-bank bond market may result in prices of certain debt securities traded on such market fluctuating significantly. The Sub-Fund is therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the Sub-Fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

The Sub-Fund is also exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

For investments via the Foreign Access Regime and/or Bond Connect, the relevant filings, registration with the PBOC and account opening have to be carried out via an onshore settlement agent, offshore custody agent, registration agent or other third parties (as the case may be). As such, the Sub-Fund is subject to the risks of default or errors on the part of such third parties.

Investing in the PRC inter-bank bond market via Foreign Access Regime and/or Bond Connect is also subject to regulatory risks. The relevant rules and regulations on these regimes are subject to change which may have potential retrospective effect. In the event that the relevant Mainland Chinese authorities suspend account opening or trading on the PRC inter-bank bond market, the Sub-Fund's ability to invest in the PRC inter-bank bond market will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective will be negatively affected.

In addition, there is no specific guidance by the mainland China tax authorities on the treatment of income tax and other tax categories payable in respect of trading in PRC inter-bank bond market by foreign institutional investors via the Foreign Access Regime or Bond Connect. By investing in the PRC inter-bank bond market, the Sub-Fund may be at risk of being subject to PRC taxes. There is a possibility that the current tax laws, rules, regulations and practice in the PRC and/or the current interpretation or understanding thereof may change in the future and such change(s) may have retrospective effect. The Sub-Fund could become subject to additional taxation that is not anticipated as at the date hereof or when the relevant investments are made, valued or disposed of. Any of those changes may reduce the income from, and/or the value of, the relevant investments in the Sub-Fund.

PRC related risks

Economic, political and social risks:

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

Although the majority of productive assets in China are still owned by the PRC government at various levels, in recent years, the PRC government has implemented economic reform measures emphasising utilisation of market forces in the development of the economy of China and a high level of management autonomy. The economy of China has experienced significant growth in the past 20 years, but growth has been uneven both geographically and among various sectors of the economy. Economic growth has also been accompanied by periods of high inflation. The PRC government has implemented various measures from time to time to control inflation and restrain the rate of economic growth.

For more than 20 years, the PRC government has carried out economic reforms to achieve decentralisation and utilisation of market forces to develop the economy of the PRC. These reforms have resulted in significant economic growth and social progress. There can, however, be no assurance that the PRC government will continue to pursue such economic policies or, if it does, that those policies will continue to be successful. Any such adjustment and modification of those economic policies may have an adverse impact on the securities market in the PRC as well as the underlying Securities of the Sub-Fund. Further, the PRC government may from time to time adopt corrective measures to control the growth of the PRC economy which may also have an adverse impact on the capital growth and performance of the Sub-Fund.

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

Investing in the PRC subjects the Sub-Fund to a higher level of market risk than investments in a developed country. This is due to, among other things, greater market volatility, lower trading volume, political and economic instability, settlement risk, greater risk of market shut down and more governmental limitations on foreign investment than those typically found in developed markets.

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

PRC laws and regulations risk:

The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference but have no precedent value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce taxation and trade. Two examples are the promulgation of the Contract Law of the PRC to unify the various economic contract laws into a single code, which went into effect on 1 October 1999, and the Securities Law of the PRC, which went into effect on 1 July 1999. However, because these laws and regulations affecting securities markets are relatively new and evolving, and because of the limited volume of published cases and judicial interpretation and their non-binding nature, interpretation and enforcement of these regulations involve significant uncertainties. In addition, as the PRC legal system develops, no assurance can be given that changes in such laws and regulations, their interpretation or their enforcement will not have a material adverse effect on their business operations.

Accounting and reporting standards risk:

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

PRC taxation risk:

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

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

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

Changes in PRC taxation risk:

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

Sub-Fund's structure related risks

Indemnity risk:

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

Control of the Sub-Fund's operation risk:

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

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

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

Suspension risk:

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

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

Cross Class Liability risk:

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

class of the Sub-Fund may not be limited to that particular class and may be required to be paid out of one or more other classes of the Sub-Fund.

Cross Sub-Fund liability risk:

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

Regulatory risks

Withdrawal of SFC authorisation risk:

The Trust and the Sub-Fund have been authorised as a collective investment scheme by the SFC under Section 104 of the SFO. SFC authorisation is not a recommendation or endorsement of the Trust or the Sub-Fund nor does it guarantee the commercial merits of the Sub-Fund or its performance. It does not mean the Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. The SFC reserves the right to withdraw the authorisation of the Trust or the Sub-Fund or impose such conditions as it considers appropriate. If the Manager does not wish the Trust or the Sub-Fund to continue to be authorised by the SFC, the Manager will give Unitholders at least three months' notice of the intention to seek SFC's withdrawal of such authorisation. In addition, any authorisation granted by the SFC may be subject to certain waivers which may be withdrawn or varied by the SFC. If as a result of such withdrawal or variation of waivers it becomes illegal, impractical or inadvisable to continue the Trust or the Sub-Fund, the Trust or the Sub-Fund (as applicable) will be terminated.

Legal and regulatory risk:

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

Taxation risk:

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

Foreign Account Tax Compliance Act ("FATCA") risks

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

In the event a Unitholder does not provide the requested information and/or documentation related to FATCA, whether or not that actually leads to FATCA compliance failures by the Sub-Fund, or a

risk of the Sub-Fund being subject to withholding tax under FATCA, the Manager on behalf of the Trust and the Sub-Fund reserves the right to take any action and/or pursue all remedies at its disposal including, without limitation, (i) reporting the relevant information of such Unitholder to the US IRS (subject to applicable laws or regulations in Hong Kong); (ii) withholding or deducting any reasonable amount from such Unitholder's redemption proceeds or other distribution proceeds to the extent permitted by applicable laws and regulations; (iii) deeming such Unitholder to have given notice to redeem all his Units in the Sub-Fund; and/or (iv) bringing legal action against such Unitholder for losses suffered by the Trust or the Sub-Fund as a result of such withholding tax. The Manager in taking any such action or pursuing any such remedy shall act in good faith and on reasonable grounds and in accordance with all applicable laws and regulations.

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

Valuation and accounting risk:

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

MANAGEMENT OF THE TRUST

The Manager

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

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

The Manager is the RQFII holder. Through the Manager's RQFII, the Sub-Fund can invest directly in eligible fixed income instruments and equity securities issued or distributed within China.

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

TAN Xiaogang

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

XIAO Jian

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

ZHAO Bing

Ms Zhao is the Chairperson of the Supervisory Committee of the Manager. She received an MBA from Tsinghua University. She previously worked in the Membership Management Department, Professional Liaison Department and Fund Corporate Members Department of the Securities Association of China. She was a committee member of the Analysts Committee and Fund Sales

Professional Committee of the Securities Association of China. She also took part in the preparatory process of the Asset Management Association of China as a member of the Preparatory Committee and later served as the Head of the Investor Education and Public Relations Department and Wealth Management and Service Institutions Department of the Asset Management Association of China. She joined Da Cheng Fund Management Company Limited in July 2017 and has served as the Chairperson of the Supervisory Committee since August 2017.

XU Zijie

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

The Trustee and Registrar

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

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

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

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

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

(a) processing subscriptions and redemptions of Units;

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

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

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

Indemnities of the Trustee and Manager

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

The Custodian

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

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

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

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

The PRC Sub-Custodian

The Custodian, with the consent of the Trustee, has appointed the Bank of China Limited (the "**Bank**") to act as the PRC Sub-Custodian of the Sub-Fund, who will hold the Sub-Funds assets in the PRC.

The Bank was incorporated in China on 31 October 1983 as a commercial bank. It is one of the four state-owned commercial banks of Mainland China and its current businesses cover commercial banking, investment banking, insurance and a wide range of other financial services.

The Bank engages primarily in commercial banking, including corporate and retail banking, treasury business and financial institutions banking.

As a Chinese financial institution with a history of more than a century, the Bank has introduced many brand new products and services in the domestic banking industry and provide customers with international settlement, foreign exchange, trade finance, and custodian services etc.

Pursuant to the China Custodian Agreement, the Bank will act as the PRC Sub-Custodian of the Sub-Fund's assets, which will be held directly by the PRC Sub-Custodian pursuant to the China Custodian Agreement.

The PRC Sub-Custodian is a licensed custodian bank in the PRC with whom a RQFII holder must establish and maintain custodial accounts. The PRC Sub-Custodian has the responsibility to hold the assets or cash that belong to the Sub-Fund in an account segregated from the assets of any other entities including the own account of the RQFII holder. The PRC Sub-Custodian also has the responsibility to manage any operations and settlement of the account, accounting and reporting to SAFE the cashflow and balance sheet of the account and records keeping.

The Trustee has put in place proper arrangements to ensure that

(a) the Trustee takes into its custody or under its control the assets of the Sub-Fund, including assets deposited in the securities and cash accounts with the PRC Sub-Custodian, and holds the same in trust for the Unitholders;

(b) the Trustee registers the assets of the Sub-Fund, including assets deposited in the securities and cash accounts with the PRC Sub-Custodian, to the order of the Trustee; and

(c) the PRC Sub-Custodian will look to the Trustee for instructions (directly or through the Custodian) and solely act in accordance with the Trustee's instructions.

The appointment of the PRC Sub-Custodian may be terminated by not less than 90 days' notice in writing.

The Investment Advisor

Dacheng Fund Management Company Limited ("**DC Fund**") has been appointed by the Manager as the investment advisor in respect of the Sub-Fund. The Investment Advisor will provide non-binding advice to the Manager on the Sub-Fund's investments and asset allocation. In particular, the Investment Adviser will conduct market research, data gathering and processing, carry out fundamental and portfolio allocation analysis and quantitative modelling necessary to propose or suggest investments ideas and asset allocation advice for the Manager to consider. The decision making on the investments made and the asset allocation will be made by the Manager.

DC Fund, incorporated in 1999, is one of the first 10 fund management companies approved by CSRC with registered capital of RMB 200 million. The Manager is a wholly owned subsidiary of DC Fund. The business lines of DC Fund include mutual funds, segregated portfolio management and qualified domestic institutional investor (QDII) products. As of 31 December 2012, it had assets under management of nearly RMB 100 billion. DC Fund obtained the insurance asset management qualification in 2013.

The Investment Advisor will be reimbursed out of the Manager's management fee.

The Auditor

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

Conflicts of interest

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

The Manager has established policies in relation to the identification and monitoring of potential conflicts of interest situations, to ensure that clients' interests are given priority at all times. Key duties and functions must be appropriately segregated and there are strict policies and dealing procedures designed to avoid, monitor and deal with conflicts of interests situations, such as rules and procedures in relation to order allocation, best execution, receipt of gifts or benefits, retention of proper records, prohibition of certain types of transactions and handling of client complaints. The Manager has designated risk management and compliance staff to monitor the implementation of such trading policies and dealing procedures with clear reporting lines to and oversight by senior management. In any event, the Manager will ensure that all investment schemes and accounts which it manages, including the Sub-Fund, are treated fairly, after considering whether or not the acquisition or disposal of any investment is economical to a particular investment scheme or account and the objectives, restrictions and strategies of such investment scheme or account.

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

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

(b) the Manager must use due care in the selection of brokers or dealers and ensure that they are suitably qualified in the circumstances;

(c) transaction execution must be consistent with applicable best execution standards;

(d) the fee or commission paid to any such broker or dealer in respect of a transaction must not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature;

(e) the Manager must monitor such transactions to ensure compliance with its obligations; and

(f) the nature of such transactions and the total commissions and other quantifiable benefits received by such broker or dealer shall be disclosed in the Sub-Fund's annual report.

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

Cash rebates and soft commissions

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

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

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

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

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

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

(e) such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

STATUTORY AND GENERAL INFORMATION

Reports and accounts

The Trust's financial year end is on 31 December in each year. An annual report with audited accounts in the Base Currency will be prepared for each financial year. The first accounts for the Sub-Fund cover the period to 31 December 2014. Unaudited half-yearly reports will also be prepared. Such reports will provide details of the assets of the Sub-Fund and the Manager's statement on transactions during the period under review (including a list of any investments held by the Sub-Fund).

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

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

Distribution policy

No dividends are paid in respect of HKD Class P (Acc) Units, RMB Class P (Acc) Units, USD Class P (Acc) Units and SGD Class P (Acc) Units.

In respect of all other classes of Units, the Manager has discretion as to whether or not the Sub-Fund will make any distribution of dividends, the frequency of distribution and amount of dividends. It is currently intended that distributions will be made on a monthly basis, subject to PRC withholding tax provisioning. The Manager may, in its discretion, pay distributions out of capital, or out of gross income while charging/ paying all or part of the Sub-Fund's fees and expenses to/out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends and therefore, dividends may be paid effectively out of capital.

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

There is no guarantee of regular distribution and if distribution is made the amount being distributed. It is the current intention of the Manager that only the net income (the income net of expenses) for Units may be distributed. No distribution will be paid out of or effectively out of the Sub-Fund's capital.

Trust Deed

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

Modification of the Trust Deed

The Trustee and the Manager may agree to modify the Trust Deed by supplemental deed provided that in the opinion of the Trustee and the Manager such modification (i) does not materially prejudice the interests of Unitholders, does not operate to release to any material extent the Trustee or the

Manager or any other person from any liability to the Unitholders and (with the exception of the costs incurred in connection with the relevant supplemental deed) does not increase the costs and charges payable out of the assets of the Trust or the Sub-Fund; or (ii) is necessary in order to make possible compliance with any fiscal, statutory, regulatory or official requirement (whether or not having the force of law); or (iii) is made to correct a manifest error. In all other cases involving any material changes to the Trust Deed, any modifications, alterations and additions require the sanction of an extraordinary resolution of the Unitholders affected.

Voting rights

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

Transfer of Units

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

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

Termination

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

The Manager may terminate the Trust and the Sub-Fund if: (i) the aggregate net asset value of all the units of each sub-fund of the Trust (including the Sub-Fund) is less than RMB 50 million; or (ii) any law is passed or amended or regulatory directive or order is imposed which renders it illegal or in the opinion of the Manager, impracticable or inadvisable to continue the Trust; or (iii) if any law or regulation shall be passed or amended or any regulatory directive or order is imposed that affects the Sub-Fund and which renders the Sub-Fund illegal or in good faith opinion of the Manager makes it impracticable or inadvisable to continue the Sub-Fund; or (iv) within a reasonable time and using

commercially reasonable endeavours, the Manager is unable to find a person acceptable to act as the new trustee after deciding to remove the Trustee in accordance with the Trust Deed; or (v) if the Manager is unable to implement its investment strategy.

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

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

Retirement of the Trustee

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

If any of the following shall occur, namely:-

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

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

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

Removal of the Manager

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

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

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

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

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

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

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

Inspection of Documents

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

(a) this Explanatory Memorandum;

(b) the Trust Deed; and

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

Anti-money laundering regulations

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

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

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

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

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

The Trustee and the Manager also reserve the right to refuse to make any redemption payment to a Unitholder if the Trustee or the Manager suspects or are advised that the payment of redemption proceeds to such Unitholder might result in a breach of applicable anti-money laundering or other

laws or regulations by any person in any relevant jurisdiction, or if such refusal is considered necessary or appropriate to ensure the compliance by the Sub-Fund or the Trustee or the Manager with any such laws or regulations in any applicable jurisdiction.

Liquidity risk management

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

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

Information available on the Internet

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

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

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

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

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

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

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

Notices

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

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

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

References to website

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

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

TAXATION

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

Hong Kong Taxation

The Trust and the Sub-Fund

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

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

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

The Unitholders

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

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

PRC Taxation

By investing in securities (including equity investments, debt securities, securities investment funds and other financial instruments permitted by the CSRC), irrespective of whether such securities are

issued or distributed onshore ("onshore PRC securities") or offshore ("offshore PRC securities"), and together with onshore PRC securities, the ("PRC Securities"), the Trust or the Sub-Fund may be subject to PRC taxes. Investors should seek their own tax advice on their tax position with regard to their investments in the Trust or the Sub-Fund.

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

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

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

The Manager intends to manage and operate the Trust or the Sub-Fund in such a manner that the Trust or the Sub-Fund should not be treated as a tax resident enterprise of the PRC or a non-PRC tax resident enterprise with a PE in the PRC for CIT purposes although no guarantee in this regard can be given. As such, it is expected that the Trust or the Sub-Fund, as a non-PRC tax resident enterprise without having a PE in the PRC, would only be subject to WIT to the extent the Trust or the Sub-Fund directly derives passive income with a PRC source (e.g. dividend, interest or capital gains), unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

(i) Dividend income, interest income or fund distribution

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

In that respect, the Sub-Fund's income from interests; dividends and profits distributions of companies from PRC tax enterprise; and fund distribution from its investment in PRC securities investment funds received by the Sub-Fund via RQFII and Stock Connect, Foreign Access Regime or Bond Connect, is generally subject to PRC WIT at a rate of 10%, unless such WIT is subject to reduction or exemption in accordance with an applicable tax treaty signed with the PRC.

Under the prevailing PRC tax regulations, interest income derived from bonds issued by the State Council's Finance Bureau and/or local government bonds approved by the State Council is specifically exempt from CIT. Furthermore, under the Arrangement between the 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**"), if a Hong Kong tax resident derives interest income from the PRC, the WIT rate can be reduced to 7% provided that the Hong Kong tax resident is the beneficial owner of the interest income under the Arrangement and other relevant conditions are satisfied, subject to the agreement of the PRC tax authorities. In practice, due to the practical difficulties in demonstrating that an investment fund is the beneficial owner of the interest income received, such investment fund is generally not entitled to the reduced WIT rate of 7%. In general, the prevailing rate of 10% should be applicable to the Sub-Fund. On 7 November 2018, the Ministry of Finance ("**MOF**") and the State Taxation Administration of the People's Republic of China (the "**STA**") issued Caishui [2018] No.108 ("**Circular 108**"), which stipulates that foreign institutional investors are temporarily exempt from CIT and Value-added Tax ("VAT") in respect of bond interest income received from 7 November

2018 to 6 November 2021 from investments in the China bond market. As this exemption granted under Circular 108 is temporary, it is uncertain whether such exemption policy would be extended after 6 November 2021.

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

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

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

In respect of dividends, under the Arrangement, dividends distributed by a PRC tax resident to a Hong Kong tax resident would be subject to a reduced PRC WIT rate of 5% provided (i) the Hong Kong tax resident is the beneficial owner of the dividend; (ii) the Hong Kong tax resident holds at least 25% of the equity of the PRC tax resident; and (iii) the relevant treaty conditions are satisfied. Due to the Sub-Fund's investment restriction, the Sub-Fund would not hold more than 10% of the ordinary shares issued by any single PRC issuer. In this connection, the Sub-Fund would not be able to enjoy the reduced WIT rate of 5% on dividends provided under the Arrangement.

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

The Manager has made a provision in respect of CIT for bond interest income received by the Sub-Fund prior to 7 November 2018 and fund distribution from Money Market Fund if the WIT was not withheld at source at the time when such income was received. On the basis of Circular 108, the Manager will not make any provision in respect of CIT for bond interest income received from 7 November 2018 to 6 November 2021 on behalf of the Sub-Fund.

(ii) Capital gains

<u>Capital gains derived from trading of PRC equity investments (including A-shares)</u>

Pursuant to Notice No. 81 and Notice No. 127, CIT will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including the Sub-Fund) on the trading of A-Shares through Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect respectively. In addition, the "Notice on the temporary exemption of Corporate Income Tax on capital gains derived from the transfer of PRC equity investment assets such as PRC stocks by QFII and RQFII" (Caishui [2014] No.79) promulgated by the MOF, the STA and the CSRC on 14 November 2014 (the "**Notice No. 79**") states that (i) CIT will be imposed on capital gains obtained by QFIIs and RQFIIs from the transfer of PRC equity investment assets (including A-Shares) realised prior to 17 November 2014 in accordance with laws; and (ii) QFIIs and RQFIIs (without an establishment or place of

business in the PRC or having an establishment in the PRC but the income so derived in China is not effectively connected with such establishment) will be temporarily exempt from CIT on gains derived from the transfer of PRC equity investment assets (including A-Shares) effective from 17 November 2014.

Capital gains derived from trading of debt securities issued by PRC tax resident enterprises

However, Notice No. 79, Notice No. 81 and Notice No. 127 are silent on whether and how CIT will be imposed on gains derived by non-resident enterprises from the trading of PRC debt securities. In the absence of specific rules in this regard, the general tax provisions under the PRC CIT Law should apply – such general tax provisions stipulate that a non-resident enterprise with no place of effective management, establishment or place of business in the PRC would generally be subject to WIT at the rate of 10% on its PRC-sourced gains from the trading of PRC securities, unless being exempt or reduced under the PRC tax laws and regulations or applicable double tax treaty or arrangement, if any. Pursuant to Article 7 of the Detailed Implementation Regulations of PRC CIT Law, where the property concerned is a movable property, the source shall be determined according to the location of the enterprise, establishment or place which transfers the property. The STA and certain local PRC tax authorities have verbally indicated that debt securities issued by PRC tax resident enterprises are movable property. In this case, the source shall be determined based on the location of the transferor. As the Sub-Fund is located outside the PRC, gains derived by the Sub-Fund from the Renminbi denominated debt securities issued by PRC tax resident enterprises could be argued as offshore source and thus not subject to PRC WIT.

Article 13.6 of the Arrangement between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income ("**China-HK Arrangement**") provides that any gains derived by a Hong Kong tax resident from the disposal of PRC properties that are not referred to in Articles 13.1 to 13.5 of the China-HK Arrangement shall be taxable only in Hong Kong. As the debt securities issued by the PRC tax resident enterprises are not referred to in Articles 13.1 to 13.5 of the China-HK Arrangement, capital gains derived by the Hong Kong tax resident from the disposal of debt securities issued by the PRC tax resident enterprises should technically be exempt from PRC WIT provided all the other relevant treaty conditions are satisfied, subject to agreement by the PRC tax authorities. In order to qualify for this preferential treatment, the Manager will further assess and seek agreement from the PRC tax authorities in relation to the Sub-Fund, although this cannot be guaranteed. However, in practice, the PRC local authorities have not strictly enforced the collection of 10% WIT on capital gains derived by non-PRC tax resident enterprises from the disposal of PRC debt securities.

Capital gains derived from trading of PRC securities investment funds

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

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

(iii) Tax provisioning approach

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

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

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

Investors should refer to the latest financial report of the Sub-Fund for details of the tax implications by virtue of the Sub-Fund's holding of A-Shares and debt securities by PRC tax resident enterprises.

VAT *and other surtaxes*:

Pursuant to Caishui [2016] No.36 ("**Circular 36**"), with effect from 1 May 2016, capital gains realised from trading of marketable securities in the PRC would generally be subject to PRC VAT at 6%, unless exempted or reduced under the laws and regulations. Under Circular 36 and Caishui [2016] No.70, gains realised by (i) QFIIs and RQFIIs from trading of PRC securities and (ii) approved foreign investors from trading of RMB denominated debt securities in the China Interbank Bond Market are exempted from PRC VAT. There is no specific VAT rules on Bond Connect, by making reference to the above circular and other related prevailing tax regulations, it is anticipated that gains derived by foreign investors from the trading of PRC bonds through "Northbound Trading" should also not be subject to China VAT.

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

Pursuant to Circular 36, interest income is subject to PRC VAT at the rate of 6% unless there is a specific VAT exemption under the tax regulations. Pursuant to Circular 36, coupon interest income received from PRC government bonds or local government bonds and deposit interest income are exempt from PRC VAT. In the absence of any specific VAT exemption on coupon interest income granted to overseas investors under the prevailing tax regulations, non-government bond coupon interest income (e.g. financial bonds, policy bank bonds, corporate bonds) received by overseas investors from the PRC is technically subject to 6% VAT. As mentioned above, Circular 108 stipulates that foreign institutional investors are temporarily exempt from CIT and VAT in respect of bond interest income received from 7 November 2018 to 6 November 2021 from investments in the China bond market. As this exemption granted under Circular 108 is temporary, it is uncertain whether such exemption policy would be extended after 6 November 2021.

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

Based on the current interpretation of Beijing tax authorities, fund distribution derived by foreign investors from Money Market Fund should be deemed as interest income and subject to VAT at 6% while distribution from securities investment funds other than Money Market Fund should not

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

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

If VAT is applicable, there are also other local surtaxes (including Urban Maintenance and Construction Tax, Education Surcharge and Local Education Surcharge, etc) that could amount to as high as 12% of the VAT payable.

The Manager has made a provision for bond coupon interest (except PRC government bonds or local government bonds) received by the Sub-Fund prior to 7 November 2018 and fund distribution from Money Market Fund in an amount equal to the total of (i) for VAT, 6% of such bond coupon interest and fund distribution received from Money Market Fund; plus (ii) for the potential local surtaxes on VAT, 12% of the VAT amount stated in (i). In other words, the provision is equal to 6.72% of the bond coupon interest (except PRC government bonds or local government bonds) received by the Sub-Fund prior to 7 November 2018 and fund distribution from Money Market Fund.

On the basis of Circular 108, the Manager will not make any provision in respect of VAT for bond interest income received from 7 November 2018 to 6 November 2021 on behalf of the Sub-Fund.

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

SD under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC's Provisional Rules on Stamp Duty.

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

According to Notice No. 127, the borrowing and return of listed shares in relation to short-selling guaranteed by securities by Hong Kong and overseas investors through the Stock Connect is temporarily exempt from SD from 5 December 2016.

General:

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 no assurance that current tax exemptions or incentives will not be abolished in the future. It should also be noted that the actual applicable tax imposed by STA may be different and may change from time to time. There is a possibility of the rules being changed and taxes being applied retrospectively. There is also a possibility that the PRC tax authorities may change their view and interpretation of the provisions in the PRC CIT Law and VAT regulations. As such, any provision for taxation made by the Manager may be excessive or inadequate to meet final PRC tax liabilities. Consequently, Unitholders may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units.

If the actual applicable 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 suffer more than the tax provision amount as the Sub-Fund will ultimately have to bear the additional tax liabilities. In this case, the then existing and new Unitholders will be disadvantaged. On the other hand, if the actual applicable tax levied by STA is lower than that provided for by the Manager so that there is an excess in the tax provision amount, Unitholders who have redeemed their Units before STA's ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager's overprovision. In this case, the then existing and new Unitholders may benefit if the difference between the tax provision and

the actual taxation liability under that lower tax amount can be returned to the account of the Sub-Fund as assets thereof. Notwithstanding the above provisions, Unitholders who have already redeemed their Units in the Sub-Fund before the return of any overprovision to the account of the Sub-Fund will not be entitled or have any right to claim any part of such overprovision.

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

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

FATCA and compliance with US withholding requirements

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

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

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

Under the HK IGA, FFIs in Hong Kong (such as the Sub-Fund) complying with an FFI Agreement will generally not be required to withhold tax on US source withholdable payments to recalcitrant accounts (i.e. certain accounts of which the holders do not consent to FATCA reporting and

disclosure to the IRS) or close such recalcitrant accounts (provided that information regarding the recalcitrant accounts is reported to the IRS according to the terms of the HK IGA), but may be required to withhold tax on US source payments made to non-compliant FFIs.

Even though the HK IGA has now been signed between Hong Kong and the United States, withholding may apply to US source withholdable payments covered by FATCA if the Sub-Fund cannot fully satisfy the applicable requirements and is determined to be non-FATCA compliant or if the Hong Kong government is found in breach of the terms of the HK IGA.

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

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

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

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

The "Common Reporting Standard" was developed by the OECD to be an international standard for the automatic exchange of financial account information between relevant jurisdictions. The Inland Revenue (Amendment) (No.3) Ordinance (the "Ordinance") came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information ("**AEOI**"). The AEOI, as enacted under the Ordinance, requires financial institutions ("**FI**") in Hong Kong to identify financial accounts and to collect information relating to reportable accounts held by tax residents of reportable jurisdictions (as listed under Schedule 17E of the Ordinance) ("Reportable Jurisdiction"), and exchange such information

with the jurisdiction(s) in which that account holder is resident. Generally, information regarding a reportable account will be exchanged only with jurisdictions with which Hong Kong has signed a comprehensive avoidance of double taxation agreement (CDTA) or tax information exchange agreement (TIEA) and only if Hong Kong has also signed a Competent Authority Agreement ("**CAA**"); however, the Sub-Fund and/or its agents may further collect relevant information as required by the Ordinance relating to residents of other jurisdictions.

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

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

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

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

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

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

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

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