CHINA UNIVERSAL INTERNATIONAL SERIES (the "Fund")

CUAM RMB Bond*plus* Fund
(the "Sub-Fund")

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional financial advice. Investment involves risk. Please refer to the Explanatory Memorandum of the Fund and the Sub-Fund and the Product Key Facts Statement of the Sub-Fund for further details including the risk factors.

China Universal Asset Management (Hong Kong) Company Limited (the "Manager") accepts full responsibility for the accuracy of the information contained in this document at the date of publication and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

Capitalised terms used herein shall bear the same meanings as capitalised terms used in the Explanatory Memorandum for the Fund and the Sub-Fund dated July 2025 (the "Explanatory Memorandum").

Dear Investors,

We, the Manager of the Sub-Fund, are writing to inform you that we have decided to terminate the Sub-Fund, subject to PRC tax clearance as discussed in the section titled "E. PRC tax settlement and clearance" below.

Based on the independent professional tax advice and having regard to the timeframe generally needed to obtain the PRC tax clearance, we expect that such tax clearance will be obtained from the relevant PRC tax authorities within nine months from the date of this notice (i.e. on or around 7 June 2027) (the "**Tax Clearance Date**"). Thereafter, the termination of the Sub-Fund is expected to take place on or around 30 June 2027 (the "**Termination Date**") after the Trustee and we have formed an opinion that the Sub-Fund have no outstanding actual or contingent assets or liabilities upon obtaining the aforementioned PRC tax clearance. We will also apply to the Securities and Futures Commission in Hong Kong (the "**SFC**") for the withdrawal of authorization of the Sub-Fund after such termination.

A. Reason for the termination of the Sub-Fund

Pursuant to Clause 27.3 of the Trust Deed of the Fund (as amended and supplemented from time to time), and as disclosed in the section headed "TERMINATION OF THE FUND OR ANY SUB-FUND" of the Explanatory Memorandum, the Sub-Fund may be terminated by the Manager in its absolute discretion by notice in writing if, inter alia, in the opinion of the Manager, it is impracticable or inadvisable to continue the Sub-Fund of the Fund, including without limitation, a situation where it is no longer economically viable to the Sub-Fund.

As at 3 September 2026, the Net Asset Value of the Sub-Fund was RMB 9,923,505.24. Due to this small fund size, we believe it has become increasingly difficult to continue to manage the Sub-Fund in a cost efficient manner and is no longer economically viable to operate the Sub-

Fund. Therefore, we consider it is in the best interest of Unitholders to terminate the Sub-Fund and has decided to terminate the Sub-Fund on the Termination Date. The Trustee has no objection to the proposed termination.

B. Implications of termination

From the date of this notice, the Sub-Fund will cease to accept any subscriptions from new or existing investors and will no longer be marketed to the public in Hong Kong. The Sub-Fund will also cease to accept any applications for realisation after the Dealing Deadline (as defined below). The Sub-Fund will progressively commence liquidating its assets from the date of this notice and therefore, it is likely that the Sub-Fund may be held substantially in cash from now on. As a result, from the date of this notice onwards, the Sub-Fund may not be managed in accordance with its investment objective/policy and restrictions and the Management Fee of the Sub-Fund will be waived accordingly.

C. Choices available to Unitholders

(a) Free realisation or conversion of existing Units in the Sub-Fund

You may realise your Units in the Sub-Fund or convert to the SFC-authorised[1] sub-funds of China Universal International Series on a Dealing Day from the date of this notice until 5:00 pm (Hong Kong time) on 8 October 2026 (the "**Dealing Deadline**") at the then prevailing Realisation Price, free of any realisation charges or conversion charges in accordance with the normal procedures as set out in the Explanatory Memorandum.

Your Authorised Distributors or intermediaries (if any) may impose an internal dealing cut-off time which may be earlier than the Dealing Deadline stated above. Although the Manager will not impose realisation charge on the realising Unitholders from the date of this notice until the Dealing Deadline, you should check with your Authorised Distributors or intermediaries (if any) to confirm the applicable fees and expenses which may be charged for the realisation of Units (if any).

If you choose to realise or convert your Units on or before the Dealing Deadline, please note that you will not be entitled to receive the Excess Tax Distribution (as defined below) (if any).

(b) Take no action and receive distribution automatically

If you choose to take no action, all Units in the Sub-Fund remaining in issue after the Dealing

[1] The SFC's authorisation is not a recommendation or endorsement of the Fund or the sub-funds nor does it guarantee the commercial merits of the sub-funds or their performance. It does not mean the sub-funds are suitable for all investors nor is it an endorsement of the suitability of the sub-funds for any particular investor or class of investors.

Deadline will be compulsorily realised and the net cash proceeds derived from such realisation and available for the purposes of such distribution will be distributed to you in proportion to your holdings of those Units in the Sub-Fund as at the Dealing Deadline, as set out under the section "F. Arrangements after the Dealing Deadline" below.

D. Costs

(a) Establishment costs and ongoing charges of the Sub-Fund

As of the date of this notice, there are no unamortised preliminary expenses of the Sub-Fund. The ongoing charges figure of Class A was 2.99% as at 30 June 2026. The ongoing charge figure represents an annualised figure based on the actual expenses of the relevant class of Units of the Sub-Fund for the period from 1 January 2026 to 30 June 2026 expressed as a percentage of the average net asset value of the relevant class of units of the Sub-Fund over the same period.

For the avoidance of doubt, as of the date of this notice, there is no outstanding units in issue for Class I of the Sub-Fund.

(b) Costs and expenses of termination

The costs and expenses of the termination and the subsequent withdrawal of authorisation of the Sub-Fund from the SFC, including but not limited to legal and regulatory charges, will be borne by the Manager. For the avoidance of doubts, such costs and expenses shall not include operating expenses calculated as the ongoing charges figure as disclosed in the paragraph above up to the Dealing Deadline and transaction costs associated with the liquidation of assets which will be borne by the Sub-Fund, except that the Management Fee will be waived by the Manager from the date of this notice. These transaction costs are normal trading costs and are unknown as at the date of this notice as such costs will be calculated with reference to the market conditions and the Sub-Fund's portfolio at the appropriate time, but are expected to be non-material (with reference to the existing net asset value of the Sub-Fund). The operating expenses of the Sub-Fund after the Dealing Deadline will be borne by the Manager.

E. PRC tax settlement and clearance

The Sub-Fund invests in RMB-denominated and RMB settled fixed income instruments and cash within Mainland China, and may be subject to taxes imposed by the PRC. Tax provisions have been made for PRC taxes payable by the Sub-Fund, having taken and considered independent professional tax advice and acting in accordance with such advice. Please refer to the sub-section "PRC Tax Provisions" under "APPENDIX 1 – CUAM RMB BOND*PLUS* FUND" of the Explanatory Memorandum for further information on the taxes imposed by the PRC to which the Sub-Fund may be subject, and the Manager's tax provisioning policy for the Sub-Fund[2].

[2] For the avoidance of doubt, pursuant to Circular 34 and "Circular on Continuing Implementation of the CIT and VAT Policy for Foreign Institutions to Invest in the Onshore Bond Market" (Caishui [2026] No.5), the exemption period under Circular 108 was further extended to 31 December 2027.

The total amount of PRC tax provision made (**"PRC Tax Provision"**), calculated based on a 10% PRC WIT tax provision on bank interest income receivable derived from the PRC[3], amounts to RMB 42.20 as at 3 September 2026, representing 0.00043% of the Net Asset Value of the Sub-Fund. For the avoidance of doubt, this amount has been reflected in the Net Asset Value of the Sub-Fund, and any realisation or distribution prior to the refund of this provision (if any) will be net of this provision amount.

We will make tax filings after the Dealing Deadline, in consultation with professional tax advisors, to the relevant PRC tax authorities to settle the Sub-Fund's PRC tax liabilities.

If, upon the settlement of PRC tax with the relevant PRC tax authorities, the PRC Tax Provision is insufficient to cover the tax being charged by such PRC tax authorities, the Manager will bear the shortfall. If the PRC Tax Provision is higher than the tax charged by the relevant PRC tax authorities, a further distribution will be made to the Unitholders who remain invested in the Sub-Fund at the Dealing Deadline ("**Remaining Unitholders**") in respect of their unitholding as at the Dealing Deadline. Please refer to the sub-section "Refund of the PRC Tax Provision" of section "F. Arrangements after the Dealing Deadline" below for further details on such distribution arrangements.

F. Arrangements after the Dealing Deadline

Immediately after the Dealing Deadline, all assets comprised in the Sub-Fund will be realised and all net cash proceeds derived from the realisation and available for the purposes of such distribution will be distributed to the Remaining Unitholders, if applicable.

All Units in the Sub-Fund remaining in issue after the Dealing Deadline will be compulsorily realised at the Realisation Price applicable as at the Dealing Deadline, free of any realisation charges. Payment of realisation proceeds will be performed in consultation with the Trustee and subject to procedures as set out in the Explanatory Memorandum (i.e. within 7 HK & PRC Business Days of the Dealing Deadline and in any event within one calendar month of such relevant Dealing Day). For the avoidance of doubt, the realisation will be net of the amounts of the PRC Tax Provision.

<u>Refund of the PRC Tax Provision</u>

After PRC tax settlement and clearance, in the event that the tax charged by the PRC authorities is less than the PRC Tax Provision, we will, after consultation with the Trustee, make a further distribution to the Remaining Unitholders in respect of Units of the Sub-Fund held as at the Dealing Deadline. This distribution represents the excess in the PRC Tax Provision over the

[3] Save for the WIT provision on bank interest income receivable derived from the PRC, no provision is made for PRC taxes in respect of the Sub-Fund having regard to the relevant PRC tax exemptions as further detailed in the Explanatory Memorandum.

actual tax charged by the PRC authorities in respect of the Sub-Fund ("**Excess Tax Distribution**") and will be distributed to the Remaining Unitholders as soon as reasonably practicable, and in any event before the Termination Date.

We will provide the Remaining Unitholders with the results of the PRC tax settlement and clearance in due course and/or refund of the Excess Tax Distribution (if any) by way of a further notice. If PRC tax settlement and clearance are not obtained by the Tax Clearance Date and/or the Sub-Fund cannot be terminated by the Termination Date, we will provide Remaining Unitholders with an update on the PRC tax settlement and clearance status, refund of the Excess Tax Distribution (if any), and the postponed Termination Date by way of further notice(s).
The relevant distributions above, including the refund of Excess Tax Distribution (if any), will, subject to the applicable laws and the applicable provisions of the Trust Deed, operate to discharge the Trustee and the Manager in full any liability or obligation the Trustee or the Manager may owe to the Remaining Unitholders in respect of their unitholding in the Sub-Fund.

G. Tax implications – Hong Kong

For so long as the Fund and the Sub-Fund that are authorised by the SFC as a collective investment scheme pursuant to section 104 of the SFO for offer to the retail public in Hong Kong, the Fund and the Sub-Fund will be exempted from profits tax in Hong Kong.

Unitholders who are not acquiring the Units as part of a trade or business that they carry on in Hong Kong will not be liable to profits tax in respect of any gains from the disposal/realisation of such Units. Distributions received by Unitholders from their investments in the Units would not be chargeable to tax in Hong Kong (whether by way of withholding or otherwise) under current law and practice.

The information on taxation discussed under the sections "E. PRC tax settlement and clearance" and "G. Tax implications – Hong Kong" in this notice do not constitute tax advice. Unitholders should consult their own professional advisors on the potential taxation consequences of the transfer, sale, realisation, conversion or otherwise disposal of the Units in the Sub-Fund.

H. Availability of documents

Upon the approval of withdrawal of authorisation of the Sub-Fund from the SFC, the Sub-Fund will be removed from the Explanatory Memorandum at its next update. Copies of the Trust Deed (together with any supplemental deeds, including the Supplemental Deed) may be obtained from the Manager on payment of a reasonable fee and may be inspected during normal working hours (except on any day on which severe weather conditions are present) at the offices of the Manager free of charge.

The Explanatory Memorandum and the Product Key Facts Statement of the Sub-Fund are available on the Manager's website (www.99fund.com.hk)[4].

I. Enquiries

If you have any questions or require further information regarding the above, please contact the Manager at Room 3710-3711, 37/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong or by telephone at (852) 3983 5600.

Yours faithfully,
China Universal Asset Management (Hong Kong) Company Limited
7 September 2026

[4] This website has not been reviewed by the SFC.

CHINA UNIVERSAL INTERNATIONAL SERIES

- ***CUAM RMB Bondplus Fund***
- ***CUAM China-Hong Kong Strategy Fund***
- ***CUAM Hong Kong Dollar Bond Fund***
- ***CUAM Select US Dollar Bond Fund***
- ***CUAM USD Money Market Fund***
- ***CUAM Stable Income Fund***

EXPLANATORY MEMORANDUM

July 2025

IMPORTANT INFORMATION FOR INVESTORS

This Explanatory Memorandum comprises information relating to China Universal International Series, an open-ended unit trust established as an umbrella fund under the laws of Hong Kong by a trust deed dated 29 December 2011 between China Universal Asset Management (Hong Kong) Company Limited as manager and BOCI-Prudential Trustee Limited as trustee.

The Manager accepts full responsibility for the accuracy of the information contained in this Explanatory Memorandum at the date of publication, and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this Explanatory Memorandum 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 such date. This Explanatory Memorandum may from time to time be updated. Any supplements to this Explanatory Memorandum or any later Explanatory Memorandum will be available to the intending applicants for Units.

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

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

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

In particular:-

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

(b) the Fund has not been and will not be registered under the United States Investment Company Act of 1940 as amended.

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

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

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

Enquiries and complaints

Investors may contact the Manager by the following means if they have any enquiries, feedback or complaints in relation to any Sub-Fund:-

- In writing to Room 3710-3711, 37/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
- By calling the investor hotline of the Manager at (852)3983 5600

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

INTRODUCTION

- This Explanatory Memorandum and the Product Key Facts Statements together form part of the offering document of China Universal International Series (the "Fund") and its Sub-Funds, CUAM RMB Bond*plus* Fund, CUAM China-Hong Kong Strategy Fund, CUAM Hong Kong Dollar Bond Fund, CUAM Select US Dollar Bond Fund, CUAM USD Money Market Fund and CUAM Stable Income Fund.

- CUAM RMB Bond*plus* Fund seeks consistent investment return as well as long term capital growth in RMB terms by investing in a portfolio consisting of RMB-denominated fixed income instruments (fixed rate or floating rate), cash and equity instruments within China. Exposures to RMB-denominated fixed income and equity instruments are expected to be at least 80% and up to 20% of its Net Asset Value, respectively.

- CUAM RMB Bond*plus* Fund is denominated in RMB, and subscription moneys and redemption proceeds must be paid in RMB.

- CUAM China-Hong Kong Strategy Fund seeks to achieve medium to long-term capital growth through investing primarily in securities issued by companies which are established in Greater China or having their income, revenue, assets, economic activities, business or operations associated with Greater China.

- CUAM China-Hong Kong Strategy Fund is denominated in Hong Kong Dollars.

- CUAM Hong Kong Dollar Bond Fund seeks to provide investors with a stable and consistent investment return over medium to long term by investing primarily in Hong Kong Dollar denominated debt securities instruments. The Sub-Fund will invest more than 70% of its Net Asset Value in Hong Kong Dollar denominated debt securities and certificates of deposits, and not more than 30% of its Net Asset Value in other currency denominated debt securities.

- CUAM Hong Kong Dollar Bond Fund is denominated in Hong Kong Dollars.

- CUAM Select US Dollar Bond Fund seeks to provide investors with a stable and consistent investment return over medium to long term by investing primarily in USD denominated debt securities instruments.

- CUAM Select US Dollar Bond Fund is denominated in USD.

- CUAM USD Money Market Fund seeks to invest in short-term deposits and high quality money market investments and achieve a return in US Dollars in line with prevailing money market rates.

- CUAM USD Money Market Fund is denominated in USD.

- CUAM Stable Income Fund seeks to provide investors with a stable return by primarily investing in a portfolio of debt securities instruments.

- CUAM Stable Income Fund is denominated in USD.

- Information relating to the Sub-Funds are set out in the Appendices to this Explanatory Memorandum. Investors should refer to the relevant risks under the section headed "Specific Risk Factors" in the Appendices and the section headed "Risk Factors" in the main part of this Explanatory Memorandum before making any investment decisions.

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ADMINISTRATION

Manager

China Universal Asset Management (Hong Kong) Company Limited
匯添富資產管理（香港）有限公司
Room 3710-3711, 37/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Trustee and Registrar

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

Directors of the Manager

LI Wen
ZHANG Hui
DONG Liqing

Custodian

Bank of China (Hong Kong) Limited
14/F., Bank of China Tower, 1 Garden Road
Hong Kong

QFI Custodian

Bank of China Limited
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Beijing 100818
China

Auditors

Ernst & Young
27/F, One Taikoo Place
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Quarry Bay
Hong Kong

Solicitors to the Manager

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

DEFINITIONS

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

"**Accounting Date**"	Means 31 December in each year or such other date or dates in each year as the Manager may from time to time specify in respect of any Sub-Fund and notify to the Trustee and the Unitholders of such Sub-Fund
"**Accounting Period**"	Means a period commencing on the date of establishment of the relevant Sub-Fund or on the date next following an Accounting Date of the relevant Sub-Fund and ending on the next succeeding Accounting Date for such Sub-Fund
"**Authorised Distributor**"	Means any person appointed by the Manager to distribute Units of some or all of the Sub-Funds to potential investors
"**Bond Connect**"	Bond Connect was launched in July 2017 for mutual bond market access between Hong Kong and mainland China established by China Foreign Exchange Trade System & National Interbank Funding Centre, China Central Depository & Clearing Co., Ltd, Shanghai Clearing House, and Hong Kong Exchanges and Clearing Limited and Central Moneymarkets Unit
"**Business Day**"	Means, unless otherwise specified in the relevant Appendix in respect of a particular Sub-Fund, a day (other than a Saturday or Sunday) on which the SEHK is open for trading in Hong Kong or such other day or days as the Manager and the Trustee may agree from time to time
"**China", "mainland China" or "PRC**"	Means the People's Republic of China excluding Hong Kong, Macau and Taiwan for purpose of this document
"**China A-Shares**"	Means shares issued by companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, traded in Renminbi and available for investment by domestic (Chinese) investors, holders of the qualified foreign investors (**QFI**) status, investors investing through Stock Connects, foreign strategic investors and other investors approved by the China Securities Regulatory Commission (**"CSRC"**)

"**China B-Shares**"	Means shares issued by companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, traded in foreign currencies and available for investment by domestic (Chinese) investors and foreign investors
"**China H-Shares**"	Means shares issued by companies incorporated in the PRC and listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"**CIBM**"	China interbank bond market is the over-the-counter market for bonds issued and traded in the PRC. The scheme was launched in 2016 to open up CIBM to eligible foreign institutional investors to access onshore bonds directly ("**CIBM Initiative**"). Under this scheme, foreign institutions can trade bonds directly through onshore settlement agents (i.e. banks) in the PRC. There are no specific quota limits imposed on the foreign institutional investor
"**connected person**"	Means, in relation to the Manager: (a) any person, company or fund beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of the Manager or being able to exercise, directly or indirectly, 20% or more of the total votes in the Manager; or (b) any person, company or fund controlled by a person who or which meets one or both of the descriptions given in (a); or (c) any member of the group of which the Manager forms part; or (d) any director or officer of the Manager or of any of its connected persons as defined in (a), (b) or (c) above
"**Custodian**"	Means Bank of China (Hong Kong) Limited

"**Dealing Day**"	Means such days as described in the Appendices for the relevant Sub-Funds
"Dealing Deadline"	Means such time on the relevant Dealing Day or on such other Business Day as the Manager may from time to time with the approval of the Trustee determine, as described in the Appendices for the relevant Sub-Funds
"Explanatory Memorandum"	Means this Explanatory Memorandum including the Appendices, as each may be amended, updated or supplemented from time to time
"**Fund**"	Means China Universal International Series
"**Greater China**"	Means the PRC, Hong Kong, Macau and Taiwan
"Hong Kong"	Means Hong Kong Special Administrative Region of the PRC
"HK$" or "HKD"	Means Hong Kong Dollars, the lawful currency of Hong Kong
"**Issue Price**"	Means in respect of each Sub-Fund the issue price per Unit as more fully described in the section "Purchase of Units"
"**Manager**"	Means China Universal Asset Management (Hong Kong) Company Limited
"**Net Asset Value**"	Means the net asset value of the Fund or a Sub-Fund or of a Unit, as the context may require, calculated in accordance with the provisions of the Trust Deed as summarised below under the section headed "Valuation"
"**PRC Securities**"	Means PRC shares (including China A-, B- and H-Shares), Renminbi denominated corporate and government bonds, securities investment fund and warrants listed on any stock exchanges (including but not limited to stock exchanges in the PRC, Hong Kong, Singapore, London and the United States)
"**QFI**"	Means a qualified foreign investor(s) approved pursuant to the relevant PRC laws and regulations, as may be promulgated and/or amended from time to time

"**Realisation Price**"	Means the price at which Units will be realised as more fully described in the section headed "Realisation of Units"
"**Registrar**"	Means BOCI-Prudential Trustee Limited in its capacity as registrar of the Fund
"RMB" or "Renminbi"	Means renminbi, the lawful currency of the PRC
"SEHK"	Means The Stock Exchange of Hong Kong Limited
"**SFC**"	Means the Securities and Futures Commission of Hong Kong
"SFO"	Means the Securities and Futures Ordinance, Laws of Hong Kong (Chapter 571)
"Stock Connect"	Means each of the Shanghai-Hong Kong Stock Connect and the Shenzhen-HongKong Stock Connect, and collectively the "**Stock Connects**"
"**Sub-Fund**"	Means a sub-fund of the Fund
"Substantial financial institution"	Means an authorized institution as defined in section 2(1) of the Banking Ordinance (Chapter 155 of Laws of Hong Kong) or a financial institution which is on an ongoing basis subject to prudential regulation and supervision, with a minimum net asset value of HK$2 billion or its equivalent in foreign currency
"**Trust Deed**"	Means the trust deed establishing the Fund as more fully described in the section headed "Trust Deed"
"**Trustee**"	Means BOCI-Prudential Trustee Limited in its capacity as trustee of the Fund
"**Unit**"	Means a unit in a Sub-Fund
"**Unitholder**"	Means a person registered as a holder of a Unit
"**US$**" **or** "**USD**"	Means the lawful currency of the United States of America

"**Valuation Day**"	Means each Dealing Day or such other day as the Manager may from time to time determine as described in the Appendix for the relevant Sub-Fund(s)
"**Valuation Point**"	Means such time as described in the Appendix for the relevant Sub-Fund to calculate the Net Asset Value

INTRODUCTION

China Universal International Series is a unit trust established pursuant to the Trust Deed and governed by the laws of Hong Kong. All Unitholders are entitled to the benefit of, are bound by and deemed to have notice of the provisions of the Trust Deed.

China Universal International Series is an umbrella unit trust currently offering 6 Sub-Funds. The Manager may create further Sub-Funds in the future. Investors should contact the Authorised Distributor or Manager to obtain the latest offering document relating to the available Sub-Funds.

Multiple classes of Units may be issued in respect of each Sub-Fund and the Manager may create additional classes of Units for any Sub-Fund(s) in its sole discretion in the future. The assets of each Sub-Fund will be invested and administered separately from the assets of the other Sub-Fund(s). The details of the Sub-Fund(s) and/or the new class or classes of Units related thereto that are on offer are set out in the Appendices to this Explanatory Memorandum.

INVESTMENT OBJECTIVE

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

MANAGEMENT AND ADMINISTRATION OF THE FUND

The Manager

The Manager of the Fund is China Universal Asset Management (Hong Kong) Company Limited.

The Manager is an asset management company registered in Hong Kong on 3 November 2009. The Manager is licensed to carry on Types 1 (Dealing in Securities), 4 (Advising on Securities) and 9 (Asset Management) Regulated Activities under Part V of the SFO. The Manager's SFC Type 1 licence is subject to the condition that "the licensee shall only carry on the business of dealing in collective investment schemes. The terms "collective investment scheme" and "dealing" are as defined under the Securities and Futures Ordinance."

The Manager is a wholly owned subsidiary of the Shanghai-based China Universal Asset Management Company Limited.

The Manager undertakes the management of the assets of the Fund. The Manager may appoint sub-managers or investment advisers in relation to specific Sub-Funds subject to prior SFC approval. Details of such appointment are set out in the Appendix relating to the relevant Sub-

Fund. The remuneration of such sub-managers and investment advisers will be borne by the Manager.

Details of the directors of the Manager are as follows:-

LI Wen

Mr. Li Wen, Ph.D. in Management, is the Chairman of China Universal Asset Management Co., Ltd. ("CUAM"). Previously he was the Chief Compliance Officer of CUAM. Prior to joining CUAM, Mr. Li worked as the Deputy Director of Banking Supervisory Division in the People's Bank of China, Xiamen City Central Branch, the General Manager of the Audit Department and Financial Management Department in Orient Securities Company Limited.

Mr. Li is also the Vice Chairman of AMAC (Asset Management Association of China) and the Chairman of AMAOS (Asset Management Association Of Shanghai).

ZHANG Hui

Mr. Zhang joined CUAM in 2005 and took the positions of the Deputy General Manager / Chief Investment Officer / Deputy President of Investment Decision Committee. He took over the role of General Manager of CUAM in June 2015. Mr. Zhang has been the responsible officer of China Universal Asset Management (Hong Kong) Company Limited since March 2013. He has also been the Director of China Universal Asset Management (Hong Kong) Company Limited since November 2013.

Mr. Zhang has many years of experience in asset management industry. Prior to joining CUAM, Mr. Zhang worked in SWS Research as the Senior Analyst. He also acted as the Senior Analyst, Head of Research and Fund Manager of Fullgoal Fund Management Co., Ltd. Mr. Zhang was a member of the 10th and 11th Issuance Examination Committee of China Securities Regulatory Commission.

Mr. Zhang holds a Master of Economics degree.

DONG Liqing

Mr. Dong has over 15 years of experience in finance and investment markets, covering major markets including mainland China, Hong Kong, Korea and Europe.

Mr. Dong joined China Universal Asset Management (Hong Kong) Company Limited in 2010 and currently acts as the Deputy Chief Executive Officer and is in charge of the overall business

development, product development, and oversight of sales and marketing activities. Prior to joining China Universal Asset Management (Hong Kong) Company Limited, he acted as the Senior Manager in the International Business Development Department of CUAM.

Mr. Dong graduated from Madonna University, Michigan and holds Master of Science in Business Administration.

The Trustee and the Registrar

BOCI-Prudential Trustee Limited, which is a registered trust company in Hong Kong, has been appointed as Trustee and Registrar of the Fund. The Trustee is a joint venture founded by BOC Group Trustee Company Limited and Prudential Corporation Holdings Limited. BOC Group Trustee Company Limited is owned by Bank of China (Hong Kong) Limited and BOC International Holdings Limited, which are subsidiaries of Bank of China Limited.

Under the Trust Deed, the Trustee is responsible for the safe-keeping of and shall take into custody or under its control all the investments, cash and other assets of each Sub-Fund and hold them in trust for the Unitholders of the relevant Sub-Fund in accordance with the provisions of the Trust Deed and such investments, cash and registrable assets shall be registered in the name of or to the order of the Trustee. The Trustee may appoint any persons to act as agent, nominee, custodian or joint-custodian in respect of the custody of investments, cash and other assets of any Sub-Fund.

The Trustee shall (i) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of its nominees, agents and delegates which are appointed for the custody and/or safe-keeping of any of the investments, cash, assets or other property comprised in any Sub-Fund; and (ii) be satisfied that the nominees, agents and delegates retained remain suitably qualified and competent on an ongoing basis to provide the relevant service.

The Trustee is also responsible for monitoring the compliance by the Manager with the requirements of the Trust Deed.

As the Registrar of the Fund, BOCI-Prudential Trustee Limited will be responsible for maintaining the register of Unitholders. The register of Unitholders will be kept at the registered office of the Registrar in Hong Kong.

In respect of the CUAM RMB Bond*plus* Fund and CUAM China-Hong Kong Strategy Fund, the Trustee has put in place proper arrangements to ensure that:

- the Trustee takes into its custody or under its control the assets of the Sub-Funds, including assets deposited in the securities and cash accounts with the QFI Custodian, and holds the same in trust for the holders of the Sub-Funds;

- the Trustee registers the assets of the Sub-Funds, including assets deposited in the securities and cash accounts with the QFI Custodian, to the order of the Trustee; and

- the QFI Custodian will look to the Trustee for instructions (through the Custodian) and solely act in accordance with the Trustee's instructions (through the Custodian).

The Trustee and the Registrar is not responsible for the preparation or issue of this Explanatory Memorandum other than the disclosures on the profiles of the Trustee and Registrar as set out herein.

The Custodian

The Custodian of the Fund is Bank of China (Hong Kong) Limited ("BOCHK").

The Custodian was incorporated in Hong Kong on 16 October 1964. As a locally incorporated licensed bank, it was re-structured to the present form since 1 October 2001 by combining the businesses of ten of the twelve banks in Hong Kong originally belonging to the Bank of China Group. In addition, it holds shares in BOC Credit Card (International) Limited as well as a number of affiliates or subsidiaries in specialized financial areas. The Custodian is regulated by the Hong Kong Monetary Authority in the conduct of banking services, including its custody business.

BOC Hong Kong (Holdings) Limited was incorporated in Hong Kong on 12 September 2001 to hold the entire equity interest in BOCHK, its principal operating subsidiary. After a successful global IPO, BOC Hong Kong (Holdings) Limited began trading on the Main Board of the SEHK on 25 July 2002 with stock code "2388" and became a Hang Seng Index constituent stock on 2 December 2002.

With an extensive 280 branch and ATM network, servicing more than 600,000 corporates and 2 million retail customers, 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. BOCHK is also present in most of the ASEAN countries to better service the local and international communities.

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

The QFI Custodian

For Sub-Fund(s) that invest in debt instruments issued within mainland China, China A-Shares or other permissible investments in the PRC through qualified foreign investors (QFI), the relevant QFI is required to appoint a custodian in the PRC for the custody of assets, pursuant to relevant laws and regulations. Bank of China Limited has been appointed as the QFI Custodian in respect of the investments held by the relevant Sub-Fund(s).

Bank of China was founded in February 1912 following the approval of Dr. Sun Yat-sen. Until the founding of the People's Republic of China in 1949, the Bank served as the central bank, international exchange bank and specialized foreign trade bank of the country. In 1994, Bank of China was transformed into a state-owned commercial bank. It was then selected as a pilot bank for the joint stock reforms of state-owned commercial banks in 2003, so it was incorporated in August 2004 and got listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange in June and July 2006 respectively, becoming the first A and H dual listed Chinese commercial bank.

Bank of China Limited engages in full-scaled commercial banking business, including a wide spectrum of corporate and retail services, treasury functions and institutional banking. The latter refers to services offered to banks, brokerage houses, fund companies, and insurance companies worldwide, ranging from clearing and inter-bank lending to agency and custody services etc. The Bank has been providing custody services since 1998 as one of the first qualified custodians in the China market. During the past decade, the Bank has been playing a leading role in the domestic custodian industry in terms of research capabilities, service standards, internal controls and IT constructions. At the end of 2020, the Bank served thousands of custody accounts for more than twenty different categories of investment products or schemes for different kinds of clients or investors, with around 11.79 trillion RMB of total assets under custody within the Bank of China Group world-wide. Its Custody and Investor Services Department has over 700 professional staff. Fund houses, insurance companies, securities firms, trust companies, commercial banks, National Council for Social Security, pensions, private equity companies, and individual clients are all well served by the Bank. In addition, the Bank has been maintaining a close relationship with various regulatory authorities to enable effective communication and better services.

The Authorised Distributor

The Manager may appoint one or more Authorised Distributor(s) to distribute Units of one or more Sub-Funds, and to receive applications for subscription, realisation and/or conversion of Units on the Manager's behalf.

The Auditors

Ernst & Young has been appointed to act as auditors to the Fund and the Sub-Funds.

It is expected that the engagement letter to be entered into between the Fund, the Sub-Funds and Ernst & Young will contain provisions limiting the liability of Ernst & Young arising out of or in connection with the engagement to an amount equal to one times the fees paid except to the extent finally determined to have resulted from the wilful or intentional neglect or misconduct or fraudulent behaviour of Ernst & Young.

Other release and indemnity provisions are also likely to be contained in the engagement letter relating to consequential loss, third party claims and fraudulent acts or omissions, misrepresentations or wilful default on the part of the Fund, the Sub-Funds, its Trustee, employees or agents. The engagement letter is also expected to require that the Fund and Sub-Funds make any claim arising in connection with the engagement be brought against Ernst & Young no later than six years of the act or omission alleged to have caused the loss in question.

CLASSES OF UNITS

Different classes of Units may be offered for each Sub-Fund. Although the assets attributable to each class of Units of a Sub-Fund will form one single pool, each class of Units may have a different charging structure with the result that the Net Asset Value attributable to each class of Units of a Sub-Fund may differ. In addition, each class of Units may be subject to different minimum initial and subsequent subscription amounts and holding amounts, and minimum realisation and conversion amounts. Investors should refer to the relevant Appendix for the available classes of Units and the applicable minimum amounts. The Manager may in its discretion agree to accept applications for subscription, realisation and conversion of certain classes below the applicable minimum amounts.

DEALING DAY AND DEALING DEADLINE

The Manager may from time to time with the approval of the Trustee determine generally or in relation to any particular jurisdiction the time on such Dealing Day or on such other Business Day (on which Units may from time to time be sold) prior to which instructions for subscriptions, realisations or conversions are to be received in order to be dealt with on a particular Dealing Day. The Dealing Day and the relevant Dealing Deadline for each Sub-Fund are set out in the relevant Appendix.

Investors should note that subscription, realisation or conversion of Units may be placed through Authorised Distributors or through other authorised and/or electronic means as from time to time determined by the Manager and the Trustee. The Authorised Distributor(s), other

authorised and/or electronic means may impose different dealing procedures and/or an earlier cut-off time before the Dealing Deadlines for receiving instructions for subscription, realisation or conversion. Investors should confirm the arrangements with the Authorised Distributor(s) concerned on the arrangements and dealing procedures.

Restrictions on subscription, realisation or conversion of Units

Investors should check with their Authorised Distributor(s) on whether subscription, realisation and/or conversion of Units (through such Authorised Distributor(s)) is available on a Dealing Day on which severe weather conditions persist (i.e. typhoon signal number 8 or above or a black rainstorm warning is issued by the Hong Kong Observatory, or an "extreme conditions" announcement is made by the Hong Kong government).

PURCHASE OF UNITS

Initial Offer

Details of the initial offer of Units are set forth in the Appendix relating to the relevant Sub-Fund.

Subsequent Subscription

Following the close of the initial offer period, Units will be issued at the prevailing Issue Price. Unless otherwise disclosed in the Appendix of a Sub-Fund, the Issue Price on any Dealing Day will be the Net Asset Value of the relevant Sub-Fund as at the Valuation Point in respect of the Dealing Day divided by the number of Units then in issue, rounded to 3 decimal places. Any rounding adjustment shall be retained for the benefit of the relevant Sub-Fund. In calculating the Issue Price, the Manager may impose surcharges to compensate for the difference between the price at which assets of the relevant Sub-Fund are to be valued and the total cost of acquiring such assets including other relevant expenses such as taxes, governmental charges, brokerages, etc.

Unless otherwise disclosed in the Appendix of a Sub-Fund, applications for subscription of any class of Units in a Sub-Fund (together with application moneys in cleared funds), if received prior to the Dealing Deadline by the Manager, will be dealt with on that Dealing Day. Applications received after the Dealing Deadline in relation to a Dealing Day will be held over until the next Dealing Day.

Units may not be issued during the period of any suspension of the determination of the Net Asset Value relating to such class of Units of a Sub-Fund (for details see the section below headed "Suspension of Calculation of Net Asset Value").

Application Procedure

To purchase Units an investor should complete the application form, which may be obtained from the Manager or Authorised Distributors (the "**Application Form**"), and return the original Application Form (if original is required by the Manager or the Trustee) to the Manager or Authorised Distributors (details of which as set out in the Application Form). There may be other means (including electronic applications) by which investors may apply for Units. Investors should enquire the availability of these alternative means with the Manager or Authorised Distributor.

Applications will generally be accepted on a Dealing Day only if cleared funds have been received on or prior to such Dealing Day in relation to which Units are to be issued. Notwithstanding the above and subject to the discretion of the Manager, a Sub-Fund may rely upon application orders received, even prior to receipt of application moneys, and may issue Units to investors according to such orders and invest the expected application amounts. If payment is not cleared within 7 Business Days following the relevant Dealing Day (or such other date as the Manager shall determine and notify the relevant applicant at the time of receipt of the application), the Manager reserves the right to cancel the transaction. In such circumstances, an investor may be required to settle the difference between the prices at issue and at cancellation of the Units concerned and in addition the appropriate cancellation fees representing the administrative costs in processing the application of the relevant investor.

The Application Form, unless the original is required by the Manager or the Trustee, may also be sent by facsimile or other means determined by the Manager and the Trustee from time to time.

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

The Manager, at its discretion, is entitled to impose a preliminary charge of up to 5.00% on the Issue Price of each Unit, and the current rates are described in the relevant Appendix for each Sub-Fund. The Manager may retain the benefit of such charge or may re-allow or pay all or part of the preliminary charge (and any other fees received) to intermediaries or such other persons as the Manager may at its absolute discretion determine. The Manager also has discretion to waive the preliminary charge in whole or in part in relation to any subscription for Units whether generally or in a particular case.

Investment Minima

Details of the minimum initial subscription, minimum holding, minimum subsequent subscription and minimum realisation amounts applicable to each class of Units in each Sub-Fund are set out in the relevant Appendix.

The Manager has the discretion to waive, change or accept an amount lower than the above amounts, whether generally or in a particular case.

Payment Procedures

Subscription moneys should normally be paid in the relevant base currency as disclosed in the relevant Appendix. Subject to the agreement of the Trustee or the Manager and to applicable limits on foreign exchange, and unless otherwise specified in relevant Appendix, arrangements can be made for applicants to pay for Units in most other major currencies and in such cases, the cost of currency conversion will be borne by the applicant.

All payments should be made by cheque, direct transfer, telegraphic transfer or banker's draft (or other manner as may be agreed by the Manager). Cheques and banker's drafts should be crossed "a/c payee only, not negotiable" and made payable to "BOCI-Prudential Trustee Limited", stating the name of the relevant Sub-Fund to be subscribed, and sent with the Application Form. Payment by cheque is likely to cause delay in receipt of cleared funds and Units generally will not be issued until the cheque is cleared. Any costs of transfer of application moneys to a Sub-Fund will be payable by the applicant.

Details of payments by telegraphic transfer are set out in the Application Form.

All application moneys must originate from an account held in the name of the applicant. No third party payments shall be accepted. The applicant is responsible for providing the evidence of its source of application moneys.

No money should be paid to any intermediary in Hong Kong who is not licensed by or registered with the SFC to conduct Type 1 (Dealing in Securities) regulated activity under Part V of the SFO.

General

All holdings will be held for investors in registered form and certificates are not issued. Evidence of title will be the entry on the register of Unitholders. Unitholders should therefore

be aware of the importance of ensuring that the Manager and the Trustee are informed of any change to the registered details.

Unless otherwise disclosed in the Appendix of a Sub-Fund, fractions of Units may be issued rounded to the nearest 3 decimal places. Application moneys representing smaller fractions of a Unit will be retained by the relevant Sub-Fund. The Manager reserves the right to reject any application in whole or in part. In the event that an application is rejected, application moneys will be returned without interest by cheque through the post, by telegraphic transfer to the bank account from which the moneys originated at the risk and expense of the applicants, or in such other manner determined by the Manager. A maximum of 4 persons may be registered as joint Unitholders.

REALISATION OF UNITS

Realisation Procedure

Unitholders who wish to realise their Units may do so on any Dealing Day by submitting a realisation request to the Manager or Authorised Distributors before the Dealing Deadline for the relevant Sub-Fund, as defined in the relevant Appendix. Unless otherwise stated in the Appendix of the relevant Sub-Fund, realisation requests received after the Dealing Deadline will be carried forward and dealt with on the next Dealing Day.

Partial realisations may be effected subject to any minimum realisation amount for each class of Units of a Sub-Fund as disclosed in the relevant Appendix or as the Manager may determine from time to time whether generally or in a particular case.

If a request for realisation will result in a Unitholder holding Units in a class to the value of less than the minimum holding amount of that class as set out in the relevant Appendix of a Sub-Fund, the Manager may deem such request to have been made in respect of all the Units of that class held by that Unitholder. The Manager has the discretion to waive the requirement for a minimum holding of Units, whether generally or in a particular case.

A realisation request, unless the original is required by the Manager or the Trustee, may be sent by facsimile or other means, and must specify (i) the name of the Sub-Fund and the value or number of Units to be realised; (ii) the relevant class of Units to be realised (iii) the name(s) of the registered holder(s); and (iv) the payment instructions for the realisation proceeds.

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

Payment of Realisation Proceeds

Unless otherwise disclosed in the Appendix of a Sub-Fund, the Realisation Price on any Dealing Day shall be the price per Unit ascertained by dividing the Net Asset Value of the relevant Sub-Fund as at the Valuation Point in respect of the Dealing Day by the number of Units then in issue rounded to 3 decimal places. Any rounding adjustment shall be retained by the relevant Sub-Fund. Such price shall be calculated in the base currency of the relevant Sub-Fund. In calculating the Realisation Price, the Manager may impose deductions to compensate for the difference between the price at which assets of the relevant Sub-Fund are to be valued and the net proceeds which would be received on sale of such assets and for the relevant expenses such as taxes, governmental charges, brokerages, etc, and such amount shall be retained by the relevant Sub-Fund.

The Manager may at its option impose a realisation charge of up to 5% of the Realisation Price of the relevant class of Units to be realised. The realisation charge, if any, is described in the relevant Appendix. The Manager may on any day in its sole and absolute discretion differentiate between Unitholders as to the amount of the realisation charge to be imposed (within the permitted limit).

The amount due to a Unitholder on the realisation of a Unit pursuant to the paragraphs above shall be the Realisation Price, less any realisation charge and any rounding adjustment in respect thereof. The rounding adjustment aforesaid in relation to the realisation of any Units shall be retained as part of the relevant Sub-Fund. The realisation charge shall be retained by the Manager for its own use and benefit.

Realisation proceeds will not be paid to any realising Unitholder until (a) unless otherwise agreed by the Trustee, the written original of the realisation request (in the required form) duly signed by the Unitholder has been received and (b) where realisation proceeds are to be paid by telegraphic transfer, the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Trustee.

The Manager or the Trustee, as the case may be, may, in its absolute discretion, refuse to make a realisation payment to a Unitholder if (i) the Manager or the Trustee, as the case may be, suspects or is advised that the payment of any realisation proceeds to such Unitholder may result in a breach or violation of any anti-money laundering law by any person in any relevant jurisdiction or other laws or regulations by any person in any relevant jurisdiction, or such refusal is considered necessary or appropriate to ensure the compliance by the Fund, the Manager, the Trustee or its other service providers with any such laws or regulations in any relevant jurisdiction; or (ii) there is a delay or failure by the realising Unitholder in producing

any information or documentation required by the Trustee and/or the Manager or their respective duly authorised agent for the purpose of verification of identity.

In the event that there is a delay in receipt by the Manager or the Trustee of the proceeds of realisation of the investments of the relevant Sub-Fund to meet realisation requests, the Manager or the Trustee may delay the payment of the relevant portion of the amount due on the realisation of Units. If the Manager or the Trustee is required by the laws of any relevant jurisdiction to make a withholding from any realisation moneys payable to the holder of a Unit the amount of such withholding shall be deducted from the realisation moneys otherwise payable to such person.

Subject as specified in the Appendix of the relevant Sub-Fund and so long as relevant account details have been provided, realisation proceeds will be paid in the base currency of the relevant Sub-Fund by direct transfer or telegraphic transfer, normally within 7 Business Days after the relevant Dealing Day (or as otherwise specified in the Appendix of the relevant Sub-Fund) and in any event within one calendar month of the relevant Dealing Day or (if later) receipt of a properly documented request for realisation of Units. Unless the Manager and the Trustee otherwise agree, realisation proceeds will only be paid to a bank account that bears the name of the realising Unitholder. Subject to the agreement of the Manager, realisation proceeds may be paid to the realising Unitholder (or to all joint Unitholders) at the Unitholder's risk by cheque, usually in the base currency of the relevant Sub-Fund and sent to the realising Unitholder at the last known address (in the case of joint Unitholders, at the last known address of the first-named joint Unitholder) held in the records of the register of Unitholders.

Unless otherwise specified in the relevant Appendix in relation to a Sub-Fund and subject to the agreement of the Trustee or the Manager, and to applicable limits on foreign exchange, realisation proceeds can be paid in a currency other than the base currency of a Unit at the request and expense of the Unitholder. In such circumstances, the Trustee or the Manager shall use such currency exchange rates as it may from time to time determine. None of the Manager, the Trustee or their respective agents or delegates will be liable to any Unitholder for any loss suffered by any person arising from the said currency conversion.

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

CONVERSION BETWEEN SUB-FUNDS

Unless otherwise specified in the relevant Appendix, Unitholders have the right (subject to such limitations as the Manager after consulting with the Trustee may impose) to convert all or part of their Units of any class relating to a Sub-Fund into Units relating to another Sub-Fund by giving notice in writing to the Manager or Authorised Distributors. A request for

conversion will not be effected if as a result the relevant holder would hold less than the minimum holding of Units of the relevant class prescribed by, or is prohibited from holding Units of that Sub-Fund under, the relevant Appendix. Unless the Manager otherwise agrees, no conversion may be made between Units denominated in RMB and Units denominated in another currency. Units of a class of a Sub-Fund can only be switched into Units of the same class of another Sub-Fund.

Units shall not be converted during any period when the determination of the Net Asset Value of any relevant Sub-Fund is suspended.

Requests for conversion received prior to the Dealing Deadline for a Dealing Day will be dealt with on that Dealing Day. Neither the Manager nor the Trustee shall be responsible to any Unitholder for any loss resulting from the non-receipt of a request for conversion or any amendment to a request for conversion prior to receipt. Notices to convert may not be withdrawn without the consent of the Manager.

The rate at which the whole or any part of a holding of Units relating to a Sub-Fund (the "**Existing Sub-Fund**") will be converted to Units relating to another Sub-Fund (the "**New Sub-Fund**") will be determined in accordance with the following formula:

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

Where:

N is the number of Units of the relevant class of the New Sub-Fund to be issued.

E is the number of Units of the relevant class of the Existing Sub-Fund to be converted.

F is the currency conversion factor determined by the Manager for the relevant Dealing Day as representing the effective rate of exchange between the base currency of the relevant class of Units of the Existing Sub-Fund and the base currency of the relevant class of Units of the New Sub-Fund.

R is the Realisation Price of the relevant class of the Existing Sub-Fund applicable on the relevant Dealing Day less any Realisation Charge imposed by the Manager.

S is the Issue Price for the relevant class of the New Sub-Fund applicable on the Dealing Day of the New Sub-Fund or immediately following the relevant Dealing Day PROVIDED THAT where the issue of Units of the New Sub-Fund is subject to the

satisfaction of any conditions precedent to such issue then S shall be the Issue Price of the relevant class of the New Sub-Fund applicable on the first Dealing Day for the New Sub-Fund falling on or after the satisfaction of such conditions.

SF is a conversion charge per Unit (if any).

The Manager has a right to impose a conversion charge of up to 1.00% of the Issue Price of the Units of the New Sub-Fund in relation to the conversion of Units and the current rates are set out in the relevant Appendix.

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

Restrictions on realisation and conversion

The Manager may suspend the realisation or conversion of Units or delay the payment of realisation proceeds during any periods in which the determination of the Net Asset Value of the relevant Sub-Fund is suspended (for details see "Suspension of Calculation of Net Asset Value" below).

Any Unitholder may at any time after such a suspension has been declared and before lifting of such suspension withdraw any request for the realisation of Units of such class by notice in writing to the Manager or Authorised Distributors.

With a view to protecting the interests of Unitholders, the Manager is entitled, after consultation with the Trustee, to limit the number of Units of any Sub-Fund realised on any Dealing Day (whether by sale to the Manager or by cancellation of Units) to 10% of the total number of Units of the relevant Sub-Fund in issue. In this event, the limitation will apply pro rata so that all Unitholders of the relevant Sub-Fund who have validly requested to realise Units of the same Sub-Fund on that Dealing Day will realise the same proportion of such Units of that Sub-Fund provided that any holdings so requested to be realised being in aggregate of not more than 1% of the total number of Units of any Sub-Fund in issue may be realised in full if in the opinion of the Manager after consultation with the Trustee, the application of such limitation would be unduly onerous or unfair to the Unitholder or Unitholders concerned. Any Units not realised (but which would otherwise have been realised) will be carried forward for realisation, subject to the same limitation, and will have priority on the next succeeding Dealing Day and all following Dealing Days (in relation to which the Manager has the same power) until the

original request has been satisfied in full. If requests for realisation are so carried forward, the Manager will inform the Unitholders concerned within 7 days of such Dealing Day.

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

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

VALUATION

The value of the net assets of each Sub-Fund will be determined as at each Valuation Point in accordance with the Trust Deed. The Net Asset Value of a Sub-Fund shall be calculated by valuing the assets of such Sub-Fund in accordance with the provisions of the Trust Deed and deducting the liabilities attributable to such Sub-Fund in accordance with the provisions of the Trust Deed. The Trust Deed provides (inter alia) that:-

(a) except in the case of any interest in a collective investment scheme to which paragraph (b) applies or a commodity, and subject as provided in paragraph (f) below, all calculations based on the value of investments quoted, listed or dealt in on any stock exchange, over-the-counter ("**OTC**") market or securities market ("**Securities Market**") shall be made by reference to the last traded price on the principal Securities Market for such investments, at or immediately preceding the Valuation Point, provided that if the Manager in its discretion considers that the prices ruling on a Securities Market other than the principal Securities Market provide in all the circumstances a fairer criterion of value in relation to any such investment, it may adopt such prices; and in determining such prices the Manager and the Trustee shall be entitled to use and rely on without verification electronic price feeds from such source or sources as they may from time to time determine notwithstanding the prices used are not the last traded prices;

(b) subject as provided in paragraphs (c) and (f) below, the value of each interest in any collective investment scheme shall be the net asset value per unit or share as at the same day, or if such collective investment scheme is not valued as at the same day, the last published net asset value per unit or share in such collective investment scheme (where

available) or (if the same is not available) the last published realisation or bid price for such Unit or share at or immediately preceding the Valuation Point;

(c) if no Net Asset Value, bid and offer prices or price quotations are available as provided in paragraph (b) above, the value of the relevant investment shall be determined from time to time in such manner as the Manager shall determine with the approval of the Trustee;

(d) the value of any investment which is not quoted, listed or normally dealt in on a market shall be the initial value thereof equal to the amount expended out of the Sub-Fund in the acquisition of such investment (including in each case the amount of stamp duties, commissions and other acquisition expenses) provided that the Manager may with the approval of the Trustee and shall at the request of the Trustee cause a revaluation to be made by a professional person approved by the Trustee as qualified to value such investment;

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

(f) notwithstanding the foregoing, the Manager may with the consent of the Trustee adjust the value of any investment or permit some other method of valuation to be used if, having regard to relevant circumstances, the Manager considers that such adjustment or use of such other method is required to reflect the fair value of the investment; and

(g) the value (whether of a borrowing, other liability, investment or cash) otherwise than in the base currency of a Sub-Fund shall be converted into the base currency at the rate (whether official or otherwise) which the Manager or the Trustee shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange.

Investors should note that under Hong Kong Financial Reporting Standards ("**HKFRS**"), investments should be valued at fair value and also that, under HKFRS, closing bid (for long positions) and closing offer (for short positions) pricing is considered to be representative of fair value for listed investments. However, under the valuation basis described above, listed investments are expected to be valued at the last traded price instead of closing bid and closing offer pricing as required under HKFRS which may lead to a different valuation had the valuation be performed in accordance with HKFRS. The Manager has considered the impact of such non-compliance and does not expect this issue to affect the results and Net Asset Value of a Sub-Fund materially. To the extent that the valuation basis adopted by a Sub-Fund deviates

from HKFRS, the Manager may make necessary adjustment in the accounts of the Sub-Fund for the accounts to be in compliance with HKFRS and include a reconciliation note in the annual accounts of the Sub-Fund to reconcile values arrived at by applying the Sub-Fund's valuation rules. If the Net Asset Value of the Sub-Fund is not adjusted in preparation of the annual accounts, non-compliance with HKFRS may result in the auditors qualifying their opinion on those annual accounts depending on the nature and level of materiality of the non-compliance.

Suspension of Calculation of Net Asset Value

The Manager may, in consultation with the Trustee and having regard to the best interests of Unitholders, declare a suspension of the determination of the Net Asset Value of a Sub-Fund for the whole or any part of any period during which:

(a) there is a closure of or the restriction or suspension of trading on any commodities market or securities market on which a substantial part of the investments of the relevant Sub-Fund is normally traded or a breakdown in any of the means normally employed by the Manager or the Trustee (as the case may be) in ascertaining the prices of investments or the Net Asset Value of the relevant Sub-Fund or the Issue Price or Realisation Price; or

(b) for any other reason the prices of investments held or contracted for by the Manager for the account of that Sub-Fund (representing a substantial portion of the assets of the Sub-Fund) cannot, in the opinion of the Manager after consultation with the Trustee, reasonably, promptly or fairly be ascertained; or

(c) circumstances exist as a result of which, in the opinion of the Manager after consultation with the Trustee, it is not reasonably practicable to realise any investments held or contracted for the account of that Sub-Fund or it is not possible to do so without seriously prejudicing the interests of Unitholders of the relevant class; or

(d) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, the investments of that Sub-Fund or the issue or realisation of Units of the relevant class in the Sub-Fund is delayed or cannot, in the opinion of the Manager after consultation with the Trustee, be carried out promptly at normal rates of exchange; or

(e) when a breakdown in the systems and/or means of communication usually employed in ascertaining the value of any of the investments or other assets of that Sub-Fund (representing a substantial portion of the assets of the Sub-Fund) or the Net Asset Value

of that Sub-Fund or the Issue Price or Realisation Price takes place or when for any other reason the value of any of the investments or other assets of that Sub-Fund (representing a substantial portion of the assets of the Sub-Fund) or the Net Asset Value of that Sub-Fund or the Issue Price or Realisation Price cannot in the opinion of the Manager after consultation with the Trustee reasonably or fairly be ascertained or cannot be ascertained in a prompt or accurate manner; or

(f) when, in the opinion of the Manager after consultation with the Trustee, such suspension is required by law or applicable legal process; or

(g) where that Sub-Fund is invested in one or more collective investment schemes and the redemption of interests in a relevant collective investment scheme (representing a substantial portion of the assets of the Sub-Fund) is suspended or restricted; or

(h) when the business operations of the Manager, the Trustee or any of their delegates in relation to the operations of that Sub-Fund are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riot, strikes or acts of God; or

(i) when the Unitholders or the Manager have resolved or given notice to terminate that Sub-Fund; or

(j) during any period when in the opinion of the Manager after consultation with the Trustee, there exist circumstances outside the control of the Manager and the Trustee where it would be impracticable or unfair towards the Unitholders to continue dealing in Units of any Sub-Fund of the Fund.

Such suspension shall take effect forthwith upon the declaration thereof and thereafter there shall be no determination of the Net Asset Value of the relevant Sub-Fund until the Manager shall declare the suspension at an end, except that the suspension shall terminate in any event on the day following the first Business Day on which (i) the condition giving rise to the suspension shall have ceased to exist and (ii) no other condition under which suspension is authorised shall exist.

Whenever the Manager declares such a suspension it shall, as soon as may be practicable after any such declaration and at least once a month during the period of such suspension, publish a notice in the South China Morning Post and the Hong Kong Economic Times.

No Units in the relevant Sub-Fund may be issued, realised or converted during such a period of suspension. For the avoidance of doubt, the issuance, realisation and conversion of Units in

respect of any requests accepted and processed by the Manager prior to the suspension period will not be affected by the suspension.

INVESTMENT AND BORROWING RESTRICTIONS

1. Investment limitations applicable to each Sub-Fund

The Trust Deed sets out restrictions and prohibitions on the acquisition of certain investments by the Manager. Unless otherwise disclosed in the Appendix for each Sub-Fund and agreed by the SFC, each of the Sub-Fund(s) is subject to the following principal investment restrictions:-

(a) the aggregate value of a Sub-Fund's investments in, or exposure to, any single entity (other than Government and other public securities) through the following may not exceed 10% of the latest available Net Asset Value of the relevant Sub-Fund:

(i) investments in securities issued by that entity;
(ii) exposure to that entity through underlying assets of financial derivative instruments; and
(iii) net counterparty exposure to that entity arising from transactions of over-the-counter financial derivative instruments.

For the avoidance of doubt, restrictions and limitations on counterparty as set out in sub-paragraphs (a) and (aa) in this section headed "Investment and Borrowing Restrictions" and paragraph (4)(c) in the sub-section headed "Use of Financial Derivative Instruments" will not apply to financial derivative instruments that are:

(A) transacted on an exchange where the clearing house performs a central counterparty role; and
(B) marked-to-market daily in the valuation of their financial derivative instrument positions and subject to margining requirements at least on a daily basis.

The requirements under this sub-paragraph (a) will also apply in the case of sub-paragraphs (1)(e) and (1)(j) of the sub-section headed "Collateral".

(aa) subject to sub-paragraph (a) in this section headed "Investment and Borrowing Restrictions" and paragraph (4)(c) in the sub-section headed "Use of Financial Derivative Instruments", the aggregate value of the Sub-Fund's investments in, or exposure to, entities within the same group through the following may not exceed 20% of the latest available Net Asset Value of the relevant Sub-Fund:

(i) investments in securities issued by those entities;

(ii) exposure to those entities through underlying assets of financial derivative instruments; and

(iii) net counterparty exposure to those entities arising from transactions of over-the-counter financial derivative instruments.

For the purposes of sub-paragraphs (aa) and (ab) of this section headed "Investment and Borrowing Restrictions", "entities within the same group" generally means entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognised accounting standards.

The requirements under this sub-paragraph (aa) will also apply in the case of sub-paragraphs (1)(e) and (1)(j) of the sub-section headed "Collateral".

(ab) the value of the Sub-Fund's cash deposits made with the same entity or entities within the same group may not exceed 20% of the latest available Net Asset Value of the relevant Sub-Fund. Such 20% limit may be exceeded in the following circumstances:

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

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

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

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

(b) a Sub-Fund may not hold more than 10% (when aggregated with the holdings of all the other Sub-Funds) of any ordinary shares issued by any single entity;

(c) not more than 15% of the Net Asset Value of a Sub-Fund may consist of securities and other financial products or instruments that are not listed, quoted or dealt in on a stock exchange, over-the-counter market or other organised securities market that is open to the international public and on which such securities are regularly traded;

(d) (i) not more than 10% of the Net Asset Value of a Sub-Fund may consist of shares or units in other collective investment schemes ("**managed funds**") which are non-eligible schemes (as defined under the Code on Unit Trusts and Mutual Funds, or the "**Code**") and not authorised by the SFC; (ii) not more than 30% of the Net Asset Value of a Sub-Fund may consist of shares or units in a managed fund which is an eligible scheme (as defined under the Code) or an SFC-authorised scheme; provided that:-

(1) no investment may be made in a managed fund the investment objective of which is to primarily invest in any investment prohibited under this section;

(2) where the investment objective of such managed fund is to invest primarily in investments restricted under this section, such investments may not be in contravention of the relevant limitation;

(3) a managed fund's objective may not be to invest primarily in other managed fund(s);

(4) all initial charges and redemption charges on the managed fund must be waived if the managed fund is managed by the Manager or any of its connected persons; and

(5) the Manager or any person acting on behalf of the relevant Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by such managed fund or its manager, or any quantifiable monetary benefits in connection with investments in such managed fund.

For the avoidance of doubt, a Sub-Fund may invest in managed fund(s) authorized by the SFC under Chapter 8 of the Code (except for hedge funds under 8.7 of the Code), eligible scheme(s) (as permitted by the SFC for the purpose of sub-paragraph (d)(ii) of this section headed "Investment and Borrowing Restrictions") of which the net derivative exposure does not exceed 100% of its total Net Asset Value, and exchange traded funds satisfying the requirements in the note (B) below of this sub-paragraph (d) in compliance with sub-paragraphs (d)(i) and (d)(ii) of this section headed "Investment and Borrowing Restrictions".

In addition:

(A) Unless otherwise provided under the Code, the spread requirements under sub-paragraphs (a), (aa), (b) and (c) of this section headed "Investment and Borrowing Restrictions" do not apply to investments in other managed fund(s) by a Sub-Fund.

(B) Unless otherwise disclosed in the Appendix of a Sub-Fund, the investment by a Sub-Fund in an exchange traded fund that is: (i) authorised by the SFC under 8.6 or 8.10 of the Code; or (ii) listed and regularly traded on internationally recognized stock exchanges open to the public (nominal listing not accepted) and:

- the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under 8.6 of the Code; or
- the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under 8.10 of the Code,

will be considered and treated as managed funds for the purposes of and subject to the requirements in sub-paragraph (d) of this section headed "Investment and Borrowing Restrictions". Notwithstanding the aforesaid, the investments by a Sub-Fund in the above exchange traded funds shall be subject to sub-paragraph (c) of this section headed "Investment and Borrowing Restrictions" and the relevant investment limits in the above exchange traded funds by a Sub-Fund shall be consistently applied.

(C) Where investments are made in listed REITs, the requirements under sub-paragraphs (a), (aa) and (b) of this section headed "Investment and Borrowing Restrictions" apply and where investments are made in unlisted REITs, which are either companies or collective investment schemes, then the requirements under sub-paragraphs (c) and (d) of this section headed "Investment and Borrowing Restrictions" apply respectively.

(D) Where a Sub-Fund invests in index-based financial derivative instruments, the underlying assets of such financial derivative instruments are not required to be aggregated for the purposes of the investment restrictions or limitations set out in sub-paragraphs (a), (aa), (ab) and (e) of this section headed "Investment and Borrowing Restrictions" provided that the index is in compliance with the requirements under 8.6(e) of the Code.

(e) notwithstanding sub-paragraphs (a), (aa), and (b) above, not more than 30% of the Net Asset Value of a Sub-Fund may consist of Government and other public securities of the same issue;

(f) subject to paragraph (e) above, a Sub-Fund may be fully invested in Government and other public securities in at least six different issues; and

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

For the purpose of this section, "Government and other public securities" means any investment issued by, or the payment of principal and interest on, which is guaranteed by a government, or any fixed-interest investment issued by its public or local authorities or other multilateral agencies.

Government and other public securities will be regarded as being of a different issue if, even though they are issued by the same person, they are issued on different terms whether as to repayment dates, interest rates, the identity of the guarantor, or otherwise.

2. <u>Investment prohibitions applicable to each Sub-Fund</u>

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

(i) invest in a security of any class in any company or body if any director and 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 own more than 5% of those securities;

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

(iii) make short sales if as a consequence the liability of such Sub-Fund to deliver securities would exceed 10% of the Net Asset Value of such Sub-Fund (and for this purpose securities sold short must be actively traded on a market where short selling is permitted);

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

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

(vi) subject to sub-paragraph (c) of this section headed "Investment and Borrowing Restrictions", make a loan out of that Sub-Fund except to the extent that the acquisition of an investment or the making of a deposit might constitute a loan. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements as set out in the sub-section headed "Securities Financing Transactions" of this section headed "Investment and Borrowing Restrictions" are not subject to the foregoing limitation;

(vii) subject to sub-paragraph (c) of this section headed "Investment and Borrowing Restrictions", assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements as set out in the sub-section headed "Securities Financing Transactions" of this section headed "Investment and Borrowing Restrictions" are not subject to the foregoing limitation;

(viii) acquire any asset or engage in any transaction for the account of that Sub-Fund which involves the assumption of any liability which is unlimited. For the avoidance of doubt, the liability of Unitholders of a Sub-Fund is limited to their investments in that Sub-Fund; or

(ix) 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 unless such call could be met in full out of cash or near cash forming part of such Sub-Fund whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transaction in financial derivative instruments for the purposes of paragraphs (5) and (6) of the "Use of Financial Derivative Instruments" sub-section of this section headed "Investment and Borrowing Restrictions" and shall not be entitled without the consent of the Trustee to apply any part of the relevant Sub-Fund in the acquisition of any other investment which is in the opinion of the Trustee likely to involve the Trustee in any liability (contingent or otherwise).

3. <u>Borrowing Restrictions</u>

Unless otherwise disclosed below or in the relevant Appendix, the Manager may borrow up to 10% of the latest available Net Asset Value of a Sub-Fund to acquire investments, to realise Units or to pay expenses relating to the relevant Sub-Fund. For this purpose, back-to-back loans do not count as borrowing. The assets of a Sub-Fund may be charged or pledged as security for any such borrowings.

For the avoidance of doubt, securities lending transactions or repurchase transactions are not borrowings for the purpose of, and are not subject to the borrowing restrictions set out above.

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

4. <u>Use of Financial Derivative Instruments</u>

(1) A Sub-Fund may acquire financial derivative instruments for hedging purposes. For the purposes of this paragraph (1), financial derivative instruments are generally considered as being acquired for hedging purposes if they meet all the following criteria:

(a) they are not aimed at generating any investment return;
(b) they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss or risks arising from the investments being hedged;
(c) although they may not necessarily reference to the same underlying assets, they should relate to the same asset class with high correlation in terms of risks and return, and involve taking opposite positions, in respect of the investments being hedged; and
(d) they exhibit price movements with high negative correlation with the investments being hedged under normal market conditions.

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

(2) A Sub-Fund may also acquire financial derivative instruments for non-hedging purposes ("**investment purposes**") subject to the limit that such Sub-Fund's net exposure relating to these financial derivative instruments ("**net derivative exposure**") does not exceed 50% of its latest available Net Asset Value. For the avoidance of doubt, financial derivative instruments acquired for hedging purposes under paragraph (1) of this "Use of Financial Derivative Instruments" sub-section will not be counted towards the 50% limit referred to in this paragraph (2) so long as there is no residual derivative exposure arising from such hedging arrangement. Net derivative exposure shall be calculated in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time. In calculating the net derivative exposure, the positions of financial derivative instruments acquired by a Sub-Fund for investment purposes are converted into the equivalent position in the underlying assets

of the financial derivative instruments, taking into account the prevailing market value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

(3) Subject to paragraphs (2) and (4) of this "Use of Financial Derivative Instruments" sub-section, a Sub-Fund may invest in financial derivative instruments provided that the exposure to the underlying assets of the financial derivative instruments, together with the other investments of the Sub-Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets and investments as set out in sub-paragraphs (a), (aa), (ab), (d), (e) , (f), and (ii) of the section headed "Investment and Borrowing Restrictions".

(4) The financial derivative instruments invested by a Sub-Fund shall be either listed/quoted on a stock exchange or dealt in over-the-counter market and comply with the following provisions:

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

(b) the counterparties to transactions of over-the-counter financial derivative instruments or their guarantors are substantial financial institutions or such other entity acceptable to the SFC;

(c) subject to sub-paragraphs (a) and (aa) of this section headed "Investment and Borrowing Restrictions", a Sub-Fund's net counterparty exposure to a single entity arising from transactions of over-the-counter financial derivative instruments may not exceed 10% of its latest available Net Asset Value provided that the exposure of the Sub-Fund to a counterparty of over-the-counter financial derivative instruments may be lowered by the collateral received (if applicable) by the Sub-Fund and shall be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter financial derivative instruments with that counterparty, if applicable; and

(d) the valuation of the financial derivative instruments is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the valuation agent, the Manager or the Trustee or their respective agents and delegates (as the case may be) independent of the issuer of the financial derivative instruments through such measures as may be established from time to time. The financial

derivative instruments can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Sub-Fund's initiative. Further, the valuation agent should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the financial derivative instruments on a regular basis.

(5) A Sub-Fund should at all times be capable of meeting all its payment and delivery obligations incurred under transactions in financial derivative instruments (whether for hedging or for investment purposes). The Manager shall, as part of its risk management process, monitor to ensure that the transactions in financial derivative instruments in respect of a Sub-Fund are adequately covered on an ongoing basis. For the purposes of this paragraph (5), assets that are used to cover the Sub-Fund's payment and delivery obligations incurred under transactions in financial derivative instruments shall be free from any liens and encumbrances, exclude any cash or near cash for the purpose of meeting a call on any sum unpaid on a security, and cannot be applied for any other purposes.

(6) Subject to paragraph (5) above, a transaction in financial derivative instruments which gives rise to a future commitment or contingent commitment of a Sub-Fund shall be covered as follows:

(a) in the case of financial derivative instruments transactions which will, or may at the Sub-Fund's discretion, be cash settled, the Sub-Fund shall at all times hold sufficient assets that can be liquidated within a short timeframe to meet the payment obligation; and

(b) in the case of financial derivative instruments transactions which will, or may at the counterparty's discretion, require physical delivery of the underlying assets, the Sub-Fund shall hold the underlying assets in sufficient quantity at all times to meet the delivery obligation. If the Manager considers the underlying assets to be liquid and tradable, the Sub-Fund may hold other alternative assets in sufficient quantity as cover, provided that such assets may be readily converted into the underlying assets at any time to meet the delivery obligation provided further that the Sub-Fund shall apply safeguard measures such as to apply haircut where appropriate to ensure that such alternative assets held are sufficient to meet its future obligations.

(7) The requirements under paragraphs (1) to (6) of this "Use of Financial Derivative Instruments" sub-section shall apply to embedded financial derivative. For the purposes of this Explanatory Memorandum, an "**embedded financial derivative**" is a financial derivative instrument that is embedded in another security, namely the host contract.

5. Securities Financing Transactions

(1) A Sub-Fund may engage in securities lending transactions or repurchase and reverse repurchase transactions (collectively the "**securities financing transactions**"), provided that they are in the best interests of Unitholders of such Sub-Fund to do so and the associated risks have been properly mitigated and addressed, and provided further that the counterparties to the securities financing transactions are financial institutions which are subject to ongoing prudential regulation and supervision.

(2) A Sub-Fund shall have at least 100% collateralisation in respect of the securities financing transaction(s) into which it enters to ensure there is no uncollateralized counterparty risk exposure arising from these transactions.

(3) All the revenues arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities financing transactions shall be returned to the Sub-Fund.

(4) A Sub-Fund shall only enter into a securities financing transaction if the terms of such securities financing transaction include the power for the Sub-Fund at any time to recall the securities or the full amount of cash (as the case may be) subject to the securities financing transaction or terminate the securities financing transaction(s) into which it has entered.

The Manager does not currently intend to enter into securities financing transactions for any of the Sub-Funds, unless otherwise specified in the Appendix for the relevant Sub-Fund. Prior approval will be sought from the SFC and at least one month prior notice will be given to Unitholders should there be a change in such intention. The Explanatory Memorandum will be updated accordingly.

6. Collateral

(1) In order to limit the exposure to each counterparty as set out in sub-paragraph (4)(c) of the sub-section "Use of Financial Derivative Instruments" and paragraph (2) of the sub-section headed "Securities Financing Transactions", a Sub-Fund may receive collateral from such counterparty, provided that the collateral complies with the requirements set out below:

(a) Liquidity – the collateral is sufficiently liquid and tradable in order that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing;

(b) Valuation – the collateral is marked-to-market daily by using independent pricing sources;

(c) Credit quality – the collateral is of high credit quality provided that, in the event the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral, such collateral shall be replaced immediately;

(d) Haircut – the collateral is subject to a prudent haircut policy;

(e) Diversification – the collateral is appropriately diversified so as to avoid concentrated exposure to any single entity and/or entities within the same group. A Sub-Fund's exposure to the issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in sub-paragraphs (a), (aa), (ab), (d), (e) , (f), and (ii) of the section headed "Investment and Borrowing Restrictions";

(f) Correlation – the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty or the issuer of the financial derivative instruments, or the counterparty of securities financing transactions in such a way that would undermine the effectiveness of the collateral. For this purpose, securities issued by the counterparty or the issuer of the financial derivative instruments, or the counterparty of securities financing transactions or any of their related entities should not be used as collateral;

(g) Management of operational and legal risks – the Manager has appropriate systems, operational capabilities and legal expertise for proper collateral management;

(h) Independent custody – the collateral is held by the Trustee or by duly appointed nominee, agent or delegate;

(i) Enforceability – the collateral is readily accessible or enforceable by the Trustee without further recourse to the issuer of the financial derivative instruments, or the counterparty of the securities financing transactions;

(j) Re-investment of collateral – any re-investment of collateral received for the account of the relevant Sub-Fund shall be subject to the following requirements:

(i) cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorized under 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations

applicable to such investments or exposure as set out in Chapter 7 of the Code. For this purpose, money market instruments refer to securities normally dealt in on the money markets, including government bills, certificates of deposit, commercial papers, short-term notes and bankers' acceptances, etc. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments must be taken into account;

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

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

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

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

(k) the collateral is free of prior encumbrances; and

(l) the collateral generally does not include (i) structured products whose payouts rely on embedded financial derivatives or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitized products; or (iv) unlisted collective investment schemes.

7. Collateral Valuation and Management Policy

The Manager employs a collateral management policy in relation to collateral received in respect of securities financing transactions and OTC financial derivative transactions entered into in respect of a Sub-Fund.

A Sub-Fund may receive collateral from a counterparty to a securities financing transaction or OTC derivative transaction in order to reduce its counterparty risk exposure, subject to the investment restrictions and requirements applicable to collateral under the "Collateral" section above.

The collateral management policy takes into account the types of collateral which may be received in relation to securities financing transactions and OTC financial derivative transactions entered into in respect of a Sub-Fund, which may include without limitation, cash and cash equivalents, stocks and bonds. In addition, the Manager will consider a range of factors to assess the quality of such collateral including but not limited to its liquidity, credit quality, time to maturity.

The Manager takes into account various factors to manage the credit risks of counterparties of securities financing transactions and OTC derivative transactions, which shall include amongst

other considerations, creditworthiness and commercial reputation of specific legal entities, the regulatory supervision applied to the relevant counterparty, legal status of the counterparty.

Where the Sub-Fund receives cash as collateral, the Manager's has in place a reinvestment policy in liquid short term assets such as deposits, money market instruments and money market funds. Up to 100% of the cash collateral received by a Sub-Fund may be reinvested.

The collateral management policy also sets out a haircut policy which will be applied at such rates depending on the class of assets received by the Sub-Funds and takes account of characteristics of the collateral, including, among others, issuer creditworthiness, residual maturity.

The collateral received is valued daily on a mark-to-market basis by using independent pricing source. The exposures of a Sub-Fund to the collateral issuers are monitored in accordance with the relevant restrictions on exposure to a single entity and/or entities within the same group as set out in the section headed "Investment and Borrowing Restrictions".

In case counterparty default, the Manager shall:

1. seek additional information in relation to the counterparty and the relevant collateral;
2. take appropriate actions, including but not limited to, after consulting the Trustee, liquidating the relevant collateral in an orderly way, if appropriate;

The collateral may be subject to net-off or set-off as set out in the relevant agreement entered with the counterparty

Any non-cash assets received by a Sub-Fund from a counterparty on a title transfer basis (whether in respect of a securities financing transaction or an OTC derivative transaction) should be held by the Trustee or its duly appointed nominee, agent or delegate. This is not applicable in the event that there is no title transfer in which case the collateral will be held by a third party custodian which is unrelated to the provider of the collateral.

Assets provided by a Sub-Fund on a title transfer basis shall no longer belong to the Sub-Fund. The counterparty may use those assets at its absolute discretion. Assets provided to a counterparty other than on a title transfer basis shall be held by the Trustee or its duly appointed nominee, agent or delegate.

A description of collateral holdings of each Sub-Fund will be disclosed in its interim and annual financial reports as required under Appendix E of the Code.

8. Money Market Funds

In the exercise of its investment powers in relation to a Sub-Fund which is a money market fund ("**Money Market Fund**") authorised by the SFC under 8.2 of the Code, the Manager shall ensure that the core requirements as set out in paragraphs 1, 2, 4, 5 and 6 of this section headed "Investment and Borrowing Restrictions" shall apply with the following modifications, exemptions or additional requirements:-

(a) subject to the provisions set out below, a Money Market Fund may only invest in short-term deposits and high quality money market instruments (i.e. securities normally dealt in on the money markets including government bills, certificates of deposit, commercial papers, short-term notes, bankers' acceptances, asset-backed securities such as asset-backed commercial papers), and money market funds that are authorised by the SFC under 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC;

(b) a Money Market Fund shall maintain a portfolio with weighted average maturity not exceeding 60 days and a weighted average life not exceeding 120 days and must not purchase an instrument with a remaining maturity of more than 397 days (or two years in the case of Government and other public securities). For the purposes herein;

(i) "**weighted average maturity**" is a measure of the average length of time to maturity of all the underlying securities in a Money Market Fund weighted to reflect the relative holdings in each instrument; and is used to measure the sensitivity of the Money Market Fund to changing money market interest rates; and

(ii) "**weighted average life**" is the weighted average of the remaining life of each security held in a Money Market Fund; and is used to measure the credit risk, as well as the liquidity risk,

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

(c) notwithstanding sub-paragraphs 1(a) and 1(ab) of this section headed "Investment and Borrowing Restrictions", the aggregate value of a Money Market Fund's holding of instruments issued by a single entity, together with any deposits held with that same issuer may not exceed 10% of the latest available Net Asset Value of such Money Market Fund except:-

(i) the value of a Money Market Fund's holding of instruments and deposits issued by a single entity may be increased to 25% of the latest available Net Asset Value of such Money Market Fund if the entity is a substantial financial institution, provided that the total value of such holding does not exceed 10% of the entity's share capital and non-distributable capital reserves; or

(ii) up to 30% of a Money Market Fund's latest available Net Asset Value may be invested in Government and other public securities of the same issue; or

(iii) in respect of any deposit of less than US$1,000,000 or its equivalent in the Base Currency of the relevant Money Market Fund where such Money Market Fund cannot otherwise diversify as a result of its size;

(d) notwithstanding sub-paragraphs 1(aa) and 1(ab) of this section headed "Investment and Borrowing Restrictions", the aggregate value of a Money Market Fund's investments in entities within the same group through instruments and deposits may not exceed 20% of its latest available Net Asset Value provided that:

(i) the aforesaid limit will not apply in respect of cash deposit of less than US$ 1,000,000 or its equivalent in the Base Currency of such Money Market Fund, where it cannot otherwise diversify as a result of its size;

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

(e) the value of a Money Market Fund's holding of money market funds that are authorised under 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC may not in aggregate exceed 10% of its latest available Net Asset Value;

(f) the value of a Money Market Fund's holding of investments in the form of asset-backed securities may not exceed 15% of its latest available Net Asset Value;

(g) subject to paragraphs 5 and 6 of this section headed "Investment and Borrowing Restrictions", a Money Market Fund may engage in sale and repurchase transactions, and reverse repurchase transactions in compliance with the following additional requirements:

(i) the amount of cash received by the Money Market Fund under sale and repurchase transactions may not in aggregate exceed 10% of its latest available Net Asset Value;

(ii) the aggregate amount of cash provided to the same counterparty in reverse repurchase agreements may not exceed 15% of the latest available Net Asset Value of the Money Market Fund;

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

(iv) the holding of collateral, together with other investments of the Money Market Fund, must not contravene the investment limitations and requirements set out in the other provisions of this paragraph 8 of this section headed "Investment and Borrowing Restrictions";

(h) a Money Market Fund may use financial derivative instruments for hedging purposes only;

(i) the currency risk of an Money Market Fund should be appropriately managed and any material currency risk that arises from investments of the Money Market Fund that are not denominated in its base currency shall be appropriately hedged;

(j) a Money Market Fund must hold at least 7.5% of its latest available Net Asset Value in daily liquid assets and at least 15% of its latest available Net Asset Value in weekly liquid assets. For the purposes herein:

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

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

RISK FACTORS

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

There is no assurance that the investment objective of the respective Sub-Fund will be achieved. Each Sub-Fund is subject to market fluctuations and to the risks inherent in all investments. The price of Units of any Sub-Fund and the income from them may go down as well as up.

(i) Investment risk - The instruments invested by the Sub-Fund may fall in value due to any of the key risk factors below and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of the repayment of principal.

(ii) Equity market risk - Certain Sub-Funds' investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

(iii) Market risk - The value of investments and the income derived from such investments may fall as well as rise and investors may not recoup the original amount invested in the Sub-Funds. In particular, the value of investments may be affected by uncertainties such as international, political and economic developments or changes in government policies. In falling equity markets there may be increased volatility. Market prices in such circumstances may defy rational analysis or expectation for prolonged periods of time, and can be influenced by movements of large funds as a result of short-term factors, counter-speculative measures or other reasons.

(iv) China market risk - Investing in the China market is subject to the risks of investing in emerging markets generally and the risks specific to the China market.

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

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

Investments in equity interests of Chinese companies may be made through China A-Shares, B-Shares and H-Shares (i.e. shares issued by companies incorporated in the

PRC and listed on the SEHK and traded in Hong Kong dollars). Investment in RMB denominated bonds may be made in or outside the PRC. As the number of these securities and their combined total market value are relatively small compared to more developed markets, investments in these securities may be subject to increased price volatility and lower liquidity.

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

(v) Foreign exchange control risk - The Renminbi is not currently a freely convertible currency and is subject to exchange control imposed by the Chinese government. The Chinese government's control of currency conversion and movements in the Renminbi exchange rates may adversely affect the operations and financial results of companies in the PRC. Insofar as a Sub-Fund's assets are invested in the PRC, it will be subject to the risk of the PRC government's imposition of restrictions on the repatriation of funds or other assets out of the country, limiting the ability of the relevant Sub-Fund to satisfy payments to investors.

(vi) Risks associated with Renminbi - Starting from 2005, the exchange rate of the Renminbi is no longer pegged to the US dollar. The Renminbi has now moved to a managed floating exchange rate based on market supply and demand with reference to a basket of foreign currencies. The daily trading price of the Renminbi against other major currencies in the inter-bank foreign exchange market would be allowed to float within a narrow band around the central parity published by the People's Bank of China. As the exchange rates are based primarily on market forces, the exchange rates for Renminbi against other currencies, including US dollars and Hong Kong dollars, are susceptible to movements based on external factors. It should be noted that the Renminbi is currently not a freely convertible currency as it is subject to foreign exchange control policies of the Chinese government. The possibility that the appreciation of Renminbi will be accelerated cannot be excluded. On the other hand, there can be no assurance that the Renminbi will not be subject to devaluation. Any devaluation of the Renminbi could adversely affect the value of investors' investments in the relevant Sub-Fund. Investors whose base currency is not the Renminbi may be adversely affected by changes in the exchange rates of the Renminbi. Further, the PRC government's imposition of restrictions on the repatriation of Renminbi out of China may limit the depth of the Renminbi market in Hong Kong and reduce the liquidity of the relevant Sub-Fund. The Chinese government's policies on exchange control and

repatriation restrictions are subject to change, and the Sub-Fund's or the investors' position may be adversely affected.

(vii) Emerging market risk - Various countries in which a Sub-Fund may invest are considered as emerging markets. Prospective investors should note that investment in emerging markets such as China and other countries involve special considerations and risks. These include a possibility of nationalisation, expropriation or confiscatory taxation, foreign exchange control, political and legal changes, government regulation, social instability or diplomatic developments which could affect adversely the economies of emerging markets or the value of a Sub-Fund's investments, and the risks of investing in countries with smaller capital markets, such as limited liquidity, higher price volatility, restrictions on foreign investment and repatriation of capital, and the risks associated with emerging economies, including high inflation and interest rates and political and social uncertainties. In addition, it may be difficult to obtain and enforce a judgement in a court in an emerging country. Underlying investments of emerging market funds may also become illiquid which may constrain the Manager's ability to realise some or all of the portfolio. Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to some countries in which a Sub-Fund may invest may differ from those applicable in developed countries, for example, less information is available to investors and such information may be out of date.

High market volatility and potential settlement difficulties in the emerging markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of a Sub-Fund.

Securities exchange in emerging markets typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on a Sub-Fund.

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

delays could result in substantial losses for a Sub-Fund if investment opportunities are missed or if a Sub-Fund is unable to acquire or dispose of a security as a result.

(ix) Risk relating to small - and mid-capped companies - Certain Sub-Funds may invest in the securities of small- and/or mid-capped companies. Investing in these securities may expose the Sub-Fund to risks such as lower liquidity, greater market price volatility, less publicly available information, greater vulnerability to fluctuations in the economic cycle and greater volatility to adverse economic developments than those of larger capitalisation companies in general.

(x) Currency risk - Certain Sub-Funds may be invested in part in assets quoted in currencies other than its base currency. Also, a class of units may be designated in a currency other than the base currency of a Sub-Fund. The performance and the Net Asset Value of such Sub-Funds will therefore be affected unfavourably by movements in the exchange rates between these currencies and the base currency of the Sub-Funds and by changes in exchange rate controls. Since the Manager aims to maximise returns for such Sub-Funds in terms of their base currency, investors in these Sub-Funds may be exposed to additional currency risk.

(xi) Interest rates risk - Changes in interest rates may affect the value of a security as well as the financial markets in general. Fixed income instruments (such as bonds) are more susceptible to fluctuation in interest rates and may fall in value if interest rates change. Generally, the prices of fixed income instruments rise when interest rates fall, whilst their prices fall when interest rates rise. Longer term fixed income instruments are usually more sensitive to interest rate changes. Changes in macro-economic policies of Mainland China (i.e. monetary policy, fiscal policy, etc.) may have an influence over capital markets affecting the pricing of the fixed income instruments and this, the return of the Sub-Fund.

(xii) Risk relating to credit rating - The credit ratings of fixed-income securities by credit rating agencies are a generally accepted barometer of credit risk. They are, however, subject to certain limitations and do not guarantee the creditworthiness of the security and/or issuer at all times. For example, the rating of an issuer is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is often a time lag in updating the credit ratings in response to recent credit events.

A Sub-Fund may invest in securities which are below investment grade or which are non-rated. Investors should note that such securities would generally be considered to have lower liquidity, a higher degree of counterparty risk, credit risk, higher volatility

risk, greater risk of loss of principal and interest and increased fluctuation in value than securities with higher grade. If the issuer of securities defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. The market for these securities may be less active, making it more difficult to sell the security. Valuation of these securities is more difficult and thus the relevant Sub-Fund's prices may be more volatile.

In particular, the value of lower-rated or unrated corporate bonds is affected by investors' perceptions. When economic conditions appear to be deteriorating, or where an adverse event happens to the issuer (e.g. credit rating downgrading), lower rated or unrated corporate bonds may decline in market value due to changing market conditions or investors' heightened concerns and perceptions over credit quality.

(xiii) Downgrading risk - Investment grade securities or the credit rating of the issuer may be subject to the risk of being downgraded to below investment grade or unrated. In the event of downgrading in the credit ratings of a security or an issuer relating to a security, a Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not dispose of the securities, subject to the investment objectives of the relevant Sub-Fund.

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

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

In addition, certain instruments traded on the OTC markets (such as customised financial derivatives and structured products) can be illiquid. The market for relatively illiquid investments tends to be more volatile than the market for more liquid investments.

(xvi) Risks Associated with Collateral Management and Re-investment of Cash Collateral – Where a Sub-Fund enters into a securities financing transaction or an OTC derivative transaction, collateral may be received from or provided to the relevant counterparty.

Notwithstanding that a Sub-Fund may only accept non-cash collateral which is highly liquid, the relevant Sub-Fund is subject to the risk that it will be unable to liquidate collateral provided to it to cover a counterparty default. The relevant Sub-Fund is also subject to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Where cash collateral received by a Sub-Fund is re-invested, the relevant Sub-Fund will be exposed to the risk of a failure or default of the issuer of the relevant security in which the cash collateral has been invested.

Where collateral is provided by a Sub-Fund to the relevant counterparty, in the event of the insolvency of the counterparty, the relevant Sub-Fund may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return if the collateral becomes available to the creditors of the relevant counterparty.

Finance charges received by a Sub-Fund under a securities lending transaction may be reinvested in order to generate additional income. Similarly cash collateral received by a Sub-Fund may also be reinvested in order to generate additional income. In both circumstances, the relevant Sub-Fund will be exposed to market risk in respect of any such investments and may incur a loss in reinvesting the financing charges and cash collateral it receives. Such a loss may arise due to a decline in the value of the investment made. A decline in the value of investment of the cash collateral would reduce the amount of collateral available to be returned by the relevant Sub-Fund to the securities lending counterparty at the conclusion of the securities lending contract. The relevant Sub-Fund would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the relevant Sub-Fund.

Under a sale and repurchase transaction, the relevant Sub-Fund retains the economic risks and rewards of the securities which it has sold to the counterparty and therefore is

exposed to market risk in the event that it must repurchase such securities from the counterparty at the pre-determined price if that pre-determined price is higher than the value of the securities at the time of repurchase. If the Sub-Fund chooses to reinvest the cash collateral received under the sale and repurchase transaction, it is also subject to market risk arising in respect of such investment.

If the additional income which is generated through finance charges imposed by a Sub-Fund on the counterparty of a reverse repurchase transaction is reinvested, the relevant Sub-Fund will assume market risk in respect of such investments.

(xvii) Concentration risk - Certain Sub-Funds may invest only in a specific country/region/sector. Although each Sub-Fund's portfolio will be well diversified in terms of the number of holdings, investors should be aware that the value of such Sub-Funds are likely to be more volatile than a broad-based fund, such as a global or regional equity or bond fund, as they are more susceptible to fluctuations in value resulting from adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the respective countries/regions/sectors.

(xviii) Hedging transactions risk - The Manager is permitted, but not obliged, to use hedging techniques to attempt to offset market risks. There is no guarantee that hedging techniques will achieve their desired result.

(xix) Liquidity and volatility risk - Some of the markets (e.g. emerging markets) in which a Sub-Fund invests may be less liquid and more volatile than the world's leading stock markets and this may result in the fluctuation in the price of securities traded on such markets. The bid and offer spreads of the price of such securities may be large and a Sub-Fund may suffer significant trading costs. Certain securities may be difficult or impossible to sell, and this would affect the Sub-Fund's ability to acquire or dispose of such securities at their intrinsic value.

(xx) Derivative and structured product risk - The Sub-Funds may invest in derivatives such as options, futures and convertible securities, and in depositary receipts, participation rights and potentially through other instruments which are linked to the performance of securities or indices such as participation notes and equity linked notes, which are sometimes referred to as "structured products". Investment in these instruments can be illiquid, if there is no active market in these instruments. Such instruments are complex in nature. Therefore there are risks of mispricing or improper valuation and possibilities that these instruments do not always perfectly track the value of the securities, rates or indices they are designed to track. Improper valuations can result in increased payments to counterparties or a loss in the value of the relevant Sub-Fund. The instruments will also

be subject to insolvency or default risk of the issuers or counterparties. In addition, investment through structured products may lead to a dilution of performance of such Sub-Funds when compared to a fund investing directly in similar assets. Besides, many derivatives and structured products involve an embedded leverage. This is because such instruments provide significantly larger market exposure than the money paid or deposited by the Sub-Fund, so a relatively small adverse market movement could expose the relevant Sub-Fund to the possibility of a loss exceeding the original amount invested.

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

(xxii) QFI risk - QFI regime is governed by rules and regulations as promulgated by the Mainland Chinese authorities, i.e. the CSRC, the People's Bank of China ("**PBOC**") and State Administration of Foreign Exchange ("**SAFE**"). Such rules and regulations may be amended from time to time and include (but are not limited to):

(i) the Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors jointly issued by the CSRC, the PBOC and the SAFE on 25 September 2020 and effective from 1 November 2020 (《合格境外機構投資者和人民幣合格境外機構投資者境內證券期貨投資管理辦法》);

(ii) the Provisions on Issues Concerning the Implementation of the Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors jointly issued by the CSRC, the PBOC and the SAFE on 25 September 2020 and effective from 1 November 2020 (關於實施《合格境外機構投資者和人民幣合格境外機構投資者境內證券期貨投資管理辦法》有關問題的規定);

(iii) the "Regulations on Funds of Securities and Futures Investment by Foreign Institutional Investors" issued by the PBOC and the SAFE on 7 May 2020 and effective from 6 June 2020（《境外機構投資者境內證券期貨投資資金管理規定》); and

(iv) any other applicable regulations promulgated by the relevant authorities.

Based on the above prevailing QFI Regulations, the Qualified Foreign Institutional Investors (QFII) regime and RMB Qualified Foreign Institutional Investors (the RQFII) regime have been merged and been regulated by the same set of regulations, and the previously separate requirements for QFII and RQFII qualifications are unified. A foreign institutional investor outside the PRC mainland may apply to the CSRC for the QFI license, while there is no need for a foreign institutional investor having held either a QFII or RQFII license to reapply for the QFI license.

Certain of the Sub-Funds may obtain access to China equities, Renminbi denominated debt securities or other permissible investments directly using the QFI status of a QFI. The Sub-Fund may invest directly in QFI eligible securities investment via the QFI status of the Manager. Further details relating to QFI arrangements of the relevant Sub-Fund are set out in the Appendix relating to such Sub-Fund.

Investors should note that QFI status could be suspended or revoked, which may have an adverse effect on a Sub-Fund's performance as the Sub-Fund may be required to dispose of its securities holdings. In addition, certain restrictions imposed by the Chinese government on QFIs may have an adverse effect on such Sub-Fund's liquidity and performance. QFIs are subject to restrictions on the maximum stake which can be held in any one listed company.

The PBOC and SAFE regulate and monitor the remittance and repatriation of funds out of the PRC by the QFI pursuant to the QFI rules and regulations. Repatriations by QFIs in respect of the Sub-Fund(s) are currently not subject to any restrictions, lock-up periods or prior approval, although an authenticity and compliance review will be conducted by the QFI Custodian on each time of repatriation and a monthly breakdown of remittances and repatriations will be submitted to SAFE by the QFI Custodian. The repatriation process may be subject to certain requirements set out in the relevant regulations such as submission of certain documents, and completion of the repatriation process may be subject to delay. There is no assurance, however, that 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 the Unitholders. Furthermore, as the QFI Custodian will review the authenticity and the compliance of each repatriation, the repatriation may be delayed or even rejected by the QFI Custodian if it reasonably believes that the repatriation is unauthentic or incompliant with the QFI rules and regulations. In such case, it is expected that redemption proceeds will be paid to the redeeming Unitholder as soon as practicable and in any event within 7 Business Days after the completion of the repatriation of funds concerned. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the Manager's control.

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

Investors should note that there can be no assurance that a QFI will continue to maintain its QFI status, or that realisation requests can be processed in a timely manner due to regulations on repatriation or adverse changes in relevant laws or regulations.

Besides, a Sub-Fund may incur significant losses due to limited investment capabilities, QFI investment restrictions, illiquidity of the Chinese domestic securities market, and/or delay or disruption in execution of trades or in settlement of trades.

The QFI rules enable Offshore RMB (CNH) and/or foreign currencies which can be traded on the China Foreign Exchange Trade System to be remitted into and repatriated out of Mainland China. The application of QFI rules may depend on the interpretation given by the relevant Chinese regulatory authorities. Any changes to the relevant rules may have an adverse impact on investors' investment in the Sub-Fund.

Any China A-Shares, Renminbi denominated debt securities or other permissible securities acquired by a Sub-Fund through QFI will be maintained by its QFI custodian via a securities account in such name as may be permitted or required in accordance with the PRC laws. The securities account and the cash account for a Sub-Fund in the PRC may be required to be maintained in the joint names of the QFI and the Sub-Fund.

According to the PRC Administrative Measures on the Takeover of Listed Companies ("Takeover Measures"), the investor and its concerted parties (if any) who hold more than 5% (inclusive) of the total outstanding shares of a PRC listed company are required to disclose their interests in the company. Both the QFI and its underlying foreign investors (including the relevant Sub-Funds which invest in shares of PRC listed companies) are required to comply with this disclosure requirement. Failure to comply with such disclosure requirement may negatively affect the QFI and its underlying investors, including the relevant Sub-Funds.

In relation to the assets of the Sub-Fund held in the accounts maintained by the PRC Custodian, the Manager has obtained an opinion from PRC legal counsel to the effect that, as a matter of PRC laws:

(a) where a Sub-Fund appoints multiple QFI Custodians, one of which should be designated as the Principal Custodian;

(b) a securities account and a RMB cash account with the QFI Custodian (respectively, the "securities account" and the "cash account") have been opened in the joint names of the Manager (as the QFI holder) and the Sub-Fund in accordance with all applicable laws and regulations of the PRC and with approval from all competent authorities in the PRC;

(c) the assets held or credited in the securities account (i) belong to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager (as QFI holder), the QFI 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 the QFI holder), the QFI Custodian and any PRC Broker;

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

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

(f) if the Manager or the PRC Broker is liquidated, the assets contained in the securities account and cash account 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

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

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

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

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

(xxiii) Risks associated with CIBM

Overview

Participation in CIBM by foreign institutional investors (where such is mentioned in the investment principles of the relevant Sub-Fund) via CIBM Initiative is governed by rules and regulations as promulgated by the Mainland Chinese authorities, i.e., the PBOC and the SAFE. Such rules and regulations may be amended from time to time and include (but are not limited to):

(i) the "Announcement (2016) No 3" issued by the PBOC on 24 February 2016;
(ii) the "Implementation Rules for Filing by Foreign Institutional Investors for Investment in Interbank Bond Markets" issued by the Shanghai Head Office of PBOC on 27 May 2016;
(iii) the "Circular concerning the Foreign Institutional Investors' Investment in Interbank bond market in relation to foreign currency control" issued by SAFE on 27 May 2016; and
(iv) any other applicable regulations promulgated by the relevant authorities.

Under the prevailing regulations in Mainland China, foreign institutional investors who wish to invest directly in CIBM may do so via an onshore settlement agent, who will

be responsible for making the relevant filings and account opening with the relevant authorities. There is no quota limitation but filing with the Shanghai Head Office of PBOC in respect of an investor's anticipated investment size has to be made.
In terms of fund remittance and repatriation, foreign investors (such as the Fund and the relevant Sub-Funds) may remit investment principal in RMB or foreign currency into Mainland China for investing in the CIBM. An investor will need to remit investment principal matching at least 50% of its anticipated investment size within nine months after the completion of filing with the Shanghai Head Office of PBOC, or else an updated filing will need to be made through the onshore settlement agent. Where the Fund or the relevant 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%.

Risks associated with CIBM

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

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

Since the relevant filings and account opening for investment in the CIBM market have to be carried out via an onshore settlement agent, the relevant Sub-Fund is subject to the risks of default or errors on the part of the onshore settlement agent.

Investing in the CIBM is also subject to certain restrictions imposed by the mainland Chinese authorities on fund remittance and repatriation which may potentially affect the relevant Sub-Fund's performance and liquidity. Any non-compliance with or failure to meet the fund remittance and repatriation requirements may result in regulatory sanctions which in turn may have an adverse impact on the portion of the Sub-Fund's investment via the CIBM Initiative. Further, there is no assurance that the fund remittance and repatriation requirements in relation to investment in CIBM will

not be changed as a result of change in government policies or foreign exchange control policies. The Sub-Fund may incur loss in the event such change in the fund remittance and repatriation requirements in relation to investment in CIBM occurs.

In addition, investors should note that cash deposited in the cash account of the relevant Sub-Fund with the relevant onshore settlement agent may not be segregated. In the event of the bankruptcy or liquidation of the onshore settlement agent, the Sub-Fund may not have any proprietary rights to the cash deposited in such cash account and may face difficulty and/or encounter delays in recovering such assets, or may not be able to recover it in full or at all, in which case the Sub-Fund may suffer losses.

The CIBM is also subject to regulatory risks. The relevant rules and regulations on investment in the CIBM, whether through the CIBM initiative or any other means, are subject to change which may have potential retrospective effect. In the event that the relevant Chinese authorities suspend account opening or trading on the CIBM via these means, the relevant Sub-Fund's ability to invest in CIBM will be limited and, after exhausting other trading alternatives, the relevant Sub-Fund may suffer substantial losses as a result. Any changes to the relevant rules and regulations may also have an adverse impact on investors' investment in the relevant Sub-Fund.

(xxiv) PRC tax considerations - The Sub-Funds may be subject to taxation in the PRC. This will vary depending on the investment strategy of the Sub-Funds. There are risks and uncertainties associated with the current PRC tax law, regulations and practice via QFI status, Stock Connects, CIBM, or access products on the relevant Sub-Fund's investments in the PRC (which may have retrospective effect). The interpretation and applicability of the tax laws and regulations by tax authorities are not as consistent and transparent as those of more developed nations, and may vary from location to location. Moreover, there is no assurance that tax incentives currently offered to foreign companies (including the Sub-Funds), if any, will not be abolished and the existing tax laws and regulations will not be revised or amended in the future. The value of the relevant Sub-Funds' value, investments in the PRC and the amount of their income and gains could be adversely affected by an increase in tax rates, liabilities or change in the taxation basis.

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

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

Sub-Fund is a non-PRC resident and has no PE in the PRC, or in the case of having PE in the PRC, but the profits are not substantially related to the PE, by investing in securities in the PRC, a Sub-Fund may generally be subject to withholding income tax ("**WIT**") imposed in the PRC, unless exempt or reduced under specific tax circulars or relevant tax treaties. It is the intention of the Manager to operate the affairs of the Manager (as a QFI) and the relevant Sub-Fund such that it is not a PRC tax resident enterprise and has no PE in the PRC for PRC CIT purposes, although this cannot be guaranteed.

Dividend income and interest income

Currently, unless a specific exemption or reduction is applicable under current PRC tax laws and regulations or specific tax circulars or relevant tax treaties, for recipients that are treated as non-PRC tax residents without PE in the PRC under the PRC CIT Law, PRC WIT will be levied on the payment of interests on debt instruments issued by PRC tax residents, including bonds issued by enterprises established within mainland China, and dividend income from investment in the securities issued by PRC tax residents. The general PRC WIT rate applicable is 10%. The entity distributing such interests or dividends is required to withhold such tax. On the other hand, interests derived from government bonds issued by the Ministry of Finance, or bonds issued by local government of a province, autonomous regions, municipalities directly under the Central Government or municipalities separately listed on the state plan, as approved by the State Council ("PRC Government Bonds"), shall be exempt from PRC tax.

<u>Investment in PRC securities via QFI</u>

Where a Sub-Fund invest in PRC securities via a QFI, PRC taxes may be imposed on the Sub-Fund under the name of the relevant QFI. However, under the terms of the arrangement between the relevant QFI and the Sub-Fund, the relevant QFI will pass on any tax liability to the Sub-Fund. As such, the relevant Sub-Fund is the ultimate party which bears the risks relating to any PRC taxes which are so levied by the relevant PRC tax authorities.

However, if the QFI or foreign corporate is a tax resident of a tax treaty country, it may apply for the reduced PRC WIT rate under the relevant tax treaty. Under 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 "**China-HK Arrangement**"), Hong Kong tax residents will be subject to PRC WIT at 7% for interests if they are the beneficial owner of the interest income. It is uncertain whether the relevant Sub-Fund can obtain approval from the PRC tax authorities for

this preferential rate. If the relevant approval is not obtained, the general rate of 10% will be applicable to the relevant Sub-Fund on the interest income.

Also, pursuant to the China-HK Arrangement, the tax charged on dividends received by the non-tax resident holders of shares issued by PRC companies will be 5% of the gross amount of the dividends, if Hong Kong tax residents are the beneficial owners and directly hold at least 25% of the equity of the company paying the dividends. Due to the investment restrictions, the relevant Sub-Fund will not hold more than 10% of any ordinary shares issued by any single issuer. In this connection, dividends derived from China A-Shares via QFI will not be able to benefit from the reduced tax rate of 5% and the general tax rate of 10% will be applicable to the relevant Sub-Fund.

Investment in China A-Shares via the Stock Connects

Circular Caishui (2014) No.81 ("**Circular 81**") and Circular Caishui (2016) No.127 ("**Circular 127**") provided that dividends received by foreign investors (including the relevant Sub-Fund) from investment in China A-Shares via the Stock Connects (as further described in the section headed "Stock Connects") is subject to 10% WIT which will be withheld by the PRC companies distributing the dividends, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

Investment in onshore bond market

Pursuant to the "Circular on the Corporate Income Tax and Value-Added Tax Policy for Foreign Institutions to Invest in the Onshore Bond Market" (Caishui [2018] No.108) ("**Circular 108**") jointly issued by the Ministry of Finance ("**MoF**") and the State Taxation Administration ("**STA**") of the PRC on 22 November 2018, bond interest income derived by foreign institutions from investing in the onshore bond market is temporarily exempted from CIT and VAT for the period from 7 November 2018 to 6 November 2021. According to the "Circular on The Extension of Corporate Income Tax and Value-added Tax Policies for Foreign Institutions to Invest in the Onshore Bond Market" (Caishui [2021] No.34) **("Circular 34")** jointly issued by the MoF and the STA of the PRC on 22 November 2021, starting from 7 November 2021 to 31 December 2025, bond interest income derived by foreign institutions from investing in the onshore bond market is temporarily exempted from CIT and VAT.

Capital gains

Investment in PRC securities via QFI and CIBM

Circular Caishui (2014) No.79 ("**Circular 79**") states that QFIs without a PE in the PRC or QFIs with a PE in the PRC but the income so derived in the PRC is not effectively connected with their PE are exempt from PRC WIT on capital gains derived from investment in equity investment assets such as China A-Shares effective from 17 November 2014. Circular 79 also states that QFIs are subject to PRC WIT on capital gains from investment in China A-Shares before 17 November 2014. Specific rules governing taxes on capital gains derived from the investment in securities in the PRC other than equity investment assets have yet to be announced. In the absence of such specific rules, the PRC CIT treatment should be governed by the general tax provisions of the PRC CIT Law and would be subject to the interpretation of the PRC tax authorities. Based on the current interpretation of the STA and the local tax authorities, gains derived from investment in fixed income instruments (including those derived by QFIs and traded via the CIBM) should not be treated as PRC sourced income thus should not be subject to PRC WIT. If the relevant interpretation changes in the future, the relevant Sub-Fund may still turn to certain treaty relief applicable to Hong Kong tax residents.

Having taken and considered independent professional tax advice on the application of the China-HK Arrangement and acting in accordance with such advice, the Manager considers that, under the China-HK Arrangement, capital gains derived by a Hong Kong tax resident from investment in PRC fixed income instruments should not be subject to PRC WIT.

Pursuant to the STA Notice [2019] No.35, the administrative process for application for treaty benefits has been simplified effective on 1 January 2020. To enjoy the tax treaty relief under the China-HK Arrangement, a Hong Kong tax resident should perform self-assessment and declare to enjoy the treaty benefits, then retain supporting documents (including a Hong Kong Tax Resident Certificate ("**HKTRC**") issued by the Inland Revenue Department of Hong Kong (the "**IRD**")) for assessment once required by the tax authorities.

Investment in China A-Shares via the Stock Connects

Under Circular 81 and Circular 127, CIT is temporarily exempted on capital gains derived by foreign investors (including the relevant Sub-Fund) from investment in China A-Shares via the Stock Connects.

Although a notice by the STA confirmed the applicability of tax to dividends, profit distribution and interest paid to investors, at present, there are no specific PRC tax regulations addressing the WIT treatment on capital gains derived from the disposal of China B-Shares. In the absence of such rules, the general tax law provisions apply. At this point of time in practice, the PRC tax authorities have not strictly enforced collection of WIT on gains derived by overseas investors (including the Fund/Sub-Fund(s)) from investment in China B-Shares via stock exchange. The position in practice may change if the STA expresses another view and/or that new official tax circulars are issued to provide further guidance.

The tax exemptions granted under Circular 79, Circular 81, Circular 127 and Circular 34 are only temporary. It is possible that the applicable tax law, regulations and practice may change from time to time and taxes being applied retrospectively. In light of the uncertainty on the income tax treatment on capital gains and in order to meet any potential tax liability for capital gains, the Manager reserves the right to provide for PRC WIT on such gains or income and withhold the tax for the account of a Sub-Fund and will notify the Unitholders should the Manager decide to exercise such right. The Manager's current policy on the tax provisions is set out in the section headed "**PRC Tax Provisions**" in the relevant Appendix. Where any provision is made, the amount of actual provision will be disclosed in the financial statements of the relevant Sub-Fund.

(ii) Value Added Tax ("VAT") and other surtaxes:

The MoF and the STA issued Caishui [2016] No. 36 (the "**Notice 36**") on 23 March 2016 announcing that the VAT reform coming into effect on 1 May 2016. The Notice 36 provides that from 1 May 2016 VAT has replaced PRC Business Tax ("**BT**") to cover all sectors that used to fall under the PRC BT. The Notice 36 provides that VAT at 6% shall be levied on the difference between the selling and buying prices of those marketable securities unless special VAT exemption applies.

The Notice 36 also provides that gains derived by QFIs from trading of marketable securities are exempt from VAT since 1 May 2016. Pursuant to the "Supplementary Notice on the VAT Policy on Interbank Transactions and Other Financial Institutions" (Caishui [2016] No. 70) jointly issued by MoF and STA on 30 June 2016 and which took effect retrospectively on 1 May 2016 ("**Notice 70**"), income derived by QFIs from the purchase and sale of marketable securities are also exempt from VAT. For China A-Shares traded via the Stock Connects, Notice 36 and Circular 127 state that gains derived by foreign investors trading through such platforms are temporarily exempt from VAT. However, there is no clear rule on whether there is VAT exemption if a

Sub-Fund invests in China B-Shares. Thus, there may be VAT imposed on a Sub-Fund for trading of China B-Shares. Under current practice no VAT is imposed on non-residents where both the purchase and sales of the China B-Shares are via the stock exchange market. The China H-Share transaction, red-chip company transaction and other kinds of offshore shares transaction should not be subject to VAT as the purchase and disposal are often concluded and completed outside China. The position in practice may change if the STA expresses another view and/or that new official tax circulars are issued to provide further guidance.

PRC sourced interest income derived by foreign investors shall be subject to 6% VAT unless special exemption applies. According to the Notice 36, deposit interest income is not subject to VAT and interest income earned on PRC Government Bonds is exempted from VAT.

Pursuant to Circular 108 jointly issued by the MoF and the STA on 22 November 2018, the bond interest income derived by foreign institutions investing in the onshore bond market is temporarily exempted from VAT for the period from 7 November 2018 to 6 November 2021. Pursuant to Circular 34 jointly issued by the MoF and the STA of the PRC on 22 November 2021, the aforementioned exemption policy under Circular 108 is extended from 7 November 2021 to 31 December 2025.

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

Where VAT is applicable, there are also other local surtaxes imposed based on the VAT liabilities, including urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), education surcharge (currently at the rate of 3%) and local education surcharge (currently at the rate of 2%).

(iii) Stamp duty:

Stamp duty 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.

Stamp duty is levied on the execution or receipt in China of certain documents, including contracts for the sale of China A- and B-Shares traded on the PRC stock exchanges or via the Stock Connects, at the rate of 0.1%. In the case of contracts for sale of China A- and B-Shares, such stamp duty is currently imposed on the seller but not on the purchaser. It is unclear whether PRC stamp duty that is imposed on the transfer to shares of PRC companies under the Stamp Duty Regulations would similarly

apply to the acquisition and disposal of China H-Shares by non-PRC investors outside the PRC. That said, PRC stamp duty is generally not imposed for investment in China H-Shares in practice.

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

No PRC stamp duty is expected to be imposed on non-tax resident holders of government and corporate bonds, either upon issuance or upon a subsequent transfer of such bonds.

It should be noted that there is a possibility of the PRC tax rules being changed and taxes being applied retrospectively. In view of the above uncertainties, investors should note that the level of provision (if any) may be excessive or inadequate to meet the actual PRC tax liabilities on investments made by the Sub-Funds. Any shortfall between the provision and the actual tax liabilities, which will be debited from the relevant Sub-Fund's assets, will adversely affect the relevant Sub-Fund's Net Asset Value. The actual tax liabilities may be lower than the tax provision made. Depending on the final tax liabilities, the level of provision and the timing of their subscriptions and/or redemptions, investors may be disadvantaged as a result of any shortfall of tax provision and will not have the right to claim any part of the overprovision (as the case may be).

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

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

(xxvii) Sovereign risk – Certain developing countries are especially large debtors to commercial banks and foreign governments. Investment in debt obligations ("Sovereign Debt") issued or guaranteed by developing countries governments or their agencies ("governmental entities") involves a high degree of risk such as political, social and economic risk. The governmental entity that controls the repayment of Sovereign Debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. A governmental entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the governmental entity's policy towards the International Monetary Fund and the political constraints to which a governmental entity may be subject.

Governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearage on their debt. The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a governmental entity's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the governmental entity, which may further impair such debtor's ability or willingness to service its debt on a timely basis. Consequently, governmental entities may default on their Sovereign Debt. Holders of Sovereign Debt, including a Sub-Fund, may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. There is no bankruptcy proceeding by which Sovereign Debt on which a governmental entity has defaulted may be collected in whole or in part. A Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

(xxviii) Risk of termination - a Sub-Fund may be terminated in certain circumstances which are summarised under the section "Termination of the Fund or any Sub-Fund". In the event of the termination of a Sub-Fund, such Sub-Fund would have to distribute to the Unitholders their pro rata interest in the assets of the Sub-Fund. It is possible that at the time of such sale or distribution, certain investments held by the relevant Sub-Fund will be worth less than the initial cost of acquiring such investments, resulting in a loss to the Unitholders. Moreover, any organisational expenses (such as establishment costs) with regard to the relevant Sub-Fund that had not yet been fully amortised would be debited against the Sub-Fund's assets at that time.

(xxix) Valuation risk - Valuation of a Sub-Fund's investments may involve uncertainties and judgmental determinations, and independent pricing information may not at times be available. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may be adversely affected. In the event of changing market conditions or any credit downgrading of the corporate bonds and short-term financing bills, the valuation of the corporate bonds and short-term financing bills may deteriorate quickly.

(xxx) Risks associated with severe weather trading / dealing

The SEHK has announced that, from 23 September 2024, on any day on which severe weather conditions are present (i.e. typhoon signal number 8 or above or a black rainstorm warning is issued by the Hong Kong Observatory, or an "extreme conditions" announcement is made by the Hong Kong government), trading, clearing and settlement services and operations will continue in both the securities and derivatives markets in Hong Kong, and the SEHK will maintain normal operations to the furthest extent possible. Accordingly, on each such day which is a Dealing Day, it is intended that the dealing of Units of the Sub-Funds will be conducted, pursuant to the terms and procedures set out in this Explanatory Memorandum.

Trading and dealing of Units of a Sub-Fund on a day on which severe weather falls will depend on the operational support of its service providers. The Manager, the Trustee and other service providers of the relevant Sub-Fund will use reasonable endeavours to ensure normal operations as far as possible, to facilitate the investment in Units of a Sub-Fund. However, investors should note that there is a possibility of extreme events (e.g. temporary power outages or the suspension of electronic money transfer channels) so that service providers of the relevant Sub-Fund may not be able to operate, or to operate at the usual level, and it cannot be guaranteed that their services will not be disrupted by severe weather events.

(xxxi) ***Foreign Account Tax Compliance Act***

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

In general, an FFI which does not sign an FFI Agreement or is not otherwise exempt will face a punitive 30% withholding tax on all "withholdable payments" derived from US sources, including dividends, interest and certain derivative payments made on or after 1 July 2014. In addition, starting no earlier than 1 January 2019, gross proceeds such as sales proceeds and returns of principal derived from stocks and debt obligations generating US source dividends or interest will be treated as "withholdable payments". It is expected that certain non-US sourced payments attributable to amounts that would be subject to FATCA withholding (referred to as "passthru payments") will also be subject to FATCA withholding, though the definition of "passthru payment" in US Treasury Regulations is currently pending.

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

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

As of the date hereof, the Fund and each Sub-Fund established as at the date hereof has already registered with the US IRS and agreed to comply with the requirements of the FFI Agreement. An officer of the Manager is acting as the Responsible Officer for the Fund and the Sub-Funds.

Name of Fund and Sub-Funds	**GIIN**
China Universal International Series	74X8RR.99999.SL.344
CUAM RMB Bond*plus* Fund	E1VD5H.99999.SL.344
CUAM China-Hong Kong Strategy Fund	CJQ8W6.99999.SL.344
CUAM Hong Kong Dollar Bond Fund	G3YCY1.99999.SL.344
CUAM Select US Dollar Bond Fund	68I5Y3.99999.SL.344
CUAM USD Money Market Fund	FGN3AX.99999.SL.344
CUAM Stable Income Fund	DD38TS.99999.SL.344

The Fund and each Sub-Fund will endeavour to satisfy the requirements imposed under FATCA and the FFI Agreement to avoid any withholding tax but no assurance can be given that the Fund and the Sub-Funds will be able to satisfy all these obligations. In the event that the Fund or any Sub-Fund is not able to comply with the requirements imposed by FATCA or the FFI Agreement and the Fund or such Sub-Fund does suffer US withholding tax on its investments as a result of non-compliance, the Net Asset Value of the Fund or that Sub-Fund may be adversely affected and the Fund or such Sub-Fund may suffer significant loss as a result.

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

Each Unitholder and prospective investor should consult with his own tax advisor as to the potential impact of FATCA in its own tax situation.

In view of the above, investment in any Sub-Fund should be regarded as long term in nature. The Sub-Fund is, therefore, only suitable for investors who can afford the risks involved.

Investors should refer to the relevant Appendix for details of any additional risks specific to a Sub-Fund.

LIQUIDITY RISK MANAGEMENT

The Manager has established a liquidity risk management policy which seeks to identify, monitor and manage the liquidity risks of the Sub-Funds and to ensure that the liquidity profile of the investments of each of the Sub-Funds will facilitate compliance with the Sub-Fund's obligation to meet redemption requests. Such policy, combined with the liquidity management tools of the Manager, also seeks to achieve fair treatment of Unitholders and safeguard the interests of remaining Unitholders in case of sizeable redemptions. Investors should be reminded that there is no assurance that the Manager's liquidity risk management policies and tools detailed hereunder will fully mitigate the liquidity risks of the Sub-Funds.

The Manager's liquidity policy takes into account, including without limitation, the investment strategy, the liquidity profile, the redemption policy, the dealing frequency and the ability to enforce redemption limitations of the Sub-Funds. These measures seek to ensure fair treatment and transparency for all investors.

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

The liquidity risk management tools adopted by the Manager may include, without limitation, limiting the number of Units of any Sub-Fund realised on any Dealing Day to 10% of the total number of Units of the relevant Sub-Fund in issue (subject to the conditions set out under the section headed "Restrictions on realisation and conversion" under the section headed "Conversion between Sub-Funds").

EXPENSES AND CHARGES

Charges Payable by Investors

Preliminary Charge, Realisation Charge and Conversion Charge may be charged to an investor in his/her purchase, realisation and conversion of Units pursuant to the sections headed "Purchase of Units", "Realisation of Units" and "Conversion between Sub-Funds" above. The applicable rates of such charges in respect of a Sub-Fund are set out in the Appendix for the relevant Sub-Fund.

Expenses and Charges Payable by the Sub-Funds

The following expenses, charges and fees are payable by the Sub-Funds.

Management Fee

The Manager is entitled to receive a management fee accrued daily and payable monthly in arrears out of each Sub-Fund as a percentage of the Net Asset Value of each class of Unit in a Sub-Fund as at each Valuation Day at the rates set out in the Appendix for the relevant Sub-Fund subject to a maximum fee of 3% per annum.

Unitholders shall be given not less than one month's prior notice should there be any increase of the management fee from the current level to the maximum level.

Trustee Fee

The Trustee is entitled to a Trustee Fee, payable out of the assets of each Sub-Fund is based on the Net Asset Value of the relevant Sub-Fund at the rate set out in relevant Appendix for the Sub-Fund subject to a maximum fee of 0.5% per annum with a minimum monthly fee (if any) as specified in the relevant Appendix. The Trustee Fee is accrued daily and is payable monthly in arrears.

The Trustee also acts as the Registrar of the Fund.

Unitholders shall be given not less than one month's prior notice should there be any increase of the Trustee Fee from the current level up to the maximum level.

Custodian Fee

The Custodian is entitled to, among others, transaction charges at customary market rates and a Custody Fee at different rates, largely depending on the markets where the Custodian is required to hold the Sub-Fund's assets. The maximum rate of the Custody Fee is set out in the Appendix for the relevant Sub-Fund. Such fee is calculated monthly and is payable monthly in arrears. The Custodian will also be entitled to reimbursement by the Sub-Fund for any out-of-pocket expenses incurred in the course of its duties. The fees payable to the QFI Custodian (if applicable) will be borne by the Custodian while any out-of-pocket expenses will be expended as incurred.

Establishment Costs

The establishment costs of the Fund and CUAM RMB Bond*plus* Fund (being the initial Sub-Fund) have been fully amortised.

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

The establishment costs and payments incurred in the establishment of other Sub-Funds are set out in the relevant Appendices and will be borne by the relevant Sub-Fund to which such costs and payments relate and amortised over a period of five Accounting Periods (or such other period as determined by the Manager with the approval of the Auditors).

Investors should note that, under HKFRS, the establishment costs should be expensed as incurred. The Manager has considered the impact of such non-compliance and does not expect this issue to affect the results and the Net Asset Values of the initial Sub-Fund materially. To the extent that the accounting basis adopted by the Fund deviates from HKFRS, the Manager may make necessary adjustment in the accounts of the Sub-Fund for the accounts to be in compliance with HKFRS and include a reconciliation note in the annual accounts of the Sub-Fund to reconcile values arrived at by applying the Sub-Fund's accounting rules. If the Net Asset Value of the Sub-Fund is not adjusted in preparation of the annual accounts, non-compliance with HKFRS may result in the auditors qualifying their opinion on those annual accounts depending on the nature and level of materiality of the non-compliance.

General

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

Each Sub-Fund will bear the cost of (a) all stamp and other duties, taxes, governmental charges, brokerages, commissions, exchange costs and commissions, bank charges, transfer fees and expenses, registration fees and expenses, transaction fees of the Trustee, custodian or sub-custodian and proxy fees and expenses, collection fees and expenses, insurance and security costs, and any other costs, charges or expenses payable in respect of the acquisition, holding and realisation of any investment or other property or any cash, deposit or loan (including the claiming or collection of income or other rights in respect thereof and including any fees or expenses charged or incurred by the Trustee or the Manager or any connected person in the event of the Trustee or the Manager or such connected person rendering services or effecting transactions giving rise to such fees or expenses), (b) the fees and expenses of the Auditors and the Registrar, (c) fees charged by the Trustee in connection with valuing the assets of the Sub-Fund or any part thereof, calculating the issue and realisation prices of Units of the Sub-Fund and preparing financial statements, (d) all legal charges incurred by the Manager or the Trustee in connection with the Sub-Fund, (e) out-of-pocket expenses incurred by the Trustee wholly and exclusively in the performance of its duties, (f) the expenses of or incidental to the preparation of deeds supplemental to the Trust Deed, (g) the expenses of holding meetings of Unitholders and of giving notices to Unitholders, (h) the costs and expenses of obtaining and maintaining a listing for the Units of the Sub-Fund on any stock exchange or exchanges selected by the Manager and approved by the Trustee and/or in obtaining and maintaining any approval or authorisation of the Sub-Fund or in complying with any undertaking given, or agreement entered into in connection with, or any rules governing such listing, approval or authorisation, and (i) without prejudice to the generality of the foregoing, all costs incurred in publishing the issue and realisation prices of Units of the Sub-Fund, all costs of preparing, printing and distributing all statements, accounts and reports pursuant to the provisions of the Trust Deed (including the Auditors' fees and Trustee's fee), the expenses of preparing and printing any explanatory memorandum, and any other expenses, deemed by the Manager, after consulting the Trustee, to have been incurred in compliance with or in connection with any change in or introduction of any law or regulation or directive (whether or not having the force of law) of any governmental or other regulatory authority or with the provisions of any code relating to unit trusts.

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

Cash Rebates and Soft Commissions

Neither the Manager, any sub-manager nor any of their connected persons will retain cash or other rebates from brokers or dealers in consideration of directing transactions for a Sub-Fund to such brokers or dealers, save that goods and services (soft commissions) may be retained if, such goods and services are of demonstrable benefit to the Unitholders, and the transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates. Any such cash commission or rebates received from any such brokers or dealers shall be for the account of the relevant Sub-Fund. Details of any such commission policies and practices of the Manager, any sub-manager, including a description of the goods and services received by them will be disclosed in the annual and semi-annual report and accounts of the relevant Sub-Fund. The availability of soft commissions shall not be the sole or primary purpose to perform or arrange the foregoing transaction(s) with such broker or dealer.

In effecting transactions for the account of a Sub-Fund with brokers or dealers connected to the Manager or any sub-manager or the Trustee/Custodian or their connected persons, the Manager will ensure that it complies with the following requirements:

(a) such transactions should be on arm's length terms;
(b) it will 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) it will 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 relevant Sub-Fund's annual report.

All transactions carried out by or on behalf of the Sub-Funds must be executed at arm's length and in the best interests of the Unitholders.The Manager and/or any of its connected person reserves the right to effect transactions by or through the agency of another person with whom the Manager and/or any of its connected person has an arrangement under which that party will from time to time provide to or procure for the Manager and/or any of its connected person goods, services or other benefits (such as research and advisory services, computer hardware associated with specialised software or research services and performance measures) the nature of which is such that their provision can reasonably be expected to benefit the relevant Sub-Fund as a whole and may contribute to an improvement in the performance of the relevant Sub-

Fund or of the Manager and/or any of its connected person in providing services to the relevant Sub-Fund and for which no direct payment is made but instead the Manager and/or any of its connected person undertakes to place business with that party. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

If cash forming part of the relevant Sub-Fund's assets is deposited with the Trustee / Custodian, the Manager, any sub-manager or any of their connected persons (being an institution licensed to accept deposits), such cash deposit shall be maintained in a manner that is in the best interests of the Unitholders, having regard to the prevailing commercial rate for a deposit of similar type, size and term negotiated at arm's length in accordance with ordinary and normal course of business.

Where the relevant Sub-Fund borrows funds from the Trustee, the Custodian, the Manager or any connected persons of these companies in accordance with the borrowing restrictions set out in the section headed "Borrowing Restrictions", the interest charged and fees levied in connection with the borrowed funds must not be higher than the prevailing commercial rate for a similar loan.

TAXATION

Hong Kong

Taxation of the Fund

For so long as the Fund and any of its Sub-Funds that are authorised by the SFC as a collective investment scheme pursuant to section 104 of the SFO for offer to the retail public in Hong Kong, they will be exempted from Profits Tax in Hong Kong.

Taxation of Unitholders

Profits arising on the realisation of an investment in the Units will only be subject to Profits Tax for Unitholders who carry on a trade or business in Hong Kong where the profits, not being regarded as capital in nature, arise from such trade or business and are sourced in Hong Kong. Unitholders who are not acquiring the Units as part of a trade or business that they carry on in Hong Kong will not be liable to Profits Tax in respect of any gains from the disposal/redemption of such Units.

Distributions received by Unitholders from their investments in the Units would not be chargeable to tax in Hong Kong (whether by way of withholding or otherwise) under current law and practice.

Stamp Duty

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

Other types of sales or purchases or transfers of Units by Unitholders would be liable to Hong Kong stamp duty at 0.13% on the higher of the consideration or market value, payable by both the buyer and the seller (i.e. a total of 0.26%).

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

Automatic Exchange of Financial Account Information

The Inland Revenue (Amendment) (No.3) Ordinance (the "**Ordinance**") came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information ("**AEOI**"). The AEOI requires financial institutions ("**FI**") in Hong Kong to collect information relating to non-Hong Kong tax residents holding accounts with FIs, and to file such information with the Hong Kong Inland Revenue Department ("**IRD**") who in turn will exchange such information with the jurisdiction(s) in which that account holder is resident. Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has a Competent Authority Agreement ("**CAA**"); however, the Fund, the Sub-Funds, the Manager and/or their agents may further collect information relating to residents of other jurisdictions.

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

The AEOI rules as implemented by Hong Kong require the Fund and/or each Sub-Fund to, amongst other things: (i) register its status as a "Reporting Financial Institution" with the IRD; (ii) conduct due diligence on its accounts (i.e., Unitholders) to identify whether any such accounts are considered "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 signed a CAA. Broadly, AEOI contemplates that Hong Kong FIs should report on: (i) individuals or entities that are tax resident in a reportable jurisdiction; and (ii) certain entities controlled by individuals who are tax resident in such other jurisdiction. Under the Ordinance, details of Unitholders, including but not limited to their name, jurisdiction of birth, address, tax residence, account details, account balance/value, and income or sale or redemption proceeds, may be reported to the IRD and subsequently exchanged with government authorities in the relevant jurisdictions of tax residence.

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

Manager and/or other agents of the Fund and the Sub-Funds taking any action and/or pursue remedies at their disposal including, without limitation, mandatory redemption or withdrawal of the Unitholder concerned.

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 relevant Sub-Fund.

China

Investors should also refer to the "PRC tax considerations" under the section headed "Risk Factors" to inform themselves of possible tax consequences under PRC laws.

REPORTS AND ACCOUNTS

The Fund's financial year end is on 31 December in each year, with the first financial year ending on 31 December 2012. The annual report and audited accounts of the Fund will be prepared in accordance with HKFRS. The Manager will notify Unitholders where the annual report and audited accounts (in English) can be obtained (in printed and electronic forms) within four months after the end of the financial year, and where the unaudited semi-annual reports (in English) can be obtained (in printed and electronic forms) within two months after 30 June in each year.

DISTRIBUTION OF INCOME

Unless otherwise described in the relevant Appendix, the Manager does not intend to make any distribution of income.

Distributions (if any) declared in respect of an interim accounting period or an Accounting Period, as described in the relevant Appendix, shall be distributed among the Unitholders of the relevant classes of Units rateably in accordance with the number of Units held by them on the record date in respect of such interim accounting period or Accounting Period, as the case may be. For the avoidance of doubt, only Unitholders whose names are entered on the register of Unitholders on such record date shall be entitled to the distribution declared in respect of the corresponding interim accounting period or Accounting Period, as the case maybe.

Any payment of distributions will be made in the base currency of the relevant classes by direct transfer into the appropriate bank account or by cheque at the risk of the Unitholders (or in such other manner as may be agreed with the Manager). Any distribution which is not claimed for six years will be forfeited and become part of the assets of the relevant Sub-Fund.

VOTING RIGHTS

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

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

PUBLICATION OF PRICES

The Net Asset Value per Unit of each Sub-Fund at each Valuation Day will be published daily in the Manager's website at www.99fund.com.hk. Please note that this website has not been reviewed by the SFC and may contain information of funds not authorised by the SFC.

TRANSFER OF UNITS

Subject as provided below, Units may be transferred by an instrument in writing in common form signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee. The instrument in writing should be properly stamped with the adequate stamp duty before it is submitted to the Registrar. The transferor will be deemed to remain the holder of the Units transferred until the name of the transferee is entered in the register of Unitholders in respect of such Units.

Each instrument of transfer must relate to a single class of Units only. No Units may be transferred if, as a result, either the transferor or the transferee would hold Units having a value less than the minimum holding amount (if any) of the relevant class as set out in the relevant Appendix.

COMPULSORY REALISATION OR TRANSFER OF UNITS

The Manager or the Trustee may require a Unitholder to transfer the Unitholder's Units or may realise such units in accordance with the Trust Deed if it shall come to the notice of the Manager or the Trustee that the Unitholder holds such Units (a) in breach of the law or requirements of any country, any governmental authority or any stock exchange on which such Units are listed or (b) in circumstances (whether directly or indirectly affecting such Unitholder and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager or the Trustee to be relevant) which, in the opinion of the Manager or the Trustee, might result in the Fund and/or any Sub-Fund in relation to such class of Units incurring any liability to taxation or suffering any other pecuniary disadvantage which the Fund or the Sub-Fund might not otherwise have incurred or suffered.

TRUST DEED

The Fund was established under the laws of Hong Kong by a Trust Deed dated 29 December 2011 made between China Universal Asset Management (Hong Kong) Company Limited as Manager and BOCI-Prudential Trustee Limited as Trustee.

The Trust Deed contains provisions for the indemnification of the parties and their exculpation from liability in certain circumstances. However, the Trustee and the Manager shall not be exempted/indemnified from liability in respect of their negligence, fraud, default or breach of duty or trust, as provided in the Trust Deed. Unitholders and intending applicants are advised to consult the terms of the Trust Deed.

Copies of the Trust Deed (together with any supplemental deeds) may be obtained from the Manager on payment of a reasonable fee and may be inspected during normal working hours (except on any day on which severe weather conditions are present) at the offices of the Manager free of charge.

TERMINATION OF THE FUND OR ANY SUB-FUND

The Fund shall continue for a period of 80 years from the date of the Trust Deed or until it is terminated in one of the ways set out below.

The Fund may be terminated by the Trustee on notice in writing, provided that the Trustee shall certify that in its opinion the proposed termination is in the interest of Unitholders,

(a) if the Manager goes into liquidation or if a receiver is appointed over any of their assets and not discharged within 60 days; or

(b) if in the opinion of the Trustee, the Manager is incapable of performing or fails to perform its duties satisfactorily or shall do any other thing which in the opinion of the Trustee is calculated to bring the Fund into disrepute or to be harmful to the interests of the Unitholders; or

(c) if any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable in consultation with the relevant regulatory agencies (the SFC in Hong Kong) to continue the Fund; or

(d) within 30 days of the Manager leaving office, no new manager is appointed; or

(e) no new trustee is appointed within six months of the Trustee giving notice of its desire to retire.

The Fund and/or any of the Sub-Funds or the class of Units of a Sub-Fund may be terminated by the Manager on notice in writing if:

(a) on any date, in relation to the Fund, the aggregate Net Asset Value of all Units outstanding thereunder shall be less than RMB 30 million or in relation to a Sub-Fund, the aggregate Net Asset Value of the Units of the relevant class outstanding thereunder shall be less than RMB 30 million (or other amounts disclosed in the Appendix); or

(b) in the opinion of the Manager, it is impracticable or inadvisable to continue a Sub-Fund and/or any class of Units of a Sub-Fund (as the case may be) (including without limitation, a situation where it is no longer economically viable to operate the Sub-Fund); or

(c) any law shall be passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable in consultation with the relevant regulatory agencies (the SFC in Hong Kong) to continue the Fund or a Sub-Fund.

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

Further, the Sub-Fund or a class or classes of the Sub-Fund may be terminated by an extraordinary resolution of the Unitholders of the Sub-Fund or the Unitholders of the relevant class or classes (as the case may be) on such date as the extraordinary resolution may provide.

Any unclaimed proceeds or other cash held by the Trustee upon termination of the Fund, a Sub-Fund or a Class of Units, as the case may be, may at the expiration of twelve months from the

date upon which the same were payable be paid into court subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

ANTI-MONEY LAUNDERING REGULATIONS

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

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

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

These exceptions will only apply if the financial institution or intermediary referred to above is within a country recognised as having sufficient anti-money laundering regulations. The Manager and the Trustee nevertheless reserve the right to request such information as is necessary to verify the identity of an applicant and the source of payment. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Manager or the Trustee may refuse to accept the application and the subscription moneys relating thereto and refuse to pay any realisation proceeds if an applicant for Units delays in producing or fails to produce any information required for the purposes of verification of identity or source of fund.

CONFLICTS OF INTEREST

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

FACSIMILE OR ELECTRONIC INSTRUCTIONS

If investors wish to give instructions for subscription, realisation or conversion by facsimile or any other electronic means, such investors may first be required to provide the Manager or the Registrar with an original indemnity form relating to facsimile or transmission via such other electronic means which may form part of the subscription, realisation or conversion request.

The Manager and the Registrar will generally act on facsimiled or any other electronic instructions for applications for subscription, realisation or conversion but may also require signed original instructions, and may refuse to act on faxed or any other electronic instructions until the original written instructions are received. The Manager or the Registrar may, in its absolute discretion, determine whether or not original instructions are also required in respect of subsequent applications or requests for subscription, realisation or conversion sent by facsimile or any other electronic means.

Investors should be reminded that if they choose to send the applications for subscription, realisation or conversion by facsimile or any other electronic means, they bear their own risk of such applications or requests not being received, or being illegible. Investors should note that the Fund, the Sub-Funds, the Manager, the Trustee, and the Registrar and their respective agents and delegates accept no responsibility for any loss caused as a result of non-receipt or illegibility of any application or request sent by facsimile or any other electronic means or any amendment to such application or request or for any loss caused in respect of any action taken as a consequence of such facsimiled or any other electronic instructions believed in good faith to have originated from properly authorized persons. This is notwithstanding the fact that a facsimile or any other electronic transmission report produced by the originator of such transmission discloses that such transmission was sent. Investors should therefore for their own benefit confirm with the Manager or the Registrar safe receipt of an application or a request.

CERTIFICATION FOR COMPLIANCE WITH FATCA OR OTHER APPLICABLE LAWS

Each investor (i) shall be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Fund or a Sub-Fund (A) to prevent withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Fund or the relevant Sub-Fund receives payments and/or (B) to satisfy reporting or other

obligations under IRS Code and the United States Treasury Regulations promulgated under the IRS Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction, including reporting obligations that may be imposed by future legislation.

POWER TO DISCLOSE INFORMATION TO AUTHORITIES

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

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal working hours (except on any day on which severe weather conditions are present) at the offices of the Manager free of charge and copies thereof may be obtained from the Manager upon payment of a reasonable fee (except for the documents in (c) the copies of which are available from the Manager free of charge):-

(a) the Trust Deed, and any supplemental deeds;

(b) all material contracts (as specified in the relevant Appendix); and

(c) the latest financial reports of the Fund.

APPENDIX I - CUAM RMB BOND*PLUS* FUND

This Appendix comprises information in relation to CUAM RMB Bond*plus* Fund, a Sub-Fund of the Fund.

Definition

For this Sub-Fund, "HK & PRC Business Day" shall mean a day (other than a Saturday or Sunday) on which the SEHK is open for trading in Hong Kong and banks and stock exchanges in PRC are open for normal business or such other day or days as the Manager and the Trustee may agree from time to time.

Offering

Units will be issued in respect of applications (together with application moneys in cleared funds) received prior to 5:00 p.m. (Hong Kong time) and accepted by the Manager (or such later time as the Manager may agree) based on the price at the Valuation Point on the Dealing Day. If applications are received after 5:00 p.m. (Hong Kong time), such applications shall be processed on the next Dealing Day and Units will be issued based on the price at the relevant Valuation Point on that Dealing Day.

The Manager intend to receive subscription monies for investment in the Renminbi denominated debt securities market, amongst others, through the QFI status of the Manager.

The Manager may from time to time use its status as an QFI holder for the purpose of the Sub-Fund's direct investment into the PRC.

Application Moneys / Realisation Proceeds

Applicants for Units should note that application moneys for this Sub-Fund must be paid in RMB. Where Unitholders realise their Units, realisation proceeds will be paid to the relevant Unitholders in RMB only.

The payment of the redemption money to the holder may be delayed due to a substantial portion of investments is made in the Mainland China market and subject to legal or regulatory requirements (such as foreign currency controls). Therefore, the extended time frame for the payment of redemption money shall reflect the additional time needed in light of the specific circumstances in the Mainland China market. As disclosed under the section headed "QFI risk", repatriations by QFIs in respect of the Sub-Fund are currently not subject to any restrictions, lock-up periods or prior approval, although an authenticity and compliance review will be conducted by the QFI Custodian on each time of repatriation and a monthly breakdown of remittances and repatriations will be submitted to SAFE by the QFI Custodian. 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 the Unitholders. Furthermore, as the QFI Custodian will review the authenticity and the compliance of each repatriation, the repatriation may be delayed or even rejected by the QFI Custodian if it reasonably believes that the repatriation is unauthentic or incompliant with the QFI rules and regulations. In such case, it is expected that redemption proceeds will be paid to the redeeming Unitholder as soon as practicable and in any event within 7 Business Days after the completion of the repatriation of funds concerned. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the Manager's control.

Base Currency

The base currency of the Sub-Fund is RMB.

Investment Objective

CUAM RMB Bond*plus* Fund seeks consistent investment return as well as long term capital growth in RMB terms by investing in a portfolio consisting of RMB-denominated and RMB settled fixed income instruments (fixed rate or floating rate), cash (including money market funds authorised by the CSRC for offering to the public in the PRC) and equity instruments within Mainland China. Exposures to RMB-denominated fixed income and equity instruments are expected to be at least 80% and up to 20% of the Sub-Fund's Net Asset Value, respectively.

The fixed income instruments in which the Sub-Fund may invest include sovereign bonds, local government bonds, urban investment bonds (城投債), bonds issued by banks or other financial institutions, corporate/ company bonds regulated by the PRC National Development and Reform Commission and/or the China Securities Regulatory Commission, convertible bonds, central bank bills, medium term notes, short-term financing bills and fixed income funds authorised by the CSRC for offering to the public in the PRC. These fixed income instruments also include other fixed income instruments which is permitted by the China Securities Regulatory Commission. These instruments may be traded or dealt in the mainland exchange market or interbank bond market.

The equity instruments in which the Sub-Fund may invest include equities acquired from initial public offering in the primary market of China, equities converted from convertible bonds, equities acquired in secondary markets, equity funds authorised by the CSRC for offering to the public in the PRC and other equity instruments which is permitted by the China Securities Regulatory Commission.

Investment in money market funds, fixed income funds and equity funds authorised by the CSRC for offering to the public in the PRC will not in aggregate exceed 10% of the Net Asset Value of the Sub-Fund.

Investment Policy

The Manager seeks to achieve investment returns through active management of the risks associated with RMB-denominated fixed income instruments (fixed rate or floating rate) and equity instruments. Over 80% of the Net Asset Value of the Sub-Fund would be invested in the RMB-denominated fixed income instruments issued within Mainland China. The Manager will select various RMB-denominated fixed income instruments and determine their allocation ratios in the portfolio in light of macro economic analysis, research on the benchmark yields of bonds, research on credit ratings of bonds, and research on levels of bond spread of China.

In particular, the Sub-Fund may invest up to 80% of its Net Asset Value in urban investment bonds (城投債) (i.e. debt instruments issued by local government financing vehicles ("**LGFVs**") in the PRC exchange-traded bond markets and inter-bank bond market). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investment and infrastructure projects.

No more than 20% of the Net Asset Value of the Sub-Fund would be invested in RMB equity instruments within Mainland China including listed securities in recognised stock exchange within China as permitted by the China Securities Regulatory Commission.

While there are no minimum credit rating requirements for the Sub-Fund, the Sub-Fund will not invest more than 20% of its Net Asset Value in fixed income instruments which (i) has credit rating of BB+ or below as rated by PRC local rating agencies or Ba1/BB+ or below as rated by any international credit rating agencies (such as Standard & Poor's, Moody's and Fitch); or (ii) is unrated, which means neither the fixed income instrument itself nor its issuer has a credit rating by PRC local rating agencies or international rating agencies. The Manager will first consider the credit rating of the fixed income instrument itself and only if it is not available, the Manager will then consider the credit rating of the issuer of the fixed income instrument, which will become the implied credit rating of the fixed income instrument.

The Sub-Fund may also invest up to 20% of its Net Asset Value in asset backed securities (including asset backed commercial papers).

The Sub-Fund may invest less than 30% of its Net Asset Value in debt instruments with loss-absorption features (i.e. debt instruments issued by a holding company of a financial institution with features of contingent write-down or contingent conversion to ordinary shares on the

occurrence of (i) when a financial institution is near or at the point of non-viability, or (ii) when the capital ratio of a financial institution falls to a specified level). These include contingent convertible bonds, non-preferred senior debt instruments and Additional Tier 1 and Tier 2 capital instruments.

The Sub-Fund may hold less than 20% of its Net Asset Value in cash and cash equivalents, which may include cash, deposits and money market instruments for liquidity and cash management purposes. The Sub-Fund may hold temporarily up to 100% of its Net Asset Value in cash or cash equivalents under exceptional circumstances, such as (i) market crash, or major crisis, (ii) attempts to mitigate the risk of potential sharp reversals and fall in the equity or bond markets, (iii) attempts to mitigate downside risks during uncertainties or (iv) maintain liquidity for the Sub-Fund.

The Sub-Fund will not invest in any structured deposits or structured products or financial derivative instruments for any purposes.

The Sub-Fund will not engage in securities lending transactions or repurchase and reverse repurchase transactions. Prior approval will be sought from the SFC and at least one month prior notice will be given to Unitholders should there be a change in such intention. The Explanatory Memorandum will be updated accordingly.

Investors may note that the Sub-Fund's investments are acquired under the QFI scheme. In addition, other than QFI scheme, the Sub-Fund may invest less than 70% of its Net Asset Value in RMB-denominated fixed income instruments issued within Mainland China via the CIBM Initiative or such other means as may be permitted under applicable laws and regulations from time to time. Investors please pay attention to the relevant risk factors as mentioned in the Risk Factors section.

Overview of the Mainland bond market

The Mainland bond market consists of three markets: (i) the interbank bond market regulated by the People's Bank of China which functions as a wholesale market for institutional investors; (ii) the exchange bond market regulated by the China Securities Regulatory Commission; and (iii) the bank over-the-counter market regulated by the People's Bank of China which is an extended market of the interbank bond market. The current size and trading volume of the bank over-the-counter market is much smaller than the interbank bond market and the exchange bond market.

In respect of the interbank bond market and the exchange bond market, the table below summarises their respective key features:

	Interbank bond market	Exchange bond market
Major types of products being trade	• Sovereign bonds; • Local government bonds; • Bonds issued by banks or other financial institutions; • Enterprise bonds ; • Central bank bills; • Commercial papers; • Medium term notes; • Panda bonds (i.e. RMB-denominated bonds issued by international financial institutions within the boundaries of China); • Asset backed securities.	• Sovereign bonds; • Local government bonds; • Enterprise bonds ; • Listed company bonds; • Convertible bonds; and • Asset backed securities.
Key market participants	• Commercial banks • Insurance companies • Securities companies • Fund management companies • QFIs	• Insurance companies • Securities companies • Fund management companies • Individuals • QFIs
Trading & settlement mechanism	Enquiry trading system and details of the terms and settlement cycle are negotiated between the counterparties on each trade; common settlement cycle: T+0 and T+1	Centralised trade matching with netting settlement; settlement cycle: T+0 for security while T+1 for cash
Regulator	People's Bank of China	China Securities Regulatory Commission
Counterparty with whom the Sub-Fund will trade	Trading counterparties, mainly financial institutions	China Securities Depository and Clearing Corporation Limited ("CSDCCL") acting as the central counterparty to all securities

		transactions on the Shanghai and Shenzhen Stock Exchange
Central Clearing House	China Central Depository & Clearing Co., Ltd. or Shanghai Clearing House depending on the type of instruments	China Securities Depository and Clearing Corporation Limited
Liquidity	Relatively high	Relatively medium to low
Associated risks	List of associated risks including but not limited to the following: • Credit risk of issuers or counterparties • Liquidity risk	List of associated risks including but not limited to the following: • Potential default risk of CSDCCL • Liquidity risk • Limited pool of investments
Minimum rating requirements	None	For listing on Shanghai Stock Exchange: • None for bonds traded on Integrated Electronic Platform for Fixed Income Securities • AA on bond issuer for bonds traded on Centralised bidding system For listing on Shenzhen Stock Exchange: • None for bonds traded on Integrated platform for negotiated trading • AA for bonds traded on Centralised bidding system

Fixed income instruments commonly seen and their issuers

Common debt instruments	Issuer
Sovereign bonds and local government bonds (collectively	Ministry of Finance and local government bodies

"government bonds")	
Policy bank bonds	Policy banks (i.e. China Development Bank, Agricultural Development Bank of China and The Export-Import Bank of China)
Bonds issued by banks or other financial institutions	Commercial banks or other non-bank financial institutions
Central bank notes/ bills	PBOC
Enterprise bonds (企業債券)	Enterprises (mostly state-owned enterprises)
Corporate/Company bonds (公司債券)	Companies
Short-term financing bills & medium-term notes	Non-financial corporations/enterprises

PRC Credit Rating Agencies

Major credit rating agency	• China Cheng Xin International Credit Rating Co., Ltd • Dagong Global Credit Rating Co., Ltd • China Lianhe Credit Rating Co., Ltd • Shanghai Brilliance Credit Rating & Investor Service Co., Ltd • Pengyuan Credit Rating Co., Ltd
Regulator	• Competent Mainland authorities
Difference in methodology compared to international peers	The methodology of China's credit rating is similar to international peers but the emphasis is different. China's credit rating companies emphasize the background of shareholders or the support from the government but the international rating companies emphasize the issuers' section and operation status.
The way to access the rating information	There are three ways: (1) rating report provided by underwriters (2) rating report disclosed by the issuer's public notice (3) rating report disclosed at rating company's website

Specific Risk Factors

Investors should refer to the relevant risks under the section headed "Risk Factors" in the main part of the Explanatory Memorandum, in particular, the "Risks associated with CIBM", and the following specific risk factors in respect of the Sub-Fund:-

***Investment risk* -** The Sub-Fund is not principal guaranteed and the purchase of its Units is not the same as investing directly in RMB-fixed income instruments or placing RMB funds on deposit with a bank. There is also no guarantee of dividend or distribution payments during the period an investor holds Units in the Sub-Fund.

China market risk / Single country investment risk – Insofar as the Sub-Fund invests substantially in securities issued in Mainland China, it will be subject to risks inherent in the Mainland China market and additional concentration risks. Please refer to the risk factors headed "China market risk" and "Concentration risk" in the main part of the Explanatory Memorandum.

***Renminbi currency risk* –** RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of and repatriation restrictions imposed by the Chinese government. Such policies may change in future. Depending on the nature of the change and other factors such as the prevailing economic conditions, RMB may depreciate and the Sub-Fund's or the investors' position may be adversely affected.

Investors must subscribe for Units of the Sub-Fund and will receive redemption proceeds in RMB. There is no assurance that RMB will not be subject to devaluation, in which case the value of their investments will be adversely affected. If investors convert Hong Kong Dollar or any other currency into RMB so as to invest in the Sub-Fund and subsequently convert the RMB redemption proceeds back into Hong Kong Dollar or any other currency, they may suffer a loss if RMB depreciates against Hong Kong Dollar or other currency.

***Credit risk of issuers or counterparties* –** Investment in RMB-denominated fixed income instruments is subject to the credit risk of issuers / counterparties which may be unable or unwilling to make timely payments on principal and/or interest. The financial market of mainland China is at an early stage of development, and most of the RMB-denominated fixed income instruments that the Sub-Fund invests in are and will be unrated. In general, fixed income instruments that have a lower credit rating or that are unrated will be more susceptible to the credit risk of the issuers. Please refer to the risk factor headed "Risk relating to credit rating" in the main part of the Explanatory Memorandum. In the event of a default or credit rating downgrading of the issuers of the RMB-denominated fixed income instruments, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result.

Investors should note the limitations of credit ratings set out under the risk factors headed "Risk relating to credit rating" in the main part of the Explanatory Memorandum. In addition, the Sub-Fund may invest in securities the credit ratings of which are assigned by the Chinese local credit rating agencies. However, the rating criteria and methodology used by such agencies may be different from those adopted by most of the established international credit rating agencies. Therefore, such rating system may not provide an equivalent standard for comparison with securities rated by international credit rating agencies.

Certain RMB-denominated 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 RMB-denominated 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.

Counterparty and settlement risk – Exchange traded fixed income instruments may be subject to potential default risk of CSDCCL and counterparty risk, although such risk is mitigated by a centralised clearing system. While the degree of counterparty risk may be higher in the interbank bond market as it's a quote-driven over-the-counter (OTC) market, where deals are negotiated between two counterparties through a trading system. 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.

There are various transaction settlement methods in the interbank bond market, such as the delivery of security by the counterparty after receipt of payment by the Sub-Fund; payment by the Sub-Fund after delivery of security by the counterparty; or simultaneous delivery of security and payment by each party. Although the Manager may endeavour to negotiate terms which are favourable to the Sub-Fund (e.g. requiring simultaneous delivery of security and payment), there is no assurance that counterparty default risks can be eliminated. Where its counterparty does not perform its obligations under a transaction, the Sub-Fund will sustain losses.

Risk related to convertible bonds – This Sub-Fund may invest in convertible bonds, which shares similar characteristics and nature of debt and equity, permitting holders to convert into shares in the company issuing the bond at a specified future date. Convertible bonds are subject to the credit, interest rate and market risks stated above associated with both debt securities and equity securities and any risk specific to convertible bonds. Convertible bonds may also be subject to lower liquidity than the underlying equities. Therefore, investors should be prepared

for greater volatility than straight bond investments, with an increased risk of capital loss, but with the potential of higher returns.

Risks associated with investment in instruments with non-viability / loss absorption convertible features - Instruments with non-viability / loss absorption convertible features, such as contingent convertible bonds, are hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level. Upon the occurrence of a predetermined event (known as a trigger event), such instruments will be converted into shares of the issuing company (potentially at a discounted price as a result of the deterioration in the financial condition of the issuing company), or cause the permanent write-down to zero of the principal investment and/or accrued interest such that the principal amount invested may be lost on a permanent or temporary basis. Instruments with non-viability / loss absorption convertible features are risky and highly complex instruments. Coupon payments on such instruments are discretionary and may at times also be ceased or deferred by the issuer. Trigger events can vary but these could include the capital ratio of the issuing company falling below a certain level, or the share price of the issuer falling to a particular level for a certain period of time.

Instruments with non-viability / loss absorption convertible features are also subject to additional risks specific to their structure including:

(i) Trigger level risk

Trigger levels differ and determine exposure to conversion risk. They are complex and are likely out of the issuing company's control. It might be difficult for the Manager of the Sub-Fund invested in instruments with non-viability / loss absorption convertible features to anticipate the trigger events that would require the debt to convert into equity or the write down to zero of principal investment and/or accrued interest. Trigger events may include: (i) a reduction in the issuing bank's Core Tier 1/Common Equity Tier 1 (CT1/CET1) ratio or other ratios, (ii) a regulatory authority, at any time, making a subjective determination that an institution is "non-viable", i.e. a determination that the issuing bank requires public sector support in order to prevent the issuer from becoming insolvent, bankrupt or otherwise carry on its business and requiring or causing the conversion of the relevant bonds into equity or write down, in circumstances that are beyond the control of the issuer or (iii) a national authority deciding to inject capital.

In the event of the activation of a trigger, there may be potential price contagion and volatility to the entire asset class.

(ii) Coupon cancellation

Coupon payments on some instruments with non-viability / loss absorption convertible features are entirely discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

The discretionary cancellation of payments is not an event of default and there are no possibilities to require re-instatement of coupon payments or payment of any passed missed payments. Coupon payments may also be subject to approval by the issuer's regulator and may be suspended in the event there are insufficient distributable reserves. As a result of uncertainty surrounding coupon payments, such instruments may be volatile and their price may decline rapidly in the event that coupon payments are suspended.

(iii) Capital structure inversion risk

Contrary to the classic capital hierarchy, investors in instruments with non-viability / loss absorption convertible features may suffer a loss of capital when equity holders do not, for example when the loss absorption mechanism of a high trigger/write down of such an instrument is activated. This is contrary to the normal order of the capital structure where equity holders are expected to suffer the first loss.

(iv) Call extension risk

Some instruments with non-viability / loss absorption convertible features are issued as perpetual instruments and only callable at predetermined levels upon approval of the competent regulatory authority. It cannot be assumed that these perpetual instruments will be called on a call date. Instruments with non-viability / loss absorption convertible features are a form of permanent capital. The investor may not receive return of principal as expected on call date or indeed at any date.

(v) Conversion risk

Trigger levels differ between specific instruments with non-viability / loss absorption convertible features and determine exposure to conversion risk. It might be difficult at times for the Manager of the Sub-Fund to anticipate triggering events and assess how such instruments will behave upon conversion. In case of conversion into equity, the Manager might be forced to sell these new equity shares subject to the investment policy of the Sub-Fund. Given the trigger event is likely to be some event depressing the value of the issuer's common equity, this forced sale may result in the Sub-Fund experiencing some loss.

(vi) Valuation and write-down risk

Instruments with non-viability / loss absorption convertible features often offer attractive yield which may be viewed as a complexity premium. The value of such instruments may need to be reduced due to a higher risk of overvaluation of such asset class on the relevant eligible markets. Therefore, the Sub-Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment.

(vii) Market value fluctuations due to unpredictable factors

The value of instruments with non-viability / loss absorption convertible features is unpredictable and will be influenced by many factors including, without limitation (i) creditworthiness of the issuer and/or fluctuations in such issuer's applicable capital ratios; (ii) supply and demand for such instruments; (iii) general market conditions and available liquidity and (iv) economic, financial and political events that affect the issuer, its particular market or the financial markets in general.

(viii) Liquidity risk

In certain circumstances finding a buyer ready to invest in instruments with non-viability / loss absorption convertible features may be difficult and the Sub-Fund may have to accept a significant discount to the expected value of such instruments in order to sell it.

(ix) Sector concentration risk

Instruments with non-viability / loss absorption convertible features are issued by banking and insurance institutions. Investment in such instruments may lead to an increased sector concentration risk. The performance of the Sub-Fund which invests in these instruments will depend to a greater extent on the overall condition of the financial services industry than for the Sub-Fund following a more diversified strategy.

(x) Subordinated instruments

Instruments with non-viability / loss absorption convertible features will, in the majority of circumstances, be issued in the form of subordinated debt instruments in order to provide the appropriate regulatory capital treatment prior to a conversion. Accordingly, in the event of liquidation, dissolution or winding-up of an issuer prior to a conversion having occurred, the rights and claims of the holders of the such instruments, such as the Sub-Fund, against the issuer in respect of or arising under the terms of these instruments shall generally rank junior to the claims of all holders of unsubordinated obligations of the issuer.

(xi) Novelty and untested nature

The structure of instruments with non-viability / loss absorption convertible features is innovative yet untested. In a stressed environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform.

(xii) Contingent convertible debt securities

The Sub-Fund may invest in contingent convertible debt securities, which are highly complex and are of high risk. Upon the occurrence of the trigger event, contingent convertible debt securities may be converted into shares of the issuer (potentially at a discounted price), or may be subject to the permanent write-down to zero. Coupon payments on contingent convertible debt securities are discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

(xiii) Non-preferred senior debt securities

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

QFI Risk **-** Currently it is intended that the Sub-Fund will obtain exposure to RMB-denominated fixed income instruments issued or distributed within mainland China and China equity instruments by using, amongst others, the QFI status of the Manager.

The Manager in its capacity as a QFI together with the Custodian have appointed Bank of China Limited as the QFI Custodian in respect of the QFI's assets, pursuant to relevant laws and regulations.

Investors should pay attention to the sections headed "QFI risk" and "Custodial risk" under the "Risk Factors" section.

The Manager will assume dual roles as the Manager of the Sub-Fund and the QFI holder for the Sub-Fund. The Manager will be responsible for ensuring that all transactions and dealings will be dealt with in compliance with the Trust Deed (where applicable) as well as the relevant laws and regulations applicable to the Manager as a QFI. If any conflicts of interest arise, the Manager will have regard in such event to its obligations to the Sub-Fund and will endeavour to ensure that such conflicts are resolved fairly and in the best interest of the Unitholders.

Application of QFI rules - The QFI rules and regulations described under "QFI risk" in the section headed "Risk Factors" have been recently announced by the CSRC, and enables Renminbi and/or foreign currencies which can be traded on the China Foreign Exchange Trade

System & National Interbank Funding Centre to be remitted into and repatriated out of the PRC. The rules are novel in nature and their application may depend on the interpretation given by the relevant Chinese authorities. Investment products (such as the Sub-Fund) which make investments pursuant such QFI rules are among the first of its kind. Any changes to the relevant rules may have an adverse impact on investors' investment in the Sub-Fund. In the worst scenario, the Manager may determine that the Sub-Fund shall be terminated if it is not legal or viable to operate the Sub-Fund because of changes to the application of the relevant rules.

Liquidity risk **-** The Mainland China bond market is at a developing stage and the market capitalisation and trading volume may be lower than those of the more developed markets. Market volatility and potential lack of liquidity due to low trading volume in the RMB denominated debt securities market may result in prices of debt securities traded on such markets fluctuating significantly and may affect the volatility of the Sub-Fund's Net Asset Value.

Certain RMB-denominated fixed income instruments in which the Sub-Fund invests are currently not listed on a stock exchange or a securities market where trading is conducted on a regular basis. There is also no guarantee that market making arrangements will be in place to make a market and quote a price for all RMB-denominated fixed income instruments. In the absence of an active secondary market, the Sub-Fund may need to hold the RMB-denominated fixed income instruments until their maturity date. If sizeable redemption requests are received, the Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the Sub-Fund may suffer losses in trading such instruments. Even if a secondary market is developed, the price at which such RMB-denominated fixed income instruments are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates.

Further, the bid and offer spread of the price of certain RMB-denominated fixed income instruments may be high, and the Sub-Fund may therefore incur significant trading costs and may even suffer losses when selling such investments. The Manager seeks to control the liquidity risk of the investment portfolio by a series of internal management measures in order to meet Unitholders' redemption requests.

Risk of potential delay in the redemption payment – Substantial portion of the Sub-Fund's investments in the Mainland is subject to the relevant legal or regulatory requirements (such as foreign currency controls). Such requirements may render delay in receipt of the redemption payment, but the extended time frame for payment should reflect the additional time needed in light of the specific circumstances accordingly. As disclosed under the section headed "QFI risk", repatriations by QFIs in respect of an open-ended QFI fund (such as the Sub-Fund) conducted in RMB are not subject to any restrictions, lock-up periods or prior approval,

although an authenticity and compliance review will be conducted by the QFI Custodian on each time of repatriation and a monthly breakdown of remittances and repatriations will be submitted to SAFE by the QFI Custodian. 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 the Unitholders.

PRC brokerage risk – The execution and settlement of transactions or the transfer of any funds or securities may be conducted by brokers ("PRC Brokers") appointed by the QFI. There is a risk that the Sub-Fund may suffer losses from the default, bankruptcy or disqualification of the PRC Brokers. In such event, the Sub-Fund may be adversely affected in the execution or settlement of any transaction or in the transfer of any funds or securities.

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

Risk of investing in urban investment bonds - In view of limitations on directly raising funds, local governments in the PRC have set up numerous entities known as "Local Government Financing Vehicles" (LGFVs) to borrow and fund local development, public welfare investment and infrastructure projects. Urban investment bonds are issued by LGFVs. Local governments may be seen to be closely connected to urban investment bonds, as they are shareholders of the LGFVs issuing such bonds. However, urban investment bonds are typically not guaranteed by the relevant local governments or the central government of the PRC. As such, local governments or the central government of the PRC are not obligated to support any LGFVs in default. The LGFVs' ability to repay debts depends on various factors, including the nature of the business of such LGFVs, the financial strength of such LGFVs and the extent to which the relevant local governments are prepared to support such LGFVs. Slower revenue growth at some local governments may constrain their capacity to provide support, while regulatory constraints may also limit local governments' ability to inject land reserves into LGFVs. Further, local governments have taken on debt in various other forms, and recent analyses show that increased financing activities have posed a risk to local government finances. If a LGFV encounters financial difficulties, without the local government's support, there is a risk of possible defaults on payment of principal or interest of urban investment bonds issued by the LGFV. This could result in substantial losses in the Sub-Fund's investments in debts issued by such LGFV, and as a result, the Sub-Fund's Net Asset Value will be adversely affected.

Risk of investing in asset backed securities (including asset backed commercial papers) - The Sub-Fund may invest in asset backed securities (including asset backed commercial papers), which is a kind of structured debt instruments, provide exposure, synthetically or otherwise, to underlying assets and the risk/return profile is determined by the cash flows derived from such assets. Some of such instruments involve multiple instruments and cash flow profiles such that it is not possible to predict with certainty the outcome from all market scenarios. Also, the price of such an investment could be contingent on, or highly sensitive to, changes in the underlying components of the structured debt instrument. The underlying assets can take many forms including, but not limited to, credit card receivables, corporate loans, or any type of receivables from a company or structured vehicle that has regular cash flows from its customers.

Investments in asset backed securities (including asset backed commercial papers) may be less liquid than other securities. The lack of liquidity may cause the current market price of assets to become disconnected from the underlying assets' value and consequently the Sub-Fund investing in asset backed securities (including asset backed commercial papers) may be more susceptible to liquidity risk. The liquidity of an asset backed securities (including asset backed commercial papers) can be less than a regular bond or debt instrument and this may adversely affect either the ability to sell the position or the price at which such a sale is transacted.

In addition, asset backed securities (including asset backed commercial papers) are subject to prepayment risk. The assets underlying asset backed securities (including asset backed commercial papers) may generally be prepaid at any time by the related borrowers. The prepayments may be used to prepay all or partial of the principal balance. As a result, the yield to maturity and market value of some of the asset backed securities (including asset backed commercial papers) are affected, to varying degrees, by the rate of prepayments of the underlying assets. Some of the asset backed securities (including asset backed commercial papers) that the Sub-Fund invests in are particularly sensitive to prepayment rates and, as a result, their yields to maturity and market values are expected to be highly volatile. Asset backed securities (including asset backed commercial papers) are also subject to credit risk and valuation risk. The Sub-Fund may therefore suffer substantial loss and the Net Asset Value of the Sub-Fund could be adversely affected.

Other risks – The Chinese government's macro-economic policies and controls (including its monetary and fiscal policies) will have significant influence over the capital markets in China. Changes in fiscal policies, such as interest rates policies, may have an adverse impact on the pricing of debt securities held by the Sub-Fund. The return of the Sub-Fund will be adversely affected as a result.

PRC Tax Provisions

The Sub-Fund currently invests in RMB-denominated fixed income instruments issued or distributed in the PRC and China A-Shares by using the QFI status of the Manager or via the CIBM Initiative or such other means as may be permitted under applicable laws and regulations from time to time. For further details relating to PRC taxes and the associated risks, please refer to the risk factor headed "**PRC tax considerations"** under the "**Risk Factors**" section.

Having taken and considered independent professional tax advice regarding the Sub-Fund's eligibility for treaty relief under the China-HK Arrangement and acting in accordance with such advice, the Manager considers that the Sub-Fund should qualify as a Hong Kong tax resident and it should be able to enjoy treaty relief based on the China-HK Arrangement. The Manager has determined, having taken and considered independent professional tax advice and acting in accordance with such advice, that no PRC WIT provision will be made on the gross realised and unrealised gains derived from investment in the PRC fixed income instruments; and the Manager has made a 10% PRC WIT tax provision on interests received from debt instruments issued or distributed in the PRC if such WIT is not withheld at source, unless otherwise exempted.

Pursuant to Circular 108 jointly issued by the MoF and the STA on 22 November 2018, bond interest income derived by foreign institutions investing in the onshore bond market is temporarily exempted from CIT and VAT for the period from 7 November 2018 to 6 November 2021. In accordance with Circular 34 jointly issued by the MoF and the STA of the PRC on 22 November 2021, the aforementioned exemption policy under Circular 108 is extended from 7 November 2021 to 31 December 2025. In light of this and having taken and considered independent professional tax advice and acting in accordance with such advice, the Manager has on 27 December 2018 reversed the 10% PRC WIT provision on interests income derived from debt instruments issued or distributed in the PRC, that have been made since 7 November 2018. Further, no PRC WIT provision will be made on interest income from the foregoing instruments until 31 December 2025.

Pursuant to Circular 79, the Sub-Fund is temporarily exempt from PRC WIT on capital gains derived from investment in China A-Shares via QFI effective from 17 November 2014, but those capital gains derived before that date should be subject to PRC WIT. In spite of the Circular 79 announcement, the Manager has determined, having taken and considered independent professional tax advice and acting in accordance with such advice, that no WIT provision will be made for gross realised or unrealised gains derived from investment in China A-Shares from 17 November 2014 onwards.

The tax exemptions granted under Circular 79 and Circular 34 are only temporary. It is possible that the applicable tax law, regulations and practice may be changed. In such cases, the Sub-Fund may have tax liabilities in the PRC which it has not provided for. Such tax liabilities will be deducted from the Sub-Fund's assets, and will cause the Sub-Fund's Net Asset Value to be adversely affected. In this case, existing and subsequent investors will be disadvantaged as they will bear for a disproportionately higher amount of tax liabilities as compared to the liability at the time of investment in the Sub-Fund.

The prevailing VAT regulations do not specifically exempt VAT on interest income received by QFIs and CIBM investor from investment in PRC debt securities. Having taken independent professional tax advice, interest income received by QFIs and CIBM investors from investments in PRC debt securities shall be subject to 6% VAT unless special exemption applies. According to the Notice 36, deposit interest income is not subject to VAT and interest income earned on PRC Government Bonds is exempted from VAT.

Where VAT is applicable, there are also other local surtaxes imposed based on the VAT liabilities, including urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), education surcharge (currently at the rate of 3%) and local education surcharge (currently at the rate of 2%).

In light of the above, the Manager has determined, having taken and considered independent professional tax advice and acting in accordance with such advice, to make a provision in an amount equal to the total of (i) for VAT, 6% of the interest income derived from PRC debt securities (except for PRC Government Bonds) received/receivable by the Sub-Fund; plus (ii) for the potential local surtaxes on VAT, 12% of the VAT amount stated in (i) from 1 May 2016 onwards.

Pursuant to Circular 108 jointly issued by the MoF and the STA on 22 November 2018, bond interest income derived by foreign institutions investing in the onshore bond market is temporarily exempted from CIT and VAT for the period from 7 November 2018 to 6 November 2021. In accordance with Circular 34 jointly issued by the MoF and the STA of the PRC on 22 November 2021, the aforementioned exemption policy under Circular 108 will be extended from 7 November 2021 to 31 December 2025. In light of this and having taken and considered independent professional tax advice and acting in accordance with such advice, the Manager has on 27 December 2018 reversed the provision for VAT on the interest income derived from PRC debt securities received/receivable by the Sub-Fund and for the potential local surtaxes on VAT, that have been made since 7 November 2018. Further, no VAT provision or provision for local surtaxes imposed based on the VAT liabilities will be made on interest income from the foregoing instruments until 31 December 2025.

It should be noted that there is a possibility of the PRC tax rules being changed and taxes being applied retrospectively. In view of the above uncertainties, investors should note that the level of provision may be inadequate to meet actual PRC tax liabilities on investments made by the Sub-Fund.

If the actual tax levied by relevant PRC tax authorities 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 will be adversely affected, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund.

On the other hand, the actual tax liabilities may be lower than the tax provision made, in which case those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision. As a result, investors may be disadvantaged depending on the final rules of the relevant PRC tax authorities, the level of provision and when they subscribed and/or redeemed their Units. Upon any future resolution of the above-mentioned tax exemption 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.

Available Classes

Class A Units are available for sale to the retail public in Hong Kong.

Class I Units are offered to institutional investors or other investors determined by the Manager.

Investment Minima

Minimum Subscription Amount	**Class A**: RMB 10,000 **Class I**: RMB 3,000,000
Minimum Subsequent Subscription Amount	**Class A**: RMB 1,000 **Class I**: RMB 500,000
Minimum Holding	**Class A**: RMB 10,000 **Class I**: RMB 1,000,000
Minimum Realisation Amount	**Class A**: RMB 1,000 **Class I**: RMB 100,000

Fees

Preliminary Charge (% of Issue Price)	**Class A & Class I**: up to 5.00%
Realisation Charge (% of Realisation Price)	**Class A & Class I**: Nil
Conversion Charge	**Class A & Class I** : up to 1.00%
Management Fee (% Net Asset Value of the Sub-Fund)	**Class A**: 1.5% p.a. **Class I**: 0.75% p.a.
Trustee Fee (% Net Asset Value of the Sub-Fund)	**Class A & Class I**: up to 0.175% p.a., subject to a minimum monthly fee (up to RMB 40,000)
Custody Fee (including QFI custody fee) (% Net Asset Value of the Sub-Fund)	**Class A & Class I**: up to 0.1% p.a.

Certain Charges, Fees and Expenses to be borne by the Manager

In general, the Sub-Fund bears the charges, fees and expenses which are directly attributable to it in accordance with the Trust Deed (including but not limited to the Management Fee, Trustee Fee and Custody Fee). However, the Manager may at its discretion decide to bear certain charges, fees and expenses which are attributable to the Sub-Fund, until a future date as notified by the Manager. The portion of the charges, fees and expenses to be borne by the Manager may vary from year to year. The Sub-Fund will bear all other charges, fees and expenses in accordance with the Trust Deed (including but not limited to the Management Fee, Trust Fee and Custody Fee) which have not been borne by the Manager.

At least one month notice will be given to Unitholders before the Manager ceases to bear the aforementioned charges, fees and expenses attributable to the Sub-Fund and this Explanatory Memorandum will be updated accordingly.

Ongoing Charges

The ongoing charges figure over a year of the relevant class of Units of the Sub-Fund represents the ongoing expenses chargeable to the relevant class of Units of the Sub-Fund expressed as a percentage of the average Net Asset Value of the relevant class of Units of the Sub-Fund over the same period. The ongoing charges figure may vary from year to year.

With effect from 8 December 2017, certain ongoing charges of the Sub-Fund will be borne by the Manager and it will not be charged to the Sub-Fund, and the ongoing charges in respect of each class of Units of the Sub-Fund will be capped at 3% of the average Net Asset Value of the relevant class of Units of the Sub-Fund. This capped figure will be reviewed annually, and if this capped figure is lowered, investors will be notified as soon as practicable. If this capped figure is increased or if the cap is removed (subject to the SFC's prior approval), the Manager will give no less than one month's prior notice (or such other notice as may be approved by the SFC) to Unitholders.

Establishment Costs

The costs of establishment of China Universal International Series and the initial Sub-Fund have been described in the main part of the Explanatory Memorandum.

Dealing Day

Dealings in Units of the Sub-Fund will be on a *daily* basis, with the Dealing Day being each HK & PRC Business Day.

Dealing Deadline

5:00 p.m. (Hong Kong time) on the relevant Dealing Day

Subscription, Realisation and Conversion of Units

For details regarding the procedures for subscription, realisation and conversion, see the main part of the Explanatory Memorandum under "Purchase of Units", "Realisation of Units" and "Conversion between Sub-Funds". No conversion may be made between Units denominated in RMB and Units denominated in another currency. As such, no conversion may be made in respect of Units of the CUAM RMB Bond*plus* Fund.

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends. It is currently intended that distribution will be made on a quarterly basis (i.e. March, June, September and December each year) in RMB. 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 the Sub-Fund may be distributed. No distribution will be paid out of the Sub-Fund's capital.

Valuation

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

Documents Available for Inspection

Please refer to the section headed "Documents Available for Inspection" in the main part of the Explanatory Memorandum and the following are the material contracts in respect of this Sub-Fund:

(i) the Tri-party Custody Agreement among the Manager, the Custodian and the QFI Custodian.

APPENDIX II – CUAM CHINA-HONG KONG STRATEGY FUND

This Appendix comprises information in relation to CUAM China-Hong Kong Strategy Fund, a Sub-Fund of the Fund.

Offering

Units will be issued in respect of applications (together with application moneys in cleared funds) received prior to 4:00 p.m. (Hong Kong time) and accepted by the Manager (or such later time as the Manager may agree) based on the price at the Valuation Point on the Dealing Day. If applications are received after that time, such applications shall be processed on the next Dealing Day based on the price at the relevant Valuation Point on that Dealing Day.

Application Moneys / Realisation Proceeds

Application moneys for this Sub-Fund should be made in the relevant class currency. Arrangements can also be made for applicants to pay for Units in most other major currencies and in such cases, the cost of currency conversion will be borne by the applicant. Please refer to the relevant sections of the Explanatory Memorandum, i.e. "Payment Procedures" of "Purchase of Units" and "Payment of Realisation Proceeds" of "Realisation of Units" for further details.

Base Currency

The base currency of the Sub-Fund is HKD.

Investment Objective

CUAM China-Hong Kong Strategy Fund seeks to achieve medium to long-term capital growth through investing primarily in securities of companies which are established in Greater China or having their income, revenue, assets, economic activities, business or operations associated with Greater China.

Investment Policy

At least 70% of the Sub-Fund's Net Asset Value will be invested in a portfolio of (a) equity securities (including but not limited to ordinary shares, preferred shares, American Depositary Receipts, Global Depositary Receipts) of companies which are established in mainland China or Hong Kong or having their income, revenue, assets, economic activities, business or operations associated with mainland China and/or Hong Kong ("China-Hong Kong

Companies"); and (b) debt securities instruments (including but not limited to long-term bonds, medium-term notes, bills and convertible bonds) issued by China-Hong Kong Companies and governments, government agencies and supra-national issuers in mainland China or Hong Kong. The Sub-Fund will not focus its investment in any specific industries or sectors although the allocation in certain industry or sector may be relatively significant, depending on the Manager's assessment at different times.

The Sub-Fund may invest:

- Up to 100% of the Sub-Fund's Net Asset Value in equity securities of China-Hong Kong Companies, including securities issued within Mainland China, such as China A-Shares, which may be invested through various means, including the QFI status of the Manager, the Stock Connects or such other means as may be permitted under applicable laws and regulations from time to time;
- Not more than 30% of the Sub-Fund's Net Asset Value in debt securities instruments issued by China-Hong Kong Companies and governments, government agencies and supra-national issuers in mainland China or Hong Kong, including less than 30% of the Sub-Fund's Net Asset Value in debt securities issued within Mainland China.

For the avoidance of doubt, investment using the QFI status of the Manager (as QFI holder) will be less than 30% of the Sub-Fund's Net Asset Value.

Indicative Asset Allocation

The following is an indication of the asset allocation of the Sub-Fund:

Asset Type	Indicative Percentage of the Sub-Fund's Net Asset Value
Equity securities	40-100%
Debt securities instruments	<60%
Collective investment schemes, cash and cash equivalents	<30%

In addition, the Sub-Fund may invest on an ancillary basis less than 30% of its Net Asset Value in (1) equity securities of non-China-Hong Kong Companies, (2) debt securities instruments issued by non-China-Hong Kong Companies, and governments, government agencies and supra-national issuers outside mainland China or Hong Kong, and (3) collective investment schemes, subject to the investment and borrowing restrictions in the Explanatory Memorandum and Chapter 7 of the Code.

The Sub-Fund may invest less than 60% of its Net Asset Value in debt securities instruments which are below investment grade or unrated. The Sub-Fund does not have requirement on the minimum credit rating of the debt securities instruments it may hold. "Investment grade" means

a rating of BBB- or above from Standard & Poor's and Fitch, Baa3 or above from Moody's or an equivalent rating from any internationally recognized credit rating agency, or AA+ or above as rated by PRC local rating agencies. For this purpose, if the relevant security does not itself have a credit rating, then reference can be made to the credit rating of the issuer of the security. "Unrated debt securities" means a debt security which neither the security itself nor its issuer has a credit rating. The Sub-Fund does not have any limitation on the maturity of the debt securities instruments. The debt securities instruments the Sub-Fund will invest in are traded in the global debt securities markets such as but not limited to Hong Kong, US and China.

The Sub-Fund may invest not more than 30% of its Net Asset Value in convertible bonds.

The Sub-Fund may invest less than 30% of its Net Asset Value in debt instruments with loss-absorption features (i.e. debt instruments issued by a holding company of a financial institution with features of contingent write-down or contingent conversion to ordinary shares on the occurrence of (i) when a financial institution is near or at the point of non-viability, or (ii) when the capital ratio of a financial institution falls to a specified level). These include contingent convertible bonds, non-preferred senior debt instruments and Additional Tier 1 and Tier 2 capital instruments.

The Sub-Fund will not invest more than 10% of its Net Asset Value in debt securities issued by and/or guaranteed by any single sovereign issuer (including its government, a public or local authority of that country) with a credit rating below investment grade as rated by any international credit rating agency (such as Standard & Poor's, Moody's and Fitch). Also, the Sub-Fund will not invest in collateralised and/or securitised products such as asset backed securities and mortgage backed securities (including asset backed commercial papers).

The Sub-Fund may hold less than 30% of its Net Asset Value in cash and cash equivalents, which may include cash, deposits and money market instruments for liquidity and cash management purposes. The Sub-Fund may hold temporarily up to 100% of its Net Asset Value in cash or cash equivalents under exceptional circumstances, such as (i) market crash, or major crisis, (ii) attempts to mitigate the risk of potential sharp reversals and fall in the equity or bond markets, (iii) attempts to mitigate downside risks during uncertainties or (iv) maintain liquidity for the Sub-Fund.

The Sub-Fund will invest in financial derivative instruments (by engaging in foreign currency transaction, including but not limited to currency forward contracts) for hedging purposes only.

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

The Sub-Fund will not engage in securities lending transactions or repurchase and reverse repurchase transactions or similar over-the-counter transaction. Prior approval will be sought from the SFC and at least one month's prior notice will be given to Unitholders should there be a change in such intention. The Explanatory Memorandum will be updated accordingly.

The asset allocation of the Sub-Fund may change taking into account different factors including but not limited to the Manager's views of fundamental economic and market conditions and investment trends across the globe, liquidity, costs, timing of execution, relative attractiveness of individual securities and issuers available in the market.

Stock Connects

The Shanghai-Hong Kong Stock Connect is a securities trading and clearing linked programme developed by the SEHK , Shanghai Stock Exchange ("**SSE**"), China Securities Depository and Clearing Corporation Limited ("**ChinaClear**") and Hong Kong Securities Clearing Company Limited ("**HKSCC**"). The Shenzhen-Hong Kong Stock Connect is a securities trading and clearing linked programme developed by the SEHK, Shenzhen Stock Exchange ("**SZSE**"), ChinaClear and HKSCC. The aim of Stock Connects is to achieve mutual stock market access between mainland China and Hong Kong.

The Shanghai-Hong Kong Stock Connect comprises a Northbound Shanghai Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shanghai Trading Link, Hong Kong and overseas investors (including the Sub-Fund), through their Hong Kong brokers and a securities trading service company to be established by the SEHK, may be able to trade eligible China A-Shares listed on SSE by routing orders to SSE.

The Shenzhen-Hong Kong Stock Connect comprises a Northbound Shenzhen Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shenzhen Trading Link, Hong Kong and overseas investors (including the Sub-Fund), through their Hong Kong brokers and a securities trading service company to be established by the SEHK, may be able to trade eligible China A-Shares listed on SZSE by routing orders to SZSE.

Eligible securities

<u>Shanghai-Hong Kong Stock Connect</u>

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

- SSE-listed shares which are not traded in RMB; and
- SSE-listed shares which are under "risk alert".

It is expected that the list of eligible securities will be subject to review from time to time.

Shenzhen-Hong Kong Stock Connect

Hong Kong and overseas investors will be able to trade certain stocks listed on the SZSE market (i.e. "**SZSE Securities**"). These include any constituent stock of the SZSE Component Index and SZSE Small/Mid Cap Innovation Index which has a market capitalisation of RMB6 billion or above and all SZSE-listed China A-Shares which have corresponding H-Shares listed on SEHK, except for the following:

- SZSE-listed shares which are not traded in RMB; and
- SZSE-listed shares which are under "risk alert" or under delisting arrangement.

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

It is expected that the list of eligible securities will be subject to review from time to time.

Trading quota

Trading under the Stock Connects will be subject to a daily quota.

Settlement and custody

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

Investor compensation

The Sub-Fund's investment in China A-Shares via the Stock Connects will neither be covered by Hong Kong's Investor Compensation Fund nor the China Securities Investor Protection Fund (中國投資者保護基金) in the PRC.

Further information about the Stock Connects is available online at the website:
http://www.hkex.com.hk/chinaconnect

Investment Restrictions

Investors should refer to the relevant investment restrictions under the section headed "Investment and Borrowing Restrictions" in the main part of the Explanatory Memorandum and the following specific investment restrictions in respect of the Sub-Fund:-

(a) the Sub-Fund may engage in foreign currency transactions, including but not limited to currency forward contracts, for hedging purposes only.

Specific Risk Factors

Investors should refer to the following specific risk factors in respect of the Sub-Fund:-

Greater China market risk / Single region investment risk – Insofar as the Sub-Fund invests substantially in the equity securities of China-Hong Kong Companies, its investment is not as diversified as global equity funds. It will be subject to risks inherent in the Greater China market and additional concentration risks. It will tend to be more volatile than other funds and its portfolio value can be exposed to country specific risks. Please refer to the risk factors headed "China market risk" and "Concentration risk" in the main part of the Explanatory Memorandum.

QFI Risk

The Manager may from time to time use its status as an QFI holder for the purpose of the Sub-Fund's direct investment into the PRC.

The Manager in its capacity as a QFI holder together with the Custodian has appointed Bank of China Limited as the QFI Custodian in respect of the QFI's assets, pursuant to relevant laws and regulations.

Investors should pay attention to the risk factors headed "**QFI risk**" and "**Custodial risk**" under the section headed "**Risk Factors**".
The Manager will assume dual roles as the Manager of the Sub-Fund and the QFI holder for the Sub-Fund. The Manager will be responsible for ensuring that all transactions and dealings will be dealt with in compliance with the Trust Deed (where applicable) as well as the relevant laws and regulations applicable to the Manager as a QFI. If any conflicts of interest arise, the Manager will have regard in such event to its obligations to the Sub-Fund and will endeavour to ensure that such conflicts are resolved fairly and in the best interest of the Unitholders.

Application of QFI rules may depend on the interpretation given by the relevant Chinese authorities. Any changes to the relevant rules may have an adverse impact on investors' investment in the Sub-Fund.

Risk associated with the Stock Connect

The Stock Connect is a programme novel in nature. Investment in China A-Shares by the Sub-Fund via the Stock Connects may expose the Sub-Fund to the following additional risks:

Quota limitations - The Stock Connects are subject to quota limitations. Once the 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). Therefore, quota limitations may restrict the Sub-Fund's ability to invest in China A-Shares through the relevant Stock Connect on a timely basis in order to pursue its investment strategies effectively.

Suspension risk - Each of the Hong Kong Stock Exchange, SSE and SZSE may suspend Northbound and/or Southbound trading in light of the market situation, subject to prior consent from the relevant regulators. Where a suspension in the Northbound trading through the Stock Connects is effected, the Sub-Fund's ability to access the PRC market will be adversely affected.

Operational risk - The Stock Connects provide a new channel for investors from Hong Kong and overseas to access the China stock market directly.

The Stock Connects are premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this programme subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.

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

Further, the "connectivity" in the Stock Connects requires routing of orders across the border. This requires the development of new information technology systems on the part of the Hong Kong Stock Exchange and exchange participants (i.e. a new order routing system ("**China Stock Connect System**") to be set up by the Hong Kong Stock Exchange to which exchange participants need to connect). There is no assurance that the systems of the Hong Kong Stock Exchange 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. The Sub-Fund's ability to access the China A-Shares market (and hence to pursue its investment strategy) will be adversely affected.

Restrictions on selling imposed by front-end monitoring - PRC regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise SSE or SZSE will reject the sell order concerned. The Hong Kong Stock Exchange will carry out pre-trade checking on China A-Shares sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

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

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

Clearing and settlement risk - The HKSCC and ChinaClear will establish the clearing links and each will become a participant of each other to facilitate clearing and settlement of cross-boundary trades. For crossboundary 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 ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against ChinaClear. HKSCC will in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the Sub-Fund may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

Participation in corporate actions and shareholders' meetings - The 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 the Stock Connects through their brokers or custodians. According to existing mainland China 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 Connects are conducted through broker(s), and is subject to the risks of default by such brokers' in their obligations. As disclosed in the section under the heading "**Stock Connects**", the Sub-Fund's investments through Northbound trading under the Stock Connects are not covered by the Hong Kong's Investor Compensation Fund or the China Securities Investor Protection Fund. Therefore, the Sub-Fund is exposed to the risks of default of the broker(s) it engages in its trading in China A-Shares through the programme.

Regulatory risk - The Stock Connect is novel in nature, 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 Connects.

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

Risks associated with ChiNext Board and/or the Science and Technology Innovation Board- The Sub-Fund may invest in the ChiNext Board of the SZSE ("**ChiNext Board**") and/ or the Science and Technology Innovation Board of the SSE ("**STAR Board**"). Investments in the ChiNext Board and/or STAR Board may result in significant losses for the Sub-Fund and its investors. The following additional risks apply:

- <u>Higher Fluctuation on Stock Prices and Liquidity Risk</u>
  Listed companies on the ChiNext Board and/or STAR Board are usually of emerging nature with smaller operating scale. Listed companies on ChiNext Board and STAR Board are subject to wider price fluctuation limits, and due to higher entry thresholds

for investors may have limited liquidity, compared to other boards. Hence, companies listed on these boards are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the main board.

- Valuation / Over-Valuation Risk
  Stocks listed on the ChiNext Board and/or STAR Board may be difficult to value and/or overvalued. Exceptionally high valuation resulting from over-valuation may not be sustainable. Also, stock price may be more susceptible to manipulation due to fewer circulating shares.
- Differences in Regulations
  The rules and regulations regarding companies listed on ChiNext Board and STAR Board are less stringent in terms of profitability and share capital than those in the main boards.
- Delisting Risk
  It may be more common and faster for companies listed on ChiNext Board and/or STAR Board to delist. ChiNext Board and STAR Board have stricter criteria for delisting compared to the main boards. This may have an adverse impact on the relevant Sub-Fund if the companies that it invests in are delisted.
- Concentration risk: STAR Board is a newly established board and may have a limited number of listed companies during the initial stage. Investments in STAR Board may be concentrated in a small number of stocks and subject the relevant Sub-Fund to higher concentration risk.
- Risk associated with Small-Capitalisation / Mid-Capitalisation Companies
  The stocks of small-capitalisation / mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

Liquidity risk of investing in China A-Shares and China B-Shares

China A-Shares and China B-Shares may be subject to trading bands which restrict increases and decreases in the trading price. The Sub-Fund when investing through the Stock Connect will be prevented from trading China A-Shares once they hit the "trading band limit". If this happens on a particular trading day, the Sub-Fund may be unable to trade China A-Shares. When the Manager trades China B-Shares for the account of the Sub-Fund, the Manager may also be unable to trade China B-Shares due to the "trading bank limit". As a result, the liquidity of the China A-Shares and China B-Shares may be adversely affected which in turn may affect the value of the Sub-Funds' investments.

Risk relating to Mainland credit rating agencies

Investors should note the limitations of credit ratings set out under the risk factors headed "Risk relating to credit rating" in the main part of the Explanatory Memorandum. In addition, the

Sub-Fund may invest in securities the credit ratings of which are assigned by the Chinese local credit rating agencies. However, the rating criteria and methodology used by such agencies may be different from those adopted by most of the established international credit rating agencies. Therefore, such rating system may not provide an equivalent standard for comparison with securities rated by international credit rating agencies.

Risk of investing in other collective investment schemes

The Sub-Fund may invest not more than 10% of its Net Asset Value in other collective investment schemes which may not be regulated by the SFC. In addition to the fees and expenses charged by the Sub-Fund, investors should note that there are additional fees involved when investing in these underlying collective investment schemes, including fees and expenses charged by the investment managers of these underlying collective investment schemes as well as fees payable by the Sub-Fund during its subscription to and redemption from these underlying collective investment schemes. Furthermore, there can be no assurance that the liquidity of these underlying collective investment schemes will always be sufficient to meet redemption request as and when made. Besides, investment decisions of these underlying collective investment schemes will be made independently of the Manager. There is no assurance that the investment objective and strategy of these underlying collective investment schemes will be achieved despite the selection and monitoring process undertaken by the Manager. If the Sub-Fund invests in other collective investment schemes managed by the Manager or its connected persons, all initial charges on these underlying collective investment schemes must be waived, and the Manager must not obtain rebate of any fees or charges levied by these underlying collective investment schemes. In case any conflict of interest may still arise out of such investments, the Manager will use its best endeavours to resolve it fairly.

Risks relating to convertible bonds - This Sub-Fund may invest in convertible bonds, which are a hybrid between debt and equity, permitting holders to convert into shares in the company issuing the bond at a specific future date. As such, convertible bonds will be exposed to equity movement and greater volatility than straight bond investments. Investment in convertible bonds are subject to the same credit risk, interest rate risk, liquidity risk and prepayment risks associated with comparable straight bond investments. Convertibles bonds will also be exposed to market risks related to both debt securities and equity securities and any risk specific to convertible bonds. Convertible bonds may also be subject to lower liquidity than the underlying equities. Therefore, investors should be prepared for greater volatility than normal bond investments, with an increased risk of capital loss.

Risks associated with investment in instruments with non-viability / loss absorption convertible features - Instruments with non-viability / loss absorption convertible features, such as contingent convertible bonds, are hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level. Upon the occurrence of a predetermined event

(known as a trigger event), such instruments will be converted into shares of the issuing company (potentially at a discounted price as a result of the deterioration in the financial condition of the issuing company), or cause the permanent write-down to zero of the principal investment and/or accrued interest such that the principal amount invested may be lost on a permanent or temporary basis. Instruments with non-viability / loss absorption convertible features are risky and highly complex instruments. Coupon payments on such instruments are discretionary and may at times also be ceased or deferred by the issuer. Trigger events can vary but these could include the capital ratio of the issuing company falling below a certain level, or the share price of the issuer falling to a particular level for a certain period of time.

Instruments with non-viability / loss absorption convertible features are also subject to additional risks specific to their structure including:

(i) Trigger level risk

Trigger levels differ and determine exposure to conversion risk. They are complex and are likely out of the issuing company's control. It might be difficult for the Manager of the Sub-Fund invested in instruments with non-viability / loss absorption convertible features to anticipate the trigger events that would require the debt to convert into equity or the write down to zero of principal investment and/or accrued interest. Trigger events may include: (i) a reduction in the issuing bank's Core Tier 1/Common Equity Tier 1 (CT1/CET1) ratio or other ratios, (ii) a regulatory authority, at any time, making a subjective determination that an institution is "non-viable", i.e. a determination that the issuing bank requires public sector support in order to prevent the issuer from becoming insolvent, bankrupt or otherwise carry on its business and requiring or causing the conversion of the relevant instruments into equity or write down, in circumstances that are beyond the control of the issuer or (iii) a national authority deciding to inject capital.

In the event of the activation of a trigger, there may be potential price contagion and volatility to the entire asset class.

(ii) Coupon cancellation

Coupon payments on some instruments with non-viability / loss absorption convertible features are entirely discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

The discretionary cancellation of payments is not an event of default and there are no possibilities to require re-instatement of coupon payments or payment of any passed missed payments. Coupon payments may also be subject to approval by the issuer's regulator and may be suspended in the event there are insufficient distributable reserves. As a result of uncertainty surrounding coupon payments, such instruments may be

volatile and their price may decline rapidly in the event that coupon payments are suspended.

(iii) Capital structure inversion risk

Contrary to the classic capital hierarchy, investors in instruments with non-viability / loss absorption convertible features may suffer a loss of capital when equity holders do not, for example when the loss absorption mechanism of a high trigger/write down of such an instrument is activated. This is contrary to the normal order of the capital structure where equity holders are expected to suffer the first loss.

(iv) Call extension risk

Some instruments with non-viability / loss absorption convertible features are issued as perpetual instruments and only callable at predetermined levels upon approval of the competent regulatory authority. It cannot be assumed that these perpetual instruments will be called on a call date. Instruments with non-viability / loss absorption convertible features are a form of permanent capital. The investor may not receive return of principal as expected on call date or indeed at any date.

(v) Conversion risk

Trigger levels differ between specific instruments with non-viability / loss absorption convertible features and determine exposure to conversion risk. It might be difficult at times for the Manager of the Sub-Fund to anticipate triggering events and assess how the such instruments will behave upon conversion. In case of conversion into equity, the Manager might be forced to sell these new equity shares subject to the investment policy of the Sub-Fund. Given the trigger event is likely to be some event depressing the value of the issuer's common equity, this forced sale may result in the Sub-Fund experiencing some loss.

(vi) Valuation and write-down risk

Instruments with non-viability / loss absorption convertible features often offer attractive yield which may be viewed as a complexity premium. The value of such instruments may need to be reduced due to a higher risk of overvaluation of such asset class on the relevant eligible markets. Therefore, the Sub-Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment.

(vii) Market value fluctuations due to unpredictable factors

The value of instruments with non-viability / loss absorption convertible features is unpredictable and will be influenced by many factors including, without limitation (i) creditworthiness of the issuer and/or fluctuations in such issuer's applicable capital

ratios; (ii) supply and demand for the such instruments; (iii) general market conditions and available liquidity and (iv) economic, financial and political events that affect the issuer, its particular market or the financial markets in general.

(viii) Liquidity risk

In certain circumstances finding a buyer ready to invest in instruments with non-viability / loss absorption convertible features may be difficult and the Sub-Fund may have to accept a significant discount to the expected value of the instruments in order to sell it.

(ix) Sector concentration risk

Instruments with non-viability / loss absorption convertible features are issued by banking and insurance institutions. Investment in such instruments may lead to an increased sector concentration risk. The performance of the Sub-Fund which invests in these instruments will depend to a greater extent on the overall condition of the financial services industry than for the Sub-Fund following a more diversified strategy.

(x) Subordinated instruments

Instruments with non-viability / loss absorption convertible features will, in the majority of circumstances, be issued in the form of subordinated debt instruments in order to provide the appropriate regulatory capital treatment prior to a conversion. Accordingly, in the event of liquidation, dissolution or winding-up of an issuer prior to a conversion having occurred, the rights and claims of the holders of such instruments, such as the Sub-Fund, against the issuer in respect of or arising under the terms of these instruments shall generally rank junior to the claims of all holders of unsubordinated obligations of the issuer.

(xi) Novelty and untested nature

The structure of instruments with non-viability / loss absorption convertible features is innovative yet untested. In a stressed environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform.

(xii) Contingent convertible debt securities

The Sub-Fund may invest in contingent convertible debt securities, which are highly complex and are of high risk. Upon the occurrence of the trigger event, contingent convertible debt securities may be converted into shares of the issuer (potentially at a discounted price), or may be subject to the permanent write-down to zero. Coupon payments on contingent convertible debt securities are discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

(xiii) Non-preferred senior debt securities

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

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

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

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

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

The Sub-Fund is subject to the risks of the underlying ETFs that it invests in and will bear its portion of the management fees and other fees / expenses of the underlying ETFs along with other investors in the underlying ETFs. Investors of the Sub-Fund will bear two layers of costs, including the costs of the underlying ETFs.

Risks of using financial derivative instruments - The use of financial derivatives instruments may expose the Sub-Fund to risks including market volatility risk, credit risk, counterparty risk and liquidity risk, valuation risk, over-the-counter transaction risk. The leverage element/component of a financial derivatives instrument can result in a loss significantly greater than the amount invested in the financial derivatives instrument by the Sub-Fund. In adverse situation, the use of financial derivative instruments for hedging purposes may become ineffective and the Sub-Fund may suffer significant losses.

Renminbi currency and conversion risk - RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of and repatriation restrictions imposed by the Chinese government. Such policies may change in future. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (e.g. HKD) will not depreciate. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors. Depending on the nature of the change and other factors such as the prevailing economic conditions, RMB may depreciate and the Sub-Fund's or the investors' position may be adversely affected. Under exceptional circumstances, payment of redemptions in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

RMB classes related risk - The prices of Units in the RMB classes are denominated in RMB, but the Sub-Fund will have limited RMB-denominated underlying investments and its base currency is HKD. As such, even if the prices of underlying investments and/or value of the base currency rise or remain stable, investors may still incur losses if RMB appreciates against the currencies of the underlying investments and/or the base currency more than the increase in the value of the underlying investments and/or the base currency. Furthermore, if RMB appreciates against the currencies of the underlying investments and/or the base currency, and the value of the underlying investments decreased, the value of investors' investments in RMB classes may suffer additional losses.

Investors investing in RMB classes must subscribe for Units and will normally receive redemption proceeds in RMB. Due to the exchange controls and restrictions applicable to RMB, the Sub-Fund may not be able to get sufficient amounts of RMB in a timely manner to meet redemption requests of RMB classes and/or pay dividends (if any) if all or a substantial portion of its underlying investments are non-RMB denominated. Therefore, even if the Sub-Fund aims to pay redemption proceeds and/or dividends to investors of RMB classes in RMB, investors may not receive RMB upon redemption of investments or receive dividend payments (if any) in RMB. There is also a risk that payment of investors' redemption proceeds in RMB may be delayed when there is not sufficient RMB for currency conversion for settlement of the

redemption proceeds. In any event, redemption monies will be paid within one calendar month upon receipt of a properly documented request.

When calculating the value of the RMB classes, the offshore RMB in Hong Kong (the "**CNH**") will be used. The CNH rate may be at a premium or discount to the exchange rate for onshore RMB in China (the "**CNY**") and there may be significant bid and offer spreads. While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently. As such, CNH does not necessarily have the same exchange rate and may not move in the same direction as CNY.

The value of the RMB classes thus calculated will be subject to fluctuation. The exchange rate of RMB may rise or fall. There can be no assurance that RMB will not be subject to devaluation. Any devaluation of RMB could adversely affect the value of investors' investments in the RMB classes of the Sub-Fund. Non-RMB based (e.g. Hong Kong) investors may have to convert HKD or other currencies into RMB when investing in the RMB classes. Subsequently, investors may also have to convert the RMB redemption proceeds (received when selling the units) back to HKD or other currencies. During these processes, investors will incur currency conversion costs and may suffer losses in the event that RMB depreciates against HKD or such other currencies upon receipt of the RMB redemption proceeds.

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

Eurozone risk - In light of ongoing concerns on the sovereign debt risk of certain countries within the Eurozone, the Sub-Fund's investments in the region may be subject to higher volatility, liquidity, currency and default risks. Any adverse events, such as credit downgrade of a sovereign or exit of EU members from the Eurozone, may have a negative impact on the value of the Sub-Fund.

Risk relating to depositary receipts - Exposure to depositary receipts may generate additional risks compare to direct exposure to the corresponding underlying stocks. There could be a risk that underlying shares would not be attributed to holders of depositary receipts in case of bankruptcy of the depositary bank. There are fees related to depositary receipts which may impact the performance of the depositary receipts. Also, holders of depositary receipts are not direct shareholder rights as shareholders do. The Sub-Fund may also be subject to liquidity risk.

Risk relating to preferred shares - An investment in preferred shares involves additional risks that are not typically associated with an investment in ordinary shares. In certain circumstances, an issuer of preferred shares may redeem the shares prior to a specified date. A special redemption by the issuer may negatively impact the return of the shares held by the Sub-Fund. Preferred shares are subordinated to bonds and other debt instruments in a company's capital structure in terms of priority to corporate income and liquidation payments and therefore will be subject to greater credit risk than those debt instruments. Preferred shares may be substantially less liquid than many other securities, including ordinary shares. The value and performance of the Sub-Fund may be adversely affected as a result.

However, investors should also refer to the relevant risks under the section headed "Risk Factors" in the main part of the Explanatory Memorandum, including but not limited to "Investment Risk", "Equity market risk", "Market Risk", "Currency Risk", "Concentration Risk", "China market risk", "Restricted market risk", "Emerging market risk", "Interest rate risk", "Risk relating to credit rating", "Downgrading risk", "Liquidity and volatility risk", "Credit risk", "Counterparty risk", "Sovereign risk", "Valuation risk", etc.

PRC Tax Provisions

As set out above, the Sub-Fund may invest up to up to 100% of its Net Asset Value in equity securities and less than 30% of its Net Asset Value in debt securities issued within Mainland China through various means, including but without limitation, using the QFI status of the Manager (as QFI holder) or through the Stock Connects or such other means as may be permitted under applicable laws and regulations from time to time. For further details relating to PRC taxes and the associated risks in relation to such investments in the PRC, please refer to the risk factor headed "**PRC tax consideration**" under the "**Risk Factors**" section.

After seeking independent professional tax advice, it is noted that there are uncertainties as to whether PRC withholding income tax ("**WIT**") will be imposed on capital gains derived from trading of China B-Shares. In practice, the PRC tax authorities have not enforced collection of WIT on capital gains derived by non-tax residents from trading of China B-Shares where both the purchase and sales of China B-Shares are conducted via stock exchange. The Manager currently has no intention to make provision in respect of such potential tax liability of the Sub-Fund, as the possibility of the imposition of such tax liability is considered remote. However, this approach may be changed if, in the opinion of the Manager, a provision is warranted. Investors should note that, in the event that actual tax is collected by the State Taxation Administration ("**STA**") and the Sub-Fund is required to make payments reflecting tax liabilities for which no provisions has been made, the Net Asset Value of the Sub-Fund may

be adversely affected, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund.

Given that the Sub-Fund may invest in China A-Shares after 17 November 2014 through either QFI or the Stock Connects, the Sub-Fund is temporarily exempt from PRC WIT on the capital gains according to Circulars 79, 81 and 127, no PRC tax provision will be made in this regard.

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

Having taken and considered independent professional tax advice regarding the Sub-Fund's eligibility for treaty relief under the China-HK Arrangement and acting in accordance with such advice, the Manager considers that the Sub-Fund should qualify as a Hong Kong tax resident and it should be able to enjoy treaty relief based on the China-HK Arrangement. The Manager has determined, having taken and considered independent professional tax advice and acting in accordance with such advice, that no PRC WIT provision will be made on the gross realised and unrealised gains derived from investment in the PRC fixed income instruments; and the Manager has made a 10% PRC WIT tax provision on interests received from debt instruments issued or distributed in the PRC if such WIT is not withheld at source, unless otherwise exempted.

Pursuant to Circular 108 jointly issued by the MoF and the STA on 22 November 2018, bond interest income derived by foreign institutions investing in the onshore bond market is temporarily exempted from CIT and VAT for the period from 7 November 2018 to 6 November 2021. In accordance with Circular 34 jointly issued by the MoF and the STA of the PRC on 22 November 2021, the aforementioned exemption policy under Circular 108 will be extended from 7 November 2021 to 31 December 2025. In light of this and having taken and considered independent professional tax advice and acting in accordance with such advice, no PRC WIT provision will be made on interest income from the foregoing instruments until 31 December 2025.

The prevailing VAT regulations do not specifically exempt VAT on interest income received by QFIs and CIBM investor from investment in PRC debt securities. Having taken independent professional tax advice, interest income received by QFIs and CIBM investors from investments in PRC debt securities shall be subject to 6% VAT unless special exemption applies. According to the Notice 36, deposit interest income is not subject to VAT and interest income earned on PRC Government Bonds is exempted from VAT.

Where VAT is applicable, there are also other local surtaxes imposed based on the VAT liabilities, including urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), education surcharge (currently at the rate of 3%) and local education surcharge (currently at the rate of 2%).

In light of the above, the Manager has determined, having taken and considered independent professional tax advice and acting in accordance with such advice, to make a provision in an amount equal to the total of (i) for VAT, 6% of the interest income derived from PRC debt securities (except PRC Government Bonds) received/receivable by the Sub-Fund; plus (ii) for the potential local surtaxes on VAT, 12% of the VAT amount stated in (i) from 1 May 2016 onwards.

Pursuant to Circular 108 jointly issued by the MoF and the STA on 22 November 2018, bond interest income derived by foreign institutions investing in the onshore bond market is temporarily exempted from CIT and VAT for the period from 7 November 2018 to 6 November 2021. In accordance with Circular 34 jointly issued by the MoF and the STA of the PRC on 22 November 2021, the aforementioned exemption policy under Circular 108 will be extended from 7 November 2021 to 31 December 2025. In light of this and having taken and considered independent professional tax advice and acting in accordance with such advice, no VAT provision or provision for local surtaxes imposed based on the VAT liabilities will be made on interest income from the foregoing instruments until 31 December 2025.

It should be noted that there is a possibility of the PRC tax rules being changed and taxes being applied retrospectively. In view of the above uncertainties, investors should note that the level of provision may be inadequate to meet actual PRC tax liabilities on investments made by the Sub-Fund.

If the actual tax levied by relevant PRC tax authorities 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 will be adversely affected, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a

disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund.

On the other hand, the actual tax liabilities may be lower than the tax provision made, in which case those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision. As a result, investors may be disadvantaged depending on the final rules of the relevant PRC tax authorities, the level of provision and when they subscribed and/or redeemed their Units. Upon any future resolution of the above-mentioned tax exemption 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.

Available Classes

Class A HKD Units, Class A RMB Units and Class A USD Units are available for sale to the retail public in Hong Kong.

Class I HKD Units, Class I RMB Units and Class I USD Units are offered to institutional investors or other investors determined by the Manager.

Investment Minima

Minimum Subscription Amount	**Class A HKD Units** : HK$ 10,000 **Class A RMB Units** : RMB 10,000 **Class A USD Units** : USD 1,000 **Class I HKD Units** : HK$ 3,000,000 **Class I RMB Units** : RMB 3,000,000 **Class I USD Units**: USD 300,000
Minimum Subsequent Subscription Amount	**Class A HKD Units** : HK$ 1,000 **Class A RMB Units** : RMB 1,000 **Class A USD Units** : USD 1,000 **Class I HKD Units** : HK$ 500,000 **Class I RMB Units** : RMB 500,000 **Class I USD Units :** USD 50,000
Minimum Holding	**Class A HKD Units** : HK$ 10,000 **Class A RMB Units** : RMB 10,000 **Class A USD Units** : USD 1,000 **Class I HKD Units** : HK$ 1,000,000 **Class I RMB Units** : RMB 1,000,000 **Class I USD Units** : USD 100,000

Minimum Realisation Amount	**Class A HKD Units** : HK$ 1,000 **Class A RMB Units** : RMB 1,000 **Class A USD Units** : USD 1,000 **Class I HKD Units** : HK$ 100,000 **Class I RMB Units** : RMB 100,000 **Class I USD Units** : USD 10,000

Fees

Preliminary Charge (% of Issue Price)	**Class A & Class I**: up to 5.00%
Realisation Charge (% of Realisation Price)	**Class A & Class I**: Nil
Conversion Charge	**Class A & Class I**: up to 1.00%
Management Fee (% Net Asset Value of the Sub-Fund)	**Class A**: 1.25% p.a. **Class I**: 0.75% p.a.
Trustee Fee (% Net Asset Value of the Sub-Fund)	**Class A & Class I**: up to 0.15% p.a., subject to a minimum monthly fee (up to HK$ 35,000)
Custody Fee (% Net Asset Value of the Sub-Fund)	**Class A & Class I**: up to 0.1% p.a.

Certain Charges, Fees and Expenses to be borne by the Manager

In general, the Sub-Fund bears the charges, fees and expenses which are directly attributable to it in accordance with the Trust Deed (including but not limited to the Management Fee, Trustee Fee and Custody Fee).

However, the Manager may at its discretion decide to bear certain charges, fees and expenses which are attributable to the Sub-Fund starting from 1 January 2014 until a future date as notified by the Manager. The portion of the charges, fees and expenses to be borne by the Manager may vary from year to year. The Sub-Fund will bear all other charges, fees and expenses in accordance with the Trust Deed (including but not limited to the Management Fee, Trustee Fee and Custody Fee) which have not been borne by the Manager.

At least one month notice will be given to Unitholders before the Manager ceases to bear the aforementioned charges, fees and expenses attributable to the Sub-Fund and this Explanatory Memorandum will be updated accordingly.

Establishment Costs

The establishment costs of the CUAM China-Hong Kong Strategy Fund amount to approximately HK$500,000 and will be borne by the Manager.

Dealing Day

Dealings in Units of the Sub-Fund will be on a daily basis, with the Dealing Day being each Business Day.

Dealing Deadline

4:00 p.m. (Hong Kong time) on the relevant Dealing Day

Subscription, Realisation and Conversion of Units

For details regarding the procedures for subscription, realisation and conversion, see the main part of the Explanatory Memorandum under "Purchase of Units", "Realisation of Units" and "Conversion between Sub-Funds".

Distributions

The Manager does not intend to make any distribution of income in respect of the Sub-Fund.

Valuation

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

APPENDIX III – CUAM HONG KONG DOLLAR BOND FUND

This Appendix comprises information in relation to CUAM Hong Kong Dollar Bond Fund, a Sub-Fund of the Fund.

Offering

Units will be issued in respect of applications (together with application moneys in cleared funds) received prior to 4:00 p.m. (Hong Kong time) and accepted by the Manager (or such later time as the Manager may agree) based on the price at the Valuation Point on the Dealing Day. If applications are received after that time, such applications shall be processed on the next Dealing Day based on the price at the relevant Valuation Point on that Dealing Day.

Application Moneys / Realisation Proceeds

Application moneys for this Sub-Fund should be made in the relevant class currency. Arrangements can also be made for applicants to pay for Units in most other major currencies and in such cases, the cost of currency conversion will be borne by the applicant. Please refer to the relevant sections of the Explanatory Memorandum, i.e. "Payment Procedures" of "Purchase of Units" and "Payment of Realisation Proceeds" of "Realisation of Units" for further details.

Base Currency

The base currency of the Sub-Fund is HKD.

Investment Objective

CUAM Hong Kong Dollar Bond Fund seeks to provide investors with a stable and consistent investment return over medium to long term by investing primarily in Hong Kong Dollar denominated debt securities instruments. The Sub-Fund will invest more than 70% of its Net Asset Value in Hong Kong Dollar denominated debt securities and certificates of deposits, and not more than 30% of its Net Asset Value in other currency denominated debt securities.

Investment Policy

CUAM Hong Kong Dollar Bond Fund mainly invests in debt securities issued or fully guaranteed by governments, government agencies, supranational and corporate. The debt securities instruments in which the Sub-Fund may invest include (but not limited to) long-term

bonds, medium-term notes, bills, convertible bonds, subordinated debt, asset-backed debt securities, certificate of deposits and commercial papers.

The Sub-Fund intends to invest in debt securities for medium to long term. However, the actual holding period may vary subject to market conditions.

The Manager will adopt a "top down-bottom up" approach to manage the Sub-Fund. The Manager will utilize "top down" approach to analyse economy and capital market conditions to determine the portfolio duration, average yield, rating allocations, sector allocations, cash weighting and other investment decisions. The Manager will then utilize "bottom up" approach to select individual debt securities, analysis will be conducted on the fundamentals of debt securities' issuers and/or guarantors, the structure and terms of the debt securities, valuation of the debt securities, and other factors which may affect the Manager's investment view.

The Sub-Fund will not buy equity securities. However, depending on the market conditions, there may be possibility that the Manager will convert the invested convertible bonds to equities to realize the profits. In this case, the equities will be sold as soon as possible considering the market conditions. The Sub-Fund will not invest in exchange-traded funds ("ETFs") and/or real estate investment trusts ("REITS").

There is no minimum credit rating requirement for the Sub-Fund.

The Sub-Fund may invest less than 30% of its Net Asset Value in debt instruments with loss-absorption features (i.e. debt instruments issued by a holding company of a financial institution with features of contingent write-down or contingent conversion to ordinary shares on the occurrence of (i) when a financial institution is near or at the point of non-viability, or (ii) when the capital ratio of a financial institution falls to a specified level). These include contingent convertible bonds, non-preferred senior debt instruments and Additional Tier 1 and Tier 2 capital instruments. The Sub-Fund will dispose of the foregoing ordinary shares as soon as possible taking into account the market conditions at that time.

The Sub-Fund will not invest more than 10% of its Net Asset Value in securities issued by or guaranteed by any single country (including its government, a public or local authority of that country) with a credit rating below investment grade or are unrated debt securities. "Investment grade" means a rating of BBB- or above from Standard & Poor's and Fitch, Baa3 or above from Moody's or an equivalent rating from any internationally recognized credit rating agency, or AA+ or above as rated by PRC local rating agencies. For this purpose, if the relevant security does not itself have a credit rating, then reference can be made to the credit rating of the issuer of the security.

"Unrated debt securities" means a debt security which neither the security itself nor its issuer has a credit rating.

The Sub-Fund may hold less than 30% of its Net Asset Value in cash and cash equivalents, which may include cash, deposits and money market instruments for liquidity and cash management purposes. The Sub-Fund may hold temporarily up to 100% of its Net Asset Value in cash or cash equivalents under exceptional circumstances, such as (i) market crash, or major crisis, (ii) attempts to mitigate the risk of potential sharp reversals and fall in the equity or bond markets, (iii) attempts to mitigate downside risks during uncertainties or (iv) maintain liquidity for the Sub-Fund.

The Sub-Fund may employ financial derivative instruments such as future and forwards for hedging purposes only and will not invest in financial derivative instruments for investment purposes. The Sub-Fund will not invest in any structured deposits or structured products.

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

The Sub-Fund will not engage in securities lending transactions or repurchase and reverse repurchase transactions. Prior approval will be sought from the SFC and at least one month's prior notice will be given to Unitholders should there be a change in such intention. The Explanatory Memorandum will be updated accordingly.

Investment Restrictions

Investors should refer to the relevant investment restrictions under the section headed "Investment and Borrowing Restrictions" in the main part of the Explanatory Memorandum.

Specific Risk Factors

Investors should refer to the relevant risks under the section headed "Risk Factors" in the main part of the Explanatory Memorandum and the following specific risk factors in respect of the Sub-Fund:-

Risk relating to convertible bonds – This Sub-Fund may invest in convertible bonds, which shares similar characteristics and nature of debt and equity, permitting holders to convert into shares in the company issuing the bond at a specific future date. Convertible bonds are subject to the credit, interest rate and market risks with both debt securities and equity securities and any risk specific to convertible bonds. Convertible bonds may also be subject to lower liquidity than the underlying equities. Therefore, investors should be prepared for greater volatility than normal bond investments, with an increased risk of capital loss.

Risks associated with investment in instruments with non-viability / loss absorption convertible features - Instruments with non-viability / loss absorption convertible features, such as contingent convertible bonds, are hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level. Upon the occurrence of a predetermined event (known as a trigger event), such instruments will be converted into shares of the issuing company (potentially at a discounted price as a result of the deterioration in the financial condition of the issuing company), or cause the permanent write-down to zero of the principal investment and/or accrued interest such that the principal amount invested may be lost on a permanent or temporary basis. Instruments with non-viability / loss absorption convertible features are risky and highly complex instruments. Coupon payments on such instruments are discretionary and may at times also be ceased or deferred by the issuer. Trigger events can vary but these could include the capital ratio of the issuing company falling below a certain level, or the share price of the issuer falling to a particular level for a certain period of time.

Instruments with non-viability / loss absorption convertible features are also subject to additional risks specific to their structure including:

(i) Trigger level risk

Trigger levels differ and determine exposure to conversion risk. They are complex and are likely out of the issuing company's control. It might be difficult for the Manager of the Sub-Fund invested in instruments with non-viability / loss absorption convertible features to anticipate the trigger events that would require the debt to convert into equity or the write down to zero of principal investment and/or accrued interest. Trigger events may include: (i) a reduction in the issuing bank's Core Tier 1/Common Equity Tier 1 (CT1/CET1) ratio or other ratios, (ii) a regulatory authority, at any time, making a subjective determination that an institution is "non-viable", i.e. a determination that the issuing bank requires public sector support in order to prevent the issuer from becoming insolvent, bankrupt or otherwise carry on its business and requiring or causing the conversion of the relevant instruments into equity or write down, in circumstances that are beyond the control of the issuer or (iii) a national authority deciding to inject capital.

In the event of the activation of a trigger, there may be potential price contagion and volatility to the entire asset class.

(ii) Coupon cancellation

Coupon payments on some instruments with non-viability / loss absorption convertible features are entirely discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

The discretionary cancellation of payments is not an event of default and there are no possibilities to require re-instatement of coupon payments or payment of any passed missed payments. Coupon payments may also be subject to approval by the issuer's regulator and may be suspended in the event there are insufficient distributable reserves. As a result of uncertainty surrounding coupon payments, such instruments may be volatile and their price may decline rapidly in the event that coupon payments are suspended.

(iii) Capital structure inversion risk

Contrary to the classic capital hierarchy, investors in instruments with non-viability / loss absorption convertible features may suffer a loss of capital when equity holders do not, for example when the loss absorption mechanism of a high trigger/write down of such an instrument is activated. This is contrary to the normal order of the capital structure where equity holders are expected to suffer the first loss.

(iv) Call extension risk

Some instruments with non-viability / loss absorption convertible features are issued as perpetual instruments and only callable at predetermined levels upon approval of the competent regulatory authority. It cannot be assumed that these perpetual instruments will be called on a call date. Instruments with non-viability / loss absorption convertible features are a form of permanent capital. The investor may not receive return of principal as expected on call date or indeed at any date.

(v) Conversion risk

Trigger levels differ between specific instruments with non-viability / loss absorption convertible features and determine exposure to conversion risk. It might be difficult at times for the Manager of the Sub-Fund to anticipate triggering events and assess how such instruments will behave upon conversion. In case of conversion into equity, the Manager might be forced to sell these new equity shares subject to the investment policy of the Sub-Fund. Given the trigger event is likely to be some event depressing the value of the issuer's common equity, this forced sale may result in the Sub-Fund experiencing some loss.

(vi) Valuation and write-down risk

Instruments with non-viability / loss absorption convertible features often offer attractive yield which may be viewed as a complexity premium. The value of such instruments may need to be reduced due to a higher risk of overvaluation of such asset class on the relevant eligible markets. Therefore, the Sub-Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment.

(vii) Market value fluctuations due to unpredictable factors

The value of instruments with non-viability / loss absorption convertible features is unpredictable and will be influenced by many factors including, without limitation (i) creditworthiness of the issuer and/or fluctuations in such issuer's applicable capital ratios; (ii) supply and demand for such instruments; (iii) general market conditions and available liquidity and (iv) economic, financial and political events that affect the issuer, its particular market or the financial markets in general.

(viii) Liquidity risk

In certain circumstances finding a buyer ready to invest in instruments with non-viability / loss absorption convertible features may be difficult and the Sub-Fund may have to accept a significant discount to the expected value of the instruments in order to sell it.

(ix) Sector concentration risk

Instruments with non-viability / loss absorption convertible features are issued by banking and insurance institutions. Investment in such instruments may lead to an increased sector concentration risk. The performance of the Sub-Fund which invests in these instruments will depend to a greater extent on the overall condition of the financial services industry than for the Sub-Fund following a more diversified strategy.

(x) Subordinated instruments

Instruments with non-viability / loss absorption convertible features will, in the majority of circumstances, be issued in the form of subordinated debt instruments in order to provide the appropriate regulatory capital treatment prior to a conversion. Accordingly, in the event of liquidation, dissolution or winding-up of an issuer prior to a conversion having occurred, the rights and claims of the holders of the such instruments, such as the Sub-Fund, against the issuer in respect of or arising under the terms of these instruments shall generally rank junior to the claims of all holders of unsubordinated obligations of the issuer.

(xi) Novelty and untested nature

The structure of instruments with non-viability / loss absorption convertible features is innovative yet untested. In a stressed environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform.

(xii) Contingent convertible debt securities

The Sub-Fund may invest in contingent convertible debt securities, which are highly complex and are of high risk. Upon the occurrence of the trigger event, contingent convertible debt securities may be converted into shares of the issuer (potentially at a

discounted price), or may be subject to the permanent write-down to zero. Coupon payments on contingent convertible debt securities are discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

(xiii) Non-preferred senior debt securities

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

Risk relating to below investment grade and unrated securities – This Sub-Fund may invest in securities which are below investment grade or which are non-rated. Investors should note that such securities would generally be considered to have a higher credit risk and a greater possibility of default than more highly rated securities. If the issuer of securities defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. In addition, the market for securities which are non-rated or rated below investment grade and/or have a lower credit rating generally is of lower liquidity and less active than that for higher rated securities and the Sub-Fund's ability to liquidate its holdings in response to changes in the economy or the financial markets may be further limited by factors such as adverse publicity and investor perception.

Risk relating to equities - The Sub-Fund may hold equities in the event that the Manager converts the invested convertible bonds to equities. The value of such investments may be affected by uncertainties such as international, political and economic developments or changes in government policies. In falling equity markets there may be increased volatility. Market prices in such circumstances may defy rational analysis or expectation for prolonged periods of time, and can be influenced by movements of large funds as a result of short-term factors, counter-speculative measures or other reasons.

Hedging transaction risk - The Manager is permitted, but not obliged, to use hedging techniques to attempt to offset market risks. There is no guarantee that hedging techniques will achieve their desired result.

Risk of using financial derivative instruments - The use of financial derivatives instruments may expose the Sub-Fund to risks including market volatility risk, credit risk, counterparty risk, liquidity risk, non-redeemable risk and issuer's defaults risk. In adverse situations, the use of financial derivative instruments for hedging purposes may become ineffective and the Sub-Fund may suffer significant losses.

Renminbi currency risk - RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of and repatriation restrictions imposed by the Chinese government. Such policies may change in future. Depending on the nature of the change and other factors such as the prevailing economic conditions, RMB may depreciate and the Sub-Fund's or the investors' position may be adversely affected.

RMB classes related risk - The prices of Units in the RMB classes are denominated in RMB, but the Sub-Fund will have limited RMB-denominated underlying investments and its base currency is HKD. As such, even if the prices of underlying investments and/or value of the base currency rise or remain stable, investors may still incur losses if RMB appreciates against the currencies of the underlying investments and/or the base currency more than the increase in the value of the underlying investments and/or the base currency. Furthermore, if RMB appreciates against the currencies of the underlying investments and/or the base currency, and the value of the underlying investments decreased, the value of investors' investments in RMB classes may suffer additional losses.

Investors investing in RMB classes must subscribe for Units and will normally receive redemption proceeds in RMB. Due to the exchange controls and restrictions applicable to RMB, the Sub-Fund may not be able to get sufficient amounts of RMB in a timely manner to meet redemption requests of RMB classes and/or pay dividends (if any) if all or a substantial portion of its underlying investments are non-RMB denominated. Therefore, even if the Sub-Fund aims to pay redemption proceeds and/or dividends to investors of RMB classes in RMB, investors may not receive RMB upon redemption of investments or receive dividend payments (if any) in RMB. There is also a risk that payment of investors' redemption proceeds in RMB may be delayed when there is not sufficient RMB for currency conversion for settlement of the redemption proceeds.

When calculating the value of the RMB classes, the offshore RMB in Hong Kong (the "**CNH**") will be used. The CNH rate may be at a premium or discount to the exchange rate for onshore RMB in China (the "**CNY**") and there may be significant bid and offer spreads. While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently. As such, CNH does not necessarily have the same exchange rate and may not move in the same direction as CNY.

The value of the RMB classes thus calculated will be subject to fluctuation. The exchange rate of RMB may rise or fall. There can be no assurance that RMB will not be subject to devaluation. Any devaluation of RMB could adversely affect the value of investors' investments in the RMB classes of the Sub-Fund. Non-RMB based (e.g. Hong Kong) investors may have to convert HKD or other currencies into RMB when investing in the RMB classes. Subsequently, investors may also have to convert the RMB redemption proceeds (received when selling the units) back to HKD or other currencies. During these processes, investors will incur currency conversion costs and may suffer losses in the event that RMB depreciates against HKD or such other currencies upon receipt of the RMB redemption proceeds.

Risks associated with distributions out of / effectively out of capital - The Manager may at its discretion make distributions from capital or gross income while charging/paying all or part of the Sub-Fund's fees and expenses to/out of the Sub-Fund's capital. Unitholders should note that the distributions paid out of capital or effectively out of capital amount to a return or withdrawal of part of a Unitholder's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of the Sub-Fund's capital or payment of distributions effectively out of the Sub-Fund's capital (as the case may be) will result in an immediate reduction of the Net Asset Value per Unit and will reduce the capital that the Sub-Fund has available for investment in future and may constrain capital growth.

Available Classes

Class A HKD Units, Class A RMB Units and Class A USD Units are available for sale to the retail public in Hong Kong.

Class I HKD Units, Class I RMB Units and Class I USD Units are offered to institutional investors or other investors determined by the Manager.

Investment Minima

Minimum Subscription Amount	**Class A HKD Units:** HK$ 10,000 **Class A RMB Units:** RMB 10,000 **Class A USD Units:** USD 1,000 **Class I HKD Units:** HK$ 3,000,000 **Class I RMB Units:** RMB 3,000,000 **Class I USD Units:** USD 300,000
Minimum Subsequent Subscription Amount	**Class A HKD Units:** HK$ 1,000 **Class A RMB Units:** RMB 1,000 **Class A USD Units:** USD 1,000 **Class I HKD Units:** HK$ 500,000 **Class I RMB Units:** RMB 500,000 **Class I USD Units:** USD 50,000
Minimum Holding	**Class A HKD Units:** HK$ 10,000 **Class A RMB Units:** RMB 10,000 **Class A USD Units:** USD 1,000 **Class I HKD Units:** HK$ 1,000,000 **Class I RMB Units:** RMB 1,000,000 **Class I USD Units:** USD 100,000
Minimum Realisation Amount	**Class A HKD Units:** HK$ 1,000 **Class A RMB Units:** RMB 1,000 **Class A USD Units:** USD 1,000 **Class I HKD Units:** HK$ 100,000 **Class I RMB Units:** RMB 100,000 **Class I USD Units:** USD 10,000

Fees

Preliminary Charge (% of Issue Price)	**Class A & Class I:** up to 5.00%
Realisation Charge (% of Realisation Price)	**Class A & Class I:** Nil
Conversion Charge (% of the Issue Price of the Units of the new Sub-Fund in relation to the conversion of Units)	**Class A & Class I:** up to 1.00%
Management Fee (% Net Asset Value of the Sub-Fund)	Current rate: **Class A:** 0.75% p.a. **Class I:** 0.50% p.a.

Trustee Fee (% Net Asset Value of the Sub-Fund)	Current rate: **Class A & Class I:** Currently up to 0.15% p.a., subject to a minimum monthly fee (up to HK$ 35,000)
Custody Fee (% Net Asset Value of the Sub-Fund)	**Class A & Class I:** up to 0.10% p.a.

Certain Charges, Fees and Expenses to be borne by the Manager

In general, the Sub-Fund bears the charges, fees and expenses which are directly attributable to it in accordance with the Trust Deed (including but not limited to the Management Fee, Trustee Fee and Custody Fee).

However, the Manager may at its discretion decide to bear certain charges, fees and expenses which are attributable to the Sub-Fund starting from 1 January 2014 until a future date as notified by the Manager. The portion of the charges, fees and expenses to be borne by the Manager may vary from year to year. The Sub-Fund will bear all other charges, fees and expenses in accordance with the Trust Deed (including but not limited to the Management Fee, Trustee Fee and Custody Fee) which have not been borne by the Manager.

At least one month notice will be given to Unitholders before the Manager ceases to bear the aforementioned charges, fees and expenses attributable to the Sub-Fund and this Explanatory Memorandum will be updated accordingly.

Establishment Costs

The establishment costs of CUAM Hong Kong Dollar Bond Fund amount to approximately HK$500,000 and will be borne by the Manager.

Dealing Day

Dealings in Units of the Sub-Fund will be on a daily basis, with the Dealing Day being each Business Day.

Dealing Deadline

4:00 p.m. (Hong Kong time) on the relevant Dealing Day.

Subscription, Realisation and Conversion of Units

For details regarding the procedures for subscription, realisation and conversion, see the main part of the Explanatory Memorandum under "Purchase of Units", "Realisation of Units" and "Conversion between Sub-Funds".

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends. It is currently intended that distribution will be made on a quarterly basis (i.e. March, June, September and December each year) payable in the base currency or class currency of the relevant classes. There is no guarantee of regular distribution and if distribution is made the amount being distributed.

The Manager may at its discretion pay distributions out of the Sub-Fund's net distributable income and/or capital if the net distributable income is insufficient to pay distributions as declared, or pay distributions out of gross income while charging/paying all or part of the fees and expenses to/out of the Sub-Fund's capital. Where distributions are paid out of gross income while charging/paying all or part of the fees and expenses to/out of the capital of the Sub-Fund, this will result in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund will effectively pay distributions out of capital. This will reduce the capital that the Sub-Fund has available for investment in future and may constrain capital growth. In the event the net distributable income and/or capital of the Sub-Fund are insufficient to pay distributions, the Manager may at its discretion not to make any distributions.

Compositions of the distributions (if any) (i.e. the relative amounts paid out of (i) net distributable income; and (ii) capital) for the last 12 months would be made available by the Manager on request and also on the Manager's website (www.99fund.com.hk). Please note that this website has not been reviewed by the SFC.

Unitholders should be aware of the effects of making distributions out of capital and pay attention to the relevant risk disclosures as set out under the risk factor headed **"Risks associated with distributions out of / effectively out of capital"** under the section headed "**Specific Risk Factors**".

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

Valuation

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

APPENDIX IV– CUAM SELECT US DOLLAR BOND FUND

This Appendix comprises information in relation to CUAM Select US Dollar Bond Fund, a Sub-Fund of the Fund.

Offering

Units will be issued in respect of applications (together with application moneys in cleared funds) received prior to 4:00 p.m. (Hong Kong time) and accepted by the Manager (or such later time as the Manager may agree) based on the price at the Valuation Point on the Dealing Day. If applications are received after that time, such applications shall be processed on the next Dealing Day based on the price at the relevant Valuation Point on that Dealing Day.

Application Moneys / Realisation Proceeds

Application moneys for this Sub-Fund should be made in the relevant class currency. Arrangements can also be made for applicants to pay for Units in most other major currencies and in such cases, the cost of currency conversion will be borne by the applicant. Please refer to the relevant sections of the Explanatory Memorandum, i.e. "Payment Procedures" of "Purchase of Units" and "Payment of Realisation Proceeds" of "Realisation of Units" for further details.

Base Currency

The base currency of the Sub-Fund is USD.

Investment Objective

The investment objective of the Sub-Fund is to seek to provide investors with a stable and consistent investment return over medium to long term by investing primarily in USD denominated debt securities instruments.

Investment Policy

CUAM Select US Dollar Bond Fund mainly invests in debt securities instruments including (but not limited to) long-term bonds, medium-term notes, bills, convertible bonds, contingent convertible bonds, subordinated debt, Dim Sum bonds, asset-backed debt securities, mortgage-backed securities, asset-backed commercial paper, certificate of deposits and commercial papers.

The Sub-Fund will primarily invest at least 70% of its Net Asset Value in USD denominated debt securities instruments. The Sub-Fund may invest less than 30% of its Net Asset Value in other debt securities instruments which are denominated in non-USD currencies.

The Sub-Fund may invest in debt securities instruments which are rated investment grade or below investment grade as well as unrated (which in the opinion of the Manager are suitable for achieving the investment objective of the Sub-Fund). The Sub-Fund may at times invest up to 100% of its Net Asset Value in below investment grade or unrated debt securities instruments. "Investment grade" means a rating of BBB- or above from Standard & Poor's and Fitch, Baa3 or above from Moody's or an equivalent rating from any internationally recognized credit rating agency, or AA+ or above as rated by PRC local rating agencies. For this purpose, if the relevant security does not itself have a credit rating, then reference can be made to the credit rating of the issuer of the security. "Unrated debt securities" means a debt security which neither the security itself nor its issuer has a credit rating.

The Sub-Fund is not subject to any limitation on the portion of its Net Asset Value that may be invested in any one country or region, and the weight in one country may go up to 100% of the Sub-Fund's Net Asset Value. The countries and regions in which the Sub-Fund may invest include, but are not limited to: US and European countries. The Sub-Fund may invest up to 20% of its Net Asset Value in onshore mainland China debt securities market (including urban investment bonds) (via the China Interbank Bond Market or using the QFI status of the Manager (as QFI holder) or through investment in other collective investment schemes or such other means as may be permitted under applicable laws and regulations from time to time). The Sub-Fund will not focus its investment in any specific industries or sectors although the allocation in certain industry or sector may be relatively significant, depending on the Manager's assessment at different times.

The Sub-Fund may invest up to 100% of its Net Asset Value in asset-backed debt securities, mortgage-backed securities and asset-backed commercial papers.

The Sub-Fund may invest less than 30% of its Net Asset Value in debt instruments with loss-absorption features (i.e. debt instruments issued by a holding company of a financial institution with features of contingent write-down or contingent conversion to ordinary shares on the occurrence of (i) when a financial institution is near or at the point of non-viability, or (ii) when the capital ratio of a financial institution falls to a specified level). These include contingent convertible bonds, non-preferred senior debt instruments and Additional Tier 1 and Tier 2 capital instruments. The Sub-Fund will dispose of the foregoing ordinary shares as soon as possible taking into account the market conditions at that time.

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

The Sub-Fund will not buy equity securities. However, depending on the market conditions, there may be a possibility that the Manager will convert the invested convertible bonds to equities to realize the profits. In this case, the equities will be sold as soon as possible taking into account the market conditions at that time. The Sub-Fund's aggregate exposure to such equities will be less than 30% of the Sub-Fund's Net Asset Value.

The Sub-Fund may invest up to 30% of its Net Asset Value in other collective investment schemes which are authorized by the SFC or recognized jurisdiction schemes (except that not more than 10% of the Sub-Fund's Net Asset Value may be invested in other collective investment schemes which are non-recognized jurisdiction schemes and not authorized by the SFC). The Sub-Fund will not invest in exchange-traded funds ("ETFs") and/or real estate investment trusts ("REITS").

The Sub-Fund may hold less than 30% of its Net Asset Value in cash and cash equivalents, which may include cash, deposits and money market instruments for liquidity and cash management purposes. The Sub-Fund may hold temporarily up to 100% of its Net Asset Value in cash or cash equivalents under exceptional circumstances, such as (i) market crash, or major crisis, (ii) attempts to mitigate the risk of potential sharp reversals and fall in the equity or bond markets, (iii) attempts to mitigate downside risks during uncertainties or (iv) maintain liquidity for the Sub-Fund.

The Sub-Fund may employ financial derivative instruments such as future and forwards for hedging purposes only and will not invest in financial derivative instruments for investment purposes. The Sub-Fund will not invest in any structured deposits or structured products.

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

The Sub-Fund will not engage in securities lending transactions or repurchase or reverse repurchase transactions or similar over-the-counter transactions in respect of the Sub-Fund. Prior approval will be sought from the SFC and at least one month's prior notice will be given to unitholders should there be a change in such intention.

The asset allocation of the Sub-Fund may change taking into account different factors including but not limited to the Manager's views of the fundamental economic and market conditions, investment trends across the globe, the duration and yield of the debt securities, the credit rating of the debt securities and their issuers.

Investment Restrictions

Investors should refer to the relevant investment restrictions under the section headed "**Investment and Borrowing Restrictions**" in the main part of the Explanatory Memorandum.

Specific Risk Factors

Investors should refer to the relevant risks under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum, in particular, "Emerging market risk", "Interest rates risk", "Credit risk", "Counterparty risk", "Valuation risk", "Settlement risk", "China market risk", "Over-the-counter markets risk", "Hedging transactions risk", "Restricted markets risk", "QFI risk", "PRC tax considerations", "Custodial risk", "Risk of termination" and "Foreign Account Tax Compliance Act" and the following specific risk factors in respect of the Sub-Fund:-

Investment risk - The instruments invested by the Sub-Fund may fall in value due to any of the key risk factors below and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of dividend or distribution payments during the period an investor holds units in the Sub-Fund. There is no guarantee of the repayment of principal.

Concentration risk - The Sub-Fund may invest only in a specific country/region. Although the Sub-Fund's portfolio will be well diversified in terms of the number of holdings, investors should be aware that the value of the Sub-Fund is likely to be more volatile than that of a broad-based fund, such as a global or regional equity fund, as they are more susceptible to fluctuations in value resulting from adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the respective countries/regions.

Eurozone risk - In light of ongoing concerns on the sovereign debt risk of certain countries within the Eurozone, the Sub-Fund's investments in the region may be subject to higher volatility, liquidity, currency and default risks. Any adverse events, such as credit downgrade of a sovereign or exit of EU members from the Eurozone, may have a negative impact on the value of the Sub-Fund.

Currency risk - The Sub-Fund may be invested in part in assets quoted in currencies other than its base currency. Also, a class of units may be designated in a currency other than the base currency of the Sub-Fund. The performance and the Net Asset Value of the Sub-Fund will therefore be affected unfavourably by movements in the exchange rate between the currencies in which the assets are held and the base currency of the Sub-Fund and by changes in exchange rate controls. Since the Manager aims to maximise returns for the Sub-Fund in terms of its base currency, investors in the Sub-Fund may be exposed to additional currency risk.

Risk relating to credit rating - The credit ratings of fixed-income securities by credit rating agencies are a generally accepted barometer of credit risk. They are, however, subject to certain limitations and do not guarantee the creditworthiness of the security and/or issuer at all times. For example, the rating of an issuer is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is often a time lag in updating the credit ratings in response to recent credit events.

Downgrading risk - Investment grade securities or the credit rating of the issuer may be subject to the risk of being downgraded to below investment grade or unrated. In the event of downgrading in the credit ratings of a security or an issuer relating to a security, the Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not dispose of the securities, subject to the investment objectives of the Sub-Fund.

Liquidity and volatility risk - Some of the markets (e.g. emerging markets) in which a Sub-Fund invests may be less liquid and more volatile than the world's leading stock markets and this may result in the fluctuation in the price of securities traded on such markets. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may suffer significant trading costs. Certain securities may be difficult or impossible to sell, and this would affect the Sub-Fund's ability to acquire or dispose of such securities at their intrinsic value.

Risk relating to convertible bonds - This Sub-Fund may invest up to 100% in convertible bonds, which shares similar characteristics and nature of debt and equity, permitting holders to convert into shares in the company issuing the bond at a specific future date. Convertible bonds will be exposed to equity movement and greater volatility than straight bond investments. Investment in convertible bonds are subject to the same credit, interest rate, liquidity and prepayment risks associated with comparable straight bond investments and market risks with both debt securities and equity securities and any risk specific to convertible bonds. Convertible bonds may also be subject to lower liquidity than the underlying equities. Therefore, investors should be prepared for greater volatility than normal bond investments, with an increased risk of capital loss.

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

features are risky and highly complex instruments. Coupon payments on such instruments are discretionary and may at times also be ceased or deferred by the issuer. Trigger events can vary but these could include the capital ratio of the issuing company falling below a certain level, or the share price of the issuer falling to a particular level for a certain period of time.

Instruments with non-viability / loss absorption convertible features are also subject to additional risks specific to their structure including:

(i) Trigger level risk

Trigger levels differ and determine exposure to conversion risk. They are complex and are likely out of the issuing company's control. It might be difficult for the Manager of the Sub-Fund invested in instruments with non-viability / loss absorption convertible features to anticipate the trigger events that would require the debt to convert into equity or the write down to zero of principal investment and/or accrued interest. Trigger events may include: (i) a reduction in the issuing bank's Core Tier 1 / Common Equity Tier 1 (CT1/CET1) ratio or other ratios, (ii) a regulatory authority, at any time, making a subjective determination that an institution is "non-viable", i.e. a determination that the issuing bank requires public sector support in order to prevent the issuer from becoming insolvent, bankrupt or otherwise carry on its business and requiring or causing the conversion of the relevant instruments into equity or write down, in circumstances that are beyond the control of the issuer or (iii) a national authority deciding to inject capital.

In the event of the activation of a trigger, there may be potential price contagion and volatility to the entire asset class.

(ii) Coupon cancellation

Coupon payments on some instruments with non-viability / loss absorption convertible features are entirely discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

The discretionary cancellation of payments is not an event of default and there are no possibilities to require re-instatement of coupon payments or payment of any passed missed payments. Coupon payments may also be subject to approval by the issuer's regulator and may be suspended in the event there are insufficient distributable reserves. As a result of uncertainty surrounding coupon payments, such instruments may be volatile and their price may decline rapidly in the event that coupon payments are suspended.

(iii) Capital structure inversion risk

Contrary to the classic capital hierarchy, investors in instruments with non-viability / loss absorption convertible features may suffer a loss of capital when equity holders do not, for example when the loss absorption mechanism of a high trigger/write down of such an instrument is activated. This is contrary to the normal order of the capital structure where equity holders are expected to suffer the first loss.

(iv) Call extension risk

Some instruments with non-viability / loss absorption convertible features are issued as perpetual instruments and only callable at predetermined levels upon approval of the competent regulatory authority. It cannot be assumed that these perpetual instruments will be called on a call date. Instruments with non-viability / loss absorption convertible features are a form of permanent capital. The investor may not receive return of principal as expected on call date or indeed at any date.

(v) Conversion risk

Trigger levels differ between specific instruments with non-viability / loss absorption convertible features and determine exposure to conversion risk. It might be difficult at times for the Manager of the Sub-Fund to anticipate triggering events and assess how such instruments will behave upon conversion. In case of conversion into equity, the Manager might be forced to sell these new equity shares subject to the investment policy of the Sub-Fund. Given the trigger event is likely to be some event depressing the value of the issuer's common equity, this forced sale may result in the Sub-Fund experiencing some loss.

(vi) Valuation and write-down risk

Instruments with non-viability / loss absorption convertible features often offer attractive yield which may be viewed as a complexity premium. The value of such instruments may need to be reduced due to a higher risk of overvaluation of such asset class on the relevant eligible markets. Therefore, the Sub-Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment.

(vii) Market value fluctuations due to unpredictable factors

The value of instruments with non-viability / loss absorption convertible features is unpredictable and will be influenced by many factors including, without limitation (i) creditworthiness of the issuer and/or fluctuations in such issuer's applicable capital ratios; (ii) supply and demand for such instruments; (iii) general market conditions and available liquidity and (iv) economic, financial and political events that affect the issuer, its particular market or the financial markets in general.

(viii) Liquidity risk

In certain circumstances finding a buyer ready to invest in instruments with non-viability / loss absorption convertible features may be difficult and the Sub-Fund may have to accept a significant discount to the expected value of such instrument in order to sell it.

(ix) Sector concentration risk

Instruments with non-viability / loss absorption convertible features are issued by banking and insurance institutions. Investment in such instruments may lead to an increased sector concentration risk. The performance of the Sub-Fund which invests in these instruments will depend to a greater extent on the overall condition of the financial services industry than for the Sub-Fund following a more diversified strategy.

(x) Subordinated instruments

Instruments with non-viability / loss absorption convertible features will, in the majority of circumstances, be issued in the form of subordinated debt instruments in order to provide the appropriate regulatory capital treatment prior to a conversion. Accordingly, in the event of liquidation, dissolution or winding-up of an issuer prior to a conversion having occurred, the rights and claims of the holders of such instruments, such as the Sub-Fund, against the issuer in respect of or arising under the terms of these instruments shall generally rank junior to the claims of all holders of unsubordinated obligations of the issuer.

(xi) Novelty and untested nature

The structure of instruments with non-viability / loss absorption convertible features is innovative yet untested. In a stressed
environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform.

(xii) Contingent convertible debt securities

The Sub-Fund may invest in contingent convertible debt securities, which are highly complex and are of high risk. Upon the occurrence of the trigger event, contingent convertible debt securities may be converted into shares of the issuer (potentially at a discounted price), or may be subject to the permanent write-down to zero. Coupon payments on contingent convertible debt securities are discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

(xiii) Non-preferred senior debt securities

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

Risk relating to below investment grade and unrated securities - This Sub-Fund may invest up to 100% of its Net Asset Value in securities which are below investment grade or which are unrated. Investors should note that such securities would generally be considered to have a higher credit risk and volatility risk and a greater possibility of default and greater risk of loss of principal and interest than more highly rated securities. If the issuer of securities defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. In addition, the market for securities which are unrated or rated below investment grade and/or have a lower credit rating generally is of lower liquidity and less active than that for higher rated securities and the Sub-Fund's ability to liquidate its holdings in response to changes in the economy or the financial markets may be further limited by factors such as adverse publicity and investor perception.

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

Sovereign debt risk - Certain developing countries are especially large debtors to commercial banks and foreign governments. Investment in debt obligations ("**Sovereign Debt**") issued or guaranteed by developing countries governments or their agencies ("**governmental entities**") involves a high degree of risk such as political, social and economic risk. The governmental entity that controls the repayment of Sovereign Debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. A governmental entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the governmental entity's policy towards the International Monetary Fund and the political constraints to which a governmental entity may be subject.

Governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearage on their debt. The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a governmental entity's implementation of

economic reforms and/or economic performance and the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the governmental entity, which may further impair such debtor's ability or willingness to service its debt on a timely basis. Consequently, governmental entities may default on their Sovereign Debt. Holders of Sovereign Debt, including the Sub-Fund, may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. There is no bankruptcy proceeding by which Sovereign Debt on which a governmental entity has defaulted may be collected in whole or in part. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

Risk relating to equities - The Sub-Fund may hold equities in the event that the Manager converts the invested convertible bonds to equities. The Sub-Fund's investment in equity securities is subject to general market risks. The value of such investments may be affected by uncertainties such as investment sentiment, international, political and economic developments, issuer-specific factors or changes in government policies. In falling equity markets there may be increased volatility. Market prices in such circumstances may defy rational analysis or expectation for prolonged periods of time, and can be influenced by movements of large funds as a result of short-term factors, counter-speculative measures or other reasons.

Risk of using financial derivative instruments - The use of financial derivatives instruments may expose the Sub-Fund to risks including market volatility risk, credit risk, counterparty risk, liquidity risk, non-redeemable risk, valuation risk, over-the-counter transaction risk and issuer's defaults risk. In adverse situations, the use of financial derivative instruments for hedging purposes may become ineffective and the Sub-Fund may suffer significant losses.

Risk of investing in asset-backed securities, mortgage-backed securities and asset-backed commercial papers - The Sub-Fund may invest up to 100% in asset-backed securities, mortgage-backed securities and asset-backed commercial papers, which are a kind of structured debt instruments, provide exposure, synthetically or otherwise, to underlying assets and the risk/ return profile is determined by the cash flows derived from such assets. Some of such instruments involve multiple instruments and cash flow profiles such that it is not possible to predict with certainty the outcome from all market scenarios. Also, the price of such an investment could be contingent on, or highly sensitive to, changes in the underlying components of the structured debt instrument. The underlying assets can take many forms including, but not limited to, credit card receivables, corporate loans, or any type of receivables from a company or structured vehicle that has regular cash flows from its customers.

These instruments may be highly illiquid and prone to substantial price volatility. The lack of liquidity may cause the current market price of assets to become disconnected from the

underlying assets' value and consequently the Sub-Fund investing in these instruments may be more susceptible to liquidity risk. The liquidity, credit and interest rate risks of these instruments can be higher than a regular bond or debt instrument and this may adversely affect either the ability to sell the position or the price at which such a sale is transacted.

In addition, these instruments are subject to extension and prepayment risk and risks that the payment obligations relating to the underlying assets are not met. The assets underlying these instruments may generally be prepaid at any time by the related borrowers. The prepayments may be used to prepay all or partial of the principal balance. As a result, the yield to maturity and market value of some of these instruments may be adversely affected by the rate of prepayments of the underlying assets. Some of these instruments that the Sub-Fund invests in are particularly sensitive to prepayment rates and, as a result, their yields to maturity and market values are expected to be highly volatile. These instruments are also subject to credit risk and valuation risk. The Sub-Fund may therefore suffer substantial loss and the Net Asset Value of the Sub-Fund could be adversely affected.

Risk of investing in other collective investment schemes - The Sub-Fund may invest in other collective investment schemes which may not be regulated by the SFC or are non-recognized jurisdiction schemes. In addition to the fees and expenses charged by the Sub-Fund, investors should note that there are additional fees involved when investing in these underlying collective investment schemes, including fees and expenses charged by the investment managers of these underlying collective investment schemes as well as fees payable by the Sub-Fund during its subscription to and redemption from these underlying collective investment schemes. Furthermore, there can be no assurance that the liquidity of these underlying collective investment schemes will always be sufficient to meet redemption request as and when made. Besides, investment decisions of these underlying collective investment schemes will be made independently of the Manager. There is no assurance that the investment objective and strategy of these underlying collective investment schemes will be achieved despite the selection and monitoring process undertaken by the Manager. If the Sub-Fund invests in other collective investment schemes managed by the Manager or its connected persons, all initial charges on these underlying collective investment schemes must be waived, and the Manager must not obtain rebate of any fees or charges levied by these underlying collective investment schemes. In case any conflict of interest may still arise out of such investments, the Manager will use its best endeavours to resolve it fairly.

Risks associated with China interbank bond market - Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the China interbank bond market may result in prices of certain debt securities traded on such market fluctuating significantly. The Sub-Fund investing in such market is therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the

Sub-Fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

To the extent that the Sub-Fund transacts in the China interbank bond market, the Sub-Fund may also be 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.

Since the relevant filings and account opening for investment in the China interbank bond market have to be carried out via an onshore settlement agent, the Sub-Fund is subject to the risks of default or errors on the part of the onshore settlement agent.

The China interbank bond market is also subject to regulatory risks. The relevant rules and regulations on investment in the China interbank bond market is subject to change which may have potential retrospective effect. In the event that the relevant Chinese authorities suspend account opening or trading on the China interbank bond market, the Sub-Fund's ability to invest in the China interbank bond market will be limited and, after exhausting other trading alternatives, the Sub-Fund may suffer substantial losses as a result.

Renminbi currency and conversion risk - RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of and repatriation restrictions imposed by the Chinese government. Such policies may change in future. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (e.g. HKD) will not depreciate. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors. Depending on the nature of the change and other factors such as the prevailing economic conditions, RMB may depreciate and the Sub-Fund's or the investors' position may be adversely affected. Under exceptional circumstances, payment of redemptions in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

RMB classes related risk - The prices of Units in the RMB classes are denominated in RMB, but the Sub-Fund will have limited RMB-denominated underlying investments and its base currency is USD. As such, even if the prices of underlying investments and/or value of the base currency rise or remain stable, investors may still incur losses if RMB appreciates against the currencies of the underlying investments and/or the base currency more than the increase in the value of the underlying investments and/or the base currency. Furthermore, if RMB appreciates against the currencies of the underlying investments and/or the base currency, and the value of

the underlying investments decreased, the value of investors' investments in RMB classes may suffer additional losses.

Investors investing in RMB classes must subscribe for Units and will normally receive redemption proceeds in RMB. Due to the exchange controls and restrictions applicable to RMB, the Sub-Fund may not be able to get sufficient amounts of RMB in a timely manner to meet redemption requests of RMB classes and/or pay dividends (if any) if all or a substantial portion of its underlying investments are non- RMB denominated. Therefore, even if the Sub-Fund aims to pay redemption proceeds and/or dividends to investors of RMB classes in RMB, investors may not receive RMB upon redemption of investments or receive dividend payments (if any) in RMB. There is also a risk that payment of investors' redemption proceeds in RMB may be delayed when there is not sufficient RMB for currency conversion for settlement of the redemption proceeds.

When calculating the value of the RMB classes, the offshore RMB in Hong Kong (the "**CNH**") will be used. The CNH rate may be at a premium or discount to the exchange rate for onshore RMB in China (the "**CNY**") and there may be significant bid and offer spreads. While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently. As such, CNH does not necessarily have the same exchange rate and may not move in the same direction as CNY.

The value of the RMB classes thus calculated will be subject to fluctuation. The exchange rate of RMB may rise or fall. There can be no assurance that RMB will not be subject to devaluation. Any devaluation of RMB could adversely affect the value of investors' investments in the RMB classes of the Sub-Fund. Non-RMB based (e.g. Hong Kong) investors may have to convert HKD or other currencies into RMB when investing in the RMB classes. Subsequently, investors may also have to convert the RMB redemption proceeds (received when selling the units) back to HKD or other currencies. During these processes, investors will incur currency conversion costs and may suffer losses in the event that RMB depreciates against HKD or such other currencies upon receipt of the RMB redemption proceeds.

Risk of investing in urban investment bonds - In view of limitations on directly raising funds, local governments in the PRC have set up numerous entities known as "Local Government Financing Vehicles" (LGFVs) to borrow and fund local development, public welfare investment and infrastructure projects. Urban investment bonds are issued by LGFVs. Local governments may be seen to be closely connected to urban investment bonds, as they are shareholders of the LGFVs issuing such bonds. However, urban investment bonds are typically not guaranteed by the relevant local governments or the central government of the PRC.

As such, local governments or the central government of the PRC are not obligated to support any LGFVs in default. The LGFVs' ability to repay debts depends on various factors, including the nature of the business of such LGFVs, the financial strength of such LGFVs and the extent to which the relevant local governments are prepared to support such LGFVs. Slower revenue growth at some local governments may constrain their capacity to provide support, while regulatory constraints may also limit local governments' ability to inject land reserves into LGFVs. Further, local governments have taken on debt in various other forms, and recent analyses show that increased financing activities have posed a risk to local government finances. If a LGFV encounters financial difficulties, without the local government's support, there is a risk of possible defaults on payment of principal or interest of urban investment bonds issued by the LGFV. This could result in substantial losses in the Sub-Fund's investments in debts issued by such LGFV, and as a result, the Sub-Fund's Net Asset Value will be adversely affected.

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

Risks associated with distributions out of / effectively out of capital - The Manager may at its discretion make distributions from capital or gross income while charging/paying all or part of the Sub-Fund's fees and expenses to/out of the Sub-Fund's capital. Unitholders should note that the distributions paid out of capital or effectively out of capital amount to a return or withdrawal of part of a Unitholder's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of the Sub-Fund's capital or payment of distributions effectively out of the Sub-Fund's capital (as the case may be) will result in an immediate reduction of the Net Asset Value per Unit and will reduce the capital that the Sub-Fund has available for investment in future and may constrain capital growth.

Available Classes

Class A HKD Units, Class A RMB Units, Class A USD Units and Class M USD Units are available for sale to the retail public in Hong Kong.

Class I HKD Units, Class I RMB Units and Class I USD Units are offered to institutional investors or other investors determined by the Manager.

Investment Minima

Minimum Subscription Amount	**Class A HKD Units:** HKD 8,000 **Class A RMB Units:** RMB 8,000 **Class A USD Units:** USD 1,000 **Class M USD Units:** USD 1,000 **Class I HKD Units:** HKD 4,000,000 **Class I RMB Units:** RMB 4,000,000 **Class I USD Units:** USD 500,000
Minimum Subsequent Subscription Amount	**Class A HKD Units:** HKD 8,000 **Class A RMB Units:** RMB 8,000 **Class A USD Units:** USD 1,000 **Class M USD Units:** USD 1,000 **Class I HKD Units:** HKD 4,000,000 **Class I RMB Units:** RMB 4,000,000 **Class I USD Units:** USD 500,000
Minimum Holding	**Class A HKD Units:** HKD 8,000 **Class A RMB Units:** RMB 8,000 **Class A USD Units:** USD 1,000 **Class M USD Units:** USD 1,000 **Class I HKD Units:** HKD 4,000,000 **Class I RMB Units:** RMB 4,000,000 **Class I USD Units:** USD 500,000
Minimum Realisation Amount	**Class A HKD Units:** HKD 8,000 **Class A RMB Units:** RMB 8,000 **Class A USD Units:** USD 1,000 **Class M USD Units:** USD 1,000 **Class I HKD Units:** HKD 4,000,000 **Class I RMB Units:** RMB 4,000,000 **Class I USD Units:** USD 500,000

Fees

Preliminary Charge (% of Issue Price)	**Class A, Class M & Class I:** Up to 5%
Realisation Charge (% of Realisation Price)	**Class A, Class M & Class I:** Nil
Conversion Charge (% of the Issue Price of the Units of the new Sub-Fund in relation to the conversion of Units)	**Class A, Class M & Class I:** Up to 1%
Management Fee (% Net Asset Value of the Sub-Fund)	Up to 3% p.a.

	Current rate*: **Class A:** 0.75% p.a. **Class M:** 0.75% p.a. **Class I:** 0.5% p.a.
Trustee Fee (% Net Asset Value of the Sub-Fund)	Current rate***:** **Class A, Class M & Class I:** Currently up to 0.15% p.a., subject to a minimum monthly fee (up to USD 5,000)
Custody Fee (% Net Asset Value of the Sub-Fund)	**Class A, Class M & Class I:** up to 0.1% p.a.

** The current annual rate may be increased up to the specified permitted maximum level as set out in the Explanatory Memorandum by giving not less than one month's prior notice to the investors.*

Certain Charges, Fees and Expenses to be borne by the Manager

In general, the Sub-Fund bears the charges, fees and expenses which are directly attributable to it in accordance with the Trust Deed (including but not limited to the Management Fee, Trustee Fee and Custody Fee). However, the Manager may at its discretion decide to bear certain charges, fees and expenses which are attributable to the Sub-Fund, starting from the launch date of the Sub-Fund until a future date as notified by the Manager. The portion of the charges, fees and expenses to be borne by the Manager may vary from year to year. The Sub-Fund will bear all other charges, fees and expenses in accordance with the Trust Deed (including but not limited to the Management Fee, Trust Fee and Custody Fee) which have not been borne by the Manager.

At least one month notice will be given to Unitholders before the Manager ceases to bear the aforementioned charges, fees and expenses attributable to the Sub-Fund and this Explanatory Memorandum will be updated accordingly.

Establishment Costs

The establishment costs of CUAM Select US Dollar Bond Fund amount to approximately USD75,000 and will be borne by the Manager.

Dealing Day

Dealings in Units of the Sub-Fund will be on a daily basis, with the Dealing Day being each Business Day.

Dealing Deadline

4:00 p.m. (Hong Kong time) on the relevant Dealing Day.

Subscription, Realisation and Conversion of Units

For details regarding the procedures for subscription, realisation and conversion, see the main part of the Explanatory Memorandum under "Purchase of Units", "Realisation of Units" and "Conversion between Sub-Funds".

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends. It is currently intended that distribution will be made on a quarterly basis (i.e. March, June, September and December each year), except for Class M USD Units, the distribution in respect of which will be made on a monthly basis, payable in the base currency or class currency of the relevant classes. There is no guarantee of regular distribution and if distribution is made the amount being distributed.

The Manager may at its discretion pay distributions out of the Sub-Fund's net distributable income and/or capital if the net distributable income is insufficient to pay distributions as declared or pay distributions out of gross income while charging/paying all or part of the fees and expenses to/out of the Sub-Fund's capital. Where distributions are paid out of gross income while charging/paying all or part of the fees and expenses to/out of the capital of the Sub-Fund, this will result in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund will effectively pay distributions out of capital. This will reduce the capital that the Sub-Fund has available for investment in future and may constrain capital growth.

In the event the net distributable income and/or capital of the Sub-Fund are insufficient to pay distributions, the Manager may at its discretion not to make any distributions.

Compositions of the distributions (if any) (i.e. the relative amounts paid out of (i) net distributable income; and (ii) capital) for the last 12 months would be made available by the Manager on request and also on the Manager's website (www.99fund.com.hk). Please note that this website has not been reviewed by the SFC.

Unitholders should be aware of the effects of making distributions out of capital and pay attention to the relevant risk disclosures as set out under the risk factor headed "**Risks**

associated with distributions out of / effectively out of capital" under the section headed "**Specific Risk Factors**".

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

Valuation

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

Termination

The Sub-Fund may be terminated by the Manager on notice in writing if on any date, the aggregate Net Asset Value of the Units of the relevant class outstanding thereunder shall be less than RMB 50 million or equivalent.

APPENDIX V– CUAM USD MONEY MARKET FUND

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

Offering

Units will be issued in respect of applications (together with application moneys in cleared funds) received prior to 11:00 a.m. (Hong Kong time) and accepted by the Manager (or such later time as the Manager may agree) based on the price at the Valuation Point on the Dealing Day. If applications are received after that time, such applications shall be processed on the next Dealing Day based on the price at the relevant Valuation Point on that Dealing Day.

Application Moneys / Realisation Proceeds

Application moneys for this Sub-Fund should be made in the relevant class currency. Arrangements can also be made for applicants to pay for Units in most other major currencies and in such cases, the cost of currency conversion will be borne by the applicant. Please refer to the relevant sections of the Explanatory Memorandum, i.e. "Payment Procedures" of "Purchase of Units" and "Payment of Realisation Proceeds" of "Realisation of Units" for further details.

Base Currency

The base currency of the Sub-Fund is USD.

Investment Objective

The Sub-Fund seeks to invest in short-term deposits and high quality money market investments and achieve a return in US Dollars in line with prevailing money market rates.

Investment Policy

Investments

The Sub-Fund seeks to achieve its investment objective by investing primarily (i.e. not less than 70% of its Net Asset Value) in US Dollars-denominated and settled short-term deposits and high quality money market instruments issued by governments, quasi-governments, international organisations, financial institutions and corporations. These high quality money

market instruments include debt securities, bank deposits, commercial papers, certificates of deposits, short-term notes and commercial bills. Debt securities invested by the Sub-Fund include but are not limited to fixed and floating rate bonds. The Sub-Fund may invest up to 30% of its Net Asset Value in non-US Dollar-denominated deposits and high quality money market instruments.

The Sub-Fund may invest up to 10% of its Net Asset Value in money market funds authorised in Hong Kong by the SFC under Chapter 8.2 of the Code on Unit Trusts and Mutual Funds or regulated in other jurisdictions in a manner generally comparable with the requirements of the SFC and acceptable to the SFC. The Sub-Fund will not invest in convertible bonds, debt instruments with loss-absorption features, asset-backed securities or urban investment bonds.

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

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

The aggregate value of the Sub-Fund's investments in entities with the same group through instruments and deposits may not exceed 20% of its Net Asset Value except: (i) in respect of any cash deposit of less than USD1,000,000, where the Sub-Fund cannot otherwise diversify as a result of its size; and (ii) where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%.

Credit quality and liquidity profile of money market instruments

In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments must be taken into account.

The Sub-Fund will only invest in debt securities which (i) are rated investment grade or above; or (ii) are issued / guaranteed by issuers / guarantors that are rated investment grade or above.

For the investments of the Sub-Fund, investment grade means a credit rating rated by at least one international credit rating agencies, e.g. Fitch (which means a rating of BBB- or above for long-term rating, and a rating of F3 or above for short-term rating), Moody's (which means a rating of Baa3 or above for long-term rating and a rating of P-3 or above for short-term rating), Standard and Poor's (which means a rating of BBB- or above for long-term rating and a rating of A-3 or above for short-term rating), or in respect of onshore Mainland China bonds, a minimum credit rating of AA+ as rated by at least one of the PRC local rating agencies. While the credit ratings provided by the relevant rating agencies serve as a point of reference, the Manager will conduct its own assessment on the credit quality based on various factors including the issuer's and/or the guarantor's (if applicable) financial leverage, interest coverage, operating cash flows, industry outlook and competitive position, as well as corporate governance.

For the avoidance of doubt, while the Sub-Fund does not intend to invest in money market instruments with a long term to maturity remaining at the time of investment, the abovementioned long-term credit ratings will be considered where the Sub-Fund invests in fixed income and debt securities which have been rated long-term credit ratings, but have a shorter term to maturity remaining (subject to the requirements on remaining maturity, weighted average maturity and weighted average life of the portfolio of the Sub-Fund as set out herein) at the time of purchase by the Sub-Fund.

Geographical allocation

The Sub-Fund may invest less than 30% of its Net Asset Value in emerging market countries except Mainland China. Other than the foregoing, the Sub-Fund is not subject to any limitation on the portion of its Net Asset Value that may be invested in any one country or region. The countries and regions in which the Sub-Fund may invest in include, but are not limited to: United States, Singapore, the European countries and Greater China (comprising Mainland China, Hong Kong, Macau and Taiwan).

The Sub-Fund may invest in aggregate no more than 10% of its Net Asset Value in onshore Mainland China debt securities, such as government bonds, policy bank bonds, negotiable certificates of deposits, via the China Interbank Bond Market or such other means as may be permitted under applicable laws and regulations from time to time. The Sub-Fund may also invest less than 30% of its Net Asset Value in dim sum bonds (i.e. bonds issued outside of Mainland China but denominated in RMB).

Securities financing transactions, financial derivative instruments and borrowing

The Sub-Fund may also enter into sale and repurchase transactions but only on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses. The amount of cash received by the Sub-Fund under such transactions may not in aggregate exceed 10% of its Net Asset Value. The Sub-Fund will not engage in securities lending transactions or reverse repurchase transactions or similar over-the-counter transactions in respect of the Sub-Fund. Prior approval will be sought from the SFC and at least one month's prior notice will be given to unitholders should there be a change in such intention.

The Sub-Fund will invest in financial derivative instruments (including interest rate swaps and currency swaps) for hedging purposes only. The Sub-Fund will not invest in any structured deposits, structured products or similar over-the counter securities, or to take any short positions.

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

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

Investment Restrictions

Investors should refer to the relevant investment restrictions under the section headed "**Investment and Borrowing Restrictions**" in the main part of the Explanatory Memorandum.

Management of the Sub-Fund

The Manager has appointed Industrial Bank Co., Ltd, Hong Kong Branch as investment adviser to provide non-binding investment advice in connection with the Sub-Fund's investments. As a non-discretionary investment adviser, it proposes or suggests investment ideas for the Manager to consider, but the ultimate decision (whether to accept, reject or otherwise) lies with the Manager. The day-to-day investment management activities of the Sub-Fund have not been delegated to the investment adviser.

Industrial Bank Co., Ltd. (a joint stock company incorporated in the PRC with limited liability), acting through its Hong Kong Branch which carries on licensed banking business in Hong Kong, is a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), and is registered with the SFC for type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities with CE number ALZ901.

Specific Risk Factors

Investors should refer to the relevant risks under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum, in particular, "Emerging market risk", "Interest rates risk", "Credit risk", "Counterparty risk", "Valuation risk", "Settlement risk", "Over-the-counter markets risk", "Hedging transactions risk", "Risks associated with CIBM", "PRC tax considerations", "Custodial risk", "Risk of termination" and "Foreign Account Tax Compliance Act" and the following specific risk factors in respect of the Sub-Fund:-

Investment risk - The instruments invested by the Sub-Fund may fall in value due to any of the key risk factors below and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of the repayment of principal.

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

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

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

Concentration risk - The Sub-Fund will invest primarily in US Dollars-denominated and settled short-term deposits and money market instruments. The Sub-Fund may also invest only in a specific country/region, such as Greater China. Although the Sub-Fund's portfolio will be well diversified in terms of the number of holdings, investors should be aware that the value of the Sub-Fund is likely to be more volatile than that of a broad-based fund, such as a global or regional equity fund, as they are more susceptible to fluctuations in value resulting from adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the respective countries/regions and currency.

Currency risk - The Sub-Fund may be invested in part in assets quoted in currencies other than its base currency. Also, a class of units may be designated in a currency other than the base currency of the Sub-Fund. The performance and the Net Asset Value of the Sub-Fund will therefore be affected unfavourably by movements in the exchange rate between the currencies in which the assets are held and the base currency of the Sub-Fund and by changes in exchange rate controls. Since the Manager aims to maximise returns for the Sub-Fund in terms of its base currency, investors in the Sub-Fund may be exposed to additional currency risk.

Risk relating to credit rating - The credit ratings of fixed-income securities by credit rating agencies are a generally accepted barometer of credit risk. They are, however, subject to certain limitations and do not guarantee the creditworthiness of the security and/or issuer/guarantor at all times. For example, the rating of an issuer/guarantor is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is often a time lag in updating the credit ratings in response to recent credit events.

Downgrading risk - Investment grade securities or the credit rating of the issuer/guarantor may be subject to the risk of being downgraded to below investment grade or unrated. In the event of downgrading in the credit ratings of a security or an issuer/guarantor relating to a security, the Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not dispose of the securities, subject to the investment objectives of the Sub-Fund.

Liquidity and volatility risk - Some of the markets (e.g. emerging markets) in which a Sub-Fund invests may be less liquid and more volatile than the world's leading stock markets and this may result in the fluctuation in the price of securities traded on such markets. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may suffer significant trading costs. Certain securities may be difficult or impossible to sell, and this would affect the Sub-Fund's ability to acquire or dispose of such securities at their intrinsic value.

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

Sovereign debt risk - Certain developing countries are especially large debtors to commercial banks and foreign governments. Investment in debt obligations ("**Sovereign Debt**") issued or guaranteed by developing countries governments or their agencies ("**governmental entities**") involves a high degree of risk such as political, social and economic risk. The governmental entity that controls the repayment of Sovereign Debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. A governmental

entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the governmental entity's policy towards the International Monetary Fund and the political constraints to which a governmental entity may be subject.

Governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearage on their debt. The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a governmental entity's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the governmental entity, which may further impair such debtor's ability or willingness to service its debt on a timely basis. Consequently, governmental entities may default on their Sovereign Debt. Holders of Sovereign Debt, including the Sub-Fund, may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. There is no bankruptcy proceeding by which Sovereign Debt on which a governmental entity has defaulted may be collected in whole or in part. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

Risk of using financial derivative instruments - The use of financial derivatives instruments may expose the Sub-Fund to risks including market volatility risk, credit risk, counterparty risk, liquidity risk, non-redeemable risk, valuation risk, over-the-counter transaction risk and issuer's defaults risk. The leverage element/component of a financial derivatives instrument can result in a loss significantly greater than the amount invested in the financial derivatives instrument by the Sub-Fund. In adverse situations, the use of financial derivative instruments for hedging purposes may become ineffective and the Sub-Fund may suffer significant losses.

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

Risk of investing in other collective investment schemes - The Sub-Fund may invest in other collective investment schemes which may not be regulated by the SFC or are non-recognized jurisdiction schemes. In addition to the fees and expenses charged by the Sub-Fund, investors should note that there are additional fees involved when investing in these underlying collective

investment schemes, including fees and expenses charged by the investment managers of these underlying collective investment schemes as well as fees payable by the Sub-Fund during its subscription to and redemption from these underlying collective investment schemes. Furthermore, there can be no assurance that the liquidity of these underlying collective investment schemes will always be sufficient to meet redemption request as and when made. Besides, investment decisions of these underlying collective investment schemes will be made independently of the Manager. There is no assurance that the investment objective and strategy of these underlying collective investment schemes will be achieved despite the selection and monitoring process undertaken by the Manager. If the Sub-Fund invests in other collective investment schemes managed by the Manager or its connected persons, all initial charges on these underlying collective investment schemes must be waived, and the Manager must not obtain rebate of any fees or charges levied by these underlying collective investment schemes. In case any conflict of interest may still arise out of such investments, the Manager will use its best endeavours to resolve it fairly.

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

To the extent that the Sub-Fund transacts in the China interbank bond market, the Sub-Fund may also be 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.

Since the relevant filings and account opening for investment in the China interbank bond market have to be carried out via an onshore settlement agent, the Sub-Fund is subject to the risks of default or errors on the part of the onshore settlement agent.

The China interbank bond market is also subject to regulatory risks. The relevant rules and regulations on investment in the China interbank bond market is subject to change which may have potential retrospective effect. In the event that the relevant Chinese authorities suspend account opening or trading on the China interbank bond market, the Sub-Fund's ability to invest in the China interbank bond market will be limited and, after exhausting other trading alternatives, the Sub-Fund may suffer substantial losses as a result.

Renminbi currency and conversion risk - RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of and repatriation restrictions imposed by the Chinese government. Such policies may change in future. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (e.g. HKD) will not depreciate. The value of the Sub-Fund's investment in RMB may fluctuate unfavourably in response to fluctuations in RMB exchange rate. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors. Depending on the nature of the change and other factors such as the prevailing economic conditions, RMB may depreciate and the Sub-Fund's or the investors' position may be adversely affected.

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

Available Classes

Class A USD Units, Class A HKD Units, Class P USD Units, Class P HKD Units, Class N USD Units and Class N HKD Units are available for sale to the retail public in Hong Kong.

Class I USD Units and Class I HKD Units are offered to institutional investors or other investors determined by the Manager.

Investment Minima

Minimum Subscription Amount	**Class A USD Units:** USD 1 **Class A HKD Units:** HKD 1 **Class I USD Units:** USD 1,000 **Class I HKD Units:** HKD 10,000 **Class P USD Units:** USD 1 **Class P HKD Units:** HKD 1 **Class N USD Units:** USD 1,000 **Class N HKD Units**: HKD 10,000
Minimum Subsequent Subscription Amount	**Class A USD Units:** USD 1 **Class A HKD Units:** HKD 1 **Class I USD Units:** USD 1,000 **Class I HKD Units:** HKD 10,000 **Class P USD Units:** USD 1 **Class P HKD Units:** HKD 1 **Class N USD Units:** USD 1,000 **Class N HKD Units**: HKD 10,000
Minimum Holding	**Class A USD Units:** USD 1 **Class A HKD Units:** HKD 1 **Class I USD Units:** USD 1,000 **Class I HKD Units:** HKD 10,000 **Class P USD Units:** USD 1 **Class P HKD Units:** HKD 1 **Class N USD Units:** USD 1,000 **Class N HKD Units**: HKD 10,000
Minimum Realisation Amount	**Class A USD Units:** USD 1 **Class A HKD Units:** HKD 1 **Class I USD Units:** USD 1,000 **Class I HKD Units:** HKD 10,000 **Class P USD Units:** USD 1 **Class P HKD Units:** HKD 1 **Class N USD Units:** USD 1,000 **Class N HKD Units**: HKD 10,000

Fees

Preliminary Charge (% of Issue Price)	**Class A:** Up to 3% **Class I:** Nil **Class P:** Up to 2% **Class N:** Nil
Realisation Charge (% of Realisation Price)	**Class A, Class I, Class P & Class N**: Nil
Conversion Charge (% of the Issue Price of the Units of the new Sub-Fund in relation to the conversion of Units)	**Class A, Class I, Class P & Class N**: Nil
Management Fee (% Net Asset Value of the Sub-Fund)	**Class A, Class I & Class P:** Up to 3% p.a. Current rate*: **Class A**: 0.30% p.a. **Class I**: 0.10% p.a. **Class P:** 0.60% p.a. **Class N**: Current and maximum rate being 0% p.a.
Trustee Fee (% Net Asset Value of the Sub-Fund)	Current rate*: **Class A, Class I, Class P & Class N:** Currently up to 0.075% p.a., subject to a minimum monthly fee (up to USD 5,000)
Custody Fee (% Net Asset Value of the Sub-Fund)	**Class A, Class I, Class P & Class N:** up to 0.10% p.a.

* *The current annual rate may be increased up to the specified permitted maximum level as set out in the Explanatory Memorandum by giving not less than one month's prior notice to the investors.*

Certain Charges, Fees and Expenses to be borne by the Manager

In general, the Sub-Fund bears the charges, fees and expenses which are directly attributable to it in accordance with the Trust Deed (including but not limited to the Management Fee, Trustee Fee and Custody Fee). However, the Manager may at its discretion decide to bear certain charges, fees and expenses which are attributable to the Sub-Fund, starting from the launch date of the Sub-Fund until a future date as notified by the Manager. The portion of the

charges, fees and expenses to be borne by the Manager may vary from year to year. The Sub-Fund will bear all other charges, fees and expenses in accordance with the Trust Deed (including but not limited to the Management Fee, Trust Fee and Custody Fee) which have not been borne by the Manager.

At least one month's notice will be given to Unitholders before the Manager ceases to bear the aforementioned charges, fees and expenses attributable to the Sub-Fund and this Explanatory Memorandum will be updated accordingly.

Establishment Costs

The establishment costs of CUAM USD Money Market Fund amount to approximately USD75,000 and will be charged to the accounts of the Sub-Fund. The Manager intends to amortise the foregoing over the first five accounting periods of the Sub-Fund (or such other period as determined by the Manager after consultation with the auditor of the Sub-Fund).

Dealing Day

Dealings in Units of the Sub-Fund will be on a daily basis, with the Dealing Day being each Business Day.

Dealing Deadline

11:00 a.m. (Hong Kong time) on the relevant Dealing Day.

Subscription, Realisation and Conversion of Units

For details regarding the procedures for subscription, realisation and conversion, see the main part of the Explanatory Memorandum under "Purchase of Units", "Realisation of Units" and "Conversion between Sub-Funds".

The Issue Price of the Sub-Fund on any Dealing Day will be its Net Asset Value as at the Valuation Point in respect of the Dealing Day divided by the number of Units then in issue, rounded to 4 decimal places.

The fractions of Units of the Sub-Fund will be issued rounded to the nearest 4 decimal places. Application moneys representing smaller fractions of a Unit will be retained by the Sub-Fund.

The Realisation Price of the Sub-Fund on any Dealing Day shall be the price per Unit ascertained by dividing the Net Asset Value of the Sub-Fund as at the Valuation Point in respect of the Dealing Day by the number of Units then in issue rounded to 4 decimal places.

Distributions

The Manager does not intend to make any distribution of income in respect of the Sub-Fund.

Valuation

The Valuation Point is 11:00 a.m. (Hong Kong time) on each Valuation Day, or such other time on each Valuation Day or such other Business Day as the Manager may determine from time to time with the approval of the Trustee.

Termination

The Sub-Fund may be terminated by the Manager on notice in writing if on any date, the aggregate Net Asset Value of the Units of the relevant class outstanding thereunder shall be less than USD 10 million or equivalent.

APPENDIX VI – CUAM STABLE INCOME FUND

This Appendix comprises information in relation to CUAM Stable Income Fund, a Sub-Fund of the Fund.

Offering

Units will be issued in respect of applications (together with application moneys in cleared funds) received prior to 4:00 p.m. (Hong Kong time) and accepted by the Manager (or such later time as the Manager may agree) based on the price at the Valuation Point on the Dealing Day. If applications are received after that time, such applications shall be processed on the next Dealing Day based on the price at the relevant Valuation Point on that Dealing Day.

Application Moneys / Realisation Proceeds

Application moneys for this Sub-Fund should be made in the relevant class currency. Arrangements can also be made for applicants to pay for Units in most other major currencies and in such cases, the cost of currency conversion will be borne by the applicant. Please refer to the relevant sections of the Explanatory Memorandum, i.e. “Payment Procedures” of “Purchase of Units” and “Payment of Realisation Proceeds” of “Realisation of Units” for further details.

Base Currency

The base currency of the Sub-Fund is USD.

Dealing Day

Dealings in Units of the Sub-Fund will be on a monthly basis, with the Dealing Day being the 20th calendar day of each month, or the immediately following Business Day, if such date is not a Business Day.

Dealing Deadline

4:00 p.m. (Hong Kong time) on the relevant Dealing Day.

Investment Objective

The investment objective of the Sub-Fund is to seek to provide investors with a stable return by primarily investing in a portfolio of debt securities instruments.

Investment Policy

CUAM Stable Income Fund will primarily invest at least 70% of its Net Asset Value in investment grade debt securities instruments. The debt securities instruments in which the Sub-Fund may invest include (but not limited to) fixed or floating rate debt securities instruments, government or quasi-government bonds, corporate bonds, notes, bills, convertible bonds, contingent convertible bonds, subordinated debt, perpetual bonds, Dim Sum bonds, asset-backed debt securities, mortgage-backed securities, asset-backed commercial paper, certificate of deposits and commercial papers. The Sub-Fund's investment in asset-backed debt securities, mortgage-backed securities and asset-backed commercial papers will in aggregate be less than 30% of the Sub-Fund's Net Asset Value.

"Investment grade" means a rating of BBB- or above from Standard & Poor's and Fitch, Baa3 or above from Moody's or an equivalent rating from any internationally recognized credit rating agency, or AA+ or above as rated by PRC local rating agencies. For split credit ratings, the higher rating shall apply. For this purpose, if the relevant security does not itself have a credit rating, then reference can be made to the credit rating of the issuer or guarantor (where applicable) of the security. "Unrated debt securities" means a debt security which neither the security itself nor its issuer or guarantor (where applicable) has a credit rating. While the credit ratings provided by the relevant rating agencies serve as a point of reference, the Manager will conduct its own assessment on the credit quality based on various factors including the issuer's

and/or the guarantor's (if applicable) financial leverage, interest coverage, operating cash flows, industry outlook and competitive position, as well as corporate governance.

The Sub-Fund may invest less than 30% of its Net Asset Value in below investment grade or unrated debt securities instruments. The Sub-Fund will not invest more than 10% of its Net Asset Value in securities issued by and/or guaranteed by any single sovereign issuer (including its government, a public or local authority of that country) with a credit rating below investment grade or unrated.

The Sub-Fund is not subject to any limitation on the portion of its Net Asset Value that may be invested in any one country or region, and the weight in one country may go up to 100% of the Sub-Fund's Net Asset Value. The countries and regions in which the Sub-Fund may invest include, but are not limited to: US and European countries.

The Sub-Fund may invest up to 20% of its Net Asset Value in onshore mainland China debt securities market (including urban investment bonds (城投債), i.e. debt instruments issued by local government financing vehicles ("LGFVs") in the PRC exchange-traded bond markets and inter-bank bond market). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for local development, public welfare investment and infrastructure projects)) (via the China Interbank Bond Market or using the QFI status of the Manager (as QFI holder) or such other means as may be permitted under applicable laws and regulations from time to time). The Sub-Fund will not focus its investment in any specific industries or sectors although the allocation in certain industry or sector may from time to time be relatively significant, depending on the Manager's assessment at different times.

The Sub-Fund may invest less than 30% of its Net Asset Value in debt instruments with loss-absorption features (i.e. debt instruments issued by a holding company of a financial institution with features of contingent write-down or contingent conversion to ordinary shares on the occurrence of (i) when a financial institution is near or at the point of non-viability, or (ii) when the capital ratio of a financial institution falls to a specified level). These include contingent convertible bonds, non-preferred senior debt instruments and Additional Tier 1 and Tier 2 capital instruments. The Sub-Fund will dispose of the foregoing ordinary shares as soon as possible taking into account the market conditions at that time.

The Sub-Fund will not invest in equity securities. However, depending on the market conditions, there may be a possibility that the Manager will convert the invested convertible bonds to equities to realize the profits. In this case, the equities will be sold as soon as possible taking into account the market conditions at that time. The Sub-Fund's aggregate exposure to such equities will be less than 30% of the Sub-Fund's Net Asset Value.

The Sub-Fund may invest less than 30% of its Net Asset Value in other collective investment schemes which are authorized by the SFC or eligible schemes (except that not more than 10% of the Sub-Fund's Net Asset Value may be invested in other collective investment schemes which are non-eligible schemes and not authorized by the SFC). The Sub-Fund will not invest in exchange-traded funds ("ETFs") and/or real estate investment trusts ("REITS").

The Sub-Fund may hold less than 30% of its Net Asset Value in cash and cash equivalents, which may include cash, deposits and money market instruments for liquidity and cash management purposes. The Sub-Fund may hold temporarily up to 100% of its Net Asset Value in cash or cash equivalents under exceptional circumstances, such as (i) market crash, or major crisis, (ii) attempts to mitigate the risk of potential sharp reversals and fall in the bond markets, (iii) attempts to mitigate downside risks during uncertainties or (iv) maintain liquidity for the Sub-Fund.

The Sub-Fund may employ financial derivative instruments (such as future, forward or swap agreement) for hedging, efficient portfolio management and/or investment purposes.

The Sub-Fund may invest up to 10% of its Net Asset Value in repurchase or reverse repurchase transactions or similar over-the-counter transactions in respect of the Sub-Fund.

To properly mitigate and address such associated risks, the Manager will ensure that the re-investment of cash collateral received by the Sub-Fund under sale and repurchase transactions together with the Sub-Fund's net derivative exposure, do not in aggregate exceed 50% of the Sub-Fund's Net Asset Value. Subject to the above restriction, the Sub-Fund's net derivative exposure may be up to 50% of its Net Asset Value.

The Sub-Fund will not enter into securities lending or similar over-the-counter transactions in respect of the Sub-Fund. The Manager will seek the prior approval of the SFC (if required) and provide at least one month's prior notice to Unitholders before the Manager engages in any such transactions and the Explanatory Memorandum will also be updated accordingly.

Investment Restrictions

Investors should refer to the relevant investment restrictions under the section headed "**Investment and Borrowing Restrictions**" in the main part of the Explanatory Memorandum.

Specific Risk Factors

Investors should refer to the relevant risks under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum, in particular, "Emerging market risk", "Interest rates

risk", "Credit risk", "Counterparty risk", "Valuation risk", "Settlement risk", "China market risk", "Over-the-counter markets risk", "Hedging transactions risk", "Restricted markets risk", "QFI risk", "PRC tax considerations", "Custodial risk", "Risk of termination" and "Foreign Account Tax Compliance Act" and the following specific risk factors in respect of the Sub-Fund:-

Liquidity risks for monthly dealing fund - The Sub-Fund is a monthly dealing sub-fund. Investors subscribing for Units issued under the Sub-Fund can only apply for subscription and redemption once a month on the Dealing Day. Further, Units issued under the Sub-Fund cannot be switched into Units of other Sub-Funds established under the Fund. As such, Units of the Sub-Fund would have lower liquidity when compared to the Units issued by other daily dealing Sub-Funds established under the Fund. Due to the Sub-Fund's monthly dealing arrangement, subscription and redemption applications for Units issued under the Sub-Fund can be more concentrated on the single Dealing Day in each month. Where redemption applications are concentrated on the Dealing Day, it may cause the Sub-Fund's redemption gate to be triggered more easily on the Dealing Day. The Manager will consider different factors including but not limited to the Sub-Fund's liquidity profile when deciding whether to exercise its powers to impose a redemption gate on any Dealing Day if the number of Units being realised on the Dealing Day for the Sub-Fund has exceeded 10% of the total number of Units of the Sub-Fund in issue.

Investment risk - The instruments invested by the Sub-Fund may fall in value due to any of the key risk factors below and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of dividend or distribution payments during the period an investor holds units in the Sub-Fund. There is no guarantee of the repayment of principal.

Concentration risk - The Sub-Fund may invest only in a specific country/region. Although the Sub-Fund's portfolio will be well diversified in terms of the number of holdings, investors should be aware that the value of the Sub-Fund is likely to be more volatile than that of a broad-based fund, such as a global or regional bond fund, as they are more susceptible to fluctuations in value resulting from adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the respective countries/regions.

Currency risk - The Sub-Fund may be invested in part in assets quoted in currencies other than its base currency. Also, a class of units may be designated in a currency other than the base currency of the Sub-Fund. The performance and the Net Asset Value of the Sub-Fund will therefore be affected unfavourably by movements in the exchange rate between the currencies in which the assets are held and the base currency of the Sub-Fund and by changes in exchange rate controls. Since the Manager aims to maximise returns for the Sub-Fund in terms of its base currency, investors in the Sub-Fund may be exposed to additional currency risk.

Risk relating to credit rating - The credit ratings of fixed-income securities by credit rating agencies are a generally accepted barometer of credit risk. They are, however, subject to certain limitations and do not guarantee the creditworthiness of the security and/or issuer/guarantor at all times. For example, the rating of an issuer/guarantor is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is often a time lag in updating the credit ratings in response to recent credit events.

Downgrading risk - Investment grade and non-investment grade securities or the credit rating of the issuer/guarantor may be subject to the risk of being downgraded to below investment grade or unrated. In the event of downgrading in the credit ratings of a security or an issuer/guarantor relating to a security, the Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not dispose of the securities, subject to the investment objectives of the Sub-Fund.

Liquidity and volatility risk - Some of the markets (e.g. emerging markets) in which a Sub-Fund invests may be less liquid and more volatile than the world's leading stock markets and this may result in the fluctuation in the price of securities traded on such markets. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may suffer significant trading costs. Certain securities may be difficult or impossible to sell, and this would affect the Sub-Fund's ability to acquire or dispose of such securities at their intrinsic value.

Risk relating to convertible bonds - This Sub-Fund may invest up to 100% in convertible bonds, which shares similar characteristics and nature of debt and equity, permitting holders to convert into shares in the company issuing the bond at a specific future date. Convertible bonds will be exposed to equity movement and greater volatility than straight bond investments. Investment in convertible bonds are subject to the same credit, interest rate, liquidity and prepayment risks associated with comparable straight bond investments and market risks with both debt securities and equity securities and any risk specific to convertible bonds. Convertible bonds may also be subject to lower liquidity than the underlying equities. Therefore, investors should be prepared for greater volatility than normal bond investments, with an increased risk of capital loss.

Risks associated with investment in instruments with non-viability / loss absorption convertible features - Instruments with non-viability / loss absorption convertible features, such as contingent convertible bonds, are hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level. Upon the occurrence of a predetermined event (known as a trigger event), such instruments will be converted into shares of the issuing company (potentially at a discounted price as a result of the deterioration in the financial condition of the issuing company), or cause the permanent write-down to zero of the principal investment and/or accrued interest such that the principal amount invested may be lost on a

permanent or temporary basis. Instruments with non-viability / loss absorption convertible features are risky and highly complex instruments. Coupon payments on such instruments are discretionary and may at times also be ceased or deferred by the issuer. Trigger events can vary but these could include the capital ratio of the issuing company falling below a certain level, or the share price of the issuer falling to a particular level for a certain period of time.

Instruments with non-viability / loss absorption convertible features are also subject to additional risks specific to their structure including:

(i) Trigger level risk

Trigger levels differ and determine exposure to conversion risk. They are complex and are likely out of the issuing company's control. It might be difficult for the Manager of the Sub-Fund invested in instruments with non-viability / loss absorption convertible features to anticipate the trigger events that would require the debt to convert into equity or the write down to zero of principal investment and/or accrued interest. Trigger events may include: (i) a reduction in the issuing bank's Core Tier 1 / Common Equity Tier 1 (CT1/CET1) ratio or other ratios, (ii) a regulatory authority, at any time, making a subjective determination that an institution is "non-viable", i.e. a determination that the issuing bank requires public sector support in order to prevent the issuer from becoming insolvent, bankrupt or otherwise carry on its business and requiring or causing the conversion of the relevant instruments into equity or write down, in circumstances that are beyond the control of the issuer or (iii) a national authority deciding to inject capital.

In the event of the activation of a trigger, there may be potential price contagion and volatility to the entire asset class.

(ii) Coupon cancellation

Coupon payments on some instruments with non-viability / loss absorption convertible features are entirely discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

The discretionary cancellation of payments is not an event of default and there are no possibilities to require re-instatement of coupon payments or payment of any passed missed payments. Coupon payments may also be subject to approval by the issuer's regulator and may be suspended in the event there are insufficient distributable reserves. As a result of uncertainty surrounding coupon payments, such instruments may be volatile and their price may decline rapidly in the event that coupon payments are suspended.

(iii) Capital structure inversion risk

Contrary to the classic capital hierarchy, investors in instruments with non-viability / loss absorption convertible features may suffer a loss of capital when equity holders do not, for example when the loss absorption mechanism of a high trigger/write down of such an instrument is activated. This is contrary to the normal order of the capital structure where equity holders are expected to suffer the first loss.

(iv) Call extension risk

Some instruments with non-viability / loss absorption convertible features are issued as perpetual instruments and only callable at predetermined levels upon approval of the competent regulatory authority. It cannot be assumed that these perpetual instruments will be called on a call date. Instruments with non-viability / loss absorption convertible features are a form of permanent capital. The investor may not receive return of principal as expected on call date or indeed at any date.

(v) Conversion risk

Trigger levels differ between specific instruments with non-viability / loss absorption convertible features and determine exposure to conversion risk. It might be difficult at times for the Manager of the Sub-Fund to anticipate triggering events and assess how such instruments will behave upon conversion. In case of conversion into equity, the Manager might be forced to sell these new equity shares subject to the investment policy of the Sub-Fund. Given the trigger event is likely to be some event depressing the value of the issuer's common equity, this forced sale may result in the Sub-Fund experiencing some loss.

(vi) Valuation and write-down risk

Instruments with non-viability / loss absorption convertible features often offer attractive yield which may be viewed as a complexity premium. The value of such instruments may need to be reduced due to a higher risk of overvaluation of such asset class on the relevant eligible markets. Therefore, the Sub-Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment.

(vii) Market value fluctuations due to unpredictable factors

The value of instruments with non-viability / loss absorption convertible features is unpredictable and will be influenced by many factors including, without limitation (i) creditworthiness of the issuer and/or fluctuations in such issuer's applicable capital ratios; (ii) supply and demand for such instruments; (iii) general market conditions and available liquidity and (iv) economic, financial and political events that affect the issuer, its particular market or the financial markets in general.

(viii) Liquidity risk

In certain circumstances finding a buyer ready to invest in instruments with non-viability / loss absorption convertible features may be difficult and the Sub-Fund may have to accept a significant discount to the expected value of such instrument in order to sell it.

(ix) Sector concentration risk

Instruments with non-viability / loss absorption convertible features are issued by banking and insurance institutions. Investment in such instruments may lead to an increased sector concentration risk. The performance of the Sub-Fund which invests in these instruments will depend to a greater extent on the overall condition of the financial services industry than for the Sub-Fund following a more diversified strategy.

(x) Subordinated instruments

Instruments with non-viability / loss absorption convertible features will, in the majority of circumstances, be issued in the form of subordinated debt instruments in order to provide the appropriate regulatory capital treatment prior to a conversion. Accordingly, in the event of liquidation, dissolution or winding-up of an issuer prior to a conversion having occurred, the rights and claims of the holders of such instruments, such as the Sub-Fund, against the issuer in respect of or arising under the terms of these instruments shall generally rank junior to the claims of all holders of unsubordinated obligations of the issuer.

(xi) Novelty and untested nature

The structure of instruments with non-viability / loss absorption convertible features is innovative yet untested. In a stressed environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform.

(xii) Contingent convertible debt securities

The Sub-Fund may invest in contingent convertible debt securities, which are highly complex and are of high risk. Upon the occurrence of the trigger event, contingent convertible debt securities may be converted into shares of the issuer (potentially at a discounted price), or may be subject to the permanent write-down to zero. Coupon payments on contingent convertible debt securities are discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

(xiii) Non-preferred senior debt securities

The Sub-Fund may invest in non-preferred senior debt securities. While these instruments are generally senior to subordinated debts, they may be subject to write-

down upon the occurrence of a trigger event and will no longer fall under the creditor ranking hierarchy of the issuer. This may result in total loss of principal invested.

Risk relating to below investment grade and unrated securities - This Sub-Fund may invest less than 30% in securities which are below investment grade or which are unrated. Investors should note that such securities would generally be considered to have a higher credit risk and volatility risk and a greater possibility of default and greater risk of loss of principal and interest than more highly rated securities. If the issuer of securities defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. In addition, the market for securities which are unrated or rated below investment grade and/or have a lower credit rating generally is of lower liquidity and less active than that for higher rated securities and the Sub-Fund's ability to liquidate its holdings in response to changes in the economy or the financial markets may be further limited by factors such as adverse publicity and investor perception.

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

Sovereign debt risk - Certain developing countries are especially large debtors to commercial banks and foreign governments. Investment in debt obligations ("**Sovereign Debt**") issued or guaranteed by developing countries governments or their agencies ("**governmental entities**") involves a high degree of risk such as political, social and economic risk. The governmental entity that controls the repayment of Sovereign Debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. A governmental entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the governmental entity's policy towards the International Monetary Fund and the political constraints to which a governmental entity may be subject.

Governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearage on their debt. The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a governmental entity's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties'

commitments to lend funds to the governmental entity, which may further impair such debtor's ability or willingness to service its debt on a timely basis. Consequently, governmental entities may default on their Sovereign Debt. Holders of Sovereign Debt, including the Sub-Fund, may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. There is no bankruptcy proceeding by which Sovereign Debt on which a governmental entity has defaulted may be collected in whole or in part. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

Risk relating to equities - The Sub-Fund may hold equities in the event that the Manager converts the invested convertible bonds to equities. The Sub-Fund's investment in equity securities is subject to general market risks. The value of such investments may be affected by uncertainties such as investment sentiment, international, political and economic developments issuer-specific factors or changes in government policies. In falling equity markets there may be increased volatility. Market prices in such circumstances may defy rational analysis or expectation for prolonged periods of time, and can be influenced by movements of large funds as a result of short-term factors, counter-speculative measures or other reasons.

Risk of using financial derivative instruments - The use of financial derivatives instruments may expose the Sub-Fund to risks including market volatility risk, credit risk, counterparty risk, liquidity risk, non-redeemable risk, valuation risk, over-the-counter transaction risk and issuer's defaults risk. In adverse situations, the use of financial derivative instruments for hedging purposes may become ineffective and the Sub-Fund may suffer significant losses.

Risk of investing in asset-backed securities, mortgage-backed securities and asset-backed commercial papers - The Sub-Fund may invest less than 30% in asset-backed securities, mortgage-backed securities and asset-backed commercial papers, which are a kind of structured debt instruments, provide exposure, synthetically or otherwise, to underlying assets and the risk/ return profile is determined by the cash flows derived from such assets. Some of such instruments involve multiple instruments and cash flow profiles such that it is not possible to predict with certainty the outcome from all market scenarios. Also, the price of such an investment could be contingent on, or highly sensitive to, changes in the underlying components of the structured debt instrument. The underlying assets can take many forms including, but not limited to, credit card receivables, corporate loans, or any type of receivables from a company or structured vehicle that has regular cash flows from its customers.

These instruments may be highly illiquid and prone to substantial price volatility. The lack of liquidity may cause the current market price of assets to become disconnected from the underlying assets' value and consequently the Sub-Fund investing in these instruments may be more susceptible to liquidity risk. The liquidity, credit and interest rate risks of these

instruments can be higher than a regular bond or debt instrument and this may adversely affect either the ability to sell the position or the price at which such a sale is transacted.

In addition, these instruments are subject to extension and prepayment risk and risks that the payment obligations relating to the underlying assets are not met. The assets underlying these instruments may generally be prepaid at any time by the related borrowers. The prepayments may be used to prepay all or partial of the principal balance. As a result, the yield to maturity and market value of some of these instruments may be adversely affected by the rate of prepayments of the underlying assets. Some of these instruments that the Sub-Fund invests in are particularly sensitive to prepayment rates and, as a result, their yields to maturity and market values are expected to be highly volatile. These instruments are also subject to credit risk and valuation risk. The Sub-Fund may therefore suffer substantial loss and the Net Asset Value of the Sub-Fund could be adversely affected.

Risk of investing in other collective investment schemes - The Sub-Fund may invest in other collective investment schemes which may not be regulated by the SFC or are non-eligible schemes. In addition to the fees and expenses charged by the Sub-Fund, investors should note that there are additional fees involved when investing in these underlying collective investment schemes, including fees and expenses charged by the investment managers of these underlying collective investment schemes as well as fees payable by the Sub-Fund during its subscription to and redemption from these underlying collective investment schemes. Furthermore, there can be no assurance that the liquidity of these underlying collective investment schemes will always be sufficient to meet redemption request as and when made. Besides, investment decisions of these underlying collective investment schemes will be made independently of the Manager. There is no assurance that the investment objective and strategy of these underlying collective investment schemes will be achieved despite the selection and monitoring process undertaken by the Manager. If the Sub-Fund invests in other collective investment schemes managed by the Manager or its connected persons, all initial charges on these underlying collective investment schemes must be waived, and the Manager must not obtain rebate of any fees or charges levied by these underlying collective investment schemes. In case any conflict of interest may still arise out of such investments, the Manager will use its best endeavours to resolve it fairly.

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

To the extent that the Sub-Fund transacts in the China interbank bond market, the Sub-Fund may also be 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.

Since the relevant filings and account opening for investment in the China interbank bond market have to be carried out via an onshore settlement agent, the Sub-Fund is subject to the risks of default or errors on the part of the onshore settlement agent.

The China interbank bond market is also subject to regulatory risks. The relevant rules and regulations on investment in the China interbank bond market is subject to change which may have potential retrospective effect. In the event that the relevant Chinese authorities suspend account opening or trading on the China interbank bond market, the Sub-Fund's ability to invest in the China interbank bond market will be limited and, after exhausting other trading alternatives, the Sub-Fund may suffer substantial losses as a result.

Renminbi currency and conversion risk - RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of and repatriation restrictions imposed by the Chinese government. Such policies may change in future. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (e.g. HKD) will not depreciate. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors. Depending on the nature of the change and other factors such as the prevailing economic conditions, RMB may depreciate and the Sub-Fund's or the investors' position may be adversely affected. Under exceptional circumstances, payment of redemptions in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

RMB classes related risk - The prices of Units in the RMB classes are denominated in RMB, but the Sub-Fund will have limited RMB-denominated underlying investments and its base currency is USD. As such, even if the prices of underlying investments and/or value of the base currency rise or remain stable, investors may still incur losses if RMB appreciates against the currencies of the underlying investments and/or the base currency more than the increase in the value of the underlying investments and/or the base currency. Furthermore, if RMB appreciates against the currencies of the underlying investments and/or the base currency, and the value of the underlying investments decreased, the value of investors' investments in RMB classes may suffer additional losses.

Investors investing in RMB classes must subscribe for Units and will normally receive redemption proceeds in RMB. Due to the exchange controls and restrictions applicable to RMB, the Sub-Fund may not be able to get sufficient amounts of RMB in a timely manner to meet redemption requests of RMB classes and/or pay dividends (if any) if all or a substantial portion of its underlying investments are non- RMB denominated. Therefore, even if the Sub-Fund aims to pay redemption proceeds and/or dividends to investors of RMB classes in RMB, investors may not receive RMB upon redemption of investments or receive dividend payments (if any) in RMB. There is also a risk that payment of investors' redemption proceeds in RMB may be delayed when there is not sufficient RMB for currency conversion for settlement of the redemption proceeds.

When calculating the value of the RMB classes, the offshore RMB in Hong Kong (the "**CNH**") will be used. The CNH rate may be at a premium or discount to the exchange rate for onshore RMB in China (the "**CNY**") and there may be significant bid and offer spreads. While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently. As such, CNH does not necessarily have the same exchange rate and may not move in the same direction as CNY.

The value of the RMB classes thus calculated will be subject to fluctuation. The exchange rate of RMB may rise or fall. There can be no assurance that RMB will not be subject to devaluation. Any devaluation of RMB could adversely affect the value of investors' investments in the RMB classes of the Sub-Fund. Non-RMB based (e.g. Hong Kong) investors may have to convert HKD or other currencies into RMB when investing in the RMB classes. Subsequently, investors may also have to convert the RMB redemption proceeds (received when selling the units) back to HKD or other currencies. During these processes, investors will incur currency conversion costs and may suffer losses in the event that RMB depreciates against HKD or such other currencies upon receipt of the RMB redemption proceeds.

Risk of investing in urban investment bonds - In view of limitations on directly raising funds, local governments in the PRC have set up numerous entities known as "Local Government Financing Vehicles" (LGFVs) to borrow and fund local development, public welfare investment and infrastructure projects. Urban investment bonds are issued by LGFVs. Local governments may be seen to be closely connected to urban investment bonds, as they are shareholders of the LGFVs issuing such bonds. However, urban investment bonds are typically not guaranteed by the relevant local governments or the central government of the PRC.

As such, local governments or the central government of the PRC are not obligated to support any LGFVs in default. The LGFVs' ability to repay debts depends on various factors, including the nature of the business of such LGFVs, the financial strength of such LGFVs and the extent to which the relevant local governments are prepared to support such LGFVs. Slower revenue

growth at some local governments may constrain their capacity to provide support, while regulatory constraints may also limit local governments' ability to inject land reserves into LGFVs. Further, local governments have taken on debt in various other forms, and recent analyses show that increased financing activities have posed a risk to local government finances. If a LGFV encounters financial difficulties, without the local government's support, there is a risk of possible defaults on payment of principal or interest of urban investment bonds issued by the LGFV. This could result in substantial losses in the Sub-Fund's investments in debts issued by such LGFV, and as a result, the Sub-Fund's Net Asset Value will be adversely affected.

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

Risks associated with distributions out of / effectively out of capital - The Manager may at its discretion make distributions from capital or gross income while charging/paying all or part of the Sub-Fund's fees and expenses to/out of the Sub-Fund's capital. Unitholders should note that the distributions paid out of capital or effectively out of capital amount to a return or withdrawal of part of a Unitholder's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of the Sub-Fund's capital or payment of distributions effectively out of the Sub-Fund's capital (as the case may be) will result in an immediate reduction of the Net Asset Value per Unit and will reduce the capital that the Sub-Fund has available for investment in future and may constrain capital growth.

Available Classes

Class A HKD Units, Class A RMB Units, and Class A USD Units are available for sale to the retail public in Hong Kong.

Class I HKD Units, Class I RMB Units and Class I USD Units are offered to institutional investors or other investors determined by the Manager.

Investment Minima

Minimum Subscription Amount	**Class A USD Units:** USD 1 **Class A HKD Units:** HKD 1 **Class A RMB Units:** RMB 1 **Class I USD Units:** USD 1,000 **Class I HKD Units:** HKD 10,000 **Class I RMB Units:** RMB 10,000
Minimum Subsequent Subscription Amount	**Class A USD Units:** USD 1 **Class A HKD Units:** HKD 1 **Class A RMB Units:** RMB 1 **Class I USD Units:** USD 1,000 **Class I HKD Units:** HKD 10,000 **Class I RMB Units:** RMB 10,000
Minimum Holding	**Class A USD Units:** USD 1 **Class A HKD Units:** HKD 1 **Class A RMB Units:** RMB 1 **Class I USD Units:** USD 1,000 **Class I HKD Units:** HKD 10,000 **Class I RMB Units:** RMB 10,000
Minimum Realisation Amount	**Class A USD Units:** USD 1 **Class A HKD Units:** HKD 1 **Class A RMB Units:** RMB 1 **Class I USD Units:** USD 1,000 **Class I HKD Units:** HKD 10,000 **Class I RMB Units:** RMB 10,000

Fees

Preliminary Charge (% of Issue Price)	**Class A & Class I:** Up to 5%
Realisation Charge (% of Realisation Price)	**Class A & Class I:** Nil
Conversion Charge (% of the Issue Price of the Units of the new Sub-Fund in relation to the conversion of Units)	N/A
Management Fee (% Net Asset Value of the Sub-Fund)	Up to 3% p.a. Current rate*: **Class A:** 0.75% p.a. **Class I:** 0.5% p.a.

Trustee Fee (% Net Asset Value of the Sub-Fund)	Current rate*: **Class A & Class I:** Currently up to 0.10% p.a., subject to a minimum monthly fee of USD 5,000
Custody Fee (% Net Asset Value of the Sub-Fund)	**Class A & Class I:** up to 0.1% p.a.

** The current annual rate may be increased up to the specified permitted maximum level as set out in the Explanatory Memorandum by giving not less than one month's prior notice to the investors.*

Certain Charges, Fees and Expenses to be borne by the Manager

In general, the Sub-Fund bears the charges, fees and expenses which are directly attributable to it in accordance with the Trust Deed (including but not limited to the Management Fee, Trustee Fee and Custody Fee). However, the Manager may at its discretion decide to bear certain charges, fees and expenses which are attributable to the Sub-Fund, starting from the launch date of the Sub-Fund until a future date as notified by the Manager. The portion of the charges, fees and expenses to be borne by the Manager may vary from year to year. The Sub-Fund will bear all other charges, fees and expenses in accordance with the Trust Deed (including but not limited to the Management Fee, Trust Fee and Custody Fee) which have not been borne by the Manager.

At least one month notice will be given to Unitholders before the Manager ceases to bear the aforementioned charges, fees and expenses attributable to the Sub-Fund and this Explanatory Memorandum will be updated accordingly.

Establishment Costs

The establishment costs of CUAM Stable Income Fund amount to approximately USD75,000 and will be charged to the accounts of the Sub-Fund. The Manager intends to amortise the foregoing over the first five accounting periods of the Sub-Fund (or such other period as determined by the Manager after consultation with the auditor of the Sub-Fund).

Subscription and Realisation

Applications for subscription will generally be accepted on a Dealing Day only if cleared funds have been received on or prior to the Dealing Deadline on the relevant Dealing Day in relation to which Units are to be issued, and realisation proceeds will be paid normally 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 realisation of Units. For details regarding the procedures for subscription and realisation, see the main part of the Explanatory Memorandum under “Purchase of Units” and “Realisation of Units”.

For the avoidance of doubt, Units of the Sub-Fund may not be converted into units of any other sub-funds of the Fund and units relating to other sub-funds of the Fund will not be able to be converted into Units of the Sub-Fund. Units of a particular Class may not be converted to Units of other Classes.

The Issue Price of the Sub-Fund on any Dealing Day will be its Net Asset Value as at the Valuation Point in respect of the Dealing Day divided by the number of Units then in issue, rounded to 4 decimal places.

The fractions of Units of the Sub-Fund will be issued rounded to the nearest 4 decimal places. Application moneys representing smaller fractions of a Unit will be retained by the Sub-Fund.

The Realisation Price of the Sub-Fund on any Dealing Day shall be the price per Unit ascertained by dividing the Net Asset Value of the Sub-Fund as at the Valuation Point in respect of the Dealing Day by the number of Units then in issue rounded to 4 decimal places.

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends. It is currently intended that distribution will be made on a monthly basis, payable in the base currency or class currency of the relevant classes. There is no guarantee of regular distribution and if distribution is made the amount being distributed.

The Manager may at its discretion pay distributions out of the Sub-Fund’s net distributable income and/or capital if the net distributable income is insufficient to pay distributions as declared or pay distributions out of gross income while charging/paying all or part of the fees and expenses to/out of the Sub-Fund’s capital. Where distributions are paid out of gross income while charging/paying all or part of the fees and expenses to/out of the capital of the Sub-Fund, this will result in an increase in distributable income for the payment of distributions by the Sub-Fund and therefore, the Sub-Fund will effectively pay distributions out of capital. This will reduce the capital that the Sub-Fund has available for investment in future and may constrain capital growth.

In the event the net distributable income and/or capital of the Sub-Fund are insufficient to pay distributions, the Manager may at its discretion not to make any distributions.

Compositions of the distributions (if any) (i.e. the relative amounts paid out of (i) net distributable income; and (ii) capital) for the last 12 months would be made available by the Manager on request and also on the Manager's website (www.99fund.com.hk). Please note that this website has not been reviewed by the SFC.

Unitholders should be aware of the effects of making distributions out of capital and pay attention to the relevant risk disclosures as set out under the risk factor headed "**Risks associated with distributions out of / effectively out of capital**" under the section headed "**Specific Risk Factors**".

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

Valuation

The Valuation Point is the close of business in the last relevant market on each Business Day.

Termination

The Sub-Fund may be terminated by the Manager on notice in writing if on any date, the aggregate Net Asset Value of the Units of the relevant class outstanding thereunder shall be less than USD 10 million or equivalent.

Financial Reports

The first Accounting Date of the Sub-Fund would be 31 December 2025 and the first semi-annual accounting date of the Sub-Fund would be 30 June 2026.