PRODUCT KEY FACTS
Value Partners China Greenchip Fund Limited

Issuer: Value Partners Limited **April 2025**

- **This statement provides you with key information about the Value Partners China Greenchip Fund Limited (the "Fund").**
- **This statement is a part of the offering document.**
- **You should not invest in this product based on this statement alone.**

Quick facts

Manager: Value Partners Limited

Administrator: HSBC Trustee (Cayman) Limited

Custodian: HSBC Institutional Trust Services (Asia) Limited

Ongoing charges over a year[#]:

	Exclusive of performance fees	Inclusive of performance fees
Class A Shares	1.88%[β]	1.88%[β^]
Class A2 QDis Shares	1.88%[β]	1.88%[β^]
Class A USD Shares	1.88%[β]	1.88%[β^]
Class A AUD Hedged Shares	1.88%[β]	1.88%[β^]
Class A CAD Hedged Shares	1.88%[β]	1.88%[β^]
Class A NZD Hedged Shares	1.88%[β]	1.88%[β^]

Dealing frequency: Daily dealing (Hong Kong business days)

Base currency: Hong Kong dollars (HK$)

Dividend policy: Class A2 QDis Shares: It is the current intention of the Manager that dividend, if declared, will be distributed quarterly. Dividends may be paid out of the Capital (as defined below) and may result in an immediate reduction of the net asset value ("**Net Asset Value**") per Share of this Class A2 QDis Shares ("**Distribution Class**").

For all other classes of shares: It is the current intention of the Manager that distributions of income will not be made from the Fund.

Minimum investment:

Redeemable Class A Shares and Class A2 QDis Shares
HK$80,000 initial, and HK$40,000 subsequent

Class A USD Shares
HK$80,000 (or its equivalent in the relevant class currency) initial, and HK$40,000 (or its equivalent in the relevant class currency) subsequent

Class A AUD Hedged Shares
HK$80,000 (or its equivalent in the relevant class currency) initial, and HK$40,000 (or its equivalent in the relevant class currency) subsequent

Class A CAD Hedged Shares
HK$80,000 (or its equivalent in the relevant class currency) initial, and HK$40,000 (or its equivalent in the relevant class currency) subsequent

Class A NZD Hedged Shares
HK$80,000 (or its equivalent in the relevant class currency) initial, and HK$40,000 (or its equivalent in the relevant class currency) subsequent

Financial year end of this fund: 31 December

The ongoing charges figure is expressed as a percentage of the sum of expenses over the average net asset value of the class of shares for the corresponding period as described below. This figure may vary from year to year. The performance fees to be paid as at year end, where applicable, may vary subject to market conditions. Information is updated as at 28 March 2025.

^ *No performance fee is payable for the year ended 31 December 2024. In the event performance fees are payable, the ongoing charges figure (inclusive of performance fees) will be higher.*

β *This figure is based on the expenses for the year ended 31 December 2024.*

What is this product?

The Fund is an open-ended mutual fund corporation registered under the laws of the Cayman Islands.

Objectives and Investment Strategy

Objectives

The Fund aims to achieve medium-term capital growth by means of investing primarily (i.e. not less than 70% of the Fund's Net Asset Value) in companies established in Greater China or which derive a majority of their revenue from business related to Greater China, whether in the form of direct investment in, or trade with, Greater China. This includes companies incorporated and/or listed outside Greater China.

Strategy

A substantial portion of investment is made in listed and unlisted companies related to Greater China, which includes the People's Republic of China ("**PRC**"), Taiwan and Hong Kong. Investment is mainly made in the form of equity or debt related securities.

The Fund seeks to invest primarily (i.e. not less than 70% of the Fund's Net Asset Value) in equities of companies that are listed, or have their registered offices in Greater China or that generate a predominant share of their sales and/or their profits in Greater China. When investing the assets of the Fund, the Manager does not intend to have an investment focus in terms of sector or industry. The Fund seeks to explore investment opportunities in growing emerging industries with a focus on high-quality listed companies in emerging industries as well as listed companies in traditional industries that the Manager believes have new impetus for growth. The focus on emerging industries means the Fund may have a substantial part of its equity holdings in companies with small to mid market capitalisation. The Manager typically performs its own investment research, including but not limited to frequent company visits, and focuses on companies that may not attract research coverage by major international institutional investors.

The investments are intended to be held for medium to long-term capital appreciation.

The Fund may have direct exposure to certain eligible China A Shares via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively the "**Stock Connects**").

The Fund may also seek indirect exposure to China A Shares in the PRC through:

- China A Shares Access Products ("**CAAPs**"), such as participatory notes, being listed or unlisted derivative instruments issued by a third party ("**CAAP Issuer**") which represents an obligation of the CAAP Issuer to pay to the Fund an economic return equivalent to holding the underlying China A Shares; and/or
- Collective investment schemes (including those managed or offered by the Manager or its Connected Persons and those that are listed, unlisted, SFC authorised* or SFC unauthorised) directly investing in China A Shares through QFIIs or RQFIIs, to the extent permitted by the Code on Unit Trusts and Mutual Funds ("**A Shares CIS**").

The investment in China A Shares through the Stock Connects, CAAPs and A Shares CIS is subject to a maximum exposure of 30% of the Fund's latest available Net Asset Value and not more than 10% of the Fund's latest available Net Asset Value may be invested in CAAPs issued by any single CAAP Issuer.

The Fund does not currently have direct access to China A Shares through QFIIs or RQFIIs.

The Fund may invest up to 35% of the Fund's latest available Net Asset Value in China B Shares.

Assets of the Fund denominated in RMB are valued with reference to the CNH rate. Under the current regulations, the rate at which RMB may be exchanged outside the PRC (in the case of Hong Kong, the "**CNH**" rate) may be different from the exchange rate within the PRC (the "**CNY**" rate). Please refer to the offering document for details.

The Fund may also, on an ancillary basis (i.e. less than 30% of its Net Asset Value), invest in futures contracts, options, depository receipts, warrants, units in any unit trust or shares in any mutual fund corporation or any other collective investment scheme (including those offered by the Manager or its Connected Persons) to the extent permitted by the Code on Unit Trusts and Mutual Funds. For the purposes of hedging market and currency risks, the Fund may invest in index and currency swaps. The Fund may invest less than 30% of its Net Asset Value in debt related securities. Under exceptional circumstances (e.g. market crash or major crisis), the Fund may be invested temporarily up to 100% in liquid assets such as bank deposits, certificates of deposit, commercial paper and treasury bills for cash flow management.

Currently, the Fund only engages in securities lending transactions and does not engage in sale and repurchase transactions and reverse repurchase transactions.

* *The SFC's authorisation is not a recommendation or endorsement of a collective investment scheme nor does it guarantee the commercial merits of such collective investment scheme or its performance. It does not mean the collective investment scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or classes of investors.*

Use of Derivatives/investment in derivatives

The Fund's net derivative exposure may be up to 50% of the Fund's latest available Net Asset Value.

What are the key risks?

Investment involves risks. Please refer to the Explanatory Memorandum for details including the risk factors.

1. Investment risk

- The Fund is an investment fund. There is no guarantee of the repayment of principal. The Fund' s investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Fund may suffer losses.

2. Risks associated with small-capitalization/mid-capitalization companies

- The Fund may invest in small and medium sized companies which are less well-established or in their early stages of development. The stock of small-capitalization/mid-capitalization companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalization companies in general.

3. Equity market risk

- The Fund's 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.

4. Risk of investing in China

- The Fund invests in the PRC market and China-related companies which may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

5. Geographical concentration risk

- The Fund's investments are concentrated in Greater China-related companies. The value of the Fund may be more volatile than that of a fund having a more diverse portfolio of investments.
- The value of the Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Greater China market.

6. Risks relating to China A Shares Market

- Stock exchanges in the PRC on which China A Shares are traded are at a developing stage and the market capitalization and trading volume are much lower than those in more developed financial markets.
- The China A Shares market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention. For further details, please see risk factor "Liquidity Risk of Investing in China A Shares and China B Shares" below). Securities exchanges in the PRC typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators in the PRC may also implement policies that may affect the financial markets. All these may have a negative impact on the Fund.
- High market volatility and potential settlement difficulties in the China A Shares markets may result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of the Fund.

7. Risks associated with Stock Connects

- The relevant rules and regulations on the Stock Connects are subject to change, which may have potential retrospective effect. The Stock Connects are subject to quota limitations which may restrict the Fund's ability to invest in China A Shares through the Stock Connects on a timely basis and as a result, the Fund's ability to access the China A Shares markets (and hence to pursue its investment strategy) will be adversely affected. Where a suspension in the trading through the Stock Connects is effected, the Fund's ability to invest in China A Shares or access the PRC stock markets will be adversely affected. In such event, the Fund's ability to achieve its investment objective could be negatively affected. Please refer to the section "**Risks associated with Stock Connects**" in the Explanatory Memorandum for further information.

8. Risks associated with CAAPs

- The current policy and regulations imposed by the PRC government on the access into the China A Shares by foreign institutional investors via investment quota are subject to change. If any CAAP Issuer has insufficient investment quota (if applicable), the CAAP Issuer may cease to extend the duration of any CAAPs or to issue further CAAPs and the Fund may be required to dispose of its existing CAAPs. Shareholders should note that there can be no assurance that the Fund may be able to maintain or obtain a sufficient investment in CAAPs. This may have an impact on the Shareholders' investment in the Fund.
- The Fund will be exposed to the counterparty risk associated with each CAAP Issuer. The Fund may suffer losses potentially equal to the full value of the CAAP if the CAAP Issuer were to become insolvent or fails to perform its payment obligations under the CAAPs.

9. Risks associated with investment in derivative instruments

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

10. Risks relating to investment in other collective investment schemes

- Investment decisions of the underlying schemes are made at the level of such schemes. The Fund does not have control of the investments of the underlying schemes. There is no assurance that (i) the selection of the managers of the underlying schemes will result in an effective diversification of investment styles and that positions taken by the underlying schemes will always be consistent; and (ii) the investment objective and strategy of the underlying schemes will be successfully achieved which may have a negative impact to the Net Asset Value of the Fund. The Fund will also be subject to the risks associated with the underlying schemes.
- The underlying schemes in which the Fund may invest may not be regulated by the SFC. There may be additional costs involved when investing into these underlying schemes. There is also no guarantee that the underlying schemes will always have sufficient liquidity to meet the Fund's redemption requests as and when made.

11. Risks associated with investments/exposure to RMB currency

- RMB is currently not freely convertible and is subject to exchange controls and restrictions. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currency (e.g. HK dollars) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Fund. Although CNH and CNY are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors. Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

12. PRC tax risk

- There are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of capital gains realised via QFII or RQFII quota (if applicable) or the Stock Connects or access products on the Fund's investments in the PRC (which may have retrospective effect). Any increased tax liabilities on the Fund may adversely affect the Fund's value.
- Any shortfall between the provision and the actual tax liabilities, which will be debited from the Fund' s assets, will adversely affect the Fund's Net Asset Value. The actual tax liabilities may be lower than the tax provision made. Depending on the timing of their subscriptions and/or redemptions, investors may be disadvantaged as a result of any shortfall of tax provision and will not have the right to claim any part of the overprovision (as the case may be).
- Having consulted professional and independent tax adviser, (i) the Manager will not make provisions for any withholding income tax payable by the Fund on gross realised and unrealised capital gains on trading from China B Shares, H Shares and RMB-denominated debt securities issued or listed offshore by PRC issuers; (ii) the Manager will not make any tax provision on gross realised and unrealised capital gains derived from indirect China A Shares investments through CAAPs and A Shares CIS from 17 November 2014 onwards; and (iii) no provision for gross realised or unrealised capital gains derived from trading of China A Shares via the Stock Connects is made by the Manager on behalf of the Fund. The implication of this is that if the Fund is liable to pay such withholding and other taxes, this may result in an unfavourable impact on the Net Asset Value of the Fund.

13. 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 Fund if investing through the Stock Connects, CAAP Issuers and A Shares CIS will be prevented from trading China A Shares when they hit the "trading band limit". If this happens on a particular trading day, the Fund, CAAP Issuers and A Shares CIS may be unable to trade China A Shares. When the Manager trades China B Shares for the account of the Fund, the Manager may also be unable to trade China B Shares due to the "trading band limit". As a result, the liquidity of the CAAPs, China A Shares, A Shares CIS and China B Shares may be adversely affected which in turn may affect the value of the Fund's investments.

14. Currency exchange risk

- The Fund is denominated in Hong Kong dollars. Underlying investments of the Fund may be denominated in currencies other than the base currency of the Fund. Also, a class of shares may be designated in a currency other than the base currency of the Fund. The Net Asset Value of the Fund may be affected unfavorably by fluctuations in the exchange rates between the currencies in which the assets are held and Hong Kong dollars, and any changes in exchange rate control and exchange control regulations which may cause difficulties in the repatriation of funds.

15. Performance fee risk

- Performance fees may encourage the Manager of the Fund to make riskier investments than would be the case in the absence of a performance-based incentive system.
- Given there is no equalization arrangement for the calculation of the performance fee, a redeeming shareholder may still incur a performance fee in respect of his investments, even though he has suffered a loss of investment capital.
- In addition, performance fees may be paid on unrealized gains which may never be realized by the Fund.

16. Risks relating to currency hedging and the currency hedged classes ("Currency Hedged Classes")

- The Manager may (but is not obliged to) enter into currency related transactions to hedge the currency exposure of the assets of the Fund into the class currency of the relevant class. Investors should be aware that the hedging strategy may substantially limit the benefits of any potential increase in value of a Currency Hedged Class expressed in the class currency, if the Currency Hedged Class' denominating currency falls against the base currency of the Fund.
- There is no guarantee that the desired hedging instruments will be available or hedging strategy will achieve its desired result. In addition, the counterparties of the instruments used for hedging purposes may default. In such circumstances, investors of the Currency Hedged Class may still be subject to the currency exchange risk on an unhedged basis and suffer further losses.

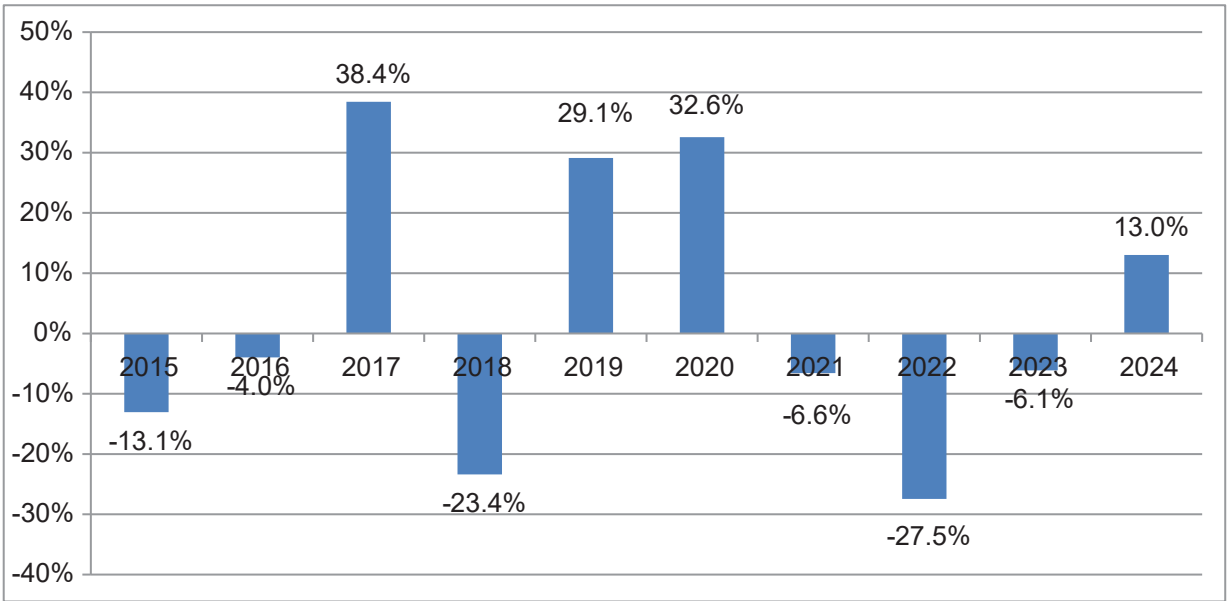
17. Distribution risk

- The Manager intends to distribute income (net of expenses) attributable to each Distribution Class in respect of each accounting period. However, there is no assurance on such distribution being made or the distribution rate or dividend yield.

18. Payment of distributions out of capital risk

- Where the income generated by the Fund is insufficient to pay distribution as the Fund declares, the Manager may at its discretion determine such dividends be paid from unrealised capital gains or other unrealised profits during the relevant financial year, undistributed net income and undistributed net realised capital gains or profits of the Fund brought forward from previous financial years and the share premium account of the Fund ("**Capital**") of the Fund.
- Investors should note that the payment of distributions out of Capital represents a return or withdrawal of part of the amount they originally invested or from any capital gains attributable to that original investment, as a result, the capital that the Fund has available for investment in the future and capital growth may be reduced. Such distributions may result in an immediate reduction of the Net Asset Value per share of the Distribution Class. Also, a high distribution yield does not imply a positive or high return on the total investment.

How has the Fund performed?



Note:

- Past performance information is not indicative of future performance. Investors may not get back the full amount invested.
- The computation basis of the performance is based on the calendar year end, NAV-to-NAV, with dividend reinvested.
- The figures show by how much Class A increased or decreased in value during the calendar year being shown. Performance data has been calculated in HKD including ongoing charges and excluding subscription fee and redemption fee you might have to pay.
- Fund launch date: 8 April 2002
- Class A launch date: 27 March 2007
- With effect from January 2021, Class A is selected as the representative share class for the above performance presentation as Class N has been fully repurchased and closed for subscription.
- The Manager views Class A as the most appropriate representative share class as Class A has the longest history amongst the available share classes of the Fund.

Is there any guarantee?

This Fund does not have any guarantees. You may not get back the full amount of money you invest.

What are the fees and charges?

Charges which may be payable by you

You may have to pay the following fees when dealing in the shares of the Fund.

Fee	What you pay
Subscription fee (Initial Charge)	Up to 5% of the subscription monies
Switching fee	Nil*
Redemption fee	Nil

* *Certain distributors may impose a charge for each switching of Shares acquired through them for Shares in another class, which will be deducted at the time of the switching and paid to the relevant distributor.*

Ongoing fees payable by the Fund

The following expenses will be paid out of the Fund. They affect you because they reduce the return you get on your investments.

	Annual rate (as a% of the Fund's Net Asset Value)
Management fee	1.5%*
Custodian and Administrator fees	First HK$1,170 million of the Fund's Net Asset Value 0.135%*
	Next HK$5,070 million of the Fund's Net Asset Value 0.13%
	Portion on top of HK$6,240 million. 0.125%
	The custodian and administrator fees are subject to a monthly minimum of HK$35,000.

Performance fee	15% of the appreciation in the Net Asset Value per share (before the deduction of any provision for the performance fee and any distribution which has been declared or paid during the Relevant Performance Period(s) since the last performance fee is crystallised and paid) during a performance period above the high watermark per share. • The high watermark was initially set at HK$10.00 (for Redeemable Class A Shares) or the initial issue price (for other classes of shares). • Each performance period corresponds to the financial year of the Fund. • Where a performance fee is payable to the Manager for a performance period, the Net Asset Value per share (after deduction of performance fee and any distribution which has been declared or paid) on the last valuation day of that performance period will be set as the high watermark for the next performance period. • For details please refer to the section headed "Management and performance fees" in the Fund's Explanatory Memorandum.
Other fees	You may have to pay other fees when dealing in the shares of the Fund.

* *Please note that some fees may be increased up to a specified permitted maximum on giving shareholders at least one month's prior notice. Please refer to the section of the Explanatory Memorandum entitled "Fees and Expenses" for further details of the fees and charges payable and the permitted maximum of such fees, as well as other ongoing expenses that may be borne by the Fund.*

Additional Information

- You generally buy and redeem shares at the Fund's next-determined Net Asset Value after the Administrator's Agent receives your request, directly or via a distributor, in good order at or before 5:00 p.m. (Hong Kong time), being the Fund's dealing cut-off time on each dealing day of the Fund. Before placing your subscription or redemption orders, please check with your distributor for the distributor's internal dealing cut-off time (which may be earlier than the Fund's dealing cut-off time).
- The Net Asset Value of the Fund is calculated on each valuation day and the price of shares is published online at www.valuepartners-group.com. This website has not been reviewed or authorized by the SFC.
- Investors may obtain the past performance information of other share classes offered to Hong Kong investors from www.valuepartners-group.com. This website has not been reviewed or authorized by the SFC.
- Investors may obtain information on the distributor(s) appointed in respect of the Fund by making a telephone enquiry with the Manager on (852) 2143 0688.
- Where dividends comprise amounts from both income and Capital, the composition of the dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) Capital) (if any) for the last 12 months is available by the Manager on request and also on the Manager's website www.valuepartners-group.com. This website has not been reviewed or authorized by the SFC.

Important

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.

FSC www.fsc.org MIX Paper | Supporting responsible forestry FSC® C004888

Value Partners
Investing through discipline

VALUE PARTNERS CHINA GREENCHIP FUND LIMITED

(Incorporated as an exempted company in Cayman Islands with limited liability)

EXPLANATORY MEMORANDUM

PRELIMINARY

If you are in any doubt about the contents of this explanatory memorandum, you should consult your stock broker, bank manager, solicitor, accountant or other financial adviser. Reference should be made to the sub-section headed "Restrictions on distribution" in this section for guidance on the offer of the Shares in jurisdictions other than Hong Kong.

The Directors and the Manager collectively and individually shall accept full responsibility for the accuracy of the information contained in this explanatory memorandum and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omissions of which would make any statement misleading. This explanatory memorandum may be updated from time to time, subject to the terms of the Articles and in compliance with applicable fiscal, statutory or regulatory requirements (whether or not having the force of law).

A product key facts statement which contains the key features and risks of the Fund is also issued and such product key facts statement shall form part of this explanatory memorandum, and shall be read, in conjunction with, this explanatory memorandum.

The Fund has been authorised by the SFC in Hong Kong. SFC authorisation is not a recommendation or endorsement of the Fund nor does it guarantee the commercial merits of the Fund or its performance. It does not mean the Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

The Fund is an open-ended mutual fund corporation and is registered as a mutual fund with the Cayman Islands Monetary Authority (the "**Authority**") under the Mutual Funds Law (as amended from time to time) of the Cayman Islands ("**Mutual Funds Law**"). However, the Fund is not subject to supervision in respect of its investment activities or the constitution of the Fund's portfolio by the Authority or any other governmental authority in the Cayman Islands, although the Authority does have power to investigate the activities of the Fund in certain circumstances. Neither the Authority nor any other governmental authority in the Cayman Islands has passed upon or approved the contents of this explanatory memorandum or assessed the merits of an investment in the Shares. There is no investment compensation scheme available to investors in the Cayman Islands.

Prior to 26 March 2007, the Fund was a close-ended investment company and its Non-redeemable Class N Shares were listed on the Stock Exchange. As approved by the Shareholders on 19 March 2007, the Fund was converted from a close-ended investment company into an open-ended mutual fund corporation and the Non-redeemable Class N Shares of the Fund were delisted from the Stock Exchange on 26 March 2007.

Redeemable Classes Shares of the Fund are offered pursuant to this explanatory memorandum. Non-redeemable Class N Shares of the Fund are closed for subscription and not being offered for subscription pursuant to this explanatory memorandum.

No action has been or will be taken in any jurisdiction (other than Hong Kong) that would permit a public offering of the Shares or any other securities of the Fund or the possession, circulation or distribution of this explanatory memorandum or any other offering or publicity material relating to the offering of Shares in any country or jurisdiction (other than Hong Kong) where action for the purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this explanatory memorandum nor any other offering material, circular, prospectus, form of application or advertisement in connection with the Shares may be distributed or published in or from any country or jurisdiction (other than Hong Kong) except under circumstances that will result in compliance with any applicable rules and regulations of such country or jurisdiction.

This explanatory memorandum does not constitute an offer or solicitation in any jurisdiction in which such an offer or solicitation is not authorised or in which the person making such offer or solicitation is not qualified to do so or to any person whom it is unlawful to make such offer or solicitation. Any representation to the contrary is unlawful.

RESTRICTIONS ON DISTRIBUTION

The following information is provided for guidance only. Applicants for Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Shares should inform themselves as to the relevant legal requirements of applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

United States

The Fund is not registered as an investment company under the United States Investment Company Act of 1940. Shares in the Fund have not been and will not be registered under the U.S. Securities Act of 1933 or the securities laws of any state thereof, and Shares in the Fund are not offered or sold to, and may not be transferred to or acquired by, U.S. persons (including, without limitation, U.S. citizens and residents, as well as business entities organized under U.S. law).

Singapore

The Fund has been entered onto the list of restricted schemes maintained by the Monetary Authority of Singapore ("**MAS**") pursuant to Section 305 of the Securities and Futures Act, Chapter 289 of Singapore ("**SFA**").

The offer or invitation of the Shares of the Fund, which is the subject of this explanatory memorandum, are not authorised or recognised by the MAS and the Shares are not allowed to be offered to the retail public. Neither this explanatory memorandum and any other document nor material issued in connection with the offer or sale is a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. You should consider carefully whether the investment is suitable for you in light of your own personal circumstances.

This explanatory memorandum has not been registered as a prospectus with the MAS. Accordingly, this explanatory memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Shares may not be circulated or distributed, nor may such Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A(1)(c) of the SFA) (each an "**Institutional Investor**"), (ii) to a relevant person as defined in Section 305 of the SFA or any person pursuant to an offer referred to in Section 305(2) of the SFA (each a "**Relevant Investor**"), and in accordance with the conditions specified in Section 305 of the SFA, or (iii) pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Subject to all other restrictions on transferability imposed by the Fund, recipients of this explanatory memorandum represent and warrant that where the Shares are initially acquired pursuant to an offer made in reliance on an exemption under:

(a) Section 304 of the SFA by an Institutional Investor, subsequent sales of the Shares may only be made to another Institutional Investor; and

(b) Section 305 of the SFA by a Relevant Investor, subsequent sales of the Shares may only be made to an Institutional Investor or another Relevant Investor.

In addition, it should be noted that where the Shares are initially subscribed or purchased in Singapore under Section 305 of the SFA by:

(1) a corporation referred to in Section 305A(2) of the SFA (a "**Relevant Corporation**"), the securities of the Relevant Corporation shall not be transferred within 6 months after the Relevant Corporation has acquired any Shares unless the transfer is in accordance with the conditions of Section 305A(2) of the SFA; or

(2) a trust referred to in Section 305A(3) of the SFA (a "**Relevant Trust**"), the rights and interest (howsoever described) of the beneficiaries thereof in the Relevant Trust shall not be transferred within 6 months after any Shares have been acquired for the Relevant Trust unless the transfer is in accordance with the conditions of Section 305A(3) of the SFA.

Investors are required to ensure that any of their own transfer arrangements in relation to the Shares comply with the above restrictions and should seek legal advice to ensure compliance with the same.

Solely for the purposes of its obligations pursuant to Section 309B of the SFA, the Fund has determined, and hereby notifies all relevant persons (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 ("**CMP Regulations 2018**")), that the interests are capital markets products other than prescribed capital markets products (as defined in Section 309B of the SFA).

This explanatory memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

Investors in Singapore should note that if they wish to obtain information on the past performance and a copy of the annual report of the Fund they should contact the relevant distributors to obtain such information.

Cayman Islands

This explanatory memorandum does not constitute, and shall not be construed as, an offer or invitation to the public in the Cayman Islands to subscribe for Shares. No offer or invitation to subscribe for Shares may be made to the public in the Cayman Islands.

Enquiries or complaints

Investors may contact the Manager for any queries or complaints in relation to the Fund. To contact the Manager, investors may either write to the Manager's address at 43rd Floor, The Center, 99 Queen's Road Central, Hong Kong, or contact the Fund Investor Services team of the Manager by telephone on (852) 2143 0688. The Manager will respond to the enquiry or complaint as soon as practicable.

January 2020

CONTENTS

page

PRELIMINARY 1
RESTRICTIONS ON DISTRIBUTION 2

DIRECTORY 7

DEFINITIONS 9

INFORMATION ON THE FUND 20
INTRODUCTION 20
INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTIONS 20
Borrowing restrictions 28
Financial derivative instruments 29
Securities financing transactions 32
Collateral valuation and management policy 34
STOCK CONNECTS 39
DETERMINATION OF NET ASSET VALUE 43
NET ASSET VALUE PUBLICATION 48
RESTRICTIONS ON SHAREHOLDERS 48
DISTRIBUTION 49
FINANCIAL REPORTS 51
DIRECTORS 51
TERMINATION OF THE FUND 53

INVESTMENT MANAGEMENT 54
THE MANAGER 54
THE CUSTODIAN 57
THE ADMINISTRATOR 58
POTENTIAL CONFLICTS OF INTERESTS 60
FEES AND EXPENSES 63

SUBSCRIPTION, REDEMPTION AND TRANSFER OF SHARES 70
SUBSCRIPTION OF SHARES 70
PROCEDURE FOR APPLICATION 73
METHOD OF APPLICATION 73
PAYMENT PROCEDURE 73

REDEMPTION OF SHARES 73
TRANSFER OF SHARES 76
SWITCHING OF SHARES BETWEEN DIFFERENT CLASSES 78
FAX OR ELECTRONIC INSTRUCTIONS 79
FORM OF SHARES 79

RISK FACTORS 80
RISKS RELATING TO THE FUND 80
RISKS RELATING TO THE PRC 98
RISKS RELATING TO HONG KONG 108
RISKS RELATING TO TAIWAN 109

TAXATION 110
CAYMAN ISLANDS 110
HONG KONG 110
THE PRC 111
AUTOMATIC EXCHANGE OF FINANCIAL ACCOUNT INFORMATION 120

FURTHER INFORMATION ABOUT THE FUND 122
THE FUND 122
MUTUAL FUNDS LAW 122
MEETINGS OF SHAREHOLDERS 123
AMENDMENT TO THE MATERIAL CONTRACTS 123
MATERIAL CONTRACTS 124
REGISTRATION PROCEDURES 127
NON-REDEEMABLE CLASS N SHARES 128
MISCELLANEOUS 130
ANTI-MONEY LAUNDERING REGULATIONS 131
DOCUMENTS AVAILABLE FOR INSPECTION 135
CERTIFICATION FOR COMPLIANCE WITH FATCA OR OTHER APPLICABLE LAWS 135
POWER TO DISCLOSE INFORMATION TO AUTHORITIES 137
PERSONAL DATA 137

ANNEX I 139

DIRECTORY

Registered office	P O Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Principal office in Cayman Islands	HSBC Trustee (Cayman) Limited Strathvale House, 90 North Church Street George Town Grand Cayman Cayman Islands
Directors	Mr. Roger Anthony Hepper Mr. Lam Wai Sing, Wilson (alternate director to Roger Anthony Hepper) Mr. Kee Chong Li Kwong Wing
Manager	Value Partners Limited 43rd Floor, The Center, 99 Queen's Road Central, Hong Kong
Administrator	HSBC Trustee (Cayman) Limited *Principal address:* Strathvale House, 90 North Church Street George Town Grand Cayman Cayman Islands *Registered address:* P O Box 309, Ugland House Grand Cayman KY1-1104 Cayman Islands
Custodian and Administrator's Agent	HSBC Institutional Trust Services (Asia) Limited 1 Queen's Road Central Hong Kong

Auditors	PricewaterhouseCoopers P.O. Box 258 George Town Grand Cayman KY1-1104 Cayman Islands
Legal Advisers:	*As to matters of Cayman Islands law: -* Maples and Calder PO Box 309, Ugland House Grand Cayman KY1-1104 Cayman Islands *As to matters of Hong Kong and International law:-* Deacons 5th Floor Alexandra House 18 Chater Road Central Hong Kong

DEFINITIONS

In this explanatory memorandum, unless the context otherwise requires, the following expressions have the meanings set out below.

"Accumulation Classes"	means collectively the Redeemable Class A Shares, Class A USD Shares, Class A AUD Hedged Shares, Class A CAD Hedged Shares, Class A EUR Hedged Shares, Class A NZD Hedged Shares, Class A SGD Hedged Shares, Class A GBP Hedged Shares, Class X USD Shares, Class Z Shares and Non-redeemable Class N Shares.
"Administrator"	means HSBC Trustee (Cayman) Limited or its successors in its capacity as administrator of the Fund and/or such other administrator(s) as may be appointed by the Fund from time to time.
"AUD"	means Australian Dollar, the lawful currency for the time being and from time to time of Australia.
"Administrator's Agent"	means HSBC Institutional Trust Services (Asia) Limited or its successors in its capacity as the agent of the Administrator or such other person or persons appointed to act as agent of the Administrator in respect of the Fund from time to time.
"Administration Agreement"	means the administration agreement dated 26 March 2007 entered into between the Fund and Bank of Bermuda (Cayman) Limited (as novated pursuant to the Deed of Novation), details of which are summarised in the sub-section headed "Material contracts" of this explanatory memorandum.
"Articles"	means the articles of association of the Fund.
"Board"	means the board of Directors.
"Business Day"	means a day (other than a Saturday) on which banks in Hong Kong are open for general business provided that, where as a result of a Number 8 Typhoon Signal being hoisted or a Black Rainstorm warning being issued or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager otherwise determines.

"CAD"	means Canadian Dollar, the lawful currency for the time being and from time to time of Canada.
"China" or "PRC"	means the People's Republic of China, but for the purposes of this explanatory memorandum and the Fund's investment objective and investment strategy and for geographical reference, excludes Taiwan, Macau and Hong Kong.
"China A Shares"	means domestic shares in the PRC incorporated companies listed on either the Shanghai Stock Exchange ("**SSE**") or the Shenzhen Stock Exchange ("**SZSE**"), the prices of which are quoted in Renminbi and which are available to such investors as approved by the China Securities Regulatory Commission (the "**CSRC**").
"China B Shares"	means domestic shares in PRC incorporated companies listed on either the Shanghai Stock Exchange or the Shenzhen Stock Exchange, the prices of which are quoted in foreign currencies (US dollars on the Shanghai Stock Exchange and HK dollars on the Shenzhen Stock Exchange) and which are available to domestic and foreign investors.
"Class A AUD Hedged Shares"	means Shares which are designated as "Class A AUD Hedged Shares" and whose class currency is AUD and are redeemable at the option of the Shareholder in accordance with the Articles.
"Class A CAD Hedged Shares"	means Shares which are designated as "Class A CAD Shares" and whose class currency is CAD and are redeemable at the option of the Shareholder in accordance with the Articles.
"Class A EUR Hedged Shares"	means Shares which are designated as "Class A EUR Hedged Shares" and whose class currency is EUR and are redeemable at the option of the Shareholder in accordance with the Articles.
"Class A GBP Hedged Shares"	means Shares which are designated as "Class A GBP Hedged Shares" and whose class currency is GBP and are redeemable at the option of the Shareholder in accordance with the Articles.
"Class A NZD Hedged Shares"	means Shares which are designated as "Class A NZD Hedged Shares" and whose class currency is NZD and are redeemable at the option of the Shareholder in accordance with the Articles.

"Class A SGD Hedged Shares"	means Shares which are designated as "Class A SGD Hedged Shares" and whose class currency is SGD and are redeemable at the option of the Shareholder in accordance with the Articles.
"Class A USD Shares"	means Shares which are designated as "Class A USD Shares" and whose class currency is USD and are redeemable at the option of the Shareholder in accordance with the Articles.
"Class A2 QDis Shares"	means Shares which are designated as "Class A2 QDis Shares" and which are redeemable at the option of the Shareholder in accordance with the Articles .
"Class X USD Shares"	means Shares which are designated as "Class X USD Shares" and which are redeemable at the option of the Shareholder in accordance with the Articles.
"Class Z Shares"	means Shares which are designated as "Class Z Shares" and which are redeemable at the option of the Shareholder in accordance with the Articles.
"Code"	means the Code on Unit Trusts and Mutual Funds issued by the SFC, as may be amended from time to time.
"Commodity"	means gold, silver, platinum, any other precious metal and any other commodity or merchandise of any nature (other than currency) and any option in respect of any of the foregoing except any option defined in the Articles as a Futures Contract.
"Companies Law"	means the Companies Law (2018 Revision) of the Cayman Islands, as amended, modified, reenacted or replaced from time to time.
"Companies Ordinance"	means the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified, re-enacted or replaced from time to time.

"Connected Person(s)"	in relation to a company means: (a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or being able to exercise, directly or indirectly, 20% or more of the total votes in that company; or (b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or (c) any member of the group of which that company forms part; or (d) any director or officer of that company or of any of its Connected Persons as defined in (a), (b) or (c).
"Currency Hedged Class Shares"	means collectively the Class A AUD Hedged Shares, Class A CAD Hedged Shares, Class A EUR Hedged Shares, Class A NZD Hedged Shares, Class A SGD Hedged Shares and Class A GBP Hedged Shares.
"Custodian"	means HSBC Institutional Trust Services (Asia) Limited or its successors in its capacity as custodian of the assets of the Fund as delivered to and accepted by the Custodian from time to time and/or such other custodian(s) as may be appointed by the Fund from time to time.
"Custodian Agreement"	means the custodian agreement dated 26 March 2007 entered into between the Fund and the Custodian, details of which are summarised in the sub-section headed "Material contracts" of this explanatory memorandum.
"Dealing Period(s)"	means such period(s) which commence at the end of the preceding Dealing Period and end in Hong Kong at 5:00 p.m. (Hong Kong time) on each Valuation Day.

"Deed of Novation"	means the deed of novation dated 13 December 2017 (with respect to the Administration Agreement) entered into between Bank of Bermuda (Cayman) Limited, HSBC Trustee (Cayman) Limited and the Fund, details of which are summarised in the sub-section headed "Material contracts" of this explanatory memorandum.
"Director(s)"	means the director(s) of the Fund.
"Distribution Class"	means Class A2 QDis Shares.
"entities within the same group"	means entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognised accounting standards.
"ERISA"	means the United States Employee Retirement Income Security Act of 1974, as amended.
"EUR" or "€"	means the lawful currency for the time being and from time to time of the European Monetary Union member states.
"Existing Redeemable Classes Shares"	means collectively Redeemable Class A Shares, Class A2 QDis Shares, Class X USD Shares and Class Z Shares.
"FDI"	means financial derivative instrument.
"Fund"	means Value Partners China Greenchip Fund Limited, a company incorporated with limited liability as an exempted company in the Cayman Islands on 16 January 2002.
"Futures Contract"	means any futures contract which is traded on the Futures Exchange or a Recognised Futures Exchange.
"Futures Exchange"	means Hong Kong Futures Exchange Limited.
"GBP" or "£"	means Pound Sterling, the lawful currency for the time being and from time to time of Great Britain.
"Government and other public securities"	has the meaning as set out in the Code which, at the date of this explanatory memorandum, means any investment issued by, or the payment of principal and interest on, which is guaranteed by a government, or any fixed-interest investment issued by its public or local authorities or other multilateral agencies.

"Greater China"	means the People's Republic of China, but for the purposes of this explanatory memorandum and the Fund's investment objective and investment strategy and for geographical reference, includes Taiwan and Hong Kong and excludes Macau.
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC.
"Hong Kong dollar" or "HK dollar" or "HK$"	means the lawful currency for the time being and from time to time of Hong Kong.
"IFRS"	means International Financial Reporting Standards.
"IRS"	means the United States Internal Revenue Service.
"IRS Code"	means the United States Internal Revenue Code of 1986, as amended.
"Investment Company Act"	means the United States Investment Company Act of 1940, as amended.
"Investment Management Agreement"	means the investment management agreement dated 26 March 2007 entered into between the Fund and the Manager, details of which are summarised in the sub-section headed "Material contracts" of this explanatory memorandum.
"investment delegate"	means an entity that has been delegated the investment management function of all or part of the assets of the Fund.
"Investments"	means all the Fund's assets (including cash) for the time being deposited or deemed deposited with the Custodian for the account of the Fund excluding any amount declared as a dividend payable by the Fund.
"Macau"	means the Macau Special Administrative Region of the PRC.
"Manager"	means Value Partners Limited or its successors.
"Market"	has the meaning ascribed to that term, as the context requires, in the Articles.
"Memorandum"	means the memorandum of association of the Fund.

"Net Asset Value"	means the net asset value of the Fund or, as the context may require, the net asset value per Share, calculated pursuant to the Articles.
"New Redeemable Classes Shares"	means collectively Class A USD Shares, Class A AUD Hedged Shares, Class A CAD Hedged Shares, Class A EUR Hedged Shares, Class A NZD Hedged Shares, Class A SGD Hedged Shares and Class A GBP Hedged Shares.
"New Taiwan dollar" or "NT dollar"	means the lawful currency for the time being and from time to time of Taiwan.
"Non-eligible Investor"	means any person to whom a transfer, or by whose holding, of Shares (whether directly or beneficially) would or may, in the sole and conclusive opinion of the Directors: (i) be in breach of any law or governmental authority in any jurisdiction whether on its own or in conjunction with any other relevant circumstances; (ii) result in the Fund incurring any liability to taxation that the Fund otherwise would not have incurred or suffered; (iii) require the Fund to be registered under any statute, law or regulation whether as an investment fund, trust, scheme or otherwise or cause the Fund to be required to apply for registration or comply with any registration requirements in respect of any Shares, whether in the United States or any other jurisdiction, including without limitation under the Securities Act or the Investment Company Act; (iv) cause the assets of the Fund to be considered "plan assets" within the meaning of ERISA; (v) likely to cause a pecuniary, tax, legal or regulatory disadvantage to the Fund or any Shareholder of the Fund in any jurisdiction that otherwise would not have incurred or suffered;

	(vi) be less than the minimum holding specified by the Manager from time to time; or
	(vii) such other non-qualified persons as determined by the Board from time to time.
"Non-redeemable Class N Shares"	means Shares which are not redeemable at the option of the Shareholder.
"NZD"	means New Zealand Dollar, the lawful currency for the time being and from time to time of New Zealand.
"Performance Fee Valuation Day"	means the last Business Day of each calendar year.
"PRC"	means the People's Republic of China.
"QFII"	means qualified foreign institutional investors approved pursuant to the relevant PRC regulations (as amended from time to time).
"Recognised Futures Exchange"	means an international futures exchange which is recognised by the SFC or which is approved by the Directors and the Manager.
"Recognised Stock Exchange"	means an international stock exchange which is recognised by the SFC or which is approved by the Directors and the Manager.
"Redeemable Class A Shares"	means Shares which are designated as "Redeemable Class A Shares" and which are redeemable at the option of the Shareholder in accordance with the Articles.
"Redeemable Classes Shares"	means collectively classes of Shares which are redeemable at the option of the Shareholder in accordance with the Articles and currently comprise the Redeemable Class A Shares, Class A2 QDis Shares, Class A USD Shares, Class A AUD Hedged Shares, Class A CAD Hedged Shares, Class A EUR Hedged Shares, Class A NZD Hedged Shares, Class A SGD Hedged Shares, Class A GBP Hedged Shares, Class X USD Shares and Class Z Shares.
"Regulation S"	means Regulation S under the Securities Act.

"REITs"	means real estate investment trusts.
"Relevant Performance Period"	initially means the period between the day on which dealings in Shares commence and 31 December 2007 (both dates inclusive), following 31 December 2007 the term means the period commencing 1 January to 31 December (both dates inclusive) in each successive calendar year.
"Renminbi" or "RMB"	means the lawful currency for the time being and from time to time of the PRC.
"reverse repurchase transactions"	means transactions whereby the Fund purchases securities from a counterparty of sale and repurchase transactions and agrees to sell such securities back at an agreed price in the future.
"RQFII"	means Renminbi qualified foreign institutional investor approved pursuant to the relevant PRC regulations (as amended from time to time).
"Rule 144A"	means Rule 144A under the Securities Act.
"sale and repurchase transactions"	means transactions whereby the Fund sells its securities to a counterparty of reverse repurchase transactions and agrees to buy such securities back at an agreed price with a financing cost in the future.
"Securities"	means any share, stock, debenture, loan stock, bond, security, commercial paper, acceptance, trade bill, treasury bill, instrument or note of, or issued by or under the guarantee of, any body, whether incorporated or unincorporated, or of any government or local government authority or supranational body, whether paying interest or dividends or not and whether fully-paid, partly paid or nil paid and includes (without prejudice to the generality of the foregoing): (i) any right, option or interest (howsoever described) in or in respect of any of the foregoing, including units in any Unit Trust (as defined in the Articles);

(ii) any certificate of interest or participation in, or temporary or interim certificate for, receipt for or warrant to subscribe or purchase, any of the foregoing;

(iii) any instrument commonly known or recognised as a security;

(iv) any receipt or other certificate or document evidencing the deposit of a sum of money, or any rights or interests arising under any such receipt, certificate or document; and

(v) any bill of exchange and any promissory note.

"Securities Act"	means United States Securities Act of 1933, as amended.
"Securities and Futures Ordinance"	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified, re-enacted or replaced from time to time.
"securities financing transactions"	means, collectively, securities lending transactions, sale and repurchase transactions and reverse repurchase transactions.
"securities lending transactions"	means transactions whereby the Fund lends its securities to a security-borrowing counterparty for an agreed fee.
"SFC"	means the Securities and Futures Commission of Hong Kong.
"SGD"	means Singapore Dollar, the lawful currency for the time being and from time to time of Singapore.
"Shareholder(s)"	means registered holders of the Redeemable Classes Shares and Non-redeemable Class N Shares from time to time.
"Share"	means a share in the capital of the Fund of a nominal or par value of HK$0.10 and includes a fraction of any such Share. Shares may be divided into classes in the discretion of the Directors and shall be designated in accordance with the provisions of the Articles and, except where otherwise expressly stated, the term "Share" as used in this explanatory memorandum shall include all the Redeemable Classes Shares and Non-redeemable Class N Shares.

"Stock Exchange"	means The Stock Exchange of Hong Kong Limited.
"substantial financial institution"	means an authorised 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$2 billion or its equivalent in foreign currency.
"Taiwan"	means Taiwan, the Republic of China.
"United States dollar" or "US dollar" or "US$" or "USD"	means the lawful currency for the time being and from time to time of the United States of America.
"US Person"	has the meaning given to it in Regulation S.
"Valuation Day"	means each Business Day, or such Business Day or Business Days as the Manager may from time to time determine with the approval of the Custodian and one month's prior written notice to Shareholders, provided always that there will be at least one Valuation Day in each calendar month.
"Valuation Point"	means the official close of trading on the Market on each Valuation Day on which any Security, Commodity or Futures Contract comprised in the Fund's portfolio is traded and, if assets comprising the Fund's portfolio are traded on more than one Market, the official close of trading on the last Market to close or such other time or times as determined by the Manager from time to time provided that there shall always be a Valuation Point on each Valuation Day.
"%"	means per cent.

INFORMATION ON THE FUND

INTRODUCTION

The Fund was incorporated with limited liability as an exempted company in the Cayman Islands on 16 January 2002. The Fund is an open-ended mutual fund corporation and will be principally engaged in investments in listed and unlisted companies related to Greater China.

Prior to 26 March 2007, the Fund was a close-ended investment company and its Shares were listed on the Stock Exchange. As approved by the Shareholders on 19 March 2007, the Fund was converted from a close-ended investment company into an open-ended mutual fund corporation and the Shares of the Fund were delisted from the Stock Exchange on 26 March 2007.

INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTIONS

Investment objective

The investment objective of the Fund is to achieve medium-term capital growth by means of investing primarily (i.e. not less than 70% of the Fund's Net Asset Value) in companies established in Greater China or which derive a majority of their revenue from business related to Greater China, whether in the form of direct investment in, or trade with, Greater China. This includes companies incorporated and/or listed outside Greater China.

Investment strategy

A substantial portion of investment is made in listed and unlisted companies related to Greater China, which includes the People's Republic of China, Taiwan and Hong Kong. Investment is mainly made in the form of equity or debt related Securities.

The Fund seeks to invest primarily (i.e. not less than 70% of the Fund's Net Asset Value) in equities of companies that are listed, or have their registered offices in Greater China or that generate a predominant share of their sales and/or their profits in Greater China. When investing the assets of the Fund, the Manager does not intend to have an investment focus in terms of sector or industry. The Fund seeks to explore investment opportunities in growing emerging industries with a focus on high-quality listed companies in emerging industries as well as listed companies in traditional industries that the Manager believes have new impetus for growth. The focus on emerging industries means the Fund may have a substantial part of its equity holdings in companies with small to mid market capitalisation. The Manager typically performs its own investment research, including but not limited to frequent company visits, and focuses on companies that may not attract research coverage by major international institutional investors.

The Investments are intended to be held for medium to long-term capital appreciation. The actual holding period will be dependent on the return from the Investments and, in the case of unlisted Investments, the potential of listing such Investments on a Recognised Stock Exchange.

The Fund may have direct exposure to certain eligible China A Shares via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively the "Stock Connects").

The Fund may also seek indirect exposure to China A Shares in the PRC through:

- China A Shares Access Products ("**CAAPs**"), such as participatory notes, being listed or unlisted derivative instruments issued by a third party ("**CAAP Issuer**") which represents an obligation of the CAAP Issuer to pay to the Fund an economic return equivalent to holding the underlying China A Shares; and/or

- Collective investment schemes (including those managed or offered by the Manager or its Connected Persons and those that are listed, unlisted, SFC authorised* or SFC unauthorised) directly investing in China A Shares through QFIIs or RQFIIs, to the extent permitted by the Code ("**A Shares CIS**").

The investment in China A Shares through the Stock Connects, CAAPs and A Shares CIS is subject to a maximum exposure of 30% of the Fund's latest available Net Asset Value and not more than 10% of the Fund's latest available Net Asset Value may be invested in CAAPs issued by any single CAAP Issuer.

* The SFC's authorisation is not a recommendation or endorsement of a collective investment scheme nor does it guarantee the commercial merits of such collective investment scheme or its performance. It does not mean the collective investment scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or classes of investors.

The Fund does not currently have direct access to China A Shares through QFIIs or RQFIIs.

The Fund may invest up to 35% of the Fund's latest available Net Asset Value in China B Shares. The Fund may also, on an ancillary basis (i.e. less than 30% of its Net Asset Value), invest in futures contracts, options, depository receipts, warrants, units in any unit trust or shares in any mutual fund corporation or any other collective investment scheme (including those offered by the Manager or its Connected Persons) to the extent permitted by the Code. For the purposes of hedging market and currency risks, the Fund may invest in index and currency swaps. The Fund may invest less than 30% of its Net Asset Value in debt related Securities. Under exceptional circumstances (e.g. market crash or major crisis), the Fund may be invested temporarily up to 100% in liquid assets such as bank deposits, certificates of deposit, commercial paper and treasury bills for cash flow management. All investments of the Fund are subject to the investment restrictions under the Articles. Please refer to the section below for details of the investment restrictions under the Articles.

Assets of the Fund denominated in RMB are valued with reference to the CNH rate. Under the current regulations, the rate at which RMB may be exchanged outside the PRC (in the case of Hong Kong, the "**CNH**" rate) may be different from the exchange rate within the PRC (the "**CNY**" rate). While the CNH rate and the CNY rate represent the same currency, they are traded in different and separate markets which operate independently. As such, the CNH rate does not necessarily have the same exchange rate and may not move in the same direction as the CNY rate.

Any cash of the Fund not invested in Securities is deposited with the Custodian and/or other banks where accounts have been opened by the Fund.

Currently, the Fund only engages in securities lending transactions and does not engage in sale and repurchase transactions and reverse repurchase transactions.

Risk Management Policy

To manage the risks arising from the use of derivative instruments, the Manager intends to monitor participation and positions in such derivative instruments closely and will ensure that a suitable risk management process is employed which is commensurate with the Fund's risk profile.

Investments in derivative instruments would normally be monitored and controlled by the Manager with regular marked-to-market valuations, careful research prior to investment and compliance monitoring. A risk management team of the Manager will undertake risk management control functions.

Investment restrictions

Unless otherwise approved by the SFC, the following principal investment restrictions apply to the Fund:

(a) the aggregate value of the 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 Fund:

(1) investments in securities issued by such entity;

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

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

(b) subject to (a) above and Chapter 7.28(c) of the Code and unless otherwise approved by the SFC, the aggregate value of the 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 Fund:

(1) investments in securities issued by such entities;

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

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

(c) unless otherwise approved by the SFC, the value of the 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 Fund, unless:

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

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

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

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

(d) ordinary shares issued by a single entity held for the account of the Fund may not exceed 10% of the nominal amount of the ordinary shares issued by the same entity;

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

(f) notwithstanding (a), (b) and (d), not more than 30% of the latest available Net Asset Value of the Fund may be invested in Government and other public securities of the same issue;

(g) subject to (f), the Fund may fully invest in Government and other public securities in at least six different issues; 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;

(h) 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, the Fund may not invest in physical commodities;

(i) unless otherwise provided under the Code, the spread requirements under paragraphs (a), (b), (d) and (e) do not apply to investments in other collective investment schemes by the Fund and for the avoidance of doubt, exchange traded funds that are:

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

(2) listed and regularly traded on internationally recognised stock exchanges open to the public (nominal listing not accepted) and:

(i) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under Chapter 8.6 of the Code; or

(ii) the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under Chapter 8.10 of the Code,

may either be considered and treated as (i) listed securities for the purposes of and subject to the requirements in paragraphs (a), (b) and (d) above; or (ii) collective investment schemes for the purposes of and subject to the requirements in paragraph (j)(1), (j)(2), provisos of (i) to (iii) of paragraph (j) below. However, the investments in exchange traded funds shall be subject to paragraph (e) above and, unless otherwise specified in this explanatory memorandum, investment by the Fund in exchange traded funds is considered and treated as listed securities for the purposes of and subject to the requirements in paragraphs (a), (b) and (d) above;

(j) where the Fund invests in shares or units of other collective investment schemes ("underlying schemes"),

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

(2) the Fund may invest in one or more underlying schemes which are either authorised by the SFC or eligible schemes (as determined by the SFC), but the value of the Fund's investment in units or shares in each such underlying scheme may not exceed 30% of the latest available Net Asset Value of the Fund, unless the underlying scheme is authorised by the SFC and its name and key investment information are disclosed in this explanatory memorandum,

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

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

(ii) where the underlying schemes are managed by the Manager or by other companies within the same group that the Manager belongs to, then paragraphs (a), (b), (d) and (e) above are also applicable to the investments of the underlying scheme;

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

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

(v) the Manager or any person acting on behalf of the Fund or the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or the management company of an underlying scheme, or quantifiable monetary benefits in connection with investments in any underlying scheme;

(k) in the case of investments in shares in real estate companies and interests in REITs, the Fund shall comply with the requirements under paragraphs (a), (b), (d), (e) and (j)(1) above where applicable. Where investments are made in listed REITs, the requirements under paragraphs (a), (b) and (d) above apply and where investments are made in unlisted REITs, which are either companies or collective investment schemes, then the requirements under paragraphs (e) and (j)(1) above apply respectively;

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

(m) notwithstanding paragraphs (a), (b), (d) and (e) above, where direct investment by the Fund in a market is not in the best interests of investors, the Fund may invest through a wholly-owned subsidiary company established solely for the purpose of making direct investments in such market. In this case:

(1) the underlying investments of the subsidiary, together with the direct investments made by the Fund, must in aggregate comply with the requirements of Chapter 7 of the Code;

(2) any increase in the overall fees and charges directly or indirectly borne by the Shareholders or the Fund as a result must be clearly disclosed in this explanatory memorandum; and

(3) the Fund must produce the reports required by Chapter 5.10(b) of the Code in a consolidated form to include the assets (including investment portfolio) and liabilities of the subsidiary company as part of those of the Fund.

(n) The Fund may engage in foreign currency transactions for hedging purposes only. For a discussion of foreign exchange controls in the PRC, please refer to the sub-section headed "Risks relating to the PRC" in the "Risk factors" section of this explanatory memorandum.

The Fund shall not:

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

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

(C) make short sales if as a result the Fund would be required to deliver securities exceeding 10% of the latest available Net Asset Value of the Fund (and for this purpose (i) securities sold short must be actively traded on a market where short selling is permitted; and (ii) short selling is carried out in accordance with all applicable laws and regulations);

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

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

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

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

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

Borrowing restrictions

The maximum borrowing of the Fund shall not exceed 10% of its latest available Net Asset Value. Where the Manager so determines, the Fund's permitted borrowing level may be a lower percentage. In determining for the purpose of these borrowing limits, back-to-back loans do not count as borrowing. The assets of the Fund may be charged or pledged as security for any such borrowings in accordance with the provisions of the Articles.

For the avoidance of doubt, securities lending transactions and sale and repurchase transactions (subject to the provisions under the heading entitled "Investment Strategy" in the section headed "**INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTIONS**" above) in compliance with the requirements of the Code are not subject to the limitations in this section.

Financial derivative instruments

Subject always to the provisions of the Articles and the Code, and under the heading entitled "Investment Strategy" in the section headed "**INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTIONS**" above, the Manager may on behalf of the Fund enter into any transactions in relation to swaps or other FDIs, for hedging or non-hedging (investment) purposes:

Hedging purposes

The Fund may acquire FDIs for hedging purposes. FDIs are considered as being acquired for hedging purposes if they meet all of 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 of 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 Fund to meet its hedging objective in stressed or extreme market conditions.

Non-hedging (investment) purposes

Subject to the provisions under the heading entitled "Investment Strategy" in the section headed "**INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTIONS**" above, the Fund may acquire FDIs for non-hedging purposes ("investment purposes"), subject to the limit that the Fund's net exposure relating to these FDIs ("net derivative exposure") does not exceed 50% of its latest available Net Asset Value, provided that this limit may be exceeded in such circumstances as permitted under the Code, handbook, code and/or guideline issued by the SFC from time to time or permitted by the SFC from time to time. In this regard:

(a) for the purpose of calculating net derivative exposure, the positions of FDIs acquired by the Fund for investment purposes are converted into the equivalent position in the underlying assets of the FDIs, 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;

(b) the net derivative exposure should be calculated in accordance with the requirements and guidance issued by the SFC which may be updated from time to time; and

(c) for the avoidance of doubt, FDIs acquired for hedging purposes will not be counted towards the 50% limit referred to in this paragraph so long as there is no residual derivative exposure arising from such hedging arrangement.

The actual level of leverage may be higher than such expected level in exceptional circumstances, for example when there are sudden movements in markets and/or investment prices.

Restrictions applicable to FDIs

The FDIs invested by the Fund shall be either listed or 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 Fund may invest according to its investment objectives and policies.

(b) where the Fund invests in index-based FDIs, the underlying assets of such FDIs are not required to be aggregated for the purposes of the investment restrictions set out in paragraphs (a), (b), (c) and (f) of the section headed "Investment restrictions" above provided that the index is in compliance with the relevant requirements under Chapter 8.6 of the Code;

(c) the counterparties to over-the-counter FDI transactions or their guarantors are substantial financial institutions or such other entity acceptable to the SFC;

(d) subject to paragraphs (a) and (b) under the section entitled "Investment restrictions" above, the Fund's net counterparty exposure to a single entity arising from transactions of the over-the-counter FDIs may not exceed 10% of the latest available Net Asset Value of the Fund, provided that the exposure of the Fund to a counterparty of over-the-counter FDIs may be lowered by the collateral received (if applicable) by the Fund and shall be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter FDIs with that counterparty, if applicable; and

(e) the valuation of the FDIs is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager or the Custodian or their nominees, agents or delegates independent of the issuer of the FDIs through measures such as the establishment of a valuation committee or engagement of third party services. The FDIs can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the initiative of the Fund. Further, the Administrator should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the FDIs on a regular basis.

For the avoidance of doubt, restrictions and limitations on counterparty as set out in paragraphs (a) and (b) under the section entitled "Investment restrictions" above and paragraph (d) of this section will not apply to FDIs 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.

Subject to the above, the Fund may invest in FDIs provided that the exposure to the underlying assets of the FDIs, together with the other investments of the Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets as set out in the paragraphs (a), (b), (c), (f), (g), (j)(1), (j)(2), provisos of (i) to (iii) of paragraph (j), (k) and (B) under the section entitled "Investment restrictions" above.

The Fund shall at all times be capable of meeting all its payment and delivery obligations incurred under transactions in FDIs (whether for hedging or for investment purposes). The Manager shall, as part of its risk management process, monitor to ensure that the transactions in FDIs are adequately covered on an ongoing basis. For such purposes, assets that are used to cover the Fund's payment and delivery obligations incurred under transactions in FDIs should 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.

A transaction in FDIs which gives rise to a future commitment or contingent commitment of the Fund should also be covered as follows:

(a) in the case of FDIs transactions which will, or may at the discretion of the Custodian or the Manager, be cash settled, the Fund should 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 FDIs transactions which will, or may at the counterparty's discretion, require physical delivery of the underlying assets, the Fund should 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 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.

In the case of holding alternative assets as cover, the 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.

The above policies relating to FDIs apply to financial instruments which embeds a financial derivative as well.

Securities financing transactions

Subject to the sub-section headed "Investment strategy" above, the Fund may enter into securities financing transactions, provided that they are in the best interests of Shareholders and the associated risks have been properly mitigated and addressed.

Securities lending transactions will only be entered into:-

(a) if the Manager is satisfied that the borrower will provide sufficient assets as collateral for the borrowed securities of a value equivalent to or in excess of the borrowed securities and such collateral to be quality, liquid collateral;

(b) through the agency of a recognised clearing system or a financial institution acceptable to the Manager which engages in this type of transaction;

(c) the relevant securities lent must be fully paid-up shares listed on any stock exchange, over-the-counter market or other organised securities market that is open to the international public on which such securities are regularly traded; and

(d) the amount of consideration (including the value of any collateral) given for the relevant securities must exceed the value of such securities at any one time based on daily marked to market values.

Further, details of the policy regarding securities financing transactions are as follows:-

(i) all revenue arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of such transactions, will be credited to the account of the Fund;

(ii) each counterparty for such transactions (including a borrower for a securities lending transaction) and the issuer of collateral will be an independent counterparty approved by the Manager and will be a financial institution which is subject to ongoing prudential regulation and supervision. There is no criteria for country of origin of the counterparty. Each counterparty is expected to have a minimum credit rating of A2/P2 or equivalent assigned by reputable credit rating agencies or in the reasonable opinion of the Manager;

(iii) the Fund should have at least 100% collateralization in respect of securities financing transactions. The Custodian, upon the instruction of the Manager, will take collateral, which will be cash or liquid securities with value greater than or equal to the value of the securities lent, and the collateral agent (who may be the Custodian or a third party to be appointed by the Custodian at the direction of the Manager or by the Manager directly, as may from time to time be agreed between them) will review its value on a daily basis to ensure that it is at least of a value equivalent to the borrowed securities, and such collateral must meet the collateral policies described below;

(iv) the value of the securities to be loaned, together with the value of all other securities which are the subject of a loan by the Fund does not exceed 10% of the latest available Net Asset Value of the Fund;

(v) no more than 50% of securities of the same issue, or of the same kind (by value), held in respect of the Fund is the subject of security lending transactions at any one time;

(vi) the Manager will ensure that it is able to recall the securities or the full amount of cash (as the case may be) subject to the securities financing transactions or terminate such transactions into which it has entered;

(vii) where any securities lending transaction is arranged through the Custodian or a Connected Person of the Custodian or the Manager, such transaction shall be conducted at arm's length and executed on the best available terms, and the relevant entity shall be entitled to retain for its own use and benefit any fee or commission it receives on a commercial basis in connection with such arrangement (the securities lending fee will be disclosed in the connected party transaction section of the Fund's annual financial reports).

In particular, The HongKong and Shanghai Banking Corporation Limited, which is a Connected Person of the Custodian, may engage in securities financing transactions with the Fund. In acting as securities lending agent, The HongKong and Shanghai Banking Corporation Limited will receive remuneration for its activities; and

(viii) custody/safekeeping arrangements, which details are set out in the section entitled "Collateral valuation and management policy" below, are in place in respect of the assets subject to the securities financing transactions.

Collateral valuation and management policy

The Manager employs a collateral management policy in relation to collateral received in respect of over-the-counter (OTC) FDI transactions and securities financing transactions entered into in respect of the Fund.

The Fund may receive collateral from a counterparty to an OTC FDI transaction or a securities financing transaction, so as to reduce its counterparty risk exposure as set out in paragraph (d) under the section entitled "Restrictions applicable to FDIs" above and paragraph (iii) under the section entitled "Securities financing transactions" above, provided that the collateral complies with the requirements set out below:

- Nature and quality of collateral – unless otherwise agreed by the Manager, eligible collateral include:

    - o cash, in the same currency denomination as the securities lent, or in Hong Kong or US dollars if the securities lent are denominated in a foreign currency;

    - o government or other public securities including debt securities;

    - o certificates of deposit;

- letters of credit which are unconditional and irrevocable and which have a credit rating of A1/P1 or better; and

- certificates issued by securities exchange clearing systems;

- Selection of counterparties - The Manager has counterparty selection policies and control measures to manage the credit risks of counterparties of OTC FDI transactions and securities financing transactions and will be subject to the requirements under paragraph (ii) under the section entitled "Securities financing transactions" above. In particular:

  - the counterparties for OTC FDI transactions will be entities with legal personality typically located in Organisation for Economic Co-operation and Development (OECD) jurisdictions (but may also be located outside such jurisdictions), and be subject to ongoing supervision by a regulatory authority; and

  - the counterparties for securities financing transactions (including a borrower for a securities lending transaction) will be an independent counterparty approved by the Manager and will be a financial institution which is subject to ongoing prudential regulation and supervision;

- Liquidity – collateral must be sufficiently liquid and tradable 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. Regular stress tests are carried out under normal and exceptional liquidity conditions to enable an adequate assessment of the liquidity risks attached to the collateral;

- Valuation – collateral should be marked-to-market daily by using independent pricing source;

- Issuer credit quality – asset used as collateral must be of high credit quality and should be replaced immediately as soon as 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;

- Haircut – a haircut is a discount applied to the value of a collateral asset to account for the fact that its valuation, or liquidity profile, may deteriorate over time. Collateral should be subject to prudent haircut policy, which should be based on the market risks of the assets used as collateral in order to cover potential maximum expected decline in collateral values during liquidation before a transaction can be closed out with due consideration on stress period and volatile markets:

    - o the haircut policy takes into account the price volatility of the asset used as collateral and, where appropriate, other specific characteristics of the collateral, including, among others, asset types, issuer creditworthiness, residual maturity, price sensitivity, optionality, expected liquidity in stressed period, impact from foreign exchange, and correlation between securities accepted as collateral and the securities involved in the transactions; and

    - o the haircut policy applied to posted collateral will be negotiated on a counterparty basis and will vary depending on the class of asset received by the Fund. Further details of the applicable haircut arrangement for each asset class is available from the Manager upon request;

- Diversification – collateral must be appropriately diversified to avoid concentrated exposure to any single entity and/or entities within the same group and the Fund's exposure to issuer(s) of the collateral should be taken into account in compliance with the corresponding investment restrictions and limitations set out in the paragraphs (a), (b), (c), (f), (g), (j)(1), (j)(2), provisos of (i) to (iii) of paragraph (j), (k) and (B) under the section entitled "Investment restrictions" above;

- Correlation – the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty or the issuer of the FDIs, or the counterparty of securities financing transactions in such a way that it would undermine the effectiveness of the collateral. As such, securities issued by the counterparty or the issuer of the FDIs or the counterparty of securities financing transactions or any of their related entities should not be used as collateral;

- Management of operational and legal risks – the Manager shall have appropriate systems, operational capabilities and legal expertise for proper collateral management;

- Independent custody – collateral must be held by the Custodian of the Fund;

- Safe-keeping of collateral and assets subject to securities financing transactions –

- any non-cash assets received by the Fund from a counterparty on a title transfer basis (whether in respect of a securities lending transaction or an OTC FDI transaction) shall be held by the Custodian, or a nominee, agent or delegate appointed in relation the assets of the Fund. This is not applicable in the event that there is no title transfer and, in which case, the collateral will be held by a third party custodian which is unrelated to the provider of the collateral; and

- assets provided by the Fund on a title transfer basis (in respect of a sale and repurchase transaction) shall no longer belong to the Fund. The counterparty may use those assets at its absolute discretion. Assets provided to a counter party other than on a title transfer basis shall be held by the Custodian or a nominee, agent or delegate appointed in relation the assets of the Fund;

• Enforceability – collateral must be readily accessible/enforceable by the Custodian without further recourse to the issuer of the FDIs, or the counterparty of securities financing transactions;

• Re-investment of collateral - cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorised under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the Code and the following restrictions:

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

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

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

  - 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; and

  - up to 100% of the cash collateral received by the Fund may be reinvested.

For the purposes of re-investment of cash collateral received, "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 will be taken into account;

- Encumbrances - collateral should be free of prior encumbrances; and

- Collateral generally should not include (i) structured products whose payouts rely on embedded FDIs or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitised products; or (iv) unlisted collective investment schemes.

The requirements under paragraphs (a) and (b) under the section entitled "Investment restrictions" above will also apply in the case of the "Diversification" and "Re-investment of collateral" requirements of this section.

A description of holdings of collateral (including but not limited to a description of the nature of collateral, identity of the counterparty providing the collateral, value of the Fund (by percentage) secured/covered by collateral with breakdown by asset class/nature and credit rating (if applicable)) will be disclosed in the Fund's annual and interim reports for the relevant period.

If any of the restrictions or limitations set out above is breached, the Manager will, as a priority objective, take all necessary steps within a reasonable period of time to remedy such breach, taking due account of the interests of the Shareholders.

Use of Derivatives

The Fund's net derivative exposure may be up to 50% of the Fund's latest available Net Asset Value.

Liquidity Risk Management

The Manager has established a liquidity management policy which enables it to identify, monitor and manage the liquidity risks of the Fund and to ensure that the liquidity profile of the investments of the Fund will facilitate compliance with the 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 Shareholders and safeguard the interests of remaining Shareholders in case of sizeable redemptions.

The Manager's liquidity policy takes into account the investment strategy, the liquidity profile, the redemption policy, the dealing frequency, the ability to enforce redemption limitations and the fair valuation policies of the Fund. These measures seek to ensure fair treatment and transparency for all investors.

The liquidity management policy involves monitoring the profile of investments held by the Fund on an on-going basis to ensure that such investments are appropriate to the redemption policy as stated under the section headed "**SUBSCRIPTION, REDEMPTION AND TRANSFER OF SHARES**", and will facilitate compliance with the 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 Fund under normal and exceptional market conditions.

The following tool(s) may be employed by the Manager to manage liquidity risks:

- the Manager may limit the total number of Redeemable Classes Shares redeemed and Non-redeemable Class N Shares repurchased during any Dealing Period to 10% in aggregate of the total Net Asset Value of the Fund at the relevant time (subject to the conditions under the heading entitled "**Redemption of Shares**" in the section headed "**SUBSCRIPTION, REDEMPTION AND TRANSFER OF SHARES**").

STOCK CONNECTS

The Shanghai-Hong Kong Stock Connect is a securities trading and clearing links programme developed by Hong Kong Exchanges and Clearing Limited ("**HKEX**"), SSE and China Securities Depository and Clearing Corporation Limited ("**ChinaClear**") and the Shenzhen-Hong Kong Stock Connect is a securities trading and clearing links programme developed by HKEX, SZSE and ChinaClear. The aim of the Stock Connects is to achieve mutual stock market access between the PRC 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 Fund), through their Hong Kong brokers and a securities trading service company as established by The Stock Exchange of Hong Kong Limited ("**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 Fund), through their Hong Kong brokers and a securities trading service company established by SEHK, may be able to trade eligible China A Shares listed on the SZSE by routing orders to SZSE.

Eligible Securities

(i) Shanghai-Hong Kong Stock Connect

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

- 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.

(ii) Shenzhen-Hong Kong Stock Connect

Under the Shenzhen-Hong Kong Stock Connect, Hong Kong and overseas investors (including the Fund) are able to trade certain eligible shares listed on the SZSE market (i.e. "**SZSE Securities**"). These include all the constituent stocks of the SZSE Component Index and SZSE Small/Mid Cap Innovation Index which has a market capitalisation of not less than RMB 6 billion, and all the SZSE-listed China A Shares which have corresponding H Shares listed on SEHK, except 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 Shenzhen-Hong Kong Stock Connect, investors eligible to trade shares that are listed on the ChiNext Board of the SZSE ("**ChiNext Board**") under Northbound trading will be limited to institutional professional investors (which the Fund will qualify as such) as defined in the relevant Hong Kong rules and regulations.

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

Trading Days

Investors (including the Fund) will only be allowed to trade on the SSE market and the SZSE market on days where both the PRC and Hong Kong stock markets are open for trading and banking services are available in both markets on the corresponding settlement days.

Trading Quota

Trading under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect will be subject to a daily quota ("**Daily Quota**"). Northbound Shanghai Trading Link under the Shanghai-Hong Kong Stock Connect, Northbound Shenzhen Trading Link under the Shenzhen-Hong Kong Stock Connect, Southbound Hong Kong Trading Link under the Shanghai-Hong Kong Stock Connect and Southbound Hong Kong Trading Link under the Shenzhen-Hong Kong Stock Connect will be respectively subject to a separate set of Daily Quota.

The Daily Quota limits the maximum net buy value of cross-boundary trades under each of the Stock Connects each day.

SEHK will monitor the quota and publish the remaining balance of the Northbound Daily Quota at scheduled times on the HKEX's website.

Settlement and Custody

The Hong Kong Securities Clearing Company Limited ("**HKSCC**"), a wholly-owned subsidiary of HKEX, will be responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by Hong Kong market participants and investors.

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

Corporate Actions and Shareholders' Meetings

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

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

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

Foreign Shareholding Restrictions

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

- shares held by a single foreign investor (such as the Fund) investing in a listed company must not exceed 10% of the total issued shares of such listed company; and

- total shares held by all foreign investors (i.e. Hong Kong and overseas investors) who make investment in a listed company must not exceed 30% of the total issued shares of such listed company.

When the aggregate foreign shareholding of an individual China A Share reaches 26%, SSE or SZSE, as the case may be, will publish a notice on its website (http://www.sse.com.cn/disclosure/diclosure/qfii for SSE^ and http://www.szse.cn/main/disclosure/news/qfii/ for SZSE^). If the aggregate foreign shareholding exceeds the 30% threshold, the foreign investors concerned will be requested to sell the shares on a last-in-first-out basis within five trading days.

Currency

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

Trading Fees

Under the Stock Connects, Hong Kong and overseas investors will be subject to the fees and levies imposed by SSE, SZSE, ChinaClear, HKSCC or the relevant PRC authority when they trade and settle SSE Securities and SZSE Securities. Further information about the trading fees and levies is available online at the website:
http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm^

---

^ This website has not been reviewed / authorized by the SFC.

Investor Compensation

The Fund's investments through Northbound trading under the Stock Connects will not be covered by Hong Kong's Investor Compensation Fund.

Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong.

Since default matters in Northbound trading via the Stock Connects do not involve products listed or traded in SEHK or Hong Kong Futures Exchange Limited, they will not be covered by the Investor Compensation Fund.

On the other hand, since the Fund is carrying out Northbound trading through securities brokers in Hong Kong but not the PRC brokers, therefore it is not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金) in the PRC.

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

DETERMINATION OF NET ASSET VALUE

The Net Asset Value of the Fund will be calculated by valuing the assets of the Fund and deducting the liabilities attributable to the Fund in accordance with the terms of the Articles. These liabilities include, without limitation, any management fee, performance fee, custodian fee, any taxes, any borrowings and the amount of any interest and expenses thereon, any other costs or expenses expressly authorised by the Articles, and an appropriate allowance for any contingent liabilities.

Where the Fund has more than one class of Shares, to ascertain the Net Asset Value of a class of Shares, a separate class account will be established in the books of the Fund. An amount equal to the proceeds of issue of each Share will be credited to the relevant class account. The Net Asset Value of each class of Shares as at any Valuation Point shall be calculated by:

- allocating among each class the Net Asset Value of the Fund pro rata in accordance with the Net Asset Value of each class, then adding the subscriptions and deducting the redemptions in respect of each class, immediately prior to the relevant Valuation Point; and

^ This website has not been reviewed / authorized by the SFC.

- deducting from the Net Asset Value of the class in question the fees, costs, expenses or other liabilities attributable to that class not already deducted in ascertaining the Net Asset Value of the Fund and adding to the Net Asset Value, assets specifically attributable to that class in order to arrive at the Net Asset Value of that relevant class.

The value of the assets of the Fund will be determined by the Manager, in consultation with the Custodian, as at each Valuation Point in accordance with the Articles, which in substance, provides (inter alia) that:

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

(b) the value of any Investment (other than a Commodity, Futures Contract or an interest in a collective investment scheme) which is not quoted, listed, traded or ordinarily dealt in on any securities market shall initially be the value equal to the amount expended on behalf of the Fund in the acquisition of such Investment (including, in each case the amount of stamp duties, commissions and other acquisition expenses), and thereafter the value as assessed by the Administrator on the latest revaluation thereof, provided that a revaluation shall be made on each Valuation Day by reference to the latest bid price, asked price or mean thereof, as the Administrator and the Manager consider appropriate, quoted by a person, firm or institution making a market in such Investments or otherwise approved by the Custodian as qualified to value such Investments (which may, if the Custodian agrees, be the Manager);

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

(d) the value of any Commodity or Futures Contract shall be ascertained in such manner as the Manager, in consultation with the Custodian, shall think fit, but so that:

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

(ii) if any such price as referred to in (i) is not, in the opinion of the Manager, reasonably up-to-date or is not ascertainable at any relevant time, then regard shall be had to any certificate as to the value of such Commodity or Futures Contract provided by a firm or institution making a market in such Commodity or Futures Contract;

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

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

(e) the value of each unit, share or interest in any collective investment scheme (other than an interest in a listed collective investment scheme) which is valued as at the same day as the Fund shall be the net asset value per unit, share or other interest in such collective investment scheme calculated as at that day or, if the Manager so determines, if such collective investment scheme is not valued as at the same day as the Fund, shall be the last published net asset value per unit, share or other interest in such collective investment scheme, provided that if no net asset value is available, the value thereof shall be determined from time to time in such manner as the Manager shall determine in consultation with the Custodian;

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

(g) the value of any Investment (whether of a borrowing or other liability or an Investment or cash) in a currency other than the base currency of the Fund or the currency of denomination of the relevant class will be converted into the base currency or the currency of denomination of such class (as the case may be) at the rate (whether official or otherwise) which the Manager shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange.

The Directors may, acting on the advice of the Manager and after consultation with the Custodian, having regard to the best interests of Shareholders, declare a suspension of the determination of the Net Asset Value on any Business Day (and hence the Net Asset Value per Share) during:

(i) any period (other than ordinary holiday or customary weekend closings) when any Market is closed which is the main market for a substantial part of the Investments, or when trading thereon is restricted or suspended;

(ii) any period when any emergency exists as a result of which disposal by the Fund of Investments which constitute a substantial portion of its assets is not practically feasible;

(iii) any period when for any reason the prices of a substantial portion of the Investments cannot be reasonably, promptly or accurately ascertained by the Fund;

(iv) any period when remittance of monies which will, or may be, involved in the realisation of, or in the payment for, Investments cannot, in the opinion of the Directors, be carried out at normal rates of exchange;

(v) any period when proceeds of the sale or redemption of the Shares cannot be transmitted to or from the Fund's account; or

(vi) any period when, for any other reason, the value of any of the Investments cannot reasonably or fairly be ascertained.

Whenever the Directors declare 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 stating that such declaration has been made on the Manager's website www.valuepartners-group.com. This website has not been reviewed or authorised by the SFC.

No Shares will be issued or redeemed on any Business Day when the determination of the Net Asset Value is suspended. Where possible, all reasonable steps will be taken to bring any period of suspension to an end as soon as possible.

NET ASSET VALUE PUBLICATION

The Net Asset Value per Share for each Valuation Day will be made available on the Manager's website www.valuepartners-group.com. This website has not been reviewed or authorised by the SFC.

RESTRICTIONS ON SHAREHOLDERS

Every person purchasing the Shares will be deemed to have represented, agreed and acknowledged that it is not a Non-eligible Investor. Under the Articles, the Directors have the power to impose such restrictions as they may think necessary for the purpose of ensuring that none of the Shares are acquired or held by a Non-eligible Investor. Upon notice that any of the Shares are so held, the Directors may require such holders to redeem or transfer their Shares in accordance with the provisions of the Articles.

Compulsory redemption

Under the Articles, the Directors have the power to redeem compulsorily any Shares held by a Non-eligible Investor at a price equivalent to the Net Asset Value per Share as of the Valuation Point immediately prior to the date on which the Directors determine that such redemption is to take effect. No Shareholders' resolution will be required in the event that the Directors decide to exercise their powers under the Articles to redeem compulsorily any Shares held by a Non-eligible Investor. Such compulsory redemption of Shares held by Non-eligible Investors will be effected in accordance with the Articles.

Any Shares redeemed compulsorily will be treated as cancelled on redemption and the amount of the Fund's issued share capital will be diminished by the nominal value of those Shares accordingly. Where Shares are redeemed compulsorily, the Fund will comply with the applicable rules and regulations.

Payment of the redemption proceeds will be made in the class currency of the relevant class of Shares and will be remitted by wire transfer to the account designated by the Shareholder concerned. No interest will accrue on the redemption proceeds pending payment.

For the purposes of this section, references to "Shares" shall be construed as references to "Redeemable Classes Shares".

Compulsory transfer

Under the Articles, upon notice that any of the Shares are held by a Non-eligible Investor, the Directors may by notice require such holder to transfer his Shares to a person whose holding would be permissible as described in this explanatory memorandum and as permitted under the Articles. A summary of the provisions of the Articles on transfer of Shares is set out in the subsection headed "Transfer of Shares" in the "Subscription, Redemption and Transfer of Shares" of this explanatory memorandum.

If the holder does not subsequently transfer his Shares within 30 days after such notice, the Directors will be entitled to compulsorily redeemed such Shares in accordance with the Articles.

DISTRIBUTION

The Fund's financial year is the twelve-month period from 1 January to 31 December of each calendar year.

The Directors currently do not intend to pay dividends with respect to the Accumulation Classes. Therefore, any net income and net realized profits attributable to the Shares of the Accumulation Classes will be reflected in their respective Net Asset Values. This does not preclude the Directors, having consulted and agreed with the Manager, from declaring a dividend or making a distribution at any time in the future in respect of Accumulation Classes if they consider it to be appropriate.

For the Distribution Class, the Directors currently intend to make quarterly dividend distributions to relevant Shareholders. There is neither a guarantee that such dividends will be made nor will there be a target level of dividend payout. However, the Directors, having consulted and agreed with the Manager, may consider not making distributions in any financial year, in their absolute discretion, taking into account factors such as fund size, fund history, income for the year, capital growth, administration costs, etc. Where distributions are made, the amount available for distribution in respect of each financial year will be determined and declared at such date(s) as the Directors, having consulted and agreed with the Manager, may determine. Following declaration, the relevant distribution shall be paid on a Valuation Day as soon as practicable after the date on which the distribution is declared ("**Distribution Date**") to persons who were Shareholders on the Valuation Day immediately preceding the Distribution Date ("**Record Date**").

Dividends of the Distribution Class declared, if any, shall be distributed among the Shareholders of the Distribution Class rateably in accordance with the number of Shares of the Distribution Class held by them on the Record Date in respect of the corresponding distribution. For the avoidance of doubt, only Shareholders whose names are entered on the register of members on such Record Date shall be entitled to the distribution declared in respect of the corresponding distribution.

For Shareholders of the Distribution Class, the distributions will not be paid in cash if the amount of the distribution for the relevant Shareholders amounts to less than US$100 or such other amount determined by the Directors, having consulted with the Manager, from time to time. If the amount of the distribution payable to the relevant Shareholders is less than the minimum amount specified as aforesaid, the distribution to which the Shareholder is entitled will be applied to subscribe for additional Shares in the Distribution Class at the prevailing Issue Price applicable on the Distribution Date.

The Manager expects to be able to pay distributions from income generated by the Fund from its investment, but in the event that the net distributable income (as defined below) attributable to the Distribution Class during the relevant period is insufficient to pay distributions as declared, the Manager may in its discretion determine such distributions be paid from unrealised capital gains or other unrealised profits during the relevant financial year, undistributed net income and undistributed net realised capital gains or profits of the Fund brought forward from previous financial years and the share premium account of the Fund ("**Capital**"). For the purposes herein, "net distributable income" means (i) the net investment income (i.e. dividend income and interest income net of fees and expenses) attributable to the relevant Distribution Class ("Net Investment Income"); (ii) net realised gains (if any) based on unaudited management accounts (but does not include unrealised gains) ("Net Realised Gains"); the Net Investment Income and Net Realised Gains attributable to the relevant Distribution Class that have been accrued at the end of the Fund's financial year and are declared and paid as dividends at the next Distribution Date immediately after that financial year could be treated as "net distributable income" in respect of that financial year.

According to the articles of association of the Fund and upon obtaining legal advice, no dividend shall be declared or paid out of the par or nominal value of the Fund. Please also refer to the risk factors entitled "Distribution Risk" and "Payment of Distributions Out of Capital Risk".

The composition of the dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) Capital) (if any) for the last 12 months is available from the Manager on request and also on the Manager's website www.valuepartners-group.com[1].

[1] This website has not been reviewed or authorised by the SFC.

The Manager may amend the distribution policy subject to obtaining the SFC's prior approval (if applicable), and by giving not less than one month's prior notice to Shareholders.

FINANCIAL REPORTS

The financial year-end of the Fund is on 31 December of every year. Annual financial reports prepared in accordance with IFRS are to be made available to Shareholders within four months of each financial year-end. Unaudited interim financial reports are also to be prepared up to the last Business Day in June of each year and made available to Shareholders within two months of such date. The English and Chinese reports will provide details of the Investments and the Manager's statement on transactions during the period under review and will be posted on the Manager's website, www.valuepartners-group.com[1]. Shareholders will be notified once the reports are available. Printed copies of the reports will also be provided to Shareholders free of charge upon request to the Manager.

DIRECTORS

The Directors are responsible for the overall management and control of the Fund in accordance with the Articles. The names of the Directors and their past experience are set out below:

Executive Directors

Mr. Kee Chong Li Kwong Wing was appointed as an executive director on 18 July 2013. Mr. Li holds a Masters degree (LLM) in International Tax Law from St Thomas University School of Law, Florida, USA and a B.Sc. (Econ) from the London School of Economics. He started his professional career in 1974 as a Lecturer in Public Finance at the University of Mauritius. Afterwards, he held different prominent positions including Advisor to the Minister of Finance and Chairman of the Stock Exchange Commission. In 1992, Mr. Li started his own private consulting firm and served as Consultant to the United Nations Economic Commission for Africa (UNECA) and the U.N. Industrial Development Organization (UNIDO). He is currently the CEO of The Mauritius International Trust Co. Ltd (MITCO), a professional firm founded by him in 1993 which provides international tax and investment advisory services in Mauritius. He also sits on the Board of Directors of several emerging markets funds. He is also a Member of the Parliament of Mauritius.

[1] This website has not been reviewed or authorised by the SFC.

Mr. Roger Anthony Hepper was appointed as an executive Director on 1 September 2016. He is Co-Chief Operating Officer of Value Partners Group Limited ("**Value Partners**"). He oversees the overall infrastructure of Value Partners, covering product development, information technology and operations, legal and risk management, as well as middle-office coordination across Value Partners' Hong Kong headquarters and overseas offices.

Mr. Hepper joined Value Partners in August 2016. He has a distinguished career in asset management with over 30 years of experience. He is a veteran of JPMorgan Group with diverse leadership roles.

Mr. Hepper was Managing Director and Chief Operating Officer of Asia Pacific for JPMorgan Asset Management. He joined the firm in 1987 as an Internal Audit Manager in London and relocated to Hong Kong in 1995 as a Senior Finance Manager of Jardine Fleming Unit Trusts. He was appointed Head of Risk Management and Middle Office of Asia Pacific in 1999, then Head of Risk, Operations & Technology of Asia Pacific in 2001, before taking up the Regional Chief Operating Officer role in 2003. Prior to joining the firm, he began his career at Baker Rooke in London and qualified as a Chartered Accountant.

In addition to holding a number of directorships and board memberships at JPMorgan Asset Management across Asia, Mr. Hepper sits on a number of committees in Hong Kong, including the Hong Kong's Securities and Futures Commission's Committee on Unit Trusts and the Real Estate Investment Trusts Committee. He also served as a Representative Director on the OTC Clear Board of Hong Kong Exchanges & Clearing Limited.

Mr. Hepper graduated from Loughborough University of Technology in England with a Bachelor's degree in Accountancy and Financial Management. He is a Fellow of I.C.A.E.W.

Alternate Director

Mr. Lam Wai Sing, Wilson was appointed as an alternate Director on 1 August 2018. Mr. Lam is Director, Fund Operations of Value Partners, where he oversees the fund administration function including trade settlement and portfolio valuations. He is also responsible for developing fund service solutions, setting policies and procedures, monitoring operations and services delivery.

Mr. Lam has over 20 years' experience in the financial services industry. He has solid experience in operating with long/short equity funds, hedge funds, fund of funds and private equity funds across different investment strategies and a range of fund structures. Mr. Lam started his career at Value Partners in February 1999. He has participated in the development of operation flow for Value Partners' fund trading system, and was promoted to the current role in 2011.

TERMINATION OF THE FUND

The Fund may be wound up by a special resolution of Shareholders. On a winding up, the Shares carry a right to share, pari passu inter se, in surplus assets of the Fund remaining.

If the Net Asset Value of the Fund at any time falls below HK$80,000,000 and remains below that level for 30 or more consecutive Business Days, the Directors may, having consulted the Manager, convene a general meeting of Shareholders to determine by way of Shareholders' resolution whether the Fund shall continue in operation or be wound up. The Fund will only continue in operation if approved by an ordinary resolution passed by Shareholders at that meeting.

Any unclaimed proceeds or other cash held by the Custodian upon the winding up of the Fund or the redemption by the Fund of a class of Shares, as the case may be, shall at the expiration of twelve months following dissolution of the Fund be paid to the Cayman Islands Government, subject to the right of the Custodian to deduct therefrom any expenses it may incur in making such payment.

INVESTMENT MANAGEMENT

THE MANAGER

The Manager is a company incorporated with limited liability in the British Virgin Islands on 9 October 1991 and is licensed under the SFO to carry on the regulated activities of type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) in Hong Kong. The Manager is also licensed by the Financial Services Commission in the British Virgin Islands to hold a Category 3: Investment Management Sub-category B: Managing Mutual Funds licence under Section 5 and 6(2) of the Securities and Investment Business Act, 2010 ("**SIBA**"), and in accordance with the provisions of Sections 5 and 6(2) of SIBA, and Section 40B of the Financial Services Commission Act, 2001. It is a wholly owned subsidiary of Value Partners Group Limited.

The Manager's role

Pursuant to the Investment Management Agreement, the Manager was appointed as an investment manager to provide investment management services to the Fund, subject to the overall control and supervision of the Directors.

The Manager manages and supervises the Investments and provides various administrative services to the Fund in accordance with the Investment Management Agreement. More information on the Investment Management Agreement may be found in the sub-section headed "Material contracts" of this explanatory memorandum.

Appointment of investment delegate

Subject to the prior approval by the SFC, the Manager is authorised under the Investment Management Agreement to appoint one or more investment delegates to manage and invest the Fund on a discretionary basis. The Manager will exercise reasonable care, skill and diligence in the selection of any such investment delegates and will be responsible to the Fund for satisfying itself as to the ongoing suitability of such investment delegates to perform the investment management functions. The Manager will be responsible for the payment of the fees of the investment delegates.

The Manager's directors

The Manager's directors are:

Executive directors

Dato' Seri Cheah Cheng Hye is Co-Chairman and Co-Chief Investment Officer ("**Co-CIO**") of Value Partners Group Limited ("**Value Partners**"). He is in charge of Value Partners' fund management and investment research, business operations, product development and corporate management. He sets Value Partners' overall business and portfolio strategy.

Dato' Seri Cheah has been in charge of Value Partners since he co-founded the firm in February 1993 with his partner, Mr. V-Nee YEH. Throughout the 1990s, he held the position of Chief Investment Officer and Managing Director of Value Partners, responsible for managing both the firm's funds and business operation. He led Value Partners to a successful listing on the Main Board of The Hong Kong Stock Exchange in 2007. The firm became the first asset management company listed in Hong Kong. Dato' Seri Cheah has more than 30 years of investment experience, and is considered one of the leading practitioners of value-investing in Asia and beyond. Value Partners and he personally have received numerous awards – a total of more than 200 professional awards and prizes since the firm's inception in 1993.

Dato' Seri Cheah currently serves as an Independent Non-executive Director of Hong Kong Exchanges and Clearing Limited ("**HKEX**"), a member of The Hong Kong University of Science and Technology ("**HKUST**") Business School Advisory Council, as well as Co-Chairman of The Malaysian Chamber of Commerce (Hong Kong and Macau). He was previously a member of the Financial Services Development Council ("**FSDC**") (from February 2015 to January 2019), and a member of the New Business Committee of FSDC (from 2013 to 2018). FSDC is a high-level, cross-sector advisory body established by the Hong Kong Special Administrative Region Government.

In August 2016, Dato' Seri Cheah was conferred Darjah Gemilang Pangkuan Negeri ("**DGPN**"), one of the highest civil honours granted by the state of Penang in Malaysia to recognize exceptional individuals. The DGPN award comes with the title of "Dato' Seri". In 2013, he was conferred Darjah Setia Pangkuan Negeri ("**DSPN**") with the title of "Dato' ". In the same year, he was named an Honorary Fellow of the HKUST for outstanding achievements.

Dato' Seri Cheah was named "Outstanding Manager of the Year – Greater China equity category" in the Fund of the Year Awards 2017 by Benchmark, and the co-winner of "CIO of the Year in Asia" along with Mr. Louis So in the 2011 Best of the Best Awards by Asia Asset Management. In 2010, he was named by AsianInvestor as one of the Top-25 Most Influential People in Asian Hedge Funds. In 2009, he was named by AsianInvestor as one of the 25 Most Influential People in Asian Asset Management. He was also named "Capital Markets Person of the Year" by FinanceAsia in 2007, and in 2003, he was voted the "Most Astute Investor" in the Asset Benchmark Survey.

Prior to starting Value Partners, Dato' Seri Cheah worked at Morgan Grenfell Group in Hong Kong, where, in 1989, he founded the company's Hong Kong/China equities research department as the Head of Research and proprietary trader for the firm. Prior to this, he was a financial journalist with the Asian Wall Street Journal and Far Eastern Economic Review, where he reported on business and financial news across East and Southeast Asia markets. Dato' Seri Cheah served for nine years (1993 to 2002) as an independent non-executive director of Hong Kong-listed JCG Holdings, a leading microfinance company (a subsidiary of Public Bank Malaysia renamed from 2006 as Public Financial Holdings).

Mr. So Chun Ki Louis is Co-Chairman and Co-Chief Investment Officer ("**Co-CIO**") of Value Partners. He works closely with Dato' Seri CHEAH Cheng Hye on all aspects of providing leadership to Value Partners, including overseeing all group affairs and activities, daily operations and management of the firm's investment management team. Mr. So holds a leadership role in Value Partners' investment process, including a high degree of responsibility over portfolio management.

Mr. So has 20 years of experience in the financial industry, with a solid track record in research and portfolio management. He joined Value Partners in May 1999 and was promoted to take up various research and fund management roles since then. He was appointed Co-Chairman of Value Partners with effect from 26 April 2019. His extensive management capability and on-the-ground experience helped the group establish an unparalleled research and investment team.

Mr. So was named "Outstanding Manager of the Year – Greater China equity category" in the Fund of the Year Awards 2017 by Benchmark. In the 2011 Best of the Best Awards by Asia Asset Management, he was the co-winner of "CIO of the Year in Asia" award alongside Dato' Seri Cheah Cheng Hye.

Mr. So graduated from the University of Auckland in New Zealand with a Bachelor's degree in Commerce and obtained a Master's degree in Commerce from the University of New South Wales in Australia.

Mr. Ho Man Kei, Norman is a Senior Investment Director of Value Partners, where he is a leader in Value Partners' investment process, with a high degree of responsibility over portfolio management. Mr. Ho is a member of the Board of Directors of Value Partners Group, and is also a director of certain subsidiaries of the Group.

Mr. Ho has extensive experience in the fund management and investment industry, with a focus on research and portfolio management. Mr. Ho joined Value Partners in November 1995. He was promoted to the roles of Investment Director and Senior Investment Director in 2010 and January 2014, respectively. Prior to joining Value Partners, he was an Executive with Dao Heng Securities Limited and had started his career with Ernst & Young.

Mr. Ho graduated with a Bachelor's degree in Social Sciences (majoring in Management Studies) from The University of Hong Kong. He is a CFA charterholder.

THE CUSTODIAN

HSBC Institutional Trust Services (Asia) Limited has been appointed by the Fund as the Custodian of the investments and uninvested cash of the Fund, which are held either directly by the Custodian or through its sub-custodians, nominees, agents or delegates pursuant to a custodian agreement between the Fund and the Custodian dated 26 March 2007 (the "**Custodian Agreement**"). The appointment of the Custodian may be terminated by either the Custodian or the Fund giving to the other not less than 90 days' notice in writing; the Custodian Agreement may also be terminated in certain other circumstances described therein.

HSBC Institutional Trust Services (Asia) Limited was incorporated in Hong Kong in 1974 and is registered as a trust company under the Trustee Ordinance. HSBC Institutional Trust Services (Asia) Limited is an indirect wholly owned subsidiary of HSBC Holdings plc, a public company incorporated in England and Wales. The HSBC Group is one of the largest banking and financial services organisation in the world with well-established businesses in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

In performing its duties, the Custodian may appoint such agents, nominees, sub-custodians and delegates as it thinks fit to perform in whole or in part any of its duties and discretions (including in such appointment are powers of sub-delegation, provided that (i) the Custodian will act with reasonable care, skill and diligence in the selection, appointment (including in relation to the terms thereof) and ongoing monitoring of agents, nominees, sub-custodians and delegates which are appointed for the custody and/or safekeeping of any of the Fund's property and (ii) be satisfied that the agent, nominee, sub-custodian or delegate retained remains suitably qualified and competent on an ongoing basis to provide the relevant custodial services to the Fund). The Custodian will remain liable to the Fund for any acts or omissions of such agents, nominees, sub-custodians and delegates which are Connected Persons of the Custodian howsoever appointed as if such acts or omissions were those of the Custodian but provided that the Custodian has discharged its obligations in (i) and (ii) above, the Custodian will not be liable for any losses suffered by the Fund by reason of any act, omission, liquidation, bankruptcy or insolvency of any agent, nominee, sub-custodian or delegate which is not a Connected Person of the Custodian howsoever appointed but will use reasonable endeavours to recover any Securities or other property held pursuant to the Custodian Agreement and to recover any losses or damages suffered by the Fund as a direct consequence of such liquidation, bankruptcy or insolvency.

The Custodian will not participate in transactions or activities or make any payments denominated in US dollars, which, if carried out by a US person, would be subject to the sanctions of the Office of Foreign Assets Control of the US Department of Treasury.

The Custodian is entitled to receive the fees described in the sub-section headed "Custodian and Administrator fees" below.

More information on the Custodian Agreement may be found in the subsection headed "Material contracts" of this explanatory memorandum.

THE ADMINISTRATOR

Pursuant to the Deed of Novation with respect to the Administration Agreement, HSBC Trustee (Cayman) Limited has been appointed as the Administrator of the Fund.

HSBC Trustee (Cayman) Limited was incorporated in the Cayman Islands on 10 November 1981 and is regulated by the Cayman Islands Monetary Authority. It is licensed as an unrestricted trust company under the Banks and Trust Companies Law (as amended) of the Cayman Islands, as well as being licensed as a mutual fund administrator under the Mutual Funds Law.

The Administrator is responsible for the general administration of the Fund which includes keeping the register of Shareholders, arranging for the issue and redemption of Shares, and calculation of asset valuations and fees.

The Administrator has delegated certain of its functions and duties to the Administrator's Agent in Hong Kong, however the principal register will be maintained by the Administrator in the Cayman Islands.

Both the Administrator and the Administrator's Agent are indirect wholly owned subsidiaries of HSBC Holdings plc, a public company incorporated in England and Wales. The HSBC Group is one of the largest banking and financial services organisation in the world with well-established businesses in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

The Fund reserves the right to change the administrative arrangements described above by agreement with the Administrator and/or to appoint an alternative Administrator.

The Administrator will not participate in transactions or activities or make any payments denominated in US dollars, which, if carried out by a US person, would be subject to the sanctions of the Office of Foreign Assets Control of the US Department of Treasury.

Neither the Administrator, Administrator's Agent, Custodian nor their employees or agents are directly or indirectly involved in the business affairs, organisation, sponsorship or management of the Fund, nor responsible for the preparation or issue of this explanatory memorandum other than the description of the Custodian and the Administrator contained in the sections headed "The Custodian" and "The Administrator" respectively. The Custodian will not participate in the Fund's investment decision-making process.

The Administrator is entitled to receive the fees described in the sub-section headed "Custodian and Administrator fees" below.

The appointment of the Administrator may be terminated by either the Administrator or the Fund giving to the other not less than 90 days' notice in writing.

More information on the Administration Agreement may be found in the sub-section headed "Material contracts" of this explanatory memorandum.

POTENTIAL CONFLICTS OF INTERESTS

It is possible that the Directors, the Manager, any investment delegate or any of their respective Connected Persons may, in the course of business, have potential conflicts of interests with the Fund. For instance, associated companies or directors of the Manager or other investment delegates may act as underwriter(s) for Securities sold to the Fund or provide investment management and/or advisory services to other clients (including other funds). Pursuant to the Investment Management Agreement, the Manager or its Connected Persons will be free to render services similar to those which the Manager is providing to the Fund to other clients (including other funds) so long as the Manager's services to the Fund are not thereby materially impaired. Further, the Manager or its Connected Persons may receive commission, brokerage and other charges in relation to the sale or purchase of any investment by the Fund. The Manager will take all reasonable steps to identify, prevent, manage and monitor any actual or potential conflicts of interest including conducting all transactions in good faith at arm's length and in the best interests of the Fund on normal commercial terms. If such conflicts arise, each will at all times, have regard in such event to its obligations to the Fund and the Shareholders and will endeavour to ensure that such conflicts are resolved fairly and all transactions between the Fund and any of them are on an arm's length basis.

At present, the Manager is also the investment manager of several funds whose investment objectives, investment strategy and investment restrictions are similar to those of the Fund. The Manager or any of its Connected Persons may invest in, directly or indirectly, or manage or advise other investment funds or accounts which invest in assets which may also be purchased or sold by the Fund. Neither the Manager nor its Connected Persons is under any obligation to offer investment opportunities of which any of them become aware to the Fund or to account to the Fund in respect of (or share with the Fund or to inform the Fund of) any such transaction or any benefit received by any of them from any such transaction, but will allocate such opportunities on an equitable basis between the Fund and other clients.

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

All transactions carried out by or on behalf of the Fund must be executed at arm's length and in the best interests of the Shareholders of the Fund. Subject to restrictions and requirements applicable from time to time, the Manager or any of its Connected Persons may enter into investments for the Fund as agent for the Fund and may deal with the Fund as principal provided that, in both cases, dealings are carried out in good faith and effected on best available terms negotiated on an arm's length basis and in the best interests of the Shareholders of the Fund. Any transactions between the Fund and the Manager, investment delegate, the Directors or any of their Connected Persons as principal may only be made with the prior written consent of the Custodian. All such transactions must be disclosed in the Fund's annual report.

The Manager or any of its Connected Persons may have banking or other financial relationships with any company or party which is the issuer of Securities, financial instruments or investment products held by the Fund.

In transacting with brokers or dealers connected to the Manager, any investment delegate, the Directors, the Custodian or any of their Connected Persons, the Manager must ensure that:

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

(b) the Manager has used due care in the selection of such persons and has ensured that they are suitably qualified in the circumstances;

(c) transaction execution is consistent with applicable best execution standards;

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

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

(f) the nature of such transactions and the total commissions and other quantifiable benefits received by such persons shall be disclosed in the Fund's annual reports.

Where the Manager invests in shares or units of a collective investment scheme managed by the Manager, the investment delegates (if any) or any of their Connected Persons, the manager of the scheme in which the investment is being made must waive any initial charge and redemption charge which it is entitled to charge for its own account in relation to the acquisition and redemption (as the case may be) of shares or units and there must be no increase in the overall total of annual management fees (or other costs and charges payable to the Manager or any Connected Person) borne by the Fund.

None of the Manager, the investment delegates (if any) or any of their respective Connected Persons shall retain any cash or rebates or other payment or benefit (except as otherwise provided for in this explanatory memorandum or in the Articles) received from a third party (either directly or indirectly) in consideration of directing transactions in the Fund's assets to such persons, and any such rebates or payments or benefits which are received shall be credited to the account of the Fund.

Subject to paragraphs (a) to (f) above, the Manager, the investment delegates (if any) and/or any of their Connected Persons reserves the right to effect transactions by or through a broker or dealer with whom the Manager, the investment delegates (if any) and/or any of their Connected Persons has an arrangement under which that broker or dealer with from time to time provide to or procure for the Manager, the investment delegates (if any) and/or any of their Connected Persons goods or services for which no direct payment is made but instead the Manager, the investment delegates (if any) and/or any of their Connected Persons undertakes to place business with that broker or dealer. The Manager shall procure that no such arrangements are entered into unless (i) the goods and services to be provided pursuant thereto are of demonstrable benefit to the Shareholders (taken as a body and in their capacity as such) whether by assisting the Manager and/or the investment delegate (if any) in their ability to manage the Fund or otherwise; (ii) the transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates; (iii) periodic disclosure is made in the annual report of the Fund in the form of a statement describing the soft dollar policies and practices of the Manager or its investment delegate (if any), including a description of goods and services received by them; and (iv) the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer. Such goods and services may include research and advisory services, economic and political analysis, portfolio analysis including valuation and performance measurement, market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publications. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

If cash forming part of the Fund's assets is deposited with the Custodian, the Manager, any investment delegate or any of their respective 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 Shareholders, 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.

Any arrangements for the borrowing of any monies for the account of the Fund may be made with any of the Custodian, the Manager, any investment delegate or any of their Connected Persons being a banker or other financial institution provided that such person shall charge interest at no higher rate and any fee for arranging or terminating the loan is of no greater amount than is in accordance with its normal banking practice, the commercial rate for a loan of a similar size, nature and duration, in the same currency and with institutions of similar standing negotiated at arm's length.

The Manager may enter into trades for the account of the Fund with the accounts of other clients of the Manager or its Connected Persons (including other collective investment schemes managed by the Manager or its Connected Persons) ("**cross trades**"). Such cross trades will only be undertaken where the sale and purchase decisions are in the best interests of both clients and fall within the investment objectives, restrictions and policies of both clients, the cross trades are executed on arm's length terms at current market value, and the reasons for such cross trades are documented prior to execution. Cross trades may also be entered into between house accounts (i.e. accounts owned by the Manager or any of its Connected Persons over which it can exercise control and influence) and client accounts in accordance with applicable laws and regulations.

FEES AND EXPENSES

Initial charge

An initial charge of up to 5% in respect of the relevant issue price per Share may be made and retained by the Manager for its own use and benefit. The Manager may in its absolute discretion reduce the amount of the initial charge payable by an applicant in addition to the relevant issue price per Share on any Valuation Day.

Initial charge will be waived for any Shares issued on or before 31 May 2007 pursuant to an exchange from Non-redeemable Class N Shares. For the avoidance of doubt, existing Shareholders who subscribe additional Shares on or after 26 March 2007 will be subject to an initial charge.

For the purposes of this section, references to "Shares" shall be construed as references to "Redeemable Classes Shares.

Redemption charge

A redemption charge of up to 5% of the redemption price per Share may also be imposed and retained by the Manager for its own use and benefit. The Manager may in its absolute discretion reduce the amount of redemption charge payable by a Shareholder on a Valuation Day.

The Manager has currently waived the redemption charge.

For the purposes of this section, references to "Shares" shall be construed as references to "Redeemable Classes Shares".

Processing fee for transfer

The maximum processing fee payable to the Manager for transfer of Shares is HK$500.

Management and performance fees

The maximum management fee and maximum performance fee payable to the Manager is as follows:

	Redeemable Classes Shares (other than Class X USD Shares and Class Z Shares) and Non-redeemable Class N Shares		**Class Z Shares**		**Class X USD Shares**
	Current	**Maximum**	**Current**	**Maximum**	**Current and maximum**
Annual management fee	1.5% per annum of the Net Asset Value of the Fund attributable to the relevant class	2% of the Net Asset Value of the Fund attributable to the relevant class	0.75% per annum of the Net Asset Value of the Fund attributable to Class Z Shares	2% of the Net Asset Value of the Fund attributable to Class Z Shares	Nil
Performance fee	15% of the appreciation in the Net Asset Value per Share (as defined below)				Nil

The management fee payable by the Fund to the Manager is calculated and accrued daily and payable in arrears to the Manager at the end of each calendar month.

The Manager is also entitled to receive a performance fee from the Fund calculated by reference to the increase in the Net Asset Value per Share (as defined below) as at the relevant Performance Fee Valuation Day.

Performance fee calculation

A performance fee will be payable to the Manager if the Net Asset Value per Share (as defined below), calculated on the relevant Performance Fee Valuation Day, is greater than the Base Net Asset Value per Share (as defined below). The fee payable shall be 15% of the appreciation in the Net Asset Value per Share (as defined below), calculated as at the Valuation Point on the relevant Performance Fee Valuation Day over the Base Net Asset Value per Share (as defined below) for each Share then in issue, calculated as follows:

$$\frac{(A–B) \times C \times D}{E}$$

where:

"A" is the Net Asset Value per Share, calculated on the relevant Performance Fee Valuation Day, before the deduction of any provision for the performance fee and provided that for the purpose of this calculation only the Net Asset Value shall be calculated by including any distribution which has been declared or paid during the Relevant Performance Period(s) since the last performance fee is crystallised and paid.

"B" is the Base Net Asset Value per Share which shall be the greater of (i) the Net Asset Value per Share on the day dealing in Shares of the Fund on the Stock Exchange commences (which is HK$10) in the case of Redeemable Class A Shares and Non-redeemable Class N Shares or in the case of the other classes of Shares the initial issue prices of Shares of these classes (as set out in Annex I) and (ii) the highest value for "A" as at the Valuation Point for any preceding Relevant Performance Period in relation to which a performance fee was last calculated and paid (after deduction of all fees including any performance fee and any distribution which has been declared or paid in respect of such preceding Relevant Performance Period).

"C" is the aggregate number of Shares in issue during the Relevant Performance Period, calculated by adding the total number of Shares in issue as at the Valuation Point on each Valuation Day of the Relevant Performance Period.

"D" is 15% or, subject to the approval of the Shareholders by ordinary resolution in general meeting (which approval shall, for the avoidance of doubt, only be required in connection with a proposal to increase such rate), such other percentage figure agreed from time to time between the Manager and the Directors.

"E" is the number of Valuation Days in the Relevant Performance Period.

Any performance fee payable shall be paid as soon as practicable after the end of the Relevant Performance Period.

Performance fee accrual

The performance fee shall be deemed to accrue on each Valuation Day throughout the Relevant Performance Period. The accrual is made based on the Net Asset Value per Share on each Valuation Day. If it exceeds the Base Net Asset Value per Share, a performance fee accrual will be made. If not, no performance fee accrual will be made. On each Valuation Day, the accrual made on the previous Valuation Day will be reversed and a new performance fee accrual will be calculated and made in accordance with the above. If the Net Asset Value per Share on a Valuation Day is lower than or equal to the Base Net Asset Value per Share, all provision on previously accrued performance fee will be reversed and no performance fee will be accrued.

In the event that:

(i) the Fund is placed into liquidation; or

(ii) the Investment Management Agreement is terminated,

on a day other than a Performance Fee Valuation Day, then an amount equivalent to the performance fee deemed to accrue on that day (if any) shall be payable to the Manager.

For Shares subscribing or redeeming during the Relevant Performance Period, they will be based on the Net Asset Value per Share (after accrual of performance fee as calculated in accordance with the above) and there is no adjustment. Depending upon the performance of the Fund during the year, the price at which Shareholders subscribe or redeem Shares at different times will be affected by performance of the Fund and this could have a positive or negative effect on the performance fee borne by them.

There is no equalisation arrangement in respect of the calculation of the performance fees. That means, there is no adjustment of equalisation credit or equalisation losses on an individual Shareholder basis based on the timing the relevant Shareholder subscribes or redeems the relevant Shares during the course of a performance period. The Shareholder may be advantaged or disadvantaged as a result of this method of calculating the performance fee.

A charge of performance fee may have been borne by a Shareholder notwithstanding the Shareholder concerned may have suffered a loss in investment in the Shares. On the other hand, a Shareholder may not be subject to any performance fee notwithstanding the Shareholder concerned may have realised a gain in investment in the Shares.

For instance, a Shareholder will be advantaged if he subscribes to the Fund during a performance period when the Net Asset Value per Share is below the Base Net Asset Value per Share, and redeems prior to the end of such performance period when the Net Asset Value per Share has increased up to but does not exceed the Base Net Asset Value per Share at the time of his redemption, and thus, no performance fee is payable even though he has made a profit.

Likewise, a Shareholder will be disadvantaged if he subscribes to the Fund during a performance period when the Net Asset Value per Share is above the Base Net Asset Value per Share and redeems prior to or at the end of such performance period when the Net Asset Value per Share at the time of redemption has decreased but remains above Base Net Asset Value per Share. Under such circumstances, he has paid the performance fee despite of a loss.

The Manager may, in its absolute discretion, waive or reduce, or share with or rebate to any person(s) including those by or through whom the Shares are offered for subscription, the payment of all or any portion of the initial charge and/or redemption charge received by the Manager for its own use and benefit, and may share with or rebate to any person(s) including those by or through whom the Shares are offered for subscription, the payment of all or any portion of the management fee and/or performance fee received by the Manager for its own use and benefit. Such persons may retain such charges for their own use and benefit by agreement between the Manager and such persons.

Performance fee illustrative examples

The examples below are shown for illustration purposes only and may contain simplifications.

Assumptions:

- The initial issue price for the relevant Share is US$10.

- The performance fee payable is 15% of the increase in the Net Asset Value per Share during a performance period above the Base Net Asset Value per Share (i.e. outperformance of Net Asset Value per Share).

(I) First performance period (Net Asset Value per Share above Base Net Asset Value per Share at the end of performance period – performance fee payable):

Investor A subscribes for one Share during the initial offer period at the initial issue price. Thereafter, Investor B subscribes for one Share mid-way through the first performance period at an issue price of US$12. Base Net Asset Value per Share is the initial issue price, which is US$10.

By the end of the first performance period, the Net Asset Value per Share (before deducting performance fee accrual) is US$11. The outperformance of Net Asset Value per Share is thus US$1. The average number of Shares in issue on this Valuation Day is 1.5 Shares.

The total performance fee payable by the Fund would be calculated as:

(US$11 – US$10) x 15% x 1.5 Shares = US$0.23.

At the end of the first performance period, the Net Asset Value per Share will be reduced by US$0.12 (i.e. US$0.23 / 2 Shares). In effect, each of Investors A and B will have borne the US$0.12 performance fee in respect of the first performance period.

(II) Second performance period (Net Asset Value per Share below Base Net Asset Value per Share on a particular Valuation Day – no performance fee accrual; Net Asset Value per Share below Base Net Asset Value per Share at the end of performance period – no performance fee payable):

At the start of the second performance period, the Base Net Asset Value per Share is US$10.88 (being the Net Asset Value per Share at the end of the last performance period in respect of which a performance fee was paid (after deduction of performance fee)).

Mid-way through the second performance period, the Net Asset Value per Share is US$9.85. Investor A redeems his Share. Investor C subscribes for one Share. On this Valuation Day, the Net Asset Value per Share is below the Base Net Asset Value per Share. Therefore, no performance fee is accrued in respect of the Share redeemed by Investor A.

At the end of the second performance period, the Net Asset Value per Share becomes US$10.5. No performance fee is payable in the second performance period as the Net Asset Value per Share at the end of performance period is below Base Net Asset Value per Share. Although Investor C had a gain in this period, no performance fee is charged.

Custodian and Administrator fees

The Administrator and Custodian will together receive fees for providing administration and custody services to the Fund. The fees are calculated as a percentage of the Net Asset Value, calculated and payable monthly in arrears subject to a monthly minimum of US$5,000. The percentage rates are 0.17% for to the first US$400 million, 0.15% for the next US$400 million and 0.13% for anything above US$800 million.

The Administrator and Custodian will each also be entitled to principal office fee, corporate secretarial fee, certain transaction fees and all reasonable out-of-pocket expenses incurred in the course of its duties. The Administrator will be responsible for paying the fees of the Administrator's Agent at its own expense.

Directors' Remuneration

The Articles provide that the remuneration of the Directors in respect of services rendered or to be rendered to the Fund shall be determined by the Shareholders at a general meeting. The estimated aggregate amount of Directors' remuneration in any one year is no more than HK$500,000. The Directors shall also be entitled to be paid all expenses, including hotel and travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from Board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Fund or in the discharge of their duties as Directors.

Other fees and expenses

The Fund pays the costs and expenses of (i) all transactions carried out by it or on its behalf and (ii) the administration of the Fund including (a) the charges and expenses of legal advisers, auditors and other professionals; (b) the charges and expenses of any other service provider appointed by the Fund, including, without limitation, the Administrator, Custodian, Administrator's Agent and Manager; (c) brokers' commissions (if any) and any issue or transfer taxes chargeable and other costs and expenses payable in connection with any Securities transactions; (d) all taxes and corporate fees payable to governments or agencies; (e) Directors' fees and expenses (if any); (f) interest on borrowings; (g) communication expenses with respect to investor services and all expenses of meetings of Shareholders and of preparing, printing and distributing financial and other reports, proxy forms, prospectuses and similar documents; (h) the expenses of publishing the Net Asset Value of the Fund; (i) litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of business, and (j) all other organisational and operating expenses.

Increase in fees

Any proposal to increase the current level of fees to the permitted maximum level of fees as disclosed in this explanatory memorandum will require at least one month's prior notice (or such shorter notice period as approved by the SFC) be given to Shareholders.

SUBSCRIPTION, REDEMPTION AND TRANSFER OF SHARES

Reference should be made to the sub-section headed "Restrictions on distribution" in the "Preliminary" section of this explanatory memorandum for guidance on the offer of the Shares in jurisdictions other than Hong Kong.

Summary of Features

The Fund currently comprises Redeemable Classes Shares and Non-redeemable Class N Shares. The key features of these classes are summarised in Annex I to this explanatory memorandum.

Redeemable Classes of Shares

Each Redeemable Classes Shares (other than Class X USD Shares and Class Z Shares) is available for subscription by investors in Hong Kong who make an initial investment of not less than the minimum initial subscription for the respective classes as set out under the heading "Subscription of Shares" below.

Class X USD Shares are only available for subscription by funds and managed accounts managed by the Manager or Connected Persons of the Manager who are "professional investors" as defined in the SFO or offered on a private placement basis.

Class Z Shares are only available for subscription by institutional and/or professional investors.

The Existing Redeemable Classes Shares and New Redeemable Classes Shares are being offered on an on-going basis as provided herein.

SUBSCRIPTION OF SHARES

The minimum initial subscription and minimum subsequent subscription for each class of Shares (both inclusive of the initial charge) are as set out in Annex I or such other amount as specified by the Manager from time to time. The Manager may waive or reduce the minimum initial subscription and the minimum subsequent subscription of any of the Redeemable Classes Shares whether generally or in a particular case.

An initial charge of up to 5% in respect of the relevant issue price per Share may be made and retained by the Manager for its own use and benefit. For details, please refer to the sub-section headed "Initial charge" of this explanatory memorandum.

The Manager has the absolute discretion to decide whether to accept or reject in whole or in part any application for subscription.

Currently, the Existing Redeemable Classes Shares and the New Redeemable Classes Shares are offered in the manner set out below. Applications for subscription (whether by post, fax or other written or electronic forms specified by the Manager) must be received by the Administrator's Agent by 5:00 p.m. (Hong Kong time) on the Valuation Day of any Dealing Period in order to be dealt with by reference to that Valuation Day. However, the Manager may by notice to Shareholders or addendum to this explanatory memorandum require application for subscription be received on such prior Business Day as it may determine in order to be accepted for the next following Valuation Day. Valid applications for subscription received (whether by post, fax or other written or electronic forms specified by the Manager) by the Administrator's Agent after 5:00 p.m. (Hong Kong time) on a Valuation Day will be deemed to have been received, and will be dealt with, in the next Dealing Period with reference to the Valuation Day coinciding with the close of such succeeding Dealing Period.

Payment of subscription monies can be made in the base currency of the Fund or in the relevant class currency (or such other freely convertible currency acceptable to the Manager) and must be received in full and in cleared funds by 5:00 p.m. (Hong Kong time) on the last day of the relevant Dealing Period, or within such period which shall not generally be more than 3 Business Days after the close of the relevant Dealing Period under normal circumstances (unless a longer period is agreed by the Manager). If full payment of the subscription money in cleared funds has not been received by the Administrator's Agent by the relevant deadline, the Manager may reject in whole or in part the relevant application for subscription and cancel any Shares which have been issued in respect of such application for subscription. In such event, any Shares which have been issued in respect of the relevant application for subscription shall be deemed never to have been issued and the applicant shall have no right or claim against the Manager, the Administrator or the Administrator's Agent, provided that, (i) no previous valuations of the Fund shall be re-opened or invalidated as a result of the cancellation of such Shares; (ii) the Manager is entitled to charge a cancellation fee of up to HK$500 to represent the administrative costs involved in processing the applications for such Shares; (iii) the Manager may also require the applicant to pay to the Manager for the account of the Fund in respect of each Shares so cancelled the amount (if any) by which the issue price of each such Shares exceeds the redemption price which would have applied in relation to each such Share if the Manager had received on such day a request from such applicant for the redemption in accordance with the provisions of the Articles.

All applications by prospective investors for an initial subscription of Shares which are sent by fax or other written or electronic means to the Administrator's Agent must be followed by the duly signed original application. The Manager may, in its absolute discretion, determine whether or not duly signed original applications are also required in respect of subsequent applications for subscription sent by fax or other written or electronic means by Shareholders.

No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry on Type 1 regulated activity under Part V of the Securities and Futures Ordinance.

Shares were issued on 30 April 2007 or 31 May 2007 (as the case may be) to Shareholders who exchanged their Non-redeemable Class N Shares of the Fund for Redeemable Class A Shares at an issue price equivalent to the Net Asset Value as at that date.

The issue price per Share at which investors may subscribe for Shares is the Net Asset Value per Share calculated on the relevant Valuation Day and rounded the resultant amount to the nearest two decimal places and monies representing any difference between the resultant amount and the amount arrived at after the rounding exercise shall be absorbed by the Fund.

The Directors may, in determining the issue price of a Share, add to the Net Asset Value per Share (before making any rounding adjustment) an amount, for the account of the Fund which they consider to be an appropriate allowance (not exceeding 1% of the Net Asset Value per Share) to reflect fiscal and purchase charges which would be incurred by the Fund in investing subscription monies.

Payment of subscription monies can be made in the base currency of the Fund or in the relevant class currency (or such other freely convertible currency acceptable to the Manager). Where amounts are received in a currency other than the base currency of the Fund or in the relevant class currency, they will be converted into the base currency or the relevant class currency. Each conversion will be made at the prevailing exchange rate in the Dealing Period. The costs of any conversion (to be effected at such rates as the Manager may, in its discretion, deem appropriate) and other administrative expenses will be borne by the relevant Shareholder(s). Please note that, for cleared funds in the base currency of the Fund or in the relevant class currency to be received in Hong Kong prior to 5:00 p.m. on the relevant Valuation Day, payment by telegraphic transfer must be made for value at least one business day in New York (for US dollars), or one business day in the relevant country in which the currency of such country is paid (for other class currency) before such close or Valuation Day, as the case may be. Payment details are set out in the Subscription Form.

The Manager may agree to reserve capacity for subscription in an agreed amount in the Fund over a certain period of time.

For the purposes of this section, references to "Shares" shall be construed as references to "Redeemable Classes Shares".

PROCEDURE FOR APPLICATION

METHOD OF APPLICATION

Application for Shares may be made on the Subscription Form available from the Manager. Applications should be sent by post, fax or other written or electronic forms specified by the Manager at the business address, fax number or other electronic address. **All applications by prospective investors for an initial subscription of Shares which are sent by fax or other written or electronic means to the Administrator's Agent must be followed by the duly signed original applications for subscription.** The Manager may, in its absolute discretion, determine whether or not such original applications are also required in respect of subsequent applications for subscription sent by fax or other written or electronic means by Shareholders.

The Manager reserves the right to reject any application in whole or in part in which case the subscription monies will be returned (without interest) by cheque or telegraphic transfer at the cost and risk of the investor.

PAYMENT PROCEDURE

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

Shares will not usually be issued unless and until the signed application for subscription or switching of Shares has been received (whether by post, fax or other written or electronic forms specified by the Manager), and subscription monies have been received in full in cleared funds by the Administrator's Agent, or within such period which shall not generally be more than 3 Business Days after the close of the relevant Dealing Period under normal circumstances (unless a longer period is agreed by the Manager), in which case the relevant Shares will be issued by reference to the Net Asset Value of the Fund determined as at the close of the relevant Dealing Period.

REDEMPTION OF SHARES

The minimum redemption amount (if any) for each class is as set out in Annex I.

Requests for the redemption of Shares in the Fund must be received (whether by post, fax or other written or electronic forms specified by the Manager) by the Administrator's Agent on or before 5:00 p.m. (Hong Kong time) on the Valuation Day (which coincides with the close of that Dealing Period) in order to be dealt with by reference to that Valuation Day.

If a request (whether by post, fax or other written or electronic forms specified by the Manager) is received after 5:00 p.m. (Hong Kong time) on the Valuation Day, it will be deemed to have been received and will be dealt with in the next Dealing Period and with reference to the Valuation Day coinciding with the close of that succeeding Dealing Period.

Unless an original fax indemnity was already previously provided to the Administrator's Agent, the original signed redemption request (duly completed) and all other supporting documents, if any are required, must be received by the Administrator's Agent before redemption proceeds will be paid to the relevant Shareholder. No redemption proceeds will be paid to third parties.

A redemption charge of up to 5% of the redemption price per Share may also be imposed and retained by the Manager for its own use and benefit. The Manager may in its absolute discretion reduce the amount of redemption charge payable by a Shareholder on a Valuation Day.

The Manager has currently waived the redemption charge.

The Fund shall redeem Shares at a price being an amount equal to the Net Asset Value per Share calculated on the relevant Valuation Day, minus the redemption charge (if any) and rounded the resultant amount to the nearest two decimal places and monies representing any difference between the resultant amount and the amount arrived at after the rounding exercise shall be absorbed by the Fund.

The Directors may, when determining the redemption price of a Share, deduct for the account of the Fund from the Net Asset Value per Share (before making any rounding adjustment) an amount which they consider to be an appropriate allowance (not exceeding 1% of the Net Asset Value per Share) for fiscal and sale charges which would be incurred in realising assets to provide funds to meet any redemption request.

Redemption proceeds will normally be paid in the class currency of the relevant class of Shares by telegraphic transfer according to instructions given by the relevant Shareholder(s) to the Manager or by cheque made in favour of, and sent at the risk of the person(s) entitled thereto to the registered address of the Shareholder or (in the case of joint Shareholders) the first named joint Shareholder appearing on the register of Shareholders. If there is no delay in submitting all duly completed redemption documentation and the determination of the Net Asset Value or dealing in Shares is not suspended, the interval between the receipt or deemed receipt (as the case may be) of a properly documented request for redemption of Shares and payment of redemption proceeds to the Shareholders may not exceed one calendar month.

Where redemption proceeds are to be paid to a bank account in the State of New York or Hong Kong (other than that notified to the Administrator's Agent at the time of subscription), the Administrator's Agent will require the signature of the Shareholder on the relevant redemption request to be independently verified to its satisfaction.

All bank charges and administrative costs incurred in settling redemption proceeds to the Shareholder(s) will be borne by the relevant Shareholder(s) and deducted from the redemption proceeds. Any risks arising from delay in clearance of funds by banks or from sending out the cheque by post will be borne by the relevant Shareholders.

With the prior consent of the Manager, arrangements can be made for redemption proceeds to be paid in any major currency other than the class currency of the relevant class of Shares. Such alternative settlement instructions should be specified in the redemption request. The costs of any currency conversion (to be effected at such rates as the Manager may, in its discretion, deem appropriate) and other administrative expenses will be borne by the relevant Shareholder(s).

With a view to protecting the interests of Shareholders, the Manager may limit the total number of Redeemable Classes Shares redeemed and Non-redeemable Class N Shares repurchased during any Dealing Period to 10% in aggregate of the total Net Asset Value of the Fund. Such limitation will be applied pro rata to all Shareholders who have requested such redemption or repurchase. If the total redemption and repurchase requests received during any Dealing Period are in excess of this limit, the Manager will be entitled (but not obliged) to carry out only sufficient redemptions and/or repurchases which, in aggregate, amount to 10% of the total Net Asset Value of the Fund at the relevant time. Redemption requests for Redeemable Classes Shares which are not redeemed and repurchase requests for Non-redeemable Class N Shares which are not repurchased but which would otherwise have been redeemed or repurchased will be deferred until the next Dealing Period and will be dealt with (subject to further deferral if the deferred requests themselves exceed 10% of the total Net Asset Value of the Fund) in priority to later redemption and repurchase requests.

Partial redemptions may be effected. However, if a redemption request will result in a Shareholder of a class having a residual holding of less than the minimum holding amount of such class (as set out in Annex I) or such other minimum holding amount as prescribed by the Manager from time to time in respect of such class, the Manager may deem such redemption request to have been made in respect of all the Shares of such class held by that Shareholder.

An applicant is entitled to withdraw a redemption request duly made in accordance with the Articles provided that the notice of withdrawal is received prior to the deadline for receiving redemption requests as set out above.

Notwithstanding any provisions of the Articles, the Fund may, in the absolute discretion of the Directors, refuse to make a redemption payment to a Shareholder if the Directors suspect or are advised that the payment of any redemption proceeds to such Shareholder may result in a breach or violation of any anti-money laundering law by any person in any relevant jurisdiction, or if such refusal is necessary to ensure compliance by the Shareholder, the Directors or the Administrator with any anti-money laundering law in any relevant jurisdiction.

The Directors may also in their absolute discretion, redeem compulsorily any Shares held by a Non-eligible Investor at a price equivalent to the Net Asset Value per Share as of the Valuation Point immediately prior to the date on which the Directors determine that such redemption is to take effect. No Shareholders' resolution is required. Any Shares redeemed compulsorily under the Articles shall be treated as cancelled on redemption and the amount of the Fund's issued share capital shall be diminished by the nominal value of those Shares accordingly.

For the purposes of this section, references to "Shares" shall be construed as references to "Redeemable Classes Shares".

Procedures for repurchase of Non-redeemable Class N Shares are set out in the sub-section headed "Non-redeemable Class N Shares" in the "Further information about the Fund" section of this explanatory memorandum.

TRANSFER OF SHARES

Transfers of Shares may be effected by an instrument of transfer in such other form as the Board may from time to time prescribe and payment of a processing fee by the transferor to the Manager. The maximum of such processing fee is HK$500.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee. The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the register of members of the Fund in respect thereof. All instruments of transfer shall be retained by the Fund. All forms for the transfer of Shares sent by fax or other written or electronic means to the Fund must be followed by the duly signed original forms and the transfer of Shares will only be effected upon receipt of the original executed transfer forms.

No transfer will be accepted if, as a result of such transfer, the value of Shares of a class held by either the transferor or the transferee is less than the minimum holding amount of such class (as set out in Annex I) or such other minimum holding amount as specified by the Manager from time to time or Shares are acquired or held by a Non-eligible Investor.

The Board may, in its absolute discretion, and without assigning any reasons refuse to register any transfer of any Share which is not fully paid up or on which the Fund has a lien. The Board may also decline to register any transfer of any Shares unless:

(A) the instrument of transfer is lodged with the Fund accompanied by the certificate (if any) for the Shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer and/or with regard to whether or not the transfer would result in any contravention of the restrictions (if any) on the holding of Shares imposed by the Board pursuant to the Articles;

(B) the instrument of transfer is in respect of only one class of Share;

(C) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(D) in the case of a transfer to joint holders, the number of joint holders to whom the Share is to be transferred does not exceed four; and

(E) the Shares concerned are free of any lien in favour of the Fund.

If the Board refuses to register a transfer of any Share, it shall, within one month after the date on which the instrument of transfer was lodged with the Fund, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on fourteen days' notice being given to Shareholders, be suspended and the register of members of the Fund closed at such times for such periods as the Board may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Fund may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

The Board shall have power to impose such restrictions as it may think necessary for the purpose of ensuring that no Shares are acquired or held by a Non-eligible Investor.

If it shall come to the notice of the Board that any Shares are owned directly or beneficially by a Non-eligible Investor in contravention of any such restrictions, the Board may give notice to such person requiring him to transfer such Shares to a person who would not thereby be in contravention of any such restrictions. If any person upon whom such a notice is served does not within 30 days after such notice transfer such Shares or establish to the satisfaction of the Board (whose judgment shall be final and binding) that such Shares are not held in contravention of any such restrictions, the Directors shall be entitled to redeem such Shares compulsorily.

SWITCHING OF SHARES BETWEEN DIFFERENT CLASSES

Shareholders will be able to switch, during any Dealing Period, all or part of their holdings of any class of Shares into Shares of any other class.

Applications for switching of Shares may be made to the Administrator's Agent during any Dealing Period in writing and sent by post, fax or other written or electronic forms specified by the Manager. In respect of any faxed or other written or electronic instructions, the duly signed original applications must follow such instructions, unless an original fax indemnity was already previously provided to the Manager.

All applications for switching received will be dealt with in the same manner as applications for subscriptions and redemptions. Switches will be calculated on a redemption to subscription price basis by reference to the prices of the relevant classes of Shares. Switches may be combined with partial redemptions. Currently, no switching fee will apply to the switching of Shares between different classes.*

* Certain distributors may impose a charge for each switching of Shares acquired through it for Shares in another class, which will be deducted at the time of the switching and paid to the relevant distributor.

Partial switches must not result in the Shareholder's holding in each class of Shares being less than any minimum holding for the relevant class of Shares prescribed by the Manager from time to time. If a request for partial switching will result in either of these holdings being less than any such prescribed minimum holding, the switching request will be deemed to be in respect of the Shareholder's entire holding in the first class of Shares and the Shares will be switched accordingly in their entirety.

FAX OR ELECTRONIC INSTRUCTIONS

All instructions received by fax or any electronic means from Shareholders in respect of the subscription or redemption of Shares (whether or not the duly signed original applications or requests are also required by the Manager to follow such faxed or electronic instructions) will generally be acted upon by the Manager subject to its absolute discretion not to, and instructing the Administrator's Agent not to, do so until the original written instructions are received. All initial applications for subscriptions of Shares sent by fax or any electronic means must be followed by duly signed original applications for subscription.

All Shareholders who wish to give instructions relating to subscription or redemption of Shares by fax or any electronic means must provide to the Manager an original fax indemnity in the form prescribed by the Manager from time to time (with the consent of the Directors), unless an original fax indemnity was already previously provided to the Manager.

Neither the Manager, the Administrator, the Administrator's Agent nor any of their agents, employees or delegates will be liable for any loss which the relevant Shareholder may suffer arising from (a) either the Manager, the Administrator, the Administrator's Agent or any of their agents, employees or delegates acting on any faxed or electronic instructions which they believe in good faith to have originated from properly authorised persons; or (b) the Manager exercising its absolute discretion not to, and instructing the Administrator, the Administrator's Agent or any of their agents, employees or delegates not to, act on such faxed or electronic instructions; or (c) any faxed or electronic instructions which are illegible; or (d) any faxed or electronic instructions which are not received by the Manager, the Administrator or the Administrator's Agent. Moreover, without written confirmation of receipt by the Manager, the Administrator or the Administrator's Agent, a transmission report produced by the originator of the facsimile or electronic transmission disclosing the transmission was sent shall not be sufficient proof of receipt thereof by the Manager, the Administrator or the Administrator's Agent.

FORM OF SHARES

A contract note will normally be issued by the Administrator's Agent as soon as practicable after the relevant Valuation Day upon acceptance of an application for subscription or switching of Shares. Certificates for Shares will, however, not normally be issued. The number of Shares to be issued pursuant to any application for subscription or switching will be rounded down to two decimal places and any monies representing any lesser fraction of a Share shall be retained for the benefit of the Fund.

RISK FACTORS

This "RISK FACTORS" section sets out the risks associated with investment in the Fund.

Investors should also pay attention to the applicable fees, charges and expenses.

Investors should consult their own financial, tax, accounting, legal and other appropriate advisers before investing into the Fund.

RISKS RELATING TO THE FUND

Risks associated with the Fund's investments

The Fund invests in listed and unlisted Securities principally in Greater China. There are risks inherent in all kinds of investments. Listed investments are subject to market fluctuations. Investors should also be aware that the Fund's income and its Net Asset Value might be adversely affected by external factors beyond the control of the Fund. As a result, the Fund's income and its Net Asset Value may go down as well as up, subject to, among other things, the prevailing market conditions.

Effect of redemptions

If significant redemptions of Shares are requested, it may not be possible to liquidate the Fund's investments at the time such redemptions are requested or the Fund may be able to do so only at prices which the Fund believes does not reflect the true value of such investments, resulting in an adverse effect on the return to the investors. Where significant redemptions of Shares are requested, the Fund may limit the number of Shares that are redeemed on any Valuation Day, suspend the right of Shareholders to require redemption, or may extend the period for the payment of redemption moneys. Please see section headed "Redemption of Shares" for further details.

In addition, the Fund may also in certain circumstances suspend the determination the Net Asset Value of the Fund for the whole or any part of any period. Please see section headed "Determination of Net Asset Value" for further details.

Investment Risk

The Fund is an investment fund. There is no assurance that the Fund's investment objective will be met. The level of fees and expenses payable by the Fund will fluctuate as a result of changes in the Net Asset Value. Although the amounts of certain ordinary expenses of the Fund may be estimated, the growth rate of the Fund, and hence its Net Asset Value, cannot be anticipated. Accordingly, no assurance can be given as to the performance of the Fund or the actual level of its expenses.

There is no guarantee that in any time period, particularly in the short term, the Fund's portfolio will achieve any capital growth or even to maintain its current value. Investors should be aware that the value of Shares may fall as well as rise.

Whilst it is the intention of the Manager to implement strategies which are designed to minimise potential losses, there can be no assurance that these strategies will be successful. There is no guarantee of the repayment of principal. The Fund's investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Fund may suffer losses.

It is possible that an investor may lose a substantial proportion or all of its investment in the Fund. As a result, each investor should carefully consider whether it can afford to bear the risks of investing in the Fund.

The Fund may invest in companies which are less well-established or in their early stages of development. These companies may often experience significant price volatility and potential lack of liquidity due to low trading volume of their securities.

Risk Associated with Small-capitalisation / Mid-capitalisation Companies

The Fund may invest in the securities of small and medium sized unlisted companies. The stock of small-capitalization/ mid-capitalization companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalization companies in general. Also, investments in the securities of small and medium sized unlisted companies can involve greater risk than is customarily associated with investments in larger and more established companies. In particular, smaller companies often have limited product lines, markets and/or financial resources and management may be dependent on a few key individuals. As a result, price movements in those companies may be more volatile. Transaction costs on dealing with securities of smaller capitalisation companies can be higher than those of larger capitalisation companies and there may be less liquidity which may constrain the Manager's ability to realise some or all of the Fund's portfolio.

Possible Business Failure

In the current economic environment, global markets are experiencing very high level of volatility and an increased risk of corporate failures. The insolvency or other corporate failures of any one or more of the Fund's investments may have an adverse effect on the Fund's performance and ability to achieve its objectives. The Fund intends to diversify its investments to minimise such adverse impact but there is no guarantee that such diversification strategy can mitigate any such adverse impact. Investors may lose money by investing in the Fund.

No Right to Control the Fund's Operation

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

Active Investment Management

The Fund will rely upon the Manager in formulating the investment strategies and its performance is largely dependent on the continuation of an agreement with the Manager and the services and skills of their respective officers and employees. The Fund's investments will not track a particular share index or other predetermined benchmarks. Instead, the Fund's assets will be actively managed by the Manager, based on the expertise of individual fund managers, who will have discretion (subject to the Fund's investment restrictions) to invest the Fund's assets in investments that it considers will enable the Fund to achieve its investment objective. There is no guarantee that the Fund's investment objective will be achieved based on the investments selected. In the case of loss of service of the Manager or any of its key personnel, as well as any significant interruption of the Manager's business operations or in the extreme case the insolvency of the Manager, the Fund may not find successor managers quickly and the new appointment may not be on equivalent terms or of similar quality. Therefore, the occurrence of those events could cause a deterioration in the Fund's performance and investors may lose money in those circumstances.

Market Risk

The investments of the Fund are subject to general market risks and risks inherent in all securities (including settlement and counterparty risks). The value of holdings may fall as well as rise. The Fund's investment in equity securities is subject to, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors. The global markets are currently experiencing very high levels of volatility and instability, resulting in higher levels of risk than is customary (including settlement and counterparty risks). Investors should note that the Fund does not currently propose to declare dividends or make distributions to investors.

Emerging Markets Risk

Investments may be made by the Fund in the emerging markets and may be subject to additional risks due to less developed (and in some instances, a lack of) legal, political, business and social frameworks to support their securities markets. Some of the significant additional risks in investing in emerging markets include:

- delays in settling securities transactions and registering transfers of securities
- risk of loss arising out of systems of share registration and custody
- lesser investor protection due to low levels of monitoring of the activities in securities markets
- higher risk of political and social uncertainty
- volatility of emerging market currencies against developed market currencies
- higher volatility and lesser liquidity compared to developed markets
- unforeseen development of new laws which have a negative impact on the value of investments
- shortage of qualified judicial and legal professionals to interpret or advise upon recently enacted and future laws
- difficulties in enforcement actions

These factors make investments in emerging markets generally more volatile than investments in developed markets, which may result in a declining Net Asset Value and may impair the Fund's liquidity.

Equity Risk

Investing in equity securities may offer a higher rate of return than those investing in short term and longer term debt securities. However, the risks associated with investments in equity securities may also be higher, because the investment performance of equity securities depends upon factors which are difficult to predict. Such factors include the possibility of sudden or prolonged market declines and risks associated with individual companies. The fundamental risk associated with any equity portfolio is the risk that the value of the investments it holds might suddenly and substantially decrease in value.

Geographical Concentration Risk

The Fund's investments are concentrated in Greater China-related companies. The value of the Fund may be more volatile than a fund having a more diverse portfolio of investments, such as a global equity fund. The value of the Fund is more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Greater China market.

Repatriation Limitations

Some countries may impose restrictions on foreign exchange, especially in relation to the repatriation of foreign funds. Such markets may prohibit the repatriation of foreign funds for a fixed time horizon and limit the percentage of invested funds to be repatriated at each time. As a result, the Fund can incur loss from any prohibition or delay in its ability to repatriate funds from those countries and therefore cause a decline in the Net Asset Value. Investors may lose money or may be unable to redeem their Shares in full amount and may experience some delay, please see section "Redemption of Shares" for further details.

Counterparty Risk

Financial institutions, such as brokerage firms, broker-dealers and banks, may enter into transactions with the Manager on account of the Fund in relation to the Fund's investments. These financial institutions, being a counterparty to the transactions, may also be issuers of securities or other financial instruments in which the Fund invests. This exposes the Fund to the risk that a counterparty may not settle a transaction in accordance with market practice due to a credit or liquidity problem of the counterparty, or due to the insolvency, fraud or regulatory sanction of the counterparty, thus causing the Fund to suffer a loss.

Deposits of securities or cash with a custodian, bank or financial institution ("custodian or depository") will also carry counterparty risk as the custodian or depository may be unable to perform their obligations due to credit-related and other events like insolvency of or default by them. In these circumstances, the Fund may be required to unwind certain transactions and may encounter delays of some years and difficulties with respect to court procedures in seeking recovery of the Fund's assets. In most cases, the Fund's assets will be maintained by the custodian or depository in segregated accounts and would be protected in the event of the insolvency of the custodian or depository. However, for instance, in stock lending arrangements, the Fund may not have a right to have specific assets returned to it, but rather, the Fund may only have an unsecured claim against the custodian or counterparty, in which case it may lose all or the greater part of the value of the relevant assets.

Custody Risk

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

Liquidity Risk

It is possible that there may be no liquidity or no bid or offer prices or no reliable bid or offer prices quoted for certain securities that the Fund may invest in, in particular debt securities and other securities that are not listed on a recognised stock exchange. It may be difficult to determine the appropriate valuation of such investments and the Fund's ability to sell or liquidate investments at favourable times or for favourable prices may be restricted.

Liquidity risk exists if sizeable redemption requests are received as the Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the Fund may suffer losses in trading such investments.

Credit Risk

The Fund may invest in securities which (or the issuers of which) are rated below investment grade. The Fund may be subject to additional risks due to the speculative nature of investing in securities which (or the issuers of which) are rated below investment grade. Accordingly, an investment in these securities may be accompanied by a higher degree of credit risk (as defined below) than is present with investment in higher rated, lower yielding securities. Below investment grade securities such as, for example, high yield debt securities, may be considered speculative and can include securities that are unrated and/or in default.

Credit risk, a fundamental risk relating to all fixed income securities as well as money market instruments, is the chance that an issuer will fail to make principal and interest payments when due.

Even in the absence of the issuer's default, if the mark-to-market value is lower than the cost of the investment, the Fund may suffer immediate diminution in the Net Asset Value, even if the Fund holds that investment to maturity and yields a profit.

In times of market turmoil if redemption pressure is huge, the Fund may be forced to realise a substantial portion of its investments at a value which may result in significant losses to the Fund and investors may lose money in such circumstances.

Issuers with higher credit risk typically offer higher yields for this added risk. Conversely, issuers with lower credit risk typically offer lower yields.

Changes in the financial conditions of an issuer, changes in economic and political conditions in general, or changes in economic and political conditions specific to an issuer, are all factors that may have an adverse impact on an issuer's credit quality and security values.

Interest Rate Risk

The Fund may invest in fixed income securities which are subject to interest rate risk. A fixed income security's value will generally increase in value when interest rates fall and decrease in value when interest rates rise. Certain fixed income securities give an issuer the right to call its securities, before their maturity date, in periods of declining interest rates. The possibility of such "pre-payment risk" may force the Fund to reinvest the proceeds of such investments in securities offering lower yields, thereby reducing the Fund's interest income.

Borrowing Risks

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

Political, Economic and Social Risks

Uncertainty in any change to social conditions, government policies or legislation in the countries in which the Fund may invest may adversely affect the political or economic stability of such countries. The value of the assets of the Fund may be affected by uncertainties such as domestic and international political developments, changes in social conditions, changes in government policies, taxation, restrictions on foreign investments and currency repatriation, the level of interest rates, currency fluctuations, fluctuations in both debt and equity capital markets, sovereign defaults, inflation and money supply deflation, and other developments in the legal, regulatory and political climate in the countries in which investments may be made, which may or may not occur without prior notice. Any such changes or developments may affect the value and marketability of the Fund's investments. Furthermore, the legal infrastructure and accounting, auditing and reporting standards in certain countries in which investment may be made do not provide the same degree of investor protection or information to investors as would generally apply in more developed countries.

Derivative Instruments

The Fund may invest in the investment targets of the Fund through derivative instruments ("**Derivative Instruments**"). The Fund may also use Derivative Instruments for hedging purposes. Risks associated with derivative instruments include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. Derivative Instruments may not be listed and are subject to the terms and conditions imposed by their issuer. There is no active market in Derivative Instruments and therefore investment in Derivative Instruments can be illiquid. In order to meet redemption requests, the Fund relies upon the issuer of the Derivative Instruments to quote a price to unwind any part of the Derivative Instruments that will reflect the market liquidity conditions and the size of the transaction. There is a risk that the issuer of the Derivative Instruments will not settle a transaction due to a credit or liquidity problem and the Fund may suffer a total loss of the Fund's interest in the Derivative Instruments.

An investment in the Derivative Instruments does not entitle the Derivative Instruments holder to the beneficial interest in the shares underlying the Derivative Instruments nor to make any claim against the company issuing the shares. There can be no assurance that the price of the Derivative Instruments will equal the underlying value of the company or securities market that it may seek to replicate.

Compared to conventional securities, such as shares and debt securities, Derivatives Instruments with leveraging effect (such as futures and warrants) can be more sensitive to changes in interest rates or to sudden fluctuations in market prices. As a result, a relatively small price movement in the value of the underlying asset of such Derivative Instrument may result in a loss (or gain) to the Fund significantly greater than the amount invested in the Derivative Instrument by the Fund. Exposure to Derivative Instruments may lead to a high risk of significant loss by the Fund. Therefore the Fund's losses may be greater if it invests in such Derivative Instruments than if it invests only in conventional securities such as shares and debt securities. The exposure of the Fund to Derivative Instruments is subject to the applicable investment restrictions set out in this explanatory memorandum.

Risks relating to Securities Lending Transactions

Securities lending transactions may involve the risk that the borrower may fail to return the securities lent out in a timely manner and the value of the collateral may fall below the value of the securities lent out.

Country Risk and Legal Infrastructure

Countries in the Asia Pacific region have diverse legal, banking and exchange control systems with which prospective investors may not be accustomed. Company laws in some targeted countries are in their early stage. In the development of these, certain new laws might have a negative impact on the value of an investment which cannot be foreseen at the time the investment is made. As the efficacy of such laws is as yet uncertain, there can be no assurance as to the extent to which rights of foreign Shareholders can be protected. In addition, there may also be a shortage of qualified judicial and legal professionals to interpret or advise upon recently enacted and future laws in some jurisdictions. It may also be difficult for the Fund to obtain effective enforcement of its rights by legal or arbitral proceedings in the Asia Pacific region than in countries with more mature legal systems. The value of the Fund's portfolio can be affected negatively by changes in those legal, banking or exchange control systems. Investors may lose money in those circumstances.

Performance Fee

Performance fees may encourage the Manager of the Fund to make riskier investments than would be the case in the absence of a performance-based incentive system. Prospective investors should note that the management fee and performance fee payable to the Manager are based in part upon unrealised gains (as well as unrealised losses), and that such unrealised gains and losses may never be realised by the Fund.

There is no equalisation arrangement in respect of the calculation of the performance fees. As there is no adjustment of equalisation credit or equalisation losses on an individual Shareholder basis, a Shareholder may incur a performance fee notwithstanding the Shareholder may have suffered a loss in investment in the Shares. On the other hand, a Shareholder may not be subject to any performance fee notwithstanding the Shareholder concerned may have realised a gain in investment in the Shares.

Potential conflicts of interests of the Manager

It is possible that the Manager or other investment delegates as may be appointed by the Manager from time to time pursuant to the Investment Management Agreement, may, in the course of their business, have potential conflicts of interests in relation to the Fund. For instance, associated companies or directors of the Manager or other investment delegates may act as underwriter(s) for Securities sold to the Fund or provide investment management and/or advisory services to other clients (including other funds). Pursuant to the Investment Management Agreement, the Manager or its associated companies or any of its directors will be free to render services similar to those which the Manager is providing to the Fund to other clients (including other funds) so long as the Manager's services to the Fund are not thereby impaired. Further, the Manager or its associated companies or any director or chief executive of the Manager or such associated companies may receive commission, brokerage and other charges in relation to the sale or purchase of any investment by the Fund.

At present, the Manager is also the investment manager of several funds whose investment objectives, investment strategy and investment restrictions are similar to those of the Fund.

Potential investors should refer to the sub-section headed "Potential conflicts of interests" in the "Investment Management" section of this explanatory memorandum for further information in relation to potential conflicts of interests of the Manager.

The Fund may be wound up if the Net Asset Value falls below HK$80,000,000

The Administrator calculates the Net Asset Value by valuing the Investments and deducting the Fund's liabilities in accordance with the Articles as at the Valuation Point (or at such other time as the Manager and the Directors may determine). For further information on the determination of Net Asset Value, please refer to the sub-section headed "Determination of Net Asset Value" in the "Information on the Fund" section of this explanatory memorandum. If the Net Asset Value of the Fund at any time falls below HK$80,000,000 and remains below that level for 30 or more consecutive Business Days, the Directors may, having consulted the Manager, convene a general meeting of Shareholders to determine by way of Shareholders' resolution whether the Fund should continue in operation or be wound up. The Fund will only continue in operation if approved by an ordinary resolution passed by Shareholders at that meeting.

No comparable market values of the shares of the investee companies

As the Fund may invest in unlisted companies, comparable market values of the shares of the investee companies may not be available. The Directors or the Manager (as the case may be) will make reference to, if available, the latest financial information of such companies and the industrial statistics of the relevant businesses. To a large extent, the Fund has to rely on the judgement and experience of its Directors or the Manager (as the case may be) in assessing the values of the investee companies to determine the basis of consideration for such acquisitions or disposals (as the case may be) and there can be no assurance that the assessment of the Directors or the Manager will prove accurate.

Compulsory redemption and compulsory transfer

Under the Articles, the Directors have the power to redeem compulsorily any Shares held by a Non-eligible Investor at a price equivalent to the Net Asset Value per Share as of the Valuation Point immediately prior to the date on which the Directors determine that such redemption is to take effect.

No Shareholders' resolution will be required in the event that the Directors decide to exercise their powers under the Articles to redeem compulsorily any Shares held by a Non-eligible Investor. Such compulsory redemption of Shares will be conducted in accordance with the Articles. Accordingly, the Directors may redeem Shares held by an investor in the event that the Directors consider such investor to be a Non-eligible Investor.

Pursuant to the Articles, upon notice that any of the Shares are held by a Non-eligible Investor, the Directors may also require such holder to transfer his Shares to a person whose holding would be permissible as described in this explanatory memorandum and as permitted under the Articles.

A summary of the provisions of the Articles on transfer of Shares is set out in the subsection headed "Transfer of Shares" in the section headed "Subscription, Redemption and Transfer of Shares" of this explanatory memorandum.

For the purposes of this section, references to "Shares" shall be construed as references to "Redeemable Classes Shares".

Distribution Risk

The Manager intends to distribute income (net of expenses) attributable to each Distribution Class in respect of each accounting period. However, there is no assurance on such distribution being made or the distribution rate or dividend yield.

Payment of Distributions Out of Capital Risk

Where the income generated by the Fund is insufficient to pay distribution as the Fund declares, the Manager may at its discretion determine such dividends be paid from Capital of the Fund.

Investors should note that the payment of distributions out of Capital represents a return or withdrawal of part of the amount they originally invested or from any capital gains attributable to that original investment, as a result, the capital that the Fund has available for investment in the future and capital growth may be reduced. Such distributions may result in an immediate reduction of the Net Asset Value per Share of the Distribution Class. Also, a high distribution yield does not imply a positive or high return on the total investment.

Asset class risk

Although the Manager is responsible for the continuous supervision of the investment portfolio of the Fund, the returns from the types of Securities in which the Fund invests may underperform returns from other securities markets or from investment in other assets. Different types of Securities tend to go through cycles of out-performance and underperformance when compared with other general securities markets.

Concentration

Although the Fund is required under the Code to limit investments in the Securities of any single issuer to no more than 10% of its Net Asset Value, the Fund's investments may be subject to greater risk and market fluctuation than a company that has investments representing a broader range of investment alternatives.

Foreign exchange transaction risk

Foreign exchange transactions involve a significant degree of risk, even if they are entered into for the purpose of hedging only. The markets in which foreign exchange transactions are effected are highly volatile, highly specialised and highly technical. Significant changes, including changes in liquidity, may occur in such markets within very short periods of time, often within minutes. Foreign exchange transaction risks include, but are not limited to:

- exchange rate risk;
- maturity gaps;
- interest rate risk; and
- potential interference by government intervention through regulation of local exchange markets, foreign investment or particular transactions in foreign currency.

The Manager may (but is not obliged to) enter into certain currency related transactions in order to hedge the currency exposure of the assets of the Fund attributable to a particular class into the class currency of the relevant class. Any financial instruments used to implement such strategies with respect to one or more classes shall be assets/liabilities of the Fund as a whole but will be attributable to the relevant class(es) and the gains/losses on and the costs of the relevant financial instruments will accrue solely to the relevant class. Where a class of Shares is to be hedged ("**Currency Hedged Class**") this will be disclosed in this explanatory memorandum. Any currency exposure of a class may not be combined with, or offset against, that of any other class of the Fund. The currency exposure of the assets attributable to a class may not be allocated to other classes.

Where the Manager seeks to hedge against currency fluctuations, while not intended, this could result in over-hedged or under-hedged positions due to external factors outside the control of the Manager. Investors in the Currency Hedged Classes may have exposure to currencies other than the currency of that Currency Hedged Class. Investors should also be aware that the hedging strategy may substantially limit the benefits of any potential increase in value of a Currency Hedged Class expressed in the class currency, if the Currency Hedged Class' denominating currency falls against the base currency of the Fund.

The Manager may also, at its absolute discretion, seek to fully or partially hedge currency exposures arising from some or all of the Fund's underlying assets to the base currency of the Fund. Investors whose base currency is different (or not in a currency linked to the Fund's base currency or the currency of that Currency Hedged Class) may be exposed to additional currency risk.

The precise hedging strategy applied to a particular Currency Hedged Class may vary. In addition, there is no guarantee that the desired hedging instruments will be available or hedging strategy will achieve its desired result. In such circumstances, investors of the Currency Hedged Class may still be subject to the currency exchange risk on an unhedged basis (which means that, for example, if the hedging strategy in respect of the Class A AUD Hedged Shares is ineffective, depending on the exchange rate movements of AUD relative to the base currency of the Fund, and/or other currency(ies) of the non-AUD denominated underlying investment of the Fund, (i) investors may still suffer losses even if there are gains or no losses in the value of the non-AUD denominated underlying investments; or (ii) investors may suffer additional losses if the non-AUD denominated underlying investments of the Fund fall in value).

If the counterparties of the instruments used for hedging purposes default, investors of the Currency Hedged Classes may be exposed to the currency exchange risk on an unhedged basis and may therefore suffer further losses.

The Fund currently offers different Currency Hedged Classes as disclosed in this explanatory memorandum which are primarily targeted for investors whose base currencies of investment are the currencies of the Currency Hedged Classes.

Each Currency Hedged Class may hedge the Fund's denominated currency back to its currency of denomination, with an aim to provide a return on investment which correlates with the return of the class which is denominated in the base currency of the Fund by reducing the effect of exchange rate fluctuations between the base currency of the Fund and the Currency Hedged Classes whilst taking into account practical considerations such as transaction costs. However, the return of the Currency Hedged Classes will never correlate perfectly to the class which is denominated in the base currency of the Fund due to various factors, including but not limited to short-term interest rate differentials, unrealized gains/losses on currency forward positions not being invested until the gains/losses are realised and transaction costs attributable to the hedging activity. Investors should also note that the distribution amount and/or rate of the Currency Hedged Classes may be more than or less than such amount and/or rate of the class which is denominated in the base currency of the Fund due to various factors, including but not limited to short-term interest rate differentials. Where the Currency Hedged Class is subject to a performance fee, it should be noted that any divergence in the performance of different classes (for the reasons stated above), or different launch dates of different classes, could result in any such performance fees becoming chargeable at different points in time, as different classes reach their high watermark at different points in time. Accordingly the performance fee may adversely impact the correlation between different classes.

Consequently, a Currency Hedged Class is not recommended for investors whose base currency of investment is not in the same currency of such Currency Hedge Class. Investors who choose to convert other currencies into such base currency to invest in such Currency Hedge Class should understand that they may be exposed to higher currency risks and may suffer a higher loss as a result of exchange rate fluctuations than an investor whose base currency of investment is in the same currency of the Currency Hedged Class.

To the extent that hedging is successful for a particular Currency Hedged Class, the performance of the Currency Hedged Class is likely to move in line with the performance of the underlying assets with the result that investors in that Currency Hedged Class will not gain if the class currency falls against the base currency of the Fund.

It is intended that the currency hedging strategy which will be employed will be based on the most up-to-date information in relation to the Net Asset Value of the Fund, and will also take into account future transactions relating to Shareholder activity that will be processed through each class of Shares in the Fund as at the relevant valuation point. The currency hedging strategy will be monitored and adjusted in line with the valuation cycle at which investors are able to subscribe to and redeem from the Fund.

Futures, forwards, options and contracts for difference may be used to hedge against downward movements in the value of the Fund's portfolio, either by reference to specific securities or markets to which the Fund may be exposed.

Forward foreign exchange contracts are also used more specifically to hedge the value of certain classes of Shares in the Fund against changes in the exchange rate between the currency of denomination of the class of Shares and the base currency of the Fund.

Valuation and Accounting

In some instances where there may be no liquidity or no bid or offer prices or no reliable bid or offer prices quoted for certain securities that the Fund may invest in, in particular debt securities and securities that are not listed or quoted on a recognised market, it may be difficult to determine the appropriate valuation of such investments and the Manager may have a conflict of interest in striking such valuation since its management and performance fees will be affected by the value of assets under management. The Manager may in such instances request for a revaluation to be made by a professional person approved by the Directors.

Further, under current market conditions, it may be the case that the bid-offer spread will be very wide for financial instruments held by the Fund, particularly in the case of debt securities that are not listed or quoted on a recognised market, although such spread may be expected to narrow over time. One consequence of this is that to the extent the Fund values its portfolio by reference to bid prices, it will incur an immediate diminution in net asset value on the purchase of such debt instruments.

Foreign Account Tax Compliance Act

Under Sections 1471 – 1474 (referred to as "**FATCA**") of the IRS Code, unless a "foreign financial institution" as defined in the IRS Code and U.S. Treasury Regulations, timely agrees to collect and disclose to the U.S. Treasury certain information with respect to its investors and its investors' investments, or collects and discloses such information to a foreign government pursuant to an applicable intergovernmental agreement between the U.S. and that foreign government, and meets certain other conditions, certain payments to that foreign financial institution of dividends, interest, and certain other categories of investment income from sources within the U.S. will generally, assuming certain other conditions are met, be subject to a 30% U.S. federal withholding tax. While such withholding would have applied also to payments of gross proceeds from the sale or other disposition on or after 1 January 2019 of property of a type which can produce U.S. source dividends and interest, recently proposed U.S. Treasury regulations eliminate such withholding on payments of gross proceeds entirely. Taxpayers generally may rely on these proposed U.S. Treasury regulations until final U.S. Treasury regulations are issued.

Pursuant to the inter-governmental agreement signed between the Cayman Islands and the United States to improve international tax compliance and the exchange of information (the "US IGA"), the Fund will generally be relieved from FATCA withholding tax on payments it receives, as well as the obligation to withhold tax on payments made to its investors, provided that it complies with the AEOI Regulations (discussed under the section entitled "Automatic Exchange of Financial Account Information" under the heading "TAXATION" below), which give effect to the US IGA. Pursuant to the AEOI Regulations reporting is made annually in respect of the previous calendar year.

The Fund will endeavour to satisfy the requirements imposed under FATCA and the US IGA and the AEOI Regulations to avoid any withholding tax. In particular, the Fund has been registered with the IRS with Global Intermediary Identification Number P1ZWXH.99999.SL.136. In the event that the Fund is not able to comply with the requirements imposed by FATCA, the US IGA or related Cayman Islands law, and the Fund suffers US withholding tax on its investments as a result of non-compliance, the Net Asset Value of the Fund may be adversely affected and the Fund may suffer significant losses as a result. In addition, prospective investors should note that underlying collective investment scheme in which the Fund invests may be required to satisfy their own FATCA compliance obligations, and failure by any underlying collective investment schemes to fully comply with its FATCA obligations may have an adverse impact on the Net Asset Value of the Fund.

To the extent that the Fund suffers withholding tax on its investments as a result of FATCA, the Fund may, after completing due process to ascertain and confirm that a Shareholder has failed to cooperate and provide the required information, bring legal action against such Shareholder for losses suffered by the Fund as a result of such withholding tax.

Each prospective investor should consult with his/her own tax adviser as to the potential impact of FATCA in his/her own tax situation.

Risks of investing in other collective investment schemes

Investment decisions of the underlying schemes are made at the level of such schemes. The Fund does not have control of the investments of the underlying schemes. There can be no assurance that (i) the selection of the managers of the underlying schemes will result in an effective diversification of investment styles and that positions taken by the underlying schemes will always be consistent; and (ii) the investment objective and strategy of the underlying schemes will be successfully achieved which may have a negative impact to the Net Asset Value of the Fund. The Fund will also be subject to the risks associated with the underlying schemes.

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

The Fund bears the fees payable to the Manager and its other service providers, as well as, indirectly, a proportionate share of the fees paid by the underlying schemes to their managers and the service providers of the underlying schemes (such as subscription fee, redemption fee, management fee and other costs and charges payable to the managers and service providers of the underlying schemes). For the avoidance of doubt, where the Fund invests into an underlying scheme managed by the Manager, the investment delegates (if any) or any of their respective Connected Persons, all initial charges and redemption charges on such underlying scheme will be waived. Further, the Manager or any person acting on behalf of the Fund or the Manager will not obtain a rebate on any fees or charges levied by the underlying scheme or its management company or any quantifiable monetary benefits in connection with investments in any underlying scheme.

The Fund may invest in shares or units of a collective investment scheme managed by the Manager, the investment delegates (if any), or any of their respective Connected Persons. It is possible that any of the Manager, the investment delegates (if any) or any of their respective Connected Persons may, in the course of business, have potential conflicts of interest with the Fund. In the event of such conflicts, the Manager will endeavour to ensure that such conflicts are resolved fairly and all transactions between the Fund and any of them are on an arm's length basis. Please refer to the section headed "Potential Conflicts of Interests" of this explanatory memorandum for further details.

Handling of mail

Mail addressed to the Fund and received at its registered office will be forwarded unopened to the forwarding address supplied by the Fund to be dealt with. None of the Fund, its directors, officers, advisers or service providers (including the organisation which provides registered office services in the Cayman Islands) will bear any responsibility for any delay howsoever caused in mail reaching the forwarding address.

Risks associated with Collateral Management and Re-investment of Cash Collateral

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

The Fund may re-invest its cash collateral. Investors should note that there are risks associated with the re-investment of cash collateral. If the Trust reinvests cash collateral, such re-investment is subject to investment risks including the potential loss of principal.

Where collateral is provided by the Fund to the relevant counterparty, in the event of the insolvency of the counterparty, the 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 the Fund under a securities lending transaction may be reinvested in order to generate additional income. Similarly cash collateral received by the Fund may also be reinvested in order to generate additional income. In both circumstances, the 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 Fund to the securities lending counterparty at the conclusion of the securities lending contract. The 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 Fund.

RISKS RELATING TO THE PRC

The Fund invests in the PRC market and China-related companies which may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/ control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

In addition to the general risk factors set out above, investors should also note the following in relation to investments made by the Fund in the Greater China region:

RMB currency and conversion risks

RMB is currently not freely convertible and is subject to exchange controls and restrictions. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currency (i.e. HK dollars) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Fund. Although CNH and CNY are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors. Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

PRC Economic Risks

The economy in the PRC has experienced rapid growth in recent years. However, such growth may or may not continue nor apply evenly across different sectors of the PRC economy. The PRC government has also implemented various measures from time to time to prevent overheating of the economy. Furthermore, the transformation of the PRC from a socialist economy to a more market-oriented economy has led to various economic and social disruptions in the PRC and there can be no assurance that such a transformation will be continued or be successful. All these may have an adverse impact upon the performance of the investments of the Fund which are related to the PRC.

Legal System of the PRC

The legal system of the PRC is based on written laws and regulations. However, many of these laws and regulations are still untested and the enforceability of such laws and regulations remains unclear. In particular, the PRC regulations which govern currency exchange in the PRC and the investments of the Fund as a foreign investor are relatively new and their application is uncertain. Such regulations also empower the China Securities Regulatory Commission ("**CSRC**") and the State Administration of Foreign Exchange ("**SAFE**") to exercise discretion in their respective interpretation of the regulations, which may result in uncertainties in their application.

Risks associated with Stock Connects

The Fund may invest through the Stock Connects. In addition to the risk factors headed "PRC Political, Economic and Social Risks", "Legal System of the PRC", "Risks relating to China A Shares Market", "Liquidity Risk of Investing in China A Shares and China B Shares", "PRC Tax Risk" and "Renminbi Depreciation", it is also subject to the following additional risks:

Quota limitations - The Stock Connects are subject to quota limitations. In particular, once the remaining balance of the Northbound Daily Quota drops to zero or the Northbound 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 Fund's ability to invest in China A Shares through the Stock Connects on a timely basis, and the Fund may not be able to effectively pursue its investment strategies.

Suspension risk - Each of the SEHK, SSE and SZSE reserves the right to suspend Northbound and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the Northbound trading through the Stock Connects is effected, the Fund's ability to invest in China A Shares or access the PRC market will be adversely affected. In such event, the Fund's ability to achieve its investment objective could be negatively affected.

Differences in trading days – The Stock Connects only operate on days when both the PRC and Hong Kong stock markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the PRC stock markets but Hong Kong investors (such as the Fund) cannot carry out any China A Shares trading. Due to the differences in trading days, the Fund may be subject to a risk of price fluctuations in China A Shares on a day that the PRC stock markets are open for trading but the Hong Kong stock market is closed.

Operational risk - The Stock Connects provide a channel for investors from Hong Kong and overseas to access the PRC stock markets 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.

Market participants generally have configured and adapted their operational and technical systems for the purpose of trading China A Shares through the Stock Connects. However, it should be appreciated that the securities regimes and legal systems of the two markets differ significantly and in order for the 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. SEHK has set up an order routing system ("**China Stock Connect System**") to capture, consolidate and route the cross boundary orders input by exchange participants. There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through the programme could be disrupted. The 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. SEHK will carry out pretrade checking on China A Share sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

Generally, if the 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 Fund may not be able to dispose of holdings of China A Shares in a timely manner.

However, the Fund may request a custodian to open a special segregated account ("**SPSA**") in CCASS to maintain its holdings in China A Shares under the enhanced pre-trade checking model. Each SPSA will be assigned a unique "Investor ID" by CCASS for the purpose of facilitating China Stock Connect System to verify the holdings of an investor such as the Fund. Provided that there is sufficient holding in the SPSA when a broker inputs the Fund's sell order, the Fund will be able to dispose of its holdings of China A Shares (as opposed to the practice of transferring China A Shares to the broker's account under the current pre-trade checking model for non-SPSA accounts). Opening of the SPSA accounts for the Fund will enable it to dispose of its holdings of China A Shares in a timely manner.

Recalling of eligible stocks - When a stock is recalled from the scope of eligible stocks for trading via the Stock Connects, the stock can only be sold but restricted from being bought. This may affect the investment portfolio or strategies of the 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 have established the clearing links and each is a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house.

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 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 (as defined in the section headed "**Stock Connects**" in this explanatory memorandum). Where the articles of association of a listed company do not prohibit the appointment of proxy/multiple proxies by its shareholder, HKSCC will make arrangements to appoint one or more investors as its proxies or representatives to attend shareholders' meetings when instructed. Further, investors (with holdings reaching the thresholds required under the PRC regulations and the articles of associations of listed companies) may, through their CCASS participants, pass on proposed resolutions to listed companies via HKSCC under the CCASS rules. HKSCC will pass on such resolutions to the companies as shareholder on record if so permitted under the relevant regulations and requirements. Hong Kong and overseas investors (including the Fund) are holding SSE Securities and SZSE Securities traded via the Stock Connects through their brokers or custodians, and they will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of SSE Securities and SZSE Securities may be very short. Therefore, it is possible that the Fund may not be able to participate in some corporate actions in a timely manner.

Currency risk - The performance of the Fund may be affected by movements in the exchange rate between RMB (i.e. the currency in which SSE Securities and SZSE Securities are traded and settled) and its base currency. The Fund may, but is not obliged to, seek to hedge foreign currency risks. However, even if undertaken, such hedging may be ineffective. On the other hand, failure to hedge foreign currency risks may result in the Fund suffering from exchange rate fluctuations. For further details on exchange risk, please see risk factor "Foreign exchange transaction risk").

No Protection by Investor Compensation Fund - Investment through the Stock Connects are conducted through brokers, 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 Fund's investments through Northbound trading under the Stock Connects are not covered by the Hong Kong's Investor Compensation Fund. Therefore the Fund is exposed to the risks of default of the broker(s) it engages in its trading in China A Shares through the Stock Connects. Further, since the Fund is carrying out Northbound trading through securities brokers in Hong Kong but not PRC brokers, it is not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金) in the PRC.

Regulatory risk - The Stock Connects 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.

The relevant rules and regulations on the Stock Connects are subject to change, which may have potential retrospective effect. There can be no assurance that the Stock Connects will not be abolished. The 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 the Small and Medium Enterprise Board of the SZSE ("SME Board") and/or ChiNext Board

The Fund may have exposure to stocks listed on SME Board and/or ChiNext Board.

Higher fluctuation on stock prices - Listed companies on the SME Board and/or ChiNext Board are usually of emerging nature with smaller operating scale. Hence, they are subject to higher fluctuation in stock prices and liquidity and have higher risks and turnover ratios than companies listed on the Main Board of the SZSE ("**Main Board**").

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

Differences in regulation - The rules and regulations regarding companies listed on ChiNext Board are less stringent in terms of profitability and share capital than those in the Main Board and SME Board.

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

Investments in the SME Board and/or ChiNext Board may result in significant losses for the Fund and its investors.

Risks associated with A Shares CIS

Risk related to QFII/RQFII Policy - The A Shares CIS's ability to make the relevant investments or to fully implement or pursue its investment objective and strategy is subject to the applicable laws, rules and regulations (including restrictions on investments and repatriation of principal and profits) in the PRC, which are subject to change and such change may have potential retrospective effect. In addition, there can be no assurance that the QFII/RQFII regulations will not be abolished. The Fund, which indirectly invests in the China A Shares markets through A Shares CIS, may be adversely affected as a result of such changes.

Further, the QFII/RQFII licence of the QFII/RQFII holder of A Shares CIS may be revoked or terminated or otherwise invalidated, or the investment quota (if applicable) granted by PRC government to the QFII/RQFII holder of A Shares CIS may be reduced or withdrawn, at any time by reason of a change in applicable law, regulations, policy, practice or other circumstances, an act or omission of the QFII/RQFII holder or for any other reasons. In such event, all or part of the assets held by the PRC QFII/RQFII custodian for the account of the A Shares CIS will be liquidated and repatriated to a bank account maintained for and on behalf of the A Shares CIS outside of the PRC in accordance with applicable laws and regulations. The A Shares CIS may suffer significant loss as a result of such liquidation and repatriation, and consequently, the Fund investing in such A Shares CIS may also suffer losses. The A Shares CIS may also suffer substantial losses if there is insufficient QFII/ RQFII quota (if applicable) allocated for the A Shares CIS to make investments, the approval of the QFII/RQFII is being revoked/terminated or otherwise invalidated as the A Shares CIS may be prohibited from trading of relevant securities and repatriation of the Fund's monies, or if any of the key operators or parties (including QFII/RQFII custodian/brokers) is bankrupt/in default and/or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities.

Under the relevant PRC law, regulations or measures, there are restrictions on repatriation of funds out of the PRC. Thus, the Fund may be exposed, indirectly, to risks associated with remittance and repatriation of monies, through its investment in A Shares CIS. The Fund may be adversely affected and may be exposed to potential losses by the ability of the underlying A Shares CIS to meet redemption requests and may therefore be subject to reduced liquidity.

Custodial risk - Custodians or sub-custodians may be appointed in local market for purpose of safekeeping assets of the A Shares CIS. Lack of adequate custodial systems in the PRC may subject the A Shares CIS to greater custodial risks. The A Shares CIS may also incur losses due to a default, act or omission of the PRC custodian in the execution or settlement of any transaction or in the transfer of any funds or securities. If the PRC custodian defaults, the A Shares CIS may suffer substantial losses. In the event of liquidation of the PRC custodian, the assets contained in cash account(s) with the PRC custodian may form part of the liquidation assets of the PRC custodian, and the A Shares CIS may become an unsecured creditor of the PRC custodian. This may affect the value of the Fund's investments.

Other risks - Other factors such as RMB depreciation, restriction or delay in RMB currency conversion, QFII/RQFII investment restriction, illiquidity of the China A Shares market, and delay or disruption in execution of trades or in settlement of trades may also have negative impacts on A Shares CIS and in turn, the Fund investing in A Shares CIS under such circumstances may also incur losses.

Risks relating to China A Shares Market

Investors should note that the stock exchanges in the PRC on which China A Shares are traded are at a developing stage and the market capitalization and trading volume are much lower than those in more developed financial markets. The China A Shares market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention. For further details, please see risk factor "Liquidity Risk of Investing in China A Shares and China B Shares" below). Securities exchanges in the PRC typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators in the PRC may also implement policies that may affect the financial markets. All these may have a negative impact on the Fund. High market volatility and potential settlement difficulties in the China A Shares markets may result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of the Fund.

Risks associated with CAAPs

The policy and regulations imposed by the PRC government on the access into the China A Shares markets are subject to change and any such change may adversely impact the issuance of CAAPs invested by the Fund. Shareholders should note that there can be no assurance that the Fund may be able to maintain or obtain sufficient investment in CAAPs. This may have an impact on the Shareholders' investment in the Fund. If any CAAP Issuer has insufficient investment quota (if applicable), the CAAP Issuer may cease to extend the duration of any CAAPs or to issue further CAAPs and the Fund may be required to dispose of its existing CAAPs.

Further, the Fund will be exposed to the counterparty risk associated with each CAAP Issuer. Because a CAAP is a payment obligation of the CAAP Issuer, rather than a direct investment in China A Shares, the Fund may suffer losses potentially equal to the full value of the CAAP if the CAAP Issuer were to become insolvent or fails to perform its payment obligations under the CAAPs.

PRC tax risk

The tax laws, regulations and practice in the PRC are constantly changing, and they may be changed with retrospective effect. Any increased tax liabilities on the Fund may adversely affect the Fund's value.

The Manager will assess the tax provisioning approach on an on-going basis. Should the PRC tax policies change, the Manager may decide to set aside a provision to meet any potential tax liability in the future.

For further details on the risks and effects of PRC taxation on the Fund, please refer to the section titled "THE PRC" under the heading "TAXATION" in this explanatory memorandum.

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. If the trading price of any China A Shares has increased or decreased to the extent beyond the trading band limit during the day, trading in the China A Shares on the relevant stock exchange may be suspended. The Fund if investing through the Stock Connects, CAAP Issuers and A Shares CIS will be prevented from trading China A Shares when they hit the "trading band limit". If this happens on a particular trading day, the Fund, CAAP Issuers and A Shares CIS may be unable to trade China A Shares. When the Manager trades China B Shares for the account of the Fund, the Manager may also be unable to trade China B Shares due to the "trading band limit". As a result, the liquidity of the CAAPs, China A Shares, A Shares CIS and China B Shares may be adversely affected which in turn may affect the value of the Fund's investments.

Potential Market Volatility

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

Currency Exchange Risk

The Fund is denominated in HK dollars. Underlying investments of the Fund may be denominated in currencies other than the base currency of the Fund. Also, a class of shares may be designated in a currency other than the base currency of the Fund. The Net Asset Value of the Fund may be affected unfavourably by fluctuations in the exchange rates between the currencies in which the assets are held and HK dollars, and any changes in exchange rate control and exchange control regulations which may cause difficulties in the repatriation of funds. The Fund may, but is not obliged to seek to hedge foreign currency risks. However, even if undertaken, such hedging may be ineffective and may even be counter-productive due to the foreign exchange controls in the PRC. On the other hand, failure to hedge foreign currency risks may result in the Fund suffering from exchange rate fluctuations.

Accounting and Reporting Standards

The accounting standards and regulatory requirements of financial reporting and information disclosure in the Greater China Region may not follow international standards as there are differences between international standards and reporting practices in the Greater China Region. These differences may lie in areas such as different valuation methods of the properties or the assets, and the requirements for disclosure of information to investors. Therefore, the Fund may be forced to make investment decisions based on incomplete or incorrect data. If those data turn out to be incomplete or incorrect, the security in which the Fund has invested into could decline in value or become valueless. Investors may lose money in those circumstances.

Performance of Underlying Investments

It should be appreciated that because the value of shares in the Fund, and income from them (if any), is primarily based on investments in the Securities of China-related companies, the value of the shares in the Fund (and hence the value of the Shares) will rise or fall as a result of fluctuations in the value or performance of such underlying Securities and companies.

RISKS RELATING TO HONG KONG

Economic, political and legal developments

Part of the Fund's investments may be made in Hong Kong. Accordingly, the Fund's operational results, financial position and prospects could be affected by economic, political and legal developments in Hong Kong. On 1 July 1997, Hong Kong became a special administrative region of the PRC when the PRC resumed the exercise of sovereignty over Hong Kong. The basic policies of the PRC regarding Hong Kong are embodied in the Basic Law of Hong Kong, which provides that Hong Kong shall have a high degree of autonomy and enjoy executive, legislative and independent judicial powers, including that of final adjudication under the principle of "one country, two systems". However, there is no assurance that economic, political and legal developments in Hong Kong will not be adversely affected as a result of the exercise of sovereignty by the PRC over Hong Kong or otherwise. If there are any material adverse changes in the general economic, political and legal development in Hong Kong, the Fund's operational results, financial position and investments in Hong Kong may be adversely affected.

Devaluation of the Hong Kong dollars

The Hong Kong dollars has been pegged to the United States dollars since 1983. The Hong Kong government has repeatedly reaffirmed its commitment to this pegged exchange rate system. However, in the event this policy were to change, there is a risk that the Hong Kong dollars might devalue against other currencies relevant to the Fund's business and the Investments which would increase the Hong Kong dollar cost of the Fund's foreign currency investments.

RISKS RELATING TO TAIWAN

The Taiwan stock market

The Taiwan stock market has historically exhibited high volatility and the price of the securities listed on the Taiwan stock market may fall as well as rise. A considerable proportion of stock market activity may be said to be of a short-term speculative nature. There can be no assurance that the Taiwan stock market will not continue its historic pattern of volatility in the future.

Exchange control regulations

As the Fund will invest in Taiwanese securities, the Hong Kong dollar value of the Fund will be affected by changes in the value of the New Taiwan dollar, relative to the Hong Kong dollars. Further, the ability of the Fund to convert Hong Kong dollars into NT dollars or vice versa for the purposes of making investments or redemptions will be subject to the exchange control regulations of Taiwan and the Cayman Islands (if any).

Political change and government action

A portion of the Fund's investments may be made in Taiwan. Accordingly, the Fund's operational results, financial position and prospects could be affected by economic, political and legal developments in Taiwan. Taiwan has a unique international political status. The Taiwan government does not recognise the sovereignty of the PRC government over Taiwan, and the PRC government does not recognise the legitimacy of the Taiwan government. Although significant economic and cultural relations have been established in recent years between Taiwan and the PRC, the PRC has refused to renounce the possibility that it may at some point use force to gain control over Taiwan. Relations between Taiwan and the PRC have been strained in recent years. Relations between Taiwan and the PRC may affect the business of the Fund, its operational results or its financial condition.

TAXATION

Prospective investors must consult their own professional advisers regarding the possible tax, exchange control or other consequences of buying, holding, selling or disposing of Shares under the laws of the jurisdictions of which they are citizens, residents or domiciliaries and in which they conduct business. The following is given by way of general summary based on the current law and practice and does not constitute legal or tax advice.

CAYMAN ISLANDS

The Government of the Cayman Islands will not, under existing legislation, impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax upon the Fund or the Shareholders. The Cayman Islands are not party to a double tax treaty with any country that is applicable to any payments made to or by the Fund.

The Fund has received an undertaking from the Financial Secretary of the Cayman Islands that, in accordance with section 6 of the Tax Concessions Law (as revised) of the Cayman Islands, for a period of 20 years from 22 January 2002, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Fund or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on or in respect of the shares, debentures or other obligations of the Fund or (ii) by way of the withholding in whole or in part of a payment of dividend or other distribution of income or capital by the Fund to its members or a payment of principal or interest or other sums due under a debenture or other obligation of the Fund.

Although the Fund is not subject to tax in the Cayman Islands, the Fund may be liable for any taxes which may be withheld at source in other countries in respect of income or gains derived from its investments.

HONG KONG

The Fund

Profits tax

The Fund has been authorised by the SFC pursuant to Section 104 of the SFO. Accordingly profits of the Fund arising from the sale or disposal of securities, net investment income received by or accruing to the Fund and other profits of the Fund are exempted from Hong Kong profits tax for so long as the Fund is so authorised.

Stamp duty

The sale and purchase of Hong Kong stocks by the Fund will be subject to stamp duty in Hong Kong at the current rate of HK$1 per HK$1,000, or part thereof, of the price or market value of the stocks whichever is higher, unless specific exemptions apply.

The Shareholders

Profits tax

No tax will be payable by Shareholders in Hong Kong in respect of any capital gains arising on a sale, realisation, redemption or other disposal of shares in the Fund, except that Hong Kong profits tax may arise where such transactions form part of a trade, profession or business carried on in Hong Kong.

No tax should generally be payable by Shareholders in Hong Kong in respect of dividends or other income distributions of the Fund.

Stamp duty

As the register of Shareholders of the Fund is maintained outside Hong Kong, no Hong Kong stamp duty will be payable by the Shareholders on the issue or transfer of Shares in the Fund.

THE PRC

By investing in securities (including China A Shares, China B Shares, H Shares and debt instruments) issued by PRC tax resident enterprises, irrespective of whether such securities are issued or distributed onshore or offshore ("**PRC Securities**"), the Fund may be subject to PRC taxes.

The income (including interest income and capital gains) derived from the Fund's investments in debt securities issued by non-PRC issuers outside China should not be subject to PRC taxes.

The PRC government has implemented a number of tax reform policies in recent years. The current tax laws and regulations may be revised or amended in the future. Any revision or amendment in tax laws and regulations may affect the after-taxation profit of PRC companies and foreign investors in such companies.

Corporate Income Tax ("CIT")

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

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

The Manager intends to manage and operate the Fund in such a manner that the Fund should not be treated as a tax resident enterprise of the PRC or a non-tax resident enterprise with a E&P in the PRC for CIT purposes, although this cannot be guaranteed. As such, it is expected that the Fund should not be subject to CIT on an assessment basis and would only be subject to WIT to the extent that the Fund directly derives PRC sourced income in respect of its investments in PRC Securities.

Interest / dividend

The Fund's income from interests, dividends and profit distributions from PRC tax enterprise received by the Fund is generally subject to PRC WIT at a rate of 10%, unless such WIT is subject to reduction or exemption in accordance with PRC tax laws and regulations or an applicable tax treaty signed with the PRC.

In respect of interests, under the PRC CIT Law and regulations, interest derived from government bonds issued by the State Council's finance departments and/or local government bonds approved by the State Council is exempt from PRC income tax.

Further, under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (the "Mainland China-HK Arrangement"), if a Hong Kong tax resident receives interest income from PRC tax resident enterprises, the WIT rate can be reduced to 7% provided that the Hong Kong tax resident is the beneficial owner of the interest income under the Mainland China-HK Arrangement and other relevant conditions are satisfied, subject to the agreement from the PRC tax authorities. In practice, due to the practical difficulties in demonstrating that an investment fund is the beneficial owner of the interest income received, such investment fund is generally not entitled to the reduced WIT rate of 7%. In general, the prevailing rate of 10% should be applicable to the Fund.

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

On 22 November, 2018, the Ministry of Finance ("MOF") and State Administration for Taxation ("**SAT**") issued Caishui [2018] No.108 ("Circular 108"), which stipulated that foreign institutional investors are exempted from PRC WIT and Value Added Tax ("VAT") in respect of bond interest income received from 7 November 2018 to 6 November 2021 from investments in the PRC bond market.

Capital gains

(i) Capital gains realised from trading of China B Shares and H Shares

Under current PRC tax law, there are no specific rules or regulations governing the taxation of the disposal of these securities by foreign investors. Hence, the tax treatment for investment in China B Shares and H Shares is governed by the general taxing provisions of the CIT Law. Under such general taxing provision, the Fund could be technically subject to 10% WIT on the PRC sourced capital gains, unless exempt or reduced under relevant double tax treaties.

Having said that, for China B Shares and H Shares invested by the Fund directly, there may be practical difficulty for the PRC tax authorities to impose and collect WIT on such capital gains. In practice, the 10% WIT has not been strictly enforced by the PRC tax authorities on capital gains derived by non-PRC tax resident enterprises from the trading of these securities with sales and purchase effected through stock exchanges.

Having consulted professional and independent tax adviser, the Manager has not made and currently has no intention to make provision in respect of WIT on gross realised and unrealised capital gains on trading of China B Shares and H Shares. The Manager will monitor the situation and if, in the opinion of the Manager, a provision is warranted, the change will be implemented by the Manager and Shareholders will be notified of the change.

(ii) Capital gains realised from trading of China A Shares through Stock Connect

PRC tax circulars Caishui [2014] No. 81 ("Notice No. 81") and Caishui [2016] No. 127 ("Notice No. 127") provide that PRC CIT will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including the Fund) on the trading of China A Shares through the Stock Connects. Based on Notice No. 81 and Notice No. 127, and having consulted professional and independent tax adviser, no WIT provision for gross realised or unrealised capital gains derived from trading of China A Shares via the Stock Connects is made by the Manager on behalf of the Fund.

It should be noted that the corporate income tax exemption under Notice No. 81 and Notice No. 127 is temporary. As such, as and when the PRC authorities announce the expiry date of the exemption, the Fund may in future need to make provision to reflect taxes payable, which may have a substantial negative impact on the Net Asset Value.

(iii) Capital gains realised through trading of China A Shares through CAAPs and A Shares CIS

The Fund may from time to time obtain exposure to China A Shares by investing in CAAPs and A Shares CIS.

Pursuant to the "Notice on the temporary exemption of Corporate Income Tax on capital gains realised from the transfer of PRC equity investment assets such as PRC domestic stocks by QFII and RQFII" (Caishui [2014] No. 79) ("**Notice No. 79**") promulgated by the MOF, the SAT and the CSRC on 14 November 2014 states that (a) PRC CIT will be imposed on capital gains realised by QFIIs and RQFIIs from the transfer of PRC equity investment assets (including PRC domestic stocks) prior to 17 November 2014 in accordance with laws; and (b) QFIIs and RQFIIs (without an E&P in the PRC or having an establishment in the PRC but the income so derived in China is not effectively connected with such establishment) will be temporarily exempt from PRC CIT on gains realised from the transfer of PRC equity investment assets (including China A Shares) effective from 17 November 2014.

The issuer of the CAAPs may implement hedge arrangements on the CAAPs through QFII/RQFII which would acquire or dispose of the underlying China A Shares to which the CAAPs are linked. As the QFIIs/RQFIIs are the legal owners of the China A Shares under PRC law with respect to such CAAPs, any PRC taxes arising from the QFIIs'/ RQFIIs' investments in such securities would be legally borne by the QFII/RQFII directly. Given that any PRC tax liabilities accruing to the QFII/RQFII in respect of the securities to which the CAAPs are linked arise because of the trading activities of the Fund, such tax liabilities (if any) may ultimately be recharged to and borne by the Fund and would likely have an economic effect on the value of the Fund. On the basis of Notice No. 79, it is not expected that the issuers of any CAAPs would make any provision for potential tax liabilities from 17 November 2014 onwards.

Pursuant to Notice No. 79 and having consulted professional and independent tax adviser, with effect from 17 November 2014, in respect of the Fund, the Manager will not make WIT provision for gross realised or unrealised capital gains derived from trading of China A Shares through CAAPs and A Shares CIS.

Please note that the tax exemption granted under Notice No. 79 is temporary. As such, as and when the PRC authorities announce the expiry date of the exemption, the Fund may in future need to make provision to reflect taxes payable, which may have a substantial negative impact on the Net Asset Value.

(iv) Capital gains realised from the trading of PRC debt securities issued or listed offshore by PRC issuers

There are currently no specific tax rules or regulations governing the taxation of capital gains realised by foreign investors on the disposal of these securities. In the absence of specific rules, the general tax provisions under PRC CIT Law should apply and such general tax provisions stipulate that a non-resident enterprise with no place of effective management, establishment or place of business in the PRC would generally be subject to WIT at the rate of 10% on its PRC-sourced income, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties. Based on the current interpretation of the SAT and the local PRC tax authorities, capital gains derived by foreign investors from investment in PRC debt securities should not be treated as PRC sourced income and thus should not be subject to PRC WIT. There are no written tax regulations issued by the PRC tax authorities to confirm that interpretation. However, as a matter of practice, such 10% PRC WIT on capital gains realised by non-PRC tax resident enterprises from the trading of PRC debt securities has not been strictly enforced by the PRC tax authorities.

Having consulted professional and independent tax adviser, the Manager will not make WIT provisions for the Fund on the gross realised and unrealised capital gains derived from PRC debt securities issued or listed offshore by PRC issuers. The implication of this is that if the Fund is liable to pay such withholding and other taxes, this may result in an unfavourable impact on the Net Asset Value of the Fund.

(v) Capital gains derived from funds that invest in PRC Securities

The Fund may invest in funds that invest in PRC Securities. Such funds may or may not withhold WIT equal to 10% of any potential capital gains which may be payable on a sale of such PRC Securities. Any such withholding by a fund would be reflected in the net asset value of the relevant fund and, therefore, in the Net Asset Value of the Fund on any Valuation Day. Where a fund has no such withholding or insufficient withholding, any retrospective enforcement and/or changes in PRC tax law relating to WIT on capital gains on the sale of PRC Securities may adversely affect the net asset value of the relevant fund and, therefore, the Net Asset Value of the Fund.

In this regard, any PRC tax liability may, if it arises, be payable by the funds that invest in PRC Securities. However, under the terms of the arrangement between the Fund and the funds that invest in PRC Securities, the funds may pass on any tax liability to the Fund. Such tax charges would likely be recharged to, and borne by, the Fund under contractual agreement with the funds. As such, the Fund is the ultimate party which bears the risks relating to any PRC taxes what are so levied by the relevant PRC tax authority.

(vi) Tax Provision

It should be noted that the existing tax laws, regulations and practices may be revised or amended in the future, with the possibility that such changes will be applied with retrospective effect. In order to meet any potential tax liability for capital gains or income, the Manager reserves the right to provide for WIT on such gains or income and withhold the tax for the account of the Fund.

As such, if it transpires that the Fund is subject to actual tax liabilities, in respect of which the Manager had not made any provision, investors should note that the Net Asset Value of the Fund may be lowered, as the Fund will ultimately have to bear the full amount of tax liabilities. It should also be noted that the level of provision (if any) may be inadequate or excessive to meet actual PRC tax liabilities on investments made by the Fund. Consequently, Shareholders may be disadvantaged or advantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Shares. If the actual tax levied by the SAT is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount (or if the Manager did not make any tax provision), investors should note that the Net Asset Value of the Fund may be adversely affected, as the Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Shares in issue at the relevant time, and the then existing Shareholders and subsequent Shareholders will be disadvantaged as such Shareholders will bear, through the Fund, a disproportionately higher amount of tax liabilities as compared to that borne by persons who have already redeemed their Shares in the Fund. On the other hand, the actual tax liabilities may be lower than the tax provision made. In that case, those persons who have already redeemed their Shares before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision and as such may be disadvantaged.

Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

Value Added Tax ("VAT") and other surtaxes

The MOF and SAT issued the "Notice on the Comprehensive Roll-out of the B2V Transformation Pilot Program (the "B2V Pilot Program")" (Caishui [2016] No. 36) (the "**Notice No. 36**") on 23 March 2016. The Notice No. 36 sets out that the B2V Pilot Program covers all the remaining industries of the program, including financial services. The Notice No. 36 has taken effect from 1 May 2016, unless otherwise stipulated therein.

The Notice No. 36 provides that VAT at 6% shall be levied on the difference between the selling and buying prices of those marketable securities, e.g. China A Shares and RMB denominated debt securities issued by PRC issuers.

Based on the prevailing VAT regulations, capital gains derived by (i) QFIIs / RQFIIs on trading of marketable securities and (ii) foreign investors via the Stock Connects are exempted from VAT. Therefore, to the extent that the Fund's key investment (such as China A Shares through the Stock Connects, CAAPs) are conducted through these channels, either by the Fund directly or via CAAP Issuers, the capital gains should be exempted from VAT. In addition, deposit interest income and interest received from government bonds and local government bonds are also exempt from VAT.

The current VAT regulations do not provide VAT exemption on capital gains derived from trading of China B Shares. Having said that, the PRC tax authorities have not actively collected VAT from non-PRC tax resident enterprises on gains realized from China B Shares in practice. Where capital gains are derived from trading of H Shares, VAT in general is not imposed as the purchase and disposal are often concluded and completed outside the PRC.

The prevailing VAT regulations do not specifically exempt VAT on interest received by foreign investors (including by QFIIs and RQFIIs). Interest income on non-government bonds (including corporate bonds) should technically be subject to 6% VAT.

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

Circular 108 stipulated that foreign institutional investors are exempted from China WIT and VAT in respect of bond interest income received from 7 November 2018 to 6 November 2021 from investments in the China bond market.

In addition, urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), educational surcharge (currently at the rate of 3%) and local educational surcharge (currently at the rate of 2%) are imposed based on the VAT liabilities. The applicable levies depend on the location where VAT filing (if required) is done.

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 certain taxable documents executed or received in the PRC, including the contracts for the sale of China A Shares and China B Shares traded on the PRC stock exchanges. In the case of contracts for sale of China A Shares and China B Shares, such stamp duty is currently imposed on the seller but not on the purchaser, at the rate of 0.1%.

It is unclear whether PRC Stamp Duty that is imposed on the transfer of shares of PRC companies under the PRC Stamp Duty Regulations would similarly apply to the acquisition and disposal of H Shares by non-PRC investors outside the PRC. That said, PRC Stamp Duty is generally not imposed for trading of H Shares in practice.

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.

Further, no PRC Stamp Duty is expected to be imposed on non-tax resident holders of fund shares, either upon subscription or upon a subsequent redemption of such fund shares.

General

It should also be noted that the actual applicable tax rates imposed by the SAT may change from time to time. It should also be noted that the prevailing PRC tax regulations specified that the tax exemption on capital gains derived from the trading of China A Shares from 17 November 2014 onwards is temporary. There is a possibility of the PRC tax rules, regulations and practice being changed and taxes being applied retrospectively. As such, any provision for taxation made by the Manager may be excessive or inadequate to meet final PRC tax liabilities. Consequently, investors may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Shares.

If the actual applicable tax rate levied by SAT 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 Fund may suffer more than the tax provision amount as the Fund will ultimately have to bear the additional tax liabilities. In this case, the then existing and new Shareholders will be disadvantaged. On the other hand, if the actual applicable tax rate levied by the SAT is lower than that provided for by the Manager so that there is an excess in the tax provision amount, Shareholders who have redeemed their Shares before SAT's ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager's overprovision. In this case, the then existing and new Shareholders may benefit if the difference between the tax provision and the actual taxation liability under that lower tax rate can be returned to the account of the Fund as assets thereof. Notwithstanding the above provisions, Shareholders who have already redeemed their Shares in the Fund before the return of any overprovision to the account of the Fund will not be entitled or have any right to claim any part of such overprovision.

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

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

AUTOMATIC EXCHANGE OF FINANCIAL ACCOUNT INFORMATION

Cayman Islands

In addition to the inter-governmental agreement between the United States and the Cayman Islands to improve international tax compliance and the exchange of information (the "**US IGA**"), the Cayman Islands has also signed, along with over 100 other countries, a multilateral competent authority agreement to implement the OECD Standard for Automatic Exchange of Financial Account Information – Common Reporting Standard ("**CRS**").

Cayman Islands regulations have been issued to give effect to the US IGA and CRS (collectively, the "**AEOI Regulations**"). Pursuant to the AEOI Regulations, the Cayman Islands Tax Information Authority (the "**TIA**") has published guidance notes on the application of the US IGA and CRS.

All Cayman Islands "**Financial Institutions**" (as defined in the relevant AEOI Regulations) are required to comply with the registration, due diligence and reporting requirements of the AEOI Regulations, unless they are able to rely on an exemption that allows them to become a "**Non-Reporting Financial Institution**" (as defined in the relevant AEOI Regulations) with respect to one or more of the AEOI regimes, in which case only the registration requirement would apply under CRS. The Fund does not propose to rely on any Non-Reporting Financial Institution exemption and therefore intends to comply with all of the requirements of the AEOI Regulations.

The Fund is required to, amongst other things (i) register with the IRS to obtain a Global Intermediary Identification Number (in the context of the US IGA only), (ii) register with the TIA, and thereby notify the TIA of its status as a "**Reporting Financial Institution**" (as defined in the relevant AEOI Regulations), (iii) adopt and implement written policies and procedures setting out how it will address its obligations under CRS, (iv) conduct due diligence on its accounts to identify whether any such accounts are considered "**Reportable Accounts**" (as defined in the relevant AEOI Regulations), and (v) report information on such Reportable Accounts to the TIA. The TIA will transmit the information reported to it to the overseas fiscal authority relevant to a reportable account (e.g. the IRS in the case of a US Reportable Account) annually on an automatic basis.

For information on any potential withholding tax that may be levied against the Fund, see also the risk factor "***Foreign Account Tax Compliance Act***".

By investing in the Fund and/or continuing to invest in the Fund, investors shall be deemed to acknowledge that further information may need to be provided to the Fund, the Fund's compliance with the AEOI Regulations may result in the disclosure of investor information, and investor information may be exchanged with overseas fiscal authorities. Where an investor fails to provide any requested information (regardless of the consequences), the Fund may be obliged, and/or reserves the right, to take any action and/or pursue all remedies at its disposal, in good faith and on reasonable grounds, including, without limitation, compulsory redemption of the investor concerned, to the extent permitted by applicable laws and the Fund's constitutive documents and/or closure of the investor's account. In accordance with TIA issued guidance, the Fund is required to close an investor's account if a self-certification is not obtained within 90 days of account opening.

Each Shareholder and prospective investor should consult its own professional adviser(s) on the administrative and substantive implications of AEOI on its current or proposed investment in the Fund through financial institutions in Hong Kong.

FURTHER INFORMATION ABOUT THE FUND

THE FUND

The Fund is an open-ended mutual fund corporation incorporated with limited liability in the Cayman Islands on 16 January 2002 as an exempted company under the provisions of the Companies Law. Its constitution is defined in the Memorandum and the Articles. The Fund's objects, as set out in clause 3 of the Memorandum, are unrestricted and include the carrying on of the business of an investment company. Copies of the Memorandum and the Articles and the Companies Law are available for inspection as described in the subsection headed "Documents available for inspection" below.

MUTUAL FUNDS LAW

The Fund is regulated as a mutual fund under the Mutual Funds Law. The Authority has supervisory and enforcement powers to ensure compliance with the Mutual Funds Law. Regulation under the Mutual Funds Law entails the filing of prescribed details and audited accounts annually with the Authority. As a regulated mutual fund, the Authority may at any time instruct the Fund to have its accounts audited and to submit them to the Authority within such time as the Authority specifies. Failure to comply with these requests by the Authority may result in substantial fines on the part of the Directors and may result in the Authority applying to the court to have the Fund wound up.

The Fund will not, however, be subject to supervision in respect of its investment activities or the constitution of the Fund's portfolio by the Authority or any other governmental authority in the Cayman Islands, although the Authority does have power to investigate the activities of the Fund in certain circumstances. Neither the Authority nor any other governmental authority in the Cayman Islands has passed judgment upon or approved the terms or merits of this document. There is no investment compensation scheme available to investors in the Cayman Islands.

The Authority may take certain actions if it is satisfied that a regulated mutual fund is or is likely to become unable to meet its obligations as they fall due or is carrying on or is attempting to carry on business or is winding up its business voluntarily in a manner that is prejudicial to its investors or creditors. The powers of the Authority include the power to require the substitution of Directors, to appoint a person to advise the Fund on the proper conduct of its affairs or to appoint a person to assume control of the affairs of the Fund. There are other remedies available to the Authority including the ability to apply to court for approval of other actions.

MEETINGS OF SHAREHOLDERS

The Articles provide for meetings of Shareholders to be convened by the Board upon at least 21 days' notice.

Notices of meetings of Shareholders will be posted to Shareholders.

Proxies may be appointed. The quorum at Shareholders' meetings is Shareholders present in person or by proxy holding not less than 10% (or, in relation to a resolution proposed as a special resolution, 25%) of Shares in issue. If a quorum is not present, the meeting will be adjourned for not less than 15 days. Separate notice of any adjourned meeting will be given, and at an adjourned meeting, Shareholders, whatever their number or the number of Shares held by them, will form a quorum.

A special resolution is required under the Articles for certain purposes and is a resolution proposed as such and passed by a majority of 75% of the total number of votes cast.

The Articles provide that at any meeting of Shareholders, a resolution put to the vote of the meeting shall be decided on poll. Every Shareholder who (being an individual) is present in person or (being a partnership or corporation) is present by an authorised representative or by proxy shall have one vote for every Share of which he is the holder.

AMENDMENT TO THE MATERIAL CONTRACTS

The constitutive documents referred to under "Material Contracts" below may only be altered by the Fund or the other parties if the Custodian certifies in writing that in its opinion the proposed alteration:

(a) is necessary to make possible compliance with fiscal or other statutory, regulatory or official requirements;

(b) does not materially prejudice Shareholders' interests, does not to any material extent release the Custodian or Manager from any liability to Shareholders and does not increase the cost and charges payable from the Fund; or

(c) is necessary to correct manifest error.

In all other cases involving any material changes, no alteration may be made except by special resolution of Shareholders or the approval of the SFC.

No alteration may be made to the Articles except by special resolution of Shareholders.

MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Fund prior to the date of this explanatory memorandum and are, or may be, material:

(i) Investment Management Agreement

An Investment Management Agreement dated 26 March 2007 (as amended) between the Fund and the Manager whereby the Fund appointed the Manager, subject to the control of and review by the Directors, to manage the Investments.

The Investment Management Agreement may be terminated forthwith by any party on immediate written notice if the other party commits any material breach of its obligations and fails to remedy the breach within 30 days of receipt of written notice requiring the same, or if the other party is liquidated or dissolved (except a voluntary liquidation or a voluntary dissolution for the purposes of reconstruction or amalgamation upon terms previously approved in writing by the notifying party) or is unable to pay its debts as they fall due or commit an act of bankruptcy under the laws of any jurisdiction to which that party may be subject or if a receiver is appointed over any of its assets.

The Manager must also retire if the Directors, for good and sufficient reason, state in writing that a change in manager is desirable in the interests of the Shareholders, or when the SFC withdraws its approval of the Manager.

The Manager will not be liable for any loss suffered by the Fund in connection with the performance by the Manager of its obligations under the Investment Management Agreement in the absence of negligence, wilful misfeasance, bad faith, reckless disregard or fraud on the part of the Manager or that of any of its directors or employees in the performance or non-performance of its obligations and duties under the Investment Management Agreement. The Fund has agreed to indemnify the Manager against all liabilities incurred by it in the performance of its obligations and duties under the Investment Management Agreement other than liabilities arising out of negligence, wilful misfeasance, bad faith, reckless disregard or fraud on the part of the Manager or that of its directors or employees in the performance or non-performance of its obligations and duties. The Manager is entitled to receive the fees described in the sub-section headed "Management and performance fees" in the "Investment Management" section of this explanatory memorandum.

(ii) Custodian Agreement

A Custodian Agreement dated 26 March 2007 (as amended) between the Fund and the Custodian whereby the Fund has appointed the Custodian as custodian of the Investments. Under the Custodian Agreement, the Custodian is responsible for the safekeeping of the Investments entrusted to it and shall take into custody or under its control all the property of the Fund and hold it in trust for the Fund in accordance with the provisions of the Articles. To the extent permitted by law, the Custodian shall register all cash and registrable assets from time to time comprised in the Fund in the name of or to the order of the Custodian; and with respect to any property of the Fund which by nature cannot be held in custody, maintain a proper record of such property in its books under the name of the Fund. The appointment of the Custodian commenced on the date of the Custodian Agreement. The Custodian Agreement may be terminated by either party on the giving of at least 90 days' written notice to the other party (or such shorter notice as such other party may agree to accept) expiring at any time. However, each party may terminate the Custodian Agreement at any time by written notice with immediate or subsequent effect if either party goes into liquidation (except a voluntary liquidation for the purpose of reconstruction, amalgamation or merger on terms previously approved in writing by the other party), or if a receiver is appointed to any of the assets of such other party or if either party is in breach of any material terms of the Custodian Agreement without remedying such breach within 30 days after service of notice. The Custodian is entitled to receive the fees described in the sub-section headed "Custodian and Administrator fees" in the "Investment Management" section of this explanatory memorandum.

The Custodian is entitled to be indemnified from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (other than those resulting from the fraud, negligence or wilful default on the part of the Custodian or any agent, sub-custodian or delegate appointed by it and for which it would be liable under the custodian agreement) which may be imposed on, incurred by or asserted against the Custodian in performing its obligations or duties.

In performing its duties, the Custodian may appoint such agents, sub-custodians and delegates as it thinks fit to perform in whole or in part any of it duties and discretions (included in such appointment are powers of sub-delegation). The fees and other remuneration of any agent or delegate appointed by the Custodian including the fees of any sub-custodian appointed in respect of Hong Kong and China listed securities (excluding PRC A shares) will be paid by the Custodian. Any fees and other remuneration of any other sub-custodians shall be paid by the Fund. The Custodian will be liable for the acts of such agents, sub-custodians and delegates as if such acts were the acts of the Custodian. The Custodian will not (except in circumstances provided in the Custodian Agreement) be responsible for any loss suffered by the Fund by reason of liquidation, bankruptcy or insolvency of any agent, sub-custodian or delegate but will use reasonable endeavours to recover any property held by such person, and recover any losses or damages suffered by the Fund as a direct consequence.

The Custodian does not have sub-custodians in all markets where Securities may be traded. The Custodian will advise the Fund as to such markets from time to time and the Fund will not invest in such markets without the prior written approval of the Custodian.

(iii) Administration Agreement and Deed of Novation

Pursuant to the Deed of Novation dated 13 December 2017 with respect to the Administration Agreement, HSBC Trustee (Cayman) Limited has been appointed as the Administrator of the Fund, and has assumed all duties, rights, obligations and liabilities under the Administration Agreement.

Under the Administration Agreement, the Administrator is responsible for providing corporate secretarial services and administrative services required in connection with the Fund's operations, calculating the Net Asset Value, the Net Asset Value per Share, the subscription price and the redemption price, providing services in connection with the issue, transfer and redemption of Shares and collecting subscription payments and disbursing redemption payments. The Administrator is also responsible for providing a principal office in the Cayman Islands for the Fund under the Administration Agreement.

The Administration Agreement may be terminated by either party on the giving of at least 90 days' written notice to the other party (or such shorter notice as such other party may agree to accept) expiring at any time. However, each party may terminate the Administration Agreement at any time by written notice with immediate or subsequent effect if either party goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation on terms previously approved in writing by the other party), or if a receiver is appointed to any of the assets of such other party or if either party is in breach of any material terms of the Administration Agreement without remedying such breach within 30 days after service of notice.

The Administrator is entitled to be indemnified by the Fund against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (other than those resulting from the fraud, negligence or wilful default on the part of the Administrator) which may be imposed on, incurred by or asserted against the Administrator in performing its obligations or duties.

In calculating the Net Asset Value of the Fund or any class the Administrator may rely upon, and will not be responsible for the accuracy of, financial data furnished to it by third parties including automatic pricing services, brokers, market makers or intermediaries, the investment manager, and any administrator or valuations agent of other collective investments into which the Fund invests. If and to the extent that the investment manager is responsible for or otherwise involved in the pricing of any of the Fund's assets, the Administrator may accept, use and rely on such prices, without verification, in determining the Net Asset Value of the Fund and shall not be liable to the Fund, any shareholder or any other person in doing so.

The Administrator is not responsible for any failure by the Fund or the investment manager to adhere to the investment objective, policy, investment restrictions, borrowing restrictions or operating guidelines.

REGISTRATION PROCEDURES

Subject to the provisions of the Companies Law, the register of members of the Fund will be maintained outside Hong Kong by the Administrator. Unless the Directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with and registered by the Fund's Administrator's Agent in Hong Kong and may not be lodged in the Cayman Islands.

NON-REDEEMABLE CLASS N SHARES

Non-redeemable Class N Shares were issued by the Fund prior to their delisting from the Stock Exchange on 26 March 2007. Non-redeemable Class N Shares of the Fund are closed for subscription and not being offered for subscription pursuant to this explanatory memorandum.

Aside from the sections regarding subscription and redemption of Shares, other material terms of this explanatory memorandum governing the Redeemable Classes Shares also apply to the Non-redeemable Class N Shares.

Subject to the provisions of the Companies Law and the Articles, a Shareholder may request the purchase by the Fund of all or any of its Non-redeemable Class N Shares by serving a purchase notice in such form as the Board may from time to time determine on the Fund or its agent specifying the number of Non-redeemable Class N Shares to be purchased and giving payment instructions for the purchase proceeds.

Requests for the repurchase of Non-redeemable Class N Shares in the Fund must be received (whether by post, fax or other written or electronic forms specified by the Manager) by the Administrator's Agent on or before 5:00 p.m. (Hong Kong time) on the Valuation Day in order to be dealt with by reference to that Valuation Day.

If a request (whether by post, fax or other written or electronic forms specified by the Manager) is received after 5:00 p.m. (Hong Kong time) on the Valuation Day coinciding with the close of that Dealing Period, it will be deemed to have been received and will be dealt with in the next Dealing Period and with reference to the Valuation Day coinciding with the close of such succeeding Dealing Period.

The original signed repurchase request (duly completed) and all other supporting documents, if any are required, must be received by the Manager before repurchase proceeds will be paid to the relevant Shareholder. No repurchase proceeds will be paid to third parties.

No repurchase charge will be imposed on any repurchase of Non-redeemable Class N Shares.

The Fund shall repurchase Non-redeemable Class N Shares at a price being an amount equal to the Net Asset Value per Share calculated on the relevant Valuation Day and rounded the resultant amount to the nearest two decimal places and monies representing any difference between the resultant amount and the amount arrived at after the rounding exercise shall be borne by the Fund.

Repurchase proceeds will normally be paid in Hong Kong dollars by telegraphic transfer according to instructions given by the relevant Shareholder(s) to the Manager or by cheque made in favour of, and sent at the risk of the person(s) entitled thereto to the registered address of the Shareholder or (in the case of joint Shareholders) the first named joint Shareholder appearing on the register of Shareholders. If there is no delay in submitting all duly completed repurchase documentation and the determination of the Net Asset Value or dealing in Shares is not suspended, the interval between the receipt or deemed receipt (as the case may be) of a properly documented request for repurchase of Non-redeemable Class N Shares and payment of repurchase proceeds to the Shareholders may not exceed one calendar month.

All bank charges and administrative costs incurred in settling repurchase proceeds to the Shareholder(s) will be borne by the relevant Shareholder(s) and deducted from the repurchase proceeds. Any risks arising from delay in clearance of funds by banks or from sending out the cheque by post will be borne by the relevant Shareholders.

With the prior consent of the Manager, arrangements can be made for repurchase proceeds to be paid in any major currency other than Hong Kong dollars. Such alternative settlement instructions should be specified in the repurchase request. The costs of any currency conversion (to be effected at such rates as the Manager may, in its discretion, deem appropriate) and other administrative expenses will be borne by the relevant Shareholder(s).

With a view to protecting the interests of Shareholders, the Manager may limit the total number of Redeemable Classes Shares redeemed and Non-redeemable Class N Shares repurchased during any Dealing Period to 10% in aggregate of the total Net Asset Value of the Fund. Such limitation will be applied pro rata to all Shareholders who have requested such redemption or repurchase. If the total redemption and repurchase requests received during any Dealing Period are in excess of this limit, the Manager will be entitled (but not obliged) to carry out only sufficient redemptions and/or repurchases which, in aggregate, amount to 10% of the total Net Asset Value of the Fund at the relevant time. Redemption requests for Redeemable Classes Shares which are not redeemed and repurchase requests for Non-redeemable Class N Shares which are not repurchased but which would otherwise have been redeemed or repurchased will be deferred until the next Dealing Period and will be dealt with (subject to further deferral if the deferred requests themselves exceed 10% of the total Net Asset Value of the Fund) in priority to later redemption and repurchase requests.

Partial repurchases may be effected. However, if a repurchase request will result in a Shareholder having a residual holding of less than HK$80,000, or such other minimum holding prescribed by the Manager from time to time in respect of the Non-redeemable Class N Shares, the Manager may deem such repurchase request to have been made in respect of all the Non-redeemable Class N Shares held by that Shareholder. An applicant is entitled to withdraw a repurchase request duly made in accordance with the Articles provided that the notice of withdrawal is received prior to the deadline for receiving repurchase requests as set out above.

Notwithstanding any provisions of the Articles, the Fund may, in the absolute discretion of the Directors, refuse to make a repurchase payment to a Shareholder if the Directors suspect or are advised that the payment of any repurchase proceeds to such Shareholder may result in a breach or violation of any anti-money laundering law by any person in any relevant jurisdiction, or if such refusal is necessary to ensure compliance by the Shareholder, the Directors or the Administrator with any anti-money laundering law in any relevant jurisdiction.

The Directors may also in their absolute discretion, repurchase compulsorily any Non-redeemable Class N Shares held by a Non-eligible Investor at a price equivalent to the Net Asset Value per Share as of the Valuation Point immediately prior to the date on which the Directors determine that such repurchase is to take effect. No Shareholders' resolution is required. Any Non-redeemable Class N Shares repurchased compulsorily under the Articles shall be treated as cancelled on repurchase and the amount of the Fund's issued share capital shall be diminished by the nominal value of those Non-redeemable Class N Shares accordingly.

Pursuant to the Articles, upon notice that any of the Non-redeemable Class N Shares are held by a Non-eligible Investor, the Directors may also require such holder to transfer his Non-redeemable Class N Shares to a person whose holding would be permissible as described in this explanatory memorandum and as permitted under the Articles. A summary of the provisions of the Articles on transfer of Shares is set out in the sub-section headed "Transfer of Shares" in the section headed "Subscription, Redemption and Transfer of Shares" of this explanatory memorandum.

MISCELLANEOUS

(i) The Fund was incorporated on 16 January 2002.

(ii) Save as disclosed herein, no commissions are payable and no discounts, brokerages or other special terms have been granted by the Fund for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares.

(iii) No share or loan capital of the Fund is under option or has been agreed conditionally or unconditionally to be put under option or has been issued or is proposed to be issued for a consideration other than cash.

(iv) There are no founder, management or deferred shares in the Fund.

ANTI-MONEY LAUNDERING REGULATIONS

Cayman Islands

In order to comply with legislation or regulations aimed at the prevention of money laundering the Fund, the Manager, the Administrator, the Administrator's Agent, their agents, affiliates, subsidiaries or associates are required to adopt and maintain anti-money laundering procedures, and may require subscribers to provide evidence to verify their identity, the identity of their beneficial owners/controllers (where applicable), and source of funds. Where permitted, and subject to certain conditions, the Fund, the Manager, the Administrator, the Administrator's Agent, their agents, affiliates, subsidiaries or associates may also rely upon a suitable person for the maintenance of its anti-money laundering procedures (including the acquisition of due diligence information) or otherwise delegate the maintenance of its anti-money laundering procedures (including the acquisition of due diligence information) to a suitable person.

The Fund, the Manager, the Administrator, the Administrator's Agent, their agents, affiliates, subsidiaries or associates on the Fund's behalf, reserve the right to request such information as is necessary to verify the identity of a Shareholder (i.e. a subscriber or a transferee) and the identity of their beneficial owners/controllers (where applicable) and the source of the payment. Where the circumstances permit, the Fund, the Manager, the Administrator, the Administrator's Agent, their agents, affiliates, subsidiaries or associates, on the Fund's behalf, may be satisfied that full due diligence may not be required at subscription where a relevant exemption applies under the Anti-Money Laundering Regulations (2018 Revision) of the Cayman Islands, as amended and revised from time to time or any other applicable law ("AML Regulations"). However, detailed verification information may be required prior to the payment of any proceeds from or any transfer of an interest in Shares.

In the event of delay or failure on the part of the subscriber or the transferee, as applicable, in producing any information required for verification purposes, the Fund, the Manager, the Administrator, the Administrator's Agent, the Custodian, their agents, affiliates, subsidiaries or associates on the Fund's behalf, may refuse to accept the application or if the application has already occurred, may suspend or redeem the Share(s), in which case any funds received will, to the fullest extent permitted by applicable law, be returned without interest to the account from which they were originally debited.

The Fund, the Manager, the Administrator, the Administrator's Agent, their agents, affiliates, subsidiaries or associates on the Fund's behalf, also reserve the right to refuse to make any redemption or dividend payment to a Shareholder if the Fund, the Manager, the Administrator, the Administrator's Agent, their agents, affiliates, subsidiaries or associates suspect or are advised that the payment of redemption or dividend proceeds to such Shareholder may be non-compliant with applicable laws or regulations, or if such refusal is considered necessary or appropriate to ensure the compliance by the Fund, the Manager, the Administrator, the Administrator's Agent, their agents, affiliates, subsidiaries or associates with any applicable laws or regulations. None of the Fund, the Directors, the Manager, the Administrator, the Administrator's Agent, their agents, affiliates, subsidiaries or associates (as the case may be) or their respective delegates shall be liable to the Shareholder for any loss suffered as a result of the rejection or delay to process any application or payment of redemption proceeds.

The Authority has a discretionary power to impose substantial administrative fines upon the Fund in connection with any breaches by the Fund of prescribed provisions of the Anti-Money Laundering Regulations (2018 Revision) of the Cayman Islands, as amended and revised from time to time, and other parties who either consented to or connived in the breach, or to whose neglect the breach is proved to be attributable. To the extent any such administrative fine is payable by the Fund, the Fund will bear the costs of such fine and any associated proceedings.

If any person in the Cayman Islands (including the Fund, the Manager, the Administrator, the Administrator's Agent, the Custodian, their agents, affiliates, subsidiaries or associates (as the case may be)) knows or suspects or has reasonable grounds for knowing or suspecting that another person is engaged in criminal conduct or money laundering or is involved with terrorism or terrorist financing and property and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector, or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to (i) the Financial Reporting Authority ("FRA") of the Cayman Islands, pursuant to the Proceeds of Crime Law (2019 Revision) of the Cayman Islands if the disclosure relates to criminal conduct or money laundering, or (ii) a police officer of the rank of constable or higher, or the FRA, pursuant to the Terrorism Law (2018 Revision) of the Cayman Islands, if the disclosure relates to involvement with terrorism or terrorist financing and property. Such a report shall not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise.

By subscribing, applicants consent to the disclosure by the Fund of any information about them to regulators and others upon request in connection with money laundering and similar matters both in the Cayman Islands and in other jurisdictions.

Pursuant to the AML Regulations, the Fund must designate natural persons to act as its Anti-Money Laundering Compliance Officer, Money Laundering Reporting Officer and Deputy Money Laundering Reporting Officer (the "**AML Officer Roles**"). The Directors have ensured that natural persons have been designated to perform the AML Officer Roles in accordance with Cayman Islands law. Investors can obtain further information in respect of the AML Officer Roles from the Manager at 43rd Floor, The Center, 99 Queen's Road Central, Hong Kong.

Hong Kong

In addition, the Fund, the Manager, the Administrator, the Administrator's Agent, the Custodian, their agents, affiliates, subsidiaries or associates (as the case may be) will also require similar verification of identity according to the Prevention of Money Laundering and Terrorist Financing Guidance Note issued by the SFC (as amended).

In Hong Kong, there are similar obligations to report suspicious transactions to the Joint Financial Intelligence Unit jointly run by staff of the Hong Kong Police Force and the Hong Kong Customs & Excise Department pursuant to the Drug Trafficking (Recovery of Proceeds) Ordinance, the Organized and Serious Crimes Ordinance, the United Nations (Anti-Terrorism Measures) Ordinance and the Prevention of Money Laundering and Terrorist Financing Guidance Note issued by the SFC. Reporting of suspicious transactions by the Fund, the Manager, the Administrator, the Administrator's Agent, the Custodian, and their respective agents, affiliates, delegates, subsidiaries or associates (as the case may be) shall not be communicated with the investor, as such action may constitute an offence in Hong Kong.

Sanctions

The Fund is subject to laws that restrict it from dealing with entities, individuals, organisations and/or investments which are subject to applicable sanction regimes.

Accordingly, the Fund, the Manager, the Administrator, the Administrator's Agent, the Custodian, their agents, affiliates, subsidiaries or associates (as the case may be) on the Fund's behalf, will require the subscriber to represent and warrant, on a continuing basis, that it is not, and that to the best of its knowledge or belief its beneficial owners, controllers or authorised persons ("**Related Persons**") (if any) are not; (i) named on, or deal with third parties named on, a list of prohibited entities and individuals maintained by the US Treasury Department's Office of Foreign Assets Control ("**OFAC**") or under the European Union ("**EU**") and United Kingdom ("**UK**") Regulations (as extended to the Cayman Islands by statutory instrument), (ii) operationally based or domiciled in a country or territory in relation to which current sanctions have been issued by the United Nations, OFAC, the EU and/or the UK apply, or (iii) otherwise subject to sanctions imposed by the United Nations, OFAC, the EU or the UK (including as the latter are extended to the Cayman Islands by statutory instrument) (collectively, a "**Sanctions Subject**").

Where the subscriber or a Related Person is or becomes a Sanctions Subject, the Fund, the Manager, the Administrator, the Administrator's Agent, the Custodian, their agents, affiliates, subsidiaries or associates (as the case may be) on the Fund's behalf, may be required immediately and without notice to the subscriber or the Related Person to cease any further dealings with the subscriber and/or the subscriber's interest in the Fund until the subscriber ceases to be a Sanctions Subject, or a licence is obtained under applicable law to continue such dealings (a "**Sanctioned Persons Event**"). The Fund, the Directors, the Administrator, the Administrator's Agent, the Manager, the Custodian, their agents, affiliates, subsidiaries or associates (as the case may be) shall have no liability whatsoever for any liabilities, costs, expenses, damages and/or losses (including but not limited to any direct, indirect or consequential losses, loss of profit, loss of revenue, loss of reputation and all interest, penalties and legal costs and all other professional costs and expenses) incurred by the subscriber as a result of a Sanctioned Persons Event.

In addition, should any investment made on behalf of the Fund subsequently become subject to applicable sanctions, the Fund, the Manager, the Administrator, the Administrator's Agent, the Custodian, their agents, affiliates, subsidiaries or associates (as the case may be) on the Fund's behalf may immediately and without notice to the subscriber cease any further dealings with that investment until the applicable sanctions are lifted or a licence is obtained under applicable law to continue such dealings.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the offices of Manager at 43rd Floor, The Center, 99 Queen's Road Central, Hong Kong during normal business hours on any week day (Saturdays and public holidays excepted) free of charge and copies thereof may be obtained from the Manager upon payment of a reasonable fee:

(A) the Memorandum and Articles;

(B) the agreements referred to in the sub-section headed "Material contracts" of this explanatory memorandum; and

(C) the latest annual report and accounts of the Fund prepared by the Auditor.

CERTIFICATION FOR COMPLIANCE WITH FATCA OR OTHER APPLICABLE LAWS

Each Shareholder (i) shall be required to, upon demand by the Fund, the Manager, the Administrator or the Administrator's Agent, provide any form, certification or other information reasonably requested by and acceptable to the Fund, the Manager, the Administrator or the Administrator's Agent that is necessary for the Fund (A) to avoid 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 receives payments and/or (B) to satisfy due diligence, reporting or other obligations under the IRS Code and the United States Treasury Regulations promulgated under the IRS Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority in any jurisdiction, (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments or when such form, certificate or other information is no longer accurate, and (iii) will otherwise comply with any registration, due diligence and reporting obligations imposed by the United States, Hong Kong, the Cayman Islands or any other jurisdiction (including but not limited to any law, rule and requirement relating to AEOI), including such obligations that may be imposed by future legislation.

For the purposes herein, "AEOI" means one or more of the following as the context requires:

(a) FATCA;

(b) the OECD Standard for Automatic Exchange of Financial Account Information in Tax Matters – the Common Reporting Standards and any associated guidance;

(c) any intergovernmental agreement, treaty, guidance, standard or other agreement between the Cayman Islands government (or any government body in the Cayman Islands) and any other jurisdiction (including any government bodies in such jurisdiction), entered into in order to comply with, facilitate, supplement or implement the legislation, regulations, guidance or standards described in paragraphs (a) and (b) above; and

(d) any legislation, regulations or guidance in the Cayman Islands that give effect to the matters outlined in the preceding paragraphs (a) to (c) above.

Beneficial Ownership Regime – Out of Scope

The Fund is regulated as a mutual fund under the Mutual Funds Law with registration number 12826 and, accordingly, does not fall within the scope of the primary obligations under Part XVIIA of the Companies Law (the "**Beneficial Ownership Regime**"). The Fund is therefore not required to maintain a beneficial ownership register. The Fund may, however, be required from time to time to provide, on request, certain particulars to other Cayman Islands entities which are within the scope of the Beneficial Ownership Regime and which are therefore required to maintain beneficial ownership registers under the Beneficial Ownership Regime. It is anticipated that such particulars will generally be limited to the identity and certain related particulars of (i) any person holding (or controlling through a joint arrangement) a majority of the voting rights in respect of the Fund; (ii) any person who is a member of the Fund and who has the right to appoint and remove a majority of the Board of the Fund; and (iii) any person who has the right to exercise, or actually exercises, dominant direct influence or control over the Fund.

Requests for Information

The Fund, or any Directors or agents domiciled in the Cayman Islands, may be compelled to provide information, including, but not limited to, information relating to the subscriber, and where applicable the subscriber's beneficial owners and controllers, subject to a request for information made by a regulatory or governmental authority or agency under applicable law; e.g. by the Authority, either for itself or for a recognised overseas regulatory authority, under the Monetary Authority Law (2018 Revision), or by the TIA, under the Tax Information Authority Law (2017 Revision) or Reporting of Savings Income Information (European Union) Law (2014 Revision) and associated regulations, agreements, arrangements and memoranda of understanding. Disclosure of confidential information under such laws shall not be regarded as a breach of any duty of confidentiality and, in certain circumstances, the Fund, Director or agent, may be prohibited from disclosing that the request has been made.

POWER TO DISCLOSE INFORMATION TO AUTHORITIES

Subject to applicable laws and regulations in the Cayman Islands and Hong Kong, the Fund, the Manager, the Administrator or any of their authorised persons (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the US IRS, the TIA and the Hong Kong Inland Revenue Department), certain information in relation to a Shareholder, including but not limited to the Shareholder's name, address, jurisdiction of birth, tax residence, tax identification number (if any), social security number (if any) and certain information relating to the Shareholder's holdings, account balance/value, and income or sale or redemption proceeds, to enable the Fund to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law (including any law, rule and requirement relating to AEOI), regulation or agreement under FATCA).

PERSONAL DATA

Pursuant to the provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong, "**PDPO**"), the Fund, the Manager, the Administrator, the Administrator's Agent or any of their respective delegates (each a "**Data User**") may collect, hold, use personal data of individual investors in the Fund only for the purposes for which such data was collected and shall comply with personal data protection principles and requirements as set out in the PDPO and any applicable regulations and rules governing personal data use in Hong Kong from time to time. Accordingly, each Data User shall take all practicable steps to ensure that personal data collected, held and processed by them are protected against unauthorized or accidental access, processing, erasure or other use.

Cayman Islands Data Protection

The Cayman Islands Government enacted the Data Protection Law, 2017 (the "**DPL**") on 18 May 2017. The DPL introduces legal requirements for the Fund based on internationally accepted principles of data privacy.

The Fund has prepared a document outlining the Fund's data protection obligations and the data protection rights of investors (and individuals connected with investors) under the DPL (the "**Fund Privacy Notice**"). The Fund Privacy Notice is provided with the Subscription Form and is available to existing investors by contacting the Manager.

Prospective investors should note that, by virtue of making investments in the Fund and the associated interactions with the Fund and its affiliates and/or delegates (including completing the Subscription Form, and including the recording of electronic communications or phone calls where applicable), or by virtue of providing the Fund with personal information on individuals connected with the investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals will be providing the Fund and its affiliates and/or delegates (including, without limitation, the Administrator and the Manager) with certain personal information which constitutes personal data within the meaning of the DPL.

The Fund shall act as a data controller in respect of this personal data and its affiliates and/or delegates, such as the Administrator and the Manager, may act as data processors (or data controllers in their own right in some circumstances).

By investing and/or continuing to invest in the Fund, investors shall be deemed to acknowledge that they have read in detail and understood the Fund Privacy Notice and that the Fund Privacy Notice provides an outline of their data protection rights and obligations as they relate to the investment in the Fund. The Subscription Form contains relevant representations and warranties.

Oversight of the DPL is the responsibility of the Ombudsman's office of the Cayman Islands. Breach of the DPL by the Fund could lead to enforcement action by the Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

ANNEX I
Summary of Features of Classes of Shares

	Redeemable Class A Shares and Class A2 QDis Shares	**Non-Redeemable Class N Shares**	**Class Z Shares**	**Class A USD Shares**	**Class A AUD Hedged Shares**	**Class A CAD Hedged Shares**	**Class A EUR Hedged Shares**	**Class A NZD Hedged Shares**	**Class A SGD Hedged Shares**	**Class A GBP Hedged Shares**	**Class X USD Shares**
Initial issue price	Redeemable Class A Shares – N/A Class A2 Q Dis Shares – HK$10	N/A	US$10	US$10	AUD10	CAD10	€10	NZD10	SGD10	£10	US$10
Minimum initial subscription (inclusive of initial charge)	HK$80,000	Not applicable	US$10,000,000	HK$80,000 (or its equivalent in the relevant class currency)	HK$80,000 (or its equivalent in the relevant class currency)	HK$80,000 (or its equivalent in the relevant class currency)	HK$80,000 (or its equivalent in the relevant class currency)	HK$80,000 (or its equivalent in the relevant class currency)	HK$80,000 (or its equivalent in the relevant class currency)	HK$80,000 (or its equivalent in the relevant class currency)	Nil
Minimum subsequent subscription (inclusive of initial charge)	HK$40,000	Not applicable	US$100,000	HK$40,000 (or its equivalent in the relevant class currency)	HK$40,000 (or its equivalent in the relevant class currency)	HK$40,000 (or its equivalent in the relevant class currency)	HK$40,000 (or its equivalent in the relevant class currency)	HK$40,000 (or its equivalent in the relevant class currency)	HK$40,000 (or its equivalent in the relevant class currency)	HK$40,000 (or its equivalent in the relevant class currency)	Nil
Minimum redemption (inclusive of redemption charge)	Nil	Not applicable	US$100,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Minimum holding amount (applicable to partial redemption, transfers and switching)	HK$80,000	Not applicable	US$5,000,000	HK$80,000 (or its equivalent in the relevant class currency)	HK$80,000 (or its equivalent in the relevant class currency)	HK$80,000 (or its equivalent in the relevant class currency)	HK$80,000 (or its equivalent in the relevant class currency)	HK$80,000 (or its equivalent in the relevant class currency)	HK$80,000 (or its equivalent in the relevant class currency)	HK$80,000 (or its equivalent in the relevant class currency)	Nil

	Redeemable Class A Shares and Class A2 QDis Shares	**Non-Redeemable Class N Shares**	**Class Z Shares**	**Class A USD Shares**	**Class A AUD Hedged Shares**	**Class A CAD Hedged Shares**	**Class A EUR Hedged Shares**	**Class A NZD Hedged Shares**	**Class A SGD Hedged Shares**	**Class A GBP Hedged Shares**	**Class X USD Shares**
Initial charge	Up to 5% of the issue price per Share	Not applicable	Up to 5% of the issue price per Share	Up to 5% of the issue price per Share	Up to 5% of the issue price per Share	Up to 5% of the issue price per Share	Up to 5% of the issue price per Share	Up to 5% of the issue price per Share	Up to 5% of the issue price per Share	Up to 5% of the issue price per Share	Nil
Switching fee	Nil*	Nil*	Nil*	Nil*	Nil*	Nil*	Nil*	Nil*	Nil*	Nil*	Nil
Redemption charge	Currently Nil (Max. 5% of redemption price per Share)	Not applicable	Currently Nil (Max. 5% of redemption price per Share)	Currently Nil (Max. 5% of redemption price per Share)	Currently Nil (Max. 5% of redemption price per Share	Currently Nil Max. 5% of redemption price per Share)	Currently Nil (Max. 5% of redemption price per Share)	Currently Nil (Max. 5% of redemption price per Share)	Currently Nil (Max. 5% of redemption price per Share)	Currently Nil (Max. 5% of redemption price per Share)	Nil
Annual management fee	1.5% per annum of the Net Asset Value of the Fund attributable to the relevant class (Max. 2%)	1.5% per annum of the Net Asset Value of the Fund attributable to the relevant class (Max. 2%)	0.75% per annum of the Net Asset Value of the Fund attributable to the relevant class (Max. 2%)	1.5% per annum of the Net Asset Value of the Fund attributable to the relevant class (Max. 2%)	1.5% per annum of the Net Asset Value of the Fund attributable to the relevant class (Max. 2%)	1.5% per annum of the Net Asset Value of the Fund attributable to the relevant class (Max. 2%)	1.5% per annum of the Net Asset Value of the Fund attributable to the relevant class (Max. 2%)	1.5% per annum of the Net Asset Value of the Fund attributable to the relevant class (Max. 2%)	1.5% per annum of the Net Asset Value of the Fund attributable to the relevant class (Max. 2%)	1.5% per annum of the Net Asset Value of the Fund attributable to the relevant class (Max. 2%)	Nil

	Redeemable Class A Shares and Class A2 QDis Shares	**Non-Redeemable Class N Shares**	**Class Z Shares**	**Class A USD Shares**	**Class A AUD Hedged Shares**	**Class A CAD Hedged Shares**	**Class A EUR Hedged Shares**	**Class A NZD Hedged Shares**	**Class A SGD Hedged Shares**	**Class A GBP Hedged Shares**	**Class X USD Shares**
Performance fee	15% of the appreciation in the Net Asset Value per Share in the relevant class in the relevant performance period calculated annually on a high-on-high basis	15% of the appreciation in the Net Asset Value per Share in the relevant class in the relevant performance period calculated annually on a high-on-high basis	15% of the appreciation in the Net Asset Value per Share in the relevant class in the relevant performance period calculated annually on a high-on-high basis	15% of the appreciation in the Net Asset Value per Share in the relevant class in the relevant performance period calculated annually on a high-on-high basis	15% of the appreciation in the Net Asset Value per Share in the relevant class in the relevant performance period calculated annually on a high-on-high basis	15% of the appreciation in the Net Asset Value per Share in the relevant class in the relevant performance period calculated annually on a high-on-high basis	15% of the appreciation in the Net Asset Value per Share in the relevant class in the relevant performance period calculated annually on a high-on-high basis	15% of the appreciation in the Net Asset Value per Share in the relevant class in the relevant performance period calculated annually on a high-on-high basis	15% of the appreciation in the Net Asset Value per Share in the relevant class in the relevant performance period calculated annually on a high-on-high basis	15% of the appreciation in the Net Asset Value per Share in the relevant class in the relevant performance period calculated annually on a high-on-high basis	Nil

* Certain distributors may impose a charge for each switching of Shares acquired through it for Shares in another class, which will be deducted at the time of the switching and paid to the relevant distributor.

Value Partners Limited
43rd Floor, The Center, 99 Queen's Road Central, Hong Kong
Tel: (852) 2880 9263 Fax: (852) 2565 7975
Email: vpl@vp.com.hk Web Site: www.valuepartners-group.com

Value Partners
Investing through discipline

VALUE PARTNERS CHINA GREENCHIP FUND LIMITED (the "Fund")

FIRST ADDENDUM

Important

*If you are in doubt about the contents of this Addendum, you should seek independent professional advice. This Addendum supplements, forms part of and should be read in conjunction with the Explanatory Memorandum of the Fund dated January 2020 ("**Explanatory Memorandum**"). The changes made to the Explanatory Memorandum by this Addendum shall take effect on 30 April 2021, unless otherwise stated herein.*

All capitalized terms used in this Addendum have the same meaning as in the Explanatory Memorandum, unless otherwise defined herein. Value Partners Limited, the Manager of the Fund, accepts full responsibility for the accuracy of the information contained in this Addendum and confirms, having made all reasonable enquiries that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this Addendum misleading as at the date of publication.

The Explanatory Memorandum is hereby amended as follows:-

A. Change of Auditors' address

The Auditors' address under the heading "**Directory**" on page 8 of the Explanatory Memorandum shall be deleted in its entirety and be replaced with the following:

"**PricewaterhouseCoopers**
P.O. Box 258
18 Forum Lane
Camana Bay
Grand Cayman
KY1-1104
Cayman Islands"

B. Change of Custodian and Administrator fees

The first paragraph under the heading "**Custodian and Administrator fees**" under the sub-section headed "**FEES AND EXPENSES**" of the section headed "**INVESTMENT MANAGEMENT**" on page 68 of the Explanatory Memorandum shall be deleted in its entirety and be replaced with the following:

"The Administrator and Custodian will together receive fees for providing administration and custody services to the Fund. The fees are calculated as a percentage of the Net Asset Value, calculated and payable monthly in arrears subject to a monthly minimum of HK$35,000. The percentage rates are 0.135% for the first HK$1,170 million, 0.13% for the next HK$5,070 million and 0.125% for anything above HK$6,240 million."

C. Change in Directors of the Fund and update to profiles of the Directors of the Fund

To reflect the resignation of Mr. Roger Anthony Hepper as the Director of the Fund and the appointment of Ms. Wong Ngai Sze ("**Ms. Wong**") as the Director of the Fund and Mr. Lam Wai Sing, Wilson ("**Mr. Lam**") as the alternate director to Ms. Wong effected from 27 April 2020, and the update to the profile of Mr. Lam, the following changes have been made to the Explanatory Memorandum:

1. The sub-section headed "**Directors**" under the section headed "**DIRECTORY**" on page 7 of the Explanatory Memorandum shall be deleted in its entirety and be replaced with the following:

"**Directors** Ms. Wong Ngai Sze
Mr. Lam Wai Sing, Wilson (alternate director to Wong Ngai Sze)
Mr. Kee Chong Li Kwong Wing"

2. The profile of Mr. Roger Anthony Hepper under the heading "**Executive Directors**" under the sub-section headed "**DIRECTORS**" of the section headed "**INFORMATION ON THE FUND**" on page 52 of the Explanatory Memorandum shall be removed in its entirety.

3. The profile of Ms. Wong Ngai Sze shall be inserted under the heading "**Executive Directors**" under the sub-section headed "**DIRECTORS**" of the section headed "**INFORMATION ON THE FUND**" on page 52 of the Explanatory Memorandum as the following:

"*Ms. WONG Ngai Sze* serves a dual role as Chief Financial Officer and Chief Administrative Officer of Value Partners Group Limited ("Value Partners"). She leads the group's financial, investor relations and administrative functions. In addition, she also oversees the business operations of the group.

Ms. Wong has over 18 years of experience in the asset management and financial services industry, particularly with regard to financial management, corporate management and operation. She joined Value Partners in 2008 as a Finance Manager and was promoted over the years to oversee the finance division. She was appointed Chief Financial Officer in 2017 and was promoted to Chief Financial Officer and Chief Administrative Officer in May 2020.

Prior to joining Value Partners, Ms. Wong worked at Ernst & Young and PricewaterhouseCoopers, covering the assurance and advisory business service.

Ms. Wong graduated with a Bachelor's degree in Commerce, Accounting and Finance from the University of New South Wales in Australia. She is a member of the Hong Kong Institute of Certified Public Accountants and a holder of Financial Risk Manager."

4. The profile of Mr. Lam Wai Sing, Wilson under the heading "**Alternate Director**" under the sub-section headed "**DIRECTORS** " of the section headed "**INFORMATION ON THE FUND**" on page 52 of the Explanatory Memorandum shall be deleted in its entirety and be replaced with the following:

"*Alternate Director*

Mr. Lam Wai Sing, Wilson was appointed as an alternate Director on 1 August 2018. Mr. Lam is Senior Director, Fund Operations of Value Partners, where he oversees the fund administration function including trade settlement and portfolio valuations. He is also responsible for developing fund service solutions, setting policies and procedures, monitoring operations and services delivery.

Mr. Lam has over 20 years' experience in the financial services industry. He has solid experience in operating with long/short equity funds, hedge funds, fund of funds and private equity funds across different investment strategies and a range of fund structures. Mr. Lam started his career at Value Partners in February 1999. He has participated in the development of operation flow for Value Partners' fund trading system, and was promoted to the current role in 2021."

D. Removal of disclosure on Non-redeemable Class N Shares

1. The fifth paragraph under the section headed "**PRELIMINARY**" on page 1 of the Explanatory Memorandum shall be deleted in its entirety and be replaced with the following:

"Prior to 26 March 2007, the Fund was a close-ended investment company. As approved by the Shareholders on 19 March 2007, the Fund was converted from a close-ended investment company into an open-ended mutual fund corporation."

2. The sixth paragraph under the section headed "**PRELIMINARY**" on page 2 of the Explanatory Memorandum shall be deleted in its entirety and be replaced with the following:

   "Redeemable Classes Shares of the Fund are offered pursuant to this explanatory memorandum."

3. The definitions of "Accumulation Classes", "Shareholder(s)" and "Share" under the section headed "**DEFINITIONS**" of the Explanatory Memorandum shall be deleted in their entirety and be replaced with the following:

"Accumulation Classes"	means collectively the Redeemable Class A Shares, Class A USD Shares, Class A AUD Hedged Shares, Class A CAD Hedged Shares, Class A EUR Hedged Shares, Class A NZD Hedged Shares, Class A SGD Hedged Shares, Class A GBP Hedged Shares, Class X USD Shares and Class Z Shares.
"Shareholder(s)"	means registered holders of the Redeemable Classes Shares from time to time.
"Share"	means a share in the capital of the Fund of a nominal or par value of HK$0.10 and includes a fraction of any such Share. Shares may be divided into classes in the discretion of the Directors and shall be designated in accordance with the provisions of the Articles and, except where otherwise expressly stated, the term "Share" as used in this explanatory memorandum shall include all the Redeemable Classes Shares.

4. The definitions of "Existing Redeemable Classes Shares", "New Redeemable Classes Shares" and "Non-redeemable Class N Shares" under the section headed "**DEFINITIONS**" of the Explanatory Memorandum shall be removed in their entirety.

5. The last paragraph under the heading "**Liquidity Risk Management**" under the sub-section headed "**INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTIONS**" of the section headed "**INFORMATION ON THE FUND**" on page 39 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:-

   "The following tool(s) may be employed by the Manager to manage liquidity risks:

   ● the Manager may limit the total number of Redeemable Classes Shares redeemed during any Dealing Period to 10% in aggregate of the total Net Asset Value of the Fund at the relevant time (subject to the conditions under the heading entitled "Redemption of Shares" in the section headed "**SUBSCRIPTION, REDEMPTION AND TRANSFER OF SHARES**")."

6. The last paragraph under the heading "**Compulsory redemption**" under the sub-section headed "**RESTRICTIONS ON SHAREHOLDERS**" of the section headed "**INFORMATION ON THE FUND**" on page 48 of the Explanatory Memorandum shall be removed in its entirety.

7. The penultimate and last paragraphs under the heading "**Initial charge**" under the sub-section headed "**FEES AND EXPENSES**" of the section headed "**INVESTMENT MANAGEMENT**" on page 63 of the Explanatory Memorandum shall be removed in their entirety.

8. The last paragraph under the heading "**Redemption charge**" under the sub-section headed "**FEES AND EXPENSES**" of the section headed "**INVESTMENT MANAGEMENT**" on page 64 of the Explanatory Memorandum shall be removed in its entirety.

9. The table under the heading "**Management and performance fees**" under the sub-section headed "**FEES AND EXPENSES**" of the section headed "**INVESTMENT MANAGEMENT**" on page 64 of the Explanatory Memorandum shall be deleted in its entirety and be replaced with the following:

	Redeemable Classes Shares (other than Class X USD Shares and Class Z Shares)		**Class Z Shares**		**Class X USD Shares**
	Current	**Maximum**	**Current**	**Maximum**	**Current and maximum**
Annual management fee	1.5% per annum of the Net Asset Value of the Fund attributable to the relevant class	2% of the Net Asset Value of the Fund attributable to the relevant class	0.75% per annum of the Net Asset Value of the Fund attributable to Class Z Shares	2% of the Net Asset Value of the Fund attributable to Class Z Shares	Nil
Performance fee	15% of the appreciation in the Net Asset Value per Share (as defined below)				Nil

10. The definition of "B" under the sub-heading "**Performance fee calculation**" of the heading "**Management and performance fees**" under the sub-section headed "**FEES AND EXPENSES**" of the section headed "**INVESTMENT MANAGEMENT**" on page 65 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:-

    ""B" is the Base Net Asset Value per Share which shall be the greater of (i) the Net Asset Value per Share on the day dealing in Shares of the Fund on the Stock Exchange commences (which is HK$10) in the case of Redeemable Class A Shares or in the case of the other classes of Shares the initial issue prices of Shares of these classes (as set out in Annex I) and (ii) the highest value for "A" as at the Valuation Point for any preceding Relevant Performance Period in relation to which a performance fee was last calculated and paid (after deduction of all fees including any performance fee and any distribution which has been declared or paid in respect of such preceding Relevant Performance Period)."

11. The paragraph under the heading "**Summary of Features**" under the section headed "**SUBSCRIPTION, REDEMPTION AND TRANSFER OF SHARES**" on page 70 of the Explanatory Memorandum shall be deleted in its entirety and be replaced with the following:

    "The Fund currently comprises Redeemable Classes Shares. The key features of these classes are summarised in Annex I to this explanatory memorandum."

12. The last paragraph under the heading "**Redeemable Classes of Shares**" under the section headed "**SUBSCRIPTION, REDEMPTION AND TRANSFER OF SHARES**" on page 70 of the Explanatory Memorandum shall be deleted in its entirety and be replaced with the following:

    "The Redeemable Classes Shares are being offered on an on-going basis as provided herein."

13. The first sentence of the fourth paragraph under the sub-section headed "**SUBSCRIPTION OF SHARES**" of the section headed "**SUBSCRIPTION, REDEMPTION AND TRANSFER OF SHARES**" on page 71 of the Explanatory Memorandum shall be deleted in its entirety and be replaced with the following:

    "Currently, the Redeemable Classes Shares are offered in the manner set out below."

14. The eighth paragraph under the sub-section headed "**SUBSCRIPTION OF SHARES**" of the section headed "**SUBSCRIPTION, REDEMPTION AND TRANSFER OF SHARES**" on page 72 of the Explanatory Memorandum shall be removed in its entirety.

15. The last paragraph under the sub-section headed "**SUBSCRIPTION OF SHARES**" of the section headed "**SUBSCRIPTION, REDEMPTION AND TRANSFER OF SHARES**" on page 72 of the Explanatory Memorandum shall be removed in its entirety.

16. The thirteenth paragraph under the sub-section headed "**REDEMPTION OF SHARES**" of the section headed "**SUBSCRIPTION, REDEMPTION AND TRANSFER OF SHARES**" on page 75 of the Explanatory Memorandum shall be deleted in its entirety and be replaced with the following:

    "With a view to protecting the interests of Shareholders, the Manager may limit the total number of Redeemable Classes Shares redeemed during any Dealing Period to 10% in aggregate of the total Net Asset Value of the Fund. Such limitation will be applied pro rata to all Shareholders who have requested such redemption. If the total redemption requests received during any Dealing Period are in excess of this limit, the Manager will be entitled (but not obliged) to carry out only sufficient redemptions which, in aggregate, amount to 10% of the total Net Asset Value of the Fund at the relevant time. Redemption requests for Redeemable Classes Shares which are not redeemed but which would otherwise have been redeemed will be deferred until the next Dealing Period and will be dealt with (subject to further deferral if the deferred requests themselves exceed 10% of the total Net Asset Value of the Fund) in priority to later redemption requests."

17. The penultimate and last paragraphs under the sub-section headed "**REDEMPTION OF SHARES**" of the section headed "**SUBSCRIPTION, REDEMPTION AND TRANSFER OF SHARES**" on page 76 of the Explanatory Memorandum shall be removed in their entirety.

18. The last paragraph under the heading "**Compulsory redemption and compulsory transfer**" under the sub-section headed "**RISKS RELATING TO THE FUND**" of the section headed "**RISK FACTORS**" on page 91 of the Explanatory Memorandum shall be removed in its entirety.

19. The sub-section headed "**NON-REDEEMABLE CLASS N SHARES**" under the section headed "**FURTHER INFORMATION ABOUT THE FUND**" on pages 128-130 of the Explanatory Memorandum shall be removed in its entirety.

20. The column headed "**Non-Redeemable Class N Shares**" in the table under Annex I on pages 139-141 of the Explanatory Memorandum shall be removed in its entirety.

30 April 2021

Value Partners
Investing through discipline

VALUE PARTNERS CHINA GREENCHIP FUND LIMITED (the "Fund")

SECOND ADDENDUM

Important

*If you are in doubt about the contents of this Addendum, you should seek independent professional advice. This Addendum supplements, forms part of and should be read in conjunction with the Explanatory Memorandum of the Fund dated January 2020 and the First Addendum dated 30 April 2021 ("**Explanatory Memorandum**"). The changes made to the Explanatory Memorandum by this Addendum shall take effect on 30 September 2021, unless otherwise stated herein.*

All capitalized terms used in this Addendum have the same meaning as in the Explanatory Memorandum, unless otherwise defined herein. Value Partners Limited, the Manager of the Fund, accepts full responsibility for the accuracy of the information contained in this Addendum and confirms, having made all reasonable enquiries that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this Addendum misleading as at the date of publication.

The Explanatory Memorandum is hereby amended as follows with immediate effect unless otherwise specified:-

A. Change in Directors of the Fund

To reflect the resignation of Ms. Wong Ngai Sze ("**Ms. Wong**") as a Director of the Fund and the appointment of Ms. Lam Mei Kuen, Winnie ("**Ms. Lam**") as a Director of the Fund and the consequent re-assignment of Mr. Lam Wai Sing, Wilson as the alternative director to Ms. Lam, effective from 30 July 2021, the following changes have been made to the Explanatory Memorandum:

1. The sub-section headed "**Directors**" under the section headed "**DIRECTORY**" on page 7 of the Explanatory Memorandum shall be deleted in its entirety and be replaced with the following:

   "**Directors** Ms. Lam Mei Kuen, Winnie
   Mr. Lam Wai Sing, Wilson (alternate director to Ms. Lam Mei Kuen, Winnie)
   Mr. Kee Chong Li Kwong Wing"

2. The profile of Ms. Wong Ngai Sze under the heading "**Executive Directors**" under the sub-section headed "**DIRECTORS**" of the section headed "**INFORMATION ON THE FUND**" on page 52 of the Explanatory Memorandum shall be removed in its entirety.

3. The profile of Ms. Lam shall be inserted under the heading "**Executive Directors**" under the sub-section headed "**DIRECTORS**" of the section headed "**INFORMATION ON THE FUND**" on page 52 of the Explanatory Memorandum as the following:

   "*Ms. LAM Mei Kuen, Winnie* is Managing Director, COO Office of Value Partners. She oversees the group's overall operations and back office functions, covering finance, information technology, fund operations, product development, as well as administration across the group's Hong Kong headquarters and overseas offices.

   Ms. Lam joined Value Partners in July 2021. She is an esteemed industry veteran with more than 30 years of experience in the fund management and financial services industry across Asia. Most recently, she spent 14 years as the Head of Operations, Asia at First Sentier Investors (formerly known as First State Investments), based in Hong Kong. Before this, she was Head of Settlement and Fund Administration at Lloyd George Management, and headed up the teams on operations control and data management at J.P. Morgan Securities. Before that, Ms. Lam has held various senior positions in fund management companies, investment banks and financial services firms, including Kerry Investment Management, Kerry Securities and American Express.

Ms. Lam graduated from the University of South Australia with a Master's degree in Business Administration, and obtained a Bachelor's degree in Business Studies from City University of Hong Kong. She is a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Association of Chartered Certified Accountants ("ACCA")."

B. Change of Principal office and Provider of Corporate Secretarial Services of the Fund

1. With effect from 31 December 2021, the item "Principal Office" under the heading "**DIRECTORY**" on page 7 of the Explanatory Memorandum shall be deleted in its entirety and be replaced with the following:

"**Principal Office**	**Maples Fund Services (Cayman) Limited** P.O. Box 1093 Boundary Hall Cricket Square Grand Cayman, KY1-1102 Cayman Islands"

2. The definitions of "Administration Agreement" under the section headed "**DEFINITIONS**" of the Explanatory Memorandum shall be deleted in their entirety and be replaced with the following:

""Administration Agreement"	means the administration agreement dated 26 March 2007 entered into between the Fund and Bank of Bermuda (Cayman) Limited (as novated pursuant to the Deed of Novation, and as amended and supplemented from time to time), details of which are summarised in the sub-section headed "Material contracts" of this explanatory memorandum. "

3. The last paragraph under the heading "**Custodian and Administrator fees**" under the sub-section headed "**FEES AND EXPENSES**" of the section headed "**INVESTMENT MANAGEMENT**" on page 69 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

   "The Administrator and Custodian will each also be entitled to such other fees as may be agreed with the Manager from time to time, certain transaction fees and all reasonable out-of-pocket expenses incurred in the course of its duties. The Administrator will be responsible for paying the fees of the Administrator's Agent at its own expense."

4. The second paragraphs under the heading "**(iii) Administration Agreement and Deed of Novation**" under the sub-section headed "**MATERIAL CONTRACTS**" of the section headed "**FURTHER INFORMATION ON THE FUND**" on page 126 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

   "Pursuant to the Deed of Novation dated 13 December 2017 with respect to the Administration Agreement, HSBC Trustee (Cayman) Limited has been appointed as the Administrator of the Fund, and has assumed all duties, rights, obligations and liabilities under the Administration Agreement.

   Under the Administration Agreement, the Administrator is responsible for providing administrative services required in connection with the Fund's operations, calculating the Net Asset Value, the Net Asset Value per Share, the subscription price and the redemption price, providing services in connection with the issue, transfer and redemption of Shares and collecting subscription payments and disbursing redemption payments, and any other services as may be agreed with the Manager from time to time."

Value Partners
Investing through discipline

C. Miscellaneous

1. The profile of Mr. Lam Wai Sing, Wilson under the heading "**Alternative Director**" under the sub-section headed "**DIRECTORS**" of the section headed "**INFORMATION ON THE FUND**" on page 52 of the Explanatory Memorandum shall be deleted in its entirety and replaced with the following:

   "*Mr. LAM Wai Sing, Wilson* is Senior Director, Fund Operations of Value Partners, where he oversees the fund administration function including trade settlement and portfolio valuations. He is also responsible for developing fund service solutions, setting policies and procedures, monitoring operations and services delivery.

   Mr. Lam has over 20 years' experience in the financial services industry. He has solid experience in operating with long/short equity funds, hedge funds, fund of funds and private equity funds across different investment strategies and a range of fund structures. Mr. Lam started his career at Value Partners in February 1999. He has participated in the development of operation flow for Value Partners' fund trading system, and was promoted to the current role in 2021."

30 September 2021

VALUE PARTNERS CHINA GREENCHIP FUND LIMITED (the "Fund")

THIRD ADDENDUM

Important

*If you are in doubt about the contents of this Addendum, you should seek independent professional advice. This Addendum supplements, forms part of and should be read in conjunction with the Explanatory Memorandum of the Fund dated January 2020, the First Addendum dated 30 April 2021 and the Second Addendum dated 30 September 2021 (collectively, the "**Explanatory Memorandum**"). The changes made to the Explanatory Memorandum by this Addendum shall take effect on 25 March 2026.*

All capitalized terms used in this Addendum have the same meaning as in the Explanatory Memorandum, unless otherwise defined herein. Value Partners Limited, the Manager of the Fund, accepts full responsibility for the accuracy of the information contained in this Addendum and confirms, having made all reasonable enquiries that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this Addendum misleading as at the date of publication.

The Explanatory Memorandum is hereby amended as follows:-

A. Dissemination of the English financial reports only and streamline of notification regarding availability of the financial reports

The paragraph under the sub-section headed "**FINANCIAL REPORTS**" of the section headed "**INFORMATION ON THE FUND**" on page 51 of the Explanatory Memorandum shall be deleted in its entirety and be replaced with the following:

"The financial year-end of the Fund is on 31 December of every year. Annual financial reports prepared in accordance with IFRS are to be made available to Shareholders within four months of each financial year-end. Unaudited interim financial reports are also to be prepared up to the last Business Day in June of each year and made available to Shareholders within two months of such date. The English report will provide details of the Investments and the Manager's statement on transactions during the period under review and will be posted on the Manager's website, www.valuepartners-group.com[1]. Printed copies of the reports will also be provided to Shareholders free of charge upon request to the Manager.

At least one month's prior notice will be provided to Shareholders if there will be any change to the mode of distribution of financial reports described above."

B. Change in Directors of the Fund

To reflect the resignation of Ms. Lam Mei Kuen, Winnie as a Director of the Fund and Mr. Lam Wai Sing, Wilson as the alternate Director to Ms. Lam, and the appointment of Mr. Tung Ka Yan and Mr. Nigel David Stead as the Directors of the Fund and Mr. Tsang Ho Ming as the alternate Director to Mr. Tung, the following changes have been made to the Explanatory Memorandum:

1. The sub-section headed "**Directors**" under the section headed "**DIRECTORY**" on page 7 of the Explanatory Memorandum shall be deleted in its entirety and be replaced with the following:

Directors	Mr. Tung Ka Yan Mr. Tsang Ho Ming (alternate Director to Mr. Tung Ka Yan) Mr. Nigel David Stead

2. The profile of Ms. Lam Mei Kuen, Winnie under the heading "**Executive Directors**" under the sub-section headed "**DIRECTORS**" of the section headed "**INFORMATION ON THE FUND**" on page 52 of the Explanatory Memorandum shall be removed in its entirety.

3. The profiles of Mr. Tung Ka Yan and Mr. Nigel David Stead shall be inserted under the heading "**Executive Directors**" under the sub-section headed "**DIRECTORS**" of the section headed "**INFORMATION ON THE FUND**" on pages 51 to 52 of the Explanatory Memorandum as the following:

   "*Mr. TUNG Ka Yan* has over two decades of experience in the financial services industry, with deep expertise in investment operations, fund administration, and audit.

   Prior to joining Value Partners, Mr. Tung served as Head of Investment Operations at Hang Seng Investment Management Limited, where he led a wide range of functions including trade and settlement, cash management, ETF operations, NAV production, client and regulatory reporting, and fund financial reporting.

   Before joining Hang Seng Investment Management, Mr. Tung spent over 16 years at HSBC Institutional Trust Services (Asia) Limited, where he held various senior roles including Associate Director of Fund Administration for the ETF sector and Senior Vice President of Alternative Products.

   Mr. Tung began his career at KPMG as an Assistant Manager in Audit, where he managed audit engagements for listed companies and participated in due diligence and IPO projects.

   Mr. Tung holds a Bachelor of Arts in Accountancy with First Class Honours from The Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and a holder of the CFA Institute Certificate in ESG Investing.

   Mr. Nigel David STEAD has been serving as an independent non-executive director of Asia Pacific focused investment funds and management companies since 2005. From 1995 – 2005 he was Managing Director and Head of Global Fund Services at HSBC Institutional Trust Services (Singapore) Limited (formerly Bermuda Trust (Singapore) Limited) which provided Trustee, Custody, and Fund Administration Services to some 500 investment vehicles and funds with an AUM of US$50 billion including Retail Unit Trusts, Pension Plans, REITs, Hedge Funds, Fund of Funds, and Private Equity Funds. From 1985 to 1995 he held senior positions at the Bank of Bermuda in the Global Fund Services division firstly in Bermuda, then Luxembourg and finally in Hong Kong before relocating to Singapore. Prior to joining the Bank of Bermuda he held various positions in the accountancy profession in England and Africa. He has a degree in Management Sciences from University of Manchester Institute of Science and Technology in England, he is a Fellow of the Institute of Chartered Accountants in England and Wales, a Chartered Financial Analyst charterholder, and a Certified Investment Fund Director. "

4. The sub-heading "**Alternate Director**" under the sub-section headed "**DIRECTORS**" of the section headed "**INFORMATION ON THE FUND**" on page 52 of the Explanatory Memorandum shall be removed in its entirety and replaced with the following:

   *"**Alternate Director***

   Mr. TSANG Ho Ming is a Director, Fund Operations of Value Partners. He oversees the firm's fund investor services function, and is responsible for managing the day-to-day dealing services and communications for fund investors. He has over 20 years of experience in the financial services industry. Mr. Tsang joined Value Partners in 2015. Prior to joining Value Partners, he was Assistant Vice President, Transfer Agency at HSBC Institutional Trust Services (Asia) Limited. Mr. Tsang graduated from The University of Bedfordshire in England with a Bachelor's degree in Business Management."

C. Update to the directors of the Manager

1. The biographies of the directors of the Manager under the sub-heading "***The Manager's directors***" under the sub-section headed "**THE MANAGER**" of the section headed "**INVESTMENT MANAGEMENT**" on pages 55 to 57 of the Explanatory Memorandum shall be removed in its entirety and replaced with the following:

   "The Manager's directors are:

   Executive directors

   Mr. HO Man Kei, Norman is a Senior Investment Director of Value Partners, where he is a leader in Value Partners' investment process, with a high degree of responsibility over portfolio management. Mr. Ho served as an Executive Director of the Board of Directors of Value Partners during the period from 26 July 2019 to 23 August 2024, and is also a director of certain subsidiaries of the Group.

   Mr. Ho has extensive experience in the fund management and investment industry, with a focus on research and portfolio management. Mr. Ho joined Value Partners in November 1995. He was promoted to the roles of Investment Director and Senior Investment Director in 2010 and January 2014, respectively. Prior to joining Value Partners, he was an Executive with Dao Heng Securities Limited and had started his career with Ernst & Young.

   Mr. Ho graduated with a Bachelor's degree in Social Sciences (majoring in Management Studies) from The University of Hong Kong. He is a CFA charterholder.

   Mr. IP Ho Wah, Gordon is the Chief Investment Officer, Fixed Income of Value Partners. He oversees the Value Partners' credit and fixed income investments and portfolio management. He started his career since June 1994 and has extensive experience investing across fixed income sectors.

   Mr. Ip joined Value Partners in August 2009 as a Fund Manager and was promoted to the roles of Senior Fund Manager and Investment Director in 2015 and 2016, respectively. He was promoted to Chief Investment Officer in July 2017. Over the years, he has received numerous industry accolades, including the CIO of the Year (Fixed Income) in the regional category and the market awards (Hong Kong) category, respectively, by Insights & Mandates Professional Investment Awards 2020, Fund Manager of the Year – Fixed Income High Yield (Greater China) by The Asset Triple A Awards 2019, Manager of the Year (High Yield Fixed Income) by Benchmark's Fund of the Year Awards 2018 and 2017. In addition, he was selected as one of the highly commended Astute Investors in Asian G3 bonds in Hong Kong, awarded by The Asset Benchmark Research Awards 2019. He was ranked among The Top Astute Investors in the same category since 2014.

   Prior to joining Value Partners, Mr. Ip was a Director at HSBC Private Bank in Hong Kong, overseeing its fixed income advisory business. He had also spent four years at Prudential Fixed Income Management in the United States, specializing in relative value and credit analysis of securitized products. Before joining Prudential, he was a Vice President in Fixed Income Research at Salomon Smith Barney in New York. He began his career as an Analyst at Goldman Sachs' fixed income, currency and commodity division in Hong Kong in 1995. Mr. Ip graduated with a Master's degree in Financial Mathematics from the University of Chicago and a Master's degree in Engineering from Cornell University in the United States. He is a CFA charterholder.

   Ms. NG Chuk Fa is the Chief Financial Officer, Head of Corporate Services, and Executive Director of Value Partners.

   Ms. Ng is responsible for overseeing Value Partners finance function. She possesses broad experience in the financial services industry, with a particular focus in financial reporting, internal control assessment and corporate transactions, combined with strong regulatory knowledge. She joined Value Partners in July 2021 as Director, Finance and oversees the

finance division. She was appointed Chief Financial Officer in 2023 and was promoted to Chief Financial Officer and Head of Corporate Services in August 2024.

Before joining Value Partners, Ms. Ng was the Financial Controller at Fortress Investment Group & Mount Kellett Capital, a multi-strategy investment firm, for 8 years overseeing its corporate and fund accounting. Prior to that, she worked at a family fund private equity firm for 4 years, served as a finance head for an asset management portfolio company regulated by the China Banking Regulatory Commission and involved in other investment projects. She started her career as an Auditor at PricewaterhouseCooper Hong Kong. Ms. Ng graduated with a Bachelor's degree in Professional Accountancy from The Chinese University of Hong Kong."

25 March 2026