

China Life Franklin USD Money Market Fund

a sub-fund of

China Life Franklin OFC
中國人壽富蘭克林開放式基金型公司

**(An open-ended fund company with variable capital and segregated liability
between sub-funds)**

EXPLANATORY MEMORANDUM

March 2025

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IMPORTANT INFORMATION FOR INVESTORS

Important – If you are in any doubt about the contents of this Explanatory Memorandum, you should consult your stockbroker, bank manager, accountant, solicitor or other independent financial adviser.

Important – While section 112S of the SFO provides for segregated liability between sub-funds, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known how those foreign courts will react to section 112S of the SFO.

China Life Franklin OFC 中國人壽富蘭克林開放式基金型公司 (the “Company”) is a public umbrella open-ended fund company incorporated in Hong Kong on 8 January 2025 with variable capital and limited liability. The Company can have a number of sub-funds (each a “Sub-Fund”) with segregated liability among them. China Life Franklin Asset Management Co., Limited (the “Manager”) has been appointed as the manager of the Company and each Sub-Fund. The Custodian of each Sub-Fund is set out in the relevant Appendix. China Life Franklin USD Money Market Fund is a Sub-Fund of the Company. This Explanatory Memorandum relates to the Company and China Life Franklin USD Money Market Fund only. For information relating to any other Sub-Funds, please refer to the explanatory memorandum of the relevant Sub-Funds.

The Manager and the Directors accept full responsibility for the information contained in this Explanatory Memorandum including the Product Key Facts Statement of each Sub-Fund (together, the “Offering Documents”) as being accurate and confirm, having made all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make such information misleading. However, neither the delivery of the Offering Documents nor the offer or issue of Shares shall under any circumstances constitute a representation that the information contained in the Offering Documents is correct as of any time subsequent to the date of its publication. This Explanatory Memorandum including the Product Key Facts Statement of each Sub-Fund may from time to time be updated. Investors should check the Manager’s website at <https://www.clamc.com.hk> (this website has not been reviewed by the SFC) for information relating to the Company and the Sub-Fund(s), including the latest version of the Offering Documents, circulars, notices, announcements, financial reports and the latest available Net Asset Value.

The Manager also confirms that this Explanatory Memorandum includes particulars given in compliance with the Code on Unit Trusts and Mutual Funds (the “UT Code”), the Code on Open Ended Fund Companies and the “Overarching Principles” of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products (the “Product Handbook”) for the purposes of giving information with regard to the Shares in each Sub-Fund.

The Company has been registered with the Securities and Futures Commission in Hong Kong (the “SFC”) as an open-ended fund company under Section 112D of the Securities and Futures Ordinance of Hong Kong (the “SFO”). The Company and each Sub-Fund are authorised by the SFC in Hong Kong under Section 104 of the SFO. SFC registration and authorisation do not represent a recommendation or endorsement of the Company or any Sub-Fund nor does it guarantee the commercial merits of the Company or any Sub-Fund or its performance. They do not mean the Company or any Sub-Fund is suitable for all investors nor do they represent an endorsement of its suitability for any particular investor or class of investors.

You should consult your financial adviser or your tax advisers and take legal advice as appropriate as to whether any governmental or other consents are required, or other formalities

need to be observed, to enable you to acquire Shares as to whether any taxation effects, foreign exchange restrictions or exchange control requirements are applicable and to determine whether any investment in a Sub-Fund is appropriate for you.

This Explanatory Memorandum may refer to information and materials included in websites (<https://www.clamc.com.hk>). The contents of the website have not been reviewed by the SFC.

No action has been taken in any jurisdiction (other than Hong Kong or as otherwise specified below) that would permit an offering of the Shares 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 other country or jurisdiction where action for the purpose is required. This Explanatory Memorandum does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it would be unlawful to make such offer or solicitation.

United States: The Shares have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), or under the securities law of any state or political sub-division of the United States of America or any of its territories, possessions or other areas subject to its jurisdiction including the Commonwealth of Puerto Rico (collectively, the "United States"). No person has registered nor will register as a commodity pool operator of the Company or any Sub-Fund under the Commodity Exchange Act of 1936, as amended (the "CEA") and the rules thereunder (the "CFTC Rules") of the Commodity Futures Trading Commission (the "CFTC"), and the Company and the Sub-Funds have not been and will not be registered under the United States Investment Company Act of 1940, as amended, nor under any other United States federal laws. The Shares are being offered and sold in reliance on an exemption from the registration requirements of the Securities Act pursuant to Regulation S thereunder ("Regulation S").

Accordingly, the Shares may not be offered, sold, pledged or otherwise transferred except (i) in an "Offshore Transaction" (as such term is defined under Regulation S) and (ii) to or for the account or benefit of a Permitted Transferee.

A "Permitted Transferee" means any person who is not any of:

- (a) a U.S. person as defined in Rule 902(k)(1) of Regulation S;
- (b) a person who comes within any definition of U.S. person for the purposes of the CEA or any CFTC rule, guidance or order proposed or issued under the CEA (for the avoidance of doubt, any person who is not a "Non-United States person" as such term is defined under CFTC Rule 4.7(a)(1)(iv), but excluding, for purposes of subsection (D) thereof, the exception for qualified eligible persons who are not "Non-United States persons", shall be considered a U.S. person); or
- (c) a "resident of the United States" for purposes of, and as defined in implementing regulations proposed or issued under, Section 13 of the Bank Holding Company Act of 1956, as amended ("BHC Act").

Transfers of Shares within the United States or to any person other than a Permitted Transferee are prohibited. Any transfer of Shares to a person other than a Permitted Transferee (a "Non-Permitted Transferee") will be void ab initio and of no legal effect whatsoever. Accordingly, any purported transferee of any legal or beneficial ownership interest in a Share in such a transaction will not be entitled to any rights as a legal or beneficial owner of such interest in such Share.

The foregoing restrictions on the offer, sale, pledge or other transfer of Shares to a Non-Permitted Transferee may adversely affect the ability of an investor in the Shares to dispose of the Shares in the secondary market, if any, and significantly reduce the liquidity of the

Shares. As a result, the value of the Shares may be materially adversely affected.

As defined in Rule 902(k)(1) of Regulation S, "US person" means:

- (a) Any natural person resident in the United States;
- (b) Any partnership or corporation organized or incorporated under the laws of the United States;
- (c) Any estate of which any executor or administrator is a U.S. person;
- (d) Any trust of which any trustee is a U.S. person;
- (e) Any agency or branch of a non-U.S. entity located in the United States;
- (f) Any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person;
- (g) Any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and
- (h) Any partnership or corporation if:
 - (i) organized or incorporated under the laws of any non-U.S. jurisdiction; and
 - (ii) formed by a U.S. person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organized or incorporated, and owned, by accredited investors (as defined in Rule 501(a) of Regulation D under the Securities Act) who are not natural persons, estates or trusts.

As defined in CFTC Rule 4.7, modified as indicated above, "Non-United States person" means:

- (a) A natural person who is not a resident of the United States;
- (b) A partnership, corporation or other entity, other than an entity organized principally for passive investment, organized under the laws of a non-U.S. jurisdiction and which has its principal place of business in a non-U.S. jurisdiction;
- (c) An estate or trust, the income of which is not subject to United States income tax regardless of source;
- (d) An entity organized principally for passive investment such as a pool, investment company or other similar entity; provided, that units of participation in the entity held by persons who do not qualify as Non-United States persons represent in the aggregate less than 10% of the beneficial interest in the entity, and that such entity was not formed principally for the purpose of facilitating investment by persons who do not qualify as Non-United States persons in a pool with respect to which the operator is exempt from certain requirements of part 4 of the Commodity Futures Trading Commission's regulations by virtue of its participants being Non-United States persons; and
- (e) A pension plan for the employees, officers or principals of an entity organized and with its principal place of business outside the United States.

As defined in the CFTC's proposed interpretive guidance and policy statement regarding cross-border application of certain swaps provisions of the CEA, 78 Fed. Reg. 45292 (Jul. 26, 2013)., "U.S. person" means:

- (a) A natural person who is a resident of the United States;
- (b) Any estate of a decedent who was a resident of the United States at the time of death;
- (c) Any corporation, partnership, limited liability company, business or other trust, association, joint-stock company, fund or any form of enterprise similar to any of the foregoing (other than an entity described in prongs (d) or (e), below) (a "legal entity"), in each case that is organized or incorporated under the laws of a state or other jurisdiction in the United States or having its principal place of business in the United States;
- (d) Any pension plan for the employees, officers or principals of a legal entity described in prong (c), unless the pension plan is primarily for foreign employees of such entity;

- (e) Any trust governed by the laws of a state or other jurisdiction in the United States, if a court within the United States is able to exercise primary supervision over the administration of the trust;
- (f) any commodity pool, pooled account, investment fund, or other collective investment vehicle that is not described in prong (c) and that is majority-owned by one or more persons described in prong (a), (b), (c), (d), or (e), except any commodity pool, pooled account, investment fund, or other collective investment vehicle that is publicly offered only to non-U.S. persons and not offered to U.S. persons;
- (g) Any legal entity (other than a limited liability company, limited liability partnership or similar entity where all of the owners of the entity have limited liability) that is directly or indirectly majority-owned by one or more persons described in prong (a), (b), (c), (d), or (e) and in which such person(s) bears unlimited responsibility for the obligations and liabilities of the legal entity; and
- (h) Any individual account or joint account (discretionary or not) where the beneficial owner (or one of the beneficial owners in the case of a joint account) is a person described in prong (a), (b), (c), (d), (e), (f), or (g).

As defined in the implementing regulations issued under Section 13 of the BHC Act, SEC Release No. BHCA-1; File No. S7-41-11, “resident of the United States” means a person that is a “U.S. person” as defined in rule 902(k) of the SEC’s Regulation S.

Each person who offers, sells, pledges or otherwise transfers Shares has exclusive responsibility for ensuring that its offer, sale, pledge or other transfer is not to or for the account or benefit of any person other than a Permitted Transferee as such term is defined as of the date of such offer, sale, pledge or other transfer.

The Shares have not been approved or disapproved by the United States Securities and Exchange Commission (“**SEC**”) or any other regulatory agency in the United States, nor has the SEC or any other regulatory agency in the United States passed upon the accuracy or adequacy of this document or the merits of the Shares. Any representation to the contrary is a criminal offence. Furthermore, the Shares do not constitute, and have not been marketed as, contracts for the sale of a commodity for future delivery (or options thereon) subject to the CEA, and neither trading in the Shares nor this document has been approved by the CFTC under the CEA, and no person other than a Permitted Transferee may at any time trade or maintain a position in the Shares.

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 or regions of their respective citizenship, residence or domicile which might be relevant to the subscription, holding or disposal of Shares.

Questions and Complaints

Any investor enquiries or complaints should be submitted in writing to the Manager’s office (27/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong) or by calling the Manager at +852 3944 5588 during normal office hours. The Manager will handle or channel to the relevant party any enquiries or complaints from investors and revert to the investors accordingly.

DIRECTORY

Directors	CHENG Ka Kam Ligang YAN
Manager	China Life Franklin Asset Management Co., Limited 27/F, One Exchange Square 8 Connaught Place, Central Hong Kong
Auditors	KPMG 8 th Floor, Princes Building 10 Chater Road, Central Hong Kong
Legal Advisers	Jun He Law Offices Suite 3701-10, Jardine House 1 Connaught Place, Central Hong Kong

WITH RESPECT TO THE COMPANY AND CHINA LIFE FRANKLIN USD MONEY MARKET FUND ONLY

Custodian	CMB Wing Lung (Trustee) Limited 6/F, CMB Wing Lung Bank Building 45 Des Voeux Road Central Hong Kong
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WITH RESPECT TO CHINA LIFE FRANKLIN USD MONEY MARKET FUND ONLY

Administrator	CMB Wing Lung (Trustee) Limited 6/F, CMB Wing Lung Bank Building 45 Des Voeux Road Central Hong Kong
Registrar	CMB Wing Lung (Trustee) Limited 6/F, CMB Wing Lung Bank Building 45 Des Voeux Road Central Hong Kong

DEFINITIONS

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

- “A-Shares”** means shares issued by companies incorporated in Mainland China and listed on the SSE, the SZSE or the BSE, traded in RMB and available for investment by domestic investors through Stock Connect (where applicable) and QFIs.
- “Administrator”** means in respect of a Sub-Fund, such person duly appointed from time to time as administrator hereof, or in succession thereto, as specified in the relevant Appendix.
- “Appendix”** means an appendix to this Explanatory Memorandum containing information in respect of a particular Sub-Fund.
- “Base Currency”** in relation to a Sub-Fund, means the currency of account of the Sub-Fund as specified in the relevant Appendix.
- “BSE”** means the Beijing Stock Exchange.
- “Business Day”** means, unless otherwise specified in the relevant Appendix in respect of a particular sub-fund, a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for normal banking business or such other day or days as the Manager and the relevant Custodian may agree from time to time, provided that whereas a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day will not be a Business Day unless the Manager and the relevant Custodian determine otherwise.
- “China” or “PRC”** means the People’s Republic of China.
- “Class”** means a class of Shares of a Sub-Fund.
- “Class Currency”** means the currency of denomination of a Class.
- “Collective Matters”** has the meaning as set out in the section headed “The management of the Company and Sub-Funds”.
- “Company”** means China Life Franklin OFC 中國人壽富蘭克林開放式基金型公司 .
- “Connected Person”** has the meaning as set out in the Code on Unit Trusts and Mutual Funds issued by the SFC which at the date of the Explanatory Memorandum means, in relation to a company:
- (a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise directly or indirectly, 20% or more of the total votes in that company;
 - (b) or 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).

“Custodian” in respect of a Sub-Fund, means such person from time to time duly appointed by the Company as custodian of the Company and the relevant Sub-Fund, or in succession thereto, as specified in the relevant Appendix.

“Custody Agreement” means the agreement for the time being subsisting between the Company for a Sub-Fund and the relevant Custodian relating to the appointment and duties of the Custodian in its capacity as the custodian of the Company and the relevant Sub-Fund(s).

“CSDCC” means the China Securities Depository and Clearing Co., Ltd.

“CSRC” means the China Securities Regulatory Commission.

“Dealing Day” means, in relation to a Sub-Fund, each Business Day or such other day or days as the Directors may from time to time determine generally and as specified in the relevant Appendix.

“Dealing Deadline” means, in relation to a Dealing Day, such time by which a request for dealing in Shares of a Sub-Fund or a Class of Shares must be received either on such Dealing Day or on such other Business Day or day as the Directors may from time to time determine generally and as specified in the relevant Appendix.

“Directors” means the directors of the Company for the time being or the directors of the Company present at a meeting of directors at which a quorum is present and includes any committee of the Directors duly constituted for the purposes relevant in the context in which any reference to the Directors appears or the members of such committee present at a meeting of such committee at which a quorum is present, and “Director” shall be construed accordingly.

“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.

“FMCC” means the Fund Manager Code of Conduct issued by the SFC, as amended from time to time and supplemented by published guidelines or other guidance issued by the SFC.

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

“Hong Kong” means the Hong Kong Special Administrative Region of the PRC.

“Hong Kong” means the currency of Hong Kong.

Dollars” or “HKD”

“IFRS” means International Financial Reporting Standards issued by the International Accounting Standards Board.

“Initial Offer Period” in respect of each Class, means the period during which Shares of that Class are offered for subscription at a fixed price, details of which are set out in the section headed “Subscription of Shares” below.

“Instrument” means the instrument of incorporation of the Company filed to the Companies Registry of Hong Kong on, and effective as of, 8 January 2025, including its Schedules and Appendices, as amended from time to time.

“Laws and Regulations” means all applicable laws and regulations including the SFO, OFC Rules, the OFC Code, the Product Handbook (including the UT Code) and the FMCC.

“Mainland China” or “Mainland” all customs territories of the PRC, excluding for the purposes of interpretation of this Explanatory Memorandum only, Hong Kong, the Macau Special Administrative Region and Taiwan.

“Manager” means China Life Franklin Asset Management Co., Limited in its capacity as the investment manager of the Company and its Sub-Fund(s) or such other entity as may be appointed from time to time as the investment manager of the Company and its Sub-Fund(s).

“Management Agreement” means the agreement by which the Manager is appointed to act as manager of the Company and the Sub-Fund(s), as amended from time to time.

“Net Asset Value” means the net asset value of the Sub-Fund, of a Class or of a Share, as the context may require, calculated in accordance with the provisions of the Instrument as summarised below under the section headed “Valuation” below.

“OFC Code” means the Code on Open Ended Fund Companies issued by the SFC (as amended, or replaced, from time to time).

“OFC Rules” means Securities and Futures (Open-ended Fund Companies) Rules (Cap. 571AQ), as amended from time to time.

“PBOC” means the People’s Bank of China.

“Product Handbook” means the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products issued by the SFC, as amended from time to time and supplemented by published guidelines or other guidance issued by the SFC.

“Redemption Price” means the price at which Shares will be redeemed as described in the section headed “Payment of Redemption Proceeds” below.

“RMB” or “Renminbi” means the Renminbi Yuan, the currency of the PRC.

“Registrar”	means such person from time to time duly appointed by the Company as registrar in respect of each Sub-Fund to keep the register of the Shareholders of the Sub-Fund, as specified in the relevant Appendix.
“Reverse Repurchase Transactions”	means transactions whereby a Sub-Fund purchases securities from a counterparty of sale and repurchase transactions and agrees to sell such securities back at an agreed price in the future.
“SAFE”	means the State Administration of Foreign Exchange of the PRC.
“Sale and Repurchase Transactions”	transactions whereby a Sub-Fund sells its securities to a counterparty of Reverse Repurchase Transactions and agrees to buy such securities back at an agreed price with a financing cost in the future.
“Scheme Property”	means scheme property of the Company.
“SFC”	means the Securities and Futures Commission of Hong Kong.
“SFO”	means the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong.
“Securities Market”	means any stock exchange, over-the-counter market or other organized securities market that is open to the international public and on which such securities are regularly traded.
“Shanghai-Hong Kong Stock Connect”	means the securities trading and clearing links programme developed by the Hong Kong Exchanges and Clearing Limited, Shanghai Stock Exchange and China Securities Depository and Clearing Corporation Limited, for mutual market access between Mainland China and Hong Kong.
“Share”	means a share in the Company of such number of undivided shares or such fraction of an undivided share of a Sub-Fund of the Company to which a Share relates as is represented by a Share of the relevant class and, except where used in relation to a particular class of Share, a reference to Shares means and includes Shares of all classes.
“Shareholder”	means a holder for the time being Shares of the Company.
“Shenzhen-Hong Kong Stock Connect”	means the securities trading and clearing links programme developed by the Hong Kong Exchanges and Clearing Limited, Shenzhen Stock Exchange and China Securities Depository and Clearing Corporation Limited, for mutual market access between Mainland China and Hong Kong.
“SSE”	means the Shanghai Stock Exchange.
“Stock Connect”	means the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.
“Sub-Fund”	means a segregated pool of assets and liabilities into which the Scheme Property is divided, established under the Instrument and as described in the relevant Appendix.

“Subscription Price”	means the price at which Shares are issued as described in the section headed “Subscription of Shares” below.
“substantial financial institution”	has the meaning as set out in the UT Code.
“SZSE”	means the Shenzhen Stock Exchange.
“UT Code”	means the Code on Unit Trusts and Mutual Funds issued by the SFC, as amended from time to time and supplemented by published guidelines or other guidance issued by the SFC.
“US dollars” or “USD”	means the currency of the United States of America.
“Valuation Day”	means each Business Day on which the Net Asset Value of a Sub-Fund and/or the Net Asset Value of a Share or a Class falls to be calculated and in relation to each Dealing Day of any Class or Classes of Shares means either such Dealing Day or such Business Day or day as the Manager may from time to time determine either generally or in relation to a particular Sub-Fund, and as specified in the relevant Appendix.
“Valuation Point”	means the close of business in the last relevant market to close on a relevant Valuation Day or such other time on that day or such other day as the Manager may from time to time determine either generally or in relation to a particular Sub-Fund, and as specified in the relevant Appendix.

INTRODUCTION

The Company

The Company is a public umbrella open-ended fund company with variable capital with limited liability, which was incorporated in Hong Kong under the SFO on 8 January 2025 with the business registration number 77567752. It is constituted by way of its Instrument filed to the Companies Registry of Hong Kong on, and effective as of 8 January 2025.

The Company is registered with the SFC under Section 112D of the SFO. The Company and each Sub-Fund is authorised as a collective investment scheme by the SFC under Section 104 of the SFO. SFC registration or authorisation is not a recommendation or endorsement of the Company or a Sub-Fund nor does it guarantee the commercial merits of the Company, any Sub-Fund or their performance. It does not mean that the Company or a Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

The Sub-Fund(s)

The Company may issue different classes of Shares and the Company shall establish a separate pool of assets in respect of each Sub-Fund (each such separate pool of assets a "Sub-Fund") to which one or more class of Shares shall be attributable. The assets of a Sub-Fund will be invested and administered separately from the other assets of the Company. All assets and liabilities attributable to each Sub-Fund shall be segregated from the assets and liabilities of any other Sub-Funds, and shall not be used for the purpose of, or borne by the assets of, any other Sub-Fund. Each Sub-Fund will have its own Appendix of this Explanatory Memorandum.

The Company reserves the right to establish other Sub-Funds and/or issue further classes of Shares relating to a Sub-Fund or Sub-Funds in the future in accordance with the provisions of the Instrument.

THE MANAGEMENT OF THE COMPANY AND SUB-FUNDS

The Directors

The Directors of the Company are as follows:

YAN Ligang

Yan Ligang, born in November 1980, holds a doctor degree in management. He currently serves as Deputy CEO (in charge) of China Life Franklin Asset Management Co., Ltd. Mr. Yan has been deeply involved in the financial field for 18 years. He served as ED of innovative investment department and head of the strategic investment in China Life Asset Management Co., Ltd, D, senior researcher (general manager assistant level), staff of the Corporate Financing Department of CLSA, senior manager of the Investment Banking Department of CITIC Securities Co., Ltd., etc.

CHENG Ka Kam

Mr. Cheng is currently the Chief Risk Officer of China Life Franklin Asset Management Co., Ltd. (“CLFAMC”). Mr. Cheng has more than 20 years of various risk management experiences from domestic and international asset management firms, banks and securities firms.

The Manager

The Manager of the Company and each Sub-Fund is China Life Franklin Asset Management Co., Limited.

The Manager is the first overseas asset management company established by a PRC state-owned insurance company, China Life Insurance (Group) Company, with the approval of the China Insurance Regulatory Commission.

The Manager was initially registered as a company in Hong Kong in November 2005 under the name of China Life Asset Management (Hong Kong) Corporation Limited. With Franklin Templeton Investments joining as a strategic investor in January 2007, the Manager became partly owned between China Life Asset Management Company Limited, Franklin Templeton Investments, and China Life Insurance (Overseas) Company Limited. The Manager was renamed to its current name in May 2007.

It is licensed by the SFC for type 1 (dealing in securities), type 4 (advising on securities) and type 9 regulated activity (asset management) with CE number ANL846.

Under the Instrument, the Manager is responsible for the management of the assets of the Company and each Sub-Fund. The Manager is also responsible, in conjunction with the Custodian, for the maintenance of the financial reports and records of the Company and each Sub-Fund as well as certain other administrative matters relating to the Company and each Sub-Fund.

The Manager may appoint investment managers or investment delegates in relation to specific Sub-Funds (details of any such appointments are set out in the relevant Appendix), subject to the approval of the SFC and at least one month’s prior notice to Shareholders (where applicable). Where the investment management functions in respect of a Sub-Fund are delegated to third party investment managers or investment delegates, the Manager will conduct on-going supervision and regular monitoring of the competence of such delegates to ensure that the Manager’s accountability to investors is not diminished, and although the

investment management role of the Manager may be sub-contracted to third parties, the responsibilities and obligations of the Manager may not be delegated.

Details of the directors of the Manager are as follows:

YU Yong
Director

Mr. Yu is currently the Deputy CEO of China Life Asset Management Company, he graduated with a Master of Economics Degree from the Central University of Finance and Economics, and a bachelor's degree from Nankai University. Before joining China Life Asset Management Company, Mr. Yu worked for China Life Insurance (Overseas) Co. Ltd. and China Life Insurance Co. Ltd.

Yan Ligang
Director

Please refer to the section "The Directors" for Mr. Yan's biography.

CHEN Yingshun
Director

Dr. Chen completed her undergraduate, graduate, and doctorate degrees in Global Finance at Nankai University in 1988, 1991, and 2000 respectively. Currently she's working for Guangzhou Asset Management Company as Chief Specialist. Before that, she was the Head of Institutional Operations and Human Resources of CNFinance Holdings Ltd. She also served as the Vice Chairman at Beijing Institute of International Finance. Prior to that, Dr. Chen was the General Manager at Agricultural Bank of China Ltd. from 2001 to 2017. Before joining the bank, she worked as an Associate Professor at Nankai University from 1991 to 2001. Additionally, she served as the Vice President of Beijing Women Financiers Association.

SHAN Gang
Director

Mr. Shan graduated from a MSc in Actuarial Science and Insurance and Bachelor Degree of Economics in Central University of Finance and Economics. He is currently serving as the Deputy GM in Actuarial Department at China Life Insurance (Overseas) Co. Ltd. Mr. Shan joined China Life Insurance Company in 2006. And before joining China Life, he used to work as the Head of Actuarial and Strategy at Dajia Insurance Group. Mr. Shan granted the IFoA in 2009 and Certificate in Derivatives and became Associate Member of the China Association of Actuaries. He is also a member of Solvency Committee of the China Banking and Insurance Regulatory Commission. He has over 15 years of experience in the financial industry.

McGOWAN Gregory Eugene
Director

Mr. Gregory Eugene McGowan, serves as an Executive Vice President and the General Counsel at Templeton International Inc., Executive Vice President at Templeton Investment Counsel, LLC. and Senior Vice President at Templeton Worldwide, Inc., Executive Vice President of International Development and the Chief International General Counsel, also an Executive Vice President and Director of Templeton Global Advisors Limited. He joined Templeton Global Advisors Limited in 1986. He served as President at Templeton Global Govt., Templeton Emerging Markets Income Fund and Templeton Global Income Fund since 1996. Mr. McGowan served as a Venture Advisor at Zero Stage Capital. Prior to this, he served as a Senior Attorney for the United States Securities and Exchange Commission. Mr.

McGowan serves as a Director at Templeton Asset Management Limited. He has been Non-Executive Director at Templeton Global Growth Fund Ltd. since January 1999. He serves as a Director at Applied Medico-Legal Solutions Risk Retention Group, Inc., Templeton International Inc., Templeton Worldwide, Inc., and Franklin Templeton Investments Australia Limited. He has been Director at Global Capital p.l.c. since June 13, 2017. Mr. McGowan serves as Director of Franklin Templeton Investments Japan Limited, Templeton Investment Counsel LLC, Franklin Templeton International Services S.A., Franklin Templeton Investments Asia Limited and Franklin Templeton Holding Limited. He is a J. D. from Georgetown University Law Center. Mr. McGowan holds an M.A. degree from the University of Paris and a B.A. degree in Economics and International Affairs from the University of Pennsylvania.

GEORGE H MOLINA

Director

George Molina is SVP/Head of Asia, EM & LAM Trading at Franklin Templeton Investments. In this position he is responsible for Equity Trading and Execution Management in Brazil, Dubai, Canada and the Asia region.

Mr. Molina joined Franklin Templeton Investments in 1997 as an equity trader in the FL, USA office. In 2002, he relocated to Hong Kong where he became regional head of equity trading with responsibility for forming Franklin Templeton's domestic trading desks in Japan, Korea, Hong Kong, India, China and Melbourne.

Prior to joining Franklin Templeton Investments, he traded Asian Securities for Scudder Stevens & Clark in New York City. He is Founder of Asia Trader Forum, a buy-side institutional group of peers where they work on the promotion of best practices in the market place. Mr. Molina is the former Co-Chair of FIX Protocol Limited Asia. He has over 20 years of experience in Asset Management and financial services industry.

WEI Xiaopeng

Director

Ms. Wei, CFA, graduated with an MBA at Babson College - Franklin W. Olin Graduate School of Business, and BS at Central South University. She is the Deputy General Manager of Investment Department at China Life Insurance (Overseas) Company Limited. Prior to joining China Life, she was the Chief Investment Officer - EM Markets at China Asset Management (Hong Kong), and she used to work as Senior Portfolio Manager at SAFE Investment Company Ltd. She has over 20 years of financial experience.

Wang Yijiang

Director

Mr. Wang Yijiang is the Professor of Economics and Human Resource Management at Cheung Kong Graduate School of Business (CKGSB). Before joining CKGSB, Professor Wang taught at the Carlson School of Management at the University of Minnesota. He is also a research fellow at the William Davidson Institute of Transition Economics at the University of Michigan and a senior fellow at the National Center of Economic Research, Tsinghua University. He serves as vice president of Chinese Economists Society of North America.

Mr. Wang graduated with a PhD in Harvard University in 1991, with areas of Expertise in Chinese Economy, Economics and Human Resource Management, Money and Public Finance, Organization Theory, Workers' Welfare. He also graduated with an M.A., International Economics from Peking University in 1985. His Research in Labor Economics, Journal of Comparative Economics, Journal of Comparative Economics were highly mentioned and quoted in the public. "Human capital investment under Asymmetric

Information: The Pigovian Conjecture Revisited” was cited by Handbook of Labor Economics.

LIU Hui
Director

Ms. Liu Hui was born in 1970, Chinese, she is the Executive Director of the China Life Insurance Company in May 2024 and Vice President of the Company in July 2023. She has been the Chief Investment Officer of the Company since December 2023. She has been a Director of China Guangfa Bank Co., Ltd. since January 2024, a Director of China Life Asset Management Company Limited since August 2023. From 2014 to 2022, Ms. Liu served as Vice President of China Life Investment Holding Company Limited, and Executive Director and Vice President of China Life Investment Management Company Limited, and concurrently served as an Executive Director and Vice President of Sino-Ocean Group Holding Limited, the President and Chairman of China Life Capital Investment Company Limited, and Executive Director and the General Manager of China Life Real Estate Co., Limited. She served as the General Manager of the Investment Management Department of the Company from 2009 to 2014, and successively acted as an Assistant to the General Manager of the Enterprise Annuity Department, the Deputy General Manager of the Pension and Institutional Business Department and the General Manager of the Transaction Management Department of China Life Asset Management Company Limited from 2005 to 2009. She worked at the Head Office of China Construction Bank from 1992 to 2005. Ms. Liu graduated with bachelor’s degree in Economics from Renmin University of China and a Master’s Degree in Business Administration from Tsinghua University, and is a Senior Economist.

The Custodian

The Company may appoint different persons as the Custodian for different Sub-Funds provided that there should be at least one Custodian for each Sub-Fund at any time until the Sub-Fund is terminated in accordance with the Instrument. With regard to any matter related to regulatory obligations required of the Custodian(s) pursuant to the Instrument or any Laws and Regulations, the Directors shall in their reasonable discretion determine if the regulatory obligation is required of a Custodian of the Company which does not relate to one or more specific Sub-Funds or which cannot be allocated exclusively to one or more specific Sub-Funds, in which case the matter will be a “**Collective Matter**”. For the avoidance of doubt and for the purpose of the aforesaid, (i) Collective Matter in this Explanatory Memorandum includes but not limited to (a) the alteration of the Instrument under the Code; (b) the provision of statement of cessation by the Custodian under OFC rules; and (c) the regulatory obligation required of a custodian of the Company at the Company level; and (ii) the custody of scheme assets of the Company or the Sub-fund shall not be a Collective Matter. Each Custodian shall be a custodian to the Company for such Collective Matter and all Custodians will take responsibility collectively. For regulatory obligations which can be allocated exclusively to a specific Sub-Fund, the Custodian of that Sub-Fund will take responsibility. Subject to the foregoing and any applicable Laws and Regulations, service providers (including any Custodian, Administrator and Registrar) will not be held jointly and/or severally liable for the actions or omissions of any other service provider (including any other Custodian, Administrator and Registrar).

Subject to items (i) and (ii) in this section above, the procedures for determining if a matter is a Collective Matter will be as follows:

- (a) the Directors may, in a reasonable manner, determine a general list of Collective Matters and inform the Custodians and the Manager from time to time; and
- (b) the Manager and each Custodian may propose a general or specific matter to the Directors for the Directors’ determination. The Directors shall, if they consider

necessary, consult with the Manager and/or the Custodians in a reasonable manner, in determining if such matter is a Collective Matter. The Directors shall notify the Manager and the Custodians of their decision promptly and such decision shall be final and binding on all the Custodians.

The Directors and the Manager shall ensure there will be at least one Custodian responsible for the regulatory obligations required of the Custodian(s) pursuant to the Instrument or any Laws and Regulations.

Where more than one Custodian is appointed in relation to the Scheme Property attributable to the Company and/or any Sub-Fund, the Directors shall:

- (a) ensure that all Scheme Property are duly entrusted to the relevant Custodian with respect of the Company and the respective Sub-Fund;
- (b) demarcate the rights and liabilities of each Custodian with respect to the Scheme Property that each Custodian is entrusted with and responsible for; and
- (c) ensure that (i) any Scheme Property attributable to a Sub-Fund shall be entrusted to the Custodian appointed in respect of that Sub-Fund and (ii) any Scheme Property attributable to the Company at the Company level shall be placed into custody of CMB Wing Lung (Trustee) Limited.

Information relating to the Custodian of each Sub-Fund is set out in the relevant Appendix.

The Administrator

The Company may appoint different persons as the Administrator for different Sub-Funds. Information relating to the Administrator of each Sub-Fund is set out in the relevant Appendix.

The Registrar

The Company may appoint different persons as the Registrar for different Sub-Funds. Information relating to the Registrar of each Sub-Fund is set out in the relevant Appendix.

The Auditors

The Directors have appointed KPMG to act as the auditor of the Company and each Sub-Fund (the "Auditor"). The Auditor is independent of the Manager and the Custodian.

Conflicts of Interest and Soft Dollars

The Manager and the Custodian (and any of their affiliates) (each a "relevant party") may from time to time act as manager, custodian, investment manager, administrator, registrar or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of any Sub-Fund. It is, therefore, possible that any relevant party may, in the course of business, have potential conflicts of interest with the Company or any Sub-Fund. Each relevant party will, at all times, have regard in such event to its obligations to the Company and the relevant Sub-Fund and will endeavour to ensure that such conflicts are resolved fairly. Each relevant party shall be entitled to retain for its own use and benefit all fees and other monies payable thereby and shall not be deemed to be affected with notice of or to be under any duty to disclose to the Company, any Sub-Fund, any Shareholder or any other relevant party any fact or thing which comes to the notice of the relevant party in the course of its rendering services to others or in the course of its business in any other capacity or in any

manner whatsoever, otherwise than in the course of carrying out its duties under the Instrument. In any event, the Manager will ensure that all investment opportunities will be fairly allocated.

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

The Manager has established policies in relation to the identification and monitoring of potential conflicts of interest situations, to ensure that clients’ interests are given priority at all times. Key duties and functions must be appropriately segregated and there are strict policies and dealing procedures designed to avoid, monitor and deal with conflicts of interests situations, such as rules and procedures in relation to order allocation, best execution, receipt of gifts or benefits, retention of proper records, prohibition of certain types of transactions and handling of client complaints. The Manager has designated staff to monitor the implementation of such trading policies and dealing procedures with clear reporting lines to and oversight by senior management. In any event, the Manager will ensure that all investment schemes and accounts which it manages, including each Sub-Fund, are treated fairly.

It is expected that transactions for any Sub-Fund may be carried out with or through Connected Persons of the Manager. The Manager will ensure that all transactions carried out by or on behalf of each Sub-Fund will be in compliance with all applicable laws and regulations. Where the Manager invests the assets of a Sub-Fund in shares or units of a collective investment scheme managed by the Manager or any of its connected persons, the manager of the scheme in which the investment is being made by such Sub-Fund must waive any preliminary or initial charge and redemption charge which it is entitled to charge for its own account in relation to such investment by the relevant Sub-Fund. The Manager will use due care in the selection of such Connected Persons to ensure that they are suitably qualified in the circumstances, and will monitor and ensure that all such transactions are conducted on arm’s length terms and are consistent with applicable best execution standards. The fee or commission payable to any such Connected Persons in respect of a transaction will not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature. The Manager will monitor all such transactions to ensure compliance with their obligations. All such transactions and the total commissions and other quantifiable benefits received by such Connected Persons will be disclosed in the relevant Sub-Fund’s annual report.

Neither the Manager nor any of their Connected Persons may receive any cash commissions or other rebates from brokers or dealers in respect of transactions for the account of any Sub-Fund. However, the Manager and/or any of their Connected Persons reserve the right to effect transactions by or through the agency of another person with whom the Manager and/or any of their Connected Persons has an arrangement under which that party will from time to time provide to or procure for the Manager and/or any of their Connected Persons, and the Manager and/or any of their Connected Persons will be entitled to retain, goods, services or other

benefits, such as 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 transactions (known as soft dollar benefits) (as may be permitted under the UT Code, applicable rules and regulations) the nature of which is such that their provision can reasonably be expected to benefit the Company (or the relevant Sub-Fund) as a whole and may contribute to an improvement in the performance of the Company (or the relevant Sub-Fund) or of the Manager and/or any of their Connected Persons in providing services to the Company (or the relevant Sub-Fund) and for which no direct payment is made but instead the Manager and/or any of their Connected Persons undertakes to place business with that party.

Any transactions executed through such party must be consistent with best execution standards and brokerage rates must not be in excess of customary institutional full-service brokerage rates. Furthermore, the availability of soft dollar arrangements shall not be the sole or primary purpose to perform or arrange transaction with such party. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments. Periodic disclosure in the form of a statement describing the soft dollar policies and practices of the Manager or other investment delegate, including a description of the goods and services received by them, will be made in the relevant Sub-Fund's annual report.

INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTIONS

Investment objective

The investment objective of each Sub-Fund is set out in the relevant Appendix.

Investment strategy

The investment strategy of each Sub-Fund is set out in the relevant Appendix.

Investment restrictions

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

- (a) the aggregate value of the Sub-Fund's investments in, or exposure to, any single entity (other than Government or other Public Securities) through the following may not exceed 10% of the total Net Asset Value of the Sub-Fund, save as permitted by Chapter 8.6(h) and as varied by Chapter 8.6(h)(a) of the UT Code;
 - (1) investments in securities issued by that entity;
 - (2) exposure to that entity through underlying assets of financial derivative instruments ("FDIs"); and
 - (3) net counterparty exposure to that entity arising from transactions of over the-counter FDIs,

for the avoidance of doubt, the restrictions and limitations on counterparty as set out in this paragraph (a) and paragraph (b) below and paragraph (c) under the sub-section headed "Restrictions applicable to FDIs" will not apply to FDIs that are: (i) transacted on an exchange where the clearing house performs a central counterparty role; and (ii) marked-to-market daily in the valuation of their FDI positions and subject to margining requirements at least on a daily basis;

- (b) subject to paragraph (a) above and paragraph (c) under the sub-section headed "Restrictions applicable to FDIs", the aggregate value of the Sub-Fund's investments in, or exposure to Entities within the Same Group through the following may not exceed 20% of the total Net Asset Value of the Sub-Fund;
 - (1) investments in Securities issued by those entities;
 - (2) exposure to those entities through underlying assets of FDIs; and
 - (3) net counterparty exposure to those entities arising from transactions of over-the-counter FDIs;

The requirements under paragraph (a) above and this paragraph (b) will also apply in the case of collaterals in compliance of the requirements of diversification and re-investment under the sub-section headed "Collateral".

- (c) the value of the Sub-Fund's cash deposits made with the same entity or Entities within the Same Group may not exceed 20% of the total Net Asset Value of the Sub-Fund, unless in the following circumstances:

- (1) the cash held before the launch of the Sub-Fund and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested; or
- (2) cash proceeds from liquidation of investments prior to the merger or termination of a Sub-Fund, whereby the placing of cash deposits with various financial institutions may not be in the best interest of investors; or
- (3) cash 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 be unduly burdensome and the cash deposits arrangement would not compromise investors' interests.

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

- (d) the Sub-Fund's holding of any ordinary shares (when aggregated with all other Sub-Funds' holdings of such ordinary shares) may not exceed 10% of any ordinary shares issued by any single entity;
- (e) not more than 15% of the total Net Asset Value of the Sub-Fund may be invested in Securities and other financial products or instruments that are neither listed, quoted nor dealt in on a Securities Market;
- (f) notwithstanding paragraphs (a), (b), (d) and (e) above, where direct investment by a Sub-Fund in a market is not in the best interests of investors, a Sub-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 Sub-Fund, must in aggregate comply with the requirements of Chapter 7 of the UT Code;
 - (2) any increase in the overall fees and charges directly or indirectly borne by the Shareholders or the Sub-Fund as a result must be clearly disclosed in the Explanatory Memorandum; and
 - (3) the Sub-Fund must produce the reports required by Chapter 5.10(b) of the UT Code in a consolidated form to include the assets (including investment portfolio) and liabilities of the subsidiary company as part of those of the Sub-Fund.
- (g) notwithstanding paragraphs (a), (b) and (d) above, up to 30% of the total Net Asset Value of a Sub-Fund may be invested in Government and other Public Securities of the same issue;
- (h) subject to paragraphs (g) above, a Sub-Fund may invest all of its assets in Government and other Public Securities in at least six different issues. For the avoidance of doubt, Government and other public securities will be regarded as being of a different issue if, even though they are issued by the same person, they are issued on different terms whether as to repayment dates, interest rates, the identity of the guarantor, or otherwise;
- (i) a Sub-Fund may not invest in physical commodities unless otherwise approved by the

SFC;

- (j) for the avoidance of doubt, exchange traded funds that are:
- (1) authorised by the SFC under Chapter 8.6 or 8.10 of the UT Code; or
 - (2) listed and regularly traded on internationally recognized stock exchanges open to the public (nominal listing not accepted) and the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under Chapter 8.6 of the UT Code; or the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under Chapter 8.10 of the UT 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 (k) below. However, the investments in exchange traded funds shall be subject to paragraph (e) above and the relevant investment limits in exchange traded funds by a Sub-Fund should be consistently applied and clearly disclosed in the Explanatory Memorandum of a Sub-Fund;

- (k) the value of the Sub-Fund's investment in units or shares in other collective investment schemes ("underlying schemes"),
- (1) which are non-eligible schemes (the list of "eligible schemes" is as specified by the SFC from time to time) and not authorised by the SFC may not in aggregate exceed 10% of the total Net Asset Value of the Sub-Fund; and
 - (2) which are either authorised by the SFC or eligible schemes (the list of "eligible schemes" is as specified by the SFC from time to time), may not exceed 30% of the total Net Asset Value of the Sub-Fund, unless the underlying scheme is authorised by the SFC and the name and key investment information of the underlying scheme are disclosed in the Explanatory Memorandum of the Sub-Fund,

provided that:

- (A) the objective of each underlying scheme may not be to invest primarily in any investment prohibited by Chapter 7 of the UT Code, and where that underlying scheme's objective is to invest primarily in investments restricted by Chapter 7 of the UT Code, such investments may not be in contravention of the relevant limitation prescribed in Chapter 7 of the UT Code. For the avoidance of doubt, a Sub-Fund may invest in scheme(s) authorised by the SFC under Chapter 8 of the UT Code (except for hedge funds under Chapter 8.7 of the UT Code), eligible scheme(s) (as determined by the SFC) of which the net derivative exposure does not exceed 100% of its total Net Asset Value, and exchange traded funds satisfying the requirements in paragraph (j) above in compliance with sub-paragraphs (1) and (2) above;
- (B) where the underlying schemes are managed by the Manager, or by other companies within the same group that the Manager belongs to, then (a), (b), (d) and (e) are also applicable to the investments of the underlying schemes; and

- (C) the objective of the underlying schemes may not be to invest primarily in other collective investment scheme(s);
 - (3) where a Sub-Fund invests 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
 - (4) the Manager or any person acting on behalf of the Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or the manager of the underlying scheme or any quantifiable monetary benefits in connection with investments in any underlying scheme;
- (l) a Sub-Fund may invest 90% or more of its total Net Asset Value in a single collective investment scheme and will be authorised as a feeder fund by the SFC. In this case,
- (1) the underlying scheme (“master fund”) must be authorised by the SFC;
 - (2) the Explanatory Memorandum must state that:
 - i. the Sub-Fund is a feeder fund into the master fund;
 - ii. for the purpose of complying with the investment restrictions, the Sub-Fund (i.e. feeder fund) and its master fund will be deemed a single entity;
 - iii. the Sub-Fund’s (i.e. feeder fund’s) annual report must include the investment portfolio of the master fund as at the financial year end date; and
 - iv. the aggregate amount of all the fees and charges of the Sub-Fund (i.e. feeder fund) and its master fund must be clearly disclosed;
 - (3) no increase in the overall total of initial charges, redemption charges, Manager's annual fee, or any other costs and charges payable to the Manager or any of its Connected Persons borne by the Shareholders or by the Sub-Fund (i.e. feeder fund) may result, if the master fund in which the Sub-Fund (i.e. feeder fund) invests is managed by the same Manager or by its Connected Person, unless otherwise approved by the SFC;
 - (4) notwithstanding paragraph (k)(2)(C) above, the master fund may invest in other collective investment scheme(s) subject to the investment restrictions as set out in paragraph (k); and
- (m) if the name of the Sub-Fund indicates a particular objective, investment strategy, geographic region or market, the Sub-Fund should, under normal market circumstances, invest at least 70% of its total Net Asset Value in securities and other investments to reflect the particular objective, investment strategy or geographic region or market which the Sub-Fund represents.

Investment prohibitions

Each Sub-Fund shall not:

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

estate investment trusts (REITs)). In the case of investments in such shares and REITs, they shall comply with the investment limits set out in paragraphs (a), (b), (d), (e) and (k) under the sub-section headed "Investment restrictions" above, where applicable. For the avoidance of doubt, where investments are made in listed REITs, paragraphs (a), (b) and (d) under the sub-section headed "Investment restrictions" above apply and where investments are made in unlisted REITs, which are either companies or collective investment schemes, then paragraphs (e) and (k) under the sub-section headed "Investment restrictions" above apply respectively;

- (2) make any short sales which will result the Sub-Fund's liability to deliver securities exceeding 10% of its total Net Asset Value. For the avoidance of doubt, a Sub-Fund is prohibited to carry out any naked or uncovered short sale of securities and short selling should be carried out in accordance with all applicable laws and regulations. The Securities sold short must be actively traded on a market where short selling activity is permitted;
- (3) subject to paragraph (e) under the sub-section headed "Investment restrictions" above, lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements as set out in the sub-section headed "Securities Financing Transaction" below are not subject to the limitations in this paragraph (3);
- (4) acquire any asset or engage in any transaction which involves the assumption of any liability which is unlimited. The liability of Shareholders of a Sub-Fund is limited to their investments in that Sub-Fund;
- (5) invest in any security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5% 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; or
- (6) invest in any securities where a call is to be made for any sum unpaid on that security, unless the call could be met in full out of cash or near cash by the Sub-Fund's portfolio whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transaction in FDIs for the purposes of the sub-section headed "Restrictions applicable to FDIs" below.

Borrowing restrictions

The Manager may cause to borrow up to 10% of the total Net Asset Value of a Sub-Fund unless a lower threshold is otherwise stated in the relevant Appendix, provided always that back-to-back loans shall not be taken into account. For the avoidance of doubt, securities lending transactions and Sale and Repurchase Transactions in compliance with the requirements as set out in the sub-section headed "Securities financing transactions" below are not subject to the limitations in this paragraph.

Financial derivative instruments

Subject to the UT Code and the provisions of the Instrument, a Sub-Fund may acquire FDIs, for hedging or non-hedging (investment) purposes, provided that the exposure to the underlying assets of the FDIs, together with other investments of the relevant Sub-Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets as set out in paragraphs (a), (b), (c), (g), (h) and (k) under the sub-section headed "Investment restrictions" above and paragraph (3) under the sub-section

headed "Investment prohibitions" above.

Hedging Purposes

A Sub-Fund may acquire FDIs for hedging purpose provided that such FDIs shall 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.

Hedging arrangement should be adjusted or re-positioned, where necessary and with due consideration on the fees, expenses and costs, to enable the Sub-Fund to meet its hedging objective in stressed or extreme market conditions.

Non-hedging (investment) purposes

A Sub-Fund (except for a Sub-Fund which is a money market fund authorised by the SFC under 8.2 of the Code) may acquire FDIs for non-hedging purposes ("investment purposes"), subject to the limit that the Sub-Fund's net exposure relating to these FDIs ("net derivative exposure") does not exceed 50% of its total Net Asset Value, provided that:

- (a) for the purpose of calculating net derivative exposure, the positions of FDIs acquired by a Sub-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) 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.

Restrictions applicable to FDIs

The FDIs invested by a Sub-Fund should 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 or currencies or other asset classes acceptable to the SFC, in which the Sub-Fund may invest according to its investment objectives and policies. Where a Sub-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 or limitations set out in paragraphs (a), (b), (c) and (g) under the sub-section headed "Investment restrictions" above provided that the relevant Index is in compliance with Chapter 8.6 (e) of the UT Code;

- (b) the counterparties to over-the-counter FDI transactions or their guarantors are substantial financial institutions or such other entity acceptable to the SFC on a case-by-case basis;
- (c) subject to paragraphs (a) and (b) under the sub-section headed "Investment restrictions" above, the Sub-Fund's net counterparty exposure to a single entity arising from transactions of the over-the-counter FDIs may not exceed 10% of the total Net Asset Value of the Sub-Fund. The exposure of the Sub-Fund to a counterparty of over-the-counter FDIs may be lowered by the collateral received (if applicable) by the Sub-Fund and shall be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter financial derivative instruments with that counterparty, if applicable; and
- (d) the valuation of the FDIs is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager or the Custodian or their nominee(s), agent(s) or delegate(s) 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 Sub-Fund. Further, the calculation agent/fund 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.

A Sub-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 Sub-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.

Subject to the paragraph immediately above, a transaction in FDIs which gives rise to a future commitment or contingent commitment of a Sub-Fund shall be covered as follows:

- (a) in the case of FDIs transactions which will, or may at the discretion of the Sub-Fund, be cash settled, the Sub-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 Sub-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 Sub-Fund may hold other alternative assets in sufficient quantity as cover, provided that such assets may be readily converted into the underlying assets at any time to meet the delivery obligation. In the case of holding alternative assets as cover, the Sub-Fund should apply safeguard measures such as to apply haircut where appropriate to ensure that such alternative assets held are sufficient to meet its future obligations.

Where a financial instrument embeds a financial derivative, the requirements under the sub-

section headed “Financial Derivative Instruments” above will also apply to the embedded financial derivative. For such purposes, an “embedded financial derivative” is a FDI that is embedded in another security, namely the host contract.

Securities financing transactions

Where provided in the relevant Appendix, a Sub-Fund may enter into securities financing transactions in respect of a Sub-Fund, provided that they are in the best interests of the Shareholders; the associated risks have been properly mitigated and addressed; and the counterparties to the securities financing transactions are financial institutions which are subject to ongoing prudential regulation and supervision.

Please refer to the “Investment Strategy” section in each relevant Appendix for the policy regarding such arrangements for each Sub-Fund.

A Sub-Fund which engages in securities financing transactions shall fulfil the following requirements:

- it should have at least 100% collateralisation in respect of the securities financing transactions into which it enters to ensure there is no uncollateralised counterparty risk exposure arising from these transactions;
- all the revenues arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities financing transactions shall be returned to the Sub-Fund; and
- it should ensure that it is able at any time to recall the securities or the full amount of cash (as the case may be) subject to the securities financing transaction(s) or terminate the securities financing transaction(s) into which it has entered.

Please refer to each Appendix for the use of securities financing transactions for each Sub-Fund. If a Sub-Fund enters into such transactions, information on a Sub-Fund’s securities financing transactions will be included in the annual report of the Sub-Fund. A summary of the policy of the Manager in relation to securities financing transactions is set out in Schedule 1 to this Explanatory Memorandum.

Collateral

To limit the exposure to each counterparty as set out in the sub-sections headed “Restrictions applicable to FDIs” and “Securities financing transactions” above, a Sub-Fund may receive collateral from a counterparty to over-the-counter FDI transactions and securities financing transactions, provided that the collateral complies with the requirements set out below:

- Liquidity – collateral must be sufficiently liquid and tradable in order that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing;
- Valuation – collateral should be marked-to-market daily by using independent pricing source;
- 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 – 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. The price volatility of the asset used as collateral should be taken into account when devising the haircut policy. 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, should also be considered where appropriate;
- Diversification – collateral must be appropriately diversified to avoid concentrated exposure to any single entity and/or Entities within the Same Group. The Sub-Fund’s exposure to issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in paragraphs (a), (b), (c), (g), (h) and (k) under the sub-section headed “Investment restrictions” above and paragraph (3) under the sub-section headed “Investment prohibitions” 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 to the extent that it would undermine the effectiveness of the collateral. Securities issued by the counterparty or the issuer of the financial derivative instruments, or the counterparty of securities financing transactions or any of their related entities should not be used as collateral;
- 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 relevant Sub-Fund;
- Enforceability – collateral must be readily accessible/enforceable by the Custodian of the Sub-Fund without further recourse to the issuer of the FDIs, or the counterparty of the securities financing transactions;
- Re-investment of collateral – unless otherwise specified in the relevant Appendix and subject to prior consultation with the SFC, and in compliance with the Laws and Regulations, 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 UT 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 UT Code. Non- cash collateral received may not be sold, re-invested or pledged;

For the purpose herein, “money market instruments” refer to securities normally dealt in on the money markets, including government bills, certificates of deposit, commercial papers, short-term notes and bankers’ acceptances, etc. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments must be taken into account. Any re-investment of cash collateral shall be subject to the following further restrictions and limitations and all other restrictions and limitations as may be imposed from time to time by the SFC:

- (i) the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in paragraphs (2) and (11) under the sub-section headed "Money market funds" above;
 - (ii) cash collateral received is not allowed to be further engaged in any securities financing transactions; and
 - (iii) 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.
- Collateral should be free of prior encumbrances; and
 - Collateral generally should not include (i) structured products whose payouts rely on embedded financial derivatives or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitized products; or (iv) unlisted collective investment schemes.

Where a Sub-Fund intends to receive collateral, a description of holdings of collateral (including a description of the nature of collateral, identity of the counterparty providing the collateral, value of the Sub-Fund (by percentage) secured/ covered by collateral with breakdown by asset class/nature, credit rating (if applicable), maturity tenor, data on re-investment of cash collateral, data on re-use or re-hypothecation (if applicable) and custody or safe-keeping arrangement) will be disclosed in the Sub-Fund's annual and interim reports for the relevant period as required under Appendix E of the UT Code. Please refer to Schedule 2 for details of the Manager's policy in relation to collateral.

Breach of investment limits

If the investment and borrowing restrictions for a Sub-Fund are breached, the Manager shall as a priority objective take all steps as are necessary within a reasonable period of time to remedy the situation, taking due account of the interests of the Shareholders of the relevant Sub-Fund.

Money market funds

In the exercise of its investment powers in relation to a Sub-Fund which is a money market fund authorised by the SFC under 8.2 of the Code, the Manager shall ensure that the core requirements as set out in the sub-sections headed "Investment restrictions", "Investment prohibitions", "Borrowing restrictions", "Financial derivative instruments", "Securities financing transactions" and "Collateral" shall apply with the following modifications, exemptions or additional requirements:-

- (1) subject to the provisions below, the Sub-Fund may only invest in short-term deposits and high-quality money market instruments (i.e. securities normally dealt in on the money markets including government bills, certificates of deposit, commercial papers, short-term notes, bankers' acceptances, asset-backed securities such as asset-backed commercial papers), and money market funds that are authorised by the SFC under Chapter 8.2 of the UT Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC;
- (2) the Sub-Fund must maintain a portfolio with weighted average maturity of not exceeding 60 days and a weighted average life not exceeding 120 days and must not

purchase an instrument with a remaining maturity of more than 397 days, or two years in the case of Government and other Public Securities; For the purposes herein:

- a. "weighted average maturity" is a measure of the average length of time to maturity of all the underlying securities in the Sub-Fund weighted to reflect the relative holdings in each instrument; and is used to measure the sensitivity of the Sub-Fund to changing money market interest rates; and
- b. "weighted average life" is the weighted average of the remaining life of each security held in the Sub-Fund; and is used to measure the credit risk, as well as the liquidity risk,

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

- (3) notwithstanding paragraphs (a) and (c) under the sub-section headed "Investment restrictions" above, the aggregate value of the Sub-Fund's holding of instruments and deposits issued by a single entity may not exceed 10% of the total Net Asset Value of the Sub-Fund except:-
 - a. where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%; or
 - b. in the case of Government and other Public Securities, up to 30% may be invested in the same issue; or
 - c. in respect of any deposit of less than USD1,000,000 or its equivalent in the base currency of the Sub-Fund, where the Sub-Fund cannot otherwise diversify as a result of its size.
- (4) notwithstanding paragraphs (b) and (c) under the sub-section headed "Investment restrictions" above, the aggregate value of the Sub-Fund's investments in Entities within the Same Group through instruments and deposits may not exceed 20% of its total Net Asset Value except:-
 - a. any cash deposit of less than USD1,000,000 or its equivalent in the base currency of the Sub-Fund, where the Sub-Fund cannot otherwise diversify as a result of its size; and
 - b. where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%;
- (5) notwithstanding the borrowing limit as set out in the sub-section headed "Borrowing restrictions" below, the Sub-Fund may borrow up to 10% of its total Net Asset Value but only on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses;
- (6) the value of the Sub-Fund's holding of money market funds that are authorized by the SFC under Chapter 8.2 of the UT Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC may not in aggregate exceed 10% of its total Net Asset Value;

- (7) the value of the Sub-Fund's holding of investments in the form of asset-backed securities may not exceed 15% of its total Net Asset Value;
- (8) subject to the requirements set out in the sub-sections headed "Securities financing transactions" and "Collateral" above, the Sub-Fund may engage in sale and repurchase, and reverse repurchase transactions in compliance with the following additional requirements:
 - a. the amount of cash received by the Sub-Fund under sale and repurchase transactions may not in aggregate exceed 10% of its total Net Asset Value;
 - b. the aggregate amount of cash provided to the same counterparty in reverse repurchase agreements may not exceed 15% of the Net Asset Value of the Sub-Fund;
 - c. collateral received may only be cash, high-quality money market instruments, and may also include, in the case of reverse repurchase transactions, government securities receiving a favourable assessment on credit quality; and
 - d. the holding of collateral, together with other investments of the Sub-Fund, must not contravene the investment limitations and requirements set out under this sub-section headed "Money market funds";
- (9) the Sub-Fund may use FDIs for hedging purposes only;
- (10) the currency risk of the Sub-Fund should be appropriately managed. In particular, any material currency risk should be appropriately hedged where the Sub-Fund invests in assets that are not denominated in the Base Currency of the Sub-Fund; and
- (11) the Sub-Fund must hold at least 7.5% of its total Net Asset Value in daily liquid assets and at least 15% of its total Net Asset Value in weekly liquid assets. For the purposes herein:-
 - a. daily liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within one Business Day; and (iii) amount receivable and due unconditionally within one Business Day on pending sales of portfolio securities; and
 - b. weekly liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within five Business Days; and (iii) amount receivable and due unconditionally within five Business Days on pending sales of portfolio securities.

Stock Connect

The Stock Connect is a securities trading and clearing linked programme developed by the HKEX, the SSE, the SZSE and the CSDCC, with an aim to achieve mutual stock market access between Mainland China and Hong Kong. It comprises the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.

Each of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect comprises a Northbound Trading Link and a Southbound Trading Link. Under the Northbound Trading Link, Hong Kong and overseas investors (including the Sub-Fund), through their Hong Kong brokers and securities trading service companies (in Shanghai and

Qianhai Shenzhen respectively) established by the Stock Exchange and the HKSCC, are able to trade eligible shares listed on the SSE or the SZSE by routing orders to the SSE or the SZSE (as the case may be). Under the Southbound Trading Link, eligible investors, through Mainland Chinese securities firms and securities trading service companies established by the SSE and the SZSE, are able to trade eligible shares listed on the Stock Exchange by routing orders to the Stock Exchange.

Eligible securities

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

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

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

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

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

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

Trading day

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

Trading quota

Trading under the Stock Connect will be subject to a daily quota ("Daily Quota"), which will be separate for Northbound and Southbound trading, for each of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect. The Daily Quota limits the maximum net buy value of cross-boundary trades under the Stock Connect each day. The quotas do not belong to any Sub-Fund and are utilised on a first-come-first-serve basis. The Stock Exchange monitors the quota and publishes the remaining balance of the Northbound Daily Quota at scheduled times on the HKEX's website. The Daily Quota may change in future. The Manager will not notify investors in case of a change of quota.

Settlement and Custody

The HKSCC 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. Accordingly investors do not hold SSE Securities or SZSE Securities directly – these are held through their brokers' or custodians' accounts with CCASS.

Corporate actions and shareholders' meetings

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

Foreign shareholding restrictions

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

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

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

Currency

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

Trading fees and taxes

In addition to paying trading fees and stamp duties in connection with A-Share trading, the Sub-Fund may be subject to other fees and taxes concerned with income arising from stock transfers which are yet to be determined by the relevant authorities.

Investor Compensation

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

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

the northbound link of a Stock Connect arrangement.

On the other hand, since a Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not mainland Chinese brokers, such trading is not protected by the China Securities Investor Protection Fund (中國投資者保護基金) in Mainland China.

Further information about the Stock Connect is available at the website:

https://www.hkex.com.hk/mutual-market/stock-connect?sc_lang=en (which has not been reviewed or approved by the SFC).

QFI regime

Under current regulations in the PRC, foreign investors can invest in the domestic securities market through certain qualified foreign institutional investors that have obtained status as qualified foreign institutional investors (“QFIIs”) or Renminbi qualified foreign institutional investors (“RQFIIs”, together with QFIIs as “QFIs”) from the CSRC for the purpose of investing in the PRC’s domestic securities markets, or via Bond Connect.

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

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

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

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

- the “Implementation Rules for Filing by Foreign Institutional Investors for Investment in Interbank Bond Markets” (境外機構投資者投資銀行間債券市場備案管理實施細則) issued by the Shanghai Head Office of PBOC on 27 May 2016;
- the “Circular concerning the Foreign Institutional Investors’ Investment in Interbank bond market in relation to foreign currency control” (國家外匯管理局關於境外機構投資者投資銀行間債券市場有關外匯管理問題的通知) issued by SAFE on 27 May 2016; and
- any other applicable regulations promulgated by the relevant authorities.

Under the prevailing regulations in Mainland China, foreign institutional investors who wish to

invest directly in the Mainland inter-bank bond market may do so via an onshore settlement agent, who will be responsible for making the relevant filings and account opening with the relevant authorities. There is no quota limitation.

In terms of fund remittance, foreign investors (such as a Sub-Fund) may remit investment principal in RMB or foreign currency into Mainland China for investing in the Mainland inter-bank bond market. An investor will need to remit investment principal matching at least 50% of its anticipated investment size within nine months after the completion of the filing with the Shanghai Head Office of PBOC, or else an updated filing will need to be made through the onshore settlement agent. For repatriation, where a Sub-Fund repatriates funds out of Mainland China, the ratio of RMB to foreign currency (“Currency Ratio”) should generally match the original Currency Ratio when the investment principal was remitted into Mainland China, with a maximum permissible deviation of 10%.

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

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

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

- the “Interim Measures for the Administration of Mutual Bond Market Access between Mainland China and Hong Kong (Decree No.1 [2017])” (內地與香港債券市場互聯互通合作管理暫行辦法(中國人民銀行令 [2017] 第1號)) issued by the PBOC on 21 June 2017;
- the “Guide on Registration of Overseas Investors for Northbound Trading in Bond Connect” (中國人民銀行上海總部“債券通”北向通境外投資者准入備案業務指引) issued by the Shanghai Head Office of PBOC on 22 June 2017; and
- any other applicable regulations promulgated by the relevant authorities.

Under the prevailing regulations in Mainland China, eligible foreign investors will be allowed to invest in the bonds circulated in the Mainland inter-bank bond market through the northbound trading of Bond Connect (“Northbound Trading Link”). There will be no investment quota for Northbound Trading Link.

Under the Northbound Trading Link, eligible foreign investors are required to appoint the CFETS or other institutions recognised by the PBOC as registration agents to apply for registration with the PBOC Shanghai Head Office.

Pursuant to the prevailing regulations in Mainland China, an offshore custody agent recognised by the Hong Kong Monetary Authority (currently, the Central Moneymarkets Unit) shall open omnibus nominee accounts with the onshore custody agent recognised by the PBOC (currently, the China Central Depository & Clearing Co., Ltd. (“CCDC”) and Shanghai Clearing House (“SHCH”). All bonds traded by eligible foreign investors will be registered in the name of Central Moneymarkets Unit, which will hold such bonds as a nominee owner.

SUBSCRIPTION OF SHARES

Initial issue of Shares

During an Initial Offer Period, Shares in a Sub-Fund will be offered to investors at an initial Subscription Price of a fixed price per Share as specified in the relevant Appendix.

If at any time during an Initial Offer Period, the total amount received by the Administrator from the subscription of the Shares reaches a maximum amount for aggregate subscriptions (as specified in the relevant Appendix), the Manager is entitled (but not obliged) to close the Sub-Fund to further subscriptions before the end of the relevant Initial Offer Period.

The Manager may decide not to issue any Shares in the event that less than a minimum amount for aggregate subscriptions (as specified in the relevant Appendix), is raised during the relevant Initial Offer Period or if the Manager is of the opinion that it is not commercially viable to proceed. In such event subscription monies paid by an applicant will be returned by telegraphic transfer or such other means as the Manager considers appropriate at the applicant's risk (without interest) promptly after the expiry of the Initial Offer Period.

Shares will be issued on the closing day of the Initial Offer Period or such other Business Day as the Manager may determine. Subject to as disclosed in the relevant Appendix, dealing of the Shares will commence on the Dealing Day immediately following the closure of the relevant Initial Offer Period.

Subsequent issue of Shares

Following the close of the relevant Initial Offer Period, Shares will be available for issue on each Dealing Day at the relevant Subscription Price, unless otherwise specified in the relevant Appendix.

Unless otherwise specified in the relevant Appendix, the Subscription Price on any Dealing Day will be the price per Share ascertained by dividing the Net Asset Value of the relevant class as at the Valuation Point in respect of the relevant Dealing Day by the number of Shares of that class then in issue and rounded to 4 decimal places (0.00005 and above being rounded up; below 0.00005 being rounded down) or in such manner and to such other number of decimal places as may from time to time be determined by the Manager. Any rounding adjustment will be retained by the relevant Sub-Fund. The Subscription Price will be calculated and quoted in the Base Currency or (for classes with a Class Currency other than the Base Currency) in the Class Currency of such classes, converted at the exchange rate agreed by the Manager.

Where specified in the relevant Appendix, in determining the Subscription Price, the Manager may, at its discretion, add an amount it considers represents an appropriate allowance for extraordinary transactional fees or expenses, including stamp duty, other taxes, brokerage, bank charges, transfer fees and registration fees, which are customarily incurred by the relevant Sub-Fund in investing a sum equal to the application monies and issuing the relevant Shares or the remittance of money to the Custodian. Any such additional amount will be paid to the Custodian and will form part of the assets of the relevant Sub-Fund. Please also refer to the section "Adjustment of Prices" in this Explanatory Memorandum and the relevant Appendix for details.

The Manager is entitled to impose a subscription fee on the Subscription Price of each Share. The Manager may retain the benefit of such subscription fee or may pay all or part of the subscription fee (and any other fees received) to recognised intermediaries or such other persons as the Manager may at its absolute discretion determine. Details of the subscription

fee are set out in the section headed “Expenses and Charges” below.

Application procedure

To subscribe for Shares, an applicant should complete the application form supplied with this Explanatory Memorandum and return the original form, together with the required supporting documents, to the Administrator.

Applications for Shares during the relevant Initial Offer Period, together with cleared funds, must be received by no later than 4:00 p.m. (Hong Kong time) on the last day of the relevant Initial Offer Period, unless otherwise specified in the relevant Appendix. After the Initial Offer Period, applications must be received by the relevant Dealing Deadline, unless otherwise specified in the relevant Appendix. Unless otherwise specified in the relevant Appendix, if any application is received after the relevant Dealing Deadline in respect of a Dealing Day, then the application will be deemed to have been received on the following Dealing Day.

Applications for subscription may be made in writing by post or sent via fax or other electronic means accepted by the Directors. In respect of an initial application for Shares, the original application form should be submitted, and the Manager or the Administrator reserve the right to refuse to act on an application form sent by fax or other electronic means until the original of the application form is received. In respect of a subsequent application for Shares, unless otherwise required by the Manager or the Administrator, the original additional subscription form is not required to be submitted. Applicants who choose to send an application form by fax or other electronic means accepted by the Directors bear the risk of the form being illegible or not being received by the Administrator. Applicants should therefore, for their own benefit, confirm with the Administrator safe receipt of an application form. Neither the Manager nor the Administrator (nor any of their respective officers, employees, agents or delegates) will be responsible to an applicant for any loss resulting from non-receipt or illegibility of any application form sent by fax or other electronic means accepted by the Manager or for any loss caused in respect of any action taken as a consequence of such application believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a transmission report produced by the originator of such transmission discloses that such transmission was sent.

Unless the Directors otherwise determines or otherwise specified in the relevant Appendix, payment for Shares shall be due in cleared funds in the relevant currency within 3 Business Days following the relevant Dealing Day on which an application was received by the Dealing Deadline. If payment in cleared funds is not received prior to such time as aforesaid, the application may, at the discretion of the Directors, be considered void and cancelled. In such event the Manager may require the applicant to pay to the Custodian, for the account of the relevant Sub-Fund, in respect of each Share cancelled, the amount (if any) by which the Subscription Price on the relevant Dealing Day exceeds the applicable Redemption Price on the date of cancellation and the Administrator shall be entitled to charge the applicant a cancellation fee for the administrative costs involved in processing the application and subsequent cancellation.

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

Applicants may apply for Shares through a distributor appointed by the Manager. Distributors may have different dealing procedures, including earlier cut-off times for receipt of applications and/or cleared funds. Applicants who intend to apply for Shares through a distributor should therefore consult the distributor for details of the relevant dealing procedures.

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

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

The Manager may, at its discretion, reject in whole or in part any application for Shares without giving any reason for doing so. In the event that an application is rejected in whole or in part, the subscription monies received, or the balance thereof, shall be returned to the applicant (without interest and after deduction of any expenses incurred in returning all or any part of such subscription monies) by telegraphic transfer or by such other means as the Manager considers appropriate at the risk of the applicant.

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

Payment procedure

Subscription monies should be paid in the currency in which the relevant Class of Shares is denominated. Payment details are set out in the application form.

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

Subscription monies paid by any person other than the applicant will not be accepted.

General

All holdings of Shares will be in registered form and certificates will not be issued. Evidence of

title of Shares will be the entry on the register of Shareholders in respect of each Sub-Fund. Shareholders should therefore be aware of the importance of ensuring that the Registrar is informed of any change to the registered details. Fractions of Shares may be issued rounded down to the nearest 4 decimal places unless otherwise specified in the Appendix of a relevant Sub-Fund. Subscription monies representing smaller fractions of a Share will be retained by the Company for the relevant Sub-Fund. A maximum of 4 persons may be registered as joint Shareholders.

REDEMPTION OF SHARES

Redemption procedure

Shareholders who wish to redeem their Shares in a Sub-Fund may do so on any Dealing Day by submitting a redemption request to the Administrator.

Any redemption request must be received by the Administrator before the Dealing Deadline. Investors redeeming Shares through a distributor or a nominee should submit their redemption requests to the distributor or nominee in such manner as directed by the distributor or nominee. Distributors and nominees may have different dealing procedures, including earlier cut-off times for receipt of redemption requests. Where an investor holds its investment in Shares through a nominee, the investor wishing to redeem Shares must ensure that the nominee, as the registered Shareholder, submits the relevant redemption request by the Dealing Deadline. Redemption requests submitted after the applicable Dealing Deadline in respect of any Dealing Day will be dealt with on the next Dealing Day.

Redemption requests may be made in writing sent via fax or other electronic means accepted by the Directors and must specify the name of the Sub-Fund, the class (if applicable) and the value or number of Shares to be redeemed, the name(s) of the registered Shareholder(s) and give payment instructions for the redemption proceeds.

Unless otherwise requested by the Manager or the Administrator, the original of any redemption request is not required to be submitted. A Shareholder who chooses to send the redemption request by fax or other electronic means accepted by the Directors bears the risk of the request being illegible or not being received by the Administrator. Shareholders should therefore, for their own benefit, confirm with the Administrator safe receipt of a redemption request. Neither the Manager nor the Administrator (nor any of their respective officers, employees, agents or delegates) will be responsible to a Shareholder for any loss resulting from non-receipt or illegibility of any redemption request sent by fax or other electronic means accepted by the Directors or for any loss caused in respect of any action taken as a consequence of such redemption request believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a transmission report produced by the originator of such transmission discloses that such transmission was sent.

Partial redemption of a holding of Shares in a Sub-Fund by a Shareholder may be effected, provided that such redemption will not result in the Shareholder holding less than the minimum holding specified in the relevant Appendix. In the event that, for whatever reason, a Shareholder's holding of Shares is less than such minimum holding, the Manager may give notice requiring such Shareholder to submit a redemption request in respect of such Shares. A request for a partial redemption of Shares with an aggregate value of less than the minimum amount specified in the relevant Appendix (if any) will not be accepted.

Payment of redemption proceeds

Unless otherwise specified in the relevant Appendix, the Redemption Price on any Dealing Day will be the price per Share ascertained by dividing the Net Asset Value of the relevant class as at the Valuation Point in respect of the relevant Dealing Day by the number of Shares of that class then in issue and rounded to 4 decimal places (0.00005 and above being rounded up; below 0.00005 being rounded down) or in such manner and to such other number of decimal places as may from time to time be determined by the Manager. Any rounding adjustment will be retained by the relevant Sub-Fund. The Redemption Price will be calculated and quoted in the Base Currency or (for classes with a Class Currency other than the Base Currency) in the Class Currency of such classes, converted at the exchange rate agreed by the Manager.

Where specified in the relevant Appendix, in determining the Redemption Price, the Manager may, at its discretion, deduct from the Redemption Price an amount which it considers represents an appropriate allowance for extraordinary transactional fees or expenses, including stamp duty, other taxes, brokerage, bank charges, transfer fees and registration fees, which are customarily incurred by the relevant Sub-Fund in realising assets to provide funds to meet any redemption request. Any such deducted amount will be retained by and form part of the assets of the relevant Sub-Fund. Please also refer to the section "Adjustment of Prices" in this Explanatory Memorandum and the relevant Appendix for details.

The Manager may at its option impose a redemption fee in respect of the Shares to be redeemed as described in the section headed "Expenses and Charges" below. The Manager may on any day in its sole and absolute discretion differentiate between Shareholders as to the amount of the redemption fee to be imposed (within the permitted limit provided in the Instrument) on each Shareholder.

The amount due to a Shareholder on the redemption of a Share will be the Redemption Price, less any redemption fee. The redemption fee will be retained by the Manager.

Redemption proceeds will not be paid to any redeeming Shareholder until (a) the redemption request duly signed by the Shareholder and such other information and documentation as may be required by the Manager or the Administrator has been received by the Administrator and (b) the signature of the Shareholder (or each joint Shareholder) has been verified to the satisfaction of the Company or its duly authorised agents. In accordance with the Sub-Fund's anti-money laundering (AML) obligations, requests for transfer or payment of redemption proceeds will not be effected until receipt of all outstanding information and identification documents. None of the Sub-Fund, the Manager or the Custodian accepts any responsibility for any loss caused as a result of any such delay for refusal to process transfer requests or effect payment of redemption proceeds (as the case may be) and claims for payment of interest due to such delays are not accepted.

Subject as mentioned above, and save as determined by the Directors at the request or with the agreement of the redeeming Shareholder, and so long as relevant account details have been provided, redemption proceeds will normally be paid in the currency of denomination of the relevant class of Shares by telegraphic transfer as soon as practicable (normally within 7 Business Days) but in any event within one calendar month of the relevant Dealing Day or (if later) receipt of a properly documented redemption request, unless the markets in which a substantial portion of the relevant Sub-Fund's investments is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of redemption proceeds within the aforesaid time period not practicable, but in such a case the details of such legal or regulatory requirements will be set out in the relevant Appendix and the extended time frame for payment should reflect the additional time needed in light of the specific circumstances in the relevant markets. Any bank charges associated with the payment of such redemption proceeds will be borne by the redeeming Shareholder.

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

Unless otherwise specified in the relevant Appendix relating to a Sub-Fund and subject to the approval of the Directors, and to applicable limits on foreign exchange, redemption proceeds can be paid in a currency other than the relevant Base Currency or Class Currency. Redemption proceeds may be paid in a currency other than the relevant Base Currency or Class Currency if so requested by the relevant redeeming Shareholders and agreed by the Directors. In addition, the Directors may, without the consent of the relevant redeeming Shareholder, pay redemption proceeds in a currency other than the relevant Class Currency if

due to any foreign exchange control or restriction or regulatory requirement or policy, the relevant Class Currency is not available or not sufficient for payment of the redemption proceeds.

Where redemption proceeds are paid in a currency other than the relevant Base Currency or Class Currency, they will be converted from the relevant Base Currency or Class Currency at the cost of the relevant redeeming Shareholders. Any conversion from the relevant Base Currency or Class Currency, will be at the prevailing market rate (whether official or otherwise) which the Manager deems appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange. The cost of currency conversion (including but not limited to any bank charges and charges for telegraphic transfer) will be deducted from the redemption proceeds. Conversion of currency may be made at a premium or discount in exceptional circumstances such as where there is a huge fluctuation in the exchange rate. Save for any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence of the relevant party, none of the Company, the Manager, the Administrator, the Custodian or their respective agents or delegates will be liable to any Shareholder or any person for any loss suffered by such Shareholder arising from such currency conversion.

The Instrument provides that redemptions may be, in whole or in part, made in specie at the discretion of the Manager. However, the Manager does not intend to exercise this discretion in respect of any Sub-Fund unless otherwise specified in the relevant Appendix. In any event, redemptions may only be made in specie, in whole or in part, with the consent of the Shareholder requesting the redemption.

Restrictions on redemption

With a view to protecting the interests of Shareholders and unless otherwise specified in the relevant Appendix, the Manager in consultation with the Custodian may limit the number of Shares of a Sub-Fund redeemed on any Dealing Day (whether by sale to the Manager or by cancellation by the Custodian) to 10% of the total Net Asset Value of Shares of the relevant Sub-Fund in issue. In this event, the limitation will apply pro rata so that all Shareholders of the relevant Sub-Fund wishing to redeem Shares of that Sub-Fund on that Dealing Day will redeem the same proportion of such Shares, and Shares not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption on the next Dealing Day based on the Redemption Price as at that Dealing Day, subject to the same limitation, and will have priority on the next Dealing Day over subsequent redemption requests received in respect of such subsequent Dealing Day. If requests for redemption are so carried forward, the Manager will inform the Shareholders within 7 Business Days of such subsequent Dealing Day.

The Manager may suspend the redemption of Shares of any Sub-Fund, or delay the payment of redemption proceeds in respect of any redemption request received, during any period in which the determination of the Net Asset Value of the relevant Sub-Fund is suspended (for details please see the section headed "Suspension of Calculation of Net Asset Value").

Compulsory redemption

If the Directors reasonably suspect that any Shares are owned directly, indirectly or beneficially (i) by a U.S. Person; (ii) in circumstances (whether directly or indirectly affecting such person or persons and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager to be relevant) which, in the opinion of the Manager, might result in the Company, the Manager, the Custodian or the relevant Sub-Fund incurring or suffering any liability to taxation or suffering any other potential or actual pecuniary disadvantage or would subject the Manager, the Custodian or the relevant Sub-Fund to any additional regulation to which the Company, the Manager, the Custodian or the

relevant Sub-Fund might not otherwise have incurred or suffered or been subject; or (iii) in breach of any applicable law or applicable requirements of any country/region or governmental authority, the Directors may give notice to the relevant Shareholder requiring him to transfer such Shares to a person who would not thereby be in contravention of any such restrictions as aforesaid or may give a request in writing for the redemption of such Shares in accordance with the terms of the Instrument. If any Shareholder upon whom such a notice is served pursuant to the Instrument does not, within 30 days of such notice, transfer or redeem such Shares as aforesaid or establish to the satisfaction of the Manager (whose judgment shall be final and binding) that such Shares are not held in contravention of any such restrictions he shall be deemed upon the expiry of the 30 day period to have given a request in writing for the redemption of all such Shares.

SWITCHING

The Manager may from time to time permit Shareholders to switch some or all of their Shares of any class of a Sub-Fund (the “Existing Class”) into Shares of another class of the same Sub-Fund or of another Sub-Fund which has been authorised by the SFC (the “New Class”), as specified in the relevant Appendix. Where permitted, Shareholders may request switching by giving notice in writing via fax or other electronic means accepted by the Directors. A Shareholder who chooses to send the notice by fax or other electronic means accepted by the Directors bears the risk of the request being illegible or not being received by the Administrator. Shareholders should therefore, for their own benefit, confirm with the Administrator safe receipt of a switching notice. Neither the Company, the Directors, the Manager, the Registrar, the Administrator or their respective delegates or agents shall be responsible to any Shareholder for any loss resulting from the non-receipt or illegibility of a request for switching transmitted by fax or other electronic means accepted by the Directors, or for any loss caused in respect of any action taken as a consequence of instructions believed in good faith to have originated from the Shareholder. This is notwithstanding the fact that a transmission report produced by the originator of such transmission discloses that such transmission was sent. Unless otherwise determined by the Manager, a request for the switching of part of a holding of Shares will not be effected if, as a result, the Shareholder would hold less than the minimum holding specified for the New Class (if any).

Under the Instrument, the Manager is entitled to impose a switching fee on the switching of Shares of up to 1% of the redemption proceeds payable in respect of the Shares of the Existing Class being switched. The switching fee will be deducted from the amount reinvested in the New Class and will be paid to the Manager.

Any switching request must be received by the Company before the Dealing Deadline, unless otherwise agreed by the Manager. Where a request for switching is received by the Company in respect of a Dealing Day, switching will be effected as follows:

- redemption of the Shares of the Existing Class will be dealt with by reference to the Redemption Price on that Dealing Day (the “Switching Redemption Day”);
- where the Existing Class and the New Class have different currencies of denomination, the redemption proceeds of Shares of the Existing Class, after deduction of any switching fee, shall be converted into the currency of denomination of the New Class; and
- the resulting amount will be used to subscribe for Shares of the New Class at the relevant Subscription Price on the Dealing Day on which the Custodian receives cleared funds in the relevant currency by the Dealing Deadline of the New Class (the “Switching Subscription Day”).

Subject to the time required to remit redemption proceeds in respect of the Shares of the Existing Class, the Switching Subscription Day may be later than the Switching Redemption Day.

The Manager may suspend the switching of Shares during any period in which the determination of the Net Asset Value of the relevant class or Shares of the relevant Sub-Fund is suspended (for details see “Suspension of Calculation of Net Asset Value” below).

No partial switching shall be effected if it would result in the Shareholder holding Shares of less than the minimum investment amount in relation to either the Existing Class or the New Class. The Manager may, in its absolute discretion, waive the requirements of such minimum investment or holding amount.

Details of the switching policy and switching fee (if any) relating to each class of Shares are set out in the relevant Appendix.

VALUATION

Valuation rules

The Net Asset Value of each Sub-Fund will be calculated by valuing the assets of the Sub-Fund and deducting the liabilities attributable to the Sub-Fund. 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 Instrument, and an appropriate allowance for any contingent liabilities.

Where a Sub-Fund has more than one class of Shares, to ascertain the Net Asset Value of a class of Shares, a separate class account (a "Class Account") will be established in the books of the Sub-Fund. An amount equal to the proceeds of issue of each Share will be credited to the relevant Class Account. Any increase or decrease in the Net Asset Value of the Sub-Fund (disregarding for these purposes any increase in the Net Asset Value due to new subscriptions or decreases due to redemptions or any designated Class Adjustments (as defined below)) will be allocated to the relevant Class Account on a pro-rata basis based on the previous Net Asset Value of each such Class Account. There will then be allocated to each Class Account the "designated Class Adjustments" being those costs, pre-paid expenses, losses, dividends, profits, gains and income which the Manager determines relate to a single class.

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

- (a) investments (other than a commodity, futures contract or an interest in a collective investment scheme) that are quoted, listed, traded or dealt in on any securities market will be valued by reference to 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 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 by the Manager after consultation with the Custodian; (iii) interest accrued on any interest-bearing investments shall be taken into account, unless such interest is included in the quoted or listed price; and (iv) the Manager or the Administrator shall be entitled to use and rely on electronically transmitted data from such source or sources or pricing systems as they may from time to time think fit and the prices provided by any such source or pricing system shall be deemed to be the last traded prices for the purposes of valuation;
- (b) the value of any investment (other than a commodity 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 out of the assets of the Sub-Fund in the acquisition of such investment (including, in each case the amount of stamp duties, commissions and other acquisition expenses). Thereafter the Manager may at any time in consultation with the Custodian (and shall at such times or at such intervals as the Custodian shall request) cause a revaluation to be made by reference to the latest bid price, asked price or mean thereof, as the Manager considers appropriate, quoted by a person, firm or institution making a market in such investment or otherwise approved by the Custodian as qualified to value such

- investment(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 shall be ascertained in accordance with the following:
 - (i) if a commodity 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, ascertainable at any relevant time, then regard shall be had to any certificate as to the value of such commodity provided by a firm or institution making a market in such commodity;
 - (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 Sub-Fund in order to close the relevant Contract and the amount expended out of the Sub-Fund in entering into the relevant Contract (including the amount of all stamp duties, commissions and other expenses but excluding any deposit or margin provided in connection therewith); and (2) where the relevant Contract is for the purchase of a commodity, by subtracting, from the amount determined 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 Sub-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 Sub-Fund in entering into the relevant Contract (including the amount of all stamp duties, commissions and other expenses but excluding any deposit or margin provided in connection therewith); and
 - (iv) if the provisions of (i) and (ii) do not apply to the relevant commodity, then the value shall be determined in accordance with (b) above as if such commodity were an unquoted investment;
 - (e) the value of each unit, share or interest in any collective investment scheme which is valued as at the same day as the Sub-Fund shall be the net asset value per unit, share or other interest in such collective investment scheme calculated as at that day or, if the Manager so determines, if such collective investment scheme is not valued as at the same day as the Sub-Fund, shall be the last published net asset value per unit, share or other interest in such collective investment scheme, provided that if no net asset value and bid prices are available, the value thereof shall be determined from time to time in such manner as the Manager shall determine in consultation with the relevant Custodian;
 - (f) notwithstanding paragraphs (a) to (e) above, the Manager may, upon consultation with the relevant Custodian or with the prior consent in writing of the relevant 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 provided that such adjustment may only be made in compliance with the Laws and Regulations;

- (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 Sub-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 Custodian or its delegates or the Manager (after consultation with the Custodian where the Manager in its good faith opinion considers appropriate to consult the Custodian) shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange; and
- (h) for the purposes of the above, a collective investment scheme which is listed and regularly traded on a securities market (other than a nominal listing) is deemed to be a quoted investment.

Suspension of Calculation of Net Asset Value

Subject to the Laws and Regulations and the Instrument, the Manager may, in consultation with the Custodian, suspend the determination of the Net Asset Value of the Company or of any Sub-Fund or of any Class of Shares, the allotment or the issuance of Shares of any Class and/or the right of Shareholders to redeem or switch Shares of any Class and/or the payment of the Redemption Price for the whole or any part of any period:

- (a) during which there is a closure (other than customary weekend and holiday closing) of or the restriction or suspension of trading on any Securities Market on which a substantial part of the investments of the Company or a Sub-Fund is normally traded;
- (b) during which for any other reason the prices of investments held or contracted for by the Company or a Sub-Fund cannot, in the opinion of the Manager, reasonably, promptly or fairly be ascertained;
- (c) when circumstances exist as a result of which in the opinion of the Manager it is not reasonably practicable for the Company to realise a substantial part of the investments held or contracted for the account of the Company or a Sub-Fund or it is not possible to do so without seriously prejudicing the interests of Shareholders of the relevant Class;
- (d) during which the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, a substantial part of the investments of the Company or a Sub-Fund or the issue or redemption of Shares of the relevant Class is delayed or cannot, in the opinion of the Manager, be carried out promptly at normal rates of exchange;
- (e) when a breakdown in the systems and/or means of communication usually employed in ascertaining the value of investments or the Net Asset Value or the Subscription Price or Redemption Price per Share of any Class or when for any other reason the value of any of the investments or the Net Asset Value of the Company or a Sub-Fund or the Subscription Price or the Redemption Price per Share of any Class cannot in the opinion of the Manager reasonably or fairly be ascertained or cannot be ascertained in a prompt or accurate manner;
- (f) when in the opinion of the Manager such suspension, delay or extension is required by

law or applicable legal process or the issue, redemption or transfer of Shares would result in the violation of any applicable law;

- (g) where the Company or a Sub-Fund is invested in one or more collective investment schemes and the realisation of interests in any relevant collective investment scheme(s) (representing a substantial portion of the assets of the Company or that Sub-Fund) is suspended or restricted; or
- (h) during which the business operations of the Manager, the Administrator, the Custodian or their delegates in respect of the Company are substantially interrupted or closed as a result of or arising from sabotage, storm, tempest, typhoon, earthquake, accident, fire, flood, explosion, toxicity, radioactivity, acts of God, act of any government or other competent authority, hostilities (whether war be declared or not), act of terrorism, riot, civil commotion, strikes or industrial action of any kind, insurrection, rebellion or other cause, which is beyond the reasonable control of the relevant party.

During a period of suspension—

- (a) where the suspension is in respect of the determination of the Net Asset Value, there shall be no determination of the Net Asset Value of the Company or the relevant Sub-Fund or the relevant Class (as applicable) (although an estimated Net Asset Value may be calculated and published) and any application for issue or request for redemption of Shares of the Company or the relevant Sub-Fund or the relevant Class (as applicable) shall be similarly suspended; and
- (b) where the suspension is in respect of the allotment or issue and/or the redemption of Shares of a Class, there shall be no allotment, issue and/or redemption of Shares of that Class. For the avoidance of doubt, the allotment, issue or redemption of Shares of a Class may be suspended without suspending the determination of the Net Asset Value.

Any such suspension shall take effect at such time as the Manager shall declare but not later than the close of business on the Business Day next following the declaration, and there shall be no determination of the Net Asset Value of the Company or of the relevant Sub-Fund or of the relevant Class and/or the issuance of Shares of the relevant Class and/or the redemption of Shares of the relevant Class by Shareholders (as the case may be) until the Manager shall declare the suspension at an end, except that such suspension shall terminate in any event on the first Business Day on which:

- (a) the condition giving rise to the suspension shall have ceased to exist; and
- (b) no other condition under which suspension is authorised under this Clause shall exist.

Each declaration by the Manager shall be consistent with the Laws and Regulations. Whenever the Manager shall declare a suspension, the Manager (i) shall, immediately after any such declaration notify the SFC of such suspension; and (ii) shall, immediately after any such declaration and at least once a month during the period of such suspension, publish a notice on the Manager's website <https://www.clamc.com.hk> (this website has not been reviewed by the SFC) that such declaration has been made.

No Shares in a Sub-Fund may be issued, switched or redeemed during such a period of suspension.

Publication of Net Asset Value

The latest Subscription Price and Redemption Price in respect of Shares or the Net Asset Value per Share of each Sub-Fund are available on the Manager's website <https://www.clamc.com.hk> (this website has not been reviewed by the SFC).

Adjustment of Prices

Where specified in the relevant Appendix, in calculating the Subscription Price, the Manager may add an additional amount (see the section headed "Subsequent issue of Shares" above) and in calculating the Redemption Price, the Manager may deduct an amount (see the section headed "Payment of Redemption Proceeds" above).

The Manager will only make such adjustment to the Subscription Price and Redemption Price with a view to protecting the interests of Shareholders under exceptional circumstances as determined by the Manager from time to time. Where necessary the Manager will seek the view of the Administrator prior to any adjustment in the Subscription Price or Redemption Price and such adjustment would only be made where the Administrator has no objection to it.

Exceptional circumstances for pricing adjustment may include (a) the aggregate net transactions (either net subscriptions or net redemptions) in Shares having exceeded a pre-determined threshold set by the Manager from time to time; and/or (b) extreme market conditions which may have an unfavourable impact on the interests of existing Shareholders. In such circumstances the Net Asset Value per Share of the relevant Sub-Fund or the relevant Class may be adjusted by an amount, not exceeding 1 % of that Net Asset Value. Such adjustment (commonly referred to as "swing pricing") reflects the dealing costs that may be incurred by the relevant Sub-Fund including, but not limited to, brokerage, taxes, government charges, and the estimated bid/offer spread of the assets in which the relevant Sub-Fund invests. The rate of adjustment may be temporarily increased beyond the aforesaid percentage during periods of exceptional market circumstances where it is in the best interests of investors. Should the Manager increase the adjustment limits specified above, it will apply with the SFC (if required) and provide notice to investors regarding this change. All transactions on that Dealing Day will adopt the adjusted Net Asset Value. Adjusting the Net Asset Value upward (downward) results in investors paying more (receiving less) for each Share.

As swing pricing can only be applied in one direction on any given Dealing Day, to recover the material dilution for the relevant Sub-Fund, the adjustment made to the Subscription Price or Redemption Price may also benefit certain investors relative to other Shareholders in the relevant Sub-Fund as a whole. For instance, investors subscribing into the Sub-Fund on a Dealing Day on which the Subscription Price is adjusted downwards as a result of net redemption from the relevant Sub-Fund may benefit from paying a lower Subscription Price in respect of their subscriptions than they would otherwise have been charged.

For the avoidance of doubt,

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

EXPENSES AND CHARGES

There are different levels of fees and expenses applicable to investing in each Sub-Fund as set out below. For information concerning actual fees payable in respect of each Sub-Fund, please refer to the relevant Appendix.

Fees payable by Shareholders

The following fees and charges are payable by Shareholders:

Subscription Fee

Under the Instrument, the Manager is entitled to impose a subscription fee on the issue of Shares of any Sub-Fund of up to a maximum of 5% of the subscription amount.

The subscription fee is payable in addition to the Subscription Price per Share. The Manager may, in its absolute discretion, waive or reduce the payment of all or any portion of the subscription fee (either generally or in any particular case) of a Sub-Fund.

Redemption fee

Under the Instrument, the Manager is entitled to impose a redemption fee on the redemption of Shares of any Sub-Fund of up to a maximum of 5% of the redemption amount of such Shares.

The redemption fee is deducted from the redemption proceeds payable to a Shareholder in respect of each Share redeemed. The Manager may, in its absolute discretion, waive or reduce the payment of all or any portion of the redemption fee (either generally or in any particular case) of a Sub-Fund.

Switching fee

Under the Instrument, the Manager is entitled to impose a switching fee on the switching of Shares of up to 1% of the redemption proceeds payable in respect of the Shares of the Existing Sub-Fund being switched.

The switching fee is deducted from the amount realised from redemption of the Existing Sub-Fund and reinvested in the New Sub-Fund. The Manager may, in its absolute discretion, waive or reduce the payment of all or any portion of the switching fee (either generally or in any particular case) of a Sub-Fund.

Fees payable by the Sub-Fund

The following fees and charges are payable out of the assets of each Sub-Fund:

Management fee

The Instrument provides that the Manager is entitled to a management fee in respect of each Sub-Fund it manages, the maximum amount of which is equal to 1.5% per annum of the Net Asset Value of the relevant Sub-Fund. Any increase in the management fee in respect of a Sub-Fund (i) up to this maximum level, will only be implemented after giving one month's notice (or such period of notice as the SFC may require) to the affected Shareholders; and (ii) beyond this maximum level, is subject to approval by Special Resolution (as defined in the Instrument) of the affected Shareholders. The management fee will be accrued as at each Valuation Day and will be payable monthly in arrears.

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

Details of the management fee in respect of each Sub-Fund or class is set out in the relevant Appendix.

Performance fee

The Manager may also charge a performance fee in respect of any Sub-Fund. Details of any performance fee are set out in the relevant Appendix.

Custodian fee

The Instrument provides that the Custodian is entitled to a custodian fee in respect of each Sub-Fund, the maximum amount of which is equal to 0.1% per annum of the Net Asset Value of the Sub-Fund. Any monthly minimum referred to in the Appendix is subject to and does not override the maximum level of Custodian fee stated above. Any increase in the custodian fee in respect of a Sub-Fund (i) up to this maximum level, will only be implemented after giving one month's notice (or such period of notice as the SFC may require) to the affected Shareholders; and (ii) beyond this maximum level, is subject to approval by Special Resolution (as defined in the Instrument) of the affected Shareholders. The custodian fee will be accrued as at each Valuation Day and will be payable monthly in arrears.

Details of the custodian fee in respect of each Sub-Fund or class is set out in the relevant Appendix.

Administrator fee

The Instrument provides that the Administrator is entitled to an administrator fee in respect of each Sub-Fund, the maximum amount of which is equal to 0.15% per annum of the Net Asset Value of the Sub-Fund. Any monthly minimum referred to in the Appendix is subject to and does not override the maximum level of the administrator fee stated above. Any increase in the administrator fee in respect of a Sub-Fund (i) up to this maximum level, will only be implemented after giving one month's notice (or such period of notice as the SFC may require) to the affected Shareholders; and (ii) beyond this maximum level, is subject to approval by Special Resolution (as defined in the Instrument) of the affected Shareholders. The administrator fee will be accrued as at each Valuation Day and will be payable monthly in arrears.

Details of the administrator fee in respect of each Sub-Fund or class is set out in the relevant Appendix.

Directors' remuneration and expenses

Under the Instrument, the Directors shall be entitled to remuneration for their services as Directors up to an amount per annum equivalent to US\$30,000 per Director and, where payable, such remuneration shall be allocated fairly as between Sub-Funds by reference to their respective Net Asset Values.

The Company may pay any travelling, accommodation and other expenses properly incurred by Directors in connection with their attendance at meetings of Directors, general meetings, separate meetings of the Shareholders or any Sub-Fund or Class of Shareholders or the exercise of their powers and the discharge of their responsibilities in relation to the Company.

Other charges and expenses

Each Sub-Fund will bear the costs set out in the Instrument which are directly attributable to it. Where such costs are not directly attributable to a Sub-Fund, such costs will be allocated between all Sub-Funds pro-rata to the Net Asset Value of each Sub-Fund, unless otherwise determined by the Manager after consultation with the Custodian and/or the Auditor. Such costs include but are not limited to the costs of investing and realising the investments of a Sub-Fund, the fees and expenses of safekeeping of the assets of the Company and each Sub-Fund, any fees, charges or expenses (including without limitation, stamp duty) incurred in connection with counterparty risk management procedures, the fees and expenses of any administrators, auditors, valuation costs, legal fees, the costs incurred in connection with any listing or regulatory approval, the costs of holding meetings of Shareholders and the costs incurred in the preparation and printing of any explanatory memorandum and preparation and printing of any financial statements. The Manager may in its discretion bear part of or all of the costs attributable to a Sub-Fund set out in this section.

Expenses arising out of any advertising or promotional activities in connection with any Sub-Fund authorised by the SFC will not be charged to the Company or that Sub-Fund.

Establishment costs

The costs of establishing the Company and the first Sub-Fund were charged to and amortised over the first 5 accounting periods of the first Sub-Fund (or such other period as determined by the Manager after consultation with the auditors of the Sub-Fund). Where subsequent Sub-Funds under the Company are established, the Manager may determine that the unamortised establishment costs of the Company (if any) or a part thereof may be re-allocated to such subsequent Sub-Funds.

Unless otherwise specified in the relevant Appendix, the costs of establishing a subsequent Sub-Fund will be charged to the relevant Sub-Fund and amortised over such period as the Manager may determine after consultation with the auditors, and details are set out in the relevant Appendix.

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

Cash rebates and soft commissions

None of the Manager, the investment delegate (if any) or any of its Connected Persons receives any cash commissions or other rebates from brokers or dealers in respect of transactions for the account of any Sub-Fund. However, the Manager, the investment delegate (if any) and/or any of the Connected Persons with either of them reserve the right to effect transactions by or through the agency of another person (the "Agent") with whom the Manager, the investment delegate (if any) and/or any of their respective Connected Persons has such an arrangement.

The Manager, the investment delegate (if any) and/or any of their respective Connected Persons may receive, and are entitled to retain, goods, services or other benefits, such as 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 publication (known as soft dollar benefits) which are of demonstrable benefit to a Sub-Fund as a whole and may contribute to an improvement in the performance of the relevant Sub-Fund or of the Manager and/or any of its Connected Persons in providing services to the relevant Sub-Fund (as may be permitted under the UT Code, applicable rules and regulations), from brokers and other persons through whom investment transactions are carried out (“brokers”) provided that the quality of transaction execution is consistent with best execution standards, brokerage rates are not in excess of customary institutional full-service brokerage rates and the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer. 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. Periodic disclosure will be made in the relevant Sub-Fund’s annual report in the form of a statement describing the Manager’s soft dollar policies and practices, including a description of the goods and services received by the Manager.

RISK FACTORS

The nature of each Sub-Fund's investments involves certain risks and uncertainties, including those inherent in any investment. There can be no assurance that the investment objective of any Sub-Fund will be achieved. This section sets out what the Manager believes are the general risks associated with investments in the Sub-Funds, but investors should note that the relevant Appendix may include additional risk factors which are specific or particular to a particular Sub-Fund. The risk factors below do not offer advice on the suitability of investing in any Sub-Fund. Prospective investors should carefully evaluate the merits and risks of an investment in a Sub-Fund in the context of their overall financial circumstances, knowledge and experience as an investor and should consult their independent professional or financial advisers before making any investment in a Sub-Fund.

General risks

Investment objective risk

There can be no assurance that any appreciation in value of investments will occur. There is no assurance that the investment objectives of a Sub-Fund will actually be achieved, notwithstanding the efforts of the Manager since changes in political, financial, economic, social and/or legal conditions are not within the control of the Manager. Accordingly, there is a risk that investors may not recoup the original amount invested in a Sub-Fund or may lose a substantial part or all of their initial investment. Investors should carefully consider whether they can afford to bear the risks of investing in the relevant Sub-Fund.

Investment risk

Investors should be aware that investment in any Sub-Fund is subject to normal market fluctuations and other risks inherent in the underlying assets into which the Sub-Fund may invest.

Market risk

The Net Asset Value of a Sub-Fund will change with changes in the market value of the investments of such Sub-Fund. The value of such investments, and consequently the price of Shares of the relevant Sub-Fund, may go down as well as up.

Concentration risk

Certain Sub-Funds may invest only in a specific country, region, sector or type of investment with a particular focus. Although there are various investment restrictions with which the Manager has to comply when managing the investments of any Sub-Fund, the concentration of a Sub-Fund's investments may subject it to greater volatility than portfolios which comprise broad-based global investments.

Emerging market risk

Certain Sub-Funds may invest in emerging markets, which subjects Sub-Funds to a higher level of market risk than, and may involve special considerations not typically associated with, investments in a developed country/region. This is due to, among other things, greater market volatility, lower trading volume, political and economic instability, settlement risk (including risks arising from settlement procedures), greater risk of market shut down and more governmental limitations on foreign investment than those typically found in developed markets.

Counterparty risk

A Sub-Fund will be subject to the risk of the inability of any counterparty to perform with respect to any investments or contracts purchased by the Sub-Fund. If a counterparty becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, the Sub-Fund may experience significant delays in obtaining any recovery in bankruptcy or other reorganisation proceeding. Such Sub-Fund is likely to be an unsecured creditor in any such proceeding and may obtain only a limited recovery or may obtain no recovery in such circumstances.

A Sub-Fund may be exposed to the counterparty risk of the Custodian with which the Scheme Property is deposited. The Custodian may be unable to perform their obligations due to credit-related and other events like insolvency of or default of them. In these circumstances the relevant Sub-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 relevant Sub-Fund's assets.

Liquidity risk

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

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

Exchange rate risk

Assets of certain Sub-Funds may be denominated in currencies other than the Base Currencies of such Sub-Funds. The currency of some assets may not be freely convertible. These Sub-Funds may be adversely affected by changes in exchange rates between the currencies in which the assets of the relevant Sub-Fund are held and the base currency of such Sub-Fund.

Investments in such assets will be subject to the systemic and systematic risks connected with changes in exchange rates. Changes in exchange rates may result over time from the interaction of many factors that directly or indirectly affect economic and political conditions in the geographic region or market in which the Fund invests. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

Hedging risk

The Manager is permitted, but not obliged, to use hedging techniques to attempt to offset market risks. There can be no guarantee that instruments suitable for hedging currency or market shifts will be available at the time the Manager wishes to use them or will be able to be liquidated when the Manager wishes to do so as there may not be a reliable and cost efficient

method of hedging currency risk. Consequently, currency exchange rate fluctuations, currency devaluations and exchange control regulations may adversely affect the performance of a Sub-Fund's investment portfolio and the return realized on a Sub-Fund's investments.

Restricted markets risk

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

Legal and compliance risk

Domestic and/or international laws or regulations may change in a way that adversely affects a Sub-Fund. Differences in laws between countries/regions or jurisdictions may make it difficult for the Custodian or Manager to enforce legal agreements entered into in respect of a Sub-Fund. The Custodian and the Manager reserve the right to take steps to limit or prevent any adverse effects from changes to laws or their interpretation, including altering investments of or restructuring the relevant Sub-Fund.

Suspension risk

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

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

Pricing adjustments risk

Subscriptions or redemptions may have a dilution effect on a Sub-Fund's assets due to dealing and other costs associated with the trading of underlying securities. In order to mitigate this impact, where specified in the relevant Appendix, adjustment of prices may be adopted to protect the interests of existing Shareholders.

Where an adjustment is made, investors will subscribe (redeem) at a higher Subscription Price (lower Redemption Price). Investors should note that the occurrence of events which may trigger an adjustment of prices is not predictable. It is not possible to accurately predict how frequently such adjustments of prices will need to be made. Adjustments may be greater than or less than the actual charges incurred. If the adjustments made are less than the actual charges incurred, the difference will be borne by the relevant Sub-Fund. Investors should also be aware that adjustment of prices may not always, or fully, prevent the dilution effect on the relevant Sub-Fund's assets.

Please refer to the section headed "Adjustment of Prices" and the relevant Appendix for further information.

Dividends May Not be Paid Risk

Whether a Sub-Fund or a class will pay distributions on its Shares is subject to the Manager's distribution policy (as described in the relevant Appendix) and also mainly depends on dividends declared and paid in respect of the Securities comprising the Index or the portfolio of the Sub-Fund. In addition, dividends received by a Sub-Fund may be applied towards meeting the costs and expenses of that Sub-Fund. Dividend payment rates in respect of such Securities will depend on factors beyond the control of the Manager including, general economic conditions, and the financial position and dividend policies of the relevant underlying entities. There can be no assurance that such entities will declare or pay dividends or distributions.

Distributions out of or Effectively out of Capital Risk

The Manager may, at its discretion make distributions out of capital. The Manager may also, at its discretion, make distributions out of gross income while all or part of the fees and expenses of a Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of distributions by each Sub-Fund and therefore, each Sub-Fund may effectively pay distributions out of the capital. **Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Share.** The Manager may amend its distribution policy subject to the SFC's prior approval (if required) and by giving not less than one month's prior notice to Shareholders.

Early termination risk

Under the Instrument, a Sub-Fund may be terminated by the Manager or the Custodian in certain conditions and in the manner as described in "Termination (otherwise than by winding up)" in the section entitled "General" in this Explanatory Memorandum. It is possible that, in the event of such termination, a Sub-Fund will not be able to achieve its investment objective and investors will have to realise any investment loss and will receive an amount less than the capital they originally invested. There may also be costs arising from early termination, to be borne by Shareholders, in which case the Net Asset Value will be adversely affected.

Cross class liability risk

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

Cross Sub-Fund liability risk

The assets and liabilities of each Sub-Fund under the Company will be tracked, for bookkeeping purposes, separately from the assets and liabilities of any other Sub-Funds, and

the Instrument provides that the assets of each Sub-Fund should be segregated from each other. There is no guarantee that the courts of any jurisdiction will respect the limitations on liability and that the assets of any particular Sub-Fund will not be used to satisfy the liabilities of any other Sub-Fund.

Valuation and accounting risk

Investors should note that, under IFRS, establishment costs should be expensed as incurred. However, for the purpose of calculating of net asset value for subscription and redemption purposes, establishment costs are to be amortised over a period of 5 years (or such other period as determined by the Manager after consultation with the auditors of the relevant Sub-Fund), which may lead to a different valuation had the accounting been in accordance with IFRS. The Manager has considered the impact of such non-compliance and does not expect this issue to affect the results and the calculation of Net Asset Value of the Sub-Funds materially. To the extent that the valuation or accounting basis adopted by any Sub-Fund deviates from IFRS, the Manager may make necessary adjustments in the annual financial statements to comply with IFRS.

Foreign Account Tax Compliance Act (“FATCA”) risks

As discussed in detail under the “Taxation” section, FATCA imposes US withholding tax with respect to US sourced payments to the Company if relevant FATCA rules are not complied with. The Manager will endeavour to cause the Company to satisfy the requirements imposed under FATCA to avoid any withholding tax. The Company has agreed to be registered with the US Internal Revenue (“IRS”) as a “sponsored investment entity”, with the Manager as “sponsoring entity” that has agreed to perform, on behalf of the Company, any due diligence, reporting and other relevant FATCA requirements. The Company is a non-reporting financial institution treated as a registered deemed compliant foreign financial institution.

Nevertheless, in the event that the Manager and the Company are not able to cause the Company to comply with the requirements imposed by FATCA and the Company suffers US withholding tax on its investments as a result of non-compliance, the Net Asset Value of the Company or a Sub-Fund may be adversely affected.

In the event a Shareholder does not provide the requested information and/or documentation related to FATCA, whether or not that actually leads to FATCA compliance failures by the Company, or a risk of the Company being subject to withholding tax under FATCA, the Manager on behalf of the Company and each Sub-Fund reserves the right to take any action and/or pursue all remedies at its disposal including, without limitation, (i) reporting the relevant information of such Shareholder to the IRS (subject to applicable laws or regulations in Hong Kong); (ii) withholding or deducting any reasonable amount from such Shareholder’s redemption proceeds or other distribution proceeds to the extent permitted by applicable laws and regulations; (iii) deeming such Shareholder to have given notice to redeem all his Shares in a Sub-Fund; and/or (iv) bringing legal action against such Shareholder for losses suffered by the Company or a Sub-Fund as a result of such withholding tax. The Manager in taking any such action or pursuing any such remedy must act in good faith and on reasonable grounds and in accordance with all applicable laws and regulations.

In cases where Shareholders invest in a Sub-Fund through an intermediary, Shareholders are reminded to check whether such intermediary is FATCA compliant. Each Shareholder and prospective investor should consult its own tax advisors regarding the potential impact of FATCA on it under its particular circumstances and on the Company.

Reliance on the Manager risk

Shareholders must rely on the Manager in formulating the investment strategies and the performance of each Sub-Fund is largely dependent on the services and skills of its officers and employees. 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 of the insolvency of the Manager, the Company may not find successor managers with the requisite skills, qualifications quickly and the new appointment may not be on equivalent terms or of similar quality.

Investment risks

Risk of investing in fixed income instruments

Interest rate risk: Sub-Funds which invest in fixed income instruments are subject to interest rate risk. Generally, the value of fixed income instruments will change inversely with changes in interest rates. As interest rates rise, market value of fixed income instruments tends to fall. Long-term fixed income instruments in general are subject to higher interest rate risk than short-term fixed income instruments.

Credit risk: Investment in fixed income instruments is subject to the credit risk of the issuers which may be unable or unwilling to make timely payments of principal and/or interest. In general, debt instruments that have a lower credit rating or that are unrated will be more susceptible to the credit risk of the issuers. In the event of a default or credit rating downgrading of the issuers of the fixed income instruments held by a Sub-Fund, that Sub-Fund's Net Asset Value will be adversely affected and investors may suffer a substantial loss as a result.

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

Risks of investing in lower graded or unrated fixed income instruments: A Sub-Fund may invest in fixed income instruments which are rated with a relatively lower grade or which are non-rated. As mentioned above, such instruments are generally more susceptible to the credit risk of the issuers, and as a result such investments assume greater risks because of generally reduced liquidity and greater fluctuation in value. The valuation of these instruments may also be more difficult and thus the relevant Sub-Fund's prices may be more volatile.

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

Risks of Mainland Chinese fixed income instruments: Certain Sub-Funds may invest in fixed income instruments issued or distributed within the Mainland. The financial market of the Mainland is at an early stage of development, and many of such Mainland Chinese fixed income instruments may be unrated, which exposes such Sub-Funds to greater risks because of generally reduced liquidity, greater price volatility and greater credit risk. Such a Sub-Fund may also encounter difficulties or delays in enforcing its rights against the issuers who will generally be incorporated in the Mainland and therefore not subject to the laws of Hong Kong.

Limited availability of offshore RMB fixed income instruments: Certain Sub-Funds may invest in RMB fixed income instruments issued or distributed outside the Mainland. However, the quantity of RMB fixed income instruments issued or distributed outside the Mainland that are available is currently limited, and the remaining duration of such instruments may be short. In

the absence of available fixed income instruments, or when such instruments held are at maturity, a Sub-Fund holding such investments may have to allocate a significant portion of its portfolio in RMB negotiated term deposits with authorised financial institutions until suitable fixed income instruments are available in the market. This may adversely affect the relevant Sub-Fund's return and performance.

Risk of investing in structured debt instruments (including mortgage-backed securities)

Certain Sub-Funds may invest in securitised or structured debt instruments (collectively, "structured debt instruments"). Such structured debt instruments include asset-backed securities, mortgage-backed securities, collateralised debt instruments and collateralised loan obligations. Such structured debt instruments provide exposure, synthetically or otherwise, to underlying assets and the risk/return profile is determined by the cash flows derived from such assets. Some of such instruments involve multiple instruments and cash flow profiles such that it is not possible to predict with certainty the outcome from all market scenarios. Also, the price of such an investment could be contingent on, or highly sensitive to, changes in the underlying components of the structured debt instrument. The underlying assets can take many forms including, but not limited to, credit card receivables, residential mortgages, corporate loans, manufactured housing loans or any type of receivables from a company or structured vehicle that has regular cash flows from its customers. Some structured debt instruments may employ leverage which can cause the price of the instruments to be more volatile than if they had not employed leverage. In addition, investments in structured debt instruments may be less liquid than other securities. The lack of liquidity may cause the current market price of assets to become disconnected from the underlying assets' value and consequently Sub-Funds investing in structured debt instruments may be more susceptible to liquidity risk. The liquidity of a structured debt instrument can be less than a regular bond or debt instrument and this may adversely affect either the ability to sell the position or the price at which such a sale is transacted. They may be exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.

Risk of investing in financial derivative instruments

Certain Sub-Funds may from time to time utilise FDIs for investment and/or hedging purposes. The use of derivatives exposes a Sub-Fund to additional risks, including: (a) volatility risk (derivatives can be highly volatile and expose investors to a high risk of loss); (b) leverage risk (as the low initial margin deposits normally required to establish a position in derivatives permits a high degree of leverage, there is risk that a relatively small movement in the price of a contract could result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin); (c) liquidity risk (daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of derivatives and transactions in over-the-counter derivatives may involve additional risk as there is no exchange market on which to close out an open position); (d) correlation risk (when used for hedging purposes there may be an imperfect correlation between the derivatives and the investments or market sectors being hedged); (e) counterparty risk (the Sub-Fund is exposed to the risk of loss resulting from a counterparty's failure to meet its financial obligations); (f) valuation risks (the pricing relationships between FDIs and the underlying instruments on which they are based may not conform to anticipated or historical correlation patterns; it may also be difficult to value FDIs, especially over-the-counter FDIs, so their prices may be volatile); (g) legal risks (the characterisation of a transaction or a party's legal capacity to enter into it could render the derivative contract unenforceable, and the insolvency or bankruptcy of a counterparty could pre-empt otherwise enforceable contract rights); and (h) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty).

The eventuation of any of the above risks could have an adverse effect on the Net Asset Value of a Sub-Fund which uses FDIs.

Risks associated with China onshore bonds

Mainland China sovereign debt risk

Certain Sub-Fund's investments may include sovereign debt securities and such investments involve special risks. The Chinese governmental entity that controls the repayment of sovereign debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. A Chinese governmental entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the Chinese governmental entity's policy towards the International Monetary Fund and the political constraints to which a governmental entity may be subject. Chinese governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearage on their debt. The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a Chinese governmental entity's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the Chinese governmental entity, which may further impair such debtor's ability or willingness to service its debt on a timely basis. Consequently, governmental entities may default on their sovereign debt.

Holders of Mainland China sovereign debt, including the relevant Sub-Fund, may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. As at the date of this Explanatory Memorandum, there is no bankruptcy proceeding by which sovereign debt on which a Chinese governmental entity has defaulted may be collected in whole or in part. The relevant Sub-Fund's recourse against a defaulting sovereign is limited.

In addition, a lowering of the credit rating of the Chinese government may also affect the liquidity of its sovereign debt securities, making it more difficult to sell. In general, fixed income instruments that have a lower credit rating or that are non-rated will be more susceptible to the credit risk of the issuers. In the event of a credit rating downgrade of the Chinese government, the relevant Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result.

Settlement risks

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

To the extent that the relevant Sub-Fund transacts in the inter-bank bond market in Mainland

China, the relevant Sub-Fund may also be exposed to risks associated with settlement procedures and default of counterparties. All trades settled through CSDCC are on delivery versus payment basis. If a counterparty defaults in delivering the securities, the trade may be cancelled and this may adversely affect the value of the relevant Sub-Fund.

The relevant Sub-Fund may invest in the Chinese bond market via the exchange market and all bond trades will be settled through the CSDCC. If a counterparty defaults in payment or delivery obligation, a trade may be delayed and this may adversely affect the value of the relevant Sub-Fund.

Credit rating agency risk (applicable to Mainland China onshore securities)

Certain Sub-Fund may invest in Mainland China onshore securities. The credit appraisal system in the Mainland China and the rating methodologies employed in the Mainland China may be different from those employed in other markets. Credit ratings given by mainland Chinese rating agencies may therefore not be directly comparable with those given by other international rating agencies.

Risks relating to CIBM Direct Access

Certain Sub-Fund may directly invest in permissible fixed income instruments traded on the China InterBank Bond Market ("CIBM") via a direct access regime ("CIBM Direct Access").

Under the CIBM Direct Access, an onshore trading and settlement agent shall be engaged by the Manager or its investment delegates to make the filing on behalf of the relevant Sub-Fund and conduct trading and settlement agency services for the relevant Sub-Fund.

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

Under the CIBM Direct Access, the rules allow foreign investors to remit investment amounts in RMB or foreign currency into Mainland China for investing in the CIBM. For repatriation of funds out of Mainland China by a Sub-Fund, the ratio of RMB to foreign currency should generally match the original currency ratio when the investment principal was remitted into Mainland China, with a maximum permissible deviation of 10%. Such requirements may change in the future which may have an adverse impact on the relevant Sub-Fund's investment in the CIBM.

Market volatility and potential lack of liquidity due to low trading volume of certain debt instruments in the CIBM may result in prices of certain debt instruments traded on such market fluctuating significantly. The relevant Sub-Fund investing in CIBM is subject to liquidity, regulatory and volatility risks. The relevant Sub-Fund may also be exposed to risks associated with settlement procedures and default of counterparties.

The relevant rules and regulations on investment in the CIBM are subject to change which may have potential retrospective effect. In the event that the relevant Mainland China authorities suspend trading on the CIBM, the relevant Sub-Fund's ability to invest in the CIBM will be limited and the relevant Sub-Fund may suffer substantial losses as a result.

Risks relating to Bond Connect

Certain Sub-Fund may directly invest in permissible fixed income instruments traded on the CIBM via Bond Connect. The Bond Connect initiative was launched in July 2017 to facilitate CIBM access between Hong Kong and Mainland China. It was established by China Foreign

Exchange Trade System & National Interbank Funding Centre (“CFETS”), China Central Depository & Clearing Co., Ltd (“CCDC”), Shanghai Clearing House (“SHCH”) and Hong Kong Exchanges and Clearing Limited and Central Moneymarkets Unit (“CMU”).

The Bond Connect scheme is designed to be efficient and more convenient for offshore investors at an operational level, by using familiar trading interfaces of established electronic platforms without requiring investors to engage an onshore settlement agent. Orders are executed electronically with any of the eligible onshore participating dealers who are recognized by CFETS. Cash is exchanged offshore in Hong Kong. The infrastructure contemplates two way access between Hong Kong and Mainland China. Eligible foreign investors can invest through Hong Kong into the CIBM (generally referred to as “Northbound Trading Link”). Eligible foreign investors utilising Bond Connect are required to appoint the CFETS or other institutions recognised by the People's Bank of China (“PBOC”) as registration agents to apply for registration with the PBOC.

The Northbound Trading Link under Bond Connect adopts a multi-layered custody arrangement whereby CCDC/SHCH performs the primary settlement function as the ultimate central securities depository, which handles bond custody and settlement for the CMU in Mainland China. The CMU is the nominee holder of CIBM bonds acquired by overseas investors via the Northbound Trading Link. The CMU handles custody and settlement for the accounts opened with it for the beneficial ownership of those overseas investors.

Under the multi-layered custody arrangement of Bond Connect:

- 1) the CMU acts as “nominee holder “of CIBM bonds; and
- 2) overseas investors are the “beneficial owners” of CIBM bonds through CMU members.

Overseas investors invest through offshore electronic trading platforms where trade orders are executed on CFETS, CIBM’s centralised electronic trading platform, between investors and onshore participating dealers.

Under the multi-layered custody arrangement, while the distinct concepts of "nominee holder" and "beneficial owner" are generally recognized under relevant Mainland China regulations, the application of such rules is untested, and there is no assurance that Mainland China courts will recognise such rules, e.g. in liquidation proceedings of Mainland China companies or other legal proceedings.

Under Bond Connect, bond issuers and trading of CIBM bonds are subject to the market rules in Mainland China. Any changes in laws, regulations and policies of the Mainland China bond market or rules in relation to Bond Connect may affect prices and liquidity of the relevant bonds, and a Sub-Fund’s investment in the relevant bonds may be adversely affected.

QFI risks

QFI system risks

The rules regulating investments by QFIs in Mainland China and the repatriation of capital out of Mainland China are relatively new, and as such their application and interpretation are relatively untested and there is no certainty as to how they will be applied by the relevant Mainland China authorities in any given situation. Any change to the QFI systems may adversely affect the value of the relevant Sub-Fund’s investments. In addition, the relevant Sub-Fund is exposed to the credit risk of the relevant onshore Mainland China custodians and brokers, and a default of any such Mainland China custodian or broker may cause significant losses.

QFI regulation/status risk

Changes to the foreign investment regulation in Mainland China may be made at any time by the CSRC and the SAFE, and such changes may have a detrimental impact on the ability of the relevant Sub-Fund to achieve its investment objective. There can be no assurance that the QFI status of the Manager will not be suspended or revoked. Such event may hinder the ability of the relevant Sub-Fund to invest in onshore Mainland China instruments, which may in turn affect the relevant Sub-Fund's ability to achieve its investment objective. Changes of the relevant rules may have potential retrospective effect, which may affect the relevant Sub-Fund's ability to acquire securities in Mainland China via the QFI regime.

There can be no assurance that the QFI status of the Manager will not be suspended, revoked or invalidated. Such event may lead to substantial loss in the relevant Sub-Fund as it may affect the implementation of the investment strategy of the relevant Sub-Fund.

Repatriation risk

There is no assurance that Mainland China rules and regulations in relation to repatriation of funds invested via QFI will not change or that repatriation restrictions will not be imposed in the future. Any new restrictions on repatriation of the invested capital and net profits may impact on the relevant Sub-Fund's ability to meet redemption requests.

Risk of investing in equity securities

Sub-funds which invest directly or indirectly in equity securities are exposed to the risk that the market value of such equity securities may go down as well as up. Equity markets may fluctuate significantly with prices rising and falling sharply, and this will have a direct impact on such Sub-Funds. When equity markets are extremely volatile, such Sub-Fund's Net Asset Value may fluctuate substantially.

Risks associated with Stock Connect

If a Sub-Fund invests through the Stock Connect, it may be subject to the following risks.

Quota limitations: The Stock Connect is 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). The Sub-Fund's ability to invest in A-Shares through the Stock Connect may be affected.

Suspension risk: It is contemplated that both the SEHK and the SSE would reserve the right to suspend Northbound and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the Northbound trading is effected, the Sub-Fund's ability to access the Mainland China market through the Stock Connect will be adversely affected.

Differences in Trading Day: The Stock Connect will only operate on days when both Mainland China and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the Mainland China market but Hong Kong investors cannot carry out any A-Shares trading. Due to the differences in trading days, a Sub-Fund may be subject to a risk of price fluctuation in A-Shares on a day that Mainland China markets are open for trading but the Hong Kong stock market is closed.

Operational risk: The Stock Connect provides a new channel for investors from Hong Kong and overseas to access the China stock market directly. Market participants are able to participate in this programme subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house. Market participants may need to address issues arising from the differences on an on-going basis.

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

Recalling of eligible stocks: If a stock is recalled from the scope of eligible stocks for trading via the Stock Connect, the stock can only be sold and cannot be bought. This may affect the Manager’s ability to select a stock with the aim of achieving the investment objective of a Sub-Fund.

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

Regulatory risk: The Stock Connect is novel in nature, and will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connect. The regulations are untested and there is no certainty as to how they will be applied, and are subject to change. There can be no assurance that the Stock Connect will not be abolished. A Sub-Fund may be adversely affected as a result of such changes.

Limited investor compensation risk: Investment through the Stock Connect is conducted through broker(s) and is subject to the risks of default by such brokers’ in their obligations. While the Sub-Fund is covered by the Investor Compensation Fund for defaults occurring on or after 1 January 2020 for Northbound trading, since the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not Mainland Chinese brokers, they are not protected by the China Securities Investor Protection Fund (中國投資者保護基金) in Mainland China.

TAXATION

The following summary of taxation is of a general nature, and for information purposes only, and is not intended to be an exhaustive list of all the tax considerations that may be relevant to a decision to purchase, own, realise or otherwise dispose of Shares. The summary does not constitute legal or tax advice and does not purport to deal with the tax consequences applicable to all categories of Shareholders. Prospective Shareholders should consult their professional advisers on the consequences to them of acquiring, holding, redeeming, transferring or selling Shares under the relevant laws of Hong Kong as well as the relevant jurisdiction(s) to which they are subject, including the tax consequences and any exchange control requirements. These consequences, including the availability of, and the value of, tax relief to investors, will vary with the law and practice of the investors' country of citizenship, residence, domicile or incorporation and their personal circumstances. The following statements regarding taxation are based on advice received by the Manager regarding the law and practice in force in Hong Kong, Mainland China and also regarding FATCA and related laws at the date of this Explanatory Memorandum. The relevant laws, rules and practice relating to tax are subject to change and amendment (and such changes may be made on a retrospective basis). As such, there can be no guarantee that the summary provided below will continue to be applicable after the date of this Explanatory Memorandum. Furthermore, tax laws can be subject to different interpretations and no assurance can be given that the relevant tax authorities will not take a contrary position to the tax treatment described below.

Hong Kong Taxation

Taxation of the Company and the Sub-Funds

Profits Tax

As the Company and each Sub-Fund have been authorised as a collective investment scheme by the SFC under Section 104 of the SFO, profits of the Company and each Sub-Fund are exempt from Hong Kong profits tax pursuant to Section 26A(1A) (a) of the Inland Revenue Ordinance ("IRO").

There is no withholding tax on dividends or interest in Hong Kong. Hong Kong does not impose withholding tax on interest or dividend paid by a Hong Kong company.

Stamp Duty

Hong Kong stamp duty is payable on the transfer of Hong Kong stock. "Hong Kong stock" is defined as "stock" the transfer of which is required to be registered in Hong Kong.

The sale and purchase of the "Hong Kong stocks" (as defined under the Stamp Duty Ordinance (Cap. 117) of Hong Kong) by the Company or a Sub-Fund will be subject to Hong Kong ad valorem stamp duty at the current rate of 0.1% of the consideration or the fair market value (whichever is higher) of the Hong Kong stocks being sold and purchased. The purchaser and the seller will each be liable for such Hong Kong stamp duty upon the transfer of Hong Kong stocks and thus the total stamp duty payable for the transfer is 0.2%.

No Hong Kong Stamp Duty is payable by the Company and the Sub-Fund on an issuance or redemption/cancellation of Shares.

Taxation of the Shareholders

Profits tax

In general, gains arising from the disposal or redemption of the Shares in the Sub-Funds by the Shareholders should not be subject to Hong Kong profits tax where the Shareholders do not carry on a trade, profession or business in Hong Kong or such gains are capital in nature or non-Hong Kong sourced for Hong Kong profits tax purposes. For Shareholders carrying on a trade, profession or business in Hong Kong, such gains may be subject to Hong Kong profits tax if the gains in question arise in or are derived from such trade, profession or business in Hong Kong, and the Shares are revenue assets of the Shareholders for profits tax purposes. The profits tax treatment should depend on the particular circumstances of each investor. Shareholders should take advice from their own professional advisers as to their particular tax position.

For Shareholders subject to Hong Kong profits tax, a two-tiered profits tax regime was enacted on 29 March 2018. It is applicable to any year of assessment commencing on or after 1 April 2018. Under the two-tiered tax rates, for corporations, the first HKD2 million of assessable profits of a nominated corporation within the group is subject to a reduced tax rate at 50% of the standard profits tax rate for corporations (i.e. 8.25%), with certain exceptions, and the remaining profits is subject to the standard rate of 16.5%. For unincorporated business, the first HKD2 million of assessable profits is subject to a reduced tax rate at 50% of the standard profits tax rate for unincorporated business (i.e. 7.5%), and the remaining profits is subject to the standard rate of 15%.

Distributions made by the Company or a Sub-Fund should generally not be subject to Hong Kong profits tax in the hands of the Shareholders (whether by way of withholding or otherwise).

Stamp duty

No Hong Kong stamp duty is payable by a Shareholder in relation to an issuance or redemption/cancellation of Shares.

Other types of sales and purchases or transfers of the Shares by the Shareholders should be liable to Hong Kong ad valorem stamp duty of 0.2% (normally borne in equal share of 0.1% by the buyer and 0.1% by the seller) on the higher of the consideration amount or market value. In addition, a fixed duty of HK\$5.00 is currently payable on any instrument of transfer of Shares.

Shareholders should take advice from their own professional advisers as to their particular tax position.

Common Reporting Standard

The Inland Revenue (Amendment) (No.3) Ordinance 2016 and subsequent related legislation provide the framework for the implementation of the OECD Standard for Automatic Exchange of Financial Account Information in Hong Kong (commonly known as the Common Reporting Standard or “CRS”). CRS requires financial institutions (“FIs”) in Hong Kong to obtain certain information from their account holders, conduct due diligence on the account holders and file certain information relating to reportable account holders that are tax resident in “Reportable Jurisdictions” (as determined for CRS purposes) with the Hong Kong Inland Revenue Department (“IRD”), which in turn will exchange the information with certain jurisdiction(s) in which that reportable account holder is a tax resident. The Company, the Sub-Funds and their agents may collect information on other tax residence jurisdictions of account holders..

The Company is an FI with obligations to comply with CRS due diligence, reporting and other requirements. The Company and/or its agents would obtain and provide to the IRD certain information relating to Shareholders where contemplated by CRS rules. The Company intends to comply with the requirements of CRS as implemented by Hong Kong and to qualify as a

“Reporting Financial Institution” for such purposes. However, there can be no assurance that the Company will be able to so comply.

CRS as implemented by Hong Kong requires the Company to, amongst other things, (i) register as a Reporting Financial Institution with the IRD to the extent the Company maintains reportable financial accounts (“Reportable Accounts”); (ii) conduct due diligence on its account holders (i.e. Shareholders) to determine whether any such accounts are regarded as Reportable Accounts for CRS purposes; and (iii) report to the IRD the required information of such Reportable Accounts. The IRD is expected on an annual basis to forward the required information reported to it to relevant governmental authorities of the respective Reportable Jurisdictions. Broadly, CRS requires that Hong Kong FIs should report on those Shareholders that are: (i) individuals or entities that are tax residents in a Reportable Jurisdiction; and (ii) certain entities controlled by individuals who are tax residents in Reportable Jurisdictions.

Under CRS, details of reportable Shareholders and/or their controlling persons (as the case may be), including but not limited to their name, place of birth, date of birth, address, tax residence jurisdictions, tax identification numbers, account details, account balance/value regarding their interest in the Company, and income or sale or redemption proceeds, may be reported to the IRD and forwarded to the respective governmental authorities in the relevant jurisdictions.

By investing in a Sub-Fund, Shareholders acknowledge that they may be required to provide additional information or documents to the Company, the Sub-Funds and/or their agents in order for the Company to comply with CRS.

Each Shareholder and prospective investor should consult its own tax advisors regarding the potential impact of CRS on it under its particular circumstances and on the Company.

Mainland China Taxation

THE MAINLAND CHINA TAX SUMMARY IN THIS SECTION IS GENERAL IN NATURE AND DOES NOT PROPOSE TO COVER ALL MAINLAND CHINA TAX CONSEQUENCES WITH RESPECT TO AN INVESTMENT IN THE COMPANY AND EACH SUB FUND. THIS SUMMARY IS NOT INTENDED OR WRITTEN TO BE USED, AND MAY NOT BE USED, BY ANY TAXPAYER IN ORDER TO AVOID TAXES WHICH MAY BE IMPOSED ON THE TAXPAYER UNDER MAINLAND CHINA TAX LAW OR THE TAX LAW OF ANY OTHER COUNTRY OR JURISDICTION. EACH TAXPAYER SHOULD SEEK TAX ADVICE FROM AN INDEPENDENT TAX ADVISER BASED ON THE TAXPAYER’S PARTICULAR CIRCUMSTANCES.

The following is based on the Manager’s understanding of and certain aspects of the tax laws, regulations and practice currently in force in the PRC. No guarantee can be given that the tax position at the date of this Explanatory Memorandum or at the time of an investment will endure indefinitely.

In the PRC, under the current regulatory environment, foreign investors are allowed to invest in China A-shares, bonds and certain financial instruments through QFI, Stock Connect and Bond Connect schemes.

With the implementation of the new QFI scheme from 1 November 2020, foreign institutional investors are allowed to invest in more diversified financial instruments, including certain derivatives products, etc. Following that, investments including commodity futures, commodity options and stock options in exchange market are also allowed for QFI.

Under the prevailing PRC tax regimes, foreign investment in China A-shares, bonds and other

financial instruments would normally be subject to Corporate Income Tax (“CIT”), Value Added Tax (“VAT”) and Stamp Duty (“SD”).

General China Taxation

Corporate Income Tax (“CIT”)

Under the prevailing PRC CIT Law, a TRE is subject to CIT on its worldwide income. A foreign enterprise with a “place of effective management” within the PRC is also regarded as a China TRE.

The “place of effective management” refers to the place where the exercise, in substance, of the overall management and control of the production and business operation, personnel, accounts and assets is located.

A non-TRE with an establishment or a place of business in China shall pay CIT on income derived by such establishment or place from sources in China as well as income derived from outside China that is effectively connected with such establishment or place.

An “establishment or place” is defined under PRC CIT regulations as an establishment or place in China engaging in production and business operations, including management and business organisations, offices, places where natural resources are exploited, labour services are rendered, contractor projects are undertaken, and other establishments or places where production and business activities are undertaken. Business agents who regularly sign contracts, store and deliver goods, etc. on behalf of non-TREs would also be regarded as creating an establishment or place of business in China under CIT law/regulations.

Under the CIT law, the standard statutory CIT rate is 25%.

A non-TRE that has no establishment or place in China is taxed only on its China-source income. A unilateral concessionary rate of 10% CIT (i.e., Withholding Income Tax, “WHT”) will be applied on gross income derived from dividends, interest and other China-source passive income unless any specific exemption or reduction is available under current PRC tax laws, tax treaties or tax arrangements.

The Manager intends to operate the Company and each Sub-Fund in such a manner that the Company or each Sub-Fund should not be treated as a Mainland China TRE or a non-TRE with an establishment or a place in Mainland China, although this cannot be guaranteed. It is possible, however, that the PRC tax authority could disagree with such an assessment or that changes in Mainland China tax law could affect the PRC CIT status of a Sub-Fund.

If a Sub-Fund does not have a place of effective management, an establishment or a place of business in the Mainland China, the Sub-Fund will normally be regarded as a non-TRE.

Generally, QFIs would be subject to PRC WHT at 10% on its gross income from dividends, interest and capital gains realized from the disposal of the shares in the PRC investee companies unless reduced/waived under China tax laws and regulations or relevant tax treaties/tax arrangements.

Value-added Tax (“VAT”)

In Mainland China, VAT payers are classified into general payers and small scale payers. They are subject to different VAT calculation methods and different VAT rates.

Being an overseas entity, the Company and the Sub-Fund are subject to VAT at 6% which is

applicable to general payers on the gains derived from trading financial products in PRC (including trading equity or equity-linked securities) and various interest income from China, unless reduced/waived under China tax laws. According to Circular Caishui [2016] No. 36 ("Circular 36"), deposit interest income is not subject to VAT. Interest income derived from government bonds and local government bonds are exempted from VAT.

If VAT is applicable, there are also VAT surcharges including Urban Maintenance and Construction Tax ("UMCT"), Educational Surcharge ("ES") and Local Educational Surcharge ("LES") which could amount to as high as 12% of the VAT payable. Having said that, pursuant to the newly issued UCMT law and Public Notice [2021] No.28, effective from 1 September 2021, VAT surcharges are no longer applicable for a foreign taxpayer from 1st September 2021. However, the implementation of the exemption may vary depending on the local practice.

Stamp Duty ("SD")

The SD law of the PRC took into effect from 1 July 2022. According to SD Law, SD is levied on the execution or receipt in China of certain documents. In the case of contracts for sale of A-shares, SD is currently imposed on the seller side only, at the rate of 0.1%, which is further reduced to 0.05% by Public Notice [2023] No.39 from 28 August 2023. Where there is no transfer price for securities transactions, the SD basis should be calculated based on the closing price of the previous transaction day at the time of completing the transfer registration; where there is no closing price, SD basis should be calculated on the par value of the securities.

The sale or purchase of PRC domestic bonds investments does not fall in the SD taxable scope and are not subject to PRC SD.

Investment in China A-Shares via Stock Connect and QFI

Capital gain

CIT

The Ministry of Finance ("MOF"), the State Taxation Administration ("STA") and the China Securities Regulatory Commission of the People's Republic of China ("CSRC") issued the "Notice on temporary exemption of WHT on capital gains derived from the transfer of Chinese equity investment assets such as Chinese domestic stocks by QFII and RQFII" Caishui 2014 No.79 on 31 October 2014 ("the Notice 79"). According to the Notice No. 79, amongst other things: (i) CIT shall be exempt on a temporary basis on the gains realised by QFIIs and RQFIIs (without a place of effective management, any establishment or place of business in the PRC or the income derived by the QFIIs and RQFIIs are not effectively connected with their establishment or place of business in the PRC) from the transfer of PRC equity investment assets (including China A- Shares) with effect from November 17, 2014; and (ii) CIT shall be imposed on such gains realised by QFIIs and RQFIIs from the transfer of PRC equity investment assets (including PRC domestic stocks) before November 17, 2014 in accordance with the CIT Laws.

Furthermore, the MOF, the STA and CSRC jointly issued notices in relation to the taxation rules on Shanghai – Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect under Caishui 2014 No.81 ("Notice No.81") on 31 October 2014 and Caishui 2016 No. 127 ("Notice No. 127") on 5 December 2016, respectively. Under Notice No.81 and Notice No. 127, CIT and individual income tax should be temporarily exempted on gains derived by overseas investors on the trading of China A-Shares through Stock Connect.

VAT

Pursuant to Circular 36 and Notice No.127, capital gains realised (i) by QFIs from trading of PRC securities (including A-shares) and (ii) overseas investors from the trading of China A-Shares through the Stock Connect are exempt from PRC VAT.

Dividend

CIT

Unless a specific exemption or reduction is available under current CIT Law and regulations or relevant tax treaties, non-tax resident enterprises without PE in the PRC are subject to WIT, generally at a rate of 10% on dividend income arising from investments in the PRC securities. The entity distributing such dividends is required to withhold such tax on behalf of the recipients. The dividend is subject to WHT at 10 % received from China A-Shares traded via QFI and Stock Connect.

VAT

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

China Bonds Investment via Bond Connect and QFI

Interest

CIT and VAT

According to Circular Caishui [2018] No. 108, interest income derived by overseas investors from the domestic bond market through foreign institute investors are temporarily exempt from CIT and VAT during the period from 7 November 2018 to 6 November 2021 provided that such bond interests are not derived by the establishment or place of business of the overseas investors in the PRC or effectively connected with such establishment or place. Furthermore, pursuant to Public Notice [2021] No. 34, the aforesaid CIT and VAT exemption is extended to 31 December 2025. However, it is uncertain whether this temporary exemption will be further extended after expiration.

Without the exemption described above, interest derived by overseas investors through holding the PRC bonds would be subject to WHT at the rate of 10% and VAT at the rate of 6%, unless reduced under a tax treaty or tax arrangement.

Capital gains

CIT

In China, there are no specific tax rules granting CIT exemption on capital gains derived from trading debt instruments by non-TREs. In practice, it is more likely than not such gains derived by foreign investors would be regarded as non-PRC sourced income and not subject to PRC CIT.

In absence of specific rules or regulations governing the taxation of the gains derived by non-TREs from the disposal of debt instruments issued by PRC TREs (regardless of whether the debt instruments are issued in or outside the PRC). The tax treatment for investment in debt instruments issued by PRC TREs is governed by the general taxing provisions of the PRC CIT Law. Under such general taxing provisions, the Sub-Fund would only be subject to 10% PRC

WHT on its PRC-sourced income.

Pursuant to Article 7 of the detailed implementation rules of the CIT Law, where the property concerned is a movable property, the source of income shall be determined according to the location of the enterprise, establishment or place which transfers the property. The PRC tax authorities have verbally indicated that the bonds issued by PRC TREs are movable property. In this case, the source of income shall be determined based on the location of the transferor (i.e. the Sub-Fund). Although there is no written confirmation issued by the PRC tax authorities to confirm the aforesaid PRC taxing principle for bonds issued by PRC tax resident enterprises, in practice, the PRC tax authorities have not enforced the collection of PRC WHT in respect of gains derived by non-TREs from the trading of bonds issued by PRC TREs.

VAT

Pursuant to Circular 36 and Circular Caishui [2016] No. 70, capital gains realised (i) by QFIs from trading of PRC securities and (ii) from trading of RMB denominated debt securities in the CIBM by the foreign institutional investors approved by PBOC are exempt from PRC VAT.

However, there is no specific circular exempting non-PRC TREs from VAT on gains derived from the trading of bonds issued by PRC TREs via Bond Connect. With that said, by making reference to the above circulars and other related prevailing tax regulations for the VAT exemption granted to foreign institutional investors for the capital gains derived from trading of PRC debt securities, it is anticipated that capital gains derived by the Sub-Fund from the trading of RMB denominated bonds via Bond Connect should also be exempted from PRC VAT. In practice, the PRC tax authorities have not strictly enforced the collection of VAT on such gains.

Pursuant to Circular 36, gains derived by the Sub-Fund from trading of bonds issued outside the PRC by TREs are arguably not subject to PRC VAT if both the seller and THE purchaser are outside the PRC and the transactions are completed outside the PRC.

Investment in New Assets Classes

In China, new QFI scheme became effective on 1 November 2020 with significant changes, including the consolidation of previous QFII and RQFII schemes into new QFI scheme and expansion of QFI's investment scope, etc.

However, the prevailing PRC CIT and VAT exemption policies may not cover all the income derived from new permissible asset classes after the implementation of new QFI scheme. Therefore, depending on the structure of market access products, income derived from new asset classes and other diversified financial instruments (e.g. swaps, derivatives), might not be fully covered by the prevailing China CIT and VAT exemption treatment. It is subject to clarification of regulatory and tax authorities. New asset classes refer to the expanded investment scope under the new QFI scheme.

It should also be noted that the actual PRC taxes imposed by China tax authorities may be different and may change from time to time. There is a possibility of regulatory changes and PRC taxes being applied retrospectively. There are also risks and uncertainties associated with the current PRC tax laws, regulations and practice. Such changes or uncertainties may result in higher taxation on PRC investments than currently contemplated. As such, any provision for taxation made by the Manager may be excessive or inadequate to meet ultimate PRC tax liabilities. Consequently, investors may be advantaged or disadvantaged depending upon the ultimate PRC tax liabilities, the level of provision and when they subscribed and/or redeemed their shares in the Sub-Fund.

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

FATCA

The US Hiring Incentives to Restore Employment Act was signed into US law in 2010 and includes provisions commonly referred to as the Foreign Account Tax Compliance Act or FATCA. Broadly, the FATCA provisions are set out in sections 1471 to 1474 of the US Internal Revenue Code of 1986, as amended, which impose a reporting regime on foreign financial institutions (“FFIs”), such as the Company, with respect to financial accounts held by “Specified US Persons” and certain other parties. Withholdable payments, including US source interest and dividends from securities of US issuers, made to the Company may be subject to withholding at a rate of 30%, unless the Company is FATCA-compliant. To avoid such withholding on payments received, FFIs, will generally be required to (i) register and be subject to the terms of an FFI agreement with the IRS to be treated as a “participating FFI”, or (ii) be a “sponsored investment entity”. Participating FFIs are required to identify all investors that are (or in certain circumstances are owned by) “Specified US Persons” or that have certain other FATCA statuses, and report certain information concerning such investors to the IRS. Sponsored investment entities would have their “sponsoring entity” perform relevant comparable FATCA requirements.

The US and Hong Kong governments entered into a Model 2 intergovernmental agreement regarding the implementation of FATCA (the “HK IGA”). The HK IGA modifies certain FATCA requirements but generally requires similar procedures on identifying account holders’ FATCA status, and reporting certain information to the IRS. Under the HK IGA, an FFI that is treated as complying with the terms of an FFI agreement with the IRS (or that is a sponsored investment entity) will generally not be subject to the above described 30% withholding tax.

The Company has been registered with the IRS as a sponsored investment entity, with the Manager as sponsoring entity that has agreed to perform, on behalf of the Company, any due diligence, reporting and other relevant FATCA requirements. The Company is treated as a registered deemed compliant FFI. It is the intention of the Manager and the Company to endeavour to satisfy the requirements imposed under FATCA, relating to the Company. Under FATCA, the Manager on behalf of the Company (including through the Manager’s agents or service providers where applicable) may be required to report certain information of Shareholders to the IRS or the local authorities. It is also possible that the Company may, among other things, (i) compulsorily redeem Shareholders who fail to provide the information and documents required to identify their FATCA status, or who are non-compliant FFIs, or (ii) withhold or deduct any reasonable amount from such Shareholders’ redemption proceeds or other distribution proceeds to the extent permitted by applicable laws and regulations. Any such compulsory redemption and/or withholding will be done in accordance with applicable laws and regulations, and the discretion to do so will be exercised by the Manager acting in good faith and on reasonable grounds.

Although the Manager and the Company will attempt to satisfy any FATCA obligations imposed on the Company to avoid the imposition of FATCA withholding tax, no assurance can be given that the Company will be able to fully satisfy these obligations. If the Company becomes subject to a withholding tax as a result of FATCA, the Net Asset Value of the Company and the Sub-Funds may be adversely affected.

Each Shareholder and prospective investor should consult its own tax advisors regarding the potential impact of FATCA on it under its particular circumstances and on the Company.

GENERAL

Reports

The Company's and each Sub-Fund's financial year end is on 31 December in each year.

Audited annual financial reports drawn up in accordance with IFRS and unaudited interim financial reports will be prepared for each financial year. Financial reports will be available in English.

Once financial reports are issued, Shareholders will be notified of where such reports, in printed and electronic forms, can be obtained. Such notices will be sent to Shareholders on or before the issue date of the relevant financial reports, which will be within four months after the end of the financial year in the case of audited annual financial reports, and within two months after 30 June in each year in the case of unaudited interim financial reports. Once issued the financial reports will be available in softcopy from the website <https://www.clamc.com.hk> (this website has not been reviewed by the SFC) and in hardcopy for inspection at the Manager's office free of charge during normal working hours (hardcopies are also available for Shareholders to take away free of charge upon request).

Distribution policy

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends in respect of any Sub-Fund, details of which are set out in the relevant Appendix.

Where specified in the relevant Appendix, the Manager may at its discretion make distributions (i) out of capital or (ii) out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of a Sub-Fund or class, resulting in an increase in distributable income for the payment of distributions by the relevant Sub-Fund or class and therefore, the relevant Sub-Fund or class may effectively pay distributions out of the capital. Payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of distributions out of or effectively out of the Sub-Fund's or class' capital may result in an immediate reduction of the Net Asset Value per Share. Please refer to "Distributions out of or Effectively out of Capital Risk" under the section headed "Risk Factors" above.

The Instrument

The Company was incorporated in Hong Kong under the SFO on 8 January 2025. Its constitution is set out in the Instrument filed to the Companies Registry of Hong Kong on, and effective as of, 8 January 2025 (and as may be further amended, modified or supplemented from time to time). All Shareholders are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Instrument.

Indemnities of the Manager

Under the Management Agreement, the Manager is not liable in respect of any act or omission of:

- (a) any person, firm or company through whom transactions in investments are effected for the account of any Sub-Fund;

- (b) the Custodian;
- (c) the Administrator (if any);
- (d) any party having custody or possession of the Company's assets from time to time; or
- (e) any clearance or settlement system.

Nothing in any of the provisions of the Management Agreement and the Instrument (i) exempts the Manager from or against any liability to Shareholders for breach of its obligations through its fraud or negligence or any liability to Shareholders imposed by virtue of any Hong Kong law in relation to its duties nor (ii) indemnifies the Manager against such liability by Shareholders or at the Shareholders' expense.

Subject to the Instrument, the Company agrees to indemnify and keep indemnified the Manager and the directors, officers and employees of the Manager from and against any and all liabilities, obligations, losses, damages, suits and expenses (each a "Loss") which may be incurred by or asserted against the Manager in its capacity as Manager of the Company. However, such indemnity excludes Losses resulting from the negligence, wilful default or fraud of the person seeking to rely on this indemnity and excludes expenses incurred by the Manager for which it is responsible under the Management Agreement.

When the Manager appears in, prosecutes or defends any action or suit in respect of the provisions of the Management Agreement or the Instrument or in respect of the Company, any Sub-Fund or any part thereof or any corporate or Shareholders' action which in its opinion would or might involve it in expense or liability, it shall be entitled to be indemnified by the Company out of the relevant Sub-Fund to its satisfaction against any costs or expenses in connection with the Manager appearing, prosecuting or defending such actions or suits.

Nothing in the Management Agreement excludes or restricts the liability to the Company which the Manager may have under the SFO.

No provision of the Instrument or the Management Agreement shall be construed as (i) providing any exemption of any liability of the Manager to the Shareholders under Hong Kong law, nor may the Manager be indemnified against such liability by Shareholders or at the Shareholders' expense, or (ii) diminishing or exempting the Manager from any of its duties and liabilities under applicable Laws and Regulations, and no provision shall have the effect of providing any of such exemption or indemnity.

Indemnities of the Custodian

No provision of the Instrument or the Custody Agreement shall be construed as (i) providing any exemption of any liability of the Custodian to the Shareholders under Hong Kong law, nor may the Custodian be indemnified against such liability by Shareholders or at the Shareholders' expense, or (ii) diminishing or exempting the Custodian from any of its duties and liabilities under applicable laws and regulations, and no provision shall have the effect of providing any of such exemption or indemnity.

Nothing in any provisions of a Custody Agreement shall exclude or limit the liability to the Company which a Custodian may have under the SFO.

Please also refer to the relevant Appendix for information relating to a Custodian's liability to the Company in respect of the relevant Sub-Fund, and the indemnities available to a Custodian, under the relevant Custody Agreement.

Modification of Instrument

An amendment to the Instrument may be made to the extent permitted by the Laws and Regulations applicable to the Company and in accordance with the Instrument.

No alteration to this Instrument may be made unless:

- (a) the alteration has been approved by Shareholders by a Special Resolution; or
- (b) the Custodian certifies in writing that in its opinion the proposed alteration:
 - (i) is necessary to make possible compliance with fiscal or other statutory, regulatory or official requirements;
 - (ii) does not materially prejudice Shareholders' interests, does not to any material extent release the Directors, the Manager, the Custodian or any other person from any liability to Shareholders and does not increase the costs and charges payable from the Scheme Property; or
 - (iii) is necessary to correct a manifest error;

In all other cases involving any material changes, no alteration may be made except by a Special Resolution or Shareholders or the approval of the SFC. The Company shall provide written notice to Shareholders in respect of any alteration to this Instrument and any alteration to the Company generally in accordance with the Laws and Regulations.

Removal and Retirement of the Directors

A person ceases to be a Director if the person:

- (a) ceases to be a Director or is prohibited from being a Director under the applicable Laws and Regulations or under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong);
- (b) becomes bankrupt or makes any arrangement or composition with the person's creditors generally;
- (c) becomes a mentally incapacitated person;
- (d) resigns from the office of Director by notice in writing of the resignation of not less than 28 days;
- (e) for more than 6 months has been absent without the Directors' permission from Directors' meetings held during that period;
- (f) upon the expiry of any period or notice period stated in an agreement for the provision of services between the Company and the Director or if such agreement is summarily terminated in accordance with its terms; or
- (g) is removed from the office of Director by an ordinary resolution (as defined in the Instrument).

Special notice (in accordance with the applicable Laws and Regulations) is required of a resolution to remove a Director or appoint a person in place of a Director so removed at the meeting at which the Director is removed on or before the expiry of any period of notice of such

removal. In relation to a resolution to remove a Director before the end of the Director's term of office, no Share may, on a poll, carry a greater number of votes than it would carry in relation to the generality of matters to be voted on at a general meeting of the Company.

Removal and Retirement of the Manager

Under the Management Agreement, the Manager must retire in the case of (i) below, and must be subject to removal by notice in writing from the Directors in the case of (ii) or (iii) below:

- (i) when it ceases to be eligible to be a Manager or is prohibited from being a Manager under the applicable Laws and Regulations, or when the SFC withdraws its approval of the Manager;
- (ii) when it goes into liquidation, becomes bankrupt or has a receiver appointed over its assets;
- (iii) when for good and sufficient reason, the Directors state in writing that a change in the Manager is desirable in the interests of the Shareholders.

The Manager shall be entitled to retire in favour of some other person considered by the Company to be suitably qualified and approved by the SFC, upon giving written notice to the Company in accordance with the Management Agreement and subject to such person entering into a management agreement similar to the Management Agreement.

In the event that the Manager shall retire or be removed or its appointment shall otherwise terminate, the Company shall appoint another corporation eligible under the Laws and Regulations (as defined in the Management Agreement) to act as the investment manager of an open-ended fund company which is approved by the SFC to be the investment manager of the Company in place of the Manager so retiring or being removed on or before the expiry of any period of notice of such retirement or removal.

The Manager may not retire except upon the appointment of a new Manager approved by the SFC.

Removal and Retirement of the Custodian

Under each Custody Agreement, a Custodian must retire in the case of (i) below, and must be subject to removal by notice in writing in the case of (ii) and (iii) below:

- (i) when it ceases to be eligible to be a Custodian or is prohibited from being a Custodian under applicable Laws and Regulations, or when the SFC withdraws its approval of the Custodian;
- (ii) when it goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation), becomes bankrupt or has a receiver appointed over its assets; or
- (iii) when for good and sufficient reason, the Directors state in writing that a change in the Custodian is desirable in the interests of the Shareholders.

In the event that the Custodian shall retire or be removed or its appointment shall otherwise terminate, the Company shall appoint another corporation eligible under the Laws and Regulations to act as a custodian of an open-ended fund company which is approved by the SFC to be the Custodian in place of the Custodian so retiring or being removed on or before

the expiry of any period of notice of such retirement or removal. The retirement of the Custodian should take effect at the same time as the new Custodian takes up office.

The Custodian may not retire except upon the appointment of a new Custodian approved by the SFC.

Termination (otherwise than by winding up)

Without prejudice to any provision in the applicable Laws and Regulations by virtue of which the Company, or a Sub-Fund or a class of Shares may be terminated, the Company, a Sub-Fund or a class of Shares may be terminated, subject to and in accordance with the applicable Laws and Regulations, by the Directors in their absolute discretion if:

- (a) in the case of a Sub-Fund including classes therein, 1 year from the date of the first issue of Share relating to the relevant Sub-Fund or at any date thereafter the Net Asset Value of the relevant Sub-Fund is less than USD5,000,000 or its equivalent in the base currency of the Sub-Fund;
- (b) in the case of a class only, there are no Shareholders of such class in a Sub-Fund;
- (c) in the case of the Company, 1 year from the date of the first issue of Shares relating to the first Sub-Fund or at any date thereafter the Net Asset Value of the Company is less than USD5,000,000 or its equivalent in the base currency of the Company;
- (d) any law shall be passed which renders it illegal or in the reasonable opinion of the Directors impracticable or inadvisable to continue the relevant Sub-Fund or the Company.

The Directors shall give reasonable notice of termination of the Company, the relevant Sub-Fund, or the class of Shares (as the case may be) to the Shareholders in the Company, the relevant Sub-Fund or the class of Shares (as the case may be) in such manner and with such contents which are compliant with the applicable Laws and Regulations, and by such notice fix the date on which such termination is to take effect, provided that no less than one month's notice will be given to the relevant Shareholders in case of termination of the Company or a Sub-Fund. Shareholders' approval is not required to effect termination of the Company or a Sub-Fund.

With effect on and from the date as at which the Company or any Sub-Fund is to terminate:

- (a) no Shares of the relevant class or classes may be issued or sold by the Company;
- (b) the Manager shall on the instructions of the Directors realise all the assets then comprised in the relevant Sub-Fund;
- (c) distributions shall be made to the Shareholders of the relevant Class or Classes in proportion to their respective interests in the relevant Sub-Fund all net cash proceeds derived from the realisation of the relevant Sub-Fund and available for the purpose of such distribution, provided that the Custodian shall be entitled to retain out of any monies in its hands as part of the relevant Sub-Fund full provision for all costs, charges, expenses, claims and demands reasonably incurred by or on behalf of the Company, Directors, the Manager or the Custodian in connection with or arising out of the termination of the relevant Sub-Fund; and
- (d) any unclaimed proceeds or other monies held by the Custodian in the event of a

termination may at the expiration of 12 calendar months from the date upon which the same became payable be paid into court, subject to the right of the Custodian to deduct therefrom any expenses it may incur in making such payment.

Every such distribution shall be made in such manner as the Directors shall at their reasonable discretion determine but shall be made only against the production of such evidence relating to the Shares of the relevant class or classes in respect of which the same is made and upon delivery of such form of request for payment as shall be reasonably required.

Winding Up

Subject to any other provisions applicable to the specific Sub-Fund set out in the relevant Appendix to this Explanatory Memorandum, the rights of the Shareholders to participate in the property comprised in a Sub-Fund on a winding up of the Company or a Sub-Fund shall be proportionate to the proportionate interests in the Sub-Fund represented by the Shares which they hold.

If the Company or a Sub-Fund is wound up and a surplus remains after the payment of debts proved in the winding up, the liquidator:

- (a) may, with the required sanction of a Special Resolution (as defined in the Instrument) of the Company or Shareholders of the relevant Sub-Fund and any other sanction required by the Laws and Regulations, divide amongst the Shareholders the whole or any part of the assets of the Company or relevant Sub-Fund (whether they consist of property of the same kind or not) and may, for this purpose, set a value the liquidator thinks fair on any property to be so divided; and
- (b) may determine how the division is to be carried out between the Shareholders or different classes of Shareholders.

Meetings of Shareholders and voting rights

Meetings of Shareholders may be convened by the Directors. Shareholders representing at least 10% of the total voting rights of all the Shareholders having a right to vote may require a meeting to be convened. A general meeting at which (a) a Special Resolution (as defined in the Instrument) is to be proposed must be called by notice of at least 21 days in writing; and (b) an Ordinary Resolution (as defined in the Instrument) is to be proposed must be called by notice of at least 14 days in writing.

The quorum for all meetings is Shareholders present in person or by proxy representing 10% of the Shares for the time being in issue except for the purpose of passing a Special Resolution. The quorum for passing a Special Resolution is Shareholders present in person or by proxy representing 25% or more of the Shares in issue. In the case of an adjourned meeting of which separate notice will be given, such Shareholders as are present in person or by proxy will form a quorum. Every individual Shareholder present in person, by proxy or by representative has one vote for every Share of which he is the Shareholder. In the case of joint Shareholders the senior of those who tenders a vote (in person or by proxy) will be accepted and seniority is determined by the order in which the names appear on the Register of Shareholders.

The Instrument contains provisions for the holding of separate meetings of Shareholders holding Shares of different classes where only the interests of Shareholders of such class are affected.

Transfer of Shares

Shares may be transferred by an instrument in writing in any usual form or any other form approved by the Directors signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee. The transferor will be deemed to remain the Shareholder of the Shares transferred until the name of the transferee is entered in the Register of Shareholders in respect of such Shares. A reasonable fee may be charged by the Company for registering any instrument of transfer or other document relating to or affecting the title to any Share.

Transfers of Shares are subject to prior consent of the Directors and the Directors may instruct the Custodian not to enter the name of a transferee in the Register or recognise a transfer of any Shares if the Directors believe that such will result in or is likely to result in the contravention of any applicable laws or requirements of any country or region, any governmental authority or any stock exchange (if any) on which such Shares are listed.

Documents available for inspection

Copies of the Instrument of the Company, the Management Agreement, Custody Agreement and the latest audited annual and unaudited interim financial reports (if any) of the Company and each Sub-Fund are available for inspection free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the offices of the Manager. Copies of the Instrument can be purchased from the Manager at a nominal amount.

Anti-Money Laundering Regulations

As part of the Custodian's and the Manager's responsibility to prevent money laundering, they and/or their respective delegates or agents may require detailed verification of a prospective investor's identity and the source of the payment of application monies. Depending on the circumstances of each application, a detailed verification may not be required where: (a) the prospective investor makes payment from an account in the prospective investor's name at a recognised financial institution; (b) the prospective investor is regulated by a recognised regulatory authority; or (c) the application is made through a recognised financial intermediary. The exceptions will only apply if the financial institution, regulatory authority or intermediary referred to above is within a country or jurisdiction recognised by Hong Kong as having sufficient anti-money laundering regulations.

The Custodian, the Manager and their respective delegates and agents each reserves the right to request such information as is necessary to verify the identity of an applicant and the source of the payment. In the event of delay or failure by the applicant to produce any information required for verification purposes by any of the above parties, the Manager may refuse to accept the application and return the application monies relating to such application.

The Company also reserves the right to refuse to make any redemption payment to a Shareholder if the Manager reasonably suspects or is advised that the payment of redemption proceeds to such Shareholder might result in a breach of applicable anti-money laundering or other laws or regulations by any person in any relevant jurisdiction, or if such refusal is considered necessary to ensure the compliance by the Company or the relevant Sub-Fund(s) or the Custodian or the Manager or other service provider to the Company with any such laws or regulations in any relevant jurisdiction.

None of the Custodian, the Manager or their respective delegates or agents shall be liable to the prospective investor or Shareholder for any loss suffered by such party as a result of the rejection or delay of any subscription application or payment of redemption proceeds.

Liquidity Risk Management

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

As a liquidity risk management tool, the Manager may limit the number of Shares of a Sub-Fund redeemed on any Dealing Day to Shares representing 10% of the total Net Asset Value of Shares of the relevant Sub-Fund in issue (subject to the conditions under the heading entitled "Restrictions on Redemption" in the section headed "Redemption of Shares"). Where specified in the relevant Appendix, the Manager may also apply a "swing pricing" mechanism under certain circumstances. Please refer to the section "Adjustment of Prices" and the relevant Appendix for further details.

On an on-going basis, the Manager's risk management function will assess each Sub-Fund's liquidity position against internal liquidity indicators. The Manager may consider a range of quantitative metrics and qualitative factors in arriving at a liquidity assessment. The quantitative metrics that the Manager may consider include, where available, the underlying asset's issue size, bid-ask spreads, transaction cost, the number of market makers, each Sub-Fund's holding as a proportion of the outstanding issuance, time to maturity and time of issuance. The Manager supplements the available quantitative data with its professional judgment and other qualitative factors such as the overall market conditions, the applicable regulatory requirements, the currency denomination, and the credit quality. The Manager classifies each Sub-Fund's assets into different liquidity categories using the generic categories of low, medium and high liquidity, and sets indicators on the minimum and maximum holding of assets that belong to each of these liquidity categories, taking into account the historical liquidity demands and expected future liquidity demands of each Sub-Fund under likely future market conditions. Where a Sub-Fund is unable to meet the targets, the Manager will report the incident to the senior management who perform the oversight role for consideration in a timely manner. Policies will be put in place and documentation will be maintained on the assessments. The Manager will also perform liquidity stress testing on each Sub-Fund on an ongoing basis.

Notices

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

Company
China Life Franklin OFC
中國人壽富蘭克林開放式基金型公司
27/F, One Exchange Square
8 Connaught Place
Central, Hong Kong

Manager

China Life Franklin Asset Management Co., Limited
27/F, One Exchange Square
8 Connaught Place
Central, Hong Kong

With respect to China Life Franklin USD Money Market Fund only

Custodian, Administrator and Registrar
CMB Wing Lung (Trustee) Limited
6/F, CMB Wing Lung Bank Building
45 Des Voeux Road Central
Hong Kong

Websites

The offer of the Shares is made solely on the basis of information contained in this Explanatory Memorandum. This Explanatory Memorandum may refer to information and materials included in websites, which may be updated or changed from time to time without any notice. Such information and materials do not form part of this Explanatory Memorandum and they have not been reviewed by the SFC. Investors should exercise an appropriate degree of caution when assessing the value of such information and materials.

SCHEDULE 1: SUMMARY OF POLICY OF SECURITIES FINANCING TRANSACTIONS

The summary of policy of securities financing transactions set out in this Schedule 1 is only applicable to a Sub-Fund which may engage in securities financing transactions. Securities financing transactions may only be effected in accordance with normal market practice and provided that they are in the best interest of Shareholders of the relevant Sub-Fund to do so and the associated risks have been properly mitigated and addressed.

Securities financing transactions

Under a securities lending transaction, a Sub-Fund lends its securities to a security-borrowing counterparty for an agreed fee subject to a commitment from that counterparty that it will return equivalent securities on a specified future date or when requested to do so by the relevant Sub-Fund. A Sub-Fund is expected to retain the rights of beneficial ownership as to the loaned securities, including voting rights and rights to interest or other distributions, and will generally have the right to regain record ownership of loaned securities to exercise such beneficial rights.

Under a Sale and Repurchase Transaction, a Sub-Fund sells its securities to a counterparty of Reverse Repurchase Transactions subject to an agreement to repurchase the securities at an agreed price with a financing cost on a specified future date. Where a Sub-Fund enters into a Sale and Repurchase Transaction under which it sells securities to the counterparty, it will incur a financing cost from engaging in this transaction which will be paid to the relevant counterparty.

Under a Reverse Repurchase Transaction, a Sub-Fund purchases securities from a counterparty of Sale and Repurchase Transactions subject to an agreement to re-sell the relevant securities to the counterparty at an agreed price on a specified future date.

A Sub-Fund must have the right to terminate the Securities Financing Transactions at any time and demand the return of all of the securities loaned or the full amount of cash (as the case may be).

Revenue and expenses

All revenues arising from Securities Financing Transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the Securities Financing Transactions, shall be returned to the relevant Sub-Fund. Such direct and indirect expenses shall include fees and expenses payable to securities lending agents engaged for the relevant Sub-Fund from time to time. Such fees and expenses of any securities lending agents engaged for the relevant Sub-Fund, will be at normal commercial rates and will be borne by the relevant Sub-Fund in respect of which the relevant party has been engaged.

Information on the revenues generated under such transactions shall be disclosed in the annual and semi-annual reports of the relevant Sub-Fund, along with entities to whom direct and indirect operational costs and fees relating to such transactions are paid. These entities may include the Manager, the investment delegate or any other their Connected Persons.

Eligible counterparties

Please refer to Schedule 2 for further details.

Collateral

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

Please refer to Schedule 2 for further details.

Maximum and expected level of Securities Financing Transactions

The maximum and expected level of a Sub-Fund's assets available for securities financing transactions are set out in the Appendix of the relevant Sub-Fund.

Types of assets that may be subject to Securities Financing Transactions

The types of assets that may be subject to securities financing transactions include equity securities, fixed income securities, collective investment schemes, money market instruments and cash. Use of such assets is subject to a Sub-Fund's investment objective and policy.

Connected person(s) arrangement

The Manager currently does not intend to carry out any securities financing transactions with or through a Connected Person of the Manager or the Custodian. Details (such as information on income, direct and indirect costs, fees, entities to which such costs and fees are paid and the relationship of the entities with the Manager or the Custodian (if any)) of the securities financing transactions will be disclosed in the relevant Sub-Fund's annual reports.

Safekeeping arrangement

Assets received

Assets (including any collateral) received by a Sub-Fund under a title-transfer arrangement should be held by the Custodian or any agents, nominees, sub-custodians and sub-delegates appointed by the Custodian (each a "**Correspondent**").

Assets provided

Assets (including any collateral) provided to a counterparty under a title-transfer arrangement shall no longer belong to the Sub-Fund. Assets (including any collateral) provided to a counterparty other than under a title-transfer arrangement shall be held by the Custodian or a Correspondent (which may include the counterparty to the relevant securities financing transaction). Upon the exercise of a right of re-use by a counterparty, such assets will not be safe-kept by the Custodian or a Correspondent and such Counterparty may use the assets at its absolute discretion.

SCHEDULE 2: COLLATERAL VALUATION AND MANAGEMENT POLICY

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

A Sub-Fund may receive collateral from a counterparty to a securities financing transaction or OTC derivative transaction in order to reduce its counterparty risk exposure, subject to the investment restrictions and requirements applicable to collateral as provided in the sub-section headed "Investment restrictions" in the Explanatory Memorandum.

Nature and quality of the collateral

A Sub-Fund may receive both cash and non-cash collateral from a counterparty. Cash collateral may include cash, cash equivalents and money market instruments. Non-cash collateral may comprise of government or corporate bonds whether investment grade / non-investment grade, long/short term bonds, listed or traded in any regulated markets.

Criteria for selecting counterparties

The Manager has counterparty selection policies and control measures to manage the credit risks of counterparties of securities financing transactions and OTC derivative transactions which shall include amongst other considerations, fundamental creditworthiness (e.g. ownership structure, financial strength) and commercial reputation of specific legal entities in conjunction with the nature and structure of proposed trading activities, external credit ratings of the counterparty, the regulatory supervision applied to the relevant counterparty, country of origin of the counterparty and legal status of the counterparty.

The counterparty of securities financing transactions must be financial institutions which are subject to ongoing prudential regulation and supervision.

The counterparties of OTC derivative transactions will be entities with legal personality typically located in OECD jurisdictions (but may also be located outside such jurisdictions), and be subject to ongoing supervision by a regulatory authority.

Each counterparty will be an independent counterparty approved by the Manager and is expected to have a minimum credit rating of A- or above (by Moody's or Standard & Poor's, or any other equivalent ratings by recognised credit rating agencies), or be a licensed corporation with the SFC or registered institution with the Hong Kong Monetary Authority when entering into such transactions.

Valuation of collateral

The collateral received is valued daily by independent pricing source on a mark-to-market basis.

Enforceability of collateral

Collateral must be readily accessible/enforceable by the Sub-Fund without further recourse to the counterparty and will not be available for secondary recourse.

Haircut policy

A documented haircut policy is in place for detailing the policy in respect of each class of assets received by a Sub-Fund in order to reduce exposure to counterparties. A haircut is a

discount applied to the value of a collateral asset to account for the fact that its valuation, or liquidity profile, may deteriorate over time. The haircut arrangement policy applied to posted collateral will be negotiated on a counterparty basis and will vary depending on the class of asset received by the relevant Sub-Fund. Haircuts will be based on the market risks of the assets used as collateral in order to cover potential maximum expected decline in collateral values during liquidation before a transaction can be closed out with due consideration on stress period and volatile markets. The haircut policy takes account of the price volatility of the asset used as collateral and other specific characteristics of the collateral, including, among others, asset types, issuer creditworthiness, residual maturity, price sensitivity, optionality, expected liquidity in stressed period, impact from foreign exchange, and correlation between securities accepted as collateral and the securities involved in the transactions.

Further details of the applicable haircut arrangement for each asset class can be available from the Manager upon request.

Diversification and correlation of collateral

Collateral must be sufficiently diversified. The exposures of a Sub-Fund to the collateral issuers are monitored in accordance with the relevant restrictions on exposure to a single entity and/or entities within the same group as set out in the sub-section headed "Investment restrictions" in the Explanatory Memorandum.

Collateral received must be issued by an entity that is independent from the relevant counterparty.

Cash collateral reinvestment policy

A Sub-Fund shall not sell, pledge or re-invest any non-cash collateral received by it.

Subject to the applicable restrictions in respect of collateral in the sub-section headed "Investment restrictions" in the Explanatory Memorandum, cash collateral received by a Sub-Fund may be reinvested in short-term deposits, high quality money market instruments and money market funds authorized under 8.2 of the UT Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC.

Up to 100% of the cash collateral received by a Sub-Fund may be reinvested.

Safekeeping of collateral

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

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

Assets provided by a Sub-Fund on a title transfer basis shall no longer belong to the Sub-Fund. The counterparty may use those assets at its absolute discretion. Assets provided to a counterparty other than on a title transfer basis shall be held by the Custodian or a Correspondent.

APPENDIX 1: CHINA LIFE FRANKLIN USD MONEY MARKET FUND

This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the China Life Franklin USD Money Market Fund (the “Sub-Fund”), a Sub-Fund of the Company. All references in this Appendix to the Sub-Fund are to China Life Franklin USD Money Market Fund. Terms defined in the main body of this Explanatory Memorandum have the same meaning when used in this Appendix.

Base Currency

The Base Currency of the Sub-Fund is the USD.

Investment Objective

The Sub-Fund's objective is to achieve a return in USD in line with prevailing money market rate. There can be no assurance that the Sub-Fund will achieve its investment objective.

Investment Strategy

The Sub-Fund seeks to achieve its investment objective by investing primarily (i.e. not less than 70% of its Net Asset Value) in USD-denominated short-term deposits and high-quality money market instruments issued by governments, quasi-governments, international organisations, financial institutions and corporations. The Sub-Fund may invest up to 30% of its Net Asset Value in non-USD-denominated short-term deposits and high-quality money market instruments. The Manager will hedge non-USD-denominated investments into USD in order to manage any material currency risk.

In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the instrument must be taken into account. High-quality money market instruments include debt securities, commercial papers, certificates of deposits and commercial bills. Debt securities invested by the Sub-Fund include but are not limited to government bonds, fixed and floating rate bonds.

The Sub-Fund will only invest in fixed income securities rated investment grade or above. For the purposes of the Sub-Fund, investment grade is defined as below based on the original maturity of a fixed income security:

- A long-term fixed income security which (or the issuer of which) is rated BBB-/ Baa3 or above by an internationally recognised credit rating agency (such as Fitch's, Moody's and Standard & Poor's) or rated AA+ or above by a Mainland China credit rating agency. For split credit ratings, the highest rating shall apply. For the avoidance of doubt, the Sub-Fund does not intend to invest in fixed income securities with a long term to maturity remaining at the time of investment. The long-term credit ratings will be considered where the Sub-Fund invests in fixed income securities which have been rated long-term credit ratings, but have a shorter term to maturity remaining (subject to the restrictions on remaining maturity, weighted average maturity and weighted average life of the portfolio of the Sub-Fund as set out below) at the time of purchase by the Sub-Fund; and
- A short-term fixed income security which (or the issuer of which) is rated F3 / P-3 / A-3 or above by an internationally recognised credit rating agency (such as Fitch's, Moody's and Standard & Poor's) or rated AA+ or above by a Mainland China credit rating agency. For split credit ratings, the highest rating shall apply.

In assessing the credit quality of debt securities, if the relevant debt security does not itself

have a credit rating, then reference will be made to the credit rating of the issuer or the guarantor of such debt security. If neither the debt security nor the issuer / guarantor is rated, it will be classified as unrated. For the avoidance of doubt, the Sub-Fund will not invest in unrated debt security. For fixed income securities rated investment grade or above, the Manager will also assess the credit risks on an ongoing basis based on quantitative and qualitative fundamentals, including but not limited to the issuer's leverage, operating margin, return on capital, interest coverage, operating cash flows, industry outlook, the firm's competitive position and corporate governance etc. to ensure that the fixed income security that the Sub-Fund invests in is of sound credit quality.

The Manager will assess the liquidity profile of instruments based on, amongst other factors, time to cash, external liquidity classification, liquidation horizon, daily trading volume, price volatility and bid-ask spread of such instruments. Only instruments with sufficient liquidity will be included in the portfolio of the Sub-Fund.

There is no specific geographical allocation of the country of issue of the high-quality money market instruments or short-term deposits. Countries or regions in which the Sub-Fund may invest in include, but not limited to, the United States, Singapore, the European Union and the greater China region (comprising Mainland China, Hong Kong, Macau and Taiwan) (the "Greater China"). The Sub-Fund may invest in aggregate up to 100% of its Net Asset Value in Greater China. The Sub-Fund will invest less than 20% of its Net Asset Value in emerging markets other than Greater China.

The Sub-Fund may invest in aggregate no more than 20% of its Net Asset Value in onshore China fixed income securities via the Manager's QFI status or in the Mainland Inter-bank Bond Market via Foreign Access Regime, Bond Market or such other means as permitted by the relevant regulatory authorities from time to time (as defined in the main body of the Explanatory Memorandum).

Weighted Average Maturity with Weighted Average Life

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

Subject to the above, the aggregate value of the Sub-Fund's investment in entities within the same group through instruments and deposits will not exceed 20% of its Net Asset Value.

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

Borrowing, Sale and Repurchase Transactions and Reverse Repurchase Transactions

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

The Sub-Fund may enter into sale and repurchase transactions for up to 10% of its Net Asset

Value but only on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses. The amount of cash received by the Sub-Fund under such transactions may not in aggregate exceed 10% of its Net Asset Value. Sale and repurchase transactions are transactions where the Sub-Fund sells securities such as bonds for cash and simultaneously agrees to repurchase the securities from the counterparty at a pre-determined future date for a pre-determined price. A sale and repurchase transaction is economically similar to secured borrowing, with the counterparty of the Sub-Fund receiving securities as collateral for the cash that it lends to the Sub-Fund.

For sale and repurchase transactions, the Manager will select independent counterparties approved by the Manager with credit rating of BBB-or above (by Moody's or Standard & Poor's, or any other equivalent ratings by internationally recognized credit rating agencies) or which are SFC-licensed corporations or are registered institutions with the Hong Kong Monetary Authority. Any incremental income generated will be credited to the account of the Sub-Fund after deducting any fees charged by parties operating such transactions.

It is the intention of the Manager to sell the securities for cash equal to the market value of the securities provided to the counterparty, subject to appropriate haircut. Cash obtained in sale and repurchase transactions will be used for meeting redemption requests or defraying operating expenses, but will not be re-invested.

The Sub-Fund may engage in reverse repurchase transactions (i.e. a transaction whereby the Sub-Fund purchases securities from a counterparty of sale and repurchase transactions and agrees to sell such securities back at a pre-determined price in the future) provided that the aggregate amount of cash provided to the same counterparty in reverse repurchase agreements may not exceed 15% of the Net Asset Value of the Sub-Fund.

Currently, the Sub-Fund does not intend to engage in securities lending transactions.

Other Investments

The Sub-Fund may invest up to 10% of its Net Asset Value in money market funds authorised in Hong Kong by the SFC under Chapter 8.2 of the UT Code or regulated in other jurisdictions in a manner generally comparable with the requirements of the SFC and acceptable to the SFC.

The Sub-Fund may invest up to 15% of its Net Asset Value in asset-backed securities, such as mortgage-backed securities. Such asset backed securities will be issued in regions such as Mainland China, Hong Kong, Singapore or the United States, and will be rated investment grade or above.

The Sub-Fund will enter into FDIs (including interest rate swaps and currency swaps) for hedging purposes only. In particular, any material currency risk will be appropriately hedged where the Sub-Fund invests in assets that are not denominated in USD.

Use of derivatives

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

Investment Restrictions

No waivers from the investment restrictions set out in the main body of the Explanatory Memorandum have been sought or granted by the SFC.

In particular, the Sub-Fund is subject to the restrictions pursuant to Chapter 8.2 of the UT Code

which are applicable to a money market fund.

Available Classes

The Sub-Fund currently has the following classes of Shares which are available to investors:

- Class A (USD)
- Class A (HKD)
- Class A (HKD Hedged)
- Class A (RMB)
- Class B (USD)
- Class B (HKD)
- Class B (HKD Hedged)
- Class B (RMB)
- Class C (USD)
- Class C (HKD)
- Class C (HKD Hedged)
- Class C (RMB)
- Class I (USD)
- Class I (HKD)
- Class I (HKD Hedged)
- Class I (RMB)
- Class P (USD)
- Class P (HKD)
- Class P (HKD Hedged)
- Class P (RMB)

The Manager may in future determine to issue additional Classes.

Initial Offer Period

The Initial Offer Period of the Sub-Fund will commence at 9:00 a.m. (Hong Kong time) on 12 March 2025 and end at 4:00 p.m. (Hong Kong time) on 17 March 2025 (or such other dates or times as the Manager may determine).

Initial Subscription Price

The initial Subscription Price for Shares of each class is as follows:

- Class A (USD): USD 100 per Share
- Class A (HKD): HKD 100 per Share
- Class A (HKD Hedged): HKD 100 per Share
- Class A (RMB): RMB 100 per Share
- Class B (USD): USD 100 per Share
- Class B (HKD): HKD 100 per Share
- Class B (HKD Hedged): HKD 100 per Share
- Class B (RMB): RMB 100 per Share
- Class C (USD): USD 100 per Share
- Class C (HKD): HKD 100 per Share
- Class C (HKD Hedged): HKD 100 per Share
- Class C (RMB): RMB 100 per Share
- Class I (USD): USD 100 per Share
- Class I (HKD): HKD 100 per Share
- Class I (HKD Hedged): HKD 100 per Share
- Class I (RMB): RMB 100 per Share
- Class P (USD): USD 100 per Share
- Class P (HKD): HKD 100 per Share
- Class P (HKD Hedged): HKD 100 per Share
- Class P (RMB): RMB 100 per Share

The Manager may at any time decide to close the Sub-Fund to further subscriptions before the end of the Initial Offer Period without any prior or further notice.

Dealing procedures

For details of dealing procedures, please refer to the information below and in the sections headed "Subscription of Shares", "Redemption of Shares" and "Switching" in the main body of this Explanatory Memorandum. The following apply to the Sub-Fund:

<i>Dealing Day</i>	each Business Day
<i>Dealing Deadline</i>	11:00 a.m. (Hong Kong time) on the relevant Dealing Day

Payment for Shares issued for cash shall be made no later than the Dealing Deadline of the relevant Dealing Day on which a subscription is made and the relevant Shares are issued.

Investors should note that subscription monies in respect of the Sub-Fund must be paid in the currency of denomination of the relevant class of Shares. Redemption proceeds will be paid to redeeming Shareholders in the currency of denomination of the relevant class of Shares.

Investment Minima

The following investment minima apply to the Sub-Fund:

Share class	Minimum initial investment	Minimum subsequent investment	Minimum Holding Amount	Minimum Redemption Amount
Class A (USD)	Nil	Nil	Nil	Nil
Class A (HKD)	Nil	Nil	Nil	Nil
Class A (HKD Hedged)	Nil	Nil	Nil	Nil
Class A (RMB)	Nil	Nil	Nil	Nil
Class B (USD)	Nil	Nil	Nil	Nil
Class B (HKD)	Nil	Nil	Nil	Nil
Class B (HKD Hedged)	Nil	Nil	Nil	Nil
Class B (RMB)	Nil	Nil	Nil	Nil
Class C (USD)	Nil	Nil	Nil	Nil
Class C (HKD)	Nil	Nil	Nil	Nil
Class C (HKD Hedged)	Nil	Nil	Nil	Nil
Class C (RMB)	Nil	Nil	Nil	Nil
Class I (USD)	USD 100	USD 100	Nil	Nil
Class I (HKD)	HKD 1,000	HKD 1,000	Nil	Nil
Class I (HKD Hedged)	HKD 1,000	HKD 1,000	Nil	Nil
Class I (RMB)	RMB 1,000	RMB 1,000	Nil	Nil

Class P (USD)	Nil	Nil	Nil	Nil
Class P (HKD)	Nil	Nil	Nil	Nil
Class P (HKD Hedged)	Nil	Nil	Nil	Nil
Class P (RMB)	Nil	Nil	Nil	Nil

The Manager reserves the right to waive the minimum initial investment, minimum subsequent investment, minimum holding amount and minimum redemption amount requirements for any Class of Shares.

Distribution Policy

No dividends will be declared or distributed to Shareholders.

Payment of redemption proceeds

As set out in the main body of this Explanatory Memorandum, save as otherwise agreed by the Manager, and so long as relevant account details have been provided, redemption proceeds will normally be paid in the currency of denomination of the relevant class of Shares by telegraphic transfer as soon as practicable but in any event within one calendar month of the relevant Dealing Day or (if later) receipt of a properly documented redemption request, unless the market(s) in which a substantial portion of the Sub-Fund's investments is made is subject to legal or regulatory requirements (such as foreign currency controls) which render the payment of the redemption proceeds within the aforesaid time period not practicable, but in such a case the SFC's prior approval will be sought before extending the time frame for payment, and such extended time frame should reflect the additional time needed in light of the specific circumstances in the market(s) in question.

Subscription Price and Redemption Price

The Subscription Price and Redemption Price of the Sub-Fund (in respect of a class of Shares) on any Dealing Day will be the price per Share ascertained by dividing the Net Asset Value of the relevant class as at the Valuation Point in respect of the relevant Dealing Day by the number of Shares of that class then in issue and rounded to 4 decimal places (0.00005 and above being rounded up; below 0.00005 being rounded down). Any rounding adjustment will be retained by the relevant class.

Publication of Net Asset Value

The latest Subscription Price and Redemption Price in respect of Shares or the Net Asset Value per Share of the Sub-Fund are available on the Manager's website <https://www.clamc.com.hk> (this website has not been reviewed by the SFC).

The Custodian, Administrator and the Registrar

The Custodian of the Sub-Fund is CMB Wing Lung (Trustee) Limited. The Custodian also acts as the Administrator and Registrar of the Sub-Fund.

The Custodian is incorporated with limited liability in Hong Kong in 1972 and is registered as a trust company under the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) and a licensed trust or company service provider (TCSP Licence No. TC004338). The Custodian is a wholly-owned subsidiary of CMB Wing Lung Bank Limited, a licensed bank (CE No. AAF294) under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Under the Custody Agreement, the Custodian is responsible for the safekeeping of the Scheme Property of the Sub-Fund, subject to the provisions of the Instrument and the SFO.

The Custodian may appoint a person or persons (including a Connected Person of the Custodian) to be agent, sub-contractor, nominee and/or sub-custodian to hold certain assets of the Sub-Fund and may empower its appointed sub-custodian to further appoint nominees, agents and/or delegates provided that such appointment is made (i) with the prior consent in writing of the Custodian; (ii) with the Custodian's agreement in writing; or (iii) with no objection in writing by the Custodian.

The Custodian shall be liable for the acts and omissions of nominees, agents and delegates in relation to assets forming part of the Scheme Property of the Company and the Sub-Fund, provided that the Custodian shall have no responsibility for any act, omission, insolvency, liquidation or bankruptcy of any central securities depository or clearing system. The Custodian shall be liable for the acts and omissions of its nominees, agents and delegates which are Connected Persons of the Custodian as if the same were the acts or omissions of the Custodian. For the purpose of satisfying these obligations in respect of a nominee, agent or delegate that is not a Connected Person of the Custodian, the Custodian shall (i) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of its nominees, agents and delegates; and (ii) be satisfied that the nominees, agents and delegates retained remain suitably qualified and competent to provide the relevant service.

The Custodian will remain as the custodian of the Company and the Sub-Fund until it retires or is removed. The circumstances under which the Custodian may retire or be removed are set out in the Custody Agreement. Where the Sub-Fund is authorised pursuant to section 104 of the SFO, any change in the Custodian is subject to the SFC's prior approval and the Custodian will remain as the custodian of the Company and the Sub-Fund until a new custodian is appointed. Shareholders will be duly notified of any such changes in accordance with the requirements prescribed by the SFC.

Under the Custody Agreement, the Company agrees to indemnify the Custodian and its officers, employees and delegates (as defined in the Custody Agreement) (each an "**Indemnified Person**") against all liabilities suffered or incurred by the Custodian and the Indemnified Person in connection with its duties or services under the Custody Agreement, including but not limited to liabilities incurred as a result of the acts or omissions of the Company, the Sub-Fund or any other person in connection with the Custody Agreement.

Nothing in the Custody Agreement excludes or limits the liability to the Company which the Custodian may have under the SFO.

No provision in the Instrument or the Custody Agreement shall be construed as (i) providing for any exemption of any liability of the Custodian to the Shareholders imposed under Hong Kong law or indemnifying the Custodian against such liability by Shareholders or at the Shareholders' expense; or (ii) diminishing or exempting the Custodian from any of its duties and liabilities under the Laws and Regulations, and no provision shall have the effect of providing any of such exemption or indemnity.

The Custodian will be entitled to the fees described in the section headed "Expenses and

Charges” below and to be reimbursed for all costs and expenses in accordance with the provisions of the Custody Agreement.

Expenses and Charges

The following are the actual fees and charges payable in respect of the Sub-Fund. Maximum fees permitted to be charged on one months’ notice to Shareholders are set out under the section entitled “Expenses and Charges” in the main body of this Explanatory Memorandum. The Manager may in its discretion bear part of or all of the costs attributable to the Sub-Fund.

Fees payable by Shareholders

Fee	What you pay				
	Class A	Class B	Class C	Class I	Class P
Subscription fee⁺	Up to 3% of the subscription amount				
Switching fee⁺# (i.e. conversion fee)	Up to 1%* of the redemption amount for each Share converted				
Redemption fee⁺	Nil				

* The switching fee will be deducted from the redemption proceeds and retained by the Manager. This is payable in addition to the applicable redemption fee (if any).

+ Investors may be subject to pricing adjustments (including swing pricing adjustment) when subscribing, redeeming or converting shares of the Sub-Fund. For details, please refer to the “Adjustment of prices” sub-section under the section headed “Valuation” in the main body of this Explanatory Memorandum.

Switching of Shares of a Sub-Fund into Shares of another Sub-Fund is currently not available as currently the Sub-Fund is the only sub-fund of the Company.

Fees payable by the Sub-Fund

Fee	Annual rate (as a % of the Sub-Fund’s Net Asset Value)				
	Class A	Class B	Class C	Class I	Class P
Management fee[^]	0.35% per annum	Nil	0.60% per annum	0.05% per annum	0.15% per annum
Performance fee	Nil				
Custodian fee[^]@	Up to 0.01% per annum, subject to a minimum monthly fee of USD2500 in respect of the aggregate of Custodian Fee and Administrator Fee				
Administrator fee[^]@	Up to 0.04% per annum, subject to a minimum monthly fee of USD2500 in respect of the aggregate of Custodian Fee and Administrator Fee				

^ Please note that some fees may be increased up to a permitted maximum amount by providing one month's prior notice to Shareholders. Please refer to the section headed "Expenses and Charges" in the main body of this Explanatory Memorandum for further details on the permitted maximum of such fees allowed.

@ The maximum amount of custodian fee and administrator fees are 0.10% per annum of the NAV of the Sub-Fund and 0.15% per annum of the NAV of the Sub-Fund, respectively. Any increase in the custodian fee and administration fee in respect of the Sub-Fund up to this maximum level will only be implemented after giving one month's notice (or such period of notice as the SFC may require) to the Shareholders.

Establishment costs

The costs of establishing the Company and the Sub-Fund, including the initial preparation of the Explanatory Memorandum, inception fees, the costs of seeking and obtaining the authorization by the SFC and all initial legal and printing costs, are approximately USD83,000. These costs are charged to the Sub-Fund and are being amortized over the first 5 accounting periods of the Sub-Fund (or such other period as determined by the Manager) on a straight-line basis.

Additional Risk Factors

The following risk factors are specific to the Sub-Fund. Investors should also note the risk factors applicable to all Sub-Funds, including the Sub-Fund, which are set out in the section entitled "Risk Factors" in the main body of this Explanatory Memorandum.

Investment risk

The Sub-Fund's investment portfolio may fall in value due to any of the risk factors relevant to the Sub-Fund. Investors may suffer losses as a result.

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

Investors should be aware that investment in the Sub-Fund is subject to normal market fluctuations and other risks inherent in the underlying assets into which the Sub-Fund may invest.

There can be no assurance that any appreciation in value of investments will occur. There is no guarantee of repayment of principal.

Risk of not achieving investment objective

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

Risk factors relating to Mainland China

Mainland China economic, political and social conditions as well as government policies risks

The economy of Mainland China, which has been in a state of transition from a planned economy to a more market oriented economy, differs from the economies of most developed countries in many respects, including the level of government involvement, its state of development, its growth rate, control of foreign exchange, and allocation of resources. Although the majority of productive assets in Mainland China are still owned by the Mainland Chinese government at various levels, in recent years, the Mainland Chinese government has implemented economic reform measures emphasising utilisation of market forces in the development of the economy of Mainland China and a high level of management autonomy. The economy of Mainland China has experienced significant growth in the past 20 years, but growth has been uneven both geographically and among various sectors of the economy. Economic growth has also been accompanied by periods of high inflation. Mainland China government has implemented various measures from time to time to control inflation and restrain the rate of economic growth.

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

Political changes, social instability and adverse diplomatic developments in Mainland China could result in the imposition of additional government restrictions affecting the market for China government bonds and policy bank bonds.

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

Legal system of Mainland China risk

The legal system of Mainland China is based on written laws and regulations. Despite the Mainland Chinese government's effort in improving the commercial laws and regulations, many of these laws and regulations are still at an experimental stage and the implementation of such laws and regulations remains unclear. The regulatory and legal framework for capital markets and joint stock companies in Mainland China may not be as well developed as those of developed countries. As the Mainland China legal system develops, no assurance can be given that changes in such laws and regulations, their interpretation or their enforcement will not have a material adverse effect on their business operations.

Mainland China laws and regulations affecting securities markets are relatively new and evolving, and because of the limited volume of published cases and judicial interpretation and their non-binding nature, interpretation and enforcement of these regulations involve significant uncertainties.

Potential market volatility risk

Investors should note that the inter-bank bond market, and the Mainland China exchanges on which the onshore China bonds are traded are undergoing development. Market volatility and potential settlement difficulties in the Mainland China market may result in significant fluctuation in the prices of onshore China bonds traded on such markets and thereby may adversely affect the Net Asset Value of the Sub-Fund.

Accounting and reporting standards risk

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

Taxation in Mainland China risk

It should be noted that there is a possibility of the Mainland China tax rules, regulations and practice being changed and taxes being applied retrospectively. In view of the prevailing tax treatment as discussed in the section headed “Mainland China taxation” in the Part 1 of this Prospectus, based on professional and independent tax advice, the Sub-Fund (i) will make relevant provision of 10% on interest derived from Mainland Chinese securities if withholding income tax (“WHT”) is not withheld at source at the time when such income is received (where WHT is already held at source, no provision will be made) and (ii) will not make tax provision on the gross unrealised and realised capital gains derived from disposal of fixed income or other money market instruments that may be subject to Mainland China tax. In the event that actual tax is collected by the SAT to make payments reflecting tax liabilities for which no provisions has been made or that there is any shortfall between any provision made and the actual tax liabilities, the Net Asset Value of the Sub-Fund may be adversely affected, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities or the amount of such shortfall (as the case may be). 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 Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund. On the other hand, if the actual tax liabilities are lower than any provision made so that that there is an excess in the tax provision amount, investors who have redeemed their Shares before the 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 Shareholders and subsequent Shareholders may benefit if the difference between the tax provision and the actual tax liabilities can be returned to the account of the Sub-Fund as assets thereof. Notwithstanding the above provisions, Shareholders who have already redeemed their Shares in the Sub-Fund before the return of any overprovision to the account of the Sub-Fund will not be entitled or have any right to claim any part of such overprovision. As a result, investors may be advantaged or disadvantaged depending on the final rules of the relevant Mainland China tax authorities and when they subscribed and/or redeemed their Shares. Upon any future resolution of the above-mentioned tax exemption or further changes to tax law or policies, the Manager will, as soon as practicable, make relevant adjustments to the tax provision policy as it considers necessary.

Please refer to the section “Taxation” – “Mainland China Taxation” in Part 1 of this Explanatory Memorandum for information about Mainland China tax considerations of the Sub-Fund.

Risks relating to fixed income securities (including money market instruments)

Short-term fixed income instruments risk

As the Sub-Fund invests substantially in short-term fixed income instruments with short maturities, the turnover rates of the Sub-Fund's investments may be relatively high and the transaction costs incurred as a result of the purchase or sale of short-term fixed income instruments may also increase which in turn may have a negative impact on the Net Asset Value of the Sub-Fund. The Sub-Fund's underlying fixed income securities may become more illiquid when nearing maturity. It therefore may be more difficult to achieve fair valuation in the market.

Credit / counterparty risk

Investment in fixed income instruments is subject to the credit risk of the issuers which may be unable or unwilling to make timely payments of principal and/or interest, and the value of the Sub-Fund is affected by the creditworthiness of its underlying investments. In the event of a default or credit rating downgrading of the fixed income instruments (or the issuers thereof) held by the Sub-Fund, valuation of the Sub-Fund's portfolio may become more difficult, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against the issuers who may be incorporated in countries/regions other than Hong Kong and therefore not subject to the laws of Hong Kong.

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

Volatility and liquidity risk

The fixed income securities in the Greater China markets (in particular Mainland China and Taiwan) and other emerging markets may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may incur significant trading costs.

Interest rate risk

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

As the Sub-Fund may invests in emerging market debt (for example, the Mainland China markets), the Sub-Fund is additionally subject to policy risk as changes in macro-economic policies an emerging market country/region (including monetary policy and fiscal policy) may have an influence over such country/region's capital markets and affect the pricing of the bonds in the Sub-Fund's portfolio, which may in turn adversely affect the return of the Sub-Fund.

Credit rating risk

Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.

Credit rating agency risk

In respect of investments in onshore China fixed income securities, the credit appraisal system in Mainland China and the rating methodologies employed in Mainland China may be different from those employed in other markets. Credit ratings given by Mainland China rating agencies may therefore not be directly comparable with those given by other international rating agencies.

Risk of credit rating downgrades

Changing market conditions or other significant events, such as credit rating downgrades affecting issuers or major financial institutions, may also subject the Sub-Fund to increased liquidity risk as it may become more difficult for the Sub-Fund to dispose of its holdings of bonds at a reasonable price or at all, which would have an adverse impact on the value and performance of the Sub-Fund. The Manager may or may not be able to dispose of the fixed income instruments that are being downgraded.

Valuation risk

Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may need to be adjusted and may be adversely affected. The value of fixed income securities may be affected by changing market conditions or other significant events affecting valuation. For example, in the event of the credit rating downgrade of an issuer, the value of the relevant fixed income instrument may decline rapidly, and the value of the Sub-Fund may be adversely affected.

Settlement risk

To the extent that the Sub-Fund transacts in the inter-bank bond market in Mainland China, the Sub-Fund may also be exposed to risks associated with settlement procedures and default of counterparties. If counterparty defaults in delivering the securities, the trade may be cancelled and this may adversely affect the value of the Sub-Fund. Any transaction via exchange markets may also be subject to settlement delays. Please also refer to "Risks associated with onshore China bonds – Settlement risks" below for further details.

Sovereign debt obligations

By investing in debt obligations issued or guaranteed by governmental entities, the Sub-Fund will be exposed to the direct or indirect consequences of political, social and economic changes in various countries and regions. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the Sub-Fund to participate in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

Political changes in a particular country/region may affect the willingness of a particular government to make or provide for timely payments of its debt obligations. The country/region's economic status, as reflected, among other things, in its inflation rate, the amount of its external debt and its gross domestic product, will also affect the government's ability to honour its obligations.

The ability of governments to make timely payments on their debt obligations is likely to be influenced strongly by the issuer's balance of payments, including export performance, and its access to international credits and investments. To the extent that a particular country/region receives payment for its exports in currencies other than the currency of the relevant debt

obligation, such country/region's ability to make debt payments in the currency of the relevant debt obligation could be adversely affected. To the extent that a particular country/region develops a trade deficit, such country/region will need to depend on continuing loans from foreign governments, supranational entities or private commercial banks, aid payments from foreign governments and on inflows of foreign investment. The access of a particular country/region to these forms of external funding may not be certain, and a withdrawal of external funding could adversely affect the capacity of such country/region to make payments on its debt obligations. In addition, the cost of servicing debt obligations can be affected by a change in global interest rates since the majority of these debt obligations carry interest rates that are adjusted periodically based upon global rates.

The Sub-Fund's portfolio may comprise debt obligations of governmental entities and supranational entities, for which a limited or no established secondary market exists. Reduced secondary market liquidity may have an adverse effect on the market price and the Sub-Fund's ability to dispose of particular instruments when necessary to meet liquidity requirements or in response to specific economic events such as deterioration in the creditworthiness of the issuer. Reduced secondary market liquidity for such debt obligations may also make it more difficult to obtain accurate market quotations for the purpose of determining the Net Asset Value of the Sub-Fund. Market quotations are generally available on many sovereign debt obligations only from a limited number of dealers and may not necessarily represent firm bids of those dealers or prices for actual sales.

The holder of certain sovereign debt obligations may have limited legal recourse in the event of a default with respect to such obligations. For example, remedies from defaults on certain debt obligations of governmental entities, unlike those on private debt, must, in some cases, be pursued in the courts of the defaulting party itself. Legal recourse therefore may be significantly diminished. Bankruptcy, moratorium and other similar laws applicable to issuers of sovereign debt obligations may be substantially different from those applicable to issuers of private debt obligations. The political context, expressed as the willingness of an issuer of sovereign debt obligations to meet the terms of the debt obligation, for example, is of considerable importance.

In addition, investment in debt obligations of supranational entities is subject to the additional risk that one or more member governments may fail to make required capital contributions to a particular supranational entity and, as a result, such supranational entity may be unable to meet its obligations with respect to its debt obligations.

Corporate debt obligations

Investment in debt obligations issued by companies and other entities, is subject to the risk that a particular issuer may not fulfil its payment or other obligations in respect of such debt obligations. Additionally, an issuer may experience an adverse change in its financial condition which may in turn result in a decrease in the credit rating assigned to such issuer and its debt obligations, possibly below investment grade. Such adverse change in financial condition or decrease in credit rating(s) may result in increased volatility in the price of an issuer's debt obligations and negatively affect liquidity, making any such debt obligation more difficult to sell.

Risks relating to bank deposits

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

as a result.

Risks associated with China onshore bonds

Mainland China sovereign debt risk

The Sub-Fund's investments may include sovereign debt securities and such investments involve special risks. The Chinese governmental entity that controls the repayment of sovereign debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. A Chinese governmental entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the Chinese governmental entity's policy towards the International Monetary Fund and the political constraints to which a governmental entity may be subject. Chinese governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearage on their debt. The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a Chinese governmental entity's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the Chinese governmental entity, which may further impair such debtor's ability or willingness to service its debt on a timely basis. Consequently, governmental entities may default on their sovereign debt.

Holders of Mainland China sovereign debt, including the Sub-Fund, may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. As at the date of this Explanatory Memorandum, there is no bankruptcy proceeding by which sovereign debt on which a Chinese governmental entity has defaulted may be collected in whole or in part. The Sub-Fund's recourse against a defaulting sovereign is limited.

In addition, a lowering of the credit rating of the Chinese government may also affect the liquidity of its sovereign debt securities, making it more difficult to sell. In general, fixed income instruments that have a lower credit rating or that are non-rated will be more susceptible to the credit risk of the issuers. In the event of a credit rating downgrade of the Chinese government, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result.

Settlement risks

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

To the extent that the Sub-Fund transacts in the inter-bank bond market in Mainland China, the Sub-Fund may also be exposed to risks associated with settlement procedures and default of counterparties. All trades settled through CSDCC are on delivery versus payment basis. If a counterparty defaults in delivering the securities, the trade may be cancelled and this may

adversely affect the value of the Sub-Fund.

The Sub-Fund may invest in the Chinese bond market via the exchange market and all bond trades will be settled through the CSDCC. If a counterparty defaults in payment or delivery obligation, a trade may be delayed and this may adversely affect the value of the Sub-Fund.

Risks associated with Mainland Inter-bank Bond Market

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

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

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

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

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

QFI risks

QFI system risks

The rules regulating investments by QFIs in Mainland China and the repatriation of capital out of Mainland China are relatively new, and as such their application and interpretation are relatively untested and there is no certainty as to how they will be applied by the relevant Mainland China authorities in any given situation. Any change to the QFI systems may adversely affect the value of the Sub-Fund's investments. In addition, the Sub-Fund is exposed to the credit risk of the relevant onshore Mainland China custodians and brokers, and a default of any such Mainland China custodian or broker may cause significant losses.

QFI regulation/status risk

Changes to the foreign investment regulation in Mainland China may be made at any time by the CSRC and the SAFE, and such changes may have a detrimental impact on the ability of the Sub-Fund to achieve its investment objective. There can be no assurance that the QFI status of the Manager will not be suspended or revoked. Such event may hinder the ability of the Sub-Fund to invest in onshore Mainland China instruments, which may in turn affect the Sub-Fund's ability to achieve its investment objective. Changes of the relevant rules may have potential retrospective effect, which may affect the Sub-Fund's ability to acquire securities in Mainland China via the QFI regime.

There can be no assurance that the QFI status of the Manager will not be suspended, revoked or invalidated. Such event may lead to substantial loss in the Sub-Fund as it may affect the implementation of the investment strategy of the Sub-Fund.

Repatriation risk

There is no assurance that Mainland China rules and regulations in relation to repatriation of funds invested via QFI will not change or that repatriation restrictions will not be imposed in the future. Any new restrictions on repatriation of the invested capital and net profits may impact on the Sub-Fund's ability to meet redemption requests.

Risks of investing in other collective investment schemes

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

Eurozone risk

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

Derivatives risk

The Sub-Fund may invest in FDIs for hedging purposes and in adverse situations its use of FDIs may become ineffective and/or cause the Sub-Fund to suffer significant loss. Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element / component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund. Exposure to FDIs may lead to a high risk of significant loss by the Sub-Fund. Please refer to "risk of investing in financial derivative instruments" under the section entitled "Risk Factors" in the main body of the Explanatory Memorandum for further details.

Concentration risk

The Sub-Fund will invest primarily in the USD-denominated short-term deposits and high-quality money market instruments (which may include fixed income securities). The Sub-Fund may also be concentrated in a particular market or region, including Greater China. The Sub-

Fund is therefore likely to be more volatile than a broad-based fund that adopts a more diversified strategy. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the USD money markets, or the market or region in which its investments are focused.

Currency risk

Underlying investments of the Sub-Fund may be denominated in currencies other than its base currency. Also, a class of shares may be designated in a currency other than the base currency of the Sub-Fund. The Net Asset Value of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls. Please also refer to “exchange rate risk” under the section entitled “Risk Factors” in the main body of the Explanatory Memorandum.

Conversion risk

Where an investor subscribes for Shares denominated in RMB or HKD, the Manager will convert such subscriptions into the relevant currency (i.e. USD) prior to investment at the applicable exchange rate and subject to the applicable spread. Where an investor redeems Shares denominated in RMB or HKD, the Manager will sell the Sub-Fund's investments denominated in the relevant currency (i.e. USD) and convert such proceeds into RMB or HKD (as applicable) at the applicable exchange rate and subject to the applicable spread.

Currency conversion is also subject to the Sub-Fund's ability to convert the proceeds denominated in a non-RMB or non-HKD currency into RMB or HKD (as applicable) which, in turn, might affect the Sub-Fund's ability to meet redemption requests from the Shareholders or delay the payment of redemption proceeds.

RMB currency and conversion risk

The Sub-Fund may invest in securities denominated in RMB or will have Class of Shares denominated in RMB, therefore, it may be subject to RMB currency risks. RMB is not a freely convertible currency as it is subject to foreign exchange control policies and repatriation restrictions imposed by the Chinese government. Such government policies and restrictions are subject to change, and there can be no assurance that the RMB exchange rate will not fluctuate widely against the USD or any other foreign currency in the future.

Non-RMB based (e.g. Hong Kong) investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (for example USD) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Sub-Fund. In calculating the Net Asset Value per Share of a Class denominated in RMB and in effecting any currency conversions involving RMB, the Manager may apply the CNH rate (i.e. the exchange rate for the offshore RMB market in Hong Kong). Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

Under exceptional circumstances, payment of redemptions in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

RMB Share Class risk

The Sub-Fund will offer share classes designated in RMB. It should be noted that there may be additional risks involved in investing through RMB over and above those of investing through other currencies. Currency exchange rates can be affected unpredictably by intervention (or failure to intervene) by governments or central banks or by currency controls

or political developments, particularly in the PRC. There is also a greater measure of legal uncertainty concerning currency transactions with respect to trades in RMB compared to currencies which have a more established history of being traded internationally. RMB share classes for the Sub-Fund are denominated in offshore RMB (CNH). CNH convertibility to the onshore RMB (CNY) is a managed currency process subject to foreign exchange control policies of and repatriation restrictions imposed by the Chinese government in co-ordination with the Hong Kong Monetary Authority. The value of CNH could differ, perhaps significantly, from that of CNY due to a number of factors including without limitation those foreign exchange control policies and repatriation restrictions pursued by the Chinese government from time to time as well as other external market forces. In addition, currency markets in RMB may have lower trading volumes than the currencies of more developed countries and accordingly markets in RMB may be materially less liquid, subject to greater dealing spreads and experience materially greater volatility than those of other currencies. When calculating the value of the RMB denominated classes, CNH will be used. The value of the RMB denominated classes thus calculated will be subject to fluctuation. Non-RMB based investors may have to convert USD, HKD or other currencies into RMB when investing in the RMB denominated classes. Subsequently, investors may also have to convert the RMB redemption proceeds (received when selling the shares) and RMB distributions received (if any) back to USD, HKD or other currencies. During these processes, investors will incur currency conversion costs and may suffer losses in the event that RMB depreciates against USD, HKD or such other currencies upon receipt of the RMB redemption proceeds and/or RMB distributions (if any).

The Sub-Fund may not be fully invested in RMB-denominated underlying investments and the Base Currency of the Sub-Fund is a different currency (i.e. USD), so even if the prices of the non-RMB denominated underlying investments and/or value of the Base Currency rise or remain stable, investors may still incur losses if RMB appreciates against the currencies of the non-RMB denominated underlying investments and/or the Base Currency more than the increase in the value of the non-RMB denominated underlying investments and/or the Base Currency.

Furthermore, under the scenario where RMB appreciates against the currencies of the non-RMB denominated underlying investments and/or the Base Currency of the Sub-Fund (i.e. USD), and the value of the non-RMB denominated underlying investments decreased, the value of investors' investments in RMB denominated classes may suffer additional losses.

Borrowing Risks

The Company may borrow for the account of the Sub-Fund for the purpose of meeting redemption requests or defraying operating expenses. Borrowing involves an increased degree of financial risk and may increase the exposure of the relevant Sub-Fund to factors such as rising interest rates, downturns in the economy or deterioration in the conditions of the assets underlying its investments. There can be no assurance that the Sub-Fund will be able to borrow on favourable terms, or that the Sub-Fund's indebtedness will be accessible or be able to be refinanced by the Sub-Fund at any time.

Risks relating to sale and repurchase transactions

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

Risks relating to Reverse Repurchase Transactions

The Sub-Fund may enter into Reverse Repurchase Transactions. If the seller of securities to

the Sub-Fund under a Reverse Repurchase Transaction defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Sub-Fund will seek to dispose of such securities, which action could involve costs or delay. If the seller becomes insolvent and subject to liquidation or reorganisation under applicable bankruptcy or other laws, the Sub-Fund's ability to dispose of the underlying securities may be restricted or the Sub-Fund may have difficulty in realising collateral. It is possible, in a bankruptcy or liquidation scenario, that the Sub-Fund may not be able to substantiate its interest in the underlying securities.

In the event of the failure of the counterparty with which cash has been placed, the Sub-Fund may suffer losses as there may be delays in recovering cash placed out or difficulties in realising collateral or proceeds from the sale of the collateral may be less than the cash placed with the counterparty owing to inaccurate pricing of the collateral or market movements.

In addition, if a seller defaults on its obligation to repurchase securities under a Reverse Repurchase Transaction, the Sub-Fund may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities may be less than the cash placed with the counterparty due to inaccurate pricing of the collateral or market movements.

Currency hedged Share classes risk

The currency hedging process used with currency hedged Share classes may not give a precise hedge and there is no guarantee that hedging will be completely successful. Returns of such Share classes may be significantly different over time than those of unhedged classes. Investors in currency hedged Share classes bear the associated costs and may also be exposed to the risks associated with the instruments used in the hedging process.

Operational and settlement risks

The Sub-Fund is subject to operational risks that may arise from any breaches by the Manager's investment management staff of operational policies or technical failures of the Manager's communication and trading systems. Whilst the Manager has in place internal control systems, operational guidelines and contingency procedures to reduce the chances of such operational risks, there is no guarantee events beyond the Manager's control (such as unauthorised trading, trading errors or system errors) will not occur. The occurrence of any such events may adversely affect the value of the Sub-Fund.

As the Sub-Fund may invest in emerging markets (such as Mainland China), it may also be exposed to risks associated with settlement procedures. Any significant delays in the settlement of transactions or the registration of a transfer may affect the ability to ascertain the value of the Sub-Fund's portfolio and adversely affect the Sub-Fund.

Reports and accounts

The first semi-annual unaudited report of the Sub-Fund will cover the period to 30 June 2025 and the first annual report of the Sub-Fund will cover the period to 31 December 2025.