CMS FUNDS

EXPLANATORY MEMORANDUM

30 June 2025

IMPORTANT INFORMATION FOR INVESTORS

This Explanatory Memorandum together with the Product Key Facts Statements form part of the offering document and comprises information relating to CMS Funds, an umbrella unit trust established under the laws of Hong Kong by a trust deed dated 6 January 2012 between CMS Asset Management (HK) Co., Limited as manager and BOCI-Prudential Trustee Limited as trustee, as amended and supplemented by a supplemental deed dated 18 October 2013 and amended and substituted by a deed of amendment and substitution dated 27 December 2019.

The Manager accepts full responsibility for the accuracy of the information contained in this Explanatory Memorandum and the Product Key Facts Statements, and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading. However, neither the delivery of this Explanatory Memorandum / the Product Key Facts Statements nor the offer or issue of Units shall under any circumstances constitute a representation that the information contained in this Explanatory Memorandum / the Product Key Facts Statements is correct as of any time subsequent to the date of publication. This Explanatory Memorandum and the Product Key Facts Statements may from time to time be updated. Intending investors for Units should ask the Manager if any supplements or any later Explanatory Memorandum or the Product Key Facts Statements have been issued.

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

The Fund and its Sub-Funds – CMS Hong Kong Multi Income Fund, CMS Money Market Fund and CMS USD Money Market Fund, have been authorised by the SFC pursuant to section 104 of the SFO. SFC authorisation is not a recommendation or endorsement of the Fund and the Sub-Funds nor does it guarantee the commercial merits or performance of the Fund and the Sub-Funds. It does not mean the Fund and the Sub-Funds are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

This Explanatory Memorandum and the Product Key Facts Statements may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised.

In particular:-

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

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

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

Investment involves risk and investors should note that losses may be sustained on their investment. There is no assurance that the investment objectives of the respective Sub-Funds will be achieved.

Investors should consider the section headed "Risk Factors", and the section headed "Specific Risk Factors" in the relevant Appendix, before investing in the Sub-Funds.

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

Investors wishing to make an enquiry or a complaint about the Fund or any Sub-Fund should contact the Manager, CMS Asset Management (HK) Co., Limited, at 48/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong or call the Manager's hotline at +852 2530 0698. Customer services officers of the Manager shall address any enquiry or complaint by verbal or written form depending on the nature of enquiry or complaint received about the Fund received as soon as reasonably practicable.

Further Information

Investors may access the website of the Manager at http://www.cmschina.com.hk/AM/FundProduct for further information on the Fund and the Sub-Funds, including this Explanatory Memorandum and the Product Key Facts Statements, annual reports and latest Net Asset Values. This website has not been reviewed or authorised by the SFC and may contain information of funds not authorised by the SFC.

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ADMINISTRATION

Manager

CMS Asset Management (HK) Co., Limited

48/F One Exchange Square,

8 Connaught Place, Central,

Hong Kong

Directors of the Manager

SHEN Yun

ZHOU Geng

Sub-Manager

(in respect of CMS Hong Kong Multi Income Fund only)

CMB International Asset Management Limited

39/F, Champion Tower

3 Garden Road

Central

Hong Kong

Trustee and Registrar

BOCI-Prudential Trustee Limited

Suites 1501-1507 & 1513-1516, 15/F

1111 King's Road

Taikoo Shing, Hong Kong

Custodian

Bank of China (Hong Kong) Limited

Bank of China Tower

1 Garden Road

Hong Kong

QI Custodian

Bank of China Limited

No. 1, Fuxingmen Nei Dajie

Beijing 100818

China

Auditor

Ernst & Young

22/F, CITIC Tower

1 Tim Mei Avenue

Central

Hong Kong

DEFINITIONS

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

“**Accounting Date**”	Means 31 December in each year or such other date or dates in each year as the Manager may from time to time specify in respect of any Sub-Fund and notify to the Trustee and the Unitholders of such Sub-Fund
“**Accounting Period**”	Means a period commencing on the date of establishment of the relevant Sub-Fund or on the date next following an Accounting Date of the relevant Sub-Fund and ending on the next succeeding Accounting Date for such Sub-Fund
“**Authorised Distributor**”	Means any person appointed by the Manager to distribute Units of some or all of the Sub-Funds to potential investors
“**Bond Connect**”	as defined in the joint announcement of the People’s Bank of China and the Hong Kong Monetary Authority dated 16 May 2017, means an arrangement that establishes mutual bond market access between Hong Kong and Mainland China. Eligible foreign investors can invest in the China interbank bond market through Northbound Trading of the Bond Connect.
“**Business Day**”	Means a day (other than a Saturday) on which banks in Hong Kong are open for normal banking business or such other day or days as the Manager and the Trustee may determine from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
“CIBM Initiative”	Means the announcement by the People’s Bank of China in February 2016 on the opening-up of the China interbank bond market to a wider group of eligible foreign institutional investors free of quota restriction
“**China” or “PRC**”	Means the People’s Republic of China

"**China A-Shares**"	Means shares issued by companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, traded in Renminbi and available for investment by domestic (Chinese) investors, holders of the QI status and foreign strategic investors approved by the China Securities Regulatory Commission
"**China B-Shares**"	Means shares issued by companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, traded in foreign currencies and available for investment by domestic (Chinese) investors and foreign investors
"**China H-Shares**"	Means shares issued by companies incorporated in Mainland China and listed on the Hong Kong Stock Exchange
"**Code**"	the Overarching Principles Section and Section II- Code on Unit Trusts and Mutual Funds of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products or any handbook, guideline and code issued by the SFC, as may be amended from time to time
"**connected person**"	Means, in relation to the Manager: (a) any person, company or fund beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of the Manager or being able to exercise, directly or indirectly, 20% or more of the total votes in the Manager; or (b) any person, company or fund controlled by a person who or which meets one or both of the descriptions given in (a); or (c) any member of the group of which the Manager forms part; or (d) any director or officer of the Manager or of any of its connected persons as defined in (a), (b) or (c) above
"**Custodian**"	Means Bank of China (Hong Kong) Limited

"**Dealing Day**"	Means the days on which Units are subscribed for or redeemed, as described in the Appendices for the relevant Sub-Funds
"Dealing Deadline"	Means such time on the relevant Dealing Day or on such other Business Day as the Manager may from time to time with the approval of the Trustee determine, as described in the Appendices for the relevant Sub-Funds
"Explanatory Memorandum"	Means this Explanatory Memorandum including the Appendices, as each may be amended, updated or supplemented from time to time
"**Fund**"	Means CMS Funds
"Government and other public securities"	Means any Investment issued by, or the payment of principal and interest on which is guaranteed by a government or any fixed-interest Investment issued by its public or local authorities or other multilateral agencies
"High Water Mark"	Means in respect of any classes of Units for which a performance fee is payable, the higher of (i) the initial offer price per Unit for the relevant class and (ii) the highest Net Asset Value per Unit as at the end of any previous performance period in which a performance fee was payable. For the avoidance of doubt, the High Water Mark for the first performance period equals the initial offer price per Unit for the relevant class
"Hong Kong"	Means Hong Kong Special Administrative Region of the PRC
"HK$" or "HKD" or "HK Dollars"	Means Hong Kong Dollars, the lawful currency of Hong Kong
"Investment Delegate"	Means an entity that has been delegated the investment management function of a Sub-Fund, the details of which are as specified in the relevant Appendix (if applicable), including, in respect of CMS Hong Kong Multi Income Fund, the Sub-Manager

"**Issue Price**"	Means in respect of each Sub-Fund the issue price per Unit as more fully described in the section headed "Purchase of Units"
"Mainland China"/ "Mainland Chinese"	Means all customs territory of the People's Republic of China, for the purpose of this Explanatory Memorandum only excluding Hong Kong and Macau Special Administrative Regions and Taiwan of the People's Republic of China
"**Manager**"	Means CMS Asset Management (HK) Co., Limited
"**Net Asset Value**"	Means the net asset value of the Fund or a Sub-Fund or of a Unit, as the context may require, calculated in accordance with the provisions of the Trust Deed as summarised below under the section headed "Valuation"
"**Mainland Chinese Securities**"	Means Mainland Chinse shares (including China A-, B- and H-Shares), Renminbi denominated corporate and government bonds, securities investment fund and warrants listed on the Mainland Chinese stock exchanges
"**QI**"	Means qualified foreign investor(s) (including, if applicable, qualified foreign institutional investors ("**QFII**") and Renminbi qualified foreign institutional investors ("**RQFII**")) approved pursuant to the relevant Mainland China laws and regulations, as may be promulgated and/or amended from time to time
"**QI Custodian**"	Means Bank of China Limited in its capacity as the QI custodian in Mainland China appointed pursuant to the relevant Mainland China regulations (as amended from time to time)
"**QI Holder**"	Means China Merchants Securities International Company Limited in its capacity as a QI holder, which is the direct holding company of the Manager
"Qualified Exchange Traded Funds"	Means exchange traded funds that are: (a) authorised by the Commission under 8.6 or 8.10 of the

	Code; or (b) listed and regularly traded on internationally recognized stock exchanges open to the public (nominal listing not accepted) and (i) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under 8.6 of the Code; or (ii) the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under 8.10 of the Code
"**Redemption Price**"	Means the price at which Units will be redeemed as more fully described in the section headed "Redemption of Units"
"Registrar"	Means BOCI-Prudential Trustee Limited in its capacity as registrar of the Fund
"**REITs**"	Means real estate investment trusts
"RMB" or "Renminbi"	Means renminbi, the lawful currency of the PRC
"**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
"**sale and repurchase transactions**"	Means transactions whereby a Sub-Fund sells its securities to a counterparty of reverse repurchase transactions and agrees to buy such securities back at an agreed price with a financing cost in the future
"**securities financing transactions**"	Means collectively securities lending transactions, sale and repurchase transactions and reverse repurchase transactions
"Securities Market"	Means any stock exchange, over-the-counter market or other securities market in any country in the world and includes, in relation to any particular investment, any responsible firm, corporation or association in any part of the world so dealing in the investment as to be expected generally to provide in the

	opinion of the Manager a satisfactory market for the investment and in such a case the investment shall be deemed to be the subject of an effective permission to deal on the Securities Market deemed to be constituted by such firm, corporation or association
"**securities lending transactions**"	Means transactions whereby a Sub-Fund lends its securities to a security-borrowing counterparty for an agreed fee
"**SFC**"	Means the Securities and Futures Commission of Hong Kong
"SFO"	Means the Securities and Futures Ordinance, Laws of Hong Kong (Chapter 571)
"**SSE**"	Means the Shanghai Stock Exchange
"**Stock Connect**"	Means the securities trading and clearing linked programme with an aim to achieve mutual stock market access between Mainland China and Hong Kong, comprising the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect
"**SZSE**"	Means the Shenzhen Stock Exchange
"**Sub-Fund**"	Means a separate pool of assets of the Fund that is invested and administered separately
"**Sub-Manager**"	Means, in respect of CMS Hong Kong Multi Income Fund, CMB International Asset Management Limited
"substantial financial institution"	Means an authorised institution as defined in section 2(1) of the Banking Ordinance (Chapter 155 of Laws of Hong Kong) or a financial institution which is on an ongoing basis subject to prudential regulation and supervision, with a minimum net asset value of HK$2 billion or its equivalent in foreign currency or such other definition as provided in the Code
"**Trust Deed**"	Means the trust deed dated 6 January 2012 establishing the Fund and entered into by the Manager and the Trustee, as amended and supplemented by a supplemental deed dated 18

	October 2013 and amended and substituted by a deed of amendment and substitution dated 27 December 2019
"**Trustee**"	Means BOCI-Prudential Trustee Limited in its capacity as trustee of the Fund
"**Unit**"	Means a unit in a Sub-Fund
"**Unitholder**"	Means a person registered as a holder of a Unit
"US$" or "USD" or "US Dollars"	Means the lawful currency of the United States of America
"**Valuation Day**"	Means such days as are described in the Appendix for the relevant Sub-Fund
"**Valuation Point**"	Means such time on the relevant Valuation Day as described in the Appendix for the relevant Sub-Fund to calculate the Net Asset Value

INTRODUCTION

CMS Funds is a unit trust established as an umbrella fund pursuant to the Trust Deed and governed by the laws of Hong Kong. All Unitholders are entitled to the benefit of, are bound by and deemed to have notice of the provisions of the Trust Deed.

CMS Funds is an umbrella unit trust currently offering 3 Sub-Funds, CMS Hong Kong Multi Income Fund, CMS Money Market Fund and CMS USD Money Market Fund. The Manager may create further Sub-Funds in the future. Investors should contact the Manager to obtain the latest offering document relating to the available Sub-Funds.

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

INVESTMENT OBJECTIVE

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

MANAGEMENT OF THE FUND

The Manager

The Manager of the Fund is CMS Asset Management (HK) Co., Limited.

CMS Asset Management (HK) Co., Limited was established in Hong Kong in 2008. The ultimate holding company of CMS Asset Management (HK) Co., Limited is China Merchants Securities Co., Ltd, a company listed on the Shanghai Stock Exchange (SH:600999). CMS Asset Management (HK) Co., Limited is specialised in fund management and personal wealth management, with a team of asset management specialists from Hong Kong and Mainland China, who not only have a broad knowledge of and market access to China related investments, but also are experienced in providing a platform for global markets investment.

CMS Asset Management (HK) Co., Limited is currently licensed by the SFC for conducting Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

Details of the Directors of the Manager are as follows:

Mr. Zhou Geng

Mr. Zhou Geng, with over 18 years of experience in the investment management and asset management industry, joined CMS Asset Management (HK) Co., Limited in 2021 and is currently the Chief Executive Officer and Head of Asset Management Department of the company. Before joining CMS Asset Management (HK) Co., Limited, Mr. Zhou was the Head of Asset Management of Dongxing Securities (HK) Co., Ltd. Prior to that, he was the Fixed Income Investment Director at China Securities (International) Asset Management Co., Ltd. Before he started his role at China Securities (International) Asset Management Co., Ltd, Mr. Zhou had also worked as an investment manager and analyst at various financial institutions in both Shanghai and London, including Credit Suisse, Barclays and Haitong.

Mr. Shen Yun

Mr. Shen Yun joined China Merchants Securities International Company Limited in October 2023 and was appointed as Chief Executive Officer. He has extensive business experience and forward-looking international vision.

Mr. Shen Yun joined China Merchants Securities in August 1995. He successively worked as the head of Securities Office on Shanghai Songhuajiang Road, head of Securities Office on Shanghai Xiangyin Road, head of Securities Office on Shanghai Century Avenue of China Merchants Securities. He also took charge of the establishment of China Merchants Securities' brokerage services company in Shanghai. From 2010 to 2023, he was the general manager of China Merchants Securities Co., LTD Shanghai Branch.

The Sub-Manager (In respect of CMS Hong Kong Multi Income Fund only)

The Manager has delegated part of its investment management functions in respect of CMS Hong Kong Multi Income Fund to CMB International Asset Management Limited. Please refer to the relevant Appendix for details relating to the Sub-Manager.

The Trustee and Registrar

The Trustee of the Fund is BOCI-Prudential Trustee Limited which is a registered trust company in Hong Kong and is licensed by the SFC to carry out Type 13 regulated activity (providing depositary services for relevant collective investment schemes) under the SFO.

The Trustee also acts as the Registrar of the Fund, and provides services in respect of the maintenance of the register of the Unitholders.

The Trustee is a joint venture founded by BOC Group Trustee Company Limited and Prudential Corporation Holdings Limited ("**PCHL**"). BOC Group Trustee Company Limited is owned by BOC International Holdings Limited and Bank of China (Hong Kong) Limited, which are subsidiaries of Bank of China Limited.

Under the Trust Deed, the Trustee is responsible for the safe-keeping of and shall take into custody or under its control all of the assets of the Fund and the Sub-Fund(s) and hold them in trust for the Unitholders of the relevant Sub-Fund, subject to the provisions of the Trust Deed and, to the extent permitted by law, shall register cash and registrable assets in the name of or to the order of the Trustee and such assets of the Fund and the Sub-Funds(s) shall be dealt with as the Trustee may think proper for the purpose of providing for the safe keeping thereto.

The Trustee may from time to time appoint such person or persons as it thinks fit (including, without limitation, any of its connected persons) to hold as custodian, joint custodian, co-custodian, sub-custodian, nominee, delegate or agent, all or any of the investments, assets or other property comprised in the Fund and the Sub-Fund(s) and may empower any such custodian, nominee, delegate or agent to appoint, with the prior consent in writing of the Trustee, co-custodians and/or sub-custodians (each such custodian, joint custodian, nominee, agent, co-custodian and sub-custodian a "**Correspondent**"). The Trustee is required to (a) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of Correspondents; and (b) be satisfied that Correspondents retained remain suitably qualified and competent on an ongoing basis to provide the relevant custodial services to the Fund and the Sub-Fund(s). The Trustee shall be liable for the acts and omissions of any Correspondent which is a connected person of the Trustee as if the same were the acts or omissions of the Trustee, but provided that the Trustee has discharged its obligations set out in (a) and (b) as set out in this paragraph, the Trustee shall not be liable for any acts, omissions, insolvency, liquidation or bankruptcy of any Correspondent and/or delegates of any Sub-Fund which is not a connected person of the Trustee.

The Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of Euroclear Bank S.A./N.V., Clearstream Banking, S.A. or any other such central depositary or clearing and settlement system in relation to any investment deposited with such central depositary or clearing and settlement system.

Subject as provided in the Trust Deed, the Trustee shall not be liable for losses caused by the performance of investments made by the Fund or the Sub-Fund(s).

Subject as provided in the Trust Deed, the Trustee is entitled to be indemnified from the assets of the Fund and/or each Sub-Fund from and against any and all actions, costs, claims, damages, expenses or demands (other than those imposed under Hong Kong law or resulting from breaches of trust through fraud or negligence on the part of the Trustee or any of its officers, employees, agents or delegates for which the Trustee would be liable under the Trust Deed), which may be incurred by or asserted against the Trustee in performing its obligations or duties in connection with the Fund or a Sub-Fund. Subject to applicable law and the provisions of the Trust Deed, the Trustee shall not, in the absence of fraud or negligence by it or any agent, sub-custodian or delegate appointed by the Trustee, be liable for any losses, costs or damage to the Trust, the Sub-Fund(s) or any Unitholder.

The appointment of the Trustee may be terminated in the circumstances set out in the Trust Deed.

The Trustee is entitled to the fees set under the section headed "**Expenses and Charges**" of this Explanatory Memorandum and to be reimbursed for all costs and expenses in accordance with the provisions of the Trust Deed.

Except as provided in the Trust Deed or expressly stated in this Explanatory Memorandum and/or required by the Code, neither the Trustee and the Registrar nor any of its employees, service providers or agents are or will be involved in the business affairs, organisation, sponsorship or investment management of the Fund or the Sub-Fund(s), and they are not responsible for the preparation or issue of this Explanatory Memorandum other than the description under this sub-section headed "The **Trustee and Registrar**".

The Custodian

Bank of China (Hong Kong) Limited ("**BOCHK**") has been appointed as the custodian of the Fund.

BOCHK was incorporated in Hong Kong on 16 October, 1964. As a locally incorporated licensed bank, it was re-structured to the present form since 1 October 2001 by combining the businesses of ten of the twelve banks in Hong Kong originally belonging to the Bank of China Group. In addition, it holds shares in BOC Credit Card (International) Limited as well as a number of subsidiaries in specialized business areas.

BOC Hong Kong (Holdings) Limited was incorporated in Hong Kong on 12 September 2001 to hold the entire equity interest in BOCHK, its principal operating subsidiary. After a successful global IPO, BOC Hong Kong (Holdings) Limited began trading on the Main Board of the Stock Exchange of Hong Kong Limited on 25 July 2002 with stock code

“2388” and became a Hang Seng Index constituent stock on 2 December 2002.

With an extensive branch network in Hong Kong, servicing more than 600,000 corporates and 2 million retail customers, BOCHK is the second largest banking group in Hong Kong. It is also widely present in the ASEAN countries to better service the local and international communities. The bank offers a full range of banking services, including global custody and also fund related-services for institutional clients.

Pursuant to a custodian agreement, the Custodian will act as the custodian of the Fund’s assets, which will be held directly by the Custodian or through its agents, nominees, sub-custodians, or delegates pursuant to the custodian agreement. The Custodian shall (i) exercise reasonable care and diligence in the selection, appointment and ongoing monitoring of such agents, nominees or sub-custodians; (ii) be satisfied that such agents, nominees or sub-custodians remain suitably qualified and competent to provide the relevant services; and (iii) shall remain liable for their acts, omissions, negligence or wilful default in relation to assets forming part of the property of the Fund.

The QI Custodian

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

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

Bank of China Limited engages in full-fledged commercial banking business, including a wide spectrum of corporate and retail services, treasury functions and institutional banking. The latter refers to services offered to banks, brokerage houses, fund companies, and insurance companies worldwide, ranging from clearing and inter-bank lending to agency and custody services etc. The bank has been providing custody services since 1998 as one of the first qualified custodians in the Mainland China market. During the past decade, the bank has been playing a leading role in the domestic custodian industry in terms of research capabilities, service standards, internal controls and IT constructions. It is consistently being ranked the top in terms of servicing cross-border custody assets. Its Custody and Investor Services Department has over 130 professional staff. Fund houses, insurance companies, securities firms, trust companies, commercial banks, National Council for Social Security, pensions, private equity companies, and individual clients are all well served by the bank. In addition, the Bank has been maintaining a close relationship with various regulatory authorities to enable effective communication and quality services.

The Authorised Distributors

The Manager may appoint one or more Authorised Distributor(s) to distribute Units of one or more Sub-Fund(s), and to receive instructions for subscription, redemption and/or switching of Units on the Manager's behalf.

CLASSES OF UNITS

Different classes of Units may be offered for each Sub-Fund. In respect of a Sub-Fund with different classes of Units, although the assets attributable to each class of Units of such Sub-Fund will form one single pool, each class of Units may be denominated in a different currency or may have a different charging structure with the result that the net asset value attributable to each class of Units of such Sub-Fund may differ. In addition, each class of Units may be subject to different minimum initial and subsequent subscription amounts and holding amounts, and minimum redemption and switching amounts. Investors should refer to the relevant Appendix for the available classes of Units and the applicable minimum amounts. The Manager may in its discretion agree to accept instructions for subscription, redemption and switching of certain classes below the applicable minimum amounts.

DEALING DAY AND DEALING DEADLINE

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

Subscription, switching and redemption of Units may also be placed through Authorised Distributor(s) or through other authorised and/or electronic means as from time to time determined by the Manager. Investors should note that applications made through such means may involve different dealing procedures. Further, the Authorised Distributor(s) may impose an earlier cut-off time before the Dealing Deadlines for receiving instructions for subscriptions, redemptions or switching. An earlier cut-off time may also be imposed in respect of subscriptions, redemptions or switching through other authorised and/or electronic means. Investors should confirm the arrangements with the Authorised Distributor(s) concerned on the arrangements and dealing procedures that are applicable to them.

PURCHASE OF UNITS

Initial Offer

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

Subsequent Subscription

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

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

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

Application Procedure

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

Applications will generally be accepted on a Dealing Day only if cleared funds have been received on or prior to such Dealing Day in relation to which Units are to be issued. Notwithstanding the above, a Sub-Fund may rely upon application orders received, even prior to receipt of application moneys, and may issue Units to investors according to such orders and invest the expected application amounts. If payment is not cleared within 4 Business Days following the relevant Dealing Day (or such other date as the Manager with the approval of the Trustee shall determine and notify the relevant investor at the time of receipt of the application), the Manager reserves the right to cancel the transaction. In such circumstances, an investor may be required to settle the difference between the prices at issue and at cancellation of the Units concerned and in addition to the appropriate cancellation fees and charges.

Each investor whose application is accepted will be sent a contract note confirming details of the purchase of Units.

No certificates will be issued.

The Manager, at its discretion, is entitled to impose a preliminary charge of up to 5% on the subscription amount, and the current rates are described in the relevant Appendix for each Sub-Fund. The Manager may retain the benefit of such charge or may re-allow or pay all or part of the preliminary charge (and any other fees received) to intermediaries or such other persons as the Manager may at its absolute discretion determine. The Manager also has discretion to waive the preliminary charge in whole or in part in relation to any subscription for Units whether generally or in a particular case.

Investment Minima

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

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

Payment Procedure

Subscription moneys should normally be paid in the relevant base currency or the class currency of such class of Units as determined by the Manager or the Trustee and disclosed in the relevant Appendix. Unless otherwise specified in the relevant Appendix relating to a Sub-Fund and subject to the agreement of the Trustee or the Manager, and to applicable limits on foreign exchange, arrangements can be made for investors to pay for Units in most other major currencies and in such cases, the cost of currency conversion will be borne by the investors.

All payments should be made by cheque, direct transfer, telegraphic transfer or banker's draft. Cheques and banker's drafts should be crossed "a/c payee only, not negotiable" and made payable to "BOCI-Prudential Trustee Limited - the name of the relevant Sub-Fund to be subscribed" and sent with the Application Form. Payment by cheque is likely to cause delay in receipt of cleared funds and Units generally will not be issued until the cheque is cleared. Any costs of transfer of subscription moneys to a Sub-Fund will be payable by the investor. Currency conversion will be subject to availability of the currency concerned.

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

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

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

General

All holdings will be registered and certificates are not issued. Evidence of title will be the entry on the register of Unitholders. Unitholders should therefore be aware of the importance of ensuring that the Manager and the Trustee are informed of any change to the registered details.

Fractions of Units may be issued rounded down to 3 decimal places. Subscription moneys representing smaller fractions of a Unit will be retained by the relevant Sub-Fund. The

Manager reserves the right to reject any application in whole or in part. In the event that an application is rejected, subscription moneys will be returned without interest by cheque through the post or by telegraphic transfer to the bank account from which the moneys originated at the risk and expense of the investors (or in such other manner determined by the Manager and the Trustee). A maximum of 4 persons may be registered as joint Unitholders.

REDEMPTION OF UNITS

Redemption Procedure

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

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

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

A redemption request must specify (i) the name of the Sub-Fund; (ii) the value or number of Units to be redeemed (iii) the relevant class of Units to be redeemed (iv) the name(s) of the registered Unitholder(s); (v) account number of registered Unitholder(s); and (vi) the payment instructions for the redemption proceeds where there is new payment instruction or no standing payment instruction was setup.

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

Payment of Redemption Proceeds

The Redemption Price on any Dealing Day shall be the price per Unit ascertained by dividing the Net Asset Value of the relevant class of the Sub-Fund as at the Valuation Point in respect of the Dealing Day by the number of such class of Units then in issue rounded down to 3 decimal places. Any rounding adjustment shall be retained by the relevant Sub-Fund. Such price shall be calculated in the base currency of the relevant Sub-Fund and quoted by the Manager in such base currency and in such other currency or currencies at the Manager's discretion (with prior notice to the Trustee) by converting such price to its equivalent in such other currency or currencies at the same rate as the Manager shall apply in calculating the Net Asset Value as at the Valuation Point. In calculating the Redemption Price, the Manager may impose deductions to compensate for the difference between the price at which assets of the relevant Sub-Fund are to be valued and the net proceeds which would be received on sale of such assets and for the relevant expenses such as taxes, governmental charges, brokerages, etc.

The Manager may at its option impose a redemption charge of up to 0.5% of the Redemption Price of the relevant class of Units to be redeemed. The redemption charge, if any, is described in the relevant Appendix. The Manager may on any day in its sole and absolute discretion differentiate between Unitholders as to the amount of the redemption charge to be imposed (within the permitted limit).

From the time of the calculation of the Redemption Price to the time at which redemption proceeds are converted out of any other currency into the base currency of the relevant Sub-Fund, if there is an officially announced devaluation or depreciation of that other currency, the amount which would otherwise be payable to the redeeming Unitholder shall be reduced as the Manager considers appropriate to take account of the effect of that devaluation or depreciation.

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

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

The Manager or the Trustee, as the case may be, may, in its absolute discretion, refuse to make a redemption payment to a Unitholder if (i) the Manager or the Trustee, as the case may be, suspects or is advised that the payment of any redemption proceeds to such Unitholder may result in a breach or violation of any anti-money laundering law by any person in any relevant jurisdiction or other laws or regulations by any person in any relevant jurisdiction, or such refusal is considered necessary or appropriate to ensure the compliance by the Fund, the Manager, the Trustee or its other service providers with any such laws or regulations in any relevant jurisdiction; or (ii) there is a delay or failure by the redeeming Unitholder in producing any information or documentation required by the Trustee and/or the Manager or their respective duly authorised agent for the purpose of verification of identity.

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

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

Unless the Manager and the Trustee otherwise agree, redemption proceeds will only be paid to a bank account that bears the name of the redeeming Unitholder. If relevant account details are not provided, redemption proceeds will be paid to the redeeming Unitholder (or to the first-named of joint Unitholders) at the Unitholder's risk by cheque, usually in the base currency or the class currency of the relevant class of Units and sent to the redeeming Unitholder at the last known address held in the records of the Registrar.

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

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

SWITCHING BETWEEN CLASSES

Unitholders have the right (subject to such limitations as the Manager after consulting with the Trustee may impose) to switch all or part of their Units of any class into Units of any other class by giving notice in writing to the Manager or the Authorised Distributors. A request for switching will not be effected if as a result the relevant Unitholder would hold less than the minimum holding of Units of the relevant class prescribed by, or is prohibited from holding Units of the relevant class under, the relevant Appendix. Unless the Manager otherwise agrees, Units of a class can only be switched into Units of the same class of another Sub-Fund.

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

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

The rate at which the whole or any part of a holding of Units of a class (the "**Existing Class**") will be switched to Units of another class (the "**New Class**") will be determined in accordance with the following formula:

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

Where:
N is the number of Units of the New Class to be issued.

E is the number of Units of the Existing Class to be switched.

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

R is the Redemption Price per Unit of the Existing Class applicable on the relevant Dealing Day less any Redemption Charge imposed by the Manager.

S is the Issue Price per Unit for the New Class applicable on the Dealing Day of the New Class or immediately following the relevant Dealing Day PROVIDED THAT where the issue of Units of the New Class is subject to the satisfaction of any conditions precedent to such issue then S shall be the Issue Price per Unit of the New Class applicable on the first Dealing Day for the New Class falling on or after the satisfaction of such conditions.

SF is a switching charge (if any).

The Manager has a right to impose a switching charge of up to 0.5% of the subscription amount applying for Units of the New Class in relation to the switching of Units and the current rates are set out in the relevant Appendix.

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

Switching between Units of different class currencies may subject a Unitholder to currency risks. If there is, at any time during the period from the time as at which the Redemption Price per Unit of the Existing Class is calculated and the time at which any necessary transfer of funds from the Sub-Fund to which the Existing Class relates to the Sub-Fund to which the New Class relates, a devaluation or depreciation of any currency in which any investment of the original Sub-Fund is denominated or normally traded, the Redemption Price per Unit of the Existing Class shall be reduced as the Manager considers appropriate to take account of the effect of that devaluation or depreciation and the number of Units of the New Class which will arise from that switching shall be recalculated as if that reduced Redemption Price had been the Redemption Price ruling for redemption of Units in the Existing Class on the relevant Dealing Day.

Restrictions on redemption and switching

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

Asset Value" below).

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

With a view to protecting the interests of Unitholders, the Manager is entitled, with the approval of the Trustee, to limit the number of Units of any Sub-Fund redeemed on any Dealing Day (whether by sale to the Manager or by cancellation of Units) to 10% of the total number of Units of the relevant Sub-Fund in issue. In this event, the limitation will apply pro rata so that all Unitholders of the relevant Sub-Fund who have validly requested to redeem Units of the same Sub-Fund on that Dealing Day will redeem the same proportion of such Units of that Sub-Fund provided that any holdings so requested to be redeemed being in aggregate of not more than 1% of the total number of Units of any Sub-Fund in issue may be redeemed in full if in the opinion of the Manager with the Trustee's approval the application of such limitation would be unduly onerous or unfair to the Unitholder or Unitholders concerned. Any Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, and will have priority on the next succeeding Dealing Day and all following Dealing Days (in relation to which the Manager has the same power) until the original request has been satisfied in full. If requests for redemption are so carried forward, the Manager will inform the Unitholders concerned within 7 Business Days of such Dealing Day.

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

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

FACSIMILE OR ELECTRONIC INSTRUCTIONS

If applicants or Unitholders wish to give instructions for subscription, redemption or switching by facsimile or any other electronic means, applicants or Unitholders may first be required to provide the Manager and Registrar with an original indemnity relating to facsimile or transmission via such other electronic means in the application or request.

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

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

VALUATION

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

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

(b) subject as provided in paragraphs (c) and (g) below, the value of each interest in any collective investment scheme shall be the net asset value per unit or share as at the same day, or if such collective investment scheme is not valued as at the same day, the last published net asset value per unit or share in such collective investment scheme (where available) or (if the same is not available) the last published redemption or bid price for such Unit or share at or immediately preceding the Valuation Point;

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

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

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

(f) the value of futures contracts will be determined with reference to the contract value of the relevant futures contract, the amount required to close the relevant contract and the amount expended out of the relevant Sub-Fund in entering into the relevant contract;

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

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

Where a third party is engaged in the valuation of the assets of a Sub-Fund, the Manager shall exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of such third party in ensuring such entity possesses the appropriate level of knowledge, experience and resources is commensurate with the valuation policies and procedures for such Sub-Fund. The valuation activities of such third party shall be subject to ongoing supervision and periodic review by the Manager.

Suspension of Calculation of Net Asset Value

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

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

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

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

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

(e) when a breakdown in the systems and/or means of communication usually employed in ascertaining the value of a substantial part of the investments or other assets of that Sub-Fund or the Net Asset Value of that Sub-Fund or the Issue Price or Redemption Price per Unit takes place or when for any other reason the value of a substantial part of the investments or other assets of that Sub-Fund or the Net Asset Value of that Sub-Fund or the Issue Price or Redemption Price per Unit cannot in the opinion of the Manager after consultation with the Trustee reasonably or fairly be ascertained or cannot be ascertained in a prompt or accurate manner; or

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

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

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

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

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

Whenever the Manager declares such a suspension it shall, after any such declaration (i) immediately notify the SFC of such suspension and (ii) immediately and at least once a month during the period of such suspension, publish a notice on the Manager's website at http://www.cmschina.com.hk/AM/FundProduct. This website has not been reviewed or authorised by the SFC.

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

INVESTMENT AND BORROWING RESTRICTIONS

The Trust Deed sets out restrictions and prohibitions on the acquisition of certain investments by the Manager. Unless otherwise disclosed in the Appendix for each Sub-Fund, each of the Sub-Funds is subject to the investment and borrowing restrictions set out in Schedule 1 to this Explanatory Memorandum.

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

LIQUIDITY RISK MANAGEMENT

The Manager has established a liquidity management policy which enables it to identify, monitor and manage the liquidity risks of each Sub-Fund and to ensure that the liquidity profile of the investments of each Sub-Fund will facilitate compliance with the Sub-Fund's obligation to meet redemption requests. Such policy, combined with the liquidity management tools that may be employed by the Manager, also seeks to achieve fair treatment of Unitholders and safeguard the interests of remaining Unitholders in case of sizeable redemptions.

The Manager would regularly assess the liquidity of each Sub-Fund's assets against internal liquidity indicators under the current and likely future market conditions. The Manager considers a range of quantitative metrics and qualitative factors in arriving at a liquidity assessment. The Manager will differentiate the liquidity of each Sub-Fund's underlying investments based on average or total number of days to liquidate, so it can determine the time horizon and costs needed to liquidate positions. Pre-trade analysis in respect of a security may be carried out in order to assess the potential impact on such security's price.

Where the liquidity of a Sub-Fund is unable to meet the internal liquidity indicators, the risk management function will consider whether additional analysis will be performed and whether further action should be taken to manage the liquidity risk of the Sub-Fund. The Manager will take into account the investment strategy; the dealing frequency; the underlying asset liquidity; the ability to enforce redemption limitations and fair valuation policies of the Sub-Funds. These measures seek to ensure fair treatment and transparency for all investors.

The following tools may be employed by the Manager to manage liquidity risks:

- The Manager may limit the number of Units of any Sub-Fund redeemed on any Dealing Day to 10% of the total number of Units of the relevant Sub-Fund in issue (subject to the conditions under the heading entitled "Restrictions on redemption and switching" in the section "Switching between Classes"). If such limitation is imposed, this would restrict the ability of a Unitholder to redeem in full the Units he intends to redeem on a particular Dealing Day;

- The Manager may suspend redemption under exceptional circumstances as set out under the heading entitled "Suspension of Calculation of Net Asset Value" in the section headed "Valuation". During such period of suspension, Unitholders would not be able to redeem their investments in the relevant Sub-Fund;

- The Manager may borrow up to 10% of the latest available Net Asset Value of a Sub-Fund to meet redemption requests. For further details, please refer to the investment and borrowing restrictions set out in Schedule 1 to this Explanatory Memorandum.

The Manager will also perform liquidity stress testing on each Sub-Fund on an ongoing basis.

Investors should note that there is a risk that the tools may be ineffective to manage liquidity and redemption risks.

RISK FACTORS

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

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

(i) ***Investment risk*** - The investments of the Sub-Fund(s) may fall in value and investors may suffer losses as a result. The Sub-Fund(s) are not principal guaranteed. There is also no guarantee of dividend or distribution payments during the period an investor holds the Units of the Sub-Fund(s).

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

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

(iv) ***Risk associated with small-capitalisation / mid-capitalisation companies*** – The stock of small-capitalisation / mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

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

Since 1978, the PRC government has implemented economic reform measures which emphasise decentralisation and the utilisation of market forces in the development of the Mainland Chinese economy, moving from the previous planned economy system. However, many of the economic measures are experimental or unprecedented and may be subject to adjustment and modification. The investments in Mainland China may be affected by the changes in government policies, promulgation of foreign currency and monetary policies and tax regulations.

The regulatory and legal framework for capital markets and joint stock companies in Mainland China is developing and may be different from those of developed markets. Securities exchanges may have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulator may also implement policies that may affect the financial markets. Mainland Chinese accounting standards and practices may differ significantly from international accounting standards. The settlement and clearing systems of the Mainland Chinese securities markets may still be evolving and may be subject to increased risks of error or inefficiency. These may have a negative impact on the Sub-Funds.

Investments in equity interests of Mainland Chinese companies may be made through China A-Shares, B-Shares (i.e. shares issued by companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, traded in foreign currencies and available for investment by domestic (Chinese) investors and foreign investors) and H-Shares (i.e. shares issued by companies incorporated in Mainland China and listed on the Stock Exchange of Hong Kong and traded in Hong Kong dollars). The Mainland Chinese stock market has in the past experienced substantial price volatility, and there is no assurance that such volatility will not occur in future.

In respect of Sub-Funds which may invest in RMB denominated bonds, as the number of these securities and their combined total market value are relatively small compared to more developed markets, investments in these securities may be subject to increased price volatility and lower liquidity.

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

(vi) ***Foreign exchange control risk*** - The Renminbi is not currently a freely convertible currency and is subject to exchange control imposed by the Chinese government. Such control of currency conversion and movements in the Renminbi exchange rates may adversely affect the operations and financial results of companies in Mainland China. Insofar as a Sub-Fund's assets are invested in Mainland China, it will be subject to the risk of the PRC government's imposition of restrictions on the repatriation of funds or other assets out of Mainland China, limiting the ability of the relevant Sub-Fund to satisfy payments to investors. Under exceptional circumstances, payment of redemptions and/or dividend payment in Renminbi may be delayed due to the exchange controls and restrictions applicable to Renminbi.

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

(viii) ***Emerging markets risk*** - Various markets in which a Sub-Fund may invest are considered as emerging markets. Investments in emerging markets may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility. Investments in emerging markets will be sensitive to any change in political, social or economic development in the region. Many emerging markets have historically been subject to political instability which may affect the value of securities in emerging markets to a significant extent. As emerging markets tend to be more volatile than developed markets, any holdings in emerging markets are exposed to higher levels of market risk. The securities markets of some of the emerging markets in which a Sub-Fund's assets may be invested are not yet fully developed which may, in some circumstances, lead to a potential lack of liquidity. The securities markets of developing markets are not as large as the more established securities markets and have a substantially lower trading volume. Investment in such markets will be subject to risks such as market suspension, restrictions on foreign investment and control on repatriation of capital. There are also possibilities of nationalisation, expropriation or confiscatory taxation, foreign exchange control, political changes, government regulation, social instability or diplomatic developments which could affect adversely the economies of emerging markets or the value of the Sub-Funds' investments. Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to some markets in which a Sub-Fund may invest may differ from those applicable in developed markets, for example, less information is available to investors and such information may be out of date.

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

(x) ***Currency risk*** - Certain Sub-Funds may be invested in part in assets quoted in currencies other than its base currency. The performance of such Sub-Funds will therefore be affected by movements in the exchange rate between the currencies in which the assets are held and the base currency of the Sub-Funds and by changes in exchange rate controls. Since the Manager aims to maximise returns for such Sub-Funds in terms of their base currency, investors in these Sub-Funds may be exposed to additional currency risk.

(xi) ***Interest rates risk*** - Changes in interest rates may affect the value of a security as well as the financial markets in general. Debt securities (such as bonds) are more susceptible to fluctuation in interest rates and may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes. If the debt securities held by a Sub-Fund fall in value, the Sub-Fund's value will also be adversely affected.

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

Investment grade securities may be subject to the risk of being downgraded to below investment grade securities. In the event of downgrading in the credit ratings of a security or an issuer relating to a security, a Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not dispose of the securities, subject to the investment objectives of the relevant Sub-Fund. In the event of investment grade securities being downgraded to below investment grade securities, the Sub-Fund will also be subject to the below investment grade securities risk outlined in the following paragraph.

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

(xiv) ***Below investment grade and unrated securities risk*** - A Sub-Fund may invest in securities which are below investment grade or which are unrated. Investors should note that such securities would generally be considered to have lower liquidity, higher volatility, higher credit risk and greater risk of loss of principal and interest than more highly rated securities. If the issuer of securities defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. The market for these securities may be less active, making it more difficult to sell the securities. Valuation of these securities is more difficult and thus the relevant Sub-Fund's prices may be more volatile.

In particular, the value of lower-rated or unrated corporate bonds is affected by investors' perceptions. When economic conditions appear to be deteriorating, lower rated or unrated corporate bonds may decline in market value due to investors' heightened concerns and perceptions over credit quality.

(xv) ***Sovereign/government debt risk*** – The Sub-Funds' investment in securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign/government issuers may not be able to or willing to repay the principal and/or interest when due or may request the relevant Sub-Fund to participate in restructuring such debts. The relevant Sub-Fund may suffer significant losses when there is a default of sovereign/government debt issuers.

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

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

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

(xviii) ***Concentration risk*** - Certain Sub-Funds may invest only in a specific country/region/sector. Each Sub-Fund's portfolio may not be well diversified in terms of the number of holdings and the number of issuers of securities that the Sub-Fund may invest in. Investors should also be aware that such Sub-Funds are likely to be more volatile than a broad-based fund, such as a global or regional equity fund, as they are more susceptible to fluctuations in value resulting from limited number of holdings or from adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting their respective countries/regions.

(xix) ***Hedging risk*** - The Manager is permitted, but not obliged, to use hedging techniques to attempt to offset market and currency risks. There is no guarantee that hedging techniques will achieve their desired result. In adverse situations, the use of financial derivative instruments for hedging may become ineffective and the Sub-Funds may suffer significant losses.

(xx) ***Liquidity risk*** - Some of the markets in which a Sub-Fund invests may be less liquid and more volatile compared to more developed markets and this may result in the fluctuation in the price of securities traded on such markets. Certain securities may be difficult or impossible to sell, and this would affect the relevant Sub-Fund's ability to acquire or dispose of such securities at their intrinsic value. The relevant Sub-Fund may encounter difficulties in valuing and/or disposing of assets at their fair price due to adverse market conditions and/or large-scale redemptions. This may also expose the relevant Sub-Fund to liquidity risks. If sizeable redemption requests are received, the relevant Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and such Sub-Fund may suffer losses in trading such investments. As a result, this may have adverse impact on the relevant Sub-Fund and its investors.

(xxi) ***Volatility risk*** – Prices of securities may be volatile. Price movements of securities are difficult to predict and are influenced by, among other things, changing supply and demand relationships, governmental trade, fiscal, monetary and exchange control policies, national and international political and economic events, and the inherent volatility of the market place. A Sub-Fund's value will be affected by such price movements and could be volatile, especially in the short-term.

(xxii) ***Derivative and structured product risk*** - In respect of a Sub-Fund which may invest in derivatives such as options, futures and convertible securities, and in depository receipts, participation rights and potentially through other instruments which are linked to the performance of securities or indices such as participation notes, equity swaps and equity linked notes, which are sometimes referred to as "structured products", such Sub-Fund will be subject to the risks relating to investment in these instruments. Investment in these instruments can be illiquid, if there is no active market in these instruments. Such instruments are complex in nature. Therefore there are risks of mispricing or improper valuation and possibilities that these instruments do not always perfectly track the value of the securities, rates or indices they are designed to track. Improper valuations can result in increased payments to counterparties or a loss in the value of the relevant Sub-Funds. The instruments will also be subject to insolvency or default risk of the issuers or counterparties, volatility risk and over-the-counter transaction risk. In addition, investment through structured products may lead to a dilution of performance of such Sub-Funds when compared to a fund investing directly in similar assets. Besides, many derivative and structured products involve an embedded leverage. This is because such instruments provide significantly larger market exposure than the money paid or deposited when the transaction is entered into, so a relatively small adverse market movement could expose the relevant Sub-Funds to the possibility of a loss exceeding the original amount invested.

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

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

(xxv) ***Risks associated with collateralised and/or securitised products*** – The Sub-Funds may invest in collateralised and/or securitised products, such as asset backed securities and mortgage backed securities, which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.

(xxvi) ***Restricted markets risk*** - The Sub-Funds may invest in securities in jurisdictions (including Mainland China) which impose limitations or restrictions on foreign ownership or holdings. In such circumstances, the Sub-Funds may be required to make investments in the relevant markets directly or indirectly. In either case, legal and regulatory restrictions or limitations may have potential 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.

(xxvii) ***Mainland China tax considerations*** – By investing in Mainland Chinese Securities, a Sub-Fund may be subject to taxes imposed in Mainland China.

Taxation of the Fund

Enterprise Income Tax ("EIT"):

Under the PRC Enterprise Income Tax Law (the "EIT Law") and the implementation rules, effective from 1 January 2008, a tax resident enterprise of Mainland China will be subject to EIT at 25% on its worldwide taxable income; a non-tax resident with establishment or place of business ("PE") in Mainland China will be subject to EIT at 25% on the profits attributable to the PE.

A non-tax resident enterprise without a PE in Mainland China will generally be subject to a withholding income tax ("WIT") at the current rate of 10% on its Mainland China sourced income, including dividends, interest, gains arising from transfer of assets etc., unless a specific exemption or reduction is available under current EIT law and regulations or relevant tax treaties.

The Trustee and the Manager intend to use commercially reasonable efforts to manage and conduct the affairs of the Fund (comprising the Sub-Funds) in such a way that the risk of the Fund being considered as a tax resident enterprise of Mainland China or a non-tax resident enterprise with a PE in Mainland China for EIT purposes is reduced as far as possible. As such, it is expected that the Fund should only be subject to EIT on a withholding basis to the extent that the Fund and the relevant Sub-Fund directly derive a Mainland China source income. However, there can be no assurance that such objective will be achieved. Any WIT imposed on a QI in respect of the Mainland Chinese Securities invested by the relevant Sub-Fund will be passed on to the Sub-Fund and the asset value of the Sub-Fund will be reduced accordingly.

EIT

Dividend and interest income

According to the EIT Law and its implementation rules, if the Fund, as a non-tax resident, does not have a PE in Mainland China, the Fund generally would be subject to WIT on interests derived from RMB denominated corporate bonds issued by a Mainland China tax resident entity and dividends derived from Mainland China tax resident enterprises, such as China A-Shares, B-Shares and H-Shares, at the rate of 10%, subject to applicable double tax treaty or arrangement and reduction / exemption under domestic tax regulations, if any. For example, under the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" (the " Mainland China-HK Arrangement"), the WIT charged on interest received by non-resident enterprise holders of debt instruments can be reduced to 7% of the gross amount of the interests, if the holders are Hong Kong tax residents and are the beneficial owners of the interests under the Mainland China-HK Arrangement, subject to completing the treaty relief assessment. Interest income derived from bonds issued by the PRC Ministry of Finance ("MOF") is specifically exempt from EIT under the EIT Law; whereas interest income from bonds issued by local government of a province, autonomous regions, municipalities directly under the central government of the PRC or municipalities separately listed on the state plan, as approved by the State Council of the PRC from 2009 to 2011 and those issued in 2012 and subsequent years are exempt from EIT under Circular Caishui [2011] No. 76 and Circular Caishui [2013] No. 5 respectively. On 22 November 2018, MOF and the PRC State Taxation Administration ("STA") jointly issued Caishui [2018] No.108 ("Circular 108") to stipulate that foreign institutional investors were temporarily exempt from WIT with respect to bond interest income derived in the domestic bond market for the period from 7 November 2018 to 6 November 2021. On 22 November 2021, the MOF and the STA have further issued Announcement [2021] No. 34 ("Circular 34") to extend the WIT exemption period provided in Circular 108 to the period from 7 November 2021 to 31 December 2025.

The Manager reserves the right to make a WIT provision of 10% on dividend from Mainland Chinese shares and non-government Mainland Chinese bond interest income if the WIT is not withheld at source. With respect to bond interest income received from investment in China Interbank Bond Market on or after 7 November 2018, the Manager decides not to make WIT provision. The actual amount of provision, if any, will be disclosed in the financial statements of the Fund.

There is still lack of clear guidance in respect of WIT applicable to interest income derived by the Sub-Funds from Mainland Chinese debt securities, in particular, whether the 4-year exemption under Circular 34 will continue to be available after 31 December 2025.

<u>Gain from the trading of Mainland Chinese Securities</u>

Pursuant to the EIT Law, a non-resident enterprise with no place of effective management and PE in Mainland China would generally be subject to WIT at the rate of 10% on its Mainland China-sourced gains from the trading of Mainland Chinese Securities, unless they are exempt or reduced under the Mainland China tax laws and regulations or applicable double tax treaty or arrangement, if any.

In respect of equity investments, MOF, STA and the China Securities Regulatory Commission have issued circulars on 14 November 2014 to clarify the relevant EIT liabilities:-

Pursuant to the "Notice on the temporary exemption of Enterprise Income Tax on gains derived from the transfer of Mainland Chinese equity investment assets such as Mainland Chinese domestic stocks by QFII and RQFII" ("Circular No. 79"):

- QFIIs and RQFIIs without a place of effective management and PE in Mainland China are temporarily exempt from EIT on gains derived from the transfer of Mainland Chinese equity investment assets effective from 17 November 2014; and
- 10% WIT was imposed on such gains earned by QFIIs and RQFIIs prior to 17 November 2014 in accordance with the EIT Law.

Circular No. 79 is silent on whether and how EIT would be imposed on gains derived by non-resident enterprises from the trading of debt securities issued by Mainland China tax resident enterprises ("**Mainland Chinese Debt Securities**") and specific tax rules and guidance in this respect have yet to be announced. It is therefore not entirely clear as to whether EIT will apply on gains derived by RQFIIs from trading of Mainland Chinese Debt Securities. In the absence of such specific rules, the income tax treatment should be governed by the general tax provision of the EIT. On the basis that Mainland Chinese Debt Securities are treated as movable assets, gains derived by non-Mainland Chinese residents (including QFIIs and RQFIIs) from the trading of Mainland Chinese Debt Securities should not be considered as Mainland China-sourced income, and thus should not be subject to WIT. In practice, the Mainland China tax authorities have not enforced the collection of WIT from foreign investors on gains from trading of Mainland Chinese debt securities. If the relevant practice change in the future, the Fund may assess if it would be eligible for treaty relief pursuant to the Mainland China-HK Arrangement.

Article 13.7 of the Mainland China-HK Arrangement provides that any gains derived by a Hong Kong tax resident from the disposal of Mainland Chinese properties that are not referred to in Articles 13.1 to 13.5 of the Mainland China-HK Arrangement shall be taxable only in Hong Kong. As Mainland Chinese Securities other than equity investments are not referred to in Articles 13.1 to 13.5 of the Mainland China-HK Arrangement, capital gains derived by the Hong Kong tax resident from the disposal of Mainland Chinese Securities other than equity investments should technically be not subject to WIT provided all the other relevant treaty conditions are satisfied, subject to agreement by the Mainland China tax authorities. In order to qualify for this preferential treatment, the Manager will further assess and follow the procedural guidance set out by the STA under Bulletin 35 in applying for tax treaty benefits for the relevant Sub-Fund, although this cannot be guaranteed.

Any tax liability and/or amount that is estimated in anticipation of WIT in Mainland China on the gains of the Sub-Fund's investments made through the RQFIIs may ultimately be recharged to and borne by the Sub-Fund. The Manager reserves the right to make provisions in respect of a Sub-Fund for the above tax obligations based on independent tax advice obtained. Even if tax provisions are made, the amount of such provisions may not be sufficient to meet the actual tax liabilities. With the uncertainties under the applicable Mainland China tax laws and the possibility of such laws being changed and taxes being applied retrospectively, any provision for taxation made by the Manager may be excessive or inadequate to meet actual Mainland China tax liabilities. In the event that it is satisfied (based on tax advice) that part of the tax provisions are not required, the Manager will release such provisions back into the relevant Sub-Fund, forming part of such Sub-Fund's assets. In case of any shortfall between the provisions and actual tax liabilities, which will be debited from the Sub-Fund's assets, the Sub-Fund's asset value will be adversely affected. The Manager's current policy on tax provisions is set out in the Appendix for the relevant Sub-Fund. Depending on the timing of their subscriptions and/or redemptions, investors may be disadvantaged as a result of any shortfall of tax provision and will not have the right to claim any part of the overprovision (as the case may be).

Value Added Tax ("VAT") and other Surtaxes

With the Caishui [2016] No. 36 ("Circular 36") regarding the final stage of VAT reform coming into effect on 1 May 2016, incomes derived from the trading of Mainland Chinese securities and bond interest incomes are subject to VAT instead of Business Tax starting from 1 May 2016.

If VAT is applicable, there are also other surtaxes (which include Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) that would amount to as high as 12% of VAT payable. Having said that, pursuant to the issued *Announcement of State Taxation Administration on Matters Relating to the Management of Levy of Urban Maintenance and Construction Tax* ([2021] No.26 of the STA), effective from 1 September 2021, no Urban Construction and Maintenance Tax would be levied on the VAT paid for the sale of services and intangible assets by overseas parties to Mainland Chinese parties. However, the implementation of the exemption may vary depending on the local practice.

Capital Gains

According to Circular 36 and Caishui [2016] No. 70 ("Circular 70"), gains derived by QFIIs and RQFIIs from the trading of onshore Mainland Chinese securities (including China A-Shares and other Mainland China listed securities) are exempt from VAT since 1 May 2016. Circular 70 also states that the gains derived from investment in the China interbank local currency markets (including money market, bond market and derivatives market) by foreign investors, which are qualified by People's Bank of China, are exempt from VAT since 1 May 2016.

Interest Income

According to Circular 36, interest income derived from marketable securities in Mainland China should be subject to VAT at 6%.

According to Circular 36, interest on deposit (e.g. interest derived from deposit in Mainland China custodian bank) is not subject to VAT.

According to Circular 36, interest derived from the Government Bonds is exempt from VAT. Interest derived from the bonds issued by local government of a province, autonomous regions, and municipalities directly under the Central Government or municipalities separately listed on the state plan, as approved by the State Council is exempted from VAT. The VAT regulations do not specifically exempt VAT on interest income earned by QFIIs / RQFIIs or foreign investors.

Hence, interest on non-government bonds (including corporate bonds) should be subject to 6% VAT. On 22 November 2018, MOF and STA jointly issued Circular 108 to clarify that foreign institutional investors are temporarily exempt from VAT with respect to bond interest income derived in the domestic bond market for the period from 7 November 2018 to 6 November 2021. On 22 November 2021, the MOF and the STA have further issued Announcement [2021] No. 34 ("Circular 34") to extend the VAT exemption period provided in Circular 108 to the period from 7 November 2021 to 31 December 2025.

There is still lack of clear guidance in respect of VAT applicable to interest income derived by the Sub-Funds from Mainland Chinese debt securities, in particular, and whether the 4-year exemption under Circular 34 will continue to be available after 31 December 2025.

Dividend Income

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

The Manager currently makes a provision in an amount equal to the total of (i) for VAT, 6% of the bond coupon interest (except PRC government bonds or local government bonds) received by the Sub-Fund for the period from 1 May 2016 to 6 November 2018; plus (ii) for the potential local surtaxes on VAT, 12% of the VAT amount stated in (i).

In other words, the provision is equal to 6.72% of the bond coupon interest (except PRC government bonds or local government bonds) received by the Sub-Fund.

<u>Stamp Duty</u>

Stamp Duty is levied on certain taxable documents executed or used in Mainland China, such as documentation effecting the transfer of equity interests in Mainland Chinese companies, the sale of China A-Shares and China B-Shares, the purchase and sale of goods, contract documents issued for process contracting, construction contracting, property leasing, and other documents listed in the Stamp Duty Law of the PRC.

Currently, Stamp Duty on China A-Shares and China B-Shares transactions is imposed on the seller but not on the purchaser. According to Public Notice [2023] No. 39 made by MOF and STA, since 28 August 2023, the Stamp Duty rate of securities trading is reduced to 0.05%.

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

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

Taxation of Unitholders

Individual Income Tax ("IIT")

Non-Mainland Chinese national individual Unitholders should generally not be subject to IIT on investment distributions they receive from the Fund. To the extent that the Fund is not regarded as a Mainland China tax resident enterprise, there should be no IIT applicable to investment distributions from or gains realized on disposal of Units in the Fund on the basis that such distributions and gains should not be considered to be Mainland China-sourced income.

If an individual Unitholder is regarded as being domiciled in Mainland China, the Unitholder is subject to IIT on its worldwide income. The investment distributions from or gains realized on disposal of Units in the Fund it received should be subject to the standard tax rate of 20% provided that the income is considered as investment income or income from transfer of assets for purposes of the IIT. Such Mainland Chinese individual Unitholder should self-report the IIT to the relevant Mainland China tax authority.

EIT

Corporate Unitholders who are considered to be non-Mainland China tax resident enterprises without a PE in Mainland China should not be subject to EIT as a result of their investment in the Fund. To the extent that the Fund is not regarded as a Mainland China tax resident enterprise, there should be no WIT applicable to investment distributions from or gains realized on disposal of Units in the Fund on the basis that such distributions and gains should not be considered to be Mainland China-sourced income.

Corporate Unitholders who are considered to be Mainland China tax resident enterprise or non-Mainland China tax resident enterprise with a PE in Mainland China (and where such establishment holds the Units in the Fund as part of its business) should be subject to EIT on investment distributions from and gains realized on disposal of Units in the Fund. Such Mainland Chinese corporate Unitholder should self-report the EIT to the relevant Mainland China tax authority.

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

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

(xxviii) ***Legal, tax and regulatory risk***: Legal, tax and regulatory changes could occur in the future. For example, the regulatory or tax environment for derivative instruments is evolving, and changes in their regulation or taxation may adversely affect the value of derivative instruments. Changes to the current laws and regulations will lead to changes in the legal requirements to which the Fund may be subject, and may adversely affect the Fund and the investors.

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

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

Cash and deposits: A Sub-Fund may hold cash and deposits in banks or other financial institutions and the extent of governmental and regulatory supervision may vary. The Sub-Fund might suffer a significant or even total loss in the event of insolvency of the banks or financial institutions.

Debt securities: There is no assurance that losses will not occur with respect to investment in debt securities. A default on interest or principal by the counterparty may adversely affect the performance of the relevant Sub-Fund.

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

(xxxii) ***Risks of investing in IPO securities*** - The prices of securities involved in IPOs are often subject to greater and more unpredictable price changes than more established securities. There is the risk that there are inadequate trading opportunities generally or allocations for IPOs which the Manager wishes or is able to participate in. Furthermore, the liquidity and volatility risks associated with investments or potential investments in IPO securities may be difficult to assess, due to the lack of trading history of such IPO securities.

(xxxiii) ***Risks of investing in other funds*** - A Sub-Fund may invest in underlying funds which are not regulated by the SFC. In addition to the expenses and charges charged by such Sub-Fund, investor should note that there are additional fees involved when investing into these underlying funds, including fees and expenses charged by investment manager of these underlying funds as well as fees payable by the relevant Sub-Fund during its subscription to or redemption from these underlying funds. Furthermore, there can be no assurance that 1) the liquidity of the underlying funds will always be sufficient to meet redemption request as and when made; and 2) investment objective and strategy will be successfully achieved despite the due diligence procedures undertaken by the Manager and the selection and monitoring of the underlying funds. If a Sub-Fund invests in an underlying fund managed by the Manager or connected person of the Manager, potential conflict of interest may arise. Please refer to the section headed "Conflicts of Interest" for details under the circumstances.

(xxxiv) ***Risks of investing in exchange traded funds ("ETFs")*** – Certain Sub-Funds may invest in ETFs. ETFs are passively managed funds which aim to track closely the performance of the underlying indices / benchmarks. Tracking error may however occur due to factors such as the impact of fees and charges payable by the ETF, changes in the composition of the underlying benchmark / index and imperfect correlation between the ETF's assets and those in the underlying benchmark / index.

In addition, the market price of an ETF may be at a discount or premium to its net asset value. This price discrepancy is caused by supply and demand factors and may be more likely to emerge during periods of high market volatility and uncertainty. This phenomenon may also be observed in ETFs tracking specific markets or sectors that are subject to direct investment restrictions. As a result, if the Sub-Fund invests in an ETF at a premium, it may suffer losses even if there is an increase in the net asset value of the ETF as the increase may not be sufficient to cover the premium paid by the Sub-Fund. In addition, the Sub-Fund may not fully recover its investment (including any premium paid) in the event of the termination of the ETF.

(xxxv) ***Performance fee risk*** – A performance fee may be payable for certain classes of Units. Investors should note that Units will be subscribed or redeemed during a performance period based on the Net Asset Value per Unit of the relevant class (taking into account any positive balance of performance fee accruals as calculated in accordance with the below) and there is no adjustment of gains or losses in respect of each Unit for each investor individually based on the timing of his subscription or redemption during the performance period. The price at which investors subscribe or redeem Units at different times during a performance period will be affected by the performance of the class and its level of subscriptions and redemptions, which could have a positive or negative effect on the performance fee borne by them.

Investors should note that there is no equalisation payment or series Units for the purposes of determining the performance fee payable. As the performance fee is accrued on a daily basis, the Issue Price and Redemption Price would have reflected an accrual for the performance fee upon the issue and redemption of Units during the performance period. An investor may be advantaged or disadvantaged depending on the Net Asset Value per Unit of the relevant class at the time an investor subscribes or redeems relative to the overall performance of that Unit class during the relevant performance period.

For example, an investor who subscribes for Units in a class during a performance period when the Net Asset Value per Unit is lower than the High Water Mark, and who subsequently redeems prior to the end of such performance period when the Net Asset Value per Unit has increased up to (but does not exceed) the High Water Mark as at the time of his redemption will be advantaged as no performance fee will be chargeable in such circumstances. This is illustrated in example 1 below:-

Assumptions for the examples: Assuming that:-

(1) A performance fee of 15% of the difference between the Net Asset Value per Unit of the class and the High Water Mark is payable, provided that the Net Asset Value is higher than the High Water Mark on the relevant Valuation Day; and

(2) The High Water Mark for the class in respect of the relevant performance period is HK$10.

Example 1: An investor subscribed for Units in the class when the Net Asset Value per Unit is HK$6 (i.e. lower than the High Water Mark). The investor later redeemed his Units when the Net Asset Value per Unit is HK$8. Although there is an increase in the Net Asset Value per Unit of the investor's holding and he has made a profit, as the Net Asset Value at which the investor redeemed his Units is below the High Water Mark, no performance fee is payable.

Conversely, an investor who subscribes for Units in a class during a performance period when the Net Asset Value per Unit is higher than the High Water Mark may be disadvantaged as the performance fee is measured daily against the High Water Mark and not the Issue Price. As a result, there is a risk that an investor may need to pay a performance fee which is disproportional to the actual rise in value of the Units he holds (as illustrated in Example 2 below), and he may incur performance fee even though there is a decrease in value of the Units from the Issue Price at which he subscribed (as illustrated in Example 3 below).

Example 2: Investor A subscribed for Units in the class when the Net Asset Value per Unit is the same as the High Water Mark, i.e. HK$10. Investor B subscribed for Units in the class when the Net Asset Value per Unit is

HK$13 (i.e. higher than the High Water Mark). If both investors later redeemed their Units when the Net Asset Value per Unit is HK$16, a performance fee of HK$0.9 per Unit ((HK$16 – HK$10) x 15%) is payable. In this case, the Net Asset Value per Unit of Investor A's holding has increased by HK$6 (HK$16 – HK$10) or 60% (HK$6 / HK$10 x 100%) per Unit, and the performance fee he paid will comprise 15% (HK$0.9 / HK$6 x 100%) of the increase in Net Asset Value of his holding. On the other hand, although the Net Asset Value per Unit of Investor B's holding has increased by a lesser extent of HK$3 (HK$16 – HK$13) or 23.08% (HK$3 / HK$13 x 100%) per Unit, the performance fee he paid will comprise 30% (HK$0.9 / HK$3 x 100%) of the increase in Net Asset Value of his holding.

Example 3: An investor subscribed for Units in the class when the Net Asset Value per Unit is HK$14 (i.e. higher than the High Water Mark). If the investor later redeemed his Units when the Net Asset Value per Unit is HK$12, although the investor did not make any profit from his holding, as the Net Asset Value per Unit at which he redeemed is higher than the High Water Mark, a performance fee of HK$0.3 per Unit ((HK$12 – HK$10) x 15%) is payable.

As the calculation of the Net Asset Value will take into account any unrealised appreciation as well as realised gains, a performance fee may be paid on unrealised gains which may never be realised. In addition, the payment of performance fee may create an incentive for the Manager to make investments for the relevant Sub-Funds which are riskier or more speculative than would be the case in the absence of a fee based on the performance of the Sub-Funds.

(xxxvi) ***Risk of distribution out of capital*** – As set out in the relevant Appendices, the Manager may at its discretions (i) pay dividends out of capital of certain classes of Units, and/or (ii) pay dividends out of gross income while charging all or part of the classes' fees and expenses to the capital of the relevant classes, resulting in an increase in distributable income for the payment of dividends by the classes and an effective payment of dividends out of capital. Investors should note that payment of dividends out of capital and/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. This may result in an immediate reduction of the Net Asset Value per Unit of the relevant classes.

(xxxvii) ***The United States ("U.S.") Foreign Account Tax Compliance ("FATCA")*** – Sections 1471 – 1474 (commonly referred to as "**FATCA**") of the U.S. Internal Revenue Code of 1986, as amended from time to time ("**U.S. Code**") impose rules with respect to certain payments to non-U.S. persons, such as the Fund and the Sub-Funds, including interest and dividends from securities of U.S. issuers and potentially on gross proceeds from the sale of such securities at a later date. All such payments (referred to as "**withholdable payment**") may be subject to withholding at a 30% rate, unless the recipient of the payment satisfies certain requirements intended to enable the U.S. Internal Revenue Service ("**IRS**") to identify U.S. persons (within the meaning of the U.S. Code) that own, directly or indirectly, Units in the Sub-Funds. To avoid such withholding and in order to be a FATCA compliant, a foreign financial institution (an "**FFI**"), such as the Fund and the Sub-Funds (and, generally, other investment funds organised outside the U.S.), generally will be required to register with the IRS directly to obtain a Global Intermediary Identification Number ("**GIIN**") and enter into an agreement (an "**FFI Agreement**") (referred to as an agreement that sets forth the requirements of FATCA, for an FFI to be treated as complying with the requirements of FATCA) with the IRS under which it will agree to identify its direct or indirect Unitholders who are U.S. persons and report certain information concerning such U.S. Unitholder to the IRS.

In general, an FFI which does not sign an FFI Agreement or is not otherwise exempt will face a 30% withholding tax on withholdable payments, including dividends, interest and certain derivative payments derived from U.S. sources. In addition, gross proceeds such as sales proceeds and returns of principal derived from stocks and debt obligations generating U.S. source dividends or interest and certain non-U.S. source payments attributable to the amounts that would be subject to FATCA withholding (referred to as "foreign passthru payments") may also be subject to FATCA withholding in the future.

<u>Details of Intergovernmental Agreement</u>

The Hong Kong government has entered into an intergovernmental agreement with the U.S. ("**IGA**") on 13 November 2014 for the implementation of FATCA, adopting Model 2 IGA arrangements. Under such Model 2 IGA arrangements, FFIs in Hong Kong (such as the Fund and the Sub-Funds) can enter into the FFI Agreement with the IRS, register with the IRS and comply with the terms of an FFI Agreement. Otherwise, the Fund and the Sub-Funds will be subject to a 30% withholding tax on relevant U.S. source payments and other withholdable payments.

It is expected that FFIs in Hong Kong (such as the Fund and the Sub-Funds) complying with the terms of an FFI Agreement (i) will generally not be subject to the above described 30% withholding tax; and (ii) will not be required to withhold tax on withholdable payments to non-consenting U.S. accounts (i.e. certain accounts of which the holders do not consent to FATCA reporting and disclosure to the IRS) or close such accounts (provided that information regarding such account is reported to the IRS pursuant to the provisions of the IGA).

<u>FATCA Status</u>

As of the date hereof, the Manager has already registered with the IRS as a "sponsoring FFI", (i.e. the FFI which undertakes the obligations under FATCA on behalf of the Fund and/or the Sub-Funds).

The Fund and each Sub-Fund will endeavour to satisfy the requirements imposed under FATCA, the IGA and the terms of an FFI Agreement to avoid any withholding tax. In the event that the Fund or any Sub-Fund is not able to comply with the requirements imposed by FATCA, the IGA or the terms of an FFI Agreement and the Fund or such Sub-Fund does suffer U.S. withholding tax on its investments as a result of non-compliance, the Net Asset Value of the Fund or that Sub-Fund may be adversely affected and the Fund or such Sub-Fund may suffer significant loss as a result.

<u>Impact to Unitholders</u>

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

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

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

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

EXPENSES AND CHARGES

Management Fee

The Manager is entitled to receive a management fee accrued daily and payable monthly in arrears out of each Sub-Fund as a percentage of the Net Asset Value of each class of Unit in a Sub-Fund as at each Valuation Day at the rates set out in the Appendix for the relevant Sub-Fund subject to a maximum fee of 2% per annum.

The Manager shall pay the fees of any sub-investment manager and investment adviser to which it has appointed. Any such sub-investment managers and investment adviser will not receive any remuneration directly from any Sub-Fund.

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

Performance Fee

The Manager may be entitled to receive a performance fee in respect of certain Sub-Funds. Details of the performance fee (if any) are specified in the Appendix for the relevant Sub-Fund.

Trustee Fee

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

The Trustee also acts as the Registrar of the Fund.

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

Custodian Fee

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

The current rate of the custody fees set out in the Appendix for the relevant Sub-Fund represents an estimate of such Custody Fee payable by the Sub-Fund.

Establishment Costs

The establishment costs of the CMS Hong Kong Multi Income Fund have been fully amortised.

The establishment costs and payments incurred in the establishment of subsequent Sub-Funds are to be borne by the Sub-Fund to which such costs and payments relate and be treated as an expense of the relevant Sub-Fund in the first Accounting Period (or be amortised over such period as determined by the Manager after consultation with the Auditors).

General

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

Each Sub-Fund will bear the cost of (a) all stamp and other duties, taxes, governmental charges, brokerages, commissions, exchange costs and commissions, bank charges, transfer fees and expenses, registration fees and expenses, transaction fees of the Trustee, custodian or sub-custodian and proxy fees and expenses, collection fees and expenses, insurance and security costs, and any other costs, charges or expenses payable in respect of the acquisition, holding and realisation of any investment or other property or any cash, deposit or loan (including the claiming or collection of income or other rights in respect thereof and including any fees or expenses charged or incurred by the Trustee or the Manager or any connected person in the event of the Trustee or the Manager or such connected person rendering services or effecting transactions giving rise to such fees or expenses), (b) the fees and expenses of the Auditors and the Registrar, (c) fees charged by the Trustee in connection with valuing the assets of the Sub-Fund or any part thereof, calculating the issue and redemption prices of Units of the Sub-Fund and preparing financial statements, (d) all legal charges incurred by the Manager or the Trustee in connection with the Sub-Fund, (e) out-of-pocket expenses incurred by the Trustee wholly and exclusively in the performance of its duties, (f) the expenses of or incidental to the preparation of deeds supplemental to the Trust Deed, (g) the expenses of holding meetings of Unitholders and of giving notices to

Unitholders, (h) the costs and expenses of obtaining and maintaining a listing for the Units of the Sub-Fund on any stock exchange or exchanges selected by the Manager and approved by the Trustee and/or in obtaining and maintaining any approval or authorisation of the Sub-Fund or in complying with any undertaking given, or agreement entered into in connection with, or any rules governing such listing, approval or authorisation, and (i) without prejudice to the generality of the foregoing, all costs incurred in publishing the issue and redemption prices of Units of the Sub-Fund, all costs of preparing, printing and distributing all statements, accounts and reports pursuant to the provisions of the Trust Deed (including the Auditors' fees and Trustee's fee), the expenses of preparing and printing any explanatory memorandum, and any other expenses, deemed by the Manager, after consulting the Trustee, to have been incurred in compliance with or in connection with any change in or introduction of any law or regulation or directive (whether or not having the force of law) of any governmental or other regulatory authority or with the provisions of any code relating to unit trusts.

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

Transactions with Connected Persons, Cash Rebates and Soft Commissions

Any transaction with a connected person will be conducted in compliance with the requirements under the Code.

All transactions carried out by or on behalf of the Fund or a Sub-Fund must be executed at arm's length, on the best available terms and in the best interest of the Unitholders of the relevant Sub-Fund. In particular, any transactions between the Sub-Fund and the Manager, the Investment Delegate or any of their connected persons as principal may only be made with the written approval of the Trustee. All such transactions will be disclosed in the annual report of the Fund and/or the relevant Sub-Fund.

In transacting with brokers or dealers connected to the Manager, the Investment Delegate of the relevant Sub-Fund, the Trustee or any of their connected persons, the Manager must ensure that (a) such transactions are on arm's length terms; (b) it uses due care in the selection of such brokers or dealers and ensures that they are suitably qualified in the circumstances; (c) transaction execution must be consistent with applicable best execution standards; (d) the fee or commission paid to any such broker or dealer in respect of a transaction must not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature; (e) it monitors such transactions to ensure compliance with its obligations; and (f) the nature of such transactions and the total commissions and other quantifiable benefits received by such broker or dealer shall be disclosed in the annual report of the Fund and/or the relevant Sub-Fund.

Neither the Manager nor the Investment Delegate nor any of their connected persons will retain cash or other rebates from brokers or dealers in consideration of directing transactions for a Sub-Fund to such brokers or dealers, save that goods and services (soft commissions) as described in the paragraph below may be retained. Any such cash commissions or rebates received from any such brokers or dealers shall be for the account of the relevant Sub-Fund.

The Manager, the Investment Delegate and/or any of their connected person reserves the right to effect transactions by or through the agency of another person with whom the Manager, the Investment Delegate and/or any of their connected person has an arrangement under which that party will from time to time provide to or procure for the Manager, the Investment Delegate and/or any of their connected person goods, services or other benefits the nature of which is such that their provision can reasonably be expected to benefit the relevant Sub-Fund as a whole and may contribute to an improvement in the performance of the relevant Sub-Fund or of the Manager and/or any of its connected person in providing services to the relevant Sub-Fund and for which no direct payment is made but instead the Manager and/or any of its connected person undertakes to place business with that party. The Manager shall procure that no such arrangements are entered into unless (i) the goods and services to be provided pursuant thereto are of demonstrable benefit to the Unitholders (taken as a body and in their capacity as such); (ii) the transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates; (iii) periodic disclosure is made in the annual report of the Fund or the relevant Sub-Fund in the form of a statement describing the soft dollar policies and practices of the Manager or the Investment Delegate, including a description of goods and services received by them; and (iv) the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer. For the avoidance of doubt (and without prejudice to the generality of the foregoing), such goods and services may include research and advisory services, economic and political analysis, portfolio analysis (including valuation and performance measurement), market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publications. Such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

TAXATION

Prospective Unitholders should consult their own professional advisors as to the implications of their subscribing for, purchasing, holding, redeeming or disposing of Units both under the laws and practice of Hong Kong and Mainland China and the laws and practice of their respective jurisdictions. Neither the Manager, the Trustee nor any of their respective affiliates accepts any responsibility for providing tax advice to any prospective Unitholder.

Hong Kong

Taxation of the Fund

Profits Tax

During such period as the Fund and any of its Sub-Funds are authorised by the SFC as a collective investment scheme pursuant to section 104 of the SFO then, under present Hong Kong law and practice, the Fund and the Sub-Funds will be exempted from Hong Kong Profits Tax in respect of any of its authorised activities.

The sale and purchase of Hong Kong stock (if any) by the Fund and Sub-Funds is generally subject to Hong Kong stamp duty at 0.1% on the higher of the consideration amount or market value, payable by both the buyer and the seller.

Taxation of Unitholders

Hong Kong profits tax (which is currently charged at the rate of 16.5% for corporations and 15% for unincorporated businesses; half tax rate applies on the first HK$2 million assessable profits of those eligible taxpayers) will arise on any gains or profits sourced in Hong Kong made on a sale, redemption or other disposal of Units of such Sub-Fund where such transactions form part of a trade, profession or business carried on by a Unitholder in Hong Kong (for example, dealers in securities, financial institutions and insurance companies carrying on a trade or business in Hong Kong) and such Units are not capital assets to the Unitholders. Ascertaining the source and the classification of a gain as revenue or capital will depend on the particular facts and circumstances of the Unitholders.

Dividends or other income distributions received by the Unitholders from the Sub-Funds in accordance with the prevailing practice of the Hong Kong Inland Revenue Department ("**IRD**") will not be subject to tax in Hong Kong (whether by way of withholding or otherwise).

Stamp Duty

Allotments or redemption of Units of Sub-Fund do not attract Hong Kong Stamp Duty.

No Hong Kong stamp duty is payable where the sale or transfer of the Unit is effected by extinguishing the Unit or the sale or transfer is to the Manager who subsequently re-sells the Units within two months thereof. Other types of sales or purchases or transfers of Units by the Unitholders should be liable to Hong Kong stamp duty of 0.1% (payable by both the buyer and the seller) on the higher of the consideration amount or market value. In addition, a fixed duty of HKD5 is currently payable on any instrument of transfer of Units.

Automatic Exchange of Financial Account Information ("AEOI")

The Inland Revenue (Amendment) (No.3) Ordinance (the "**Ordinance**") (as amended from time to time) came into force on 30 June 2016. The Ordinance together with the later amendments made establishes the legislative framework for the implementation in Hong Kong of the OECD's Standard for Automatic Exchange of Financial Account Information ("**AEOI**") (or also referred to as the Common Reporting Standard ("**CRS**")). The Ordinance requires financial institutions ("**FIs**") in Hong Kong (such as the Fund and the Sub-Funds) to collect information from the Unitholders, conduct due diligence on the Unitholders and to file such information as it relates to reportable Unitholders who are tax residents in Reportable Jurisdictions (as defined below) with the IRD. The reported information will be further exchanged by the IRD with jurisdiction(s) in which that Unitholder is resident. Generally, tax information will be exchanged only with jurisdictions which Hong Kong has activated exchange relationship (i.e. the "**Reportable Jurisdictions**"); however, the Fund, the Sub-Funds and/or its agents are not restricted from obtaining information relating to tax residents of jurisdictions other than the Reportable Jurisdictions.

The Fund and each Sub-Fund will be required to comply with the requirements of the Ordinance, which means that the Fund, each Sub-Fund and/or its agents shall obtain and provide the required information relating to Unitholders (and their Controlling Persons, as defined in the Ordinance) and prospective investors to the IRD.

The Ordinance as implemented by Hong Kong require the Fund, the Sub-Funds and/or its agents to, amongst other things: (i) register as a "Reporting Financial Institution" with the IRD to the extent the Fund and each Sub-Fund maintain any reportable accounts; (ii) conduct due diligence on its accounts (i.e., Unitholders) to identify whether any such accounts are considered as "Reportable Accounts" under the Ordinance; and (iii) report the required information of such Reportable Accounts to the IRD on an annual basis. The IRD is expected to transmit the required information reported to the competent authorities of the relevant Reportable Jurisdictions on an annual basis. Broadly, the Ordinance requires that Hong Kong FIs should report on: (i) individuals or entities that are tax residents of a Reportable Jurisdiction; and (ii) Controlling Persons (as defined under the Ordinance) of a Unitholder that is not a natural person who are tax residents in a Reportable Jurisdictions. Under the Ordinance, details of reportable Unitholders or their Controlling Persons (as the case may be), including but not limited to their name, date and place of birth (for individuals only), address, jurisdiction(s) of tax residency, taxpayer identification number(s) ("**TIN**") (if any), account details, distribution and account balance/value is required to be reported to the IRD.

By investing in the Fund and the relevant Sub-Fund and/or continuing to invest in the Fund and the relevant Sub-Fund, Unitholders acknowledge that they may be required to provide additional information to the Fund, the relevant Sub-Fund and/or the Fund's agents in order for the Fund and the relevant Sub-Fund to comply with the Ordinance. Each Unitholder will update the relevant information when such information is no longer accurate. The Unitholder's information (and/or information on controlling persons including beneficial owners, beneficiaries, direct or indirect Unitholders or other persons associated with such Unitholders appropriate), may be reported to the IRD which will then exchange with the competent authorities in the R eportable Jurisdictions.

Each Unitholder and prospective investor should consult its own professional tax advisor(s) as to the potential impact of CRS in its own situation, as well as the potential impact of CRS on the relevant Sub-Fund.

Mainland China

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

FINANCIAL REPORTS

The Fund's financial year end is on 31 December in each year, with the first financial year ending on 31 December 2012. The Manager will notify Unitholders where the annual report (in English) can be obtained (in printed and electronic forms) within four months after the end of the financial year, and where the unaudited semi-annual report (in English) can be obtained (in printed and electronic forms) within two months after 30 June in each year. Once issued, hardcopies of the reports are available upon request of Unitholders free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the office of the Manager.

DISTRIBUTION OF INCOME

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

In respect of Sub-Funds or class of Units for which the Manager may distribute dividends, investors should note that there is no guarantee of regular distribution and, if distribution is made, the amount being distributed. Distributions (if any) declared in respect of an interim accounting period or an Accounting Period, as described in the relevant Appendix, shall be distributed among the Unitholders of the relevant classes of Units rateably in accordance with the number of Units held by them on the record date in respect of such interim accounting period or Accounting Period, as the case may be. For the avoidance of doubt, only Unitholders whose names are entered on the register of Unitholders on such record date shall be entitled to the distribution declared in respect of the corresponding interim accounting period or Accounting Period, as the case maybe.

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

VOTING RIGHTS

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

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

PUBLICATION OF PRICES

The Net Asset Value per Unit of each Sub-Fund at each Valuation Day will be published on every Dealing Day in Hong Kong on the Manager's website at http://www.cmschina.com.hk/AM/FundProduct. This website has not been reviewed or authorised by the SFC and may contain information of funds not authorised by the SFC.

TRANSFER OF UNITS

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

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

COMPULSORY REDEMPTION OR TRANSFER OF UNITS

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

TRUST DEED

The Fund was established under the laws of Hong Kong by a Trust Deed dated 6 January 2012 made between CMS Asset Management (HK) Co., Limited as Manager and

BOCI-Prudential Trustee Limited as Trustee, as amended and supplemented by a supplemental deed dated 18 October 2013 and amended and substituted by a deed of amendment and substitution dated 27 December 2019.

The Trust Deed contains provisions for the indemnification of the parties and their exculpation from liability in certain circumstances. However, the Trustee and the Manager shall not be exempted from any liability to Unitholders imposed under Hong Kong law for breaches of trust through fraud or negligence, nor may they be indemnified against such liability by Unitholders or at Unitholders' expense. Unitholders and intending investors are advised to consult the terms of the Trust Deed.

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

TERMINATION OF THE FUND OR ANY SUB-FUND

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

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

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

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

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

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

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

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

(a) on any date, in relation to the Fund, the aggregate Net Asset Value of all Units outstanding thereunder shall be less than RMB100,000,000 or in relation to a Sub-Fund, the aggregate Net Asset Value of the Units of the relevant class outstanding thereunder shall be less than RMB100,000,000 (or other amounts disclosed in the Appendix); or

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

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

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

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

Any unclaimed proceeds or other cash held by the Trustee upon termination of the Fund, a Sub-Fund or a class of Units may at the expiration of twelve months from the date upon which the same were payable be paid into a court of competent jurisdiction subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

ANTI-MONEY LAUNDERING REGULATIONS

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

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

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

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

CONFLICTS OF INTEREST

The Manager, the Sub-Manager and the Trustee may from time to time act as trustee, administrator, registrar, manager, custodian, investment manager or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of any Sub-Fund. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Fund.

The Manager and the Sub-Manager will take all reasonable steps to identify, prevent, manage and monitor any actual or potential conflicts of interest, including conducting all transactions in good faith at arm's length and in the best interests of the Fund on normal commercial terms. If conflicts arise, the Manager, the Sub-Manager and the Trustee will, at all times, have regard in such event to their obligations to the Fund and endeavour to ensure that such conflicts are resolved fairly. Compliance procedures and measures such as, segregation of duties and responsibilities together with different reporting lines and "Chinese walls" have been put in place by the Manager and the Sub-Manager to minimise potential conflicts of interest. In any event, the Manager and the Sub-Manager shall ensure that all investment opportunities will be fairly allocated.

CERTIFICATION FOR COMPLIANCE WITH FATCA OR OTHER APPLICABLE LAWS

Each investor (i) shall be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Fund or a Sub-Fund (A) to prevent withholding (including, without limitation, any withholding taxes required under

FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Fund or the relevant Sub-Fund(s) receives payments and/or (B) to satisfy due diligence, reporting or other obligations under the U.S. Code and the United States Treasury Regulations promulgated under the U.S. Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority in any jurisdiction (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments or when such form, certification or other information is no longer accurate, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction including reporting obligations that may be imposed by any future law, regulation or agreement.

POWER TO DISCLOSE INFORMATION TO TAX AUTHORITIES

By investing in the Fund and the relevant Sub-Fund and/or continuing to invest in the Fund and the relevant Sub-Fund, Unitholders acknowledge that they may be required to provide additional information to the Fund, the relevant Sub-Fund and/or the Fund's agents in order for the Fund and the relevant Sub-Fund to comply with FATCA. Each Unitholder will update the relevant information when such information is no longer accurate. Subject to applicable laws and regulations in Hong Kong and the consent to report from the Unitholder as required under the IGA, the Fund, the relevant Sub-Funds, the Trustee or the Manager or any of their authorised person(s) (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the IRS), certain information in relation to a Unitholder (and information pertaining to substantial U.S. owners or U.S. Controlling Persons as appropriate), including but not limited to the Unitholder's name, address, tax identification number ("**TIN**") (if any), account details, distribution and account balance/value, to enable the Fund or the relevant Sub-Funds to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law, regulation or agreement under FATCA).

Each Unitholder and prospective investor should consult its own tax advisor as to the potential impact of FATCA in its own tax situation, as well as the potential impact of FATCA on the relevant Sub-Fund.

PERSONAL DATA

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

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal working hours at the offices of the Manager free of charge and copies thereof may be obtained from the Manager upon payment of a reasonable fee:-

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

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

(c) the latest financial reports of the Fund.

SCHEDULE 1 - INVESTMENT AND BORROWING RESTRICTIONS

1. Investment limitations applicable to each Sub-Fund

No holding of any security may be acquired for or added to a Sub-Fund which would be inconsistent with achieving the investment objective of the Sub-Fund or which would result in:-

(a) the aggregate value of the Sub-Fund's investments in, or exposure to, any single entity (other than Government and other public securities) through the following exceeding 10% of the latest available Net Asset Value of the relevant Sub-Fund:

(i) investments in securities issued by that entity;

(ii) exposure to that entity through underlying assets of financial derivative instruments; and

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

For the avoidance of doubt, restrictions and limitations on counterparty as set out in sub-paragraphs 1(a), 1(b) and 3.4(c) of this Schedule 1 will not apply to financial derivative instruments that are:

(A) transacted on an exchange where the clearing house performs a central counterparty role; and

(B) marked-to-market daily in the valuation of their financial derivative instrument positions and subject to margining requirements at least on a daily basis.

The requirements under this sub-paragraph 1(a) will also apply in the case of sub-paragraphs 5(e) and (j) of this Schedule 1.

(b) subject to sub-paragraphs 1(a) and 3.4(c) of this Schedule 1, the aggregate value of the Sub-Fund's investments in, or exposure to, entities within the same group through the following exceeding 20% of the latest available Net Asset Value of the relevant Sub-Fund:

(i) investments in securities issued by those entities;

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

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

For the purposes of sub-paragraphs 1(b) and 1(c) of this Schedule 1, “entities within the same group” means entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognized accounting standards.

The requirements under this sub-paragraph 1(b) will also apply in the case of sub-paragraphs 5(e) and (j) of this Schedule 1.

(c) the value of the Sub-Fund’s cash deposits made with the same entity or entities within the same group exceeding 20% of the latest available Net Asset Value of the relevant Sub-Fund provided that the 20% limit may be exceeded in the following circumstances:

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

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

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

For the purposes of this sub-paragraph 1(c), “cash deposits” generally refer to those that are repayable on demand or have the right to be withdrawn by the Sub-Fund and not referable to provision of property or services.

(d) the Sub-Fund’s holding of any ordinary shares (when aggregated with all other Sub-Funds’ holdings of such ordinary shares) exceeding 10% of any ordinary shares issued by any single entity.

(e) the value of the Sub-Fund's investment in securities and other financial products or instruments that are neither listed, quoted nor dealt in on a Securities Market, exceeding 15% of the latest available Net Asset Value of such Sub-Fund.

(f) the value of the Sub-Fund's total holding of Government and other public securities of the same issue exceeding 30% of the latest available Net Asset Value of such Sub-Fund (save that the Sub-Fund may invest all of its assets in Government and other public securities in at least six different issues). For the avoidance of doubt, Government and other public securities will be regarded as being of a different issue if, even though they are issued by the same person, they are issued on different terms whether as to repayment dates, interest rates, the identity of the guarantor, or otherwise.

(g) (i) the value of the Sub-Fund's investment in units or shares in other collective investment schemes (namely "**underlying schemes**") which are non-eligible schemes (the list of "eligible schemes" is as specified by the SFC from time to time) and not authorized by the SFC in aggregate exceeding 10% of its latest available Net Asset Value; and

(ii) the value of the Sub-Fund's investment in units or shares in each underlying scheme which is either an eligible scheme (the list of "eligible schemes" is as specified by the SFC from time to time) or a scheme authorized by the SFC exceeding 30% of its latest available Net Asset Value unless the underlying scheme is authorized by the SFC, and the name and key investment information of the underlying scheme are disclosed in the Offering Document of that Sub-Fund,

provided that:

(A) no investment may be made in any underlying scheme the investment objective of which is to invest primarily in any investment prohibited by Chapter 7 of the Code;

(B) where an underlying scheme's objective is to invest primarily in investments restricted by Chapter 7 of the Code, such investments may not be in contravention of the relevant limitation. For the avoidance of doubt, a Sub-Fund may invest in underlying scheme(s) authorized by the SFC under Chapter 8 of the Code (except for hedge funds under 8.7 of the Code), eligible scheme(s) of which the net derivative exposure does not exceed 100% of its total net asset value, and Qualified Exchange Traded Funds in compliance with sub-paragraphs 1(g)(i) and (ii) of this Schedule 1;

(C) the underlying scheme's objective may not be to invest primarily in other collective investment scheme(s);

(D) all initial charges and redemption charges on the underlying scheme(s) must be waived if the underlying scheme is managed by the Manager or its connected persons; and

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

For the avoidance of doubt:

(aa) unless otherwise provided under the Code, the spread requirements under sub-paragraphs 1(a), (b), (d) and (e) of this Schedule 1 do not apply to investments in other collective investment schemes by a Sub-Fund;

(bb) unless otherwise disclosed in the Appendix of a Sub-Fund, the investment by a Sub-Fund in a Qualified Exchange Traded Fund will be considered and treated as listed securities for the purposes of and subject to the requirements in sub-paragraphs 1(a), (b) and (d) of this Schedule 1. Notwithstanding the aforesaid, the investments by a Sub-Fund in Qualified Exchange Traded Funds shall be subject to sub-paragraph 1(e) of this Schedule 1 and the relevant investment limits in Qualified Exchange Traded Funds by a Sub-Fund shall be consistently applied;

(cc) where investments are made in listed REITs, the requirements under sub-paragraphs 1(a), (b) and (d) of this Schedule 1 apply and where investments are made in unlisted REITs, which are either companies or collective investment schemes, then the requirements under sub-paragraphs 1(e) and (g)(i) of this Schedule 1 apply respectively; and

(dd) where a Sub-Fund invests in index-based financial derivative instruments, the underlying assets of such financial derivative instruments are not required to be aggregated for the purposes of the investment restrictions or limitations set out in sub-paragraphs 1(a), (b), (c) and (f) of this Schedule 1 provided that the index is in compliance with the requirements under 8.6(e) of the Code.

2. Investment prohibitions applicable to each Sub-Fund

The Manager shall not, unless otherwise specifically provided for in the Code, on behalf of any Sub-Fund:-

(a) invest in physical commodities unless otherwise approved by the SFC on a case-by-case basis taking into account the liquidity of the physical commodities concerned and availability of sufficient and appropriate additional safeguards where necessary;

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

(c) make short sales unless (i) the liability of the relevant Sub-Fund to deliver securities does not exceed 10% of its latest available Net Asset Value; (ii) the security which is to be sold short is actively traded on a Securities Market where short selling activity is permitted; and (iii) the short sales are carried out in accordance with all applicable laws and regulations;

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

(e) subject to sub-paragraph 1(e) of this Schedule 1, lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements as set out in the Code are not subject to the limitations in this sub-paragraph 2(e);

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

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

(h) invest in any security where a call is to be made for any sum unpaid on that security, unless the call could be met in full out of cash or near cash from the Sub-Fund's portfolio whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transaction in financial derivative instruments for the purposes of sub-paragraphs 3.5 and 3.6 of this Schedule 1.

3. <u>Money Market Funds</u>

Further, in relation to a Sub-Fund which is a money market fund ("**Money Market Fund**") under Chapter 8.2 of the Code, the following additional requirements shall apply:-

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

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

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

(ii) "weighted average life" is the weighted average of the remaining life of each security held in a Money Market Fund; and is used to measure the credit risk, as well as the liquidity risk, provided that the use of interest rate resets in variable-notes or variable-rate notes generally should not be permitted to shorten the maturity of a security for the purpose of calculating weighted average life, but may be permitted for the purpose of calculating weighted average maturity;

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

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

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

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

(d) notwithstanding sub-paragraphs (b) and (c) of the section headed "Investment limitations applicable to each Sub-Fund", the aggregate value of a Money Market Fund's investments in entities within the same group through instruments and deposits may not exceed 20% of its latest available Net Asset Value provided that:

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

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

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

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

(g) where permitted under the Appendix of the relevant Sub-Fund and subject to the additional investment restriction in relation to securities financing transaction and collateral to be disclosed under the Appendix of the relevant Sub-Fund, a Money Market Fund may engage in sale and repurchase transactions, and reverse repurchase transactions in compliance with the following additional requirements:

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

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

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

   (iv) the holding of collateral, together with other investments of the Money Market Fund, must not contravene the investment limitations and requirements set out in the other provisions of this section headed "Money Market Funds" of this Schedule 1;

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

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

(j) a Money Market Fund must hold at least 7.5% of its latest available Net Asset

Value in daily liquid assets and at least 15% of its latest available Net Asset Value in weekly liquid assets. For these purposes:

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

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

4. Use of financial derivative instruments

4.1 A Sub-Fund may acquire financial derivative instruments for hedging purposes. For the purposes of this sub-paragraph 3.1, financial derivative instruments are generally considered as being acquired for hedging purposes if they meet all the following criteria:

(a) they are not aimed at generating any investment return;

(b) they are solely intended for the purpose of limiting, offsetting or eliminating the probability of loss or risks arising from the investments being hedged;

(c) although they may not necessarily reference to the same underlying assets, they should relate to the same asset class with high correlation in terms of risks and return, and involve taking opposite positions, in respect of the investments being hedged; and

(d) they exhibit price movements with high negative correlation with the investments being hedged under normal market conditions.

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

4.2 A Sub-Fund may also acquire financial derivative instruments for non-hedging purposes (“**investment purposes**”) subject to the limit that such Sub-Fund’s net exposure relating to these financial derivative instruments (“**net derivative exposure**”) does not exceed 50% of its latest available Net Asset Value provided that such limit may be exceeded in such circumstances as permitted under the Code, handbook, code and/or guideline issued by the SFC from time to time or permitted by the SFC from time to time. For the avoidance of doubt, financial derivative instruments acquired for hedging purposes under sub-paragraph 3.1 of this Schedule 1 will not be counted towards the 50% limit referred to in this sub-paragraph 3.2 so long as there is no residual derivative exposure arising from such hedging arrangement. Net derivative exposure shall be calculated in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time.

4.3 Subject to sub-paragraphs 3.2 and 3.4 of this Schedule 1, a Sub-Fund may invest in financial derivative instruments provided that the exposure to the underlying assets of the financial derivative instruments, together with the other investments of the Sub-Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets and investments as set out in sub-paragraphs 1(a), (b), (c), (f), (g)(i) and (ii), proviso (A) to (C) to sub-paragraph 1(g) and sub-paragraph 2(b) of this Schedule 1.

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

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

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

(c) subject to sub-paragraphs 1(a) and (b) of this Schedule 1, a Sub-Fund’s net counterparty exposure to a single entity arising from transactions of over-the-counter financial derivative instruments may not exceed 10% of its latest available Net Asset Value provided that the exposure of the Sub-Fund to a counterparty of over-the-counter financial derivative instruments may be lowered by the collateral received (if applicable) by the Sub-Fund and shall be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter financial derivative instruments with that counterparty, if applicable; and

(d) the valuation of the financial derivative instruments is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the valuation agent, the Manager or the Trustee or their nominee(s), agent(s) or delegate(s) ("**Valuation Agent**") (as the case may be) independent of the issuer of the financial derivative instruments through measures such as the establishment of a valuation committee or engagement of third party service. The financial derivative instruments can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Sub-Fund's initiative. Further, the Valuation Agent should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the financial derivative instruments on a regular basis.

4.5 A Sub-Fund should at all times be capable of meeting all its payment and delivery obligations incurred under transactions in financial derivative instruments (whether for hedging or for investment purposes). The Manager shall, as part of its risk management process, monitor to ensure that the transactions in financial derivative instruments in respect of a Sub-Fund are adequately covered on an ongoing basis. For the purposes of this sub-paragraph 3.5, assets that are used to cover the Sub-Fund's payment and delivery obligations incurred under transactions in financial derivative instruments shall be free from any liens and encumbrances, exclude any cash or near cash for the purpose of meeting a call on any sum unpaid on a security, and cannot be applied for any other purposes.

4.6 Subject to sub-paragraph 3.5 of this Schedule 1, a transaction in financial derivative instruments which gives rise to a future commitment or contingent commitment of a Sub-Fund shall be covered as follows:

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

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

4.7 The requirements under sub-paragraphs 3.1 to 3.6 of this Schedule 1 shall apply to embedded financial derivative. For the purposes of this Explanatory Memorandum, an "**embedded financial derivative**" is a financial derivative instrument that is embedded in another security.

5. <u>Securities financing transactions</u>

5.1 A Sub-Fund may engage in securities financing transactions, provided that they are in the best interests of Unitholders of such Sub-Fund to do so and the associated risks have been properly mitigated and addressed, and provided further that the counterparties to the securities financing transactions are financial institutions which are subject to ongoing prudential regulation and supervision.

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

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

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

Where applicable, further details relating to the securities financing transactions policy of a Sub-Fund are disclosed in the relevant Appendix.

6. <u>Collateral</u>

In order to limit the exposure to each counterparty as set out in sub-paragraph 3.4(c), a Sub-Fund may receive collateral from such counterparty, provided that the collateral complies with the requirements set out below:

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

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

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

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

(e) Diversification – the collateral is appropriately diversified so as to avoid concentrated exposure to any single entity and/or entities within the same group. A Sub-Fund's exposure to the issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in sub-paragraphs 1(a), 1(b), 1(c), 1(f), 1(g)(i) and (ii) and provisos (A) to (C) of sub-paragraph 1(g) and sub-paragraph 2(b) of this Schedule 1;

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

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

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

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

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

    (i) cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorized under 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the Code. For this purpose, money market instruments refer to securities normally dealt in on the money markets, including government bills, certificates of deposit, commercial papers, short-term notes and bankers' acceptances, etc. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments must be taken into account;

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

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

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

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

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

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

7. Borrowing and leverage

The expected maximum level of leverage of each Sub-Fund is as follows:

Cash borrowing

7.1 No borrowing shall be made in respect of a Sub-Fund which would result in the principal amount for the time being of all borrowings made for the account of the relevant Sub-Fund exceeding an amount equal to 10% of the latest available Net Asset Value of the relevant Sub-Fund provided always that back-to-back loans do not count as borrowing. For the avoidance of doubt, securities lending transactions and sale and repurchase transactions in compliance with the requirements as set out in the Code are not borrowings for the purpose of, and are not subject to the limitations in this sub-paragraph 6.1.

Leverage from the use of financial derivative instruments

7.2 A Sub-Fund may also be leveraged through the use of financial derivative instruments and its expected maximum level of leverage through the use of financial derivative instruments (i.e. expected maximum net derivative exposure) is set out in the relevant Appendix.

7.3 In calculating the net derivative exposure, derivatives acquired for investment purposes that would generate incremental leverage at the portfolio level of the relevant Sub-Fund are converted into their equivalent positions in their underlying assets. The net derivative exposure is calculated in accordance with the requirements and guidance by the SFC which may be updated from time to time.

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

8. <u>Name of Sub-Fund</u>

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

SCHEDULE 2 – SUMMARY OF POLICY OF SECURITIES FINANCING TRANSACTIONS

The summary of policy of securities financing transactions set out in this Schedule 2 is only applicable to a Sub-Fund which may engage in securities financing transactions.

Securities financing transactions may only be effected in accordance with normal market practice and provided that they are in the best interest of Unitholders of the relevant Sub-Fund to do so and the associated risks have been properly mitigated and addressed.

Securities financing transactions

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

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).

Revenues and expenses

All revenues arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities financing transactions, shall be returned to the relevant Sub-Fund. Such direct and indirect expenses shall include fees and expenses payable to 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 interim financial reports of the relevant Sub-Fund, along with entities to whom direct and indirect operational costs and fees relating to such transactions are paid. These entities may include the Manager, the Investment Delegate or any other their connected persons.

Eligible counterparties

Please refer to Schedule 3 for further details.

Collateral

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

Please refer to Schedule 3 for further details.

Maximum and expected level of securities financing transactions

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

Types of assets that may be subject to securities financing transactions

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

Connected person(s) arrangement

The Manager currently does not intend to carry out any securities financing transactions with or through a connected person of the Manager or the Trustee. 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 Trustee (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 Trustee or a Correspondent.

Assets provided

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

SCHEDULE 3 – COLLATERAL VALUATION AND MANAGEMENT POLICY

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

A Sub-Fund may receive collateral from a counterparty to a securities financing transaction or OTC derivative transaction in order to reduce its counterparty risk exposure, subject to the investment restrictions and requirements applicable to collateral under Schedule 1.

Nature and quality of the collateral

A Sub-Fund may receive both cash and non-cash collateral from a counterparty, subject to the relevant disclosures in the Appendix. 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 Schedule 1.

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

Cash collateral reinvestment policy

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

Subject to the applicable restrictions in respect of collateral in Schedule 1 and such disclosures in the relevant Appendix, cash collateral received by a Sub-Fund may be reinvested in short-term deposits, high quality money market instruments and money market funds authorized under 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC.

Up to 100% of the cash collateral received by a Sub-Fund may be reinvested, subject to the disclosures in the relevant Appendix.

Safe-keeping of collateral

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

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

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

APPENDIX I – CMS Hong Kong Multi Income Fund

This Appendix comprises information in relation to CMS Hong Kong Multi Income Fund, a Sub-Fund of the Fund.

The Sub-Manager

The Manager has delegated part of its investment management functions in respect of the Sub-Fund to CMB International Asset Management Limited ("**CMBIAM**"). Subject to the overall control and supervision of the Manager, the Sub-Manager will, during the term of its appointment, manage, on a discretionary basis, the Sub-Fund's investments in equity securities traded on stock exchanges outside of Hong Kong and Mainland China or such other portion of assets and investments of the Sub-Fund which are allocated to the Sub-Manager.

CMBIAM was incorporated in 2010 as a wholly owned subsidiary of CMB International Capital Corporation Limited, which in turn is a wholly-owned subsidiary of China Merchants Bank (CMB). CMBIAM is currently licensed by the SFC for conducting Type 1 (Dealing in Securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

The Manager shall continue to have ongoing supervision and regular monitoring of the competence of the Sub-Manager to ensure that its accountability to Unitholders is not diminished. Although part of the investment management functions of the Manager is delegated to the Sub-Manager, the responsibilities and obligations of the Manager may not be delegated.
The fees payable to the Sub-Manager are included in the management fee.

Initial Offer

The initial offer period for Class A and Class B Units in the CMS Hong Kong Multi Income Fund has ended. Investors may now subscribe for Class A and Class B Units at their prevailing Issue Prices pursuant to the section headed "Purchase of Units" above.

Base Currency

The base currency of the Sub-Fund is HK$.

Investment Objective and Policy

CMS Hong Kong Multi Income Fund seeks to maximise total returns (income and long-term capital appreciation) by actively allocating its assets and by investing in a diversified portfolio of (A) equity securities of companies operating principally in Hong Kong and/or Mainland China, or companies whose businesses are linked directly or indirectly to the economic growth in Hong Kong and/or Mainland China, and (B) debt securities and debt-related securities issued or guaranteed by Hong Kong or Mainland Chinese issuers. The Sub-Fund may invest in (A) for up to 100% of its Net Asset Value.

The Sub-Fund will invest at least 70% of its Net Asset Value in equities that are listed on the Stock Exchange of Hong Kong and traded in Hong Kong dollars and/or debt securities denominated in Hong Kong dollars.

The equity securities which the Sub-Fund may invest include equities and equity-related securities such as but are not limited to warrants, equity options, convertible bonds, depository receipts and exchange traded funds. It is intended that the primary equity securities which the Sub-Fund invests will be quoted, traded or listed on the Hong Kong Stock Exchange. However, the Sub-Fund may also invest in equity securities which are quoted, traded or listed on other stock exchanges (including but are not limited to the Shenzhen Stock Exchange, Shanghai Stock Exchange, New York Stock Exchange, NASDAQ and Stock Exchange of Singapore etc) and unlisted equity securities. The Sub-Fund may invest up to 20% of its Net Asset Value in China A-Shares through the Stock Connect and/or the status of a QI. The Sub-Fund will not invest in China B-Shares.

The fixed or floating rate debt securities which the Sub-Fund may invest include but are not limited to those issued or guaranteed by governments, public entities or agencies, quasi-government organisations, banks, financial institutions and other corporate entities headquartered or listed in Hong Kong and/or Mainland China. There is no restriction on the minimum credit ratings of the debt instruments which the Sub-Fund may hold. The Sub-Fund will not invest more than 10% of its Net Asset Value in "Dim Sum" bonds. The Sub-Fund may invest up to 20% of its Net Asset Value in debt securities issued and distributed within Mainland China through the Bond Connect, the CIBM Initiative and/or the status of a QI.

The Sub-Fund's aggregate investment in the onshore market of Mainland China (including any China A-Shares and debt securities issued and distributed within Mainland China) will not exceed 20% of its Net Asset Value.

The Sub-Fund will not invest more than 10% of its Net Asset Value in securities issued or guaranteed by any single country (including its government, a public or local authority of that country) with a credit rating below investment grade.

The Sub-Fund will not invest more than 10% of its Net Asset Value in convertible bonds.

The asset allocation of the Sub-Fund will change according to the Manager's or the Sub-Manager's views of fundamental economic and market conditions and investment trends across the globe, taking into consideration factors such as liquidity, costs, timing of execution, relative attractiveness of individual securities and issuers available in the market. The indicative allocation of the non-cash assets of the Sub-Fund is as follows (as a percentage of the Net Asset Value):
(1) Equity securities: 60% - 100%;
(2) Debt securities: 0% - 40%

The Sub-Fund's aggregate exposure to collective investment schemes (other than exchange traded funds) will not exceed 10% of its Net Asset Value.

The Sub-Fund will not invest more than 10% of its Net Asset Value in collateralized and/or securitized products, such as asset backed securities and mortgage backed securities.

The Sub-Fund will not use financial derivative instruments for any purpose.

The Sub-Fund will not engage in securities lending, sale and repurchase or reverse repurchase transactions. The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to Unitholders before the Manager engages in any such transactions.

Under exceptional circumstances (e.g. market crash or major crisis such as significantly deteriorating economic, social or political conditions or prolonged closure of relevant market(s) due to unexpected events), the Sub-Fund may be invested temporarily up to 30% of its Net Asset Value in liquid assets such as bank deposits, certificates of deposit, commercial paper and treasury bills for cash flow management.

Investment Strategy

Equity securities

The Sub-Fund seeks to invest in equity securities of companies which are likely to benefit from the economic growth in Hong Kong and/or Mainland China and demonstrate sustainable competitive edge, favourable growth prospect and high profits potential. Such companies will be selected on the basis of high dividend yields and the potential for capital appreciation.

The Manager and the Sub-Manager will select equities and equity-related securities principally based on a value-growth, bottom up approach. The Manager and the Sub-

Manager will also conduct in-depth analysis of the macroeconomic environment and leading benchmarks of various sectors and determine the optimal ratio for asset and sector allocation. Within the parameters of the predetermined ratio, the Manager and the Sub-Manager will conduct a bottom up, in-depth analysis of the fundamental elements of companies and make selected investment in equities and equity-related securities which are considered as undervalued by the Manager and the Sub-Manager. The Sub-Fund will invest in equities and equity-related securities that exhibit either growth or value investment characteristics.

Debt securities

The Manager will actively manage and select debt securities for the Sub-Fund based on the following major criteria: (i) adjusting the average duration of debt securities held by the Sub-Fund based on its expectation of movement in interest rates, (ii) its expectation of future changes in yield for debt securities of different maturities and credit quality, and (iii) its analysis of individual debt securities, their issuers and sectors to which they belong.

The Manager will minimise the currency risk as the Sub-Fund will invest primarily in HK$ or US$ denominated debt securities.

Use of Derivatives

The Sub-Fund will not use financial derivative instruments for any purposes.

Overview of the Debt Securities Market

The Mainland China bond market consists of three markets: (i) the interbank bond market regulated by the People's Bank of China ("PBOC") and functions as a wholesale market for institutional investors; (ii) the exchange-traded bond market regulated by the CSRC and targets non-bank institutions and individuals investors; and (iii) the bank over-the-counter market regulated by the PBOC and targets non-financial institutions and individual investors. However, the current size and trading volume of the bank over-the-counter market is much smaller than the interbank bond market and the exchange-traded bond market.

The China Central Depository & Clearing Co., Ltd ("CCDC") acts as the central custodian of all marketable RMB bonds. For the exchange-traded bond market, it adopts a two-level custody system, with the CCDC acting as the primary custodian and the China Securities Depository and Clearing Corporation Limited acting as the secondary custodian.

The main features of the different Mainland China bond markets are set out in the table below.

	Interbank Bond Market	Exchange-traded Bond Market
Size	In 2016, 76% of all bond transactions (Data source: www.chinabond.cn; www.sse.com.cn; www.szse.com.cn)	In 2016, 24% of all bond transactions (Data source: www.chinabond.cn; www.sse.com.cn; www.szse.com.cn)
Major types of products being traded	Government bonds, central bank bills, financial bonds, enterprise bonds, commercial papers, mid-term notes, asset backed securities, panda bonds (i.e. RMB-denominated bonds issued by international financial institutions within Mainland China)	Government bonds, listed company bonds, enterprise bonds, convertible bonds, asset backed securities
Key market participants	Institutional investors (such as commercial banks, securities firms, funds and trust investment companies), QIs	Individuals and non-bank institutions (such as insurance companies and funds), QIs
Trading and settlement mechanism	Trades through bilateral negotiation and settle trade-for-trade; settlement cycle: T+0 or T+1	Centralised trade matching with netting settlement; settlement cycle: T+1
Regulator(s)	People's Bank of China	China Securities Regulatory Commission
Counterparty	The trading counterparty	China Securities Depository and Clearing Corporation Limited acting as the central counterparty to all securities transactions on the Shanghai and Shenzhen Stock Exchanges
Central Clearing Entity (if any)	China Central Depository & Clearing Co., Ltd or Shanghai Clearing House, depending on the type of securities	China Securities Depository and Clearing Corporation Limited
Liquidity of Market	High	Medium to low
Associated Risks	Counterparty risk Credit risk of bond issuers Liquidity risk	Counterparty risk Credit risk of bond issuers Liquidity risk

Minimum rating requirements (if any)	No minimum rating requirement	AA for the exchange trading platform which is accessible by QIs; no minimum rating requirement for the electronic trading platform

The common types of debt securities and their issuers are set out below.

Debt Securities	**Issuer**
Central Bank Notes/Bills	People's Bank of China
Government Bonds, Treasury Bonds	Ministry of Finance
Policy Bank Bonds	three policy banks (China Development Bank, Agriculture Development Bank of China, and The Export-Import Bank of China)
Enterprise Bonds (企業債)	enterprises (mostly state-owned)
Commercial Paper （短期融資券）/ Medium-Term Notes （中期票據）	non-financial enterprises
Corporate Bonds (公司債)	corporations

The yield of the major RMB denominated instruments issued in Mainland China was in the range of 3.7984% to 4.3820% for government bonds and 5.0701% to 11.2617% for corporate bonds including convertible bonds, as at 29 December 2017 (Source: www.chinabond.com.cn). However, investors should note that this is not an indication of the expected return of the Sub-Fund. There is no assurance that the Sub-Fund's return will be correlated with the expected yield of its underlying investments.

Mainland China Credit Rating Agencies

Some global rating agencies (such as Moody's, Standard & Poor's and Fitch) assign ratings to Chinese treasury bonds and non-treasury bonds denominated in foreign currencies.

The major domestic credit rating agencies in Mainland China include:

- Dagong Global Credit Rating Co., Ltd;
- China Chengxin International Credit Rating Co., Ltd (in partnership with Moody's);
- China Chengxin Securities Rating Co., Ltd;
- China Lianhe Credit Rating Co., Ltd (in partnership with Fitch Ratings);
- Shanghai Brilliance Credit Rating & Investors Service Co., Ltd;

- CSCI Pengyuan Credit Rating Co., Ltd

These domestic credit rating agencies in Mainland China are regulated by competent mainland authorities. The domestic ratings agencies mainly provide credit ratings to publicly listed and interbank market bonds. The definition and methodology of ratings vary among domestic credit agencies.

In relation to the exchange-traded bond market, the CSRC and its agencies regulate securities rating business activities according to law. The PBOC has issued guidance notes in relation to recognition of credit rating agencies in the interbank bond market. As with other global rating agencies, they apply quantitative method and qualitative methods in their rating. Such credit ratings are subject to the credit rating agency's evaluation of the likelihood that the issuer will fulfil its repayment obligations. In contrast with international rating agencies, domestic credit rating agencies may take into account additional factors such as the importance of the corporate to the PRC central and local government and the potential support from the government. Rating information and reports are available on the websites of the relevant credit rating agencies and other financial data providers.

Qualified Investor ("QI")

Currently it is intended that the Sub-Fund will obtain exposure to China A-Shares, debt securities and other Mainland Chinese Securities issued within Mainland China primarily by using the QI status of China Merchants Securities International Company Limited as the QI Holder, which has obtained RQFII status in Mainland China. According to the applicable QI rules and regulations, the QFII regime and RQFII regime have been merged and are subject to the same set of regulations. Under the merged QI regime, China Merchants Securities International Company Limited will automatically be regarded as a QI and does not need to re-apply for the QI licence. The QI Holder may freely select to remit funds in foreign currencies which can be traded on the China Foreign Exchange Trade System and/or offshore RMB funds to carry out Mainland Chinese securities and futures investment provided that separate cash accounts for receiving such cash are duly opened. The QI Holder is the direct holding company of the Manager acting through the Manager as its asset management arm.

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

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

Securities including China A-Shares, Renminbi denominated debt securities or other Mainland Chinese Securities will be maintained by the QI Custodian pursuant to Mainland Chinese regulations through securities account(s) with the China Securities Depository and Clearing Corporation Limited in such name as may be permitted or required in accordance with Mainland China law.

Investors should pay attention to the sections headed "QI risk" and "Mainland Chinese brokerage risk" under the "Specific Risk Factors" section.

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

(a) securities account(s) and RMB cash accounts with the QI Custodian (respectively, the "securities account(s)" and the "cash accounts") shall be opened for the sole benefit and use of the Sub-Fund in accordance with all applicable laws and regulations of Mainland China and with approval from all competent authorities in Mainland China;

(b) the assets held or credited in the securities account(s) (i) belong solely to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager, the QI Holder, the QI Custodian, any Mainland Chinese Broker(s), and from the assets of other clients of the Manager, the QI Holder, the QI Custodian and any Mainland Chinese Broker(s);

(c) the assets held or credited in the cash accounts (i) become an unsecured debt owing from the QI Custodian to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager, the QI Holder and any Mainland Chinese Broker(s), and from the assets of other clients of the Manager, the QI Holder and any Mainland Chinese Broker(s);

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

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

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

Further, the Trustee has put in place proper arrangements to ensure that:

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

(ii) the Trustee registers the assets of the Sub-Fund, including assets deposited in the securities account(s) and cash accounts with the QI Custodian, to the order of the Trustee; and

(iii) the QI Custodian will look to the Trustee (via the Custodian) for instructions and solely act in accordance with such instructions, save as otherwise required under applicable regulations.

Although the Manager is not the holder of QI status for the Sub-Fund, the QI Holder is the direct holding company of the Manager acting through the Manager as its asset management arm. The Manager will be responsible for ensuring that all transactions and dealings will be dealt with in compliance with the Trust Deed (where applicable) as well as the relevant laws and regulations applicable to the QI Holder. If any conflicts of interest arise, the Manager will have regard in such event to its obligations to the Sub-Fund and will endeavour to ensure that such conflicts are resolved fairly.

Specific Risk Factors

Investors should refer to the relevant risks under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum, including, "Risk associated with small-capitalisation / mid-capitalisation companies", "Interest rates risk", "Credit risk" and "Below investment grade and unrated securities risk", "Risks associated with "Dim Sum" bond", "Risks associated with convertible bonds", "Risks associated with collateralised and/or securitised products" and the following specific risk factors for the Sub-Fund:

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

Risk relating to dynamic asset allocation strategy - The investments of the Sub-Fund may be periodically rebalanced and therefore the Sub-Fund may incur greater transaction costs than a fund with static allocation strategy.

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

The debt securities in which the Sub-Fund invests may not be listed on a stock exchange or a securities market where trading is conducted on a regular basis. Even if the debt securities are listed, the market for such securities may be inactive and the trading volume may be low. In the absence of an active secondary market, the Sub-Fund may need to hold the debt securities until their maturity date. If sizeable redemption requests are received, the Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the Sub-Fund may suffer losses in trading such securities.

The price at which the debt securities are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates. Further, the bid and offer spreads of the price of debt securities in which the Sub-Fund invests may be high, and the Sub-Fund may therefore incur significant trading costs and may even suffer losses when selling such investments.

Valuation risk - Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may be adversely affected.

The value of debt securities may be affected by changing market conditions or other significant market events affecting valuation. For example, in the event of downgrading of an issuer, the value of the relevant debt securities may decline rapidly.

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

Counterparty and settlement risk – Investment in debt securities will expose the Sub-Fund to counterparty default risks. Exchange traded debt securities may be subject to counterparty risk, although such risk is mitigated by a centralised clearing system. On the other hand, the degree of counterparty risk may be higher in the interbank bond market (a quote-driven over-the-counter (OTC) market), where deals are negotiated between two counterparties through a trading system. The counterparty which has entered into a transaction with the Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

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

China A-Shares risk – The China A-Share markets are undergoing developments. The existence of a liquid trading market for China A-Shares may depend on whether there is supply of, and demand for, such China A-Shares. The price at which securities may be purchased or sold by the Sub-Fund and the Net Asset Value of the Sub-Fund may be adversely affected if trading markets for China A-Shares are limited or absent. The China A-Share market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention). High market volatility and potential settlement issues in the China A-Share markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of the Sub-Fund.

Securities exchanges in Mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. In particular, trading band limits are imposed by the stock exchanges in Mainland China on China A-Shares. Trading in any China A-Share security on the relevant stock exchange may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. A suspension will render it impossible for the Manager to liquidate positions and can thereby expose the Sub-Fund to significant losses. Further, when the suspension is subsequently lifted, it may not be possible for the Manager to liquidate positions at a favourable price. The suspension in the China A-Share markets may also affect the dealings in the Sub-Fund and cause delay in payment of redemption proceeds to investors. Where the Sub-Fund invests in such China A-Share security, this may adversely impact the performance of the Sub-Fund and investors may suffer substantial losses.

Please also refer to the risk factor headed "Mainland China market risk" in the main part of the Explanatory Memorandum.

Risks associated with the SME board, ChiNext market and/or STAR board - The Sub-Fund may invest in the SME board, the ChiNext market and/or the STAR board. Investments in the SME board, the ChiNext market and/or the STAR board may result in significant losses for the Sub-Fund and its investors. The following additional risks apply:

> **Higher fluctuation on stock prices and liquidity risk** - Listed companies on the SME board, ChiNext market and/or STAR Board are usually of emerging nature with smaller operating scale. In particular, listed companies on ChiNext market and STAR Board are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, companies listed on these boards are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the main board.
>
> **Over-valuation risk** - Stocks listed on SME board, ChiNext and/or STAR Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.
>
> **Differences in regulation** - The rules and regulations regarding companies listed on the ChiNext market and STAR Board are less stringent in terms of profitability and share capital than those in the main board and SME board.
>
> **Delisting risk** - It may be more common and faster for companies listed on the SME board, ChiNext market and/or STAR Board to delist. In particular, ChiNext market and STAR Board have stricter criteria for delisting compared to other boards. This may have an adverse impact on the Sub-Fund if the companies that it invests in are delisted.
>
> **Concentration risk** - STAR Board is a newly established board and may have

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

QI risk - The Sub-Fund is not a QI but it may obtain access to China A-Shares, Renminbi denominated debt securities or other permissible investments directly using the QI status of a QI. The Sub-Fund may invest directly in QI eligible securities investment via the QI status of China Merchants Securities International Company Limited (the "**QI Holder**"), which is the holding company of the Manager.

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

In addition, certain restrictions imposed by the Chinese government on QIs may have an adverse effect on such Sub-Fund's liquidity and performance. The PBOC and the State Administration of Foreign Exchange ("**SAFE**") regulate and monitor the remittance and repatriation of funds out of Mainland China by the QI pursuant to applicable QI rules and regulations. Repatriation by QIs in respect of the Sub-Fund are not subject to any restrictions, lock-up periods or prior approval, although an authenticity and compliance review will be conducted by the QI Custodian on each time of repatriation and a monthly breakdown of remittances and repatriations will be submitted to SAFE by the QI Custodian. There is no assurance, however, that Mainland Chinese rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Any restrictions on repatriation of the invested capital and net profits may impact on the Sub-Fund's ability to meet redemption requests from the Unitholders. Furthermore, as the QI Custodian will review the authenticity and the compliance of each repatriation, the repatriation may be delayed or even rejected by the QI Custodian if it reasonably believes that the repatriation is unauthentic or incompliant with the QI rules and regulations. In such case, it is expected that redemption proceeds will be paid to the redeeming Unitholder as soon as practicable after the completion of the repatriation of funds concerned. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the Manager's control.

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

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

Any China A-Shares, Renminbi denominated debt securities or other permissible securities acquired by the Sub-Fund through QI will be maintained by its QI custodian via securities account(s) in such name as may be permitted or required in accordance with the Mainland Chinese laws.

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

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

Application of QI rules - The QI rules enable offshore Renminbi and/or foreign currencies which can be traded on the China Foreign Exchange Trade System to be remitted into and repatriated out of Mainland China. Their application may depend on the interpretation given by the relevant Mainland Chinese authorities. Investment products (such as the Sub-Fund) which make investments pursuant to such QI rules are among the first of its kind. Any changes to the relevant rules may have an adverse impact on investors' investment in the Sub-Fund. In the worst scenario, the Manager may determine that the Sub-Fund shall be terminated if it is not legal or viable to operate the Sub-Fund because of changes to the application of the relevant rules.

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

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

Risks Relating to the Stock Connect **-** The Sub-Fund may invest through Stock Connect and is subject to the following additional 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). Therefore, quota limitations may restrict the Sub-Fund's ability to invest in China A-Shares through the Stock Connect on a timely basis, and the Sub-Fund may not be able to effectively pursue its investment strategies.
>
> **Front-end Monitoring Risk** - Mainland Chinese regulations require that in order for an investor to sell any China A-Share on a certain trading day, there must be sufficient China A-Shares in the investor's account before market opens on that day. If there are insufficient China A-Share in the investor's account, the sell order will be rejected by the SSE or the SZSE. The Hong Kong Stock Exchange carries out pre-trade checking on SSE Securities and SZSE Securities sell orders of its participants (i.e. stock brokers) to ensure that this requirement is satisfied. This means that investors must transfer SSE Securities and SZSE Securities to the accounts of its brokers before the market opens on the day of selling (the "trading day"). If an investor fails to meet this deadline, it will not be able to sell SSE Securities or SZSE Securities on the relevant trading day. Because of this requirement, investors may not be able to dispose of holdings of SSE Securities or SZSE Securities in a timely manner. This also raises concerns as to counterparty risks as securities may need to be kept by brokers overnight.

To facilitate investors whose SSE Securities or SZSE Securities are maintained with custodians to sell their SSE Securities or SZSE Securities without having to pre-deliver the SSE Securities or SZSE Securities from their custodians to their executing brokers, the Hong Kong Stock Exchange introduced an enhanced pre-trade checking model in March 2015, under which an investor may request its custodian to open a Special Segregated Account (SPSA) in CCASS to maintain its holdings in SSE Securities and SZSE Securities. Such investors only need to transfer SSE Securities or

SZSE Securities from its SPSA to its designated broker's account after execution and not before placing the sell order. If the Sub-Fund is unable to utilise this model, it would have to deliver SSE Securities or SZSE Securities to brokers before the trading day and the above risks may still apply.

Suspension risk – It is contemplated that Hong Kong Stock Exchange, SSE and SZSE 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 through Stock Connect is effected, the Sub-Fund's ability to access the Mainland China market will be adversely affected.

Differences in trading day risk - The Stock Connect only operates on days when both the Mainland China and Hong Kong markets are open for trading. So it is possible that there are occasions when it is a normal trading day for the Mainland China market but Hong Kong investors (such as the Sub-Fund) cannot carry out any China A-Shares trading. The Sub-Fund may be subject to a risk of price fluctuations in China A-Shares during the time when Stock Connect is not trading as a result.

Operational risk - The Stock Connect provides a new channel for investors from Hong Kong and overseas to access the Mainland Chinese stock market directly.

The Stock Connect is premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this programme subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house. Although market participants have taken steps to configure and adapt their operational and technical systems to meet such requirements, given that the securities regimes and legal systems of the two markets differ significantly, 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 Hong Kong Stock Exchange and exchange participants. There is no assurance that the systems of the Hong Kong Stock Exchange and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through the programme could be disrupted. The Sub-Fund's ability to access the China A-Share market (and hence to pursue its investment strategy) will be adversely affected.

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

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

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

No Protection by China Securities Investor Protection Fund 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. Since the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not Mainland Chinese brokers, it is not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金) in Mainland China.

Regulatory risk - The Stock Connect is subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in Mainland China 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.

It should be noted that the regulations are subject to change. There can be no assurance that the Stock Connect will not be abolished or amended. The Sub-Fund, which may invest in the Mainland China markets through the Stock Connect, may be adversely affected as a result of such changes.

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

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

For investments via Bond Connect, the relevant account opening procedures have to be carried out via an offshore custody agent. As such, the Sub-Fund is subject to the risks of default or errors in the account opening process.

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

Trading through Bond Connect is performed through newly developed trading platforms and operational systems. There is no assurance that such systems will function properly or will continue to be adapted to changes and developments in the market. In the event that the relevant systems fails to function properly, trading through Bond Connect may be disrupted. The Sub-Fund's ability to trade through Bond Connect (and hence to pursue its investment strategy) may therefore be adversely affected. In addition, where the Sub-Fund invests in the CIBM through Bond Connect, it may be subject to risks of delays inherent in the order placing and/or settlement systems.

Reliance on the Sub-Manager Risk - The Manager may delegate part of the investment discretion in respect of the Sub-Fund to the Sub-Manager and will rely on the Sub-Manager's expertise for part of the Sub-Fund's investments. Any disruption in the communication with or assistance from the Sub-Manager or a loss of service of the Sub-Manager or any of its key personnel may adversely affect the operations of the Sub-Fund.

Other risks - Investment in the Sub-Fund is subject to risks that apply to equity securities and debt securities, including the credit risk of the issuers and interest rate risk. Further, investors should note the relevant Mainland China tax considerations that apply to the Sub-Fund. Investors should refer to, among others, the relevant risk factors headed "Mainland China tax considerations" in the main part of the Explanatory Memorandum.

Available Classes

The following classes of Units are available for sale in Hong Kong.

Class	Class currency
Class A HKD (Dist)	HK$
Class B HKD (Dist)	HK$

Class D RMB (Dist)	RMB
Class D RMB (Acc)	RMB
Class D HKD (Dist)	HK$
Class D HKD (Acc)	HK$
Class D USD (Dist)	USD
Class D USD (Acc)	USD
Class M HKD (Dist) #	HK$
Class M HKD (Acc) #	HK$
Class M RMB (Dist) #	RMB
Class M RMB (Acc) #	RMB

Class M Units are only offered to affiliated companies and employees of the Manager subject to the Manager's discretion.

The Manager will make an application to the CSRC for the offering of the Sub-Fund in Mainland China under the Mainland-Hong Kong Mutual Recognition of Funds regime. The Manager may issue PRC Class A Units, PRC Class B Units, PRC Class D Units and PRC Class M Units for the Sub-Fund in due course subject to applicable laws and regulations. Such Units are available to investors in Mainland China only and will not be offered in Hong Kong. In respect of details in relation to PRC Class A Units, PRC Class B Units, PRC Class D Units and PRC Class M Units, please refer to the Sub-Fund's offering documents applicable to investors in Mainland China.

Investment Minima

Minimum Subscription Amount	**Class A HKD (Dist)**: Units with aggregate minimum value of HK$10,000 **Class B HKD (Dist)**: Units with aggregate minimum value of HK$500,000 **Class D RMB (Dist)**: Units with aggregate minimum value of RMB1,000 **Class D RMB (Acc)**: Units with aggregate minimum value of RMB1,000 **Class D HKD (Dist)**: Units with aggregate minimum value of HK$1,000 **Class D HKD (Acc)**: Units with aggregate minimum value of HK$1,000 **Class D USD (Dist)**: Units with aggregate minimum value of USD100 **Class D USD (Acc)**: Units with aggregate minimum value of USD100

	Class M HKD (Dist): Units with aggregate minimum value of HK$1,000 **Class M HKD (Acc)**: Units with aggregate minimum value of HK$1,000 **Class M RMB (Dist)**: Units with aggregate minimum value of RMB1,000 **Class M RMB (Acc)**: Units with aggregate minimum value of RMB1,000
Minimum Subsequent Subscription Amount	**Class A HKD (Dist)**: Units with aggregate minimum value of HK$5,000 **Class B HKD (Dist)**: Units with aggregate minimum value of HK$50,000 **Class D RMB (Dist)**: Units with aggregate minimum value of RMB1,000 **Class D RMB (Acc)**: Units with aggregate minimum value of RMB1,000 **Class D HKD (Dist)**: Units with aggregate minimum value of HK$1,000 **Class D HKD (Acc)**: Units with aggregate minimum value of HK$1,000 **Class D USD (Dist)**: Units with aggregate minimum value of USD100 **Class D USD (Acc)**: Units with aggregate minimum value of USD100 **Class M HKD (Dist)**: Units with aggregate minimum value of HK$1,000 **Class M HKD (Acc)**: Units with aggregate minimum value of HK$1,000 **Class M RMB (Dist)**: Units with aggregate minimum value of RMB1,000 **Class M RMB (Acc)**: Units with aggregate minimum value of RMB1,000
Minimum Holding	**Class A HKD (Dist):** Units with aggregate minimum value of HK$10,000 **Class B HKD (Dist)**: Units with aggregate minimum value of HK$500,000 **Class D RMB (Dist)**: Units with aggregate minimum value of RMB1,000

	Class D RMB (Acc): Units with aggregate minimum value of RMB1,000 **Class D HKD (Dist)**: Units with aggregate minimum value of HK$1,000 **Class D HKD (Acc)**: Units with aggregate minimum value of HK$1,000 **Class D USD (Dist)**: Units with aggregate minimum value of USD100 **Class D USD (Acc)**: Units with aggregate minimum value of USD100 **Class M HKD (Dist)**: Units with aggregate minimum value of HK$1,000 **Class M HKD (Acc)**: Units with aggregate minimum value of HK$1,000 **Class M RMB (Dist)**: Units with aggregate minimum value of RMB1,000 **Class M RMB (Acc)**: Units with aggregate minimum value of RMB1,000
Minimum Redemption Amount	**Class A HKD (Dist)**: Units with aggregate minimum value of HK$10,000 **Class B HKD (Dist)**: Units with aggregate minimum value of HK$50,000 **Class D RMB (Dist)**: Units with aggregate minimum value of RMB1,000 **Class D RMB (Acc)**: Units with aggregate minimum value of RMB1,000 **Class D HKD (Dist)**: Units with aggregate minimum value of HK$1,000 **Class D HKD (Acc)**: Units with aggregate minimum value of HK$1,000 **Class D USD (Dist)**: Units with aggregate minimum value of USD100 **Class D USD (Acc)**: Units with aggregate minimum value of USD100 **Class M HKD (Dist)**: Units with aggregate minimum value of HK$1,000 **Class M HKD (Acc)**: Units with aggregate minimum value of HK$1,000 **Class M RMB (Dist)**: Units with aggregate minimum

	value of RMB1,000 **Class M RMB (Acc)**: Units with aggregate minimum value of RMB1,000

Fees

Fees payable by investors

Preliminary Charge (% of the subscription amount)	**Class A**: up to 5% of the subscription amount **Class B**: up to 5% of the subscription amount **Class D:** up to 5% of the subscription amount **Class M:** up to 5% of the subscription amount
Redemption Charge (% of Redemption Price)	**Class A**: Nil **Class B**: Nil **Class D**: Nil **Class M**: Nil
Switching Charge	**Class A**: Nil **Class B**: Nil **Class D**: Nil **Class M**: Nil

Fees payable by the Sub-Fund

Management Fee (% Net Asset Value of the relevant class)	**Class A**: 1.5% p.a. (temporarily reduced to 1.0% p.a. from 1 February 2016 until further notice) **Class B**: 0.6% p.a. **Class D**: 1.35% p.a. **Class M**: Nil The fees payable to the Sub-Manager are included in the management fee.
Performance Fee	**Class A**: Nil **Class B**: Nil **Class D**: Nil **Class M**: Nil
Trustee Fee (% Net Asset Value of the relevant class)	**Class A**, **Class B, Class D and Class M**: up to 0.15% p.a., subject to a minimum monthly fee of HKD35,000 for the Sub-Fund

Custody Fees (% Net Asset Value of the Sub-Fund)	**Class A**, **Class B, Class D and Class M**: up to 0.05% p.a.

Establishment Costs

The costs of establishment of the Sub-Fund are described in the "Establishment Costs" section in the main part of the Explanatory Memorandum.

Dealing Day

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

Dealing Deadline

5:00 p.m. (Hong Kong time) on the relevant Dealing Day. The Authorised Distributor(s) may impose an earlier cut-off time before the Dealing Deadlines for receiving instructions for subscriptions, redemptions or switching. Investors should confirm the arrangements with the Authorised Distributor(s) concerned on the arrangements and dealing procedures that are applicable to them.

Subscription, Redemption and Switching of Units

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

Distributions

For the accumulation classes (i.e. classes marked (Acc)), no distribution will be made to Unitholders.

For the distribution classes (i.e. classes marked (Dist)), the Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends. The Manager intends to distribute dividends for distribution classes in respect of each Accounting Period ending 31 December each year.

The Manager may at its discretions (i) pay dividends out of capital of the relevant class, and/or (ii) pay dividends out of gross income while charging all or part of the class' fees and expenses to the capital of the relevant class, resulting in an increase in distributable income for the payment of dividends by the class and an effective payment of dividends out of capital. The Manager may amend this policy subject to the SFC's prior approval and by giving not less than one month's prior notice to investors.

Payment of dividends 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. This may result in an immediate reduction of the Net Asset Value per Unit of the relevant class.

The compositions of dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months are available by the Manager on request and also on the Manager's website at http://www.cmschina.com.hk/AM/FundProduct. This website has not been reviewed or authorised by the SFC.

Valuation

Valuation Days will be each Dealing Day and the Valuation Point is the close of business in the last relevant market to close on each Valuation Day. The Net Asset Value per Unit of the Sub-Fund at each Valuation Day will be available on the Manager's website at http://www.cmschina.com.hk/AM/FundProduct. This website has not been reviewed or authorised by the SFC.

Documents Available for Inspection

Please refer to the section headed "Documents Available for Inspection" in the main part of the Explanatory Memorandum.

APPENDIX II – CMS Money Market Fund

This Appendix comprises information in relation to CMS Money Market Fund, a Sub-Fund of the Fund.

Initial Offer

The initial offer period for offering Units of CMS Money Market Fund will be from 9:00 a.m. (Hong Kong time) on 15 November 2022 to 5:00 p.m. (Hong Kong time) on 25 November 2022 (or such other dates as the Manager and the Trustee may determine).

The following classes of Units set out in the table below are initially being offered at the respective initial offer prices during the initial offer period:

Class	Initial offer price per Unit (exclusive of preliminary charge)
Class A Units	HKD100
Class B Units	HKD100
Class I Units	HKD100

The Manager is currently entitled to charge a preliminary charge of 3% of the total subscription amount received (before deducting the preliminary charge) in relation to an application in respect of Class A, Class B and Class I Units, subject to the maximum level of preliminary charge which the Manager is entitled to charge at its discretion (i.e. 5% on the subscription amount as stated under the section headed "Application Procedure" in the main part of the Explanatory Memorandum).

Units will be issued on 28 November 2022 or the first Business Day following the last day of the initial offer period (or such other day as the Manager and the Trustee may agree and notify to the applicants for Units in the Sub-Fund) in respect of applications received prior to 5:00 p.m. (Hong Kong time) on the last day of the initial offer period and accepted by the Manager. Payment for Units subscribed during the initial offer period shall be due in cleared funds prior to the close of the relevant initial offer period or such later date as the Manager with the approval of the Trustee may determine. If application and/or cleared funds are received after that time, such applications shall be carried forward to the next Dealing Day.

Base Currency

The base currency of the Sub-Fund is HKD.

Investment Objective and Policy

CMS Money Market Fund seeks to achieve a return in Hong Kong dollars in line with a combination of HK Dollars and US Dollars money market rates, with primary considerations of both capital security and liquidity.

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 HKD denominated and USD denominated short-term deposits and high-quality money market instruments issued by governments, quasi-governments, international organisations and financial institutions or other corporations. The asset allocation of the Sub-Fund will change according to the Manager's view of market conditions and the international investment trends and environment. The Manager will compare the yield spread of money market instruments denominated in the different currencies (HKD and USD), and will take into consideration factors such as currency risk, liquidity, costs, timing of execution and the relative attractiveness of individual securities and issuers in the market.

High-quality money market instruments include but are not limited to government bills, short term notes, bankers' acceptance, commercial papers, certificates of deposits, commercial bills and high-quality debt securities. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments will be taken into account. The Sub-Fund may also invest up to 10% of its net asset value in money market funds which are authorized by the SFC or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC.

High-quality debt securities invested by the Sub-Fund include but are not limited to government bonds, fixed and floating rate bonds. The Sub-Fund will not invest in instruments with loss-absorption features (such as contingent convertible bonds or senior non-preferred debt). The Sub-Fund will only invest in money market instruments and debt securities rated investment grade or above by Fitch, Moody's or Standard and Poor's. A money market instrument or debt security is considered to be of investment grade if any one of its credit rating by Fitch, Moody's or Standard and Poor's can satisfy any one the following rating requirements at the time of investment: (i) BBB- or higher by Standard & Poor's, (ii) BBB- or higher or by Fitch, or (iii) Baa3 or higher by Moody's. For this purpose, if the relevant debt security does not itself have a credit rating, then reference can be made to the credit rating of the issuer of such debt security. Where the credit ratings of the relevant debt securities are downgraded to ratings which are below BBB- by Standard & Poor's, BBB- by Fitch and Baa3 by Moody's, the Manager will, having regard to the interests of the Unitholders, seek to dispose of all such downgraded debt securities in a gradual and orderly manner in light of the then prevailing market conditions.

Investment in urban investment bonds will be limited to 10% of the Sub Fund's Net Asset Value. "Urban investment bonds (城投債)" invested by the Sub-Fund are issued by local government financing vehicles ("**LGFV**") in Mainland interbank bond market. These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment and infrastructure projects.

There is no specific geographical allocation of the country of issue of the Sub-Fund's investments. Countries or regions in which the Sub-Fund may invest in include but are not limited to the greater China region (which includes Mainland China, Hong Kong, Taiwan, Macau) and other developed markets.

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 (as defined in the Code) 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 Code), up to 30% may be invested in the same issue; or (iii) in respect of any deposit of less than USD1,000,000, where the Sub-Fund cannot otherwise diversify as a result of its size.

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

The 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.

Financial Derivative Instruments ("FDI")

The Sub-Fund may invest in FDI for hedging purposes only but not for investment purposes. The Sub-Fund will not write any options. Any material currency risk from non-HKD denominated investments will be appropriately hedged into HKD.

Sale and Repurchase Transactions

Currently, the Manager has no intention to enter into securities lending transactions, repurchase agreements, reverse repurchase agreements or similar over-the-counter ("**OTC**") transactions on behalf of the Sub-Fund. The Sub-Fund may by giving to the Unitholders no less than one (1) month's prior written notice (or such shorter period of notice as the SFC may approve or allow) engage in securities lending transactions, repurchase agreements, reverse repurchase agreements or similar OTC transactions on behalf of the Sub-Fund.

Specific Risk Factors

Investors should refer to the relevant risks under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum, and the following specific risk factors for the Sub-Fund:

General investment risk - the Sub-Fund's investment portfolio may fall in value due to any of the key risk factors below and therefore Unitholders' investment in the Sub-Fund may suffer losses. The Sub-Fund does not have a constant Net Asset Value and does not guarantee the repayment of investment principal. The Manager has no obligation to redeem Units at the offer value. Further, there is no guarantee that the investment objective of the Sub-Fund can be achieved. There is also no guarantee of regular dividend or distribution payments during the period investors hold Units of the Sub-Fund.

The Sub-Fund is an investment fund. Investors should note that purchase of a Unit in the Sub-Fund is not the same as placing funds on deposit with a bank or deposit-taking company and that the Sub-Fund is not subject to the supervision of the Hong Kong Monetary Authority.

Please also refer to the risk factor headed "**Investment risk**" in the main part of the Explanatory Memorandum.

Risks relating to money market instruments/ debt securities

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

Credit / counterparty risk - The Sub-Fund is exposed to the credit/default risk of issuers of the money market instruments and debt securities that it invests in. Such debt securities are typically unsecured debt obligations and are not supported by collateral. It will rank equally with other unsecured debts of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer's assets will be paid to holders of the debt securities only after all secured claims have been satisfied in full. The Sub-Fund is therefore fully exposed to the credit/default risk of its counterparties as an unsecured creditor.

The Sub-Fund is exposed to the risk that a counterparty in a transaction may default in its obligation to settle the transaction, or may be unable or unwilling to make timely payments on principal and/or interest. Where its counterparty does not perform its obligations under a transaction, the Sub-Fund may sustain substantial losses. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against issuers incorporated outside Hong Kong and subject to foreign laws.

Please also refer to the risk factor headed "**Credit risk**" in the main part of the Explanatory Memorandum.

Interest rate risk - Investment in the Sub-Fund is subject to interest rate risk. In general, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Changes in monetary policies, such as interest rates policies, may have an adverse impact on the pricing of debt securities, and thus the return of the Sub-Fund.

Please also refer to the risk factor headed "**Interest rates risk**" in the main part of the Explanatory Memorandum.

Credit rating risk - Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the debt security and/or issuer at all times. Investors should note that even if a security may be assigned a certain credit rating at the time the Sub-Fund acquires the debt security, there is no assurance that (a) it will not be downgraded or (b) it will continue to be rated in future. The credit rating of a debt security is not the only selection criterion used by the Manager. Whilst the Manager may use credit ratings for reference in its investment process, it will primarily refer to its internal assessments to evaluate the credit quality of debt securities, for example, when it believes that the credit rating given by credit rating agencies does not adequately reflect the credit risks.

Downgrading risk - The credit rating of a debt security or its issuer may be downgraded. In the event of such downgrading, the value of the Sub-Fund may be adversely affected. The Manager may or may not be able to dispose of the debt securities that are being downgraded. If the Sub-Fund continues to hold the relevant debt securities, it will be subject to additional risk of loss.

Please also refer to the risk factor headed "**Credit rating and downgrading risk**" in the main part of the Explanatory Memorandum.

Valuation risk - Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-

Fund may be adversely affected.

The value of debt securities may be affected by changing market conditions or other significant market events affecting valuation. In adverse market conditions or where an adverse event happens to the issuer (e.g. credit rating downgrading), the value of lower rated debt securities may decline in value due to investors' perception over credit quality.

Volatility and liquidity risk - The debt securities in some of the markets that the Sub-Fund invests in (e.g. Mainland China as an emerging market) may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of debt securities traded in such markets may be subject to fluctuations. The price at which the debt securities are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates. The bid and offer spreads of the prices of such debt securities may be large and the Sub-Fund may incur significant trading costs.

There may not be an active secondary market for the debt securities the Sub-Fund invests in. The Sub-Fund is therefore subject to liquidity risks and may suffer losses in trading such instruments. Even if the debt securities are listed, the market for such debt securities may be inactive and the trading volume may be low. In the absence of an active secondary market, the Sub-Fund may need to hold the debt securities until their maturity date.

There is a risk that if the Sub-Fund is required to meet sizeable redemption requests, the Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and it may incur significant trading and realisation costs and suffer losses accordingly.

Please also refer to the risk factors headed "**Volatility risk**" and "**Liquidity risk**" in the main part of the Explanatory Memorandum. For details in relation to the Fund's liquidity risk management process, please refer to the section headed "**Liquidity Risk Management**" in the main part of the Explanatory Memorandum.

Sovereign/government debt risk - The Sub-Fund's investment in debt securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign/government 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/government debt issuers.

Risks associated with bank deposits - Bank deposits are subject to the credit risks of the relevant financial institutions. 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.

Currency risks - Underlying investments of the Sub-Fund may be denominated in currencies 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 the risk factor headed "**Currency risk**" in the main part of the Explanatory Memorandum.

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

In view of limitations on directly raising funds, local governments (or their affiliates) in Mainland China have set up numerous entities known as LGFVs that are separate legal entities to fund local development or raise financing for public welfare investment or infrastructure projects. The debts issued by LGFVs are sometimes referred to as "urban investment bonds".

The LGFVs' ability to repay debts depends on various factors, including the nature of the business of such LGFVs, the financial strength of such LGFVs and the extent to which the relevant local governments are prepared to support such LGFVs. Slower revenue growth at some local governments may constrain their capacity to provide support, while regulatory constraints may also limit local governments' ability to inject land reserves into LGFVs. Further, local governments have taken on debt in various other forms, and recent analyses show that increased financing activities have posed a risk to local government finances. If a LGFV encounters financial difficulties, without the local government's support, there is a risk of possible defaults by the LGFV.

Local governments may be seen to be closely connected to urban investment bonds, as they are shareholders of the LGFVs issuing such bonds. However, urban investment bonds are typically not guaranteed by the relevant local governments or the central government of the PRC. As such, local governments or the central government of the PRC are not obliged to support any LGFVs in default. Therefore, bond holders (such as the Sub-Fund) will be fully exposed to the credit/insolvency risk of the LGFVs as an unsecured creditor. In the event of default, the Sub-Fund may sustain significant losses in its investments in bonds issued by LGFVs, and its Net Asset Value will be adversely affected.

LGFVs take on loans in a substantial amount from Mainland Chinese banks, and the total outstanding loans have risen rapidly in recent years. This has led the China Banking Regulatory Commission to require banks to limit their holdings of bonds sold by LGFVs. It was announced that the National Audit Office would start a nationwide assessment of government liabilities in order to address concerns about rising debts from local development projects. However, there is no assurance that the extent of local government debts can be comprehensively and accurately assessed.

Concentration risk - The Sub-Fund's investments are concentrated in HKD or USD denominated deposits and money market instruments. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments.

Please also refer to the risk factor headed "**Concentration risk**" in the main part of the Explanatory Memorandum.

Derivative instruments / hedging risk

Risks associated with investment in FDI - FDI may be illiquid and are complex in nature. Risks associated with FDI 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 FDI may lead to a high risk of significant loss by the Sub-Fund.

Hedging risk - Insofar as the Sub-Fund acquires derivative instruments for hedging, it will be subject to additional risks. There can be no assurance that any hedging techniques will fully and effectively eliminate the risk exposure of the Sub-Fund.

Please also refer to the relevant risk factors "**Counterparty risk**", "**Over-the counter markets risk**" and "**Hedging risk**" in the main part of the Explanatory Memorandum.

Available Classes

The following classes of Units are available for sale in Hong Kong at their prevailing Issue Prices pursuant to the section headed "Purchase of Units" above.

Class	**Class currency**
Class A Units	HKD
Class B Units	HKD

Class I Units	HKD

Investment Minima

Minimum Subscription Amount	Class A: HKD1 Class B: HKD10,000 Class I: HKD1,000,000
Minimum Subsequent Subscription Amount	Class A: HKD1 Class B: HKD10,000 Class I: HKD1,000,000
Minimum Holding	Class A: Units with aggregate minimum value of HKD1 Class B: Units with aggregate minimum value of HKD10,000 Class I: Units with aggregate minimum value of HKD1,000,000
Minimum Redemption Amount	Class A: Units with aggregate minimum value of HKD1 Class B: Units with aggregate minimum value of HKD10,000 Class I: Units with aggregate minimum value of HKD1,000,000

Fees

<u>Fees payable by investors</u>

Preliminary Charge (% of the subscription amount)	Class A: up to 3% of the subscription amount Class B: up to 3% of the subscription amount Class I: up to 3% of the subscription amount
Redemption Charge (% of Redemption Price)	Class A: Nil Class B: Nil Class I: Nil
Switching Charge	Class A: up to 0.5% Class B: up to 0.5% Class I: up to 0.5%

Fees payable by the Sub-Fund

Management Fee (% Net Asset Value of the relevant class)	Class A: 0.50*% Class B: 0.15*% Class I: 0.05*% *subject to the maximum level of management fee which the Manager may charge up to by giving unitholders at least one month's prior notice (i.e. 2% per annum as stated under the section headed "Management Fee" in the main part of the Explanatory Memorandum)
Performance Fee	Class A: Nil Class B: Nil Class I: Nil
Trustee Fee (% Net Asset Value of the relevant class)	Class A, Class B and Class I: Up to 0.075**% of the value of each class **subject to a minimum monthly fee of HKD35,000 for the Sub-Fund and the maximum level of trustee fee which the Trustee may charge up to upon giving unitholders at least one month's prior notice (i.e. 0.5% per annum as stated under the section headed "Trustee Fee" in the main part of the Explanatory Memorandum)
Custody Fees (% Net Asset Value of the Sub-Fund)	Class A, Class B and Class I: Up to 0.03%

From 3 September 2024 onwards, the Manager will bear all other types of ongoing expenses of the Sub-Fund out of the management fees that it receives until further notice.

Establishment Costs

Notwithstanding the disclosure under the "Establishment Costs" section in the main part of the Explanatory Memorandum, the establishment costs and payments incurred in the establishment of CMS Money Market Fund, saved to the extent voluntarily paid by the Manager, are to be borne by the Sub-Fund as an expense of the Sub-Fund, amortised over the first five (5) Accounting Periods of the Sub-Fund. The total establishment costs of the Sub-Fund to be borne by the Sub-Fund are estimated to be around HKD450,000.

Dealing Day

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

Dealing Deadline

11:00 a.m. (Hong Kong time) on the relevant Dealing Day, or such other time or other Business Day as the Manager may determine from time to time with the approval of the Trustee. The Authorised Distributor(s) may impose an earlier cut-off time before the Dealing Deadlines for receiving instructions for subscriptions, redemptions or switching. Investors should confirm the arrangements with the Authorised Distributor(s) concerned on the arrangements and dealing procedures that are applicable to them.

Subscription, Redemption and Switching of Units

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

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends. There is no guarantee that the Sub-Fund will make any regular dividend distribution nor is there any guarantee on the amount of dividend being distributed from time to time.

Valuation

Valuation Days will be each Dealing Day and the Valuation Point is the close of business in the last relevant market to close on each Valuation Day, or such other time as the Manager and the Trustee may determine from time to time. The Net Asset Value per Unit of the Sub-Fund at each Valuation Day will be available on the Manager’s website at http://www.cmschina.com.hk/AM/FundProduct. This website has not been reviewed or authorised by the SFC.

Documents Available for Inspection

Please refer to the section headed “**Documents Available for Inspection**” in the main part of the Explanatory Memorandum.

APPENDIX III – CMS USD Money Market Fund

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

Initial Offer

The initial offer period for offering Units of CMS USD Money Market Fund will be from 9:00 a.m. (Hong Kong time) on 8 August 2024 to 5:00 p.m. (Hong Kong time) on 8 August 2024 (or such other dates as the Manager and the Trustee may determine).

The following classes of Units set out in the table below are initially being offered at the respective initial offer prices during the initial offer period. Class A Units are offered to retail public in Hong Kong. Class B Units are offered to selected distributor(s) as determined by the Manager from time to time. Class I Units are offered to institutional investors and selected investors as determined by the Manager while Class M Units are offered to affiliated companies and employees of the Manager subject to the Manager's discretion.

Class	Initial offer price per Unit (exclusive of preliminary charge)
Class A Units	USD100
Class B Units	USD100
Class I Units	USD100
Class M Units	USD100

The Manager is currently entitled to charge a preliminary charge of 3% of the total subscription amount received (before deducting the preliminary charge) in relation to an application in respect of Class A, Class B, Class I and Class M Units, subject to the maximum level of preliminary charge which the Manager is entitled to charge at its discretion (i.e. 5% on the subscription amount as stated under the section headed "Application Procedure" in the main part of the Explanatory Memorandum).

Units will be issued on 9 August 2024 or the first Business Day following the last day of the initial offer period (or such other day as the Manager and the Trustee may agree and notify to the applicants for Units in the Sub-Fund) in respect of applications received prior to 5:00 p.m. (Hong Kong time) on the last day of the initial offer period and accepted by the

Manager. Payment for Units subscribed during the initial offer period shall be due in cleared funds prior to the close of the relevant initial offer period or such later date as the Manager with the approval of the Trustee may determine. If application and/or cleared funds are received after that time, such applications shall be carried forward to the next Dealing Day.

Base Currency

The base currency of the Sub-Fund is USD.

Investment Objective and Policy

CMS USD Money Market Fund seeks to achieve a return in US dollars in line with US Dollars money market rates, with primary considerations of both capital security and liquidity.

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 or other corporations. The asset allocation of the Sub-Fund will change according to the Manager's view of market conditions and the international investment trends and environment.

High-quality money market instruments include but are not limited to government bills, short term notes, bankers' acceptance, commercial papers, certificates of deposits, commercial bills and high-quality debt securities. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments will be taken into account.

The Sub-Fund may invest up to 20% of its net asset value in high quality debt securities, including but not limited to government bonds, fixed rate bonds and floating rate bonds.

The Sub-Fund will only invest in money market instruments and debt securities rated investment grade or above. A money market instrument or debt security is considered to be of investment grade if (i) any one of its credit rating by Fitch, Moody's or Standard and Poor's can satisfy any one the following rating requirements at the time of investment: (a) BBB- or higher by Standard & Poor's, (b) BBB- or higher by Fitch, or (c) Baa3 or higher by Moody's; or, in the absence of an international credit rating, (ii) rated AAA grade or above by a credit rating agency in Mainland China. In the event of split rating among Fitch, Moody's or Standard and Poor, the lowest credit rating issued to the money market instruments or debt securities will be deemed as the reference credit rating. For this purpose, if the relevant debt security does not itself have a credit rating, then reference can be made to the credit rating of the issuer of such debt security. If the relevant debt security and the issuer of such debt security do not have credit ratings, the Sub-Fund may still invest in such instrument provided that the guarantor of the debt security satisfies the credit rating requirements set out above. While these credit ratings provided by the relevant rating agencies serve as a point of reference, the Manager will conduct its own assessment on the credit quality based on various factors (including the issuer's (if applicable) financial leverage, interest coverage and operating cash flows, liquidity position, industry outlook, competitive position and corporate governance). Where the credit ratings of the relevant debt securities are downgraded to ratings below the thresholds set out above, the Manager will, having regard to the interests of the Unitholders, seek to dispose of all such downgraded debt securities in a gradual and orderly manner in light of the then prevailing market conditions.

The aggregate value of the Sub-Fund's holding in non-USD denominated investments will not exceed 30% of the total Net Asset Value of the Sub-Fund.

The Sub-Fund may invest in asset backed securities but the aggregate value of the Sub-Fund's holding in asset-backed securities will not exceed 15% of the total Net Asset Value of the Sub-Fund.

The Sub-Fund may also invest not more than 10% of its NAV into money market funds that are authorised by the SFC or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC.

The Sub-Fund will not invest in convertible bonds and will not invest in instruments with loss-absorption features (i.e. instruments that may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s)).

There is no specific geographical allocation of the country of issue of the Sub-Fund's investments.

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 (as defined in the Code) 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 Code), up to 30% may be invested in the same issue; or (iii) in respect of any deposit of less than USD1,000,000, where the Sub-Fund cannot otherwise diversify as a result of its size.

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

The 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.

Financial Derivative Instruments ("FDI")

The Sub-Fund may invest in FDI for hedging purposes only but not for investment purposes.

Sale and Repurchase Transactions

The Sub-Fund may enter into sale and repurchase transactions only on a temporary basis mainly for the purpose of meeting redemption requests or defraying operating expenses. The maximum proportion and expected proportion of the NAV of the Sub-Fund that can be subject to sale and repurchase transactions, when aggregated with the Sub-Fund's borrowing, are 10% and 10% respectively.

It is the intention of the Manager to sell the securities for cash equal to the market value of the securities provided in a sale and repurchase transaction, where cash obtained will not be re-invested. The Sub-fund will not receive any non-cash collateral.

The Sub-Fund may enter into reverse-repurchase transactions. 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.

Unless otherwise specified above, the Manager has no intention to enter into securities lending transactions or similar over-the-counter ("**OTC**") transactions on behalf of the Sub-Fund. The Sub-Fund may by giving to the Unitholders no less than one (1) month's prior written notice (or such shorter period of notice as the SFC may approve or allow) engage in securities lending transactions or similar OTC transactions on behalf of the Sub-Fund.

Specific Risk Factors

Investors should refer to the relevant risks under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum, and the following specific risk factors for the Sub-Fund:

General investment risk – the Sub-Fund's investment portfolio may fall in value due to any of the key risk factors below and therefore Unitholders' investment in the Sub-Fund may suffer losses. The Sub-Fund does not have a constant Net Asset Value and does not guarantee the repayment of investment principal. The Manager has no obligation to redeem Units at the offer value. Further, there is no guarantee that the investment objective of the Sub-Fund can be achieved. There is also no guarantee of regular dividend or distribution payments during the period investors hold Units of the Sub-Fund.

The Sub-Fund is an investment fund. Investors should note that purchase of a Unit in the Sub-Fund is not the same as placing funds on deposit with a bank or deposit-taking company and that the Sub-Fund is not subject to the supervision of the Hong Kong Monetary Authority.

Please also refer to the risk factor headed "**Investment risk**" in the main part of the Explanatory Memorandum.

Risks relating to money market instruments/ debt securities

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

Credit / counterparty risk – The Sub-Fund is exposed to the credit/default risk of issuers of the money market instruments and debt securities that it invests in. Such debt securities are typically unsecured debt obligations and are not supported by collateral. It will rank equally with other unsecured debts of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer's assets will be paid to holders of the debt securities only after all secured claims have been satisfied in full. The Sub-Fund is therefore fully exposed to the credit/default risk of its counterparties as an unsecured creditor.

The Sub-Fund is exposed to the risk that a counterparty in a transaction may default in its obligation to settle the transaction, or may be unable or unwilling to make timely payments on principal and/or interest. Where its counterparty does not perform its obligations under a transaction, the Sub-Fund may sustain substantial losses. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against issuers incorporated outside Hong Kong and subject to foreign laws.

Please also refer to the risk factor headed "**Credit risk**" in the main part of the Explanatory Memorandum.

Interest rate risk – Investment in the Sub-Fund is subject to interest rate risk. In general, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Changes in monetary policies, such as interest rates policies, may have an adverse impact on the pricing of debt securities, and thus the return of the Sub-Fund.

Please also refer to the risk factor headed "**Interest rates risk**" in the main part of the Explanatory Memorandum.

Credit rating risk – Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the debt security and/or issuer at all times. Investors should note that even if a security may be assigned a certain credit rating at the time the Sub-Fund acquires the debt security, there is no assurance that (a) it will not be downgraded or (b) it will continue to be rated in future. The credit rating of a debt security is not the only selection criterion used by the Manager. Whilst the Manager may use credit ratings for reference in its investment process, it will primarily refer to its internal assessments to evaluate the credit quality of debt securities, for example, when it believes that the credit rating given by credit rating agencies does not adequately reflect the credit risks.

Downgrading risk – The credit rating of a debt security or its issuer may be downgraded. In the event of such downgrading, the value of the Sub-Fund may be adversely affected. The Manager may or may not be able to dispose of the debt securities that are being downgraded. If the Sub-Fund continues to hold the relevant debt securities, it will be subject to additional risk of loss.

Please also refer to the risk factor headed "**Credit rating and downgrading risk**" in the main part of the Explanatory Memorandum.

Valuation risk **–** Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may be adversely affected.

The value of debt securities may be affected by changing market conditions or other significant market events affecting valuation. In adverse market conditions or where an adverse event happens to the issuer (e.g. credit rating downgrading), the value of lower rated debt securities may decline in value due to investors' perception over credit quality.

Volatility and liquidity risk – The debt securities in some of the markets that the Sub-Fund invests in (e.g. Mainland China as an emerging market) may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of debt securities traded in such markets may be subject to fluctuations. The price at which the debt securities are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates. The bid and offer spreads of the prices of such debt securities may be large and the Sub-Fund may incur significant trading costs.

There may not be an active secondary market for the debt securities the Sub-Fund invests in. The Sub-Fund is therefore subject to liquidity risks and may suffer losses in trading such instruments. Even if the debt securities are listed, the market for such debt securities may be inactive and the trading volume may be low. In the absence of an active secondary market, the Sub-Fund may need to hold the debt securities until their maturity date.

There is a risk that if the Sub-Fund is required to meet sizeable redemption requests, the Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and it may incur significant trading and realisation costs and suffer losses accordingly.

Please also refer to the risk factors headed “**Volatility risk**” and “**Liquidity risk**” in the main part of the Explanatory Memorandum. For details in relation to the Fund’s liquidity risk management process, please refer to the section headed “**Liquidity Risk Management**” in the main part of the Explanatory Memorandum.

Sovereign/government debt risk – The Sub-Fund’s investment in debt securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign/government 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/government debt issuers.

Risks associated with asset backed securities – The Sub-Fund invests in asset backed securities which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risks compared to other debt securities. They are often exposed to extension and prepayment risks, and risks that the payment obligations relating to the underlying assets are not met, which may adversely impact the returns of the securities.

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

Risks associated with bank deposits – Bank deposits are subject to the credit risks of the relevant financial institutions. 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.

***Currency risks* –** Underlying investments of the Sub-Fund may be denominated in currencies 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 the risk factor headed "**Currency risk**" in the main part of the Explanatory Memorandum.

Concentration risk – The Sub-Fund's investments are concentrated in USD denominated deposits and money market instruments. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments.

Please also refer to the risk factor headed "**Concentration risk**" in the main part of the Explanatory Memorandum.

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 losses 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 – 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.

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

Derivative instruments / hedging risk

Risks associated with investment in FDI – FDI may be illiquid and are complex in nature. Risks associated with FDI 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 FDI may lead to a high risk of significant loss by the Sub-Fund.

Hedging risk – Insofar as the Sub-Fund acquires derivative instruments for hedging, it will be subject to additional risks. There can be no assurance that any hedging techniques will fully and effectively eliminate the risk exposure of the Sub-Fund.

Please also refer to the relevant risk factors "**Counterparty risk**", "**Over-the counter markets risk**" and "**Hedging risk**" in the main part of the Explanatory Memorandum.

Available Classes

The following classes of Units are available for sale in Hong Kong at their prevailing Issue Prices pursuant to the section headed "Purchase of Units" above.

Class	**Class currency**
Class A Units	USD
Class B Units	USD
Class I Units	USD
Class M Units	USD

Investment Minima

Minimum Subscription Amount	Class A: USD1 Class B: USD1,000 Class I: USD100,000 Class M: USD100
Minimum Subsequent Subscription Amount	Class A: USD1 Class B: USD1,000 Class I: USD10,000 Class M: USD100
Minimum Holding	Class A: Units with aggregate minimum value of USD1 Class B: Units with aggregate minimum value of USD1,000 Class I: Units with aggregate minimum

	value of USD10,000 Class M: Units with aggregate minimum value of USD100
Minimum Redemption Amount	Class A: Units with aggregate minimum value of USD1 Class B: Units with aggregate minimum value of USD1,000 Class I: Units with aggregate minimum value of USD10,000 Class M: Units with aggregate minimum value of USD100

Fees

Fees payable by investors

Preliminary Charge (% of the subscription amount)	Class A: up to 3% of the subscription amount Class B: up to 3% of the subscription amount Class I: up to 3% of the subscription amount Class M: up to 3% of the subscription amount
Redemption Charge (% of Redemption Price)	Class A: Nil Class B: Nil Class I: Nil Class M: Nil
Switching Charge	Class A: up to 0.5% Class B: up to 0.5% Class I: up to 0.5% Class M: up to 0.5%

Fees payable by the Sub-Fund

Management Fee (% Net Asset Value of the relevant class)	Class A: 0.5*% Class B: 0.2*% Class I: 0.1*#% Class M: 0*% * subject to the maximum level of management fee which the Manager may charge up to by giving unitholders at least one month's prior notice (i.e. 2% per annum as stated under the section headed "Management Fee" in the main part of the Explanatory Memorandum) # The Management Fee for Class I Units has been waived from 3 September 2024 to 31 January 2025 (both days inclusive).
Performance Fee	Class A: Nil Class B: Nil Class I: Nil Class M: Nil
Trustee Fee (% Net Asset Value of the relevant class)	Class A, Class B, Class I and Class M: Up to 0.075**% of the value of each class **subject to a minimum monthly fee of USD5,000 for the Sub-Fund and the maximum level of trustee fee which the Trustee may charge up to upon giving unitholders at least one month's prior notice (i.e. 0.5% per annum as stated under the section headed "Trustee Fee" in the main part of the Explanatory Memorandum)
Custody Fees	Class A, Class B, Class I and Class M:

(% Net Asset Value of the Sub-Fund)	Up to 0.03%

From 3 September 2024 onwards, the Manager will bear all other types of ongoing expenses of the Sub-Fund out of the management fees that it receives until further notice.

Establishment Costs

Notwithstanding the disclosure under the "Establishment Costs" section in the main part of the Explanatory Memorandum, the establishment costs and payments incurred in the establishment of CMS USD Money Market Fund, saved to the extent voluntarily paid by the Manager, are to be borne by the Sub-Fund as an expense of the Sub-Fund, amortised over the first five (5) Accounting Periods of the Sub-Fund. The total establishment costs of the Sub-Fund to be borne by the Sub-Fund are estimated to be around USD58,000.

Dealing Day

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

Dealing Deadline

11:00 a.m. (Hong Kong time) on the relevant Dealing Day, or such other time or other Business Day as the Manager may determine from time to time with the approval of the Trustee. The Authorised Distributor(s) may impose an earlier cut-off time before the Dealing Deadlines for receiving instructions for subscriptions, redemptions or switching. Investors should confirm the arrangements with the Authorised Distributor(s) concerned on the arrangements and dealing procedures that are applicable to them.

Subscription, Redemption and Switching of Units

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

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends. There is no guarantee that the Sub-Fund will make any regular dividend distribution nor is there any guarantee on the amount of dividend being distributed from time to time.

Valuation

Valuation Days will be each Dealing Day and the Valuation Point is the close of business in the last relevant market to close on each Valuation Day, or such other time as the Manager and the Trustee may determine from time to time. The Net Asset Value per Unit of the Sub-Fund at each Valuation Day will be available on the Manager's website at http://www.cmschina.com.hk/AM/FundProduct. This website has not been reviewed or authorised by the SFC.

Documents Available for Inspection

Please refer to the section headed "**Documents Available for Inspection**" in the main part of the Explanatory Memorandum.