

Information Memorandum

Schroder China Equity Fund (the “Sub-Fund”)

Singapore Selling Restriction

The offer or invitation of the units (the “Units”) of the Sub-Fund, a sub-fund of Schroder Umbrella Fund which is the subject of this Information Memorandum, does not relate to a collective investment scheme which is authorised under Section 286 of the Securities and Futures Act 2001 of Singapore, as amended or modified (the “SFA”) or recognised under Section 287 of the SFA. The Sub-Fund is not authorised or recognised by the Monetary Authority of Singapore (the “MAS”) and the Units are not allowed to be offered to the retail public. This Information Memorandum and any other document or material issued in connection with the offer or sale of Units is not a prospectus as defined in the SFA and accordingly, statutory liability under the SFA in relation to the content of prospectuses does not apply, and you should consider carefully whether the investment is suitable for you.

This Information Memorandum has not been registered as a prospectus with the MAS. Accordingly, this Information Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Units may not be circulated or distributed, nor may Units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than:

- (i) to an institutional investor (as defined in the SFA) under Section 304 of the SFA;
- (ii) to a relevant person (as defined in Section 305(5) of the SFA) pursuant to Section 305(1), or any person pursuant to Section 305(2), and in accordance with the conditions specified in Section 305 of the SFA, and where applicable, the conditions specified in Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018; or
- (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Units are subscribed or purchased under Section 305 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Units pursuant to an offer made under Section 305 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 305A(3)(c)(ii) of the SFA;
- (2) where no consideration is or will be given for the transfer;

- (3) where the transfer is by operation of law; or
- (4) as specified in Section 305A(5) of the SFA.

The Units are capital markets products other than prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Specified Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Important Information

1. The Sub-Fund is established under the laws of Hong Kong by a trust deed dated 16 February 2007, as amended from time to time. The Sub-Fund has not been authorized by the Securities and Futures Commission in Hong Kong (“**SFC**”) under section 104 of the Securities and Futures Ordinance of Hong Kong and the contents of the Explanatory Memorandum have not been reviewed by any regulatory authority in Hong Kong. Accordingly, Units of the Sub-Fund may not be offered or sold in Hong Kong by means of this Explanatory Memorandum or any other document other than to professional investors or in other circumstances which do not constitute an offer to the public for the purposes of the Hong Kong Securities and Futures Ordinance. The contact details of the SFC are as follows:

Address: 54/F, One Island East, 18 Westlands Road, Quarry Bay, Hong Kong

Telephone No.: (852) 2231 1222

Facsimile No.: (852) 2521 7836

2. Schroder Investment Management (Hong Kong) Limited, being the manager of the Sub-Fund, is incorporated in Hong Kong and regulated by the SFC.
3. HSBC Institutional Trust Services (Asia) Limited (the “**Trustee**”), being the trustee of the Sub-Fund, is registered in Hong Kong as a trust company under Section 77 of the Hong Kong Trustee Ordinance and is an approved trustee under the Mandatory Provident Fund schemes Ordinance. The Trustee is not regulated by any financial supervisory authority in Hong Kong.
4. Investors in Singapore should note that if they wish to obtain the accounts of the Sub-Fund, they should contact Schroder Investment Management (Singapore) Ltd, at +65 6534 4288 to obtain such accounts. Investors in Singapore should refer to the Sub-Fund’s fact sheet attached to this Information Memorandum for information on the past performance of the Sub-Fund.
5. The Sub-Fund’s policy is not to enter into any side letters with investors that may create material conflicts of interest.
6. Investors in Singapore should note that marketing materials appended to this Information Memorandum via URLs are not advertisements or marketing of the Sub-Fund, and such marketing materials form part of and should be read with this Information Memorandum of the Sub-Fund which has been submitted to the MAS pursuant to paragraph 1(1)(b) of the Sixth

Schedule of the Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations 2005.

SCHRODER INVESTMENT MANAGEMENT (HONG KONG) LIMITED

EXPLANATORY MEMORANDUM

SCHRODER CHINA EQUITY FUND

(a sub-fund of Schroder Umbrella Fund)

March 2025

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About Schroder Investment Management (Hong Kong) Limited

Schroder Investment Management (Hong Kong) Limited (the “Manager”) manages a wide range of unit trusts investing in markets worldwide, but with a concentration on South East Asia. The Manager is one of the leading investors on behalf of pension funds, institutional funds and private client portfolios for Hong Kong and international clients.

The ultimate holding company of the Manager is Schroders plc, an international investment group based in London and established in 1804. The Schroder Group worldwide manages assets of over £773.7 billion as at 30 June 2024.

ADMINISTRATION

Manager

Schroder Investment Management (Hong Kong) Limited
Level 33, Two Pacific Place
88 Queensway
Hong Kong

Directors of the Manager

Ms. Gopi B. Mirchandani (Chairman, Chief Executive Officer)
Mr. Alexander H. McDougall
Ms. Vivian C.W. Leung
Mr. Christopher J. Durack

Investment Adviser

Bank of Communications Schroder Fund Management Co., Ltd.
2/F Bank of Communications Tower
188 Yincheng Zhong Road
Shanghai
People’s Republic of China 200120

Trustee and Registrar

HSBC Institutional Trust Services (Asia) Limited
1 Queen’s Road Central
Hong Kong

Service Provider

The Hongkong and Shanghai Banking Corporation Limited
1 Queen’s Road Central
Hong Kong

Auditors

KPMG
8th Floor, Prince’s Building
10 Chater Road, Central
Hong Kong

Solicitors to the Manager

Deacons
5th Floor
Alexandra House
18 Chater Road
Central
Hong Kong

March 2025

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

This Explanatory Memorandum comprises information relating to Schroder Umbrella Fund (the “Fund”), an umbrella unit trust established under the laws of Hong Kong by a trust deed dated 16 February 2007, as amended from time to time, (the “Trust Deed”) between Schroder Investment Management (Hong Kong) Limited as manager (the “Manager”) and HSBC Institutional Trust Services (Asia) Limited as trustee (the “Trustee”). The Fund may establish sub-funds (each a sub-fund) in respect of which a separate class of units (“Units”) will be issued. This Explanatory Memorandum has been prepared in connection with the offer of Units in Schroder China Equity Fund (the “Sub-Fund”), a sub-fund of the Fund.

In particular, nationals or residents of, or persons domiciled in, countries other than Hong Kong should consult their financial advisers and take legal advice as appropriate as to whether any governmental or other consents are required, or other formalities need to be observed, to enable them to acquire Units and as to any taxation effects, foreign exchange restrictions or exchange control requirements applicable.

No action has been taken to permit an offering of Units of the Sub-Fund or distribution of this Explanatory Memorandum in any jurisdiction, where action would be required for such purposes. Accordingly, this Explanatory Memorandum may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized. Further, Units of the Sub-Fund may not be offered or sold, directly or indirectly, to any persons for reoffering or resale, in any jurisdiction where such action is not authorized.

The Manager accepts full responsibility for the accuracy, as at the date of this Explanatory Memorandum, of the information contained in this Explanatory Memorandum 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 make any statement misleading.

Investment Restrictions applying to investors in Hong Kong

Hong Kong residents should be aware that the Sub-Fund has not been authorized by the Securities and Futures Commission in Hong Kong (“SFC”) and the contents of this Explanatory Memorandum have not been reviewed by any regulatory authority in Hong Kong. Accordingly, Units of the Sub-Fund may not be offered or sold in Hong Kong by means of this Explanatory Memorandum or any other document other than to professional investors or in other circumstances which do not constitute an offer to the public for the purposes of the Hong Kong Securities and Futures Ordinance. No Units of the Sub-Fund will be issued to any person other than the person to whom this Explanatory Memorandum has been sent. No person in Hong Kong other than the person to whom a copy of this Explanatory Memorandum has been addressed may treat the same as constituting an invitation to him to invest. This Explanatory Memorandum may not be reproduced in any form or transmitted to any person other than the person to whom it is addressed.

Receipt of this Explanatory Memorandum does not constitute an offer of Units of the Sub-Fund in those jurisdictions in which it is illegal to make such an offer.

Investment Restrictions applying to US investors

Units of the Sub-Fund have not been and will not be registered under the United States Investment Company Act of 1940 as amended (the “Investment Company Act”). The Units have not been and will not be registered under the United States Securities Act of 1933 as amended (the “Securities Act”) or under the securities laws of any state of the United States of America (“US”) and such Units may be offered, sold or otherwise transferred only in compliance with the Securities Act and such state or other securities laws. The Units may not be offered or sold within the US or to or for the account, of any US Person. For these purposes, “US Person” is as defined in Rule 902 of Regulation S under the Securities Act or the Internal Revenue Code of 1986, as amended including to reflect the provisions of FATCA (the “IR Code”).

Rule 902 of Regulation S under the Securities Act defines “US Person” to include inter alia any natural person resident of the US and with regards to investors other than individuals, (i) a corporation or partnership organised or incorporated under the laws of the US or any state thereof; (ii) a trust: (a) of which any trustee is a US Person except if such trustee is a professional fiduciary and a co-trustee who is not a US Person has sole or shared investment discretion with regard to trust assets and no beneficiary of the trust (and no settlor if the trust is revocable) is a US Person or (b) where a court is able to exercise primary jurisdiction over the trust and one or more US fiduciaries have the authority to control all substantial decisions of the trust and (iii) an estate (a) which is subject to US tax on its worldwide income from all sources; or (b) for which any US Person is executor or administrator except if an executor or administrator of the estate who is not a US Person has sole or shared investment discretion with regard to the assets of the estate and the estate is governed by foreign law.

The term “US Person” also means any entity organised principally for passive investment (such as a commodity pool, investment company or other similar entity) that was formed: (a) for the purpose of facilitating investment by a US Person in a commodity pool with respect to which the operator is exempt from certain requirements of Part 4 of the regulations promulgated by the United States Commodity Futures Trading Commission by virtue of its participants being non-US Persons or (b) by US Persons principally for the purpose of investing in securities not registered under the Securities Act, unless it is formed and owned by “accredited investors” (as defined in Rule 501 (a) under the Securities Act) who are not natural persons, estates or trusts.

Pursuant to the IR Code, the term “US Person” means (i) a citizen or resident of the US, (ii) a partnership or other entity treated as a partnership for US federal income tax organized under the laws of the US or any political subdivision thereof, (iii) a corporation or other entity treated as a corporation for US federal income tax purposes organized under the laws of the US or any political subdivision thereof, (iv) an estate the income of which is subject to US federal income tax without regard to its source or (v) a trust, if, either (a) a court within the US is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or (b) the trust was in existence on August 20, 1996 and properly elected to be treated as a US person.

Investment Restrictions applying to UK investors

Neither the Fund nor any of its sub-funds are authorized under the United Kingdom Financial Services and Markets Act 2000 (the “FSMA”) in the United Kingdom and accordingly this Explanatory Memorandum must not be distributed in the United Kingdom other than to certain categories of persons as specified in regulations made under the FSMA. Such categories include certain persons with sufficient expertise such as authorized persons, who understand the risks involved.

Investment Restrictions apply to Indian investors

This Explanatory Memorandum is not in the form of a prospectus or a statement in lieu of a prospectus as per the provisions of the (Indian) Companies Act, 2013 and has not been or will not be registered thereunder as a prospectus or a statement in lieu of a prospectus. The information set out herein does not constitute, and may not be used for or in connection with, an offer for solicitation to do business or purchase any securities or shares by any Resident Indians or by persons resident in any other jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. For any sub-fund of the Fund that are Foreign Portfolio Investors under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019 (the “SEBI Regulations”) and that may invest more than 50% of their assets in Indian securities, this Explanatory Memorandum may not be distributed directly or indirectly in India or to resident Indians, and the interests are not being offered and may not be sold directly or indirectly in India or to or for the account of any resident Indians. No regulatory authority in India has confirmed the accuracy or determined the adequacy of this Explanatory Memorandum. Subscription of Units in the sub-funds of the Fund which are Foreign Portfolio Investors under the SEBI Regulations accepted from or held by: (a) a person who is a Resident Indian; (b) a person who is a Non-Resident Indian; (c) a person who is an Overseas Citizen of India; or (d) a person who is controlled by any of the persons mentioned in (a) through (c); or (e) a person whose Beneficial Owner-India is, any of the persons listed in (a) through (c), is subject to approval by the Manager. This subjectivity applies to anyone who is currently a person listed in (a) through (e) above or becomes a person listed in (a) through (e) above in the future.

“Beneficial Owner – India” means:

- (A) if the unitholder is a company, natural person(s), who whether acting alone or together, or through one or more juridical person:
 - (1) has a controlling ownership interest, i.e. ownership of or entitlement to more than 10% of shares or capital or profits of the company, or
 - (2) who exercises control (i.e. includes the right to appoint majority of the board of directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of shareholding or management rights or shareholders agreements or voting agreements, or in any other manner) through other means;
- (B) if the unitholder is a partnership firm, any natural person(s) who, whether acting alone or together, or through one or more juridical person, has ownership of or entitlement to more than 10% capital or profits of the partnership, or who exercises control (i.e. includes the right to control the management or policy decision) through other means. In case the partnership has a general partner/ limited partnership structure, identification of beneficial owner will be on ownership or entitlement basis and control basis;
- (C) if the unitholder is an unincorporated association or body of individuals, natural person(s) who, whether acting alone or together, or through one or more juridical person, has ownership of or entitlement to more than 15% of the property or capital or profits of such association or body of individuals;

- (D) in case no natural person is identified under (A), (B), or (C), the relevant natural person who holds the position of a senior managing official of the unitholder;
- (E) if the unitholder is a trust, the author of the trust, the trustee, the beneficiaries with 10% or more interest in the trust, and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

“Non-Resident Indian” or “NRI” as the term is defined under rule 2 of the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, which term currently means, an individual resident outside India who is a citizen of India.

“Overseas Citizen of India” or “OCI” as the term is defined under rule 2 of the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, which term currently means, an individual resident outside India who is registered as an Overseas Citizen of India Cardholder under Section 7 (A) of the Citizenship Act, 1955.

“PML Rules” means the (Indian) Prevention of Money-laundering (Maintenance of Records) Rules, 2005.

“Resident Indian” or “RI” means a person resident in India in terms of Section 2(v) of the Foreign Exchange Management Act, 1999, which term currently includes:

- (A) a person residing in India for more than 182 days during the course of the preceding financial year but does not include:
 - (1) a person who has gone out of India or who stays outside India, in either case:
 - (I) for or on taking up employment outside India, or
 - (II) for carrying on outside India a business or vocation outside India, or
 - (III) for any other purpose, in such circumstances as would indicate his/her intention to stay outside India for an uncertain period;
 - (2) a person who has come to or stays in India, in either case, otherwise than:
 - (I) for or on taking up employment in India, or
 - (II) for carrying on in India a business or vocation in India, or
 - (III) for any other purpose, in such circumstances as would indicate his intention to stay in India for an uncertain period;
- (B) any person or body corporate registered or incorporated in India;
- (C) an office, branch, or agency in India owned or controlled by a person resident outside India; and
- (D) an office, branch, or agency outside India owned or controlled by a person resident in

India.

Distribution of this Explanatory Memorandum must be accompanied by a copy of the latest available annual report and accounts of the Sub-Fund (if any), any subsequent interim report. Units issued after the date of this Explanatory Memorandum are offered on the basis only of the information contained in this Explanatory Memorandum and such additional document(s), if any, as may be issued by the Manager expressly in conjunction with the issue of this Explanatory Memorandum. Any further information or representations made by any dealer, salesman or other person must be regarded as unauthorized and must accordingly not be relied upon. The delivery of this Explanatory Memorandum or the other documents mentioned above or the offer, issue or sale of the Units shall not in any way constitute a representation that the information and representations given herein or in such documents are correct as at any time subsequent to the date of this Explanatory Memorandum or such documents.

Dealing on severe weather days

Investors should note that dealing in the Sub-Fund on days when there are severe weather conditions in Hong Kong, i.e. where a typhoon signal number 8 or above or black rainstorm warning is issued by the Hong Kong Observatory, or an “extreme conditions” announcement is made by the Hong Kong Government, will depend on the operational support of the service providers, such as settlement banks or distributors. Investors should therefore consult the relevant service provider for (i) its internal dealing cut-off time (which may be earlier than the Sub-Fund’s dealing cut-off time) and (ii) its services on days when there are severe weather conditions in Hong Kong before placing orders to deal in units of the Sub-Fund.

Enquiries and Complaints

Enquiries and complaints concerning the Sub-Fund (including information concerning subscription and redemption procedures and the current net asset value of the Sub-Fund) should be directed to the Manager at Level 33, Two Pacific Place, 88 Queensway, Hong Kong or by electronic mail at schroders@schroders.com.hk or by phone at +852 2869 6968.

INTRODUCTION

Schroder Umbrella Fund (the “Fund”) is an umbrella fund established in Hong Kong. This Explanatory Memorandum relates to the establishment of a sub-fund, namely Schroder China Equity Fund (the “Sub-Fund”). The Manager may create further sub-funds in the future. The Manager may also determine to offer different classes of Units within a sub-fund pursuant to the provisions of the Trust Deed.

INVESTMENT OBJECTIVE & POLICY

The Sub-Fund invests primarily in securities of companies listed on stock exchanges in mainland China.

The Sub-Fund’s investment objective is to achieve sustainable and long term capital appreciation in US dollars by investing primarily in the mainland China capital markets, mainly in securities of companies listed on stock exchanges in mainland China. The Sub-Fund will seek to achieve the investment objective primarily through investment in A-Shares of mainland China companies directly via Qualified Foreign Investor (“QFI”) status of Schroder Investment Management Limited and/or the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively the “Stock Connect”) (as further described in the section under the heading “Stock Connect” below), or indirectly via other instruments linked to A-Shares. The Sub-Fund may also invest in other types of investments including, but not limited to, government bonds, listed convertible bonds, listed corporate bonds, securities investment funds, stock index futures and other instruments from time to time approved by China Securities Regulatory Commission (“CSRC”) for investment by a QFI.

The Sub-Fund's portfolio will of course be subject to market fluctuations and to the risks inherent in investment in mainland China which is generally regarded as a developing country and is generally subject to a higher risk-return profile than investment in developed countries. For details of the risk involved, please refer to the section entitled “RISK FACTORS” below.

Up to 15% of the net asset value of the Sub-Fund may be invested in unquoted securities. Assets of the Sub-Fund not invested may be held in various forms of liquid investment. The Manager does not currently intend to enter into securities lending or repurchase arrangement.

The Sub-Fund is denominated in US dollar.

The Manager has the power to change the investment policy from time to time within the investment restrictions contained in the Trust Deed subject to the relevant regulatory approval, if required.

QFI Regime

Under prevailing regulations in mainland China, foreign investors who wish to invest directly in the mainland China domestic securities market may apply for a QFI licence.

It is currently intended that the Sub-Fund will obtain direct exposure to the mainland China domestic securities market by using the QFI status of Schroder Investment Management Limited (the “QFI Holder”) for the account of the Sub-Fund. The QFI Holder and the Manager are

affiliated companies belonging to the Schroder Group.

The QFI Holder appointed Bank of Communications Co., Ltd. as QFI custodian (the “QFI Custodian”). The Sub-Fund’s assets in mainland China will be held by the QFI Custodian. The QFI Custodian may open one or more securities account(s) (“Securities Account(s)”) with the relevant depositories or clearing institutions in mainland China for the Sub-Fund in accordance with the QFI Regulations (as defined below). The QFI Custodian will also establish and maintain one or more RMB special deposit accounts and one foreign exchange account (collectively, “Cash Account(s)”) for the Sub-Fund.

QFI Regulations refer to rules and regulations governing the establishment and the operation of the QFI regime in mainland China, as may be promulgated and/or amended from time to time, including but not limited to: (a) Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors (QFII) and RMB Qualified Foreign Institutional Investors (RQFII)” CSRC PBOC SAFE Decree No.176 (合格境外機構投資者和人民幣合格境外機構投資者境內證券期貨投資管理辦法 (中國證券監督管理委員會、中國人民銀行、國家外匯管理局令 第 176 號)) jointly promulgated by CSRC, the People’s Bank of China and State Administration of Foreign Exchange (“SAFE”) on 25 September 2020 which came into effect on 1 November 2020; (b) Provisions on Issues Concerning the Implementation of the Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors” CSRC Announcement [2020] No.63 (關於實施《合格境外機構投資者和人民幣合格境外機構投資者境內證券期貨投資管理辦法》有關問題的規定(中國證監會公告 2020 年第 63 號)) promulgated by CSRC on 25 September 2020 which came into effect on 1 November 2020; (c) Provisions on the Administration of Funds of Foreign Institutional Investors for Domestic Securities and Futures Investment” PBOC and SAFE Announcement [2020] No. 2(境外機構投資者境內證券期貨投資資金管理規定(中國人民銀行、國家外匯管理局公告〔2020〕第 2 號)) issued by the PBOC and the SAFE on 7 May 2020 and effective from 6 June 2020; and (d) The Notice on the Issues concerning the Depository and Settlement of Domestic Securities Investment of QFII issued by CSRC on 4 July 2003.

Pursuant to the Provisions on the Administration of Funds of Foreign Institutional Investors for Domestic Securities and Futures Investment, the previous investment quota restrictions under the Qualified Foreign Institutional Investor (QFII) regime and Renminbi Qualified Foreign Institutional Investor (RQFII) regime have been removed. Further, from 1 November 2020, the RQFII and QFII regimes have been merged, such that RQFIIs and QFIIs are now regulated as QFIs under a set of regulations which unifies the previously separate requirements governing RQFIIs and QFIIs. Foreign institutional investors that previously held a RQFII and/or QFII licence are regarded as QFIs and are not required to re-apply for QFI status. The QFI Holder held a QFII licence granted by the CSRC under the previous QFII regime and is accordingly now regarded as having QFI status in the mainland China and may continue to invest directly in the mainland China domestic securities and futures market using such status.

The Sub-Fund could be adversely affected by the delays in the repatriation of funds. Accordingly, the Sub-Fund may be exposed to potential loss from any restriction or delay in the QFI Holder’s ability to convert USD from or into RMB. In such cases, payment of the redemption proceeds may be delayed. Notwithstanding the foregoing, the redemption proceeds will be paid to unitholders as soon as practicable, and, in any event, within seven (7) Business Days (as defined below) after receipt of the relevant sum by the Trustee upon completion of the relevant

repatriation process.

Please also refer to the section headed "REDEMPTION OF UNITS" for further information on payment of redemption money and restrictions on redemption.

Stock Connect

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

The Shanghai-Hong Kong Stock Connect comprises a Northbound Shanghai Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shanghai Trading Link, Hong Kong and overseas investors (including the Sub-Fund), through their Hong Kong brokers and a securities trading service company established by the SEHK, may be able to trade eligible securities (e.g. A-Shares and exchange traded funds ("ETFs")) listed on the SSE by routing orders to SSE. Under the Southbound Hong Kong Trading Link under the Shanghai-Hong Kong Stock Connect, investors in mainland China will be able to trade certain securities listed on the SEHK. Under a joint announcement issued by the SFC and CSRC, the Shanghai-Hong Kong Stock Connect commenced trading on 17 November 2014.

Under the Shanghai-Hong Kong Stock Connect, the Sub-Fund, through their Hong Kong brokers may trade certain eligible securities listed on the SSE. These include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed A-Shares that are not included as constituent stocks of the relevant indices but which have corresponding H-Shares listed on SEHK, except the following:

- SSE-listed shares which are not traded in RMB; and
- SSE-listed shares which are placed under "risk alert" (including shares of "ST companies" and "*ST companies", and shares subject to the delisting process or the listing of which has been suspended).

From 1 February 2021, shares listed on SSE Science and Technology Innovation Board ("STAR Board") that are constituent stocks of the SSE 180 Index and SSE 380 Index, or have corresponding H-shares listed on SEHK, will be eligible for Northbound trading under Shanghai-Hong Kong Stock Connect. Given the STAR Board's special investor eligibility requirements, STAR Board-listed shares will only be accessible via Northbound Stock Connect trading by institutional professional investors, as defined under the rules of the SEHK.

In addition, Hong Kong and overseas investors are able to trade eligible SSE-listed ETFs that satisfy the relevant criteria at a regular review and are accepted as eligible ETFs for Northbound Shanghai Trading Link. Regular reviews will be performed to determine the eligible ETFs for Northbound Shanghai Trading Link every six months. The trading is subject to rules and regulations issued from time to time. Trading under the Shanghai-Hong Kong Stock Connect is subject to a daily quota ("Daily Quota"). Northbound Shanghai Trading Link and Southbound

Hong Kong Trading Link under the Shanghai-Hong Kong Stock Connect will be subject to a separate set of Daily Quota. The Daily Quota limits the maximum net buy value of cross-boundary trades under the Shanghai-Hong Kong Stock Connect each day.

The Shenzhen-Hong Kong Stock Connect comprises a Northbound Shenzhen Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shenzhen Trading Link, Hong Kong and overseas investors (including the Sub-Fund), through their Hong Kong brokers and a securities trading service company established by SEHK, may be able to trade eligible securities (e.g. A-Shares and ETFs) listed on the SZSE by routing orders to SZSE. Under the Southbound Hong Kong Trading Link under the Shenzhen-Hong Kong Stock Connect investors in mainland China are able to trade certain securities listed on the SEHK. Under a joint announcement issued by the SFC and CSRC, the Shenzhen-Hong Kong Stock Connect commenced trading on 5 December 2016.

Under the Shenzhen-Hong Kong Stock Connect, the Sub-Fund, through their Hong Kong brokers may trade certain eligible securities listed on the SZSE. These include any constituent stock of the SZSE Component Index and SZSE Small/Mid Cap Innovation Index which has a market capitalisation of RMB6 billion or above and all SZSE-listed shares of companies which have issued both A-Shares and H-Shares, except the following:

- SZSE-listed shares which are not traded in RMB; and
- SZSE-listed shares which are placed under “risk alert” (including shares of “ST companies” and “*ST companies”, and shares subject to the delisting process or the listing of which has been suspended).

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

In addition, Hong Kong and overseas investors are able to trade eligible SZSE-listed ETFs that satisfy the relevant criteria at a regular review and are accepted as eligible ETFs for Northbound Shenzhen Trading Link. Regular reviews will be performed to determine the eligible ETFs for Northbound Shenzhen Trading Link every six months. The trading is subject to rules and regulations issued from time to time. Trading under the Shenzhen-Hong Kong Stock Connect will be subject to a Daily Quota. Northbound Shenzhen Trading Link and Southbound Hong Kong Trading Link under the Shenzhen-Hong Kong Stock Connect will be subject to a separate set of Daily Quota. The Daily Quota limits the maximum net buy value of cross-boundary trades under the Shenzhen-Hong Kong Stock Connect each day.

The list of eligible securities under the Stock Connect may be changed subject to the review and approval by the relevant regulators from time to time.

HKSCC, a wholly-owned subsidiary of SEHK, and ChinaClear will be responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by their respective market participants and investors. The SSE and SZSE securities traded through the Stock Connect are issued in scripless form, and investors will not hold any physical shares.

Although HKSCC does not claim proprietary interests in the SSE and SZSE securities held in its omnibus stock accounts in ChinaClear, ChinaClear as the share registrar for SSE and SZSE listed

securities will still treat HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE and SZSE securities.

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

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

INVESTMENT AND BORROWING RESTRICTIONS

The Trust Deed establishing the Sub-Fund sets out restrictions on the acquisition of investments (other than unrestricted investments, see below) by the Manager for the Sub-Fund. A summary of restrictions applicable to the Sub-Fund is set out below:

The Sub-Fund is subject to the following principal investment restrictions:

- (a) not more than 10% of the net asset value of the Sub-Fund in the securities of any one issuer;
- (b) not more than 10% of any one class of security issued by a single issuer;
- (c) not more than 15% of the net asset value of the Sub-Fund in unquoted investments;
- (d) not more than 15% of the net asset value of the Sub-Fund in options and warrants excluding those held for hedging purposes;
- (e) not more than 10% of the net asset value of the Sub-Fund in mutual funds and unit trusts;
- (f) not more than 20% of the net asset value of the Sub-Fund in futures contracts (other than for hedging purposes), options on futures contracts, physical commodities and commodity based investments (other than share in companies producing, processing or trading commodities);
- (g) not to write call options in respect of securities if the exercise price or the aggregate value of the exercise prices of any such call options written would be more than 25% of the net asset value of the Sub-Fund.

The Manager may invest the Sub-Fund up to any amount in unrestricted investments which are investments issued or guaranteed by governments, international organizations and similar bodies. If all of the Sub-Fund's assets are invested in such unrestricted investments issued by the same issuer, at least six different issues must be held and the Manager will in any event not invest more than 30% of the net asset value of the Sub-Fund in any one issue.

If these limits are exceeded (except owing to mere appreciations or depreciations in the value of

the investments held or made for the account of the Sub-Fund), the Manager may not add further to such investments, and must effect such changes in the investments of the Sub-Fund as may be necessary as soon as reasonably practicable unless in the Manager's opinion it is not in the best interests of the unitholders so to do.

The Sub-Fund will not engage in short selling in mainland China. In addition, short selling of investments outside mainland China is only permitted if the investment which is to be sold short is actively traded on a recognized market where short selling is permitted. The Sub-Fund's liability to deliver investments short may not exceed 10% of its net asset value. The Manager may not apply the assets of the Sub-Fund in making any loan without the prior written consent of the Trustee save to the extent an investment or deposit might constitute a loan, or assume or guarantee any obligation of any other person in respect of borrowed money without the prior consent of the Trustee, acquire any investment involving unlimited liability nor write uncovered options.

The Sub-Fund is prohibited from holding real estate (including buildings) or interest in real estate (including options or rights but excluding shares in real estate companies and interest in real estate investment trusts).

Investments of any class in any company or body may not be held if the directors or officers of the Manager individually hold more than a half of one per cent thereof or collectively hold more than 5% of that class of investment.

Borrowing and Leverage

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

Borrowing by the Manager or the Trustee on behalf of the Fund is permitted in an amount not exceeding 25% of the net asset value of the Sub-Fund calculated at the immediately preceding Dealing Day when such borrowing is aggregated with the value of options and warrants held for account of the Sub-Fund. The borrowing restrictions do not apply to "back to back" borrowing that is for any claim to the extent liquid assets of the Sub-Fund are deposited in connection with such borrowing with or to the order of the lender. In addition, the Manager does not currently intend to enter into securities lending or repurchase agreement.

The expected maximum level of leverage of the Sub-Fund (including from any use of financial derivative instruments) will be available from the Manager upon starting from 17 November 2018.

LIQUIDITY RISK MANAGEMENT

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

The liquidity risk management of the Sub-Fund is an integral part of investment management

process and is operated under Schrodgers' investment risk management framework. The oversight of the liquidity risk management function will be performed by the investment risk function which is part of Schrodgers Group Risk. A liquidity report will be generated by Group Risk monthly. The results of the oversight will be reported to a risk and compliance management committee consisting of responsible officers, management and senior staff from Compliance, Investment and Operational and Risk on a regular basis. Exceptions on liquidity risk related issues will be escalated to the risk and compliance management committee.

The Manager would regularly assess the liquidity of the Sub-Fund's assets under the current and likely future market conditions. The Manager's liquidity policy takes into account the investment strategy; the liquidity profile; the redemption policy; the dealing frequency; the ability to enforce redemption limitations and the fair valuation policies of the Sub-Fund. These measures seek to ensure fair treatment and transparency for all investors.

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

To manage liquidity risks, the Manager is entitled, with the approval of the Trustee, to limit the number of Units redeemed on any Dealing Day (whether by sale to the Manager or by cancellation by the Trustee) to 10% of the total number of Units in issue (subject to the conditions under the heading entitled "Restrictions on Redemption" in the section headed "REDEMPTION OF UNITS").

RISK FACTORS

General risks

- The prices of Units depend on the market values of the Sub-Fund's investments and such prices as well as the income from Units can go down as well as up. Past performance of the Sub-Fund does not indicate the future performance. Investment in the Sub-Fund is not capital guaranteed and is only suitable for investors who can leave their capital for medium to long-term investment.
- The Sub-Fund's performance is subject to the risks associated with its investments and cash exposure including, among others, market, interest rate, currency, exchange rate, economic, credit, liquidity, counterparty, foreign securities and political risks.
- Investment objective expresses an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and macroeconomic environment, investment objective may become more difficult or even impossible to achieve. There is no express or implied assurance as to the likelihood of achieving the investment objective of the Sub-Fund.
- Investment in the Sub-Fund is not in the nature of a deposit in a bank account and is not protected by any government, government agency or other guarantee scheme which may

be available to protect the holder of a bank deposit account.

Market risk

- Investors should be aware that the value of securities in which the Sub-Fund invests, and the return derived from it can fluctuate. The Sub-Fund invests in and actively trades securities utilizing strategies and investment techniques with significant risk characteristics, including risks arising from the volatility of the securities. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as actions by various governmental agencies and domestic or international economic and political developments, may cause sharp market fluctuations, which could significantly and adversely affect the results of the Sub-Fund and hence the Sub-Fund's activities and the value of its investments. In addition, the value of the Sub-Fund's portfolio may fluctuate as the general level of interest rates fluctuates.

Equity investment risk

- The Sub-Fund may invest in equity securities and is thus, subject to the risks generally associated with equity investment, namely, the market value of the stocks may go down as well as up. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, issuer-specific factors, regional or global economic instability, currency and interest rate fluctuations. If the market value of the stocks go down the net asset value of the Sub-Fund may be adversely affected. Stock exchanges typically have the right to suspend or limit trading in any security traded on the relevant exchange; a suspension will render it impossible to liquidate positions and can thereby expose the Sub-Fund to losses.

Currency and exchange risk

- A majority of the Sub-Fund's assets will be invested into investments denominated in RMB, which is different from the base currency of the Sub-Fund, being US dollars. This exposes all Unit classes of the Sub-Fund to exchange rate fluctuations and currency risk.
- Where the currency of the Sub-Fund varies from the investor's home currency, or where the currency of the Sub-Fund or a class of Units varies from the currencies of the markets in which the Sub-Fund invests, there is the prospect of an additional loss (or the prospect of additional gain) to the investor greater than the usual risks of investment.
- The Sub-Fund may be subject to higher transaction costs associated with currency conversion (i.e. from USD subscription monies into RMB for the Sub-Fund to invest in RMB-denominated investments and from RMB sale proceeds (after the Sub-Fund has disposed of the RMB-denominated investments) into USD to meet redemption requests as and when necessary.

Renminbi ("RMB") Currency Risk

- RMB has 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 RMB against other major currencies in the inter-bank foreign exchange market is allowed to float within a narrow band around the central parity published by the People's Republic

of China.

- RMB is currently not freely convertible and RMB convertibility from offshore RMB (CNH) to onshore RMB (CNY) is a managed currency process subject to foreign exchange control policies of and restrictions imposed by the Chinese government.
- There can be no assurance that RMB will not be subject to depreciation.
- Classes denominated in RMB will be valued with reference to offshore RMB (CNH) rather than onshore RMB (CNY). While offshore RMB (CNH) and onshore RMB (CNY) represent the same currency, they are traded in different and separate markets which operate independently. The value of offshore RMB (CNH) could differ, perhaps significantly, from that of onshore RMB (CNY) due to a number of factors including without limitation those foreign exchange control policies and repatriation restrictions. As such offshore RMB (CNH) does not necessarily have the same exchange rate and may not move in the same direction as onshore RMB (CNY).
- Classes denominated in RMB, both hedged and unhedged, participate in the offshore RMB (CNH) market, which allows investors to freely transact offshore RMB (CNH) outside of mainland China subject to the availability and clearing liquidity of offshore RMB (CNH). Non-RMB based investors (e.g. Hong Kong investors) in classes denominated in RMB may have to convert HK dollar or other currency(ies) into RMB when investing in classes denominated in RMB and subsequently convert the RMB redemption proceeds back to HK dollar or such other currency(ies). Investors will incur currency conversion costs and you may suffer losses depending on the exchange rate movements of RMB relative to HK dollar or such other currencies.
- For non-hedged RMB denominated classes, depending on the exchange rate movements of RMB relative to the base currency of the Sub-Fund and/or other currency(ies) of the non-RMB denominated underlying investment of the Sub-Fund, (i) you may still suffer losses even if there are gains or no losses in the value of the non-RMB denominated underlying investments; or (ii) you may suffer additional losses if the non-RMB denominated underlying investments of the Sub-Fund fall in value. For RMB denominated Hedged Classes, please also refer to “Risks relating to hedging and the Hedged Classes” below for the relevant risks.
- Even if the Sub-Fund aims at paying redemption monies of RMB denominated classes in RMB, the Manager may, under extreme market conditions when there is not sufficient RMB for currency conversion and with the approval of the Trustee, pay redemption monies in US dollar. There is also a risk that payment of redemption monies in RMB may be delayed when there is not sufficient amount of RMB for currency conversion for settlement of the redemption monies in a timely manner due to the exchange controls and restrictions applicable to RMB. In any event, redemption monies will be paid within one calendar month upon receipt of all properly completed documentation.

Risks relating to hedging and the Hedged Classes

- The Manager is permitted, but not obligated, to use hedging techniques to attempt to hedge the currencies in which the underlying assets of the Sub-Fund are denominated against the Sub-Fund’s base currency. There is no guarantee that the desired hedging

instruments will be available or hedging techniques will achieve their desired result. The Sub-Fund may suffer significant losses in adverse situation. If the counterparties of the instruments used for hedging purposes default, unitholders of the Hedged Classes may be exposed to currency exchange risk on an unhedged basis and may therefore suffer further losses. There can be no assurance that any currency hedging strategy employed by the Manager will fully and effectively eliminate the currency exposure of the Sub-Fund and unitholders of the Hedged Classes may be exposed to currency exchange risk for non-hedged classes. Please refer to the risk factor headed “Currency and exchange risk” above for details.

- Each of the Hedged Classes of Units (as defined below) will hedge the Sub-Fund’s base currency back to its currency of denomination, on a best effort basis, with an aim to align the performance of the Hedged Class (as defined below) to that of the equivalent class denominated in the Sub-Fund’s base currency. The effects of hedging will be reflected in the net asset values of the Hedged Classes (as defined below). Similarly, any expenses arising from such hedging transactions, which may be significant depending on prevailing market conditions, will be borne by the relevant Hedged Classes (as defined below) in relation to which they have been incurred. There is no assurance that the hedging strategies employed will be effective in delivering performance differentials that are reflective only of interest rate differences adjusted for costs and fees. There can be no assurance that any hedging strategy employed by the Manager will fully and effectively achieve a positive desirable effect and result. Furthermore, the volatility of the Hedged Classes measured in the Sub-Fund’s base currency may be higher than that of the equivalent class denominated in the Sub-Fund’s base currency.
- If the Manager hedges the Sub-Fund’s base currency against the currencies in which the underlying assets of the Sub-Fund are denominated currency exposures or currency hedging transactions within the Sub-Fund’s portfolio will not be considered when hedging transactions are entered into for the Hedged Classes.
- It should also be noted that hedging transactions may be entered into whether the denominated currency of the Hedged Class (as defined below) is declining or increasing in value relative to the Sub-Fund’s base currency and so, where such hedging is undertaken it may protect unitholders in the Hedged Class against a decrease in the value of the Sub-Fund’s base currency relative to the denominated currency of the Hedged Class, but it may also preclude unitholders from benefiting from an increase in the value of the Sub-Fund’s base currency.

Borrowings

- The Sub-Fund may borrow on a secured or unsecured basis for any purpose, including increasing investment capacity, covering operating expenses and making withdrawal or distribution payments or for clearance of transactions. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the investments purchased or carried. Gains realized with borrowed funds may cause the Sub-Fund’s net asset value to increase at a faster rate than would be the case without borrowings. If, however, investment results fail to cover the cost of borrowings, the Sub-Fund’s net asset value could also decrease faster than if there had been no borrowings.

Counterparty, Custody and Settlement risk

- The Sub-Fund may be exposed to a credit risk on counterparties with whom they trade securities, and may also bear the risk of settlement default. As the Sub-Fund may also invest in securities in emerging markets including mainland China where settlement mechanisms are generally less developed and reliable than those in more developed countries. This therefore increases the risk of settlement default which could result in substantial losses for the Sub-Fund in respect of investments in emerging markets.
- The Sub-Fund may invest in markets where custodial and/or settlement systems are not fully developed. The assets of the Sub-Fund that are traded in such markets and which have been entrusted to such sub-custodians may be exposed to risk in circumstances where the custodian will have no liability. The Sub-Fund's cash account will usually be maintained on the custodian's records, but the balances may be held by a sub-custodian which poses an additional risk. In addition, in case of liquidation, bankruptcy or insolvency of such sub-custodians, the Sub-Fund may take a longer time to recover its assets. In extreme circumstances such as the retroactive application of legislation and fraud or improper registration of title, the Sub-Fund may even be unable to recover all of its assets. The costs borne by the Sub-Fund investing and holding investments in such markets will be generally higher than in organised securities markets.
- The Sub-Fund may also be exposed to credit risk on counterparties with which they trade in relation to options, futures, contracts and other derivative financial instruments that are not traded on internationally recognized exchanges. The Sub-Fund will be subject to the possibility of the insolvency, bankruptcy or default of counterparties with which the Sub-Fund trades such instruments, which could result in substantial losses to the Sub-Fund.

Liquidity and volatility risk

- Not all securities or investments held by the Sub-Fund will be listed or rated or actively traded and consequently they may have higher volatility and their liquidity may be low. The prices of such securities may be subject to fluctuations. Moreover, the accumulation and disposal of holdings in some investments may be time consuming and may need to be conducted at unfavourable prices. The Sub-Fund may also encounter difficulties in disposing of assets at their fair price due to adverse market conditions leading to limited liquidity. Further, the bid and offer spread of the price of the relevant instruments may be high and the Sub-Fund may therefore incur significant trading costs and may even suffer losses when selling such instruments.
- Liquidity risk exists if sizeable redemption requests are received as 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 investments.
- Liquidity risk also exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price.

Risks associated with financial derivative instruments

- Financial derivative instruments include instruments and contracts the value of which is linked to one or more underlying securities, financial benchmarks or indices. Derivatives may allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark or index. Therefore, many of the risks applicable to trading the assets of the Sub-Fund may also be applicable to derivatives trading. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can result not only in the loss of the entire investment, but may also expose the Sub-Fund to the possibility of a loss exceeding the original amount invested.
- Other risks inherent in the use of derivatives include, but are not limited to (a) the dependence on the Manager's ability to correctly predict the direction of interest rates, currencies exchange rates and securities prices; (b) the imperfect correlation between the returns of the derivative instruments used for hedging and the returns of the securities they hedge; (c) the fact that skills needed to use these strategies are different from those needed to select portfolio securities; (d) the possible absence of a liquid secondary market for any particular derivative instrument at any time; (e) the default of the counterparty on the terms of the derivative contract; (f) the risk of mispricing or improper valuation of derivatives; and (g) the risk of higher volatility of the returns as derivatives usually have a leverage component.

General risk associated with over-the-counter transactions

Instruments traded in over-the-counter markets may trade in smaller volumes, and their prices may be more volatile than instruments principally traded on exchanges. Such instruments may be less liquid than more widely traded instruments. In addition, the prices of such instruments may include an undisclosed dealer mark-up which the Sub-Fund may pay as part of the purchase price.

Initial Public Offering Risk

- The Sub-Fund may invest in initial public offerings, which frequently are smaller companies. Such securities have no trading history, and information about these companies may only be available for limited periods. The prices of securities involved in initial public offerings may be subject to greater price volatility than more established securities.

Risk relating to small- and mid-capped companies

- The Sub-Fund may invest in the securities of small- and/or mid-capped companies. Investing in these securities may expose the Sub-Fund to risks such as greater market price volatility, less publicly available information, and greater vulnerability to fluctuations in the economic cycle.

Investor risk

- Substantial redemptions of Units (which are more likely to occur in adverse economic or

market conditions) could require the Manager to liquidate investments of the Sub-Fund more rapidly than otherwise desirable in order to raise the necessary cash to fund the redemptions and to achieve a position appropriately reflecting the smaller equity base. This could adversely affect the net asset value of both Units being redeemed and of remaining Units.

- The Manager is entitled under certain circumstances specified in the Trust Deed to suspend dealings in the Units. In this event, valuation of the net asset value will be suspended, and any affected redemption applications and payment of redemption proceeds will be deferred. The risk of decline in net asset value of the Units during the period up to the redemption of the Units is borne by the redeeming unitholders.
- If, in the opinion of the Manager, Units held by any unitholder is in contravention of any laws or requirements of any country, any government authority or any stock exchange or under such other circumstances specified in the Trust Deed, the Manager is entitled to compulsorily redeem all or a portion of the unitholder's Units in the Sub-Fund. Such compulsory redemption may create adverse tax and/or economic consequences to the unitholder depending on the timing thereof. No person will have any obligation to reimburse any portion of an investor's losses upon termination of the Sub-Fund, compulsory redemption or otherwise.

Risk of termination of the Sub-Fund

- In the event of the early termination of the Sub-Fund, the 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 Sub-Fund may be worth less than the initial cost of such investments, resulting in a substantial loss to the unitholders. Moreover, any organizational expenses with regard to the Units that had not yet become fully amortized would be debited against Sub-Fund's capital at that time.

Risks associated with investing in the mainland China market

Investment in securities of the mainland China companies involves a greater degree of risk than usually associated with companies in major securities markets in developed countries. Potential investors should consider such risks before investing in the Sub-Fund. The Sub-Fund is suitable for long term investors only and should form part only of an investor's portfolio.

- (i) Mainland China market risk – Investing in the securities markets in mainland China is subject to the risks of investing in emerging markets generally and the risks specific to the mainland China market. For more than 50 years, the central government of mainland China has adopted a planned economic system. Since 1978, the mainland China government has implemented economic reform measures which emphasize decentralization and the utilization of market forces in the development of the mainland China economy. Such reforms have resulted in significant economic growth and social progress.

Many of the mainland China economic reforms are unprecedented or experimental and are subject to adjustment and modification, and such adjustment and modification may not always have a positive effect on foreign investment in joint stock companies in

mainland China or in listed securities such as A-Shares.

The regulatory and legal framework for capital markets and joint stock companies in mainland China is still developing.

The mainland China companies are required to follow the mainland China accounting standards and practice which, to a certain extent, follow international accounting standards. However, there may be significant differences between financial statements prepared by accountants following the mainland China accounting standards and practice and those prepared in accordance with international accounting standards.

Both the Shanghai and Shenzhen securities markets are in the process of development and change. This may lead to trading volatility, difficulty in the settlement and recording of transactions and difficulty in interpreting and applying the relevant regulations.

Under the prevailing mainland China tax policy, there are certain tax incentives available to foreign investment. There can be no assurance, however, that the aforesaid tax incentives will not be abolished in the future.

Investments in mainland China will be sensitive to any significant change in relevant policies in mainland China.

The mainland China government's control of currency conversion and future movements in exchange rates may adversely affect the operations and financial results of the companies invested in by the Sub-Fund. Although the mainland China government has recently reiterated its intention to maintain the stability of the RMB while allowing moderate appreciation, there can be no assurance that the RMB will not be subject to appreciation at a faster pace as a result of measures that may be introduced to address the concerns of the mainland China trading partners. Further, there can be no assurance that the RMB will not be subject to devaluation. Any devaluation of the RMB could adversely affect the value of investor's investments in the Sub-Fund.

- (ii) Concentration risk – The Sub-Fund may invest substantially all of its assets in A-Shares. Although it is intended that the Sub-Fund will be well diversified in terms of the number of holdings and the number of issuers that the Sub-Fund may invest in, the Sub-Fund is subject to concentration risk. Investors should be aware that the Sub-Fund is likely to be more volatile than a broad-based fund, such as a global or regional equity fund. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the mainland China market.
- (iii) QFI risk – Under the prevailing regulations in mainland China, foreign investors can invest in the Mainland China Securities markets through QFI status.

Risks associated with QFI rules and restrictions

The current QFI regulations impose certain restrictions (such as rules on investment restrictions) on investments made by or through the QFIs.

In particular, the Sub-Fund, by obtaining exposure to the Mainland China Securities markets via the QFI status, is subject to the following restrictions:

- (a) the shareholding of a single foreign investor (such as the Sub-Fund), who invests via one or more QFIs in a single listed company, cannot exceed 10% of the total issued shares of the single listed company;
- (b) the aggregate shareholding of A-Shares by all foreign investors, who invest via one or more QFIs in a single listed company, cannot exceed 30% of the total issued shares in such company.

As there are limits on the total A-Shares held by all foreign investors in one listed company in mainland China, the capacity of the Sub-Fund to make investments in A-Shares will be affected by the activities of all other foreign investors investing through QFIs.

The Sub-Fund will invest directly in the Mainland China Securities and other permissible investments via the QFI status. The Manager and the Trustee may enter into agreement(s) with the QFIs regarding use of their QFI status by the Sub-Fund. There can be no assurance that the QFI Holder will continue to maintain the QFI status, or that redemption requests can be processed in a timely manner due to adverse changes in QFI-related laws or regulations. These may result in closure of the Sub-Fund to subscription or 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 QFI investment restrictions, illiquidity of the Mainland China Securities market, and/or delay or disruption in execution of trades or in settlement of trades.

The QFI Regulations may be subject to further revisions in the future, which may have potential retrospective effect, there is no assurance whether such revisions will prejudice the QFI Holder. The CSRC and/or SAFE may have power in the future to impose new restrictions or conditions on or terminate the QFI status of the QFI Holder which may adversely affect the Sub-Fund. It is not possible to predict how such changes would affect the Sub-Fund.

In extreme circumstances, the Sub-Fund may incur significant loss due to limited investment capabilities, or may not be able to fully implement or pursue its investment objectives or strategy, due to QFI investment restrictions, illiquidity of the A-Shares market, and delay or disruption in execution of trades or in settlement of trades.

Risks regarding QFI licence

The QFI Holder's QFI licence may be revoked or terminated or otherwise invalidated at any time by reason of a change in applicable law, regulations, policy, practice or other circumstances, an act or omission of the QFI Holder or for any other reasons. In such event, all the assets held by the QFI Custodian for the account of the Sub-Fund will be liquidated and repatriated in accordance with applicable laws and regulations. The Sub-Fund may suffer significant loss as a result of such liquidation and repatriation.

The QFI Holder and the Sub-Fund, which uses the QFI Holder's status as a QFI, are not subject to quota restrictions under the QFI regimes. There is no assurance, however, that mainland China rules and regulations will not change or that quota restrictions will not

be imposed in the future. Any restrictions on quota may affect the Manager's ability to effectively pursue the investment strategy of the Sub-Fund.

The rules and restrictions under QFI regulations, generally apply to the QFI as a whole and not simply to the investments made by the Sub-Fund. The CSRC, SAFE and PBOC are vested with the power to impose regulatory sanctions if the QFI or the QFI Custodian violates any provision of certain QFI regulations. Any such regulatory sanctions may adversely impact the Manager's ability to effectively pursue the investment strategy of the Sub-Fund.

Risks regarding remittance and repatriation of funds

There are foreign exchange control restrictions imposed on the repatriation of investment capital or profits by the QFI Holder in respect of the QFI status. Please see the section headed "QFI Regime".

Custodial risk

Custodians or sub-custodians may be appointed in local markets for purpose of safekeeping assets of the Sub-Fund in those markets.

Where the Sub-Fund invests in the Mainland China Securities markets using the QFI status, such securities will be maintained by the QFI Custodian appointed by the QFI Holder pursuant to the QFI Regulations through one or more Securities Account(s) with the relevant depositories or clearing institutions in such name as may be permitted or required in accordance with the mainland China law and the Sub-Fund may be subject to custodial risk. If the QFI Custodian defaults, the Sub-Fund may suffer substantial losses. The assets held in the Securities Accounts belong solely to the Sub-Fund, and are segregated from the assets of the Manager, the QFI Holder, the QFI Custodian, the QFI Brokers, and their respective clients. The assets held in the Cash Account(s) become an unsecured debt owing from the QFI Custodian to the Sub-Fund, but are segregated from the assets of the Manager, the QFI Holder and the QFI Brokers, and their respective clients. If any of the QFI Holder or the QFI Brokers is liquidated, the assets (including cash) which belong to the Sub-Fund do not form part of the liquidation assets of the QFI Holder or the QFI Brokers in liquidation in mainland China. If the QFI Custodian is liquidated, the assets held in the Securities Accounts will not form part of the liquidation assets of the QFI Custodian in liquidation in mainland China, however, the assets held in the Cash Account(s) will form part of the liquidation assets of the QFI Custodian in liquidation in mainland China and the Sub-Fund will become an unsecured creditor for the amount deposited in the Cash Account(s). The Sub-Fund may also incur losses due to a default, act or omission of the QFI Custodian in the execution or settlement of any transaction or in the transfer of any funds or securities.

Brokerage risk

The QFI Holder has appointed the QFI Broker(s) to execute securities transactions on its behalf in the mainland China markets. There is a risk that the Sub-Fund may suffer losses, whether direct or consequential, from the default or bankruptcy of the QFI Broker or disqualification of the same from acting as a broker which may prevent the Sub-Fund from executing further securities transactions through such QFI Broker. This may

adversely affect the Sub-Fund in the execution or settlement of any transaction or in the transfer of any funds or securities.

Liquidity risks

The liquidity of the Sub-Fund will be affected by the liquidity of its investments and may be subject to restrictions imposed under the QFI Regulations on repatriation of investment capital or profits in respect of investments held through the QFI Holder. Transaction sizes for QFIs can be relatively large (with the corresponding heightened risk of exposure to decreased market liquidity and significant price volatility leading to possible adverse effects on the timing and pricing of acquisition or disposal of securities). If the size of the disposals is sufficiently large, or the market is illiquid, then there is a risk that either the investments might not be sold or the price at which they are sold might adversely affect the net asset value of the Sub-Fund.

- (iv) Risks associated with investing through the Stock Connect - The Sub-Fund may invest in eligible SSE or SZSE securities (e.g. A-Shares and ETFs) through the Stock Connect. In addition to the risk factors headed “Currency and exchange risk”, “Mainland China market risk” and “Concentration risk”, it is also subject to the following additional risks:

Quota limitations

The Stock Connect is subject to quota limitations. In particular, the Stock Connect is subject to a daily quota which does not belong to the Sub-Fund and can only be utilised on a first-come-first-serve basis. Once the daily quota is exceeded, buy orders will be rejected (although investors will be permitted to sell their cross-boundary securities regardless of the quota balance). Therefore, quota limitations may restrict the Sub-Fund’s ability to invest in SSE or SZSE securities through the Stock Connect on a timely basis, and the Sub-Fund may not be able to effectively pursue its investment strategies.

Differences in trading days

The Stock Connect only operates on days when both mainland China and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the mainland China stock market but Hong Kong investors (such as the Sub-Fund) cannot carry out any SSE or SZSE securities trading through the Stock Connect. Due to the differences in trading days, the Sub-Fund may be subject to a risk of price fluctuations in SSE or SZSE securities during the time when the Stock Connect is not trading as a result.

Suspension risk

Each of the SEHK, SSE and SZSE reserves the right to suspend Northbound and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the Northbound trading through the Stock Connect is effected, the Sub-Fund’s ability to access the mainland China market will be adversely affected.

Operational risk

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 program subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.

The securities regimes and legal systems of the two markets differ significantly and market participants may need to address issues arising from the differences on an on-going basis.

There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through the program could be disrupted. The Sub-Fund's ability to access the mainland China market (and hence to pursue its investment strategy) will be adversely affected.

Restrictions on selling imposed by front-end monitoring

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

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

Recalling of eligible securities

When a security is recalled from the scope of eligible securities for trading via the Stock Connect, the security 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 security which is recalled from the scope of eligible securities.

Clearing and settlement risk

HKSCC and ChinaClear have established the clearing links and each has become a participant of the 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 fulfill the clearing and settlement obligations of its clearing participants with the counterparty clearing house.

As the national central counterparty of the Mainland China Securities market, ChinaClear operates a comprehensive network of clearing, settlement and stock holding infrastructure. ChinaClear has established a risk management framework and measures that are approved and supervised by the CSRC. The chances of ChinaClear default are

considered to be remote. In the remote event of a ChinaClear default, 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 should in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the Sub-Fund may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

Currency risk

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

No Protection by Investor Protection Fund

Investment through the Stock Connect is conducted through broker(s), and is subject to the risks of default by such brokers’ in their obligations. Investments of the Sub-Fund through Northbound trading are not covered by the China Securities Investor Protection Fund, as they are carried out by broker(s) in Hong Kong. Therefore the Sub-Fund may be exposed to the risks of default of the broker(s) it engages in its trading in SSE or SZSE securities through the Stock Connect.

Regulatory risk

The current regulations relating to Stock Connect are untested and there is no certainty as to how they will be applied. In addition, the current regulations are subject to change which may have potential retrospective effects and there can be no assurance that the Stock Connect will not be abolished. New regulations may be issued from time to time by the regulators/ stock exchanges in mainland China and Hong Kong in connection with operations, legal enforcement and cross-border trades under the Stock Connect. The Sub-Fund may be adversely affected as a result of such changes.

Legal/ Beneficial Ownership

SSE or SZSE securities traded through the Stock Connect by the Sub-Fund are held by the sub-custodian in accounts in the CCASS maintained by the HKSCC as central securities depository in Hong Kong. HKSCC in turn holds the SSE or SZSE securities, as the nominee holder, through an omnibus securities account in its name registered with ChinaClear for the Stock Connect. The precise nature and rights of the Sub-Fund as the beneficial owners of the SSE or SZSE securities through HKSCC as nominee is not well defined under the mainland China law. There is lack of a clear definition of, and distinction between, "legal ownership" and "beneficial ownership" under the mainland China law and there have been few cases involving a nominee account structure in the mainland China courts. Therefore the exact nature and methods of enforcement of the rights and interests of the Sub-Fund under the mainland China law is uncertain. Because of this uncertainty, in the unlikely event that HKSCC becomes subject to winding up proceedings in Hong Kong it is not clear if the SSE or SZSE securities will be regarded as held for the beneficial ownership of the Sub-Fund or as part of the general assets of HKSCC available for general distribution to its creditors.

Risks associated with the ChiNext market and/or the Science and Technology Innovation Board (“STAR Board”)

The Sub-Fund may invest in the ChiNext market of the SZSE via the Shenzhen-Hong Kong Stock Connect and/or the STAR Board of the SSE via the Shanghai-Hong Kong Stock Connect. Investments in the ChiNext market and/or STAR Board may result in significant losses for the Sub-Fund and its investors. The following additional risks apply:

Higher fluctuation on stock prices - Listed companies on the ChiNext market and/or STAR Board are usually of emerging nature with smaller operating scale. They are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, they are subject to higher fluctuation in stock prices and liquidity and have higher risks and turnover ratios than companies listed on the main boards.

Over-valuation risk - Stocks listed on the ChiNext market 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 regulations - The rules and regulations regarding companies listed on ChiNext market and/or STAR Board are less stringent in terms of profitability and share capital than those in the main boards.

Delisting risk - It may be more common and faster for companies listed on ChiNext market and/or STAR Board to delist. ChiNext market and STAR Board have stricter criteria for delisting compared to the main 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.

- (v) Mainland China tax consideration – By investing in A-Shares and other onshore permissible securities (“Mainland China Securities”), the Sub-Fund may be subject to mainland China withholding income tax and other taxes imposed in mainland China. The tax laws, regulations and practice in mainland China are constantly changing, and they may be changed with retrospective effect.

Please also refer to the sub-section headed “Mainland China” under the section headed “TAXATION” for details in relation to mainland China tax.

- (vi) Connected party risk - The Sub-Fund will be investing in A-Shares and other permissible securities via the QFI status of the QFI Holder. Although the Manager, the QFI Holder and the Investment Adviser are associated companies, each of such entities will operate independently in assuming their respective duties and obligations in relation to the Sub-Fund and are subject to the supervision of their relevant industry regulators. All transactions and dealings between such entities in relation to the Sub-Fund will be dealt with on arm’s length basis having regard to the constitutive documents of the Sub-Fund

as well as the relevant regulatory codes applicable to such entities. In the unlikely event that conflicts of interest arise, the Manager in conjunction with the Trustee will seek to ensure that unitholders are treated fairly.

- (vii) Mainland China Securities brokers and best execution - The Sub-Fund may have difficulty in obtaining best execution of transactions in A-Shares or other permissible securities. The Sub-Fund will use the QFI Broker to execute transactions in the mainland China markets for the account of the Sub-Fund. Although under the QFI Regulations a QFI may appoint up to three mainland China brokers per mainland China stock exchange, due to operational constraints and until these are removed, the market practice currently allows only one mainland China broker to be used per stock exchange in mainland China. If a mainland China broker offers the Sub-Fund standards of execution which the Manager reasonably believes to be amongst best practice in the mainland China marketplace, the Manager may determine that they should consistently execute transactions with that mainland China broker (including where it is an affiliate) notwithstanding that they may not be executed at the best price and shall have no liability to account to the Sub-Fund in respect of the difference between the price at which the Sub-Fund executes transactions and any other price that may have been available in the market at that relevant time.

Foreign Account Tax Compliance Act (“FATCA”) related risks

- The provisions of the Foreign Account Tax Compliance Act were enacted on 18 March 2010 as part of the Hiring Incentive to Restore Employment Act (“FATCA”). It includes provisions under which the Manager as Foreign Financial Institution (“FFI”) may be required to report directly to the US Internal Revenue Service (“IRS”) certain information about Units held by US persons for the purposes of FATCA or other foreign entities subject to FATCA and to collect additional identification information for this purpose. FFIs that do not enter into an agreement with the IRS and comply with the FATCA regime could be subject to 30% withholding tax on any payment of US source income (including interests and dividends) as well as on the gross proceeds deriving from the sale of securities generating US income made to the Sub-Fund. Provided that the Sub-Fund acts in accordance with the provisions it will not be subject to withholding tax under FATCA.
- Although the Manager will attempt to satisfy any obligations imposed on it and to avoid the imposition of any FATCA penalty withholding on the Sub-Fund, no assurance can be given that the Manager will be able to achieve this and/or satisfy such FATCA obligations. If the Sub-Fund becomes subject to a FATCA penalty withholding as a result of the FATCA regime, the value of the Units held by unitholders may be adversely affected and unitholders may suffer material losses.
- Unitholders should seek independent professional advice regarding the FATCA requirements with respect to their own situation. In particular, where investors invest in or held Units of the Sub-Fund through an intermediary, nominee or custodian, investors are recommended to check whether such intermediary, nominee or custodian is FATCA compliant and any possible FATCA implications.

Segregation of assets and liabilities between sub-funds

- All sub-funds of the Fund will be established as separate and distinct trusts pursuant to a

trust deed supplemental to the Trust Deed. Accordingly, the assets of each of the sub-funds should be effectively segregated from each other and none of them may be used to discharge the liabilities of or claims against any other sub-fund. Notwithstanding this, in the event that the assets of the sub-funds are held by any court of competent jurisdiction (other than Hong Kong) not to be effectively segregated, each of the sub-funds bears the risks of having its assets used to discharge the liabilities of or claims against any other sub-fund. The Manager will seek to advise potential creditors of a particular sub-fund that recourse is only to the assets of that particular sub-fund and not to all sub-funds of the Fund as a whole or the personal assets of the Trustee and will use reasonable efforts to include reference to this effect in any related documentation.

Cross-Class Liability

- Where the liabilities of a particular class exceed the assets pertaining to that class, creditors pertaining to one class may have recourse to the assets attributable to other classes. Although for the purposes of internal accounting, a separate account will be established for each class, in the event of an insolvency or termination of the Sub-Fund (i.e., when the assets of the Sub-Fund are insufficient to meet its liabilities), all assets will be used to meet the Sub-Fund's liabilities, not just the amount standing to the credit of any individual class. However, the assets of the Sub-Fund may not be used to satisfy the liabilities of another sub-fund.

Prospective investors should consult with their own advisors before deciding to invest in the Sub-Fund.

MANAGEMENT OF THE FUND

Manager

The Manager of the Fund is Schroder Investment Management (Hong Kong) Limited and is licensed by the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities. The Manager is not subject to any licensing conditions in respect of its aforementioned licenses for regulated activities pursuant to the Securities and Futures Ordinance.

The Manager undertakes the management and administration of the Fund, including communication with unitholders and conduct of meetings, and in conjunction with the Trustee is responsible for the maintenance of accounts and records in compliance with the Trust Deed and the laws of Hong Kong.

With years of investment experience in Asia Pacific the Schroder Group is able to offer particular expertise in the management of specialist Asian portfolios and is able to draw on the worldwide resources of the Group with offices and research analysts based throughout the region.

The Manager is adviser to or manager of other Hong Kong authorized unit trusts and investment portfolios of institutional, private and retirement fund clients in Asia and elsewhere. The Schroder Group worldwide manages assets of over £773.7 billion as at 30 June 2024 in London, Luxembourg, New York, Zurich, Australia, Hong Kong, Japan and Singapore and other investment centres around the world.

In the performance of its duties, the Manager may seek, at its own expense, advice from investment adviser(s).

Investment Adviser

Pursuant to an investment advisory agreement, the Manager has appointed Bank of Communications Schroder Fund Management Co., Ltd. as its investment adviser for the Sub-Fund (the “Investment Adviser”). The Investment Adviser is a joint venture fund management company in mainland China, a substantial shareholding of which is being held by Schroder Investment Management Limited.

The Investment Adviser’s fee will be borne by the Manager.

Trustee

The Trustee of the Fund is HSBC Institutional Trust Services (Asia) Limited which is incorporated with limited liability in Hong Kong on 27 September 1974. It is an indirect wholly-owned subsidiary of HSBC Holdings plc. It is registered as a trust company under Section 78(1) of the Hong Kong Trustee Ordinance (Cap. 29 of the Laws of Hong Kong) and is an approved trustee under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong). It is also registered with the Hong Kong Monetary Authority under a statutory guideline to comply with the Supervisory Policy Manual (“SPM”) module on “Regulation and Supervision of Trust Business ”(TB-1) under section 7(3) of the Banking Ordinance (Cap. 155 of the Laws of Hong Kong). The Trustee is licensed by the SFC to carry out the Type 13 regulated activity (providing depositary services for relevant collective investment schemes) under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and has a Trust or Company Service Provider (“TCSP”) License under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong).

HSBC group has adopted a policy of compliance with the sanctions issued by The Office of Foreign Assets Control of the US Department of the Treasury. The Trustee will not participate in transactions and activities, or make any payments denominated in US dollars, which, if carried out by a US person, would be subject to subject to sanctions by The Office of Foreign Assets Control of the US Department of the Treasury.

Under the Trust Deed, the Trustee is responsible for the safe keeping of the assets of the Fund and its sub-funds (including the Sub-Fund) other than assets of any sub-fund and the Sub-Fund which are for the time being held by (a) Clearstream, Cedel S.A. or other depositary or clearing system; (b) any agent, nominee, custodian, joint custodian, broker or prime broker appointed by the Trustee on the instruction of the Manager or the Manager’s associates or authorized persons; and (c) any agent, nominee, custodian, joint custodian, broker or prime broker appointed by the Trustee in emerging and restricted markets as notified in writing to the Manager (collectively, “Excluded Persons”). Investors should note that although the Trustee is responsible for the safekeeping of the assets of the Sub-Fund, the Trustee is not responsible for any assets of the Sub-Fund held by any QFI or QFI Broker nor for any acts or omissions of any QFI or QFI Broker.

The Trustee will remain responsible for the acts or omissions of agents, nominees, custodians or joint custodians appointed by it (except for Excluded Persons). But the Trustee will not incur any liability in respect of or be responsible for losses incurred by reason of the liquidation, bankruptcy or insolvency of such agents, nominees, custodians or joint custodians.

The Trustee has delegated certain of its functions as Registrar to The Hongkong and Shanghai Banking Corporation Limited (the “Service Provider”).

Neither the Trustee nor its delegate is responsible for the preparation of this Explanatory Memorandum and they accept no responsibility or liability for the information contained here other than the description relating to themselves under this sub-section.

QFI Custodian

Bank of Communications Co., Ltd (“BoComm”) has been appointed to act as QFI Custodian responsible for the safe custody of the assets managed by the Manager within mainland China under the QFI regime in accordance with the QFI Custody Agreement. The QFI Custody Agreement is an agreement entered into between the QFI Holder and the QFI Custodian pursuant to which the QFI Custodian was appointed to act as the custodian of the onshore assets of the Sub-Fund in mainland China.

BoComm, founded in 1908, is one of the oldest banks in mainland China as well as one of the note-issuing banks in modern mainland China. BoComm was listed on the Hong Kong Stock Exchange Limited in June 2005 and on the Shanghai Stock Exchange in May 2007. BoComm currently has 167 domestic branches. BoComm has set up various overseas institutions, comprising of branches in Hong Kong, New York, Tokyo, Singapore, Seoul, Frankfurt, Macau, Taipei, San Francisco, Ho Chi Ming City and Sydney, Bank of Communications (UK) Co., Ltd., a wholly-owned subsidiary in London.

BoComm has extensive experience in custody of different kinds of financial products and is the primary and/or secondary custodian for various large securities firms and fund houses in mainland China or overseas.

Auditors

KPMG acts as auditors to the Sub-Fund.

The Auditors’ maximum liability to the Manager and the Trustee for any reason relating to the services rendered to the Sub-Fund will be limited according to the terms of the engagement letter to be entered into with the Auditor, details of which will be disclosed in the relevant audited reports and accounts.

TYPES OF UNITS

The Manager intends to offer A Class (the “Class A”), C Class (the “Class C”), I Class (the “Class I”) which may be denominated in US dollar (“US\$” or “USD”), Renminbi (“RMB”) or such other currencies as may be determined by the Manager from time to time. US dollar refers to United States dollar. The Manager may in future determine to offer other class(es) of Units pursuant to the provisions of the Trust Deed. The Manager will provide a full list of classes of Units with currency denomination that are available for sale, upon request of an investor.

Subject to the discretion of the Manager, hedged classes of Units (the “Hedged Class”) may be available for sale to investors. Each of the Hedged Classes will hedge the Sub-Fund’s base currency back to its currency of denomination, on a best effort basis, with an aim to align the performance of the Hedged Class to that of the equivalent class denominated in the Sub-Fund’s base currency. The effects of hedging will be reflected in the net asset values of the Hedged

Classes. Similarly, any expenses arising from such hedging transactions will be borne by the Hedged Classes in relation to which they have been incurred. There is no assurance that the hedging strategies employed will be effective in delivering performance differentials that are reflective only of interest rate differences adjusted for costs and fees.

If the Manager hedges the Sub-Fund's base currency against the currencies in which the underlying assets of the Sub-Fund are denominated, currency exposures or currency hedging transactions within the Sub-Fund's portfolio will not be considered when hedging transactions are entered into for the Hedged Classes. There can be no assurance that any currency hedging strategy employed by the Manager will fully and effectively achieve a positive desirable effect and result.

Class A will generally be available to investors of certain distributors appointed specifically for the purpose of distributing Class A Units whilst Class C Units will generally be available to investors which are considered to be institutional investors by the Manager. Class I is designed to accommodate an alternative charging structure whereby the investor is a client of the Manager or its associates and is charged management fee directly by the Manager or its associates. Class I is generally not available to individual investors.

APPLICATION FOR UNITS

Application Procedures

Subscription applications will be dealt with on each Dealing Day. Dealing Days are Business Days on which securities markets of all or substantial part of investments of the Sub-Fund are open for trading and settlement or such other day(s) as the Manager with the approval of the Trustee may determine from time to time (the "Dealing Day"). A Business Day is a day on which (i) The Stock Exchange of Hong Kong Limited is open for normal trading and banks and stock exchanges in mainland China are open for normal business except Saturdays and Sundays or such other day or days as the Manager and the Trustee may determine; and (ii) northbound trading through the Stock Connect is open (the "Business Day").

In order for subscription applications to be dealt with, the relevant subscription application must be received in a manner satisfactory to the Manager or the Service Provider and in accordance with the application and payment procedures set out below.

To purchase Units an investor should:

- (a) complete the application form enclosed with this Explanatory Memorandum and return it to the Manager or the Service Provider (details of which as set out in the application form); or
- (b) fax an order to the Service Provider (details of which as set out in the application form).

Facsimile orders must always be followed by an original completed application form unless the investor already holds Units in the Sub-Fund or units/shares in other funds managed or distributed by the Manager and has already made arrangements with the Manager or the Service Provider to allow orders to be made via facsimile instructions and without the same being followed by original orders. Investors should be reminded that if they choose to send application forms by facsimile, they bear their own risk of the forms not being received by the Service Provider.

Investors should therefore for their own benefit confirm with the Service Provider the receipt of the forms. Neither the Manager nor the Service Provider nor the Trustee shall be responsible to a unitholder or an investor for any loss resulting from non-receipt or illegibility of any orders sent by facsimile or for any loss caused in respect of any action taken as a consequence of such facsimile believed in good faith to have originated from properly authorised persons.

Applications may also be sent through distributors appointed specifically for the purpose of distributing the Sub-Fund. Investors should consult the relevant distributor for (i) the distributor's internal dealing cut-off time (which may be earlier than the Sub-Fund's dealing cut-off time) and (ii) its services on days when there are severe weather conditions in Hong Kong, i.e. where a typhoon signal number 8 or above or black rainstorm warning is issued by the Hong Kong Observatory, or an "extreme conditions" announcement is made by the Hong Kong Government, before placing the subscription application.

Units in the Sub-Fund may be acquired on any Dealing Day at a price calculated by reference to the relevant net asset value per Unit as described in the section headed "VALUATION", plus any applicable initial charge. Application should be made on, and in accordance with the instructions on the application form and be received by the Manager or the Service Provider by 5:00 p.m. (Hong Kong time) on a Dealing Day (or such other time as the Manager may from time to time with the approval of the Trustee determine) if they are to take effect at the relevant net asset value per Unit (plus any applicable initial charge) of that Dealing Day. Applications received after that time will be dealt with on the next Dealing Day.

The minimum investment for initial or subsequent investments is –

- (a) US\$50,000, US\$500,000 and US\$5,000,000 (or equivalent value in other currencies) for Units of Class A, Class C and Class I respectively denominated in a currency other than RMB; and
- (b) RMB\$250,000, RMB2,500,000 and RMB25,000,000 for RMB denominated Units of Class A, Class C and Class I respectively,

or such other amount as may from time to time be determined by the Manager generally or for a particular investor. The minimum amounts include any initial charge which is payable by the applicant.

The Manager shall have an absolute discretion to accept or reject in whole or in part any application for Units. No interests will accrue on subscription monies received. If an application is rejected by the Manager, the subscription monies will be refunded to the applicant 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 applicants or in such other manner as the Manager may from time to time determine.

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

On the issue of new Units, the Manager, at its discretion, is entitled to impose an initial charge of up to 5% of the gross investment amount. The initial charge is payable by the applicant and retained by the Manager for its own use and benefit. The Manager may, at its discretion, share with or rebate to approved intermediaries, including banks, brokers, recognized securities dealers and other investment advisers, a proportion of the initial charge received by it on the value of

relevant business introduced to the Sub-Fund.

Payment Procedure

Payment of the amount due on application should normally be made no later than three (3) Business Days after the relevant Dealing Day or such other number of days as may be from time to time determined by the Manager upon giving notice to the Trustee and unitholders. If timely settlement is not made the relevant allotment of Units may be cancelled in accordance with the Trust Deed and the Manager (at its discretion) may enforce payment of sum due. Upon such cancellation, the relevant Units shall be deemed never to have been issued and the applicant therefore shall have no right to claim in respect thereof against the Manager or the Trustee, provided that no previous valuations of the Sub-Fund shall be re-opened or invalidated as a result of the cancellation of such Units.

Pursuant to the Trust Deed, the Trustee will be entitled to charge the relevant applicant (and retain for its own account) a cancellation fee to represent the administrative costs involved in processing the application and require the applicant to pay to the Trustee for the account of the Sub-Fund in respect of each Unit so cancelled the amount (if any) by which the net asset value per such Unit on the date of issue exceeds the net asset value per such Unit (had it been redeemed) on the date of cancellation together with interest on such amount until receipt of such payment by the Trustee.

Subscription monies should normally be paid in the currency of the relevant class of Units. If an investor selects a currency other than the currency of the relevant class of Units, the subscription monies will be converted into the currency of the relevant class of Units. The risk and cost of currency conversion and other related charges and expenses will be borne by the relevant investor. Neither the Trustee nor the Service Provider nor the Manager takes any responsibility for the rate of exchange obtained. Changes in the rate of exchange between the currency of denomination and the currency of an investor's subscription monies may cause the value of an investor's investment to diminish or increase. No payment will be accepted from any person other than the relevant applicant.

All payments can be paid either by telegraphic transfer to the relevant accounts as set out in the application form or may be paid by cheque in accordance with instructions on the application form. It should be noted that there may be delay in receipt of funds if payment is made by cheques or bank draft compared to payment by telegraphic transfer, in particular on days when there are severe weather conditions in Hong Kong. Any costs of transfer of application monies to the Sub-Fund will be payable by the applicant.

The applicant should quote the name of the Sub-Fund and the applicant's details in the remittance instructions.

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

General

All holdings will be registered and certificates will not be 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 or the Service Provider is informed of any change to the registered

details. Fractions of Units rounded to the nearest two (2) decimal places will be issued. Application monies representing smaller fractions of a Unit will be retained by the Sub-Fund. A maximum of 4 persons may be registered as joint unitholders.

REDEMPTION OF UNITS

Unitholders may request to redeem their Units on any Dealing Day at the relevant net asset value per Unit less any applicable deductions on application to the Manager or the Service Provider. Redemption notices must be received by the Manager or the Service Provider by 5:00 p.m. (Hong Kong time) on a Dealing Day (or such other time as the Manager may from time to time with the approval of the Trustee determine) if they are to be dealt with on that Dealing Day. Redemption notices received after that time will be dealt with on the next Dealing Day.

General

Application for redemption should be made in the form available from the Manager or the Service Provider. Redemption forms/ notices can be submitted by post to the Manager or the Service Provider, or by facsimile to the Service Provider, or through one of the intermediaries authorized for this purpose. Investors should consult the relevant intermediary for (i) the intermediary's internal dealing cut-off time (which may be earlier than the Sub-Fund's dealing cut-off time) and (ii) its services on days when there are severe weather conditions in Hong Kong before placing the redemption application through intermediaries. Please also see the section headed "ANTI-MONEY LAUNDERING REGULATIONS".

Partial redemptions for a minimum of: -

- (a) US\$50,000, US\$500,000 and US\$5,000,000 (or equivalent value in other currencies) for Units of Class A, Class C and Class I respectively denominated in a currency other than RMB; and
- (b) RMB\$250,000, RMB2,500,000 and RMB25,000,000 for RMB denominated Units of Class A, Class C and Class I respectively,

unless otherwise waived or reduced by the Manager at its discretion generally or for a particular investor, are allowed provided that the value of such unitholder's remaining holding of Units is not less than the aforesaid minimum (as applicable) or such lower amount as may from time to time be determined by the Manager generally or for a particular investor. If a request for redemption will result in a unitholder holding Units less than the minimum holding amount, the Manager may deem such request to have been made in respect of all Units of the relevant class held by that unitholder.

There is currently no redemption charge.

Investors should be reminded that if they choose to send notices of redemption by facsimile, they bear their own risk of the notices not being received by the Service Provider. Investors should therefore for their own benefit confirm with the Service Provider the receipt of the notices. Neither the Manager nor the Service Provider nor the Trustee shall be responsible to a unitholder for any loss resulting from non-receipt or illegibility of any redemption request sent by facsimile or for any loss caused in respect of any action taken as a consequence of such facsimile believed in good faith to have originated from properly authorised persons.

Redemption monies in the currency of the redeeming Units are normally remitted by telegraphic transfer within three (3) Business Days after the relevant Dealing Day upon receipt of all properly completed documentation 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) thus rendering the payment of the redemption money within the aforesaid time period not practicable. In such case, the extended time frame for the payment of the redemption money shall reflect the additional time needed in light of the specific circumstances in the relevant market(s) and payment of the redemption money will be made to unitholders as soon as practicable after receipt of the relevant sum by the Trustee. Notwithstanding the aforesaid, for RMB denominated classes of Units under extreme market conditions when there is not sufficient RMB for currency conversion and with the approval of the Trustee, the Manager may pay redemption monies in USD or other currency as the Manager considers appropriate. Redemption proceeds will be paid to the registered unitholder requesting such redemption only and will not be paid to third parties.

At the request of the unitholder, redemption proceeds may be paid in a currency other than the currency of the relevant class of Units. The risk and cost of currency conversion and other related charges and expenses will be borne by the relevant unitholder.

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

The Trust Deed gives the Manager powers to request a person to transfer the Units in the Sub-Fund owned by him if his ownership of Units is in contravention of any laws or requirements of any country or any governmental authority or any stock exchange on which such Units are listed or in circumstances (whether directly or indirectly affecting such person and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager to be relevant) which in its opinion might result in the Sub-Fund and/or the Fund incurring any tax liability or suffering any other pecuniary disadvantage which the Sub-Fund and/or the Fund might not otherwise have incurred or suffered. If that person does not transfer such Units within thirty days after the notice of transfer is served by the Manager or establish to the satisfaction of the Manager (whose judgment shall be final and binding) that his ownership of the Units is not in contravention of any such restrictions, he shall be deemed to have given a written request for the redemption of all his Units upon the expiration of the thirty days.

Restrictions on Redemption

The Manager may suspend, with the prior approval of the Trustee, the redemption of Units and/or delay the payment of redemption proceeds during any periods in which the determination of the net asset value of the Sub-Fund is suspended (for details see the section headed “Suspension of Calculation of Net Asset Value”).

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 redeemed on any Dealing Day to 10% of the total number of Units in issue. If the number of Units redeemed on any Dealing Day is limited, the limitation will apply pro rata so that all unitholders wishing to redeem their Units on that Dealing Day will redeem the same proportion of such Units, and Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, on the next Dealing Day. If requests for redemption are so carried forward, the Manager will within seven (7) days of such Dealing Day inform the unitholders concerned.

CONVERSION

Units of the Sub-Fund may not be converted into units of any other sub-funds (if any) of the Fund and units relating to other sub-funds (if any) of the Fund will not be able to be converted into Units of the Sub-Fund. Units of a particular Class may not be converted to Units of other Classes, unless otherwise agreed by the Manager.

VALUATION

“Valuation Days” are normally the next Business Day following a Dealing Day or such other days as may be agreed between the Manager and the Trustee. Units are usually issued or redeemed on the first Valuation Day following the day on which an application for issue of Units or redemption request is received in a manner satisfactory to the Manager. The relevant net asset value per Unit for issue or redemption will be that applicable on the Valuation Day of issue or redemption.

The prices of Units depend on the market values of the Sub-Fund’s investments and may go down as well as up.

The net asset value per Unit in US dollars is normally calculated on each Valuation Day. The net asset value figure per Unit is then adjusted up to 2 decimal places. Units are redeemed at the net asset value per Unit so adjusted.

The method of determining the net asset value of the Sub-Fund is set out in the Trust Deed. An adjustment is then made to reflect any fiscal and purchase charges. However, no fiscal and purchase charges will be levied under normal circumstances. This resulting sum will be rounded up to 2 decimal places.

Valuation Days, the time at which valuations are made and any latest time for receipt of applications and redemption requests may be changed from time to time by the Manager. The Manager will usually give notice of such changes to the Trustee and unitholders.

The Manager may deal in Units, and subscriptions and redemptions may accordingly at the Manager's discretion be either for direct account of the Sub-Fund or sales or purchases by the Manager.

The net asset value per Unit so determined may be subject to “dilution adjustment”, as described in the sub-section titled “Dilution and Dilution Adjustment” below.

Dilution and Dilution Adjustment

The Sub-Fund is single priced and may suffer a reduction in value as a result of the transaction costs incurred in the purchase and sale of its underlying investments and the spread between the buying and selling prices of such investments caused by subscriptions, redemptions and/or switching in and out of the Sub-Fund. This is known as “dilution”. In order to counter this and to protect unitholders’ interests, the Manager will apply “dilution adjustment” as part of its daily valuation policy. This will mean that in certain circumstances the Manager (if in its opinion in good faith it is in the interest of unitholders to do so) will make adjustments in the calculations of the net asset value per Unit, to counter the impact of dealing and other costs on occasions when

these are deemed to be significant, as further described below.

In the usual course of business the application of a dilution adjustment will be triggered mechanically and on a consistent basis.

The need to make a dilution adjustment will depend upon the net value of subscriptions, switching and redemptions received by the Sub-Fund for each Dealing Day. The Manager therefore reserves the right to make a dilution adjustment where the Sub-Fund experiences a net cash movement which exceeds a threshold set by the Manager from time to time of the previous Dealing Day's total net asset value.

The Manager may also make a discretionary dilution adjustment if, in its opinion, it is in the interest of existing unitholders to do so.

Where a dilution adjustment is made, it will increase the net asset value per Unit when there are net inflows into the Sub-Fund and decrease the net asset value per Unit when there are net outflows. The net asset value per Unit of each Unit Class in the Sub-Fund will be calculated separately but any dilution adjustment will, in percentage terms, affect the net asset value per Unit of each Unit Class identically.

As dilution is related to the inflows and outflows of money from the Sub-Fund, it is not possible to accurately predict whether dilution will occur at any future point in time. Consequently it is also not possible to accurately predict how frequently the Manager will need to make such dilution adjustments.

Because the dilution adjustment for the Sub-Fund will be calculated by reference to the costs of dealing in the underlying investments of the Sub-Fund, including any dealing spreads, which can vary with market conditions, this means that the amount of the dilution adjustment can vary over time but will not exceed 2% of the net asset value per Unit on the relevant Valuation Day.

Suspension of Calculation of Net Asset Value

The Manager or the Trustee may at any time suspend the right of unitholders to require the redemption of Units and will at the same time cease to issue Units in any of the following circumstances:

- a. when any relevant market on which any material part of the Sub-Fund's investments are listed, quoted or dealt in is closed other than for ordinary holidays; or
- b. when dealings on any such market are restricted or suspended; or
- c. when a state of affairs exists as a result of which the acquisition or disposal of investments, or the making or uplifting of deposits, for account of the Sub-Fund cannot be effected normally or without seriously prejudicing the interests of unitholders; or
- d. when there is a breakdown in the means of communication normally employed in determining the value of the Sub-Fund or any material part thereof or when, for any other reason, the value of any of the Sub-Fund's investments which represents a significant part of the value of the Sub-Fund, or the amount of any significant liability of the Sub-Fund, cannot be promptly and accurately ascertained; or

- e. when the realisation of any of the Sub-Fund's investments or deposits or the transfer of funds involved in such realisation cannot be effected at normal prices or normal rates of exchange; or
- f. if the remittance of monies involved in the subscription or redemption of Units cannot be carried out without undue delay and at normal rates of exchange.

EXPENSES AND CHARGES

Manager's Fee

The Manager is paid a fee out of the assets of the Sub-Fund calculated on each Dealing Day and such fee is payable monthly or quarterly in arrears. The maximum rate of management fee payable to the Manager is 3% per annum of the net asset value of the Sub-Fund. However, the current management fee for the Sub-Fund is charged at the rates set out in the table below

<u>Class of Units</u>	<u>% p.a. of the net asset value of the Unit Class</u>
Class A	2.00%
Class C	1.00%

As Class I is designated to accommodate an alternative charging structure whereby the investor is a client of the Manager or its associates and is charged management fees directly by the Manager or its associates, no management fees will be payable in respect of Units in Class I out of the net asset value of the Sub-Fund.

The Manager shall be entitled to change the rate of the management fee (not exceeding the maximum rate specified above) but shall give not less than three (3) months' notice of any increase to the Trustee and to the unitholders.

The manager's fee is payable to and retained by the Manager for its own use and benefit. The Manager may, at its discretion, share with or rebate to approved intermediaries, including banks, brokers, recognised securities dealers and other investment advisers, a proportion of the manager's fee received by it on the value of relevant business introduced to the Sub-Fund.

Trustee's Fee

The Trustee is paid a fee of 0.0595% per annum of the net asset value of the Sub-Fund calculated on each Dealing Day and such fee is payable monthly or quarterly in arrears. There is a minimum fee of US\$10,000 per annum. The Trust Deed permits a maximum charge of 0.5% per annum. The fee or the minimum annual fee may be increased by not less than three (3) months' notice to the Manager and to the unitholders up to a maximum of 0.5% per annum and with the consent of the Manager but notice will not be given of changes in the fee where this occurs due to a change in the net asset value of the Sub-Fund.

The costs, charges and expenses borne by the Sub-Fund, in addition to the Manager's fee and the Trustee's fee, include (but not limited to) those of investing and realising the assets of the Sub-Fund, the safe keeping or custody of investments including fees and charges of any broker, custodian or sub-custodian, fiscal charges payable in respect of the Sub-Fund, the registrar's costs

(including Service Provider's costs currently charged at a rate of 0.02% p.a. of the Sub-Fund's net asset value), the costs of publishing unit prices and costs incurred in preparing and publishing reports including financial reports and other communications to unitholders. The Sub-Fund also bears legal expenses incurred by the Manager or the Trustee in enabling the Sub-Fund to conform to new legislation or in connection with any supplemental deed giving effect to an alteration, modification or variation of the Trust Deed, the costs and expenses of auditing the Sub-Fund, the costs of obtaining or maintaining the approval of any regulatory authority for the Sub-Fund and the Manager's and Trustee's costs and expenses including legal fees incurred in connection with the Fund. Except those sanctioned by the an extraordinary resolution of the unitholders (i.e. a resolution proposed and passed on such by 75% or most of the votes of those present and entitled to vote in person or by proxy at a duly convened meeting) ("Extraordinary Resolution") or authorised to be paid out of the Sub-Fund by any provision of the Trust Deed, any other costs, charges and expenses incurred in connection with the management and trusteeship of the Sub-Fund are paid on their own account by the Manager or the Trustee. The Manager's and Trustee's fees are calculated and payable in US dollars.

Costs of Establishment

The costs of establishment of the Sub-Fund have already been fully amortized.

Cash Rebates and Soft Commissions

The Sub-Fund will generally pay brokerage at customary institutional full service brokerage rates. Transactions of the Sub-Fund may be entered into through associates of the Manager. The Manager and its associates will not receive cash or other rebates from brokers or dealers in respect of transactions from the Sub-Fund.

The Manager may enter into soft commission arrangements for the provision to the Manager or associates of goods and services which are of demonstrable benefit to the unitholders in consideration of the Manager or its associates procuring that such other persons (or persons connected thereto) execute transactions to be entered into for the account of the Sub-Fund provided that the brokerage rates do not exceed customary institutional full service brokerage rates. Execution of transactions for the Sub-Fund is consistent with best execution standards. For the avoidance of doubt (and without prejudice to the generality of the foregoing) 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 may be considered as of such benefit to unitholders.

TAXATION

The below summary is based on an independent tax advice sought for the Sub-Fund and the Manager's understanding of the law and practice currently in force as at the date of this Explanatory Memorandum and applies to investors acquiring Units in the Sub-Fund as an investment. Each prospective unitholder should inform himself of, and where appropriate take professional advice on, the taxes applicable to the acquisition, holding and redemption of Units by him under the laws of the places of his citizenship, residence and domicile. Neither the Manager nor any of its respective affiliates accepts any responsibility for providing tax advice to any prospective unitholder.

Hong Kong

Under the prevailing Hong Kong tax legislations and practices:

The Sub-Fund

The Sub-Fund is not authorized as a collective investment scheme under Section 104 of the Hong Kong Securities and Futures Ordinance by the SFC and is therefore not exempt from Hong Kong profits tax. As the Sub-Fund would be regarded as carrying on a trade or business in Hong Kong, the Sub-Fund would be subject to Hong Kong profits tax on any profits which arise in or are derived from Hong Kong and which are not profits arising from the sale of capital assets.

Such amounts may include, but not limited to, profits arising from the disposal of securities (except those acquired and held as capital assets) listed on the Hong Kong Stock Exchange and unlisted securities (except those acquired and held as capital assets) where the purchase or sale contracts are effected in Hong Kong. The term “effected” in this context does not just refer to the execution of contracts but also includes the negotiation and all steps leading to the final conclusion of the contracts. Hong Kong sourced profits also include interest income arising from certain debt instruments where the loan funds were first made available to the issuers in Hong Kong.

There is no Hong Kong withholding tax payable on distribution from the Sub-Fund to the unitholders.

Unitholders

Subject as noted above, unitholders in the Sub-Fund would generally not be subject to Hong Kong profits tax in respect of income distributions from the Sub-Fund if the unitholders do not carry on a trade or business in Hong Kong.

In respect of income from the sale of Units in the Sub-Fund, an exposure to Hong Kong profits tax will arise for unitholders if the unitholders carry on a trade or business in Hong Kong and the sale, redemption or disposal by other means of the Units are effected in Hong Kong. Capital gains derived by unitholders from the sale, redemption or disposal by other means of the Units in the Sub-Fund will not be subject to Hong Kong profits tax.

Stamp Duty

No Hong Kong stamp duty is payable on the issue and redemption for extinguishment of the Units. Hong Kong stamp duty is also not payable if the sale of the Units is effected by the Manager, who then either extinguishes the Units or re-sells the Units to another person within two months thereof. Other types of sales or purchases or transfers of the Units by the unitholders will be liable to Hong Kong stamp duty of 0.2% (equally borne by the buyer and seller) of the higher of the consideration amount or market value.

Mainland China

By investing in Mainland China Securities, the Sub-Fund may be subject to withholding income tax (“Mainland China WIT”) and other taxes imposed in mainland China.

The Sub-Fund

(a) Mainland China Corporate Income Tax (“Mainland China CIT”):

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

Under Mainland China CIT Law effective from 1 January 2008, a foreign enterprise without a PE in mainland China will generally be subject to Mainland China WIT at the current rate of 10% on its mainland China sourced income, including but not limited to passive income (e.g. dividends, interest, gains arising from transfer of assets etc.).

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

The Sub-Fund is organised as an open-ended fund. Based on the prevailing practice of the mainland China tax authorities, mainland China tax assessed under mainland China tax laws would likely be charged directly against the Sub-Fund. As such, the Sub-Fund is the ultimate party which bears the risks relating to any mainland China taxes which are so levied by the relevant mainland China tax authority.

(i) *Interest*

Unless a specific exemption is applicable, non-mainland China tax residents, including the Sub-Fund, are subject to Mainland China WIT on the payment of interests on debt instruments issued by mainland China tax residents, including bonds issued by enterprises established within mainland China. The general Mainland China WIT rate applicable is 10%, subject to reduction under an applicable double tax treaty.

Interest derived from government bonds issued by the in-charge Finance Bureau of the State Council and/or local government bonds approved by the State Council is exempt from Mainland China CIT under the Mainland China CIT Law.

On 22 November 2018, the Ministry of Finance (“MOF”) and State Taxation Administration (“STA”) of mainland China jointly issued circular Caishui [2018] No. 108 (“Circular 108”) to address the tax issues in relation to bond interest income received by foreign institutional investors from investments in the mainland China bond market. Under Circular 108, non-mainland China tax residents without a PE in mainland China (or having a PE in mainland China but the income so derived in mainland China is not effectively connected with such PE), bond interest income received from 7 November 2018 to 6 November 2021 will be temporarily exempt from Mainland China CIT. On 22 November 2021, MOF and STA jointly issued Bulletin No. 34 which extended this treatment until 31 December 2025.

Circular 108 did not specify the Mainland China WIT and VAT treatments on income received by non-mainland China tax residents from investment in other fixed income securities (such as asset-backed securities, certificates of deposits, etc.). It is currently uncertain as to whether such interest income is also exempt from Mainland China WIT based on Circular 108.

(ii) *Dividend*

Under the current Mainland China CIT Law, non-mainland China tax residents, including the Sub-Fund, are subject to Mainland China WIT on cash dividends and bonus distributions from mainland China tax residents. The general Mainland China WIT rate applicable is 10%, subject to reduction under an applicable double tax treaty.

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

(iii) *Capital gain*

Based on the Mainland China CIT Law and its Implementation Rules, “income from the transfer of property” sourced from mainland China by a non-mainland China tax resident enterprise should be subject to 10% Mainland China WIT unless exempt or reduced under an applicable tax treaty.

Pursuant to circular Caishui [2014] No. 79 (“Circular 79”), for foreign investors without a place of establishment in mainland China, capital gain realized from the transfer of mainland China equity investment assets (including A-Shares) on or after 17 November 2014 is temporarily exempt from Mainland China CIT. There is

currently no announced end date to this exemption.

Circular 79 and Circular 108 do not address the Mainland China WIT treatment of capital gains realized by foreign investors from the transfer of mainland China non-equity investment assets such as debt securities. Such capital gains are governed by the general taxing provisions of the Mainland China CIT Law, therefore the Sub-Fund may be subject to 10% Mainland China WIT on capital gains realized from the disposal of mainland China non-equity investment assets if such capital gains are regarded as mainland China-sourced income, unless exempted or reduced under an applicable double tax treaty.

However, the mainland China tax authorities have verbally indicated, on numerous occasions, that capital gains realized by non-mainland China tax residents from the disposal of mainland China debt securities are considered non-mainland China sourced income and hence not subject to Mainland China WIT. There is no specific written tax regulation to confirm this but, in practice, the mainland China tax authorities have not actively enforced the collection of Mainland China WIT on gains realized by non-mainland China tax residents from the disposal of mainland China debt securities. Should the mainland China tax authorities decide to levy tax on such gains in the future, the Manager would seek to apply with the mainland China tax authorities to treat the Sub-Fund as a Hong Kong tax resident and rely on the capital gains tax exemption accorded under the mainland China-HK Arrangement, although this cannot be guaranteed.

(b) Value-added Tax (“VAT”) and other surtaxes

On 24 March 2016, the MOF and STA jointly released circular Caishui [2016] No.36 (“Circular 36”) on the transformation from Business Tax to VAT (the “B2V Reform”). The B2V Reform was officially implemented on 1 May 2016. Please note that, where VAT is applicable, additional surtaxes (which include Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) will be charged at up to 12 % of the 6 % VAT payable. Other local levies such as flood prevention fee, commodity reconciliation fund and water conservancy fund may also apply, depending on the location of the mainland China companies.

(i) *Dividend income*

Dividends from China A-Shares, China B-Shares and H-Shares are not within the charging scope of mainland China VAT.

(ii) *Interest income*

Circular 108 stipulates that non-mainland China tax residents are exempt from VAT in respect of bond interest income received from 7 November 2018 to 6 November 2021 from investments in the mainland China bond market (extended to 31 December 2025 in Bulletin No. 34).

Circular 108 did not mention the VAT treatments on income received by non-mainland China tax residents from the investment in other fixed income securities (such as asset-backed securities, certificates of deposits, etc.). It is currently uncertain as to whether such interest income is also exempt from VAT based on Circular 108.

(iii) *Capital gains*

Gains realized from the trading of marketable securities in the mainland China are generally subject to VAT at 6%; however, the various Circulars issued by the authorities provide for the following exemptions from VAT:

- Gains derived from trading of Mainland China Securities via QFII / RQFII (Circular 36 and circular Caishui [2016] No. 70).
- Gains derived by Hong Kong market investors from the trading of China A Shares via the Shanghai-Hong Kong or Shenzhen-Hong Kong Stock Connects (Circular 36 and circular Caishui [2016] No. 127).

There is no specific circular exempting non-mainland China tax residents from VAT on gains derived from the trading of mainland China bonds via Bond Connect. However, in practice, the mainland China tax authorities have not enforced the collection of VAT on such gains.

(c) Stamp Duty (“SD”)

SD under mainland China laws generally applies to the execution and receipt of all taxable documents listed in the Stamp Duty Law of the People’s Republic of China . SD is generally imposed on the sale of mainland China-listed shares of Chinese companies at a rate of 0.1% of the sales consideration. The Sub-Fund will be subject to this tax on each disposal of mainland China listed shares. No SD 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.

General

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

In light of Circular 79, which exempts foreign investors without a place of establishment in the mainland China from Mainland China CIT on capital gains realized from the transfer of mainland China equity investment assets on or after 17 November 2014, the Sub-Fund does not intend to provide for any Mainland China WIT in respect of capital gains derived from the trading of A-Shares.

In respect of capital gains realized from the disposal of mainland China debt securities, in view that (i) the mainland China tax authorities have verbally indicated, on numerous occasions, that such gains are non-mainland China sourced income and hence not subject to Mainland China WIT; (ii) in practice, the mainland China tax authorities have not actively enforced the collection of Mainland China WIT on such gains; and (iii) the Manager is of the view that the Sub-Fund would qualify as a Hong Kong tax resident and be entitled to capital gains tax relief under the mainland China-HK Arrangement if the mainland China tax authorities were to impose tax on such gains in the future, the Sub-Fund does not intend to provide for any mainland China WIT on gains realized from the trading of mainland China debt securities.

Mainland China WIT of 10% on interest income accrued prior to 7 November 2018 from mainland China issued debt instruments will continue to be provided for on the basis that Circular 108 does not clarify the treatment before this date. VAT of 6.3% on relevant items arising

before 7 November 2018 will be recognised for the same reason.

No provision will be made in respect of Mainland China WIT and VAT on interest income received from mainland China issued debt instruments during the period from 7 November 2018 to 31 December 2025 as stipulated in Circular 108 and Bulletin No. 34.

Note that there is a possibility that the mainland China tax authorities may change their view and interpretation of the provisions in the Mainland China CIT Law. There is also a possibility of rules being changed and taxes being applied retrospectively in the future. The Manager, having taken and considered independent professional tax advice, (i) will not be providing for Mainland China WIT in respect of realized and unrealized capital gains arising from the trading of A-Shares with effect from 17 November 2014 (ii) released all Mainland China WIT provision on gains realized prior to 18 December 2015 from the trading of mainland China debt securities; (iii) will not be providing for Mainland China WIT on gains realized from the trading of mainland China debt securities with effect from 18 December 2015; (iv) will provide for Mainland China WIT of 10% on interest income accrued prior to 7 November 2018 from mainland China issued debt securities; (v) recognized a provision for VAT at 6.3% on relevant items arising before 7 November 2018; and (vi) will not be providing for Mainland China WIT and VAT on interest income from mainland China issued debt instruments during the period from 7 November 2018 to 31 December 2025. Should there be a change in mainland China tax law and practices in the future which resulted in such gains and interest income being subject to Mainland China WIT, the net asset value of the Sub-Fund would suffer as the Sub-Fund will ultimately have to bear the additional tax liabilities. In this case, the then existing and new investors will be disadvantaged. The Manager reserves the right to adjust the Sub-Fund's tax provision policy to cater for changes in mainland China tax law and practices.

US Tax Reporting Obligations under FATCA

The provisions of the Foreign Account Tax Compliance Act were enacted on 18 March 2010 as part of the Hiring Incentive to Restore Employment Act ("FATCA"). It includes provisions under which the Manager as Foreign Financial Institution ("FFI") may be required to report directly to the US Internal Revenue Service ("IRS") certain information about Units held by US persons for the purposes of FATCA or other foreign entities subject to FATCA and to collect additional identification information for this purpose. FFIs that do not enter into an agreement with the IRS and comply with the FATCA regime could be subject to 30% withholding tax on any payment of US source income (including interests and dividends) as well as on the gross proceeds deriving from the sale of securities generating US income made to the Sub-Fund.

The Sub-Fund intends to comply with the provisions of FATCA under the terms of the inter-governmental agreement ("IGA") Model II that had been entered into between US Treasury and Hong Kong Government on 13 November 2014 and under the terms of the Hong Kong legislation implementing the IGA when introduced rather than under the US Treasury Regulations implementing FATCA. The Manager as the sponsoring entity has included the Sub-Fund in the list of funds sponsored by it.

In order to comply with its FATCA obligations, from 1 July 2014 the Sub-Fund may be required to obtain certain information from its investors so as to ascertain their US tax status. If the investor is a specified US person under the provisions of FATCA, US owned non-US entity, non-participating FFI or does not provide the requisite documentation, the Sub-Fund will need to report information on these investors directly to the IRS. Provided that the Sub-Fund acts in

accordance with these provisions it will not be subject to withholding tax under FATCA.

Automatic Exchange of Financial Account Information

The Inland Revenue (Amendment) (No.3) Ordinance (the “Ordinance”) came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information (“AEOI”). The AEOI requires financial institutions (“FI”) in Hong Kong to collect information relating to account holders, and to file such information as relates to reportable account holders who are tax resident in Reportable Jurisdictions (as defined below) with the Hong Kong Inland Revenue Department (“IRD”) who in turn will exchange such information with the jurisdiction(s) in which that account holder is resident. Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has activated exchange relationships (“Reportable Jurisdictions”); however, the Sub-Fund and/or its agents may further collect information relating to residents of other jurisdictions.

The Sub-Fund is required to comply with the requirements of AEOI as implemented by Hong Kong, which means that the Sub-Fund and/or its agents shall collect and provide to the IRD tax information relating to unitholders and prospective investors.

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

By investing in the Sub-Fund and/or continuing to invest in the Sub-Fund, unitholders acknowledge that they may be required to provide additional information to the Sub-Fund, the Manager and/or the Sub-Fund’s agents in order for the Sub-Fund to comply with AEOI. The unitholder’s information (and information on beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such unitholders that are not natural persons), may be communicated by the IRD to authorities in other jurisdictions.

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

REPORTS AND ACCOUNTS

The Sub-Fund's financial year end is on the 31 December in each year. Audited accounts in English will be sent to unitholders within four months after the end of the financial year. Such

reports contain a statement of the net asset value of the Sub-Fund and of the investments comprising its portfolio.

Once issued the accounts will be available for inspection at the Manager's office free of charge during normal working hours.

Under the standard terms of the auditors' engagement letter, the auditors' liability to the Manager or Trustee in relation to their services under the engagement letter is capped to an amount from time to time agreed between the parties (which is expected to be around three times the fees to be paid to the auditors) except to the extent any such liability is finally determined to have resulted from the willful or intentional neglect or misconduct or fraudulent behavior of the auditors. The auditors shall not be liable to the Manager or the Trustee for any consequential or indirect loss of profit or similar damages relating to their services provided under the engagement letter except to the extent finally determined to have resulted from the wilful or intentional neglect or misconduct or fraudulent behavior of the auditors.

DISTRIBUTION

It is not the present intention of the Manager to distribute the net income of the Sub-Fund although the Trust Deed contains provisions under which the Manager has the discretion to distribute out of income or capital of the Sub-Fund.

MEETING OF UNITHOLDERS AND VOTING RIGHTS

Meetings of unitholders may be convened by the Manager or the Trustee, and the unitholders of 10% or more of the Units in issue may require a meeting to be convened. Unitholders will be given not less than 14 days' notice of any meeting.

The powers of such a meeting are (i) to sanction a modification to the Trust Deed as approved by the Manager and the Trustee; (ii) to sanction the alteration in the investment policy or objectives of the Fund in relation to the Sub-Fund; (iii) to terminate the Sub-Fund; (iv) to elect a Chairman of the meeting; (v) to adjourn the meeting and (vi) to approve further unrestricted investments. These powers, except for (iv), (v) and (vi) are exercisable by an Extraordinary Resolution. The other powers are exercisable by an ordinary resolution, that is by simple majority of the votes cast for and against the relevant proposal.

The quorum for all meetings is unitholders present in person or by proxy representing 25% of the Units in issue on the day immediately preceding the date of the meeting, or (in the case of an adjourned meeting of which separate notice will be given) such unitholders as are present in person or by proxy. On a show of hands, every individual unitholder present personally or by representative has one vote; on a poll every unitholder present in person, by proxy or by representative has one vote for every Unit held by him and no vote for a fraction of a Unit. In the case of joint unitholders the senior of those who tenders a vote (in person or by proxy) will be accepted and seniority is determined by the order in which the names appear on the Register of Unitholders. A poll may be demanded by the Chairman or one or more unitholders present in person or by proxy representing 5% of the Units in issue.

PUBLICATION OF PRICES

The Sub-Fund's net asset value per Unit will be made available from the Manager upon request. Such is for indicative purpose only.

TRANSFER OF UNITS

Units may be transferred by an instrument in writing signed by both the transferor and the transferee. Every instrument of transfer of Units must be registered by the Trustee. A fee not exceeding US\$20 may be charged by the Trustee for the registration of each transfer of Units.

TRUST DEED

The Sub-Fund was established under the laws of Hong Kong by a Trust Deed dated 16 February 2007, as amended, made between Schroder Investment Management (Hong Kong) Limited as Manager and HSBC Institutional Trust Services (Asia) Limited as Trustee.

The Trust Deed contains provisions for the indemnification of the parties and their exculpation from liability in certain circumstances. Unitholders and intending applicants are advised to consult the terms of the Trust Deed. In the event of any conflict between any of the provisions of this Explanatory Memorandum and the Trust Deed, unitholders and intending applicants should refer to the provisions of the Trust Deed for details.

Copy of the Trust Deed as for the time being in force may be obtained from the Manager for a sum not exceeding US\$70 and may be inspected during normal working hours at the offices of the Manager free of charge.

TERMINATION OF THE SUB-FUND

The Sub-Fund may be terminated by the Trustee if within 6 months of the Manager leaving office, no new manager is appointed or if the Trustee wishes to retire and no replacement is appointed within 6 months of the giving of notice by the Trustee or if the Manager goes into liquidation. Further, at any time after the expiry of five years from the date of establishment of the Sub-Fund, if the unitholders authorise termination of the Sub-Fund by Extraordinary Resolution, the Trustee will terminate it by 3 months' notice. The Manager may by notice in writing to the Trustee terminate the Sub-Fund at any time where the aggregate net asset of the Sub-Fund falls below US\$100 million or its equivalent in the currency in which the Sub-Fund is denominated. The Trustee or the Manager may terminate the Sub-Fund if the QFII status of the QFII Holder is revoked by the competent authority or regulator of mainland China. The Trustee or the Manager may also terminate the Sub-Fund if any law shall be passed which renders it illegal or in their opinion impracticable or inadvisable to continue the Sub-Fund. Three months' notice will always be given to unitholders unless earlier termination is desirable by reason of the Sub-Fund being or being expected to become illegal.

ANTI-MONEY LAUNDERING REGULATIONS

As part of the responsibility of the Trustee, the Registrar and their respective delegates or agents for the prevention of money laundering, each of them may require a detailed verification of an investor's identity and the source of payment of application monies. Depending on the circumstances of each application, a detailed verification might not be required where:

- (a) the applicant makes the payment from an account held in the applicant's name at a recognized financial institution; or
- (b) the application is made through a recognized intermediary.

These exceptions will only apply if the financial institution or intermediary referred to above is within a country recognized as having sufficient anti-money laundering regulations.

Each of the Trustee, the Registrar and their respective delegates or agents reserves the right to request such information as is necessary to verify the identity of an applicant and the source of payment. In the event of delay or failure by the applicant to produce any information required for verification purposes, each of the Trustee, the Registrar and their respective delegates or agents may refuse to accept the application and the subscription monies relating thereto and may refuse to pay any redemption proceeds. None of the Trustee, the Registrar or their delegates, agents or affiliates shall be liable to the applicant for any loss caused as a result of any delay or refusal to process applications, transfer requests or effect payment of realization proceeds (as the case may be) and claims for payment of interest due to such delay or refusal are not accepted.

CONFLICTS OF INTEREST

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

The Manager will take all reasonable steps to identify, prevent, manage and monitor any actual or potential conflicts of interest. If such conflicts arise, the Manager and the Trustee will use reasonable endeavours to resolve such conflicts fairly (having regard to its respective obligations and duties) and acts in the best interests of the unitholders. In any event, the Manager shall act in a manner which it believes to be equitable in its allocation of investment opportunities among other funds, other investment vehicles it manages or advises and the accounts of its other clients and ensure that all investment opportunities will be fairly allocated. The Manager will also have regard to its obligations to act in the best interests of the unitholders when undertaking any investments where potential conflicts of interests may arise. The Manager will ensure that all transactions are effected in good faith at arm's length and in the best interests of the Sub-Fund on normal commercial terms.

The Manager may enter into trades for the account of the Sub-Fund with the accounts of other clients of the Manager or its affiliates ("cross trades"). Such cross trades will only be undertaken where the sale and purchase decisions are in the best interests of both clients and fall within the investment objective, restrictions and policies of both clients, the cross trades are executed on

arm's length terms at current market value, and the reasons for such cross trades are documented prior to execution. Cross trades may also be entered into between house accounts (i.e. account owned by the Manager or any of its connected persons over which it can exercise control and influence) and client accounts in accordance with applicable laws and regulations.

In particular, the services of the Manager, Trustee, the Registrar and their respective delegates provided to the Sub-Fund are not deemed to be exclusive and each of the Manager, Trustee, the Registrar and their respective delegates shall be free to render similar services to others so long as its services hereunder are not impaired thereby and to retain for its own use and benefit all fees and other moneys payable thereby and neither of them shall be deemed to be affected with notice of or to be under any duty to disclose to the Sub-Fund any fact or thing which comes to the notice of any of them in the course of their rendering similar services to others or in the course of its business in any other capacity or in any manner whatsoever, otherwise than in the course of carrying out its duties under the Trust Deed.

MODIFICATION OF TRUST DEED

The Trustee and the Manager, if required, subject to any regulatory approval, may modify the Trust Deed in such manner as they may consider expedient for any purpose. Such modification should be approved by an extraordinary resolution of unitholders unless the Trustee certifies in writing that such modification (i) does not materially prejudice the interests of the unitholders, does not operate to release to any material extent the Trustee or the Manager or any other person from liability to unitholders and (with the exception of the costs of preparing the relevant supplemental deed) will not result in any increase in the costs and charges; or (ii) is necessary in order to make possible compliance with any fiscal, statutory or official requirement (whether or not having the force of law); or (iii) is made to correct a manifest error.

Marketing Materials link

[Marketing Materials – Schroder China Equity Fund](#)

****Investors in Singapore should note that marketing materials appended to this Information Memorandum via URLs are not advertisements or marketing of the Fund, and such marketing materials form part of and should be read with this Information Memorandum of the Fund which has been submitted to the MAS pursuant to paragraph 1(1)(b) of the Sixth Schedule of the Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations 2005.***