CHINA EVERBRIGHT FORTUNE FUND SERIES

EXPLANATORY MEMORANDUM

November 2026

IMPORTANT INFORMATION FOR INVESTORS

This Explanatory Memorandum comprises information relating to China Everbright Fortune Fund Series. China Everbright Fortune Fund Series is an open-ended unit trust established as an umbrella unit trust under the laws of Hong Kong by a trust deed dated 10 October 2013 between China Everbright Securities (HK) Limited as manager and ICBC (Asia) Trustee Company Limited as trustee. The Fund may establish sub-funds (each a "Sub-Fund") in respect of which a separate class or classes of Units will be issued. The Fund currently has two Sub-Funds namely, Everbright Hong Kong Bond Fund and Everbright Smart Select Global Equity Fund.

Some of the information in this Explanatory Memorandum is a summary of corresponding provisions in the Trust Deed. Investors should refer to the Trust Deed for further details.

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

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

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

No action has been taken to permit an offering of Units of the Sub-Fund(s) or the distribution of this Explanatory Memorandum in any jurisdiction other than Hong Kong where action would be required for such purposes. Accordingly, this Explanatory Memorandum may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised. Further, Units of the Sub-Fund(s) may not be offered or sold, directly or indirectly, to any persons for reoffering or resale, in any jurisdiction where such action is not authorised. Receipt of this Explanatory Memorandum does not constitute an offer of Units of the relevant Sub-Fund in those jurisdictions in which it is illegal to make such an offer.

In particular, potential investors should note the following:-

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

    (i) an individual who is a United States citizen, a US green card holder, or a resident of the United States for U.S. federal income tax purposes,

    (ii) a corporation or partnership organised under the laws of the United States or any political subdivision thereof, or

    (iii) an estate or trust, the income of which is subject to U.S. federal income taxation regardless or its source; and

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

Potential applicants for Units should inform themselves as to (a) the possible tax consequences, (b) the legal requirements and (c) any foreign exchange restrictions or exchange control

requirements which they might encounter under the laws of the countries of their incorporation, citizenship, residence or domicile and which might be relevant to the subscription, holding or disposal of Units.

This document is based on the laws and practices currently in force in Hong Kong and is subject to changes therein.

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

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

Enquiries

Investors may contact the Manager for any enquiries or complaints in relation to any Sub-Fund. To contact the Manager, investors may either:

- write to the Manager (address at 33/F, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong); or

- call the Manager at telephone number at +852 2106 8101.

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

Further Information

Investors may access the website of the Manager at http://www.ebshk.com for further information on the Fund and the Sub-Funds, including the following:

- this Explanatory Memorandum and the Product Key Facts Statement;
- the audited annual reports and unaudited interim reports (available in English only);
- the latest Net Asset Value for each class of the Sub-Fund(s);
- the composition of dividends (if any) (i.e. the relative amounts and percentage paid out of (i) net distributable income and (ii) capital for the last 12 months);

- notices (if any) made by the Fund and Sub-Fund(s), including information regarding the Sub-Fund(s), the suspension and resumption of subscription and redemption of Units, the suspension of the calculation of the Net Asset Value, changes in fees, and notices relating to material alterations or additions to this Explanatory Memorandum or the Trust Deed; and
- the past performance information of the Sub-Fund(s).

Investors should note that the website referred to in this Explanatory Memorandum (including the Product Key Facts Statements) has not been reviewed or authorised by the SFC. Any information provided in this website may be updated and changed periodically without any notice to any person.

Unitholders should regularly visit this website, or request that their representatives do so on their behalf, to ensure that they obtain such information on a timely basis.

TABLE OF CONTENTS

Heading

Page Number

ADMINISTRATION **1**

DEFINITIONS **2**

THE FUND **8**

INVESTMENT OBJECTIVE **8**

MANAGEMENT AND ADMINISTRATION OF THE FUND **8**

CLASSES OF UNITS **13**

DEALING DAY AND DEALING DEADLINE **13**

PURCHASE OF UNITS **14**

REDEMPTION OF UNITS **17**

SWITCHING BETWEEN CLASSES **21**

VALUATION **23**

INVESTMENT AND BORROWING RESTRICTIONS **27**

RISK FACTORS **28**

EXPENSES AND CHARGES **39**

TAXATION **43**

FINANCIAL REPORTS **53**

DISTRIBUTION POLICY **54**

VOTING RIGHTS **55**

PUBLICATION OF PRICES **55**

TRANSFER OF UNITS **55**

COMPULSORY REDEMPTION OR TRANSFER OF UNITS **56**

TRUST DEED **56**

TERMINATION OF THE FUND OR ANY SUB-FUND **57**

ANTI-MONEY LAUNDERING REGULATIONS **58**

CONFLICTS OF INTEREST **59**

LIQUIDITY RISK MANAGEMENT **59**

CERTIFICATION FOR COMPLIANCE WITH FATCA OR OTHER APPLICABLE LAWS **60**

POWER TO DISCLOSE INFORMATION TO TAX AUTHORITIES **61**

DOCUMENTS AVAILABLE FOR INSPECTION **61**

SCHEDULE 1 – INVESMENT AND BORROWING RESTRICTIONS **62**

SCHEDULE 2 – SUMMARY OF POLICY OF SECURITIES FINANCING TRANSACTIONS **75**

SCHEDULE 3 – COLLATERAL VALUATION AND MANAGEMENT POLICY **78**

APPENDIX I – EVERBRIGHT INCOME FOCUS FUND (WITHDRAWN WITH EFFECT FROM 2

FEBRUARY 2026) **81**

APPENDIX II – EVERBRIGHT RQFII BOND FUND (WITHDRAWN WITH EFFECT FROM 20 NOVEMBER 2018) **82**

APPENDIX III – EVERBRIGHT HONG KONG BOND FUND **83**

APPENDIX IV – EVERBRIGHT GREATER CHINA OPPORTUNITIES FUND (WITHDRAWN WITH EFFECT FROM 5 MAY 2026) **99**

APPENDIX V – EVERBRIGHT SMART SELECT GLOBAL EQUITY FUND **100**

ANNEX A **123**

ADMINISTRATION

Manager

China Everbright Securities (HK) Limited
33/F, Everbright Centre
108 Gloucester Road
Wanchai, Hong Kong

Trustee, Registrar and Transfer Agent

ICBC (Asia) Trustee Company Limited
33/F, ICBC Tower,
3 Garden Road, Central,
Hong Kong

Directors of the Manager

Li Mingming
Yeung Kin Sing
Hon Hau NgaiKong Sheung Wing

Investment Adviser

Please refer to the Appendix for the relevant Sub-Fund

Custodian

Industrial and Commercial Bank of China (Asia) Limited
33/F, ICBC Tower,
3 Garden Road, Central,
Hong Kong

Solicitors to the Manager

King & Wood
13/F Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

Auditors

KPMG
8/F, Prince's Building
10 Chater Road
Central
Hong Kong

DEFINITIONS

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

"**Accounting Date**"	31 December in each year or such other date or dates in each year as the Manager may from time to time specify in respect of any Sub-Fund and notify to the Trustee and the Unitholders of such Sub-Fund
"**Accounting Period**"	a period commencing on the date of establishment of the relevant Sub-Fund or on the date next following an Accounting Date of the relevant Sub-Fund and ending on the next succeeding Accounting Date for such Sub-Fund
"**Authorised Distributor**"	any person appointed by the Manager to distribute Units of some or all of the Sub-Funds to potential investors
"**Business Day**"	a day (other than Saturday and Sunday) on which banks in Hong Kong are open for normal banking business or such other day or days as the Manager and the Trustee may agree from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
"**China" or "PRC**"	the People's Republic of China excluding Hong Kong, Macau and Taiwan for purpose of this document
"**China A-Shares**"	shares issued by companies listed on either the Shanghai Stock Exchange or the Shenzhen Stock Exchange in the PRC, traded in Renminbi and available for investment by domestic (Chinese) investors, holders of the qualified foreign institutional investors ("QFII") status, RQFII status and foreign strategic investors approved by the CSRC
"**China B-Shares**"	shares issued by companies listed on either the Shanghai Stock Exchange or the Shenzhen Stock Exchange in the PRC, traded in foreign currencies and available for investment by domestic

	(Chinese) investors and foreign investors
"**China H-Shares**"	shares issued by companies incorporated in the PRC and listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"**Code**"	the SFC's Code on Unit Trusts and Mutual Funds (as amended from time to time)
"**CSRC**"	China Securities Regulatory Commission
"**Custodian**"	Industrial and Commercial Bank of China (Asia) Limited
"**connected person**"	in relation to a company, means: (a) any person, company or fund beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or being able to exercise, directly or indirectly, 20% or more of the total votes in that company; or (b) any person, company or fund controlled by a person who or which meets one or both of the descriptions given in (a); or (c) any member of the group of which that company forms part; or (d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c) above
"**Dealing Day**"	the days on which Units are subscribed for or redeemed, as described in the Appendix for the relevant Sub-Fund(s)
"Dealing Deadline"	such time on the relevant Dealing Day or on such other Business Day as the Manager may from time to time with the approval of the Trustee determine, as described in the Appendix for the relevant Sub-Fund(s)

"Explanatory Memorandum"	this Explanatory Memorandum including the Appendices, as each may be amended, updated or supplemented from time to time
"**Fund**"	China Everbright Fortune Fund Series
"Government and other public securities"	means any investment issued by, or the payment of principal and interest on which is guaranteed by a government or any fixed-interest investment issued by its public or local authorities or other multilateral agencies
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"HK$" or "HKD"	Hong Kong Dollars, the lawful currency of Hong Kong
"**Investment Delegate**"	means an entity that has been delegated the investment management function of all or part of the assets of a Sub-Fund, the details of which are as specified in the relevant Appendix (if applicable)
"**Issue Price**"	in respect of each Sub-Fund the issue price per Unit as more fully described in the section "Purchase of Units"
"**Manager**"	China Everbright Securities (HK) Limited
"**Net Asset Value**"	the net asset value of the Fund or a Sub-Fund or of a Unit, as the context may require, calculated in accordance with the provisions of the Trust Deed as summarised below under the section headed "Valuation"
"**PBOC**"	the People's Bank of China
"**PRC Securities**"	Renminbi denominated bonds, fixed income instruments, securities investment funds
"**Qualified Exchange Traded Funds**"	means exchange traded funds that are: (a) authorized by the Commission under 8.6 or 8.10 of the Code; or

	(b) listed and regularly traded on internationally recognized stock exchanges open to the public (nominal listing not accepted) and (i) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under 8.6 of the Code; or (ii) the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under 8.10 of the Code
"**Redemption Price**"	the price at which Units will be redeemed as more fully described in the section headed "Redemption of Units"
"Registrar"	ICBC (Asia) Trustee Company Limited in its capacity as registrar of the Fund and its Sub-Funds or such other entity as may be appointed from time to time as the registrar of the Fund and its Sub-Funds
"**reverse repurchase transactions**"	means transactions whereby an Investment Fund purchases securities from a counterparty of sale and repurchase transactions and agrees to sell such securities back at an agreed price in the future
"RMB" or "Renminbi"	renminbi, the lawful currency of the PRC
"**RQFII**"	RMB qualified foreign institutional investors approved pursuant to the relevant PRC regulations (as amended from time to time)
"**sale and repurchase transactions**"	means transactions whereby an Investment Fund sells its securities to a counterparty of reverse repurchase transactions and agrees to buy such securities back at an agreed price with a financing cost in the future
"**securities financing transactions**"	means collectively securities lending transactions, sale and repurchase transactions and reverse repurchase transactions

"**securities lending transactions**"	means transactions whereby an Investment Fund lends its securities to a security-borrowing counterparty for an agreed fee
"Securities Market"	any stock exchange, over-the-counter market or other organised securities market that is open to the international public and on which such securities are regularly traded
"**SFC**"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Laws of Hong Kong (Chapter 571)
"**Sub-Fund**"	a separate pool of assets of the Fund that is invested and administered separately
"**substantial financial institution**"	means an authorized institution as defined in section 2(1) of the Banking Ordinance (Chapter 155 of Laws of Hong Kong) or a financial institution which is on an ongoing basis subject to prudential regulation and supervision, with a minimum net asset value of HK$2 billion or its equivalent in foreign currency, as amended by the Code from time to time
"Transfer Agent"	ICBC (Asia) Trustee Company Limited in its capacity as transfer agent of the Fund and its Sub-Funds or such other entity as may be appointed from time to time as the transfer agent of the Fund and its Sub-Funds
"**Trust Deed**"	the trust deed dated 10 October 2013 establishing the Fund and entered into by the Manager and the Trustee (as amended)
"**Trustee**"	ICBC (Asia) Trustee Company Limited in its capacity as trustee of the Fund
"**Unit**"	a unit in a Sub-Fund
"**Unitholder**"	a person registered as a holder of a Unit
"**US$**" **or "USD"**	US Dollars, the lawful currency of the United States of America

"**Valuation Day**"	such days as the Manager may from time to time determine as are described in the Appendix for the relevant Sub-Fund(s)
"**Valuation Point**"	the close of business in the last relevant market to close on each Valuation Day or such other time on such other day as the Manager may from time to time determine, as described in the Appendix for the relevant Sub-Fund(s) to calculate the Net Asset Value

THE FUND

China Everbright Fortune Fund Series is an open-ended unit trust established as an umbrella fund pursuant to the Trust Deed and governed by the laws of Hong Kong. All Unitholders are entitled to the benefit of, are bound by and deemed to have notice of the provisions of the Trust Deed.

China Everbright Fortune Fund Series is an umbrella unit trust currently offering Units of the Sub-Funds as set out in the Appendices to this Explanatory Memorandum. The Manager may create further Sub-Fund(s) in the future. Investors should contact the Manager to obtain the latest offering document relating to the available Sub-Fund(s).

Each Sub-Fund is established as a separate trust under the Trust Deed, and the assets of each Sub-Fund will be invested and administered separately from the assets of, and shall not be used to meet liabilities of, the other Sub-Fund(s). Multiple classes of Units may be issued in respect of each Sub-Fund and the Manager may create additional classes of Units for any Sub-Fund(s) in its sole discretion in the future. The details of the Sub-Fund(s) and/or the new class or classes of Units related thereto that are on offer are set out in the Appendices to this Explanatory Memorandum.

INVESTMENT OBJECTIVE

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

MANAGEMENT AND ADMINISTRATION OF THE FUND

The Manager

The Manager of the Fund is China Everbright Securities (HK) Limited.

The Manager is a limited liability company incorporated in Hong Kong on 4 January 1991. It is currently licensed by the SFC for Type 1 (dealing in securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO with CE number AAW536. The Manager is a subsidiary of Everbright Securities Company Limited. The Manager undertakes the investment of the assets of the Fund.

The Manager may appoint sub-managers and delegate any of its management functions in relation to assets of specific Sub-Funds to such sub-manager(s) subject to prior SFC approval.

In the event that a sub-manager is appointed by the Manager, at least one month's prior notice will be provided to Unitholders and this Explanatory Memorandum will be updated to include the appointment.

The Manager may also at its discretion, with or without giving any notice, appoint investment adviser(s) to provide investment advice to the Manager in relation to assets of specific Sub-Fund(s). However, the Manager will not delegate any discretionary investment management power to such investment advisers. The remuneration of such sub-managers and investment advisers will be borne by the Manager.

Details of the Directors of the Manager are as follows:

Li Mingming

Mr. Li Mingming is the Executive Director and Chief Executive Officer of China Everbright Securities International Company Limited (previously "Everbright Sun Hung Kai Company Limited"). Prior to joining the firm in July 2021, Mr. Li has held a number of prominent titles in various businesses and departments in the group headed by Everbright Securities Company Limited (SSE: 601788; HKEX: 6178) ("**EBSI Group**") for 17 years. He has solid background and extensive experience in corporate mergers and acquisitions, retail brokerage business, institutional business, corporate finance and business development. Mr. Li holds an Executive Master of Business Administration (EMBA) from Xi'an Jiaotong University.

Yeung Kin Sing

Mr. William Yeung Kin Sing joined Everbright Securities International in 2014 and was appointed as Deputy Chief Executive Officer in 2018. He is currently responsible for managing and driving the businesses of Institutional Business.

Possessing extensive experience in capital markets, Mr. Yeung worked at CLSA Capital Markets Limited prior to joining Everbright Securities International, where he handled regional IPOs, secondary market fundraising, mergers and acquisitions, takeovers and financial advisory projects. Previously, Mr. Yeung worked for various professional firms including Allen & Overy, Simmons & Simmons and Ernst & Young.

Mr. Yeung has a degree in Bachelor of Science from the University of East Anglia and a Postgraduate Diploma in Legal Practice from the University of Westminster. He was an admitted solicitor in Hong Kong and England and Wales, as well as a member of the Institute of Chartered Accountants in England and Wales.

Hon Hau Ngai

Ms. Hon Hau Ngai, Diva is the Managing Director and Head of Capital Markets at China Everbright Securities International. Ms. Hon is a seasoned equity capital markets banker with more than 20 years of experience in originating and executing a wide range of equity fundraising transactions. Ms. Hon joined Everbright Securities International in 2018. Prior to this, she served as Executive Director in the Equity Capital Markets department at BOCOM International (Asia) Limited. Earlier in her career, she worked at CLSA Limited and CITIC Securities International Company Limited. Ms. Hon holds a Bachelor of Arts (Hons) in Accounting and Finance from the University of Greenwich in the United Kingdom.

Kong Sheung Wing

Mr. Kong Sheung Wing, John is the director and responsible officer of China Everbright Securities (HK) Limited. Mr. Kong is a certified financial planner with more than 20 years' experience in investment banking and wealth management. Before joining the EBSI Group, Mr. Kong worked at The Hongkong and Shanghai Banking Corporation Limited and Citibank (HK) Limited. Mr. Kong holds a Master of Science in Financial Engineering Degree and a Bachelor's Degree of Science in Combined Science from City University of Hong Kong and the Hong Kong Baptist University, respectively. He has also completed the part-time MBA programme with the HKU Business School of the University of Hong Kong.

The Trustee, Registrar and Transfer Agent

The Trustee of the Fund is ICBC (Asia) Trustee Company Limited, which is a registered under Part VIII of the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong). The principal activity of the Trustee is the provision of trustee services. The Trustee is independent of the Manager within the meaning of Chapters 4.7 and 4.8 of the Code.

The Trustee is a wholly-owned subsidiary of Industrial and Commercial Bank of China (Asia) Limited, which is a company incorporated in Hong Kong and a bank licensed under section 16 of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Under the Trust Deed, the Trustee shall take into custody or under its control all the investments, cash and other assets forming part of the assets of the Fund and each Sub-Fund and hold them in trust for the Unitholders of the relevant Sub-Fund in accordance with the provisions of the Trust Deed and, to the extent permitted by law, shall register cash and registrable assets in the name of or to the order of the Trustee and such investments, cash and other assets of the relevant Sub-Fund shall be dealt with as the Trustee may think proper for

the purpose of providing for the safe keeping thereto.

The Trustee may, from time to time, appoint such person or persons (including connected persons) as custodian, co-custodian, sub-custodian, delegate, nominee, agent in respect of the whole or any part of the asset of any Sub-Fund and may empower any such person to appoint, subject to no objection in writing from the Trustee, sub-custodians, nominees, agents and/or delegates. The fees and expenses of such custodian, co-custodian, sub-custodians, nominees, agents, delegates or any persons appointed by the Trustee in relation to the relevant Sub-Fund shall be paid out of the relevant Sub-Fund.

The Trustee shall (A) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of agent, nominee, custodian, co-custodian or sub-custodian which are appointed for the custody and/or safekeeping of any of the investments, cash, assets or other property comprised in any of the Sub-Fund or the Fund (each a "Correspondent"); and (B) be satisfied that such Correspondents remain suitably qualified and competent on an ongoing basis to provide the relevant service to the Fund or any Sub-Fund. Provided that the Trustee has discharged its obligations set out in (A) and (B), the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any Correspondent that is not a connected person of the Trustee. The Trustee shall remain liable for any act or omission of any Correspondent that is a connected person of the Trustee as if the same were the act or omission of the Trustee. The Trustee shall use reasonable endeavours to recover any loss of investments and other assets arising from any default of a Correspondent.

The Trustee shall not be responsible for any act or omission of (a) Euroclear Bank S.A./N.V., or Clearstream Banking S.A. or any other such central depositary or clearing and settlement system in relation to any investment deposited with such central depositary or clearing and settlement system; or (b) any lender or a nominee appointed by the lender in whose name any assets of a Sub-Fund transferred to it are registered pursuant to a borrowing undertaken for the account of such Sub-Fund.

Under the Trust Deed, the Trustee and its directors, officers, employees, delegates and agents shall be entitled for the purpose of indemnity against any actions, proceedings, liabilities, costs, claims, damages, expenses (including all reasonable legal, professional and other similar expenses) or demands to which it may be put or asserted against, or which it may incur or suffer whether directly or indirectly, or which are or may be imposed on the Trustee in performing its obligations or functions, or exercising its duties and powers relating to a Sub-Fund, including those arising out of any liability in respect of agreements which the Trustee or the Manager may enter into with other service providers on behalf of any Sub-Fund. The Trustee and its directors, officers, employees, delegates and agents shall be entitled to have recourse to the

assets of the relevant Sub-Fund or any part thereof but shall not have a right of recourse to the assets of any other Sub-Fund. Notwithstanding the foregoing, the Trustee shall not be exempted from or indemnified against any liability imposed under the laws of Hong Kong (including under the Trustee Ordinance) or for breach of trust through fraud or negligence for which it may be liable in relation to its duties, or be indemnified against such liability by Unitholders or at Unitholders' expense.

The Manager is solely responsible for making investment decisions in relation to the Fund and/or each Sub-Fund. The Trustee shall take reasonable care to ensure that the investment and borrowing limitations set out under the section headed "Investment and Borrowing Restrictions", Schedule 1 and any specific investment and borrowing limitations as set out in the relevant Appendix as they relate to a Sub-Fund and the conditions under which such Sub-Fund is authorised pursuant to the SFO are complied with and save for the aforesaid, the Trustee is not responsible and has no liability for any investment decision made by the Manager.

The Trustee (in its capacity as Registrar) will maintain the register of Unitholders. The Trustee also acts as Transfer Agent. It will be responsible for providing transfer agency services to the Fund and the Sub-Funds, including but not limited to, processing applications for the subscription, conversion and redemption of the Units.

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

The Custodian

The Trustee has appointed Industrial and Commercial Bank of China (Asia) Limited ("**ICBC (Asia)**") as the Custodian of the Fund and the Sub-Funds.

ICBC (Asia) is a wholly-owned subsidiary of Industrial and Commercial Bank of China Limited which is one of the largest commercial banks in the world by market capitalization as at 31 December 2019. The Industrial and Commercial Bank of China Limited, together with its subsidiaries (collectively the "ICBC Group"), has reached RMB16.5 trillion (approximately USD2.37 trillion) assets under custody as at 31 December 2019. ICBC (Asia), being the flagship of the ICBC Group outside Mainland China provides global custodian services to institutional clients and is a regional centre covering Asia-Pacific.

Pursuant to the Custodial Services Agreement between the Trustee and the Custodian (the "**Custodial Services Agreement**"), the Custodian will act as the custodian of the Fund's and

the Sub-Funds' assets, which may be held directly by the Custodian or through its agents, sub-custodians, or delegates pursuant to the Custodial Services Agreement.

The Authorised Distributors

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

CLASSES OF UNITS

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

DEALING DAY AND DEALING DEADLINE

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

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

PURCHASE OF UNITS

Initial Offer

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

Subsequent Subscription

Following the close of the initial offer period of the relevant Sub-Fund, Units will be issued at the prevailing Issue Price per Unit. The Issue Price on any Dealing Day will be the Net Asset Value of the relevant class of Units of the Sub-Fund as at the Valuation Point in respect of the Dealing Day divided by the number of such class of Units then in issue, rounded down to 2 decimal places. Any rounding adjustment shall be retained for the benefit of the relevant Sub-Fund. In calculating the Issue Price, the Manager may impose surcharges to compensate for the difference between the price at which assets of the relevant Sub-Fund are to be valued and the total cost of acquiring such assets including other relevant expenses such as taxes, governmental charges, brokerages, etc.

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

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

Application Procedure

To purchase Units an investor should complete the application form, which may be obtained from the Authorised Distributors or the Manager (the "**Application Form**"), and return the original Application Form (if original is required by the Manager or the Transfer Agent) to the Authorised Distributors or the Manager or the Transfer Agent (details of which as set out in the Application Form). Further supporting documents (described in the Application Form) should also be provided together with the Application Form.

Where application for Units is made through an Authorised Distributor, Units may be

registered in the name of a nominee company of the Authorised Distributor through whom the applicant applies for the Units. As a result of this arrangement, the applicant will be dependent on the person in whose name the applicant's Units are registered to take action on his/her behalf.

Applications will generally be accepted on a Dealing Day only if cleared funds have been received on or prior to such Dealing Day in relation to which Units are to be issued. Notwithstanding the above and subject to the discretion of the Manager, a Sub-Fund may rely upon application orders received, even prior to receipt of application moneys, and may issue Units to investors according to such application orders and invest the expected application amounts. If payment is not cleared within 3 Business Days following the relevant Dealing Day (or such other date as the Manager shall determine and notify the relevant applicant at the time of receipt of the application), the Manager reserves the right to cancel the transaction. In such circumstances, an investor may be required to settle the difference between the prices at issue and at cancellation of the Units concerned and in addition the appropriate cancellation fees and charges.

The Application Form may also be sent by facsimile or other means from time to time determined by the Manager or the Transfer Agent, provided the original follows promptly, unless the Manager or the Transfer Agent agrees otherwise. Investors should be reminded that if they choose to send the Application Forms by facsimile, they bear their own risk of such applications not being received. Investors should note that the Fund, the Sub-Funds, the Manager, the Trustee, the Transfer Agent and their respective agents and delegates accept no responsibility for any loss caused as a result of non-receipt or illegibility of any application sent by facsimile or for any loss caused in respect of any action taken as a consequence of such facsimile instructions believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a facsimile transmission report produced by the originator of such transmission discloses that such transmission was sent. Investors should therefore for their own benefit confirm with the Manager or the Transfer Agent safe receipt of an application.

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

The Manager or its Authorised Distributor(s)/intermediary(ies), at its/their discretion, is/are entitled to impose a preliminary charge of up to 5% on the total subscription amount received (i.e. before deducting preliminary charge) in relation to an application, and the current rates are described in the relevant Appendix for each Sub-Fund. The Manager or its Authorised Distributor(s)/intermediary(ies) may retain the benefit of such charge or may re-allow or pay

all or part of the preliminary charge (and any other fees received) to intermediaries or such other persons as the Manager or its Authorised Distributor(s)/intermediary(ies) may at its/their absolute discretion determine. The Manager or its Authorised Distributor(s)/intermediary(ies) also has/have discretion to waive the preliminary charge in whole or in part in relation to any subscription for Units whether generally or in a particular case.

For the avoidance of doubt, a numerical example of the calculation of the subscription of Units illustrating the number of Units to be issued based on the total subscription amount of HKD10,000 at an initial offer price of HKD10.00 and with an applicable preliminary charge of 5% is set out below:

Total subscription amount		Preliminary charge		Net subscription amount		Initial offer price		Number of Units
HKD10,000	-	HKD500	=>	HKD9,500	/	HKD10.00	=	950

Investment Minima

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

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

Payment Procedure

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

All payments should be made by direct transfer or telegraphic transfer (or other manner as may be agreed by the Manager). Any costs of transfer of application moneys to a Sub-Fund will be payable by the applicant. Currency conversion will be subject to availability of the currency

concerned.

Details of payments by direct transfer and/or telegraphic transfer are set out in the Application Form.

All application moneys must originate from an account held in the name of the applicant. No third party payments shall be accepted. The applicant should provide sufficient evidence as to the source of payment.

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

General

All holdings will be held for the Unitholders in registered form and no certificates will 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, the Trustee and the Transfer Agent and Registrar are informed of any change to the registered details.

Fractions of Units may be issued rounded down to 2 decimal places. Application moneys representing smaller fractions of a Unit will be retained by the relevant Sub-Fund. The Manager reserves the right to reject any application in whole or in part. In the event that an application is rejected, application moneys will be returned without interest by telegraphic transfer to the bank account from which the moneys originated at the risk and expense of the applicants (or in such other manner determined by the Manager and the Trustee). A maximum of 4 persons may be registered as joint Unitholders.

REDEMPTION OF UNITS

Redemption Procedure

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

Partial redemptions may be effected subject to any minimum redemption amount for each class

of Units of a Sub-Fund as disclosed in the relevant Appendix or as the Manager may determine from time to time whether generally or in a particular case.

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

A redemption request may be sent by facsimile or other means from time to time determined by the Manager or the Transfer Agent, provided the original must follow promptly by mail, and must specify (i) the name of the Sub-Fund and the value or number of Units to be redeemed (ii) the relevant class of Units to be redeemed (iii) the name(s) of the registered holder(s); and (iv) the payment instructions for the redemption proceeds and (v) the registered account number with the Fund. Investors should be reminded that if they choose to send redemption requests by facsimile, they bear their own risk of the requests not being received or being illegible. Investors should note that the Fund, the Sub-Funds, the Manager, the Trustee, the Transfer Agent and their respective agents and delegates accept no responsibility for any loss caused as a result of 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 instructions believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a facsimile transmission report produced by the originator of such transmission discloses that such transmission was sent. Investors should therefore for their own benefit confirm with the Manager or the Transfer Agent the safe receipt of a redemption request.

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

Payment of Redemption Proceeds

The Redemption Price on any Dealing Day shall be the price per Unit ascertained by dividing the Net Asset Value of the relevant class of the Sub-Fund as at the Valuation Point in respect of the Dealing Day by the number of such class of Units then in issue rounded down to 2 decimal places. Any rounding adjustment shall be retained by the relevant Sub-Fund. Such price shall be calculated in the base currency of the relevant Sub-Fund and quoted by the Manager in such base currency and in such other currency or currencies at the Manager's discretion (with prior notice to the Trustee) by converting such price to its equivalent in such other currency or currencies at the same rate as the Manager shall apply in calculating the Net Asset Value as at the Valuation Point. In calculating the Redemption Price, the Manager may

impose deductions to compensate for the difference between the price at which assets of the relevant Sub-Fund are to be valued and the net proceeds which would be received on sale of such assets and for the relevant expenses such as taxes, governmental charges, brokerages, etc.

The Manager may at its option impose a redemption charge of up to 1% of the total redemption proceeds. The redemption charge, if any, is described in the relevant Appendix. The Manager may on any day in its sole and absolute discretion differentiate between Unitholders as to the amount of the redemption charge to be imposed (within the permitted limit).

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

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

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

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

If the Manager or the Trustee is required by the laws of any relevant jurisdiction to make a withholding from any redemption moneys payable to the holder of a Unit the amount of such withholding shall be deducted from the redemption moneys otherwise payable to such person, provided that the Manager or the Trustee is acting in good faith and on reasonable grounds.

Subject to the provisions of the Trust Deed and save for any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence for which the Manager and the Trustee may be liable in relation to their duties, neither the Manager nor the Trustee nor their agents shall be liable for any loss caused by any refusal or delay in making payment as a result of the circumstances described in this section.

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

Redemption proceeds will only be paid to a bank account that bears the name of the redeeming Unitholder. No payments to third parties will be made.

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

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

SWITCHING BETWEEN CLASSES

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

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

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

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

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

Where:

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

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

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

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

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

SF is a switching charge (if any).

The Manager has a right to impose a switching charge of up to 2% of the total amount being switched into and the current rates are set out in the relevant Appendix.

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

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

Restrictions on redemption and switching

The Manager may suspend the redemption or switching of Units or delay the payment of redemption proceeds during any periods in which the determination of the Net Asset Value of the relevant Sub-Fund is suspended (for details see "Suspension of Calculation of Net Asset Value" below). Payment of moneys in respect of a properly documented redemption request duly received and fully processed prior to a declaration of suspension of determination of the Net Asset Value of the relevant Sub-Fund will be made in accordance with the procedures set out in the section headed "Payment of Redemption Proceeds".

Any Unitholder may at any time after such a suspension has been declared and before lifting

of such suspension withdraw any request for the redemption of Units of such class by notice in writing to the Transfer Agent or the Authorised Distributors or the Manager.

With a view to protecting the interests of Unitholders, the Manager is entitled to limit the number of Units of any Sub-Fund redeemed on any Dealing Day (whether by sale to the Manager or by cancellation of the Units) to 10% of the total number of Units of the relevant Sub-Fund in issue. In this event, the limitation will apply pro rata so that all Unitholders of the relevant Sub-Fund who have validly requested to redeem Units of the same Sub-Fund on that Dealing Day will redeem the same proportion of such Units of that Sub-Fund, and Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption on the next Dealing Day based on the Redemption Price as at the next Dealing Day, subject to the same limitation, and will have priority on the next Dealing Day over subsequent redemption requests received in respect of such subsequent Dealing Days. If requests for redemption are so carried forward, the Manager will promptly inform the Unitholders concerned.

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

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

VALUATION

The Net Asset Value of each Sub-Fund will be determined as at each Valuation Point in accordance with the Trust Deed.

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

(a) except in the case of any interest in a collective investment scheme to which paragraph (b) applies or a commodity, and subject as provided in paragraph (g) below, all calculations based on the value of investments quoted, listed or normally dealt in on

any Securities Market shall be made by reference to the last traded price or closing price as calculated and published by the Securities Market (which, in the opinion of the Manager, provides the principal Securities Market for such Investment) for such investments in accordance with its local rules and customs, at or immediately preceding the Valuation Point, provided that: (i) if an investment is quoted, listed or normally dealt in on more than one such Securities Market, the price adopted shall be the last traded price or closing price as published by the Securities Market which, in the opinion of the Manager, provides the principal Securities Market for such investment; (ii) if prices on such Securities Market are not available at the relevant time, the value of the investment shall be certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager or, if the Trustee so requires, by the Manager after consultation with the Trustee; (iii) there shall be taken into account interest accrued on interest-bearing investments up to (and including) the date as at which valuation is made, unless such interest is included in the quoted or listed price; and/or (iv) if the Manager in its discretion considers that the prices ruling on a Securities Market other than the principal Securities Market provide in all the circumstances a fairer criterion of value in relation to any such investment, it may adopt such prices subject to consultation with the Trustee. In determining such prices the Manager and the Trustee shall be entitled to use and rely on without verification electronically transmitted information from such source or sources as they may from time to time determine notwithstanding the prices used are not the last traded prices or closing prices;

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

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

(d) the value of any investment (other than an interest in a collective investment scheme or a commodity) which is not quoted, listed or normally dealt in on a Securities Market

shall be the initial value thereof equal to the amount expended out of the relevant Sub-Fund in the acquisition of such investment (including in each case the amount of stamp duties, commissions and other acquisition expenses) provided that the value of any such unquoted investments shall be determined on a regular basis based on the latest revaluation by a professional person approved by the Trustee as qualified to value such investments. Such professional person may, with the approval of the Trustee, be the Manager;

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

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

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

For instance, where the market value of an investment is unavailable or where the Manager reasonably believes that no reliable price exists or the most recent price available does not reflect a price the relevant Sub-Fund would expect to receive upon the current sale of the investment, the Manager may value the investment at a price which the Manager believes reflects a fair and reasonable price for that investment in the prevailing circumstances.

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

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

ongoing supervision and periodic review by the Manager.

Suspension of Calculation of Net Asset Value

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

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

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

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

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

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

(f) when, in the opinion of the Manager, such suspension is required by law or applicable

legal process; or

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

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

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

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

Whenever the Manager declares such a suspension it shall immediately notify the SFC of such suspension. The Manager shall, as soon as may be practicable after any such declaration and at least once a month during the period of such suspension, publish a notice on the website of the Manager at http://www.ebshk.com (this website has not been reviewed by the SFC) stating the fact that the calculation of the Net Asset Value of a Sub-Fund has been suspended.

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

INVESTMENT AND BORROWING RESTRICTIONS

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

Breach of Investment and Borrowing Restrictions

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

Borrowing Restrictions

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

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

Leverage

The expected maximum level of leverage of the Sub-Funds is set out in the relevant Appendix.

Securities Lending, Sale and Repurchase and Reverse Repurchase Transactions

The Manager may not enter into any securities financing transactions in respect of any Sub-Fund unless otherwise disclosed in the Appendix of a Sub-Fund.

Where it is disclosed in the relevant Appendix, a Sub-Fund may engage in securities lending, sale and repurchase and/or reverse repurchase transactions. A Sub-Fund may engage in securities lending, sale and repurchase and/or reverse repurchase transactions provided that they are in the best interests of Unitholders of the relevant Sub-Fund to do so and the associated risks have been properly mitigated and addressed. Information on a Sub-Fund's securities financing transactions will be included in the annual report of the Sub-Fund. A summary of the policy of the Manager in relation to securities financing transactions is set out in Schedule 2 to this Explanatory Memorandum.

RISK FACTORS

Investors should consider the following risks and any additional risk(s) relating to any specific

Sub-Fund, contained in the relevant Appendix, before investing in any of the Sub-Funds. Investors should note that the decision whether or not to invest remains with them. If investors have any doubt as to whether or not a Sub-Fund is suitable for them, they should obtain independent professional advice. There is no assurance that the investment objective of the respective Sub-Fund will be achieved.

Each Sub-Fund is subject to market fluctuations and to the risks inherent in all investments. The price of Units of any Sub-Fund and the income from them may go down as well as up.

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

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

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

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

Investments in equity interests of Chinese companies may be made through China H-Shares (i.e. shares issued by companies incorporated in the PRC and listed on the Stock Exchange of Hong Kong and traded in Hong Kong dollars). The PRC stock market has in the past experienced substantial price volatility, and there is no assurance that such

volatility will not occur in future.

Investment in RMB denominated bonds may be made outside the PRC. As the number of the total market value of these securities are relatively small compared to more developed markets, investments in these securities may be subject to increased price volatility and lower liquidity.

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

(iii) ***Settlement risk*** – A Sub-Fund may be subject to a risk of substantial loss if a securities firm defaults in the performance of its responsibilities. The Sub-Fund may incur substantial losses if its counterparty fails to pay for securities the Sub-Fund has delivered, or for any reason fails to complete its contractual obligations owed to the Sub-Fund. On the other hand, significant delays in settlement may occur in certain markets in registering the transfer of securities. Such delays could result in substantial losses for a Sub-Fund if investment opportunities are missed or if a Sub-Fund is unable to acquire or dispose of a security as a result.

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

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

(v) ***Concentration risk*** - Certain Sub-Funds may invest only in a specific country/region/sector. Each Sub-Fund's portfolio may not be well diversified in terms of the number of holdings and the number of issuers of securities that the Sub-Fund

may invest in. Investors should also be aware that such Sub-Funds are likely to be more volatile than a broad-based fund, such as a global or regional equity fund, as they are more susceptible to fluctuations in value resulting from limited number of holdings or from adverse conditions in their respective countries.

(vi) ***Equity risk*** - A Sub-Fund's investment in equity securities is subject to general market risks. The risks associated with investments in equity securities may be high, because the investment performance of equity securities depends upon a number of factors which are difficult to predict. The value of the Sub-Fund's investment in equity securities may fluctuate due to various factors, such factors include but are not limited to real or perceived adverse political, economic and market conditions, changes in the general outlook for corporate earnings, risks associated with individual companies, changes in interest or currency rates or adverse investor sentiment and issuer-specific factors. The fundamental risk associated with any equity portfolio is the risk that the value of the investments it holds might fall in value. As a result, the value of the relevant Sub-Fund may fall in value.

(vii) ***Risks of investing in debt instruments with loss-absorption features (LAP) -*** Debt instruments with loss-absorption features are subject to greater risks when compared to traditional debt instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of a pre-defined trigger event (e.g. when the issuer is near or at the point of non-viability or when the issuer's capital ratio falls to a specified level), which are likely to be outside of the issuer's control. Such trigger events are complex and difficult to predict and may result in a significant or total reduction in the value of such instruments.

In the event of the activation of a trigger, there may be potential price contagion and volatility to the entire asset class. Debt instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.

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

A Sub-Fund may invest in senior non-preferred debts. While these instruments are generally senior to subordinated debts, they may be subject to write-down upon the

occurrence of a trigger event and will no longer fall under the creditor ranking hierarchy of the issuer. This may result in total loss of principal invested.

(viii) ***Risks of investing in IPO securities*** - When investing in IPO securities, the Sub-Fund may experience volatility in price as the prices of IPO securities are often subject to greater and more unpredictable price changes than more established securities. There is also a risk that there are inadequate trading opportunities generally or allocations for IPO securities which the Manager wishes or is able to participate in. Furthermore, the liquidity and volatility risks associated with investments or potential investments in IPO securities may be difficult to assess, due to the lack of trading history of such IPO securities. As a result, the foregoing risks may have an unfavourable impact on the Net Asset Value of the relevant Sub-Fund.

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

(x) ***Risks of investing in other funds*** - A Sub-Fund may invest in underlying funds which are not regulated by the SFC and will be subject to the risks associated with the underlying funds. In addition to the expenses and charges charged by such Sub-Fund, investor should note that there are additional fees involved when investing into these underlying funds, including fees and expenses charged by investment manager of these underlying funds as well as fees payable by the relevant Sub-Fund during its subscription to or redemption from these underlying funds. Furthermore, there can be

no assurance that 1) the liquidity of the underlying funds will always be sufficient to meet redemption request as and when made; and 2) investment objective and strategy will be successfully achieved despite the due diligence procedures undertaken by the Manager and the selection and monitoring of the underlying funds as the Sub-Fund does not have control of the investments of the underlying funds. As a result, the foregoing risks may have an unfavourable impact on the Net Asset Value of the relevant Sub-Fund. If a Sub-Fund invests in an underlying fund managed by the Manager or connected person of the Manager, potential conflict of interest may arise. Please refer to the section headed "Conflicts of Interest" for details under the circumstances.

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

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

(xiii) ***Credit rating downgrading risk*** - The credit ratings of fixed income instruments by credit rating agencies are a generally accepted barometer of credit risk. They are, however, subject to certain limitations. For example, the rating of an issuer is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is often a time lag in updating the credit ratings in response to recent credit events. Investment grade securities may be subject to the risk of being downgraded to below investment grade securities. In the event of downgrading in the credit ratings of a security or an issuer relating to a security, a Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not dispose of the securities, subject to the investment objectives of the relevant Sub-Fund. In the event of investment grade securities being downgraded to below investment grade securities, the Sub-Fund will also be subject to the below investment grade securities

risk outlined in the following paragraph.

(xiv) ***Below investment grade and unrated securities risk*** - A Sub-Fund may invest in securities which are below investment grade or which are unrated. Investors should note that such securities would generally be considered to have a higher degree of counterparty risk, credit risk and liquidity risk than investment grade debt securities.

If the issuer of securities defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. The market for these securities may be less active, making it more difficult to sell the securities. Valuation of these securities is more difficult and thus the relevant Sub-Fund's prices may be more volatile.

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

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

(xvi) ***Hedging risk*** - The Manager is permitted, but not obliged, to use hedging techniques such as using futures, options and/or forward contracts to attempt to offset market and currency risks. There is no guarantee that hedging techniques will achieve their desired result.

(xvii) ***Liquidity risk*** - Some of the markets in which a Sub-Fund invests may be less liquid and more volatile than the world's leading stock markets and this may result in the fluctuation in the price of securities traded on such markets. Certain securities may be difficult or impossible to sell, and this would affect the Sub-Fund's ability to acquire or dispose of such securities at their intrinsic value.

(xviii) ***Volatility risk*** – Prices of securities may be volatile. Price movements of securities are difficult to predict and are influenced by, among other things, changing supply and demand relationships, governmental trade, fiscal, monetary and exchange control

policies, national and international political and economic events, and the inherent volatility of the market place. A Sub-Fund's value will be affected by such price movements and could be volatile, especially in the short-term.

(xix) ***Difficulties in valuation of investments*** – Securities acquired on behalf of the Fund may subsequently become illiquid due to events relating to the issuer of the securities, market and economic conditions and regulatory sanctions. In cases where no clear indication of the value of a Fund's portfolio securities is available (for example, when the secondary markets on which a security is traded has become illiquid) the Manager may apply valuation methods to ascertain the fair value of such securities, pursuant to the Trust Deed.

In addition, market volatility may result in a discrepancy between the latest available issue and redemption prices for the Fund and the fair value of the Fund's assets. To protect the interest of investors, the Manager may, with the consent of the Trustee, adjust the net asset value of the Fund or the Units, if in the circumstances it considers that such adjustment is required to reflect more accurately the fair value of the Fund's assets, pursuant to the Trust Deed.

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

(xx) ***Legal, tax and regulatory risk*** - Legal, tax and regulatory changes could occur in the future. For example, the regulatory or tax environment for derivative instruments is evolving, and changes in their regulation or taxation may adversely affect the value of derivative instruments. Changes to the current laws and regulations will lead to changes in the legal requirements to which the Fund may be subject, and may adversely affect the Fund and the investors. The Manager's investment decisions will be based primarily upon economic, not tax, considerations, and could impact some or all investors from a tax perspective. Please refer to the risk factor section of the relevant appendix describing each sub-fund for the specific tax impact to potential investors of the respective sub-fund. There have recently been certain well-publicized incidents of regulators unexpectedly announcing regulatory changes or interpretations that prohibited strategies that had been implemented in a variety of formats for many years. Market disruptions such as those experienced in the credit-driven equity market collapse in recent years may lead to increased governmental scrutiny of the investment fund industry in general. Increased governmental as well as self-regulatory scrutiny of

mutual and other forms of retail funds cannot be discounted. While the additional or new regulations serve to protect investors' interests, such regulations may increase compliance costs and thus affecting the performance of an investment fund.

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

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

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

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

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

debited against the Sub-Fund's assets at that time.

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

In general, an FFI which does not sign an FFI Agreement or is not otherwise exempt will face a punitive 30% withholding tax on all "withholdable payments" derived from US sources, including dividends, interest and certain derivative payments made on or after 1 July 2014. In addition, starting from 1 January 2017, gross proceeds such as sales proceeds and returns of principal derived from stocks and debt obligations generating US source dividends or interest will be treated as "withholdable payments".

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

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

tax on payments made to non-compliant FFIs.

The Manager has been registered as a "sponsoring FFI" (i.e. the FFI which undertakes the obligations under FATCA on behalf of the Fund and/or the Sub-Funds).

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

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

Each Unitholder and prospective investor should consult with his own tax advisor regarding the possible implications of FATCA on them and the Sub-Fund.

(xxv) ***Distribution out of capital*** - Subject to the disclosure in the relevant Appendix, dividends may be paid out of the capital of the relevant Sub-Fund. The Manager may at its discretion distribute out of the capital of the relevant Sub-Fund if the income generated from the relevant Sub-Fund's investments attributable to the relevant class of Units during the relevant period is insufficient to pay distributions as declared. The Manager may also at its discretion pay dividend out of gross income while charging/paying all or part of the relevant Sub-Fund's fees and expenses to/out of the capital of the relevant Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the relevant Sub-Fund and therefore, the relevant Sub-Fund may effectively pay dividend out of capital.

Investors should note that the payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of a Sub-Fund's capital or effectively out of a Sub-Fund's capital may result in an immediate reduction of the Net Asset Value of the relevant Units.

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

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

EXPENSES AND CHARGES

Management Fee

The Manager is entitled to receive a management fee accrued daily and payable monthly in arrears out of each Sub-Fund as a percentage of the Net Asset Value of each class of Unit in a Sub-Fund as at each Valuation Day at the rates set out in the Appendix for the relevant Sub-Fund subject to a maximum fee of 2.5% per annum.

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

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

Performance Fee

The Manager may charge a performance fee for certain Sub-Fund(s), payable out of the assets of the relevant Sub-Fund based on its Net Asset Value. If a performance fee is charged, further details will be provided in the Appendix for the relevant Sub-Fund, including the current rate of the performance fee payable and the basis of calculation of such fee.

Trustee Fee

The Trustee is entitled to a Trustee Fee, payable out of the assets of each Sub-Fund based on

the Net Asset Value of the relevant Sub-Fund at the rate set out in relevant Appendix for the Sub-Fund subject to a maximum rate of 1% per annum of the Net Asset Value of the relevant Sub-Fund. The Trustee's fee is accrued as at each Valuation Day and is payable monthly in arrears. Unitholders shall be given not less than one month's prior notice should there be any increase of the Trustee Fee from the current level up to the maximum level.

The Trustee will be entitled to reimbursement by the Sub-Fund for any out-of-pocket expenses incurred in the course of their duties.

Custody Fee

A Custody Fee of up to 1% per annum of the month-end market value (if unavailable, the nominal value) of the relevant Sub-Fund's investments in custody plus transaction fees at customary rates dependent on the market a Sub-Fund invests in and out of pocket expenses incurred by the Custodian appointed by the Trustee may be charged separately to the assets of the relevant Sub-Fund. Such custody fee is accrued and is payable monthly in arrears. Unitholders shall be given not less than one month's prior notice should there be any increase of the Custody Fee from the current level up to the maximum level.

The Custodian will be entitled to reimbursement by the Sub-Fund for any out-of-pocket expenses incurred in the course of its duties.

Registrar Fee

The Registrar may receive a transaction-based fee for each Sub-Fund and may be reimbursed other out-of-pocket expenses incurred in the course of its duties.

Establishment Costs

As at the date of this Explanatory Memorandum, the establishment costs for the Fund and the initial Sub-Fund have been fully amortised.

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

General

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

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

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

Transactions with Connected Persons, Cash Rebates and Soft Commissions

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

In transacting with brokers or dealers connected to the Manager, the Investment Delegate of the relevant Sub-Fund, the Trustee or any of their connected persons, the Manager must ensure that:

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

(b) it uses due care in the selection of such brokers or dealers and ensures that they are suitably qualified in the circumstances;

(c) transaction execution must be consistent with applicable best execution standards;

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

(e) it monitors such transactions to ensure compliance with its obligations; and

(f) the nature of such transactions and the total commissions and other quantifiable benefits received by such broker or dealer shall be disclosed in the annual financial report of the Fund and/or the relevant Sub-Fund.

None of the Manager, the Investment Delegate or any of their connected persons will retain cash or other rebates from brokers or dealers in consideration of directing transactions for a Sub-Fund to such brokers or dealers, save that goods and services (soft commissions) as described in the paragraph below may be retained. Any such cash commission or rebates received from any such brokers or dealers shall be for the account of the relevant Sub-Fund.

The Manager, the Investment Delegate and/or any of their connected persons reserve the right to effect transactions by or through a broker or dealer with whom the Manager, the Investment Delegate and/or any of their connected persons have an arrangement under which that broker or dealer will from time to time provide to or procure for the Manager, the Investment Delegate and/or any of their connected persons goods, services for which no direct payment is made but instead the Manager, the Investment Delegate, and/or any of their connected persons undertake to place business with that broker or dealer. The Manager shall procure that no such arrangements are entered into unless (i) the goods and services to be provided pursuant thereto are of demonstrable benefit to the Unitholders (taken as a body and in their capacity as such) whether by assisting the Manager and/or the Investment Delegate in their ability to manage the relevant Sub-Fund or otherwise; (ii) the transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates; (iii) periodic disclosure is made in the annual report of the Fund or the relevant Sub-Fund in the form of a statement describing the soft commissions policies and practices of the Manager or the Investment Delegate, including a description of goods and services received by them; and (iv) the availability of soft commissions arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer. For the avoidance of doubt, 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 the Unitholders. Such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

TAXATION

Each prospective Unitholder should inform himself of, and where appropriate take 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.

The following summary of certain taxation is of a general nature, is for information purposes only, and is not intended to be an exhaustive list of all of the tax considerations that may be relevant to a decision to purchase, own, redeem or otherwise dispose of Units. This summary does not constitute legal or tax advice and does not purport to deal with the tax consequences applicable to all categories of Unitholders. Prospective Unitholders should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, redeeming or disposing of Units both under the laws and practice of Hong Kong and the laws and practice of their respective jurisdictions. The information below is based on the law and

practice in force in Hong Kong at the date of this Explanatory Memorandum. The relevant laws, rules and practice relating to tax are subject to change and amendment (and such changes may be made on a retrospective basis). As such, there can be no guarantee that the summary provided below will continue to be applicable after the date of this Explanatory Memorandum.

Hong Kong Taxation

The Fund/ Sub-Fund(s)

(a) Profits Tax:

The Fund, as a collective investment scheme constituted as a unit trust and authorised under Section 104 of the SFO, is exempt from Hong Kong Profits Tax.

(b) Stamp Duty:

Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, no Hong Kong Stamp Duty is payable by the Fund on an issue or redemption of Units.

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

The sale and purchase of Hong Kong stocks by the Fund will be subject to Stamp Duty in Hong Kong at the current rate of 0.2 per cent of the price of the shares purchased and of the shares sold. In practice, the Fund will be liable to one half of such Hong Kong Stamp Duty on each transaction. In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of Units.

The Unitholders

(a) Profits Tax:

It is understood that, under the Inland Revenue Department's current practice, Hong Kong Profits Tax will not be payable by Unitholders on distributions made by Fund. However, Unitholders should take advice from their own professional advisers as to their particular tax position.

Hong Kong Profits Tax will not be payable by the Unitholders (other than Unitholders

carrying on a trade, profession or business and holding Units for trading purposes) on any gains made on the sale or other disposal of Units.

(b) Stamp Duty:

No Hong Kong ad valorem stamp duty is payable by a Unitholder in relation to an issue of Units or on the redemption of Units.

The transfer (for example the sale and purchase) of Units by a Unitholder may attract Hong Kong Stamp Duty at the current rate of 0.2 per cent of the price of the Units being sold or purchased, whether or not the sale or purchase is on or off the Hong Kong Stock Exchange. The Unitholder selling the Units and the purchaser will each be liable for one-half of the amount of Hong Kong Stamp Duty payable upon such transfer. In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of Units.

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 Ordinance requires financial institutions ("**FI**") in Hong Kong to collect Unitholders' information from 1 January 2017, and to file such information of Unitholders residing in jurisdictions which signed a Competent Authority Agreement ("**CAA**") with Hong Kong (collectively "**reportable jurisdictions**") with the Hong Kong Inland Revenue Department ("**IRD**") annually commencing from the year 2018. The Hong Kong IRD will in turn exchange such information with government authorities of the reportable jurisdictions. Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has a CAA; however, the Fund, the Sub-Funds, the Manager and/or its agents may further collect information relating to residents of other jurisdictions.

The Fund and each Sub-Fund are required to comply with the Ordinance, which means that the Fund, the Sub-Funds, the Manager and/or their agents shall collect and provide to IRD information relating to Unitholders and prospective investors.

The Ordinance requires the Fund and each Sub-Fund to, amongst other things: (i) register its status as a "Reporting Financial Institution" with the IRD; (ii) conduct due diligence on its accounts (i.e., the 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 reportable jurisdictions. Broadly, the Ordinance contemplates that Hong Kong FIs should report on: (i) individuals or entities that are tax residents of reportable jurisdictions; and (ii) certain entities controlled by individuals who are tax residents of reportable jurisdictions. Under the Ordinance, details of Unitholders, including but not limited to their name, date of birth (for individuals only), jurisdiction of birth (for individuals only), 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 of the reportable jurisdictions.

By investing in the Fund and/or the Sub-Funds and/or continuing to invest in the Fund and/or the Sub-Funds, Unitholders acknowledge that they may be required to provide additional information to the Fund, the Sub-Funds, the Manager and/or its agents in order for the Fund and/or the Sub-Funds to comply with the Ordinance. The Unitholder's information (and information pertaining to controlling persons, as defined in the Ordinance, of a Unitholder that is not a natural person), may be communicated by the IRD to government authorities of the reportable jurisdictions.

To assist in identifying Unitholders (and/or their controlling persons of a Unitholder that is not a natural person) who own Reportable Accounts, the Unitholders and prospective Unitholders (and/or their controlling persons) are required by the Fund, the relevant Sub-Fund, the Manager, the Trustee or their agents to complete self-certification forms for verification of the Unitholders' (and/or their Controlling Persons') respective tax residency status.

A failure by a prospective investor to provide a duly completed self-certification will result in the subscription for Units being rejected.

By investing in the Fund and its Sub-Funds and/or continuing to invest in the Fund and its Sub-Funds, Unitholders acknowledge that they may be required to provide additional information to the Fund, the relevant Sub-Funds, the Manager, the Trustee and/or the sub-fund's agents in order for the Fund and its sub-fund to fulfil its legal obligations. Each Unitholder will update the relevant information when such information is no longer accurate. The Unitholder's information (and information pertaining to controlling persons including beneficial owners, beneficiaries, direct or indirect Unitholders or other persons associated with such Unitholders as appropriate, as defined in the applicable law and regulation), may be reported to the IRD which will then exchange with the competent authorities in the reportable jurisdictions.

In the event a Unitholder does not provide the requested information and/or documentation related to the applicable law and regulation, it may result in the Manager on behalf of the Fund and/or each of such relevant Sub-Fund taking any action and/or pursue remedies at their

disposal including, without limitation, mandatory redemption or withdrawal of the Unitholder concerned in accordance with applicable laws and regulations, exercised by the Manager acting in good faith and on reasonable grounds.

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

PRC Taxation

The PRC tax summary in this section is general in nature and does not propose to cover all PRC tax consequences with respect to an investment in the Fund / Sub-Fund. This summary is not intended or written to be used, and may not be used, by any taxpayer in order to avoid taxes which may be imposed on the taxpayer under PRC tax law or the tax law of any other country or jurisdiction. This summary was written to support the promotion or marketing of the Fund / Sub-Fund. Each taxpayer should seek tax advice from an independent tax adviser based on the taxpayer's particular circumstances.

Sub-Fund(s)

(a) Corporate Income Tax ("CIT")

A Sub-Fund would invest in securities including (i) debt and/or equity securities issued within China, and (ii) other permissible investments in the PRC via RMB qualified foreign institutional investors (RQFII). The Manager and the Trustee intend to manage and operate the relevant Sub-Fund in such a manner that the relevant Sub-Fund should not be treated as a tax resident enterprise of the PRC or a non-tax resident enterprise with an establishment or place of business in the PRC for CIT purposes. As such, it is expected that the relevant Sub-Fund should not be subject to CIT on an assessment basis and would only be subject to CIT on a withholding basis to the extent the relevant Sub-Fund directly derives PRC sourced income in respect of its investment in debt and/or equity instruments.

(i) Investment in debt securities issued within China

By directly investing in Renminbi denominated debt instruments issued by tax residents in the PRC, the relevant Sub-Fund may be subject to CIT at the rate of 10% on a withholding basis ("WHT") which is imposed in the PRC on the income (including interest and capital gains) derived by non-resident (such as the relevant Sub-Fund) from the investment in debt instruments.

Interest

Unless a specific exemption is applicable, non-residents, including the relevant Sub-Fund are subject to PRC withholding tax on the interest income derived from the investment in debt instruments issued by PRC tax residents, including bonds issued by enterprises established within mainland China and policy banks in the PRC (i.e. China Development Bank, Agricultural Development Bank of China and The Export-Import Bank of China). The general withholding income tax rate applicable is 10%, which may be reduced under the double tax arrangement between the PRC and Hong Kong SAR in which the RQFII holder / the relevant Sub-Fund is tax resident. Pursuant to *Announcement [2026] No. 5 of the Ministry of Finance and the State Taxation Administration*, bond interest income derived by overseas institutions from investments in the domestic bond market is temporarily exempt from CIT and Value-added Tax ("VAT") until 31 December 2027, except for bond interest income derived by an establishment or place of business set up in the PRC by an overseas institution where such income is effectively connected with that establishment or place of business.

Interest derived from state treasury bonds is currently exempt from PRC income tax under the CIT Law. State treasury bonds refer to bonds issued by the finance department of the State Council (i.e. Ministry of Finance of the PRC).

Capital gains

The current tax regulations do not expressly address this issue. Based on current practice, capital gains derived by the relevant Sub-Fund from the disposal or transfer of RMB-denominated corporate, government and non-government bonds may be regarded as income from the transfer of movable property sourced outside the PRC and, accordingly, would not be subject to PRC withholding tax at the rate of 10%.

If such capital gains are regarded as PRC-sourced income, pursuant to the double tax arrangement between Hong Kong and the PRC, capital gains derived by a Hong Kong tax resident from the disposal of RMB-denominated corporate, government and non-government bonds may be exempt from PRC withholding tax under the relevant capital gains article, provided that the prescribed procedures for claiming treaty benefits are able to be duly completed, including making the requisite filings and retaining the relevant supporting documents for inspection.

(ii) Investment in equity securities issued within China

Dividend

Unless a specific exemption or reduction is applicable, non-residents, including the relevant Sub-Fund are subject to PRC withholding tax on the dividend income derived from the PRC tax residents via QFII/ RQFII or Stock Connect. The general withholding income tax rate applicable is 10%, which may be reduced under the applicable double tax arrangement between the PRC and Hong Kong SAR in which the QFII/ RQFII holder / the relevant Sub-Fund is tax resident.

Capital gains

Pursuant to *Caishui [2014] No. 79* ("Notice No.79") promulgated by the Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission on 14 November 2014, (among other things) QFIIs and RQFIIs, which do not have an establishment or place of business in the PRC or have an establishment or place in the PRC but the income so derived in China is not effectively connected with such establishment, will be temporarily exempt from CIT on capital gains derived from the transfer of PRC equity investment assets (including China A-Shares) effective from 17 November 2014.

Pursuant to *Caishui [2014] No. 81* ("Notice No.81") and *Caishui [2016] No. 127* ("Notice No. 127"), PRC CIT will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including the Sub-Fund) on the trading of China A-Shares through the Stock Connect.

Pursuant to Notice No. 79, Notice No. 81 and Notice No. 127, the Manager has determined not to make WHT provision for gross realised or unrealised capital gains derived by the relevant Sub-Fund from trading of China A-Shares via RQFII and/or Stock Connect.

It is noteworthy that Notice No. 79, Notice No. 81 and Notice No. 127 each state that the relevant CIT exemption is temporary. As such, if and when the PRC authorities announce an expiry date for the exemption, the relevant Sub-Fund may in future need to make provisions to reflect the relevant taxes payable, which may have a substantial negative impact on the Net Asset Value of the relevant Sub-Fund.

In addition to the above, pursuant to the fourth protocol to the applicable double tax arrangement between the PRC and Hong Kong, an additional capital gain tax

protection/ exemption could be sought by qualified tax treaty applicants (including Hong Kong residents and also Hong Kong resident funds as specifically defined). Under the fourth protocol, capital gains derived by a resident of Hong Kong from the disposal of securities in a PRC company quoted on a recognised stock exchange shall be exempt from PRC capital gain taxes, provided that the prescribed procedures for claiming treaty benefits are duly completed, including making the requisite filings and retaining the relevant supporting documents for inspection.

(b) Value-added tax and other surcharges, and Stamp Duty

(i) VAT and other surcharges

On 25 December 2024, the Standing Committee of the 14th National People's Congress adopted the *Value-added Tax Law of the People's Republic of China* (the "VAT Law"), which was promulgated by Presidential Order No. 41. To ensure the effective enforcement of the VAT Law, the State Council Standing Committee reviewed and approved the draft Implementation Regulations of the V*alue-added Tax Law of the PRC* on 19 December 2025. On 25 December 2025, the Chinese Premier signed the *State Council Order No. 826* promulgating the Implementation Regulations, which came into force together with the VAT Law on 1 January 2026.

Under the VAT Law, its Implementation Regulations and the relevant supporting measures, VAT at the rate of 6% generally applies to the net capital gains derived from the trading in financial products, and on interest income.

In each case, any VAT paid by the Sub-Fund should not be available as input VAT credit to the counterparty disposing of the financial product or incurring the interest expense.

In addition, Urban Maintenance and Construction Tax, Education Surcharge, Local Education Surcharge and other applicable local levies (collectively "Local Surcharges") are generally imposed in China based on the relevant VAT liabilities of the taxpayer. However, the Urban Maintenance and Construction Tax Law and its supporting regulations expressly provide that the Local Surcharges are not imposed on the amount of VAT or excise tax paid for imported goods, or for rendering services and transferring intangible assets within the territory of the PRC by offshore entities and individuals. Accordingly, any VAT arising from the offshore Sub-Fund's trading in financial products or interest income should not give rise to Local Surcharges.

Capital gains

Capital gains derived from the trading in financial products are generally subject to VAT at the rate of 6%. However, pursuant to *Announcement [2026] No. 10* issued by the Ministry of Finance and the State Taxation Administration, capital gains derived by QFIIs and RQFIIs from trading PRC securities are exempt from VAT through 31 December 2027; in addition, capital gains derived from trading China A-Shares through the Stock Connect are also exempt from VAT.

Accordingly, the Manager does not currently intend to make any provision for VAT on realised or unrealised capital gains derived by QFIIs, RQFIIs or through Stock Connect from trading in PRC securities.

Interest

VAT at the rate of 6% applies generally on interest income.

Pursuant to *Announcement [2026] No. 5* of the Ministry of Finance and the State Taxation Administration, bond interest income derived by overseas institutions from investments in the domestic bond market is temporarily exempt from CIT and VAT until 31 December 2027, except for bond interest income derived by an establishment or place of business set up in the PRC by an overseas institution where such income is effectively connected with that establishment or place of business. In addition, *Announcement [2026] No. 6* of the Ministry of Finance and the State Taxation Administration provides that, until 31 December 2027, bond interest income derived by overseas institutions from investments in PRC government bonds and local government bonds issued outside the PRC is exempt from VAT.

Dividend

Dividends and profit distributions are generally considered to be outside the scope of what is taxable under China's VAT rules, although the VAT rules do not specifically state this.

Accordingly, the Manager does not currently intend to make any provision for VAT on dividends or profit distributions derived by the relevant Sub-Fund.

(ii) Stamp Duty

The seller of PRC-listed shares is subject to stamp duty on the sale at the rate of 0.05% (reduced from 0.1% with effect from 28 August 2023), while the buyer is not liable to stamp duty.

The Unitholders

(a) Individual Income Tax ("IIT")

Non-PRC domiciled individual Unitholders should not be subject to IIT as a result of their investment in the relevant Sub-Fund, except where the "six-year rule" described in the following paragraph applies. No PRC withholding IIT should apply to investment distributions from, or gains realised on the disposal of Units in the relevant Sub-Fund as such distributions and gains should not be regarded as PRC-sourced, given that the relevant Sub-Fund is not expected to be a PRC tax resident enterprise or otherwise to have an establishment or place of business in the PRC.

Individual Unitholders who are domiciled in the PRC, and non-PRC domiciled individual Unitholders who stays in the PRC for 183 days or more in a tax year and, during each of the preceding six years, were present in the PRC for 183 days or more without a single absence from the PRC exceeding 30 consecutive days in any such year, will be subject to IIT on their worldwide income, including investment distributions derived from the relevant Sub-Fund on a receipt basis.

On 24 July 2026, the Ministry of Finance and the State Taxation Administration jointly issued *Announcement [2026] No. 21 on Matters Relating to Individual Income Tax on Offshore Trusts* ("Announcement 21"), which aims to clarify the tax obligations at each stage of offshore trust arrangements and strengthen IIT administration and enforcement. Announcement 21 applies to trusts or legal arrangements with trust functions established under overseas laws, but excludes financial products issued by banks, insurance companies, securities companies, fund companies and other institutions that are regulated by the financial regulators of their respective countries or regions and independently conduct business with unspecified customers and bear the associated risks. Accordingly, Announcement 21 is not expected to have adverse tax implications for individual Unitholders of the relevant Sub-Funds.

Individual Unitholders should always seek independent professional advice on the tax consequences of investing into this Sub-Fund in light of their particular tax domiciliation (or residence) or due to the use of any investment vehicles.

(b) CIT

Corporate Unitholders that are non-tax resident enterprises without an establishment or place of business in the PRC should not be subject to CIT solely as a result of investing in the relevant Sub-Fund. No PRC withholding tax should apply to investment distributions made by the relevant Sub-Fund to such Unitholders, as those distributions should not be regarded as PRC-sourced, provided that the relevant Sub-Fund is not a PRC tax resident enterprise and does not otherwise have an establishment or place of business in the PRC.

Corporate Unitholders who are considered to be: (i) tax resident enterprises of the PRC; or (ii) non-PRC tax resident enterprises who have an establishment or place of business in the PRC (and the investment distributions from or gains realised on disposal of Units in the relevant Sub-Fund are derived by or effectively connected with such establishment) would likely be subject to CIT on investment distributions derived from the relevant Sub-Fund on an accrual basis.

Investors should also refer to "PRC tax considerations" in the section headed "Specific Risk Factors" in the relevant Appendix for further information on the potential tax consequences under PRC law. Investors should always seek independent professional advice on the tax consequences of investing into this Sub-Fund in light of their particular circumstances.

Prospective investors in the Fund are urged to consult their own tax advisers on the tax consequences to them of acquiring, holding, realising, transferring or redeeming Units in the Fund under the relevant laws of the jurisdictions to which they are subject, These consequences, including the availability of, and the value of, tax relief to Unitholders will vary with the law and practice of the Unitholders' country of citizenship, residence, domicile or incorporation and their personal circumstances.

FINANCIAL REPORTS

The Fund's financial year end is on 31 December in each year. The first financial year end for the Everbright Smart Select Global Equity Fund will be on 31 December 2026.

Copies of the audited annual report and accounts (in English) will be published as soon as possible and in any event within four months, after the end of the financial year. The Manager also procures unaudited interim reports (in English) will be published within two months after 30 June in each year.

As an alternative to distribution of printed forms of the audited annual report and accounts and/or unaudited interim reports, upon its publication, the Manager will electronically notify Unitholders where the audited annual report and accounts (in English) can be obtained (in printed and electronic forms) within four months after the end of the financial year, and where the unaudited interim reports (in English) can be obtained (in printed and electronic forms) within two months after 30 June in each year.

The audited annual reports and interim reports will be prepared in English only and will be published online at http://www.ebshk.com (this website has not been reviewed by the SFC) within the relevant time frame. Once issued, printed forms of the reports and accounts will also be available upon request of Unitholders free of charge at any time during normal business hours on any Business Day at the office of the Manager.

At least one month's prior notice will be provided to Unitholders if there will be any change to the mode of dissemination of the financial reports as described above.

The Manager intends to adopt International Financial Reporting Standards in drawing up the annual financial reports of the Fund and the Sub-Funds and the interim financial reports will apply the same accounting policies and method of computation as are applied in the annual financial reports of the Fund and the Sub-Funds. It should however be noted that in amortising the establishment costs of the Fund in accordance with the section headed "Establishment Costs", possible deviation from such accounting standards may occur but the Manager does not expect this issue to be material under normal circumstances. The Manager may make necessary adjustments in the annual financial reports in order to comply with International Financial Reporting Standards and to include a reconciliation note in the Fund's audited annual financial reports.

DISTRIBUTION POLICY

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

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

Any payment of distributions will be made in the base currency or class currency of the relevant classes (as determined by the Manager and agreed by the Trustee) by direct transfer into the appropriate bank account (or in such other manner as may be agreed with the Manager and the Trustee). Any distribution which is not claimed for six years will be forfeited and become part of the assets of the relevant Sub-Fund unless the relevant Sub-Fund shall have been terminated in which case such amount shall be paid into a court of competent jurisdiction subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

VOTING RIGHTS

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

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

PUBLICATION OF PRICES

The Net Asset Value for each class of each Sub-Fund at each Valuation Day will be published on each Dealing Day on the website of the Manager at http://www.ebshk.com (this website has not been reviewed by the SFC). Unitholders should regularly visit the website, or request that their representatives do so on their behalf, to ensure that they obtain such information on a timely basis.

TRANSFER OF UNITS

Subject as provided below, Units may be transferred by an instrument in writing in common form signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the

transferor and the transferee and duly stamped with adequate stamp duty before the form is passed to the Registrar. The transferor will be deemed to remain the holder of the Units transferred until the name of the transferee is entered in the register of Unitholders in respect of such Units.

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

COMPULSORY REDEMPTION OR TRANSFER OF UNITS

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

TRUST DEED

The Fund was established under the laws of Hong Kong by a Trust Deed dated 10 October 2013 made between China Everbright Securities (HK) Limited as Manager and ICBC (Asia) Trustee Company Limited as Trustee.

The Trust Deed contains provisions for the indemnification of the parties and their exculpation from liability in certain circumstances. Any indemnity expressly given to the Trustee or to the Manager in the Trust Deed is in addition to and without prejudice to any indemnity allowed by law. However, the Trustee and the Manager shall not be exempted from any liability to Unitholders imposed under Hong Kong law or breaches of trust through fraud or negligence, nor may they be indemnified against such liability by Unitholders or at Unitholders' expense. Unitholders and intending applicants are advised to consult the terms of the Trust Deed.

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

TERMINATION OF THE FUND OR ANY SUB-FUND

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

The Fund may be terminated by the Trustee on notice in writing to the Manager and the Unitholders:

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

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

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

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

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

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

(a) on any date, in relation to the Fund, the aggregate Net Asset Value of all Units outstanding thereunder shall be less than HKD10 million or in relation to a Sub-Fund, the aggregate Net Asset Value of the Units of the relevant class outstanding thereunder shall be less than HKD10 million (or other amounts disclosed in the Appendix); or

(b) in the opinion of the Manager, it is impracticable or inadvisable to continue a Sub-Fund

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

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

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

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

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

ANTI-MONEY LAUNDERING REGULATIONS

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

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

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

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

proceeds if an applicant for Units delays in producing or fails to produce any information required for the purposes of verification of identity or source of fund.

CONFLICTS OF INTEREST

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

The services of the Trustee provided to the Fund are not deemed to be exclusive and the Trustee 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 appropriate fees and benefits. The Trustee shall not be deemed to be affected with notice of or to be under any duty to disclose to the Fund any fact or information which comes to the notice of the Trustee in the course of the Trustee rendering similar services to other parties or in the course of its business in any other capacity, otherwise than in the course of carrying out its duties under the Trust Deed or as required by any applicable laws and regulations for the time being in force.

LIQUIDITY RISK MANAGEMENT

The Manager has established a liquidity management policy which enables it to identify, monitor and manage the liquidity risks of the Fund and the Sub-Funds, and to ensure that the liquidity profile of the investments of the Sub-Funds will facilitate compliance with the Sub-Funds' 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 Manager's liquidity policy takes into account the investment strategy, the liquidity profile, the redemption policy, the dealing frequency, the ability to enforce redemption limitations and the fair valuation policies of the Fund and the Sub-Funds. These measures seek to ensure fair treatment and transparency for all investors.

The liquidity management policy involves monitoring the profile of investments held by the Sub-Funds 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-Funds' obligation to meet redemption requests. Further, the liquidity management policy includes details on periodic stress testing carried out by the Manager to manage the liquidity risk of the Sub-Funds under normal and exceptional market conditions.

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

- the Manager is entitled to limit the number of Units of any Sub-Fund redeemed on any Dealing Day (whether by sale to the Manager or by cancellation of the Units) to 10% of the total number of Units of the relevant Sub-Fund in issue (subject to the conditions under the heading headed "Restrictions on redemption and switching" in the section headed "Switching between Classes");

- the Manager may, after consultation with the Trustee and having regard to the interests of Unitholders, declare a suspension of the determination of the Net Asset Value of a Sub-Fund for the whole or any part of any period due to the circumstances disclosed under the heading headed "Suspension of Calculation of Net Asset Value" in the section headed "Valuation".

CERTIFICATION FOR COMPLIANCE WITH FATCA OR OTHER APPLICABLE LAWS

Each investor (i) shall be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Fund or a Sub-Fund (A) to prevent withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Fund or the relevant Sub-Fund receives payments and/or (B) to satisfy reporting or other obligations under IRS Code and the United States Treasury Regulations promulgated under the IRS Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction, including reporting obligations that may be imposed by future legislation.

POWER TO DISCLOSE INFORMATION TO TAX AUTHORITIES

Subject to applicable laws and regulations in Hong Kong, the Fund, the relevant Sub-Fund, the Trustee or the Manager or any of their authorised person(s) (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the US IRS), certain information in relation to a Unitholder, including but not limited to the Unitholder's name, address, tax identification number (if any), social security number (if any) and certain information relating to the Unitholder's holdings, to enable the Fund or the relevant Sub-Fund to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law, regulation or agreement under FATCA)."

DOCUMENTS AVAILABLE FOR INSPECTION

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

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

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

(c) the latest financial reports of the Fund.

SCHEDULE 1 – INVESMENT AND BORROWING RESTRICTIONS

1. Investment limitations applicable to each Sub-Fund

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

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

(i) investments in securities issued by that entity;

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

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

For the avoidance of doubt, restrictions and limitations on counterparty as set out in sub-paragraphs 1(a), 1(b) and 4.4(c) of this Schedule 1 will not apply to financial derivative instruments that are:

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

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

The requirements under this sub-paragraph 1(a) will also apply in the case of sub-paragraphs 6(e) and 6(j) of this Schedule 1.

(b) subject to sub-paragraphs 1(a) and 4.4(c) of this Schedule 1, the aggregate value of the Sub-Fund's investments in, or exposure to, entities within the same group through the following exceeding 20% of the latest available Net Asset Value of the relevant Sub-Fund:

(i) investments in securities issued by those entities;

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

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

For the purposes of sub-paragraphs 1(b) and 1(c) of this Schedule 1, "entities within the same group" means entities which are included in the same group for

the purposes of consolidated financial statements prepared in accordance with internationally recognized accounting standards.

The requirements under this sub-paragraph 1(b) will also apply in the case of sub-paragraphs 6(e) and 6(j) of this Schedule 1.

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

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

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

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

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

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

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

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

(g) (i) the value of the Sub-Fund's investment in units or shares in other collective investment schemes (namely "underlying schemes") which are non-eligible schemes (the list of "eligible schemes" is as specified by the SFC from time to

time) and not authorized by the SFC in aggregate exceeding 10% of its latest available Net Asset Value; and

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

provided that:

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

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

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

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

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

For the avoidance of doubt:

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

(bb) unless otherwise disclosed in the Appendix of a Sub-Fund, the investment by a Sub-Fund in a Qualified Exchange Traded Fund will be considered and treated as listed securities for the purposes of and subject to the requirements in sub-paragraphs 1(a), (b) and (d) of this Schedule

1. Notwithstanding the aforesaid, the investments by a Sub-Fund in Qualified Exchange Traded Funds shall be subject to sub-paragraph 1(e) of this Schedule 1 and the relevant investment limits in Qualified Exchange Traded Funds by a Sub-Fund shall be consistently applied;

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

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

2. Investment prohibitions applicable to each Sub-Fund

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

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

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

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

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

(e) subject to sub-paragraph 1(e) of this Schedule 1, lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements as set out in sub-paragraphs 5.1 to 5.4 of this Schedule 1 are not subject to the limitations in this sub-paragraph 2(e);

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

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

(h) invest in any security where a call is to be made for any sum unpaid on that security, unless the call could be met in full out of cash or near cash from the Sub-Fund's portfolio whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transaction in financial derivative instruments for the purposes of sub-paragraphs 4.5 and 4.6 of this Schedule 1.

3. Feeder Funds

A Sub-Fund which is a feeder fund may invest 90% or more of its total Net Asset Value in a single collective investment scheme ("underlying scheme") in accordance with the following provisions –

(a) such underlying scheme ("master fund") must be authorized by the SFC;

(b) no increase in the overall total of initial charges, redemption charges, management fees, or any other costs and charges payable to the Manager or any of its connected persons borne by the Unitholders or by the feeder fund may result, if the master fund in which the feeder fund invests is managed by the Manager or by a connected person of the Manager;

(c) notwithstanding proviso (C) to sub-paragraph 1(g) of this Schedule 1, the master fund may invest in other collective investment scheme(s) subject to the investment restrictions as set out in sub-paragraphs 1(g)(i) and (ii) and proviso (A), (B) and (C) to sub-paragraph 1(g) of this Schedule 1.

4. Use of financial derivative instruments

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

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

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

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

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

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

4.2 A Sub-Fund may also acquire financial derivative instruments for non-hedging purposes ("investment purposes") subject to the limit that such Sub-Fund's net exposure relating to these financial derivative instruments ("net derivative exposure") does not exceed 50% of its latest available Net Asset Value provided that such limit may be exceeded in such circumstances as permitted under the Code, handbook, code and/or guideline issued by the SFC from time to time or permitted by the SFC from time to time. For the avoidance of doubt, financial derivative instruments acquired for hedging purposes under sub-paragraph 4.1 of this Schedule 1 will not be counted towards the 50% limit referred to in this sub-paragraph 4.2 so long as there is no residual derivative exposure arising from such hedging arrangement. Net derivative exposure shall be calculated in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time.

4.3 Subject to sub-paragraphs 4.2 and 4.4 of this Schedule 1, a Sub-Fund may invest in financial derivative instruments provided that the exposure to the underlying assets of the financial derivative instruments, together with the other investments of the Sub-Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets and investments as set out in sub-paragraphs 1(a), (b), (c), (f), (g)(i) and (ii), proviso (A) to (C) to sub-paragraph 1(g), sub-paragraph 2(b) and proviso (cc) to sub-paragraph 1(g) of this Schedule 1.

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

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

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

(c) subject to sub-paragraphs 1(a) and (b) of this Schedule 1, a Sub-Fund's net counterparty exposure to a single entity arising from transactions of over-the-counter financial derivative instruments may not exceed 10%

of its latest available Net Asset Value provided that the exposure of the Sub-Fund to a counterparty of over-the-counter financial derivative instruments may be lowered by the collateral received (if applicable) by the Sub-Fund and shall be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter financial derivative instruments with that counterparty, if applicable; and

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

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

4.6 Subject to sub-paragraph 4.5 of this Schedule 1, a transaction in financial derivative instruments which gives rise to a future commitment or contingent commitment of a Sub-Fund shall be covered as follows:

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

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

apply haircut where appropriate to ensure that such alternative assets held are sufficient to meet its future obligations.

4.7 The requirements under sub-paragraphs 4.1 to 4.6 of this Schedule 1 shall apply to embedded financial derivative. For the purposes of this Explanatory Memorandum, an "embedded financial derivative" is a financial derivative instrument that is embedded in another security.

5. Securities financing transactions

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

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

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

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

6. Collateral

Unless otherwise specified in the relevant Appendix and subject to prior consultation with the SFC and in compliance with the relevant laws and regulations, in order to limit the exposure to each counterparty as set out in sub-paragraphs 4.4(c) and 5.2 of this Schedule 1, a Sub-Fund may receive collateral from such counterparty, provided that the collateral complies with the requirements set out below:

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

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

(c) Credit quality – the collateral is of high credit quality provided that, in the event the credit quality of the collateral or the issuer of the asset being used as

collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral, such collateral shall be replaced immediately;

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

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

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

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

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

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

(j) Re-investment of collateral – unless otherwise specified in the relevant Appendix and subject to prior consultation with the SFC, and in compliance with all applicable laws and regulations, any re-investment of collateral received for the account of the relevant Sub-Fund shall be subject to the following requirements:

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

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

(iii) the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in sub-paragraphs 7(b) and 7(j) of this Schedule 1;

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

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

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

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

Further details relating to the collateral policy of the Fund and/or Sub-Funds are disclosed in Schedule 3.

7. Money Market Funds

In the exercise of its investment powers in relation to a Sub-Fund which is a money market fund ("Money Market Fund") authorised by the SFC under 8.2 of the Code, the Manager shall ensure that the core requirements as set out in paragraphs 1, 2, 4, 5, 6, 8, 9.1 and 9.2 of this Schedule 1 shall apply with the following modifications, exemptions or additional requirements:-

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(g) subject to paragraphs 5 and 6 of this Schedule 1, a Money Market Fund may engage in sale and repurchase transactions, and reverse repurchase transactions in compliance with the following additional requirements:

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

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

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

(iv) the holding of collateral, together with other investments of the Money Market Fund, must not contravene the investment limitations and requirements set out in the other provisions of this paragraph 7 of this Schedule 1;

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

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

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

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

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

8. Borrowing and Leverage

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

Cash borrowing

8.1 No borrowing shall be made in respect of a Sub-Fund which would result in the principal amount for the time being of all borrowings made for the account of the relevant Sub-Fund exceeding an amount equal to 10% of the latest available Net Asset Value of the relevant Sub-Fund provided always that back-to-back loans do not count as borrowing. For the avoidance of doubt, securities lending transactions and sale and repurchase transactions in compliance with the requirements as set out in sub-paragraphs 5.1 to 5.4 of this Schedule 1 are not borrowings for the purpose of, and are not subject to the limitations in this sub-paragraph 8.1.

8.2 Notwithstanding sub-paragraph 8.1 of this Schedule 1, a Money Market Fund may borrow only on a temporary basis for the purposes of meeting redemption requests or defraying operating expenses.

Leverage from the use of financial derivative instruments

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

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

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

9. Name of Sub-Fund

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

9.2 The name of a Money Market Fund must not appear to draw a parallel between the Money Market Fund and the placement of cash on deposit.

SCHEDULE 2 – SUMMARY OF POLICY OF SECURITIES FINANCING TRANSACTIONS

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

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

Securities Financing Transactions

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

Where the Sub-Fund enters into sale and repurchase transactions it sells securities such as bonds for cash and simultaneously agrees to repurchase the securities from the counterparty at a predetermined future date for a pre-determined price. A sale and repurchase transaction is economically similar to secured borrowing, with the counterparty of the Sub-Fund receiving securities as collateral for the cash that it lends to the Sub-Fund.

Where the Sub-Fund enters into reverse repurchase transactions it acquires securities such as bonds by cash and simultaneously agrees to sell the securities to the counterparty at a pre-determined future date for a pre-determined price. A reverse repurchase transaction is economically similar to secured lending, with the Sub-Fund receiving securities as collateral for the cash it lends to the counterparty.

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

It is the intention of the Manager to sell the securities for cash equal to the market value of the securities provided to the counterparty. Cash obtained in sale and repurchase transactions will be closely monitored by the Manager and will be used for liquidity management, re-investment and hedging purposes. Where cash received by the Sub-Fund is used for re-investment, such cash may only be re-invested subject to applicable investment restrictions in securities within the ambit of the investment objective and policies of the Sub-Fund. For the securities acquired through a reverse repurchase transaction or by cash obtained from a sale and repurchase transaction, the Sub-Fund will not use them as collateral of another sale and repurchase transaction.

Revenues and Expenses

All revenues arising from securities financing transactions, net of direct and indirect

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

Information on the revenues generated under such transactions shall be disclosed in the annual and interim financial reports of the relevant Sub-Fund, along with entities to whom direct and indirect operational costs and fees relating to such transactions are paid. These entities may include the Manager, the Investment Delegate or any other their connected persons.

Eligible Counterparties

Please refer to Schedule 3 for further details.

Collateral

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

The acceptability of the collateral used for each such transaction is subject to negotiation between the Sub-Fund and its counterparty in the transaction. In general, the Manager approves collateral based on various criteria: the liquidity of the collateral, market risk associated with the collateral (e.g. based on the price volatility of the collateral), issuer risk, etc. Collateral acceptable to the Manager includes (but does not limit to) liquid assets (i.e. certificate of deposits, commercial papers and other money market instruments), various government bonds and corporate bonds which are of investment grade, equity securities traded on a stock exchange, etc. The Manager will seek to achieve diversification of the portfolio of collateral to avoid concentrated exposure and correlation between the counterparty and the issuer of the collateral.

Please refer to Schedule 3 for further details.

Maximum and expected level of securities financing transactions

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

Types of assets that may be subject to securities financing transactions

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

Connected person(s) arrangement

The Manager currently does not intend to carry out any securities financing transactions in respect of the Sub-Fund with or through a connected person of the Manager or the Trustee.

Safekeeping arrangement

Assets received

Assets (including any collateral) received by a Sub-Fund under a title-transfer arrangement should be held by the Trustee or a Correspondent.

Assets provided

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

SCHEDULE 3 – COLLATERAL VALUATION AND MANAGEMENT POLICY

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

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

Nature and quality of the collateral

The Manager is generally expected to accept collateral types that it is able, following a counterparty failure, to: (a) hold for a period without breaching applicable laws or regulations or the relevant mandate; (b) value; and risk manage appropriately.

A Sub-Fund may receive the following collateral instruments from a counterparty:

(a) Cash;

(b) Debt securities with time to maturity/time to call date less than 30 years and those debt securities being issued have either issuer, guarantor or bond ratings rated by a recognized external credit rating agency where these are either:
  (i) at least investment grade when issued by sovereigns or public sector enterprises ("PSEs") that are treated as sovereigns by the national supervisor; or
  (ii) at least investment grade when issued by other entities (including banks and other prudentially regulated financial institutions);

(c) Equities (including convertible bonds) that are included in a major market index (e.g. Hang Seng Index, indexes in the mainland China and OECD countries); or

(d) Equities (including convertible bonds) that are not included in a major market index (e.g. Hang Seng Index, indexes in the mainland China and OECD countries) but which are listed on a recognized stock exchange.

Collateral should not include: (a) structured products whose payouts rely on embedded financial derivatives or synthetic instruments; (b) securities issued by special purpose vehicles, special investment vehicles or similar entities; (c) securitized products; or (d) unlisted collective investment schemes.

Criteria for selecting counterparties

The Manager has counterparty selection policies and control measures to manage the credit risks of counterparties of securities financing transactions and OTC derivative transactions which shall include amongst other considerations, operational profiles (country activity, strategy and business model, risk management policy and experience of the managerial team), fundamental creditworthiness (e.g. ownership structure, financial strength (revenue, profitability, balance sheet, liquidity, capital and etc.)) and commercial reputation of specific legal entities in conjunction with the nature and structure of proposed trading activities, external

credit ratings of the counterparty, the regulatory supervision applied to the relevant counterparty, country of origin of the counterparty and legal status of the counterparty.

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

The counterparties of OTC derivative transactions will be entities with legal personality typically located in OECD jurisdictions (but may also be located outside such jurisdictions), and be subject to ongoing supervision by a regulatory authority. The exposure to each counterparty is limited to no more than 10% of the latest Net Asset Value of the relevant Sub-Fund. If the counterparty is not an international institution with headquarters located in OECD member countries, the exposure to such counterparty will be limited to 5% of the latest Net Asset Value of the relevant Sub-Fund. This limit may be revised downward at any time due to the market conditions.

The Manager will seek to appoint independent counterparties which are of investment grade (i.e. rated as Baa3 or above by Moody's Investor Services, Inc. or BBB- or above by Standard & Poor's Corporation or BBB- or above by Fitch Group or equivalent ratings by other credit rating agencies of similar standing) or corporations licensed with the SFC or institutions registered with the Hong Kong Monetary Authority.

Valuation of collateral

The collateral received is valued daily by the Manager on a mark-to market basis.

Enforceability of collateral

Collateral (subject to any net-off or set-off, if applicable) is capable of being fully enforced by the Manager / Sub-Fund at any time without further recourse to the counterparty.

Haircut policy

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

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

Diversification and correlation of collateral

Collateral must be sufficiently diversified. The exposures of a Sub-Fund to the collateral issuers are monitored in accordance with the relevant restrictions on exposure to a single entity and/or entities within the same group as set out in in Schedule 1.

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

Cash collateral reinvestment policy

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

Subject to the applicable restrictions in respect of collateral in Schedule 1, cash collateral received by a Sub-Fund may be reinvested in short-term deposits, high quality money market instruments and money market funds authorized under 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC. Subject to prior consultation with the SFC and where it is disclosed in the relevant Appendix, a Sub-Fund may reinvest the cash collateral received from sale and repurchase transactions in investments other than those set out in sub-paragraph 6(j) of Schedule 1 to this Explanatory Memorandum.

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

Safe-keeping of collateral

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

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

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

APPENDIX I – EVERBRIGHT INCOME FOCUS FUND (Withdrawn with effect from 2 February 2026)

APPENDIX II – EVERBRIGHT RQFII BOND FUND (Withdrawn with effect from 20 November 2018)

APPENDIX III – EVERBRIGHT HONG KONG BOND FUND

This Appendix comprises information in relation to Everbright Hong Kong Bond Fund, a Sub-Fund of the Fund. As of the date of this Explanatory Memorandum, Everbright Hong Kong Bond Fund has not yet been launched.

For this Appendix III, "Sub-Fund" shall mean Everbright Hong Kong Bond Fund.

Initial Offer

Units of Everbright Hong Kong Bond Fund will be available for subscription during the period commencing 9 a.m. (Hong Kong time) on 30 December 2016 to a future date to be determined by the Manager (the "initial offer period"). It is expected that the first Dealing Day will be the day immediately following the close of the initial offer period. If any such day is not a Business Day, the following Business Day will become the first Dealing Day.

The initial offer period will close without any prior or further notice once the subscription amount reaches HKD50,000,000.

The classes which will be offered in the initial offer period and their respective initial offer prices (exclusive of preliminary charge) are set out below:-

Class	**Initial offer price per Unit (exclusive of preliminary charge)**
Class A HKD Units	HKD10.00
Class I HKD Units	HKD10.00

The Manager or its authorised distributor(s)/intermediary(ies) is/are entitled to charge a preliminary charge of up to 5% of the total subscription amount received (i.e. before deducting preliminary charge) in relation to an application.

Units will be issued on the first Business Day immediately following the close of the initial offer period or such other Business Day as the Manager may determine in respect of applications (together with cleared funds) received prior to 4:00 p.m. (Hong Kong time) on the last day of the initial offer period and accepted by the Manager. If applications and/or cleared funds are received after that time, such applications shall be carried forward to the next Dealing Day.

The Manager has set a minimum total subscriptions amounting to HKD30,000,000 to be

received during the initial offer period failing which the Manager may either extend the initial offer period or decide that the Sub-Fund shall not launch. If the Manager decides not to launch the Sub-Fund, application moneys paid by applicants will be returned without interest and net of expenses ancillary to returning payment within 30 Business Days by telegraphic transfer to the bank account from which the moneys originated, at the risk and expense of the applicants or in such other manner determined by the Manager and the Trustee.

Base Currency

The base currency of the Sub-Fund is HKD.

Investment Objective

The investment objective of the Sub-Fund is to aim to provide investors with a return consisting of income and capital growth over medium to long term by investing in debt securities (i.e. at least 70% of the Sub-Fund's non-cash assets). The Manager intends that at least 70% of the Sub-Fund's assets will be denominated in Hong Kong Dollars.

Investment Policy

In order to achieve the investment objective, the Sub-Fund mainly invests in debt securities issued by issuers including but not limited to governments, quasi-governmental organisations, supranational, multilateral international agencies, blue chip companies, substantial financial institutions and corporate entities. The debt securities in which the Sub-Fund may invest include but are not limited to long-term bonds, medium-term notes, bills, convertible bonds, subordinated debt, certificates of deposits, high yield bonds and commercial papers. In particular, debt securities that the Sub-Fund invests in will mainly consist of bonds which (a) are denominated in Hong Kong dollars; and/or (b) are listed on the Hong Kong Stock Exchange or quoted on Hong Kong's over-the-counter markets on which bonds are regularly traded. The Sub-Fund may invest not more than 20% of the Sub-Fund's Net Asset Value in convertible bonds.

The Manager intends the Sub-Fund to invest in fixed income securities which are of investment grade (i.e. rated as Baa3 or above by Moody's or equivalent ratings by other credit rating agencies of similar standing) or below investment grade as well as unrated fixed income securities (which in the opinion of the Manager are suitable for achieving the investment objective of the Sub-Fund).

The Sub-Fund may invest less than 20% of its Net Asset Value in debt instruments with loss-absorption features (e.g. total loss-absorbing capacity eligible instruments, contingent convertible bonds, senior non-preferred debt, Additional Tier 1 and Tier 2 capital instruments (i.e. debt instruments with write-down features which are triggered when the issuers' regulatory capital ratio falls to a certain level)). These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

The Sub-Fund will not invest in equity securities. However, depending on the market conditions, there may be possibility that the Manager may convert the convertible bonds held by the Sub-Fund into equity securities to realize the profits. In this case, the equity securities will be sold as soon as possible upon considering the prevailing market conditions.

Subject to the investment policy and restrictions of the Sub-Fund, the Sub-Fund may invest not more than 30% of its assets in debt securities denominated in currencies other than Hong Kong dollars such as USD and/or RMB. For the avoidance of doubt, the Sub-Fund may only invest in RMB denominated debt securities issued or distributed outside the PRC.

While the Sub-Fund will not invest directly in debt securities issued within the PRC, the Sub-Fund may invest indirectly in such securities through investing in funds which are authorised by the SFC and are eligible to invest directly in securities issued within the PRC through the Renminbi qualified foreign institutional investor (the "**RQFII funds**") up to 30% of the Sub-Fund's Net Asset Value subject to the investment restrictions of the Sub-Fund in paragraph (e) under the headed "Investment and Borrowing Restrictions" in the main part of the Explanatory Memorandum. The Sub-Fund may invest in RQFII funds managed by the Manager. Where the Sub-Fund invests in the RQFII funds which are managed by the Manager or its connected persons (the "underlying funds"), the Manager will procure that either the Sub-Fund or the underlying fund(s) will not charge any initial charge in order to ensure no double-charging of initial charges. The Manager may not obtain a rebate on any fees or charges levied by the underlying scheme or its management company.

Use of Derivatives

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

Indicative Investment Allocation

The following is an indicative investment allocation of the Sub-Fund. Investors should note that the Manager may at any time adjust the allocation (within the prescribed limit as shown in

the below table) having regard to prevailing market conditions in future without further notice.

Type of debt securities	**Indicative percentage (of Sub-Fund's Net Asset Value)**
Debts issued by governments and quasi-government organisations	Up to 100%
Debts issued by supranational, multilateral international agencies, blue chip companies, substantial financial institutions and corporate entities	Up to 100%
Convertible bonds	Up to 20%
RQFII funds	Up to 30%

To the extent permitted by the applicable investment restrictions, the Sub-Fund may invest in collective investment schemes including fixed income funds.

The Sub-Fund may employ futures contracts or forward contracts for hedging purposes only and will not invest in financial derivative instruments for investment purposes.

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

The Sub-Fund will not invest in any structured deposits or structured products or asset backed securities for hedging or non-hedging purposes.

It is expected that the Sub-Fund may hold a significant amount of cash or cash equivalents in times of extreme market conditions such as in times of a prolonged bearish market or extremely severe and rapid economic downturn.

<u>Additional Investment Restriction</u>

The Sub-Fund will not invest more than 10% of the its Net Asset Value in securities issued by or guaranteed by any single sovereign issuer (including its government, public or local

authority) with a credit rating below investment grade.

The Manager may borrow up to 10% of the latest available Net Asset Value of the Sub-Fund for investment purposes.

Investment Strategy

In determining the asset allocation of the Sub-Fund, the Manager will adopt both "top-down" and "bottom-up" approaches in combination of quantitative and qualitative analysis to determine the investment allocations of the Sub-Fund in different type of assets, including debt securities. The top-down analysis is based on the Manager's proprietary assessment of macroeconomic factors, state policies, corporate earnings outlook, market valuation, and liquidity. The bottom-up analysis may include meetings with company executives and employees, suppliers, customers and competitors as well as proprietary financial projection and valuation of individual issuers.

Debt securities investment strategies

Ordinary bonds

In relation to investments in fixed income securities other than convertible bonds, the Sub-Fund will apply the duration strategy, yield curve term structure strategy, relative value strategy, riding strategy and credit bonds investment strategy in order to try to achieve a higher yield within reasonable risks exposure.

Duration strategy

Duration measures the sensitivity of bond prices to the change of interest rates (or yield). The Manager decides on a duration target based on a comprehensive analysis of Hong Kong and global macroeconomic factors as well as the general political environment. The Sub-Fund will adjust the duration risk of the investment portfolio based on expectations of Hong Kong and global macroeconomic cycle and monetary policy. If the interest rates are expected to drop, the Sub-Fund will increase the average duration of the investment portfolio to better benefit from the capital gains from lower yield, and vice versa.

Yield curve term structure strategy

Yield curve term structure represents the market's expectation of interest rates (or yields) with

different maturities. The Manager closely monitors shifts in the yield curve, since the relationship between short, intermediate, and long maturity securities may change over time and impact the portfolio value. The Manager determines the implications of the relevant yield curve's shape, along with projections of central bank policy and market expectations, and formulates a yield curve strategy to be implemented. The Sub-Fund will adjust dynamically the allocation of short-term, medium-term, and long-term securities in the portfolio of the Sub-Fund based on the expected changes in the shape of the yield curve so that, for example,

the maturities of securities in the portfolio are highly concentrated at one point on the yield curve (bullet strategy); or
the portfolio includes securities with maturities at the two extreme ends (barbell strategy); or
the portfolio has approximately equal amounts of each maturity (ladder strategy).

Relative value strategy

The relative value strategy involves conducting a research on the credit spread between the government bonds and the financial bond; and the spread between the exchanges and inter-bank markets. If it is expected that the spread will be narrowed, then the Sub-Fund may sell the lower yielding bonds and purchase the higher yielding bonds, and vice versa.

Riding strategy

By analyzing the spread of the yield curve in different periods, the Sub-Fund may purchase the fixed-maturity bonds with the steepest yield curve. After holding the bonds for a period of time, the yield to maturity will decrease rapidly while the residual maturity is getting shorter. Thus, the Sub-Fund may obtain a higher capital gain and income.

Credit bonds investment strategy

The Sub-Fund may conduct a comprehensive analysis on various factors, which include the growth prospects and condition of the industries in which the issuers (such as the issuers of the corporate bonds, enterprise bonds and commercial paper) locate; the market position of such issuers, and their financial situation and management level. Such analysis would be conducted on the basis of the macroeconomics cycle research, and such analysis (with the specific issuing deed) would be used to give the bonds internal credit ratings. The differences between the internal and external ratings, the changes of the economic cycle and the credit ratings fluctuation may lead to spread changes. The manager may use the spread investment strategy actively by analyzing the internal and external ratings, the spread curve research and the economic cycles.

Convertible bonds

The Sub-Fund will invest in the primary market of convertible bonds. The Sub-Fund will select convertible bonds of high maturity yield and good terms of issue and issuers of bonds with good fundamentals. The Managers will decide upon listing of the underlying companies, either to retain or to sell the convertible bonds after taking into account the conversion price. The Sub-Fund will also integrate different strategies to invest in the secondary market of convertible bonds, in order to try to achieve a higher yield within reasonable risk exposure.

Specific Risk Factors

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

Investment risk

The Sub-Fund is an investment fund and mainly invests in debt securities. There can be no assurance that the Sub-Fund will achieve its investment objective. The instruments invested by the Sub-Fund may fall in value and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of dividend or distribution payments during the period an investor holds Units in the Sub-Fund.

Single country investment

The Sub-Fund will focus its investments on debt securities listed in Hong Kong and will be particularly dependent on the development of Hong Kong, of companies based or operating in Hong Kong, and of companies which are listed in Hong Kong but may not have any operations in Hong Kong. The Sub-Fund is therefore subject to concentration risks. In particular, the Sub-Fund is likely to be more volatile than a broad-based fund, such as a global bond fund, as the Sub-Fund is more susceptible to fluctuations in value resulting from its holdings or from adverse conditions in Hong Kong. Under such circumstances, the Sub-Fund's performance will likely be adversely affected. Please refer to the risk factor headed "Concentration risk" in the main part of the Explanatory Memorandum.

Debt securities

Investments in debt securities will be subject to the following risks associated with debt

securities. If the debt securities held by the Sub-Fund fall in value, the Sub-Fund's value will also be adversely affected.

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

Credit rating downgrading risk - The credit ratings of fixed-income securities by credit rating agencies are a generally accepted barometer of credit risk. They are, however, subject to certain limitations. For example, the rating of an issuer is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is often a time lag in updating the credit ratings in response to recent credit events. Investment grade securities may be subject to the risk of being downgraded to below investment grade securities. In the event of downgrading in the credit ratings of a security or an issuer relating to a security, the Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not dispose of the securities, subject to the investment objectives of the Sub-Fund. In the event of investment grade securities being downgraded to below investment grade securities, the Sub-Fund will also be subject to the below investment grade securities risk outlined in the following paragraph.

Below investment grade and unrated securities risk - The Sub-Fund may invest in securities which are below investment grade or which are unrated. Investors should note that such securities would generally be considered to have a higher degree of counterparty risk, credit risk and liquidity risk than investment grade debt securities. If the issuer of securities defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. The market for these securities may be less active, making it more difficult to sell the securities. Valuation of these securities is more difficult and thus the Sub-Fund's prices may be more volatile.

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

Credit risk - An issuer suffering an adverse change in its financial condition could lower the

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

Liquidity risk - The Sub-Fund may invest in debt securities that are not listed. Such securities may be less liquid and more volatile than listed debt securities; this may result in the fluctuation in the price of such securities and hence adversely affect the Net Asset Value of the Sub-Fund.

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

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

Risk of investing in convertible bonds - Convertible bonds are bonds which give an investor an option to exchange the bond for a pre-determined number of shares at a given price and a specified future date. Convertible bonds are subject to risks which typically apply to bonds and equity securities. On one hand, convertible bonds are subject to interest rate risk and credit risk. The value of convertible bonds tends to decline as interest rates increase and increase as interest rates decline. If the credit quality of the convertible bonds deteriorates or the issuer of the convertible bonds defaults, the performance of the Sub-Fund will be adversely affected. On the other hand, the prices of convertible bonds will be affected by the changes in the price of the underlying equity securities which in turn, may have an unfavourable impact on the Net Asset Value of the Sub-Fund.

Risk of investing in subordinated debt securities – The Sub-Fund may invest in subordinated debt securities. Such investments will have a lower priority of claim in the event of the relevant issuer's liquidation or bankruptcy as they rank behind holders of unsubordinated debt securities but before holders of equity securities. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer's assets will be paid to holders of subordinated debt securities

only after all claims by holders of unsubordinated debt securities have been satisfied in full. The Sub-Fund is therefore exposed to higher credit / insolvency risk of its counterparties as a holder of subordinated debt securities than as a holder of unsubordinated debt securities. If the relevant issuer defaults, the performance of the Sub-Fund will be adversely affected.

Cash and deposits

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

RMB currency risk

The Sub-Fund may invest in fixed income securities denominated in RMB and hence subject to the RMB currency risk.

Starting from 2005, the RMB has moved into a managed floating exchange rate regime which is 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 would be allowed to float within a narrow band around the central parity published by the People's Bank of China.

As the exchange rates are based primarily on market forces, the exchange rates for RMB against other currencies, including USD and HKD, are susceptible to movements based on external factors (including but not limited to different market and regulatory conditions).

The possibility that revaluation of RMB will be accelerated cannot be excluded. On the other hand, 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 the Sub-Fund's investments denominated in RMB. Subject to the applicable investment restrictions, the Sub-Fund may invest in securities that are denominated in RMB but settled in other currencies (such as USD or HKD) to the extent permitted under its investment objective. Accordingly, the Sub-Fund's performance may be adversely affected by the movements in the exchange rates between RMB and other currencies (such as USD or HKD).

It should be noted that RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies and restrictions of the Chinese government. Trading in the RMB may be subject to possible delay in the settlement process.

Further, the Chinese government's imposition of restrictions on the repatriation of RMB out of China may limit the depth of the RMB market in Hong Kong and reduce the liquidity of the Sub-Fund. The Chinese government's policies on exchange control and repatriation restrictions are subject to change, and the Sub-Fund's or the investors' position may be adversely affected.

Currency conversion risk

RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies and repatriation restrictions imposed by the Chinese government.

Where an investor subscribes for Units denominated in a non-RMB currency, the Manager may convert part of such subscriptions into RMB prior to investment at the applicable exchange rate. As RMB is not freely convertible, currency conversion is subject to availability of RMB at the relevant time (i.e. it is possible there is not sufficient RMB for currency conversion in case of sizeable subscriptions).

Where an investor redeems Units denominated in a non-RMB currency, the Manager may have to sell the Sub-Fund's investments denominated in RMB and convert such proceeds into non-RMB currency at the applicable exchange rate. Currency conversion is also subject to the Sub-Fund's ability to convert the proceeds denominated in RMB into non-RMB currency which, in turn, might affect the Sub-Fund's ability to meet redemption requests from the Unitholders in case of sizeable redemptions.

Certain investments acquired by the Sub-Fund may be denominated in RMB whereas Units are denominated in a non-RMB currency. This may expose Unitholders to movements of the exchange rate between the currency of the class of Units they invest in and the RMB. For example, any devaluation of the RMB could adversely affect the value of investors' investments in the Sub-Fund.

Currently, the RMB is traded in the PRC, and outside the PRC (primarily in Hong Kong). The RMB traded in the PRC is not freely convertible. The RMB traded outside the PRC, on the other hand, is freely tradable. As the Sub-Fund may invest in RMB-denominated securities traded outside the PRC, the Sub-Fund will accordingly be subject to greater foreign exchange risks.

In calculating the value of RMB denominated assets, the Manager will normally apply the CNH exchange rate for the offshore RMB market in Hong Kong. The CNH rate may be at a premium

or discount to the exchange rate for the onshore RMB market in China (i.e. the CNY exchange rate) and there may be significant bid and offer spreads. The value of the Sub-Fund will thus be subject to fluctuation.

Risks of investing in RQFII funds

The Sub-Fund may invest in RQFII funds which are denominated in RMB, the Sub-Fund will therefore be subject to the RMB currency risk. Please refer to the risk factor headed "RMB currency risk" for details. Investment through the RQFII regime is subject to the availability of RQFII quota. Therefore the Sub-Fund's ability to obtain exposure to the PRC domestic securities market may be limited by the availability of RQFII quota where there are no RQFII funds which, in the opinion of the Manager, are suitable for investment having regard the investment objective and policy of the Sub-Fund. Repatriations of capital out of China by RQFII funds that are open-ended funds are currently not subject to repatriation restrictions or prior approval, but there is no guarantee that restrictions will not be imposed in future. The rules to which the RQFIIs are subject have only been recently announced. Any changes to the relevant rules, which may take retrospective effect, may have an adverse impact on investments made by the RQFII funds and hence the Sub-Fund's performance. Please also refer to the risk factor headed "Risks of investing in other funds" in the main part of the Explanatory Memorandum.

RQFII funds' investment in the PRC market is subject to PRC tax liabilities. It is a common practice for RQFII funds to make provisions for such potential tax liabilities which may be excessive or inadequate to meet the actual tax liabilities. Even if tax provisions are made, any shortfall between the provisions and actual tax liabilities will be debited from the RQFII funds' assets and hence the RQFII funds' value may be adversely affected. As a result, the value of the Sub-Fund may be unfavourably affected.

Investment in RQFII funds may involve another layer of fees charged at the RQFII fund level. This is because, in addition to the expenses and charges payable by the Sub-Fund as disclosed in this Explanatory Memorandum, the Sub-Fund will bear indirectly the fees charged by the managers and other service providers of the RQFII funds, or will incur charges in subscribing for or redeeming units in the RQFII funds. The Manager will consider various factors in selecting the RQFII funds, for example, the investment objective and strategy, level of fees and charges, the redemption frequency and liquidity of such funds. However, there is no assurance that the investment objective or strategy of a RQFII fund will be successfully achieved.

If the Sub-Fund invests in a RQFII fund managed by the Manager or a connected person of the

Manager, all initial charges on such RQFII fund will be waived. The Manager may not obtain a rebate on any fees or charges levied by such RQFII fund or its manager. Where potential conflicts of interest arise, the Manager will endeavour to ensure that such conflicts are resolved fairly. Please refer to the section headed "Conflicts of Interest" in the main part of the Explanatory Memorandum.

Risk of using financial derivatives instruments

The use of financial derivatives instruments may expose the Sub-Fund to risks including market volatility risk, credit risk, counterparty risk, liquidity risk, non-redeemable risk and issuer's defaults risk. In adverse situation, the Sub-Fund's use of financial derivatives instruments for hedging purposes may become ineffective and the Sub-Fund may suffer significant losses. Please refer to the risk factor headed "Derivative and structured product risk" in the main part of the Explanatory Memorandum.

Available Classes

Class	**Class currency**	**Investors to whom this Class is available**
Class A	HKD	Public in Hong Kong
Class I	HKD	Institutional investors, professional investors or other investors as determined by the Manager

Investment Minima

Minimum Subscription Amount	**Class A HKD Units**: HKD5,000 **Class I HKD Units**: HKD1,000,000
Minimum Subsequent Subscription Amount	**Class A HKD Units**: HKD5,000 **Class I HKD Units**: HKD500,000
Minimum Holding	**Class A HKD Units**: Units with aggregate minimum value of HKD5,000 **Class I HKD Units**: Units with

	aggregate minimum value of HKD1,000,000
Minimum Redemption Amount	**Class A HKD Units**: Units with aggregate minimum value of HKD5,000 **Class I HKD Units**: Units with aggregate minimum value of HKD500,000

Fees

Fees payable by investors

Preliminary Charge (% of total subscription amount received (i.e. before deducting preliminary charge))	**Class A and Class I** : up to 5%
Switching Charge (% of total amount being switched into)	**Class A and Class I**: nil
Redemption Charge (% of total redemption proceeds)	**Class A and Class I**: nil

Fees payable by the Sub-Fund

Management Fee (% Net Asset Value of the Sub-Fund)	**Class A**: 1.00% p.a. **Class I**: 0.50% p.a.
Performance Fee	**Class A and Class I**: not applicable

Trustee Fee (% Net Asset Value of the Sub-Fund)	**Class A and Class I**: up to 0.10% p.a.
Custody Fee (% of month-end market value (if unavailable, the nominal value) of the investments in custody of the Sub-Fund)	**Class A and Class I**: up to 0.03% p.a. plus transaction fees at customary rates.
Registrar Fee	**Class A and Class I**: the Registrar is entitled to receive a transaction-based fee

The Trustee may charge a minimum monthly fee of HKD24,000 if the monthly aggregate of the Trustee Fee and Custody Fee is less than HKD24,000, which will be waived for the first 3 months upon launch of the Sub-Fund.

Establishment Costs

The establishment costs of the Everbright Hong Kong Bond Fund amount to approximately HKD1,000,000.

Dealing Day

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

Dealing Deadline

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

The Authorised Distributor(s) may impose an earlier cut-off time before the Dealing Deadlines for receiving instructions for subscriptions, redemptions or switching. Investors should confirm

the arrangements and dealing procedures with the Authorised Distributor(s) concerned.

Subscription, Redemption and Switching of Units

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

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency and dates of distribution and amount of dividends.

The Manager may declare dividends on a semi-annual basis in June and December each year (or at more frequent intervals at the discretion of the Manager) in respect of the Sub-Fund. There is no guarantee of regular distribution and, if distribution is made, the amount being distributed. The dividend, if declared, will be paid or reinvested, in accordance with the instruction given by the investor at the time of subscription. It is the current intention of the Manager that only the net income (the income net of expenses) for the Unit may be distributed. No distribution will be paid out of the Sub-Fund's capital. The approval of the SFC will be sought and at least one month's prior notice will be given to Unitholders should there be a change in distribution policy.

Valuation

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

APPENDIX IV – EVERBRIGHT GREATER CHINA OPPORTUNITIES FUND
(Withdrawn with effect from 5 May 2026)

APPENDIX V – EVERBRIGHT SMART SELECT GLOBAL EQUITY FUND

This Appendix comprises information in relation to Everbright Smart Select Global Equity Fund, a Sub-Fund of the Fund.

For this Appendix V, "Sub-Fund" shall mean Everbright Smart Select Global Equity Fund.

Initial Offer

Units of Everbright Smart Select Global Equity Fund will be available for subscription during the period commencing 9 a.m. (Hong Kong time) on 8 September 2025 and will close at 4:00 p.m. on 30 September 2025 or such other times and dates as the Manager may in its absolute discretion determine (the "initial offer period"). It is expected that the first Dealing Day will be the day immediately following the close of the initial offer period. If any such day is not a Business Day, the following Business Day will become the first Dealing Day.

The initial offer period will close without any prior or further notice once the subscription amount reaches HKD80,000,000.

The classes which will be offered in the initial offer period and their respective initial offer prices (exclusive of preliminary charge) are set out below:-

Class	**Initial offer price per Unit (exclusive of preliminary charge)**
Class A HKD Units	HKD100.00
Class I HKD Units	HKD100.00

The Manager or its Authorised Distributor(s)/intermediary(ies) is/are entitled to charge a preliminary charge of up to 1% of the total subscription amount received (i.e. before deducting preliminary charge) in relation to an application for Class A Units.

Currently, it is intended that no preliminary charge will be charged for Class I Units

Units will be issued on the first Business Day immediately following the close of the initial offer period or such other Business Day as the Manager may determine in respect of applications (together with cleared funds) received prior to 4:00 p.m. (Hong Kong time) on the last day of the initial offer period and accepted by the Manager. If applications and/or cleared funds are received after that time, such applications shall be carried forward to the next Dealing

Day.

The Manager has set a minimum total subscriptions amounting to HKD50,000,000 to be received during the initial offer period failing which the Manager may either extend the initial offer period or decide that the Sub-Fund shall not launch. If the Manager decides not to launch the Sub-Fund, application moneys paid by applicants will be returned without interest and net of expenses ancillary to returning payment within 30 Business Days by telegraphic transfer to the bank account from which the moneys originated, at the risk and expense of the applicants or in such other manner determined by the Manager and the Trustee.

Base Currency

The base currency of the Sub-Fund is HKD.

Investment Objective

The investment objective of the Sub-Fund is to aim to provide investors with medium to long term capital appreciation through investing primarily in equity securities issued by companies in global markets. In particular, the Sub-Fund will seek to invest in companies which, in the opinion of the Manager can generate a relatively consistent and steady return on capital employed over business cycles.

Investment Policy

The Sub-Fund will be managed based on a fundamental-driven investment strategy, which means that the Manager will invest in assets which the Manager considers to be undervalued, compared to their intrinsic value.

In order to achieve the investment objective, the Sub-Fund will invest primarily (i.e. not less than 70% of the Sub-Fund's Net Asset Value) in a diversified portfolio of equity securities listed or quoted on the over-the-counter markets globally, including Hong Kong, Mainland China and United States. Such equity securities may include, but are not limited to, shares and exchange traded funds ("ETFs"), depositary receipts and other participation rights. The Sub-Fund may invest in equity securities of any sector, with no fixed geographical or industry sector weightings.

The allocation of the Sub-Fund's portfolio between countries and regions may vary according to Manager's discretion, and as a result, the Sub-Fund's portfolio may be concentrated in

certain country(ies) or region(s) at times.

There is no specific geographical restriction on the Sub-Fund's investment, but it is anticipated that the Sub-Fund's exposure to each country or region other than Hong Kong, Mainland China and United States (e.g. Europe and Japan) will not exceed 10% of the Sub-Fund's net asset value. For the avoidance of doubt, the Sub-Fund will invest less than 30% of the Sub-Fund's Net Asset Value in China A-Shares. Exposure to China-A Shares listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange may be made directly through Stock Connect (i.e. the mutual stock market access between Mainland China and Hong Kong, comprising the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect).

It is expected that the Sub-Fund may hold up to 30% of the Net Asset Value of the Sub-Fund in cash, cash equivalents and short term fixed income instruments for the purpose of cash management and/or dynamic equity exposure management (which is to reduce the portfolio risk by reducing equity exposure of the Sub-Fund when the Manager deems prudent to do so). In times of extreme market conditions such as in times of a prolonged bearish market or extremely severe and rapid global economic downturn, the Sub-Fund may temporarily hold up to 100% of its Net Asset Value in liquid assets such as bank deposits, certificates of deposit and treasury bills for cash flow management.

The Sub-Fund will not engage in securities lending transactions or repurchase/reverse repurchase transactions. Prior to changing the investment policy on such transactions, the Manager will seek the prior approval of the SFC and provide at least one month's prior notice to Unitholders before the Manager enters into any such transactions.

The Sub-Fund will not invest in any structured deposits or structured products or asset backed securities for hedging or non-hedging purposes.

The Sub-Fund may borrow up to 10% of its Net Asset Value on a temporary basis for the purposes of meeting redemption requests for defraying operating expenses.
The Manager may acquire financial derivatives such as futures contracts, warrants and options contracts for the account of the Sub-Fund for hedging and investment purposes in order to try to protect and enhance asset value.

Use of Derivatives

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

Indicative Asset Allocation

An indicative asset allocation of the Sub-Fund is as follows:

Type of securities	**Exposure in terms of percentage of the Sub-Fund's Net Asset Value (indicative only)**
Equities (including ETFs)	70% - 100%
Cash, cash equivalents and short term fixed income instruments	0% - 30%

Management and Administration of the Sub-Fund

The Investment Adviser

The Manager has appointed Alex KY Wong Asset Management Company Limited (the "**Investment Adviser**") to act as investment adviser to provide advisory services to the Manager in respect of the assets of the Sub-Fund. The Investment Adviser will not have any discretionary investment management power in respect of the assets of the Sub-Fund.

The Investment Adviser is a company incorporated in Hong Kong and whose registered office is at Unit A&D, 15/F, Two Chinachem Plaza, 135 Des Voeux Road Central, Central, Hong Kong. It is currently licensed by the SFC for Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO with CE number BOQ821.

Details of the key officers of the Investment Adviser are as follows:

Wong Kwok Ying

Mr. Wong Kwok Ying has over 30 years of experience in equity analysis and asset management. He has held various senior executive positions in financial institutions. He took up directorship in Ample Capital Limited from 2006 to 2022, and was responsible for the management of the asset management arm of the company. Subsequently, Mr. Wong established Alex KY Wong Asset Management Company Limited.

Leung Ching Wan, Catherine

Ms. Leung is currently a director and responsible officer of the Investment Adviser. She has over 15 years of experience in asset management, including management of fund portfolio, discretionary account and private funds. She has substantial knowledge in equity analysis and in providing investment advisory services.

The Manager will bear the fees of the Investment Adviser.

Specific Risk Factors

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

Investment risk

The Sub-Fund is an investment fund and mainly invests in equity. There can be no assurance that the Sub-Fund will achieve its investment objective. Investment in equity securities is generally subject to market risks and may lead to greater volatility in price. Such investment may fall in value. Since the Sub-Fund is not principal guaranteed, there is no guarantee of the repayment of principal and your investment in the Sub-Fund may suffer losses as a result.

Currency risk

Underlying investments of the Sub-Fund may be denominated in currencies other than the base currency of the Sub-Fund. Also, a class of Units may be designated in a currency other than the base currency of the Sub-Fund. The Sub-Fund's Net Asset Value may be affected unfavorably by fluctuations in the exchanges rates between these currencies and the base currency and by changes in exchange rate controls. Investors should refer to the risk factor headed "Currency risk" in the main part of the Explanatory Memorandum.

Concentration risk

The Sub-Fund's investments may be concentrated in a single or small number of countries and may have greater exposure to the market, political, policy, foreign exchange, liquidity, tax, legal, regulatory, economic and social risks of those countries, and value of the Sub-Fund may be more volatile than that of a sub-fund having a more diverse portfolio of investments.

Equity market risk

The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors. Please refer to the risk factors headed "Equity risk" in the main part of the Explanatory Memorandum.

Risks associated with high volatility of equity market in the Asia region

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

Over-the-counter markets risk

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

Risks associated with investment in ETFs

The trading prices of units/shares in an ETF may differ significantly from the net asset value of the units/shares of such ETF due to, disruptions to creations and realisations (for example, as a result of imposition of capital controls by a foreign government) and supply and demand forces in the secondary trading market for units/shares in the ETF. In addition, factors such as fees and expenses of an ETF, imperfect correlation between the ETF's assets and the underlying securities within the relevant tracking index, rounding of share prices, adjustments to the tracking index and regulatory policies may affect the ability of the manager of an ETF to achieve close correlation with the tracking index for the relevant ETF. An ETF's returns may therefore deviate from that of its tracking index.

There can be no assurance that an active trading market will exist or maintain for units/shares of an ETF on any securities exchange on which units/shares of an ETF may trade. Valuation of units/shares of investment in an ETF is primarily based on the last traded price. The units/shares of the ETFs which the Sub-Fund may invest in may be traded at large discounts or premiums to their net asset value, which may in turn affect the Net Asset Value of the Sub-Fund. Where the Sub-Fund buys at a premium, it may suffer losses and may not fully recover its investment in the event of termination of the ETF.

An ETF may not be able to perfectly track the index it is designed to track. The return from investing in an ETF may therefore deviate from the return of its tracking index. An ETF which is designed to track a market index is not "actively managed", therefore when there is a decline

in the reference index, the ETF will also decrease in value. The ETF may not adopt any temporary defensive position against market downturns. The Sub-Fund may lose part or all of its investment in the ETF.

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

Synthetic ETF typically invest in financial derivative instruments to replicate the performance of a reference index. Investment in synthetic ETF will be subject to the credit risk of the counterparties who issue the financial derivative instruments. If the derivative counterparties of a synthetic ETF default, the relevant Sub-Fund may suffer substantial losses of its investment in the synthetic ETF. Since derivative issuers are predominantly international financial institutions, the failure of one derivative counterparty could potentially have a "knock on" effect on other counterparties. Some synthetic ETF have collateral to reduce the counterparty risks but if the market value of the collateral has fallen substantially, the synthetic ETF may suffer losses when they seek to realise the collateral. The relevant Sub-Fund's investment in the synthetic ETF will suffer losses accordingly.

Risk relating to geographical allocation strategy

The allocation of the Sub-Fund's investments in geographical locations may vary according to the Manager's discretion and perception of prevailing market conditions. The investment in the Sub-Fund may be periodically rebalanced and therefore the Sub-Fund may incur greater transaction costs than a fund with static allocation strategy. Such geographical allocation strategy may not achieve the desired results under all circumstances and market conditions.

Emerging market risk

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

The securities markets of some of the emerging countries in which the Sub-Fund's assets may be invested are not yet fully developed which may, in some circumstances, lead to a potential lack of liquidity. The securities markets of developing countries are not as large as the more

established securities markets and have a substantially lower trading volume. Investment in such markets will be subject to risks such as market suspension, restrictions on foreign investment and control on repatriation of capital.

There are also possibilities of nationalisation, expropriation or confiscatory taxation, foreign exchange control, political changes, government regulation, social instability or diplomatic developments which could affect adversely the economies of emerging markets or the value of the Sub-Funds' investments. In addition, it may be difficult to obtain and enforce a judgment in a court in an emerging country.

Underlying investments of emerging market funds may also become illiquid which may constrain the Manager's ability to realise some or all of the portfolio. Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to some countries in which a Sub-Fund may invest may differ from those applicable in developed countries, for example, less information is available to investors and such information may be out of date.

Risks associated with investment in Mainland China

Economic, political and social risks

The economy of China, which has been in a state of transition from a planned economy to a more market-oriented economy, differs from the economies of most developed countries in many respects, including the level of government involvement, its state of development, its growth rate, control of foreign exchange, and allocation of resources.

Although the majority of productive assets in Mainland China are still owned by the PRC government at various levels, in recent years, the PRC government has implemented economic reform measures emphasising utilisation of market forces in the development of the economy of China and a high level of management autonomy. The economy of Mainland China has experienced significant growth in the past 20 years, but growth has been uneven both geographically and among various sectors of the economy. Economic growth has also been accompanied by periods of high inflation. The PRC government has implemented various measures from time to time to control inflation and restrain the rate of economic growth.

For more than 20 years, the PRC government has carried out economic reforms to achieve decentralisation and utilisation of market forces to develop the economy of the PRC. These reforms have resulted in significant economic growth and social progress. There can, however,

be no assurance that the PRC government will continue to pursue such economic policies or, if it does, that those policies will continue to be successful. Any such adjustment and modification of those economic policies may have an adverse impact on the securities market in the PRC as well as the underlying securities of the Sub-Fund. Further, the PRC government may from time to time adopt corrective measures to control the growth of the PRC economy which may also have an adverse impact on the capital growth and performance of the Sub-Fund.

Political changes, social instability and adverse diplomatic developments in the PRC could result in the imposition of additional government restrictions including expropriation of assets, confiscatory taxes or nationalisation of some or all of the property held by the underlying issuers of the debt instruments in the Sub-Fund's portfolio.

Investing in the PRC subjects the Sub-Fund to a higher level of market risk than investments in a developed country. This is due to, among other things, greater market volatility, lower trading volume, political and economic instability, settlement risk, greater risk of market shut down and more governmental limitations on foreign investment than those typically found in developed markets.

The performance of PRC companies are correlated to the growth rate of the PRC economy, which in turn depend on the worldwide economic conditions, which have recently deteriorated significantly in many countries and regions and may remain depressed for the foreseeable future. There are many factors affecting the growth of the economy, including but not limited to interest rates, currency exchange rates, economic growth rate, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment level and general consumer confidence. There can be no assurance that historical growth rates of the PRC economy will continue. Any future slowdowns or declines in the PRC economy may materially and adversely affect the business of the PRC companies and as a result the performance of the Sub-Fund.

PRC laws and regulations risk

The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference but have no precedent value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce taxation and trade. However, because these laws and regulations affecting securities markets are relatively new and evolving, and because of the limited volume of published cases

and judicial interpretation and their non-binding nature, interpretation and enforcement of these regulations involve significant uncertainties. In addition, as the PRC legal system develops, no assurance can be given that changes in such laws and regulations, their interpretation of their enforcement will not have a material adverse effect on their business operations.

Accounting and reporting standards risk

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

PRC taxation risk

Investments in the Sub-Fund may be subject to risks and uncertainties associated with the current Mainland China tax laws, regulations and practice in respect of the Sub-Fund's investments in Mainland China (which may have retrospective effect). Any increased tax liabilities on the Sub-Fund may adversely affect the Sub-Fund's value. In order to meet any potential tax liability for capital gains or income, the Manager reserves the right to provide for withholding income tax and VAT on such gains or income and withhold the tax for the account of the Sub-Fund. Based on professional and independent tax advice and the applicable tax exemptions, the Manager does not currently intend to make any provision for withholding income tax or VAT on the gross unrealised and realised capital gains derived from the trading of China A-Shares through the Stock Connect. The relevant CIT exemption is temporary, and any withdrawal or change in the applicable exemptions may require future tax provisions and adversely affect the Sub-Fund's Net Asset Value.

Furthermore, there can be no guarantee that new tax laws, regulations and practice in the Mainland China specifically relating to the Stock Connect will not be promulgated in the future. The promulgation of such new laws, regulations and practice may operate to the advantage or disadvantage of the Unitholders.

Various tax reform policies have been implemented by the PRC government in recent years, and existing tax laws and regulations may be revised or amended in the future. There is a possibility that the current tax laws, regulations and practice in the PRC will be changed with retrospective effect in the future. Moreover, there is no assurance that tax incentives currently offered to foreign companies, if any, will not be abolished and the existing tax laws and regulations will not be revised or amended in the future. Any changes in tax policies may

reduce the after-tax profits of the companies in the PRC which the relevant Sub-Fund invests in, thereby reducing the income from, and/or value of the Units.

Please refer to the PRC tax risks and considerations set out in the sub-section entitled "PRC Taxation" under the section headed "TAXATION" in this Explanatory Memorandum.

Changes in PRC taxation risk

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

China A-Shares associated risks

China A-Shares may only be bought from, or sold to, a QFII or a RQFII or via Stock Connect from time to time where the relevant China A-Shares may be sold or purchased on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, as appropriate. Given the China A Share market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention), the creation and realisation of shares may be disrupted. Market volatility and potential lack of liquidity due to low trading volume in the China A Share market may result in prices of securities traded on such markets fluctuating significantly resulting in substantial changes in the net asset value of the Sub-Fund.

Risks associated with Stock Connect

The Sub-Fund may invest through the Stock Connect. In addition to the risk factors "Risk associated with investment in China" and "RMB currency risk", the Sub-Fund is also subject to the following additional risks:

Quota limitations - The Stock Connect is subject to quota limitations. In particular, once the remaining balance of the Northbound Daily Quota is exceeded during the opening call session, new buy orders will be rejected (though investors will be allowed to sell their cross-boundary securities regardless of the quota balance). Therefore, quota limitations may restrict the Sub-Fund's ability to invest in China A-Shares through Stock Connect on a timely basis, and the Sub-Fund may not be able to effectively pursue its investment strategies.

Suspension risk - It is contemplated that the Stock Exchange of Hong Kong ("SEHK") and the

Shanghai Stock Exchange ("SSE") would reserve the right to suspend Northbound and/or Southbound trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension in the Northbound trading through Stock Connect is effected, the Sub-Fund's ability to access the PRC market will be adversely affected.

Differences in trading day - Stock Connect will only operate on days when both the PRC and Hong Kong markets are open for trading and banking services are available in both markets on the corresponding settlement days. It is possible that there are occasions when it is a normal trading day for the PRC market but Hong Kong investors (such as the Sub-Fund) cannot carry out any China A-Shares trading. Due to the differences in trading days, the Sub-Fund may be subject to a risk of price fluctuations in China A-Shares during the time when Stock Connect is not operating as a result.

Operational risk - The Stock Connect provides a channel for investors from Hong Kong and overseas to access the Mainland China stock market directly. Market participants are able to participate in this programme subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house. Market participants may need to address issues arising from the differences on an on-going basis. Further, the "connectivity" in the Stock Connect requires routing of orders across the border. This requires the development of new information technology systems on the part of the SEHK and exchange participants. There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through the programme could be disrupted.

Restrictions on selling imposed by front-end monitoring - PRC regulations require that in order for an investor to sell any A-Shares on a certain trading day, there must be sufficient A-Shares in the investor's account before market opens on that day. If there are insufficient A-Shares in the investor's account, the sell order will be rejected by the Shanghai Stock Exchange or the Shenzhen Stock Exchange. The SEHK carries out pre-trade checking on certain stocks listed on the Shanghai Stock Exchange market ("**SSE Securities**") and the Shenzhen Stock Exchange market ("**SZSE Securities**") sell orders of its participants (i.e. stock brokers) to ensure that this requirement is satisfied. This means that investors must transfer SSE Securities and SZSE Securities to the accounts of its brokers before the market opens on the day of selling (the "**trading day**"). If an investor fails to meet this deadline, it will not be able to sell SSE Securities or SZSE Securities on the relevant trading day. Because of this requirement,

investors may not be able to dispose of holdings of SSE Securities or SZSE Securities in a timely manner. This also raises concerns as to counterparty risks as securities may need to be kept by brokers overnight.

To facilitate investors whose SSE Securities or SZSE Securities are maintained with custodians to sell their SSE Securities or SZSE Securities without having to pre-deliver the SSE Securities or SZSE Securities from their custodians to their executing brokers, the HKEx introduced an enhanced pre-trade checking model in March 2015, under which an investor may request its custodian to open a Special Segregated Account (SPSA) in CCASS to maintain its holdings in SSE Securities and SZSE Securities. Such investors only need to transfer SSE Securities or SZSE Securities from its SPSA to its designated broker's account after execution and not before placing the sell order. If the Sub-Fund is unable to utilise this model, it would have to deliver SSE Securities or SZSE Securities to brokers before the trading day and the above risks may still apply.

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

Clearing and settlement risk - The Hong Kong Securities Clearing Company Limited ("HKSCC") and China Securities Depository and Clearing Corporation Limited ("CSDCCL") have established the clearing links and each will become a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house. Should the remote event of CSDCCL default occur and CSDCCL be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against CSDCCL. HKSCC will in good faith, seek recovery of the outstanding stocks and monies from CSDCCL through available legal channels or through CSDCCL'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 CSDCCL.

Participation in corporate actions and shareholders' meetings - The HKSCC will keep CCASS participants informed of corporate actions of SSE Securities. Where the articles of association of a listed company do not prohibit the appointment of proxy/multiple proxies by its shareholder, HKSCC will make arrangements to appoint one or more investors as its proxies

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

Currency risk - As the Sub-Fund is denominated in Hong Kong dollars, the performance of the Sub-Fund may be affected by movements in the exchange rate between RMB (i.e. the currency in which SSE Securities and SZSE Securities are traded and settled) and Hong Kong dollars. 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 factor headed "Currency risk" in the main part of the Explanatory Memorandum.

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

Regulatory risk - The Stock Connect is subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under Stock Connect. It should be noted that the regulations are untested and there is no certainty as to how they will be applied. Moreover, the current regulations are subject to change. There can be no assurance that the Stock Connect will not be abolished. The Sub-Fund, which

may invest in the PRC markets through Stock Connect, may be adversely affected as a result of such changes.

Taxation risk - The Manager intends to manage and operate the Fund and the Sub-Funds so that they should not be treated as PRC tax resident enterprises or non-tax resident enterprises with an establishment or place of business in the PRC for CIT purposes, although this cannot be guaranteed. If the intended tax status described above applies, PRC-sourced income from investments in PRC securities would generally be subject to withholding income tax at 10%, subject to applicable exemptions or treaty relief, rather than CIT at 25% applicable to PRC tax resident enterprises or income attributable to a PRC establishment or place of business.

Under *Caishui [2014] No.81* and *Caishui [2016] No.127*, capital gains derived by Hong Kong and overseas investors (including the Sub-Fund) from trading China A-Shares through Stock Connect are temporarily exempt from PRC CIT. Such capital gains are also exempt from VAT under the prevailing VAT rules. Dividends derived from PRC tax residents are generally subject to withholding income tax at the rate of 10%, subject to applicable exemptions or reductions under the double tax arrangement between the PRC and Hong Kong. Any treaty relief is subject to eligibility and completion of the prescribed procedures, including the requisite filings and retention of supporting documents. The Sub-Fund will also be subject to PRC stamp duty on the contract for the sales of A-Shares and B-Shares traded on the PRC stock exchanges. Such stamp duty is currently imposed on the seller but not the purchaser, at the rate of 0.05% (reduced from 0.1% with effect from 28 August 2023). Various tax reform policies have been implemented by the PRC government in recent years, and existing tax laws and regulations may be revised or amended in the future. There is a possibility that the current tax laws, regulations and practice in the PRC will be changed with retrospective effect in the future and any such change may have an adverse effect on the asset value of the Sub-Fund. Any changes in tax policies may reduce the after-tax profits of the companies in the PRC which the Sub-Fund invests in, thereby reducing the income from, and/or value of the Units.

For further details relating to Stock Connect, please refer to Annex A of this Explanatory Memorandum.

Performance fees risk

Performance fee may encourage the Manager to make riskier investments than would be the case in the absence of a performance-based incentive system. Given there is no equalisation arrangement for the calculation of the performance fee, a redeeming Unitholder may still incur a performance fee in respect of his investment, even though he has suffered a loss of investment

capital. In addition, performance fees may be paid on unrealised gains which may never be realised by the Sub-Fund.

Risks associated with investment in financial derivative instruments ("FDI")

The Sub-Fund may from time to time utilise FDIs for investment and hedging purposes. Risks associated with FDI include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund. Exposure to FDI may lead to a high risk of significant loss by the Sub-Fund. There is also no guarantee that the use of financial derivatives instruments for hedging purposes will be effective and the Sub-Fund may therefore be subject to substantial loss. Please refer to the risk factor headed "Derivative and structured product risk" in the main part of the Explanatory Memorandum.

Available Classes in Hong Kong

Class	**Class currency**	**Investors to whom this Class is available**
Class A	HKD	Public in Hong Kong
Class I	HKD	Institutional investors, professional investors or other investors as determined by the Manager

Investment Minima

Minimum Subscription Amount	**Class A HKD Units**: HKD10,000 **Class I HKD Units**[#]: HKD300,000
Minimum Subsequent Subscription Amount	**Class A HKD Units**: HKD10,000 **Class I HKD Units**: Not applicable
Minimum Holding	**Class A HKD Units**: Not applicable **Class I HKD Units**: Not applicable
Minimum Redemption Amount	**Class A HKD Units**: Units with aggregate minimum value of HKD10,000 **Class I HKD Units**: Nil

 # Subscription for Class I Units will only be offered during the initial offer period. Following the close of the initial offer period, subscriptions for Class I Units will no longer be accepted.

Fees

Fees payable by investors

Preliminary Charge (% of total subscription amount received (i.e. before deducting preliminary charge))	**Class A**: up to 5% **Class I**: Nil
Switching Charge (% of total amount being switched into)	**Class A and Class I**: Not applicable
Redemption Charge (% of total redemption proceeds)	**Class A and Class I**: Nil

Fees payable by the Sub-Fund

Management Fee (% Net Asset Value of the Sub-Fund)	**Class A**: 1.5% p.a. **Class I**: 0.50% p.a.
Performance Fee	**Class I**: Nil **Class A:** 10% per annum of the increase in the Net Asset Value of the Sub-Fund in the relevant performance period calculated annually on a high-on-high basis. Please see below for further details.
Trustee Fee (% Net Asset Value of the Sub-Fund)	**Class A and Class I**: up to 0.10% p.a. The Trustee may charge a minimum monthly fee of HK$25,000 if the combined aggregate amount of the Trustee Fee and Custody Fee is less than HK$25,000 per month (which

	may be waived during the first 6 months upon launch of the Sub-Fund).
Custody Fee (% month-end market value (if unavailable, the nominal value) of the investments in custody of the Sub-Fund)	**Class A and Class I**: up to 0.05% p.a. plus transaction fees at customary rates.
Registrar Fee	**Class A and Class I**: Included as part of the Trustee Fee

Performance Fee

The Manager is entitled to charge a Performance Fee for each performance period for Class A Units only. No performance fee is charged for Class I Units.

Performance Fee calculation

The Performance Fee is payable annually on a high-on-high basis (i.e. when the Net Asset Value per Unit as at the last Valuation Day of a performance period exceeds the High Watermark (as defined below) in accordance with the following formula:

(A-B) x C x D

where:

"A" is the Net Asset Value per Unit (after deducting the provision for Management Fee and Trustee Fee, but before deduction of any provision for any fees in respect of that performance period) as at the last Valuation Day of a performance period.

"B" is the "High Watermark" which is the higher of:

(i) the initial offer price; and

(ii) the Net Asset Value per Unit as at the end of the performance period in which a performance fee was last paid (after deduction of all fees including any performance

fee).

Where a performance fee is payable for a performance period, the Net Asset Value per Unit on the last Valuation Day of that performance period will be set as the High Watermark for the next performance period.

"(A-B)" means the outperformance of Net Asset Value per Unit, i.e. the amount by which the increase in Net Asset Value per Unit during the relevant performance period exceeds the High Watermark.

"C" is the rate of performance fee payable (i.e. 10%).

"D" is the number of Units in issue as at the last Valuation Point in the relevant performance period.

Each performance period corresponds to the financial year of the Fund, except that the first performance period is from the first Valuation Day after the close of the initial offer period to 31 December 2026.

If any Units are redeemed on a Dealing Day mid-way through a performance period, the performance fee accrued during such performance period in respect of those Units shall be crystallized upon the redemption and become payable to the Manager. Any performance fee accrued for that performance period will be paid to the Manager at the end of the relevant performance period.

Any performance fee payable shall be paid to the Manager annually in arrears as soon as practicable after the end of the relevant performance period.

Performance Fee accrual

The performance fee shall be accrued on each Valuation Day throughout a performance period. If the Net Asset Value per Unit exceeds the High Watermark, a performance fee accrual will be made. If not, no performance fee accrual will be made. On each Valuation Day, the accrual made on the previous Valuation Day will be reversed and a new performance fee accrual will be calculated and made in accordance with the above. If the Net Asset Value per Unit on a Valuation Day is lower than or equal to the High Watermark, all provision previously accrued performance fee will be reversed and no performance fee will be accrued.

The price of Units subscribed for or redeemed during a performance period will be based on the Net Asset Value per Unit (after accrual of performance fee as calculated in accordance with the above). Depending upon the performance of the Sub-Fund during the year, the price at which Unitholders subscribe for or redeem Units at different times will be affected by performance of the Sub-Fund and this could have a positive or negative effect on the performance fee borne by them.

There is no equalisation arrangement in respect of the calculation of Performance Fee. That means there is no adjustment of equalisation credit or equalisation losses on an individual Unitholder basis based on the timing the relevant Unitholder subscribes or redeems the relevant Units during a performance period. The Unitholder may be advantaged or disadvantaged as a result of this calculation methodology.

For instance, a Unitholder will be advantaged if he subscribes to the Sub-Fund during a performance period when the Net Asset Value per Unit is below the High Watermark, and redeems prior to the end of such performance period when the Net Asset Value per Unit has increased up to but does not exceed the High Watermark at the time of his redemption, and thus, no Performance Fee is payable even though he has made a profit. Likewise, a Unitholder will be disadvantaged if he subscribes to the Sub-Fund during a performance period when the Net Asset Value per Unit is above the High Watermark and redeems prior to or at the end of such performance period when the Net Asset Value per Unit at the time of redemption has decreased but remains above High Watermark. Under such circumstances, he has paid the performance fee despite of a loss as his subscription price of the Units has taken into account a provision for the performance fee.

Illustrative examples

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

Assumptions:

- The initial offer price for the relevant share is HKD100.

- The performance fee payable is 10% of the increase in the Net Asset Value per Unit during a performance period above the High Watermark (i.e. outperformance of Net Asset Value per Unit).

A. First performance period (Net Asset Value per Unit above High Watermark at the end of performance period – performance fee payable)

Investor A subscribes for one Unit during the initial offer period at the initial issue price. Thereafter, investor B subscribes for one Unit within the first performance period at a subscription price of HKD110. High Watermark is the initial offer price (i.e. HKD100).

By the end of the first performance period, the Net Asset Value per Unit is HKD105. The outperformance of Net Asset Value per Unit is thus HKD5. The total number of Units in issue as at the last Valuation Day is 2 Units.

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

(HKD105 – HKD100) x 10% x 2 Units = HKD1.

At the end of the first performance period, the Net Asset Value per Unit will be reduced by HKD0.50. In effect, each of investors A and B will have borne the HKD0.50 performance fee in respect of the first performance period.

B. Second performance period (Net Asset Value per Unit below High Watermark on a particular Valuation Day – no performance fee accrual; Net Asset Value below High Watermark at the end of performance period – no performance fee payable):

At the start of the second performance period, the High Watermark is HKD104.50 (being the Net Asset Value per Unit at the end of the last performance period in respect of which a performance fee was paid (after deduction of performance fee)).

Mid-way through the second performance period, the Net Asset Value per Unit is HKD98.50. Investor A redeems his Unit. Investor C subscribes for one Unit. On this Valuation Day, the Net Asset Value per Unit is below the High Watermark. Therefore, no performance fee is accrued in respect of the Unit redeemed by investor A.

At the end of the second performance period, the Net Asset Value per Unit becomes HKD102.50. There has been no outperformance of Net Asset Value per unit. No performance fee is therefore payable in the second performance period.

Establishment Costs

The establishment costs of the Everbright Smart Select Global Equity Fund amount to approximately HKD375,000. These costs will be charged to the Sub-Fund and will be amortised over the first 60 months of the Sub-Fund (or such period as determined by the Manager).

Dealing Day

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

Dealing Deadline

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

Application for subscription of Class I Units should be made in accordance with the procedures as set out under the section headed "Purchase of Units" of this Explanatory Memorandum during the initial offer period. The Dealing Deadline to subscribe for Class I Units is 4:00 p.m. (Hong Kong time) on the last Business Day of the initial offer period. Following the close of the initial offer period, subscriptions for Class I Units will no longer be accepted.

Applications for subscription of Class A Units may be made on the relevant Dealing Day. The Dealing Deadline to subscribe for Class A Units is 4:00 p.m. (Hong Kong time) 1 Business Day prior to the relevant Dealing Day.

The Authorised Distributor(s) may impose an earlier cut-off time before the Dealing Deadlines for receiving instructions for subscriptions, redemptions or switching. Investors should confirm the arrangements and dealing procedures with the Authorised Distributor(s) concerned.

Subscription, Redemption and Switching of Units

No switching of Units in the Sub-Fund is permitted.

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

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency and dates of distribution and amount of dividends. Currently, the Manager has no intention to make any distribution of dividends.

The Manager may amend the distribution policy. Where required by the SFC or the Code, the Manager will obtain the SFC's prior approval and/or give prior notice to Unitholders of such amendment.

Valuation

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

ANNEX A

Overview of the Fixed Income Securities Market

Market characteristics

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

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

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

	Interbank Bond Market	**Exchange Traded Bond Market**
Size	In 2024, 90.06% of all bond transactions (Data source: www.chinabond.com.cn; www.sse.com.cn; www.szse.com.cn)	In 2024, 9.94% of all bond transactions (Data source: www.chinabond.com.cn; www.sse.com.cn; www.szse.com.cn)
Major types of products being traded	Government bonds (including municipal bonds), central bank bills, financial bonds, enterprise bonds, commercial papers, mid-term notes, asset backed securities, panda bonds (i.e. RMB-denominated bonds issued by international financial institutions within the boundaries of China)	Government bonds (including municipal bonds), listed company bonds, enterprise bonds, convertible bonds, asset backed securities

Key market participants	Institutional investors (such as commercial banks, securities firms, funds and trust investment companies), RQFIIs	Individuals and non-bank institutions (such as insurance companies and funds), qualified foreign institutional investors (QFIIs), RQFIIs
Trading and settlement mechanism	Trades through bilateral negotiation and settle trade-for-trade; settlement cycle: T+0 or T+1	Centralised trade matching with netting settlement; settlement cycle: T+1
Regulator(s)	People's Bank of China	CSRC
Counterparty	The trading counterparty	China Securities Depository and Clearing Corporation Limited acting as the central counterparty to all securities transactions on the Shanghai and Shenzhen Stock Exchanges
Central Clearing Entity (if any)	China Central Depository & Clearing Co., Ltd or Shanghai Clearing House, depending on the type of securities	China Securities Depository and Clearing Corporation Limited
Liquidity of Market	High	Medium to low
Associated Risks	Counterparty risk Credit risk of bond issuers Liquidity risk	Counterparty risk Credit risk of bond issuers Liquidity risk
Minimum rating requirements (if any)	No minimum rating requirement	AA for the exchange trading platform which is accessible by QFIIs and RQFIIs; no minimum rating requirement for the electronic trading platform

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

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

The yield of the major RMB denominated instruments issued in the PRC was in the range of 1.38% to 2.17% for government bonds and 1.905% to 42.9522% for corporate bonds including convertible bonds, as at 31 March 2025 (Source: www.chinabond.com.cn). However, investors should note that this is not an indication of the expected return of the Sub-Fund. There is no assurance that the Sub-Fund's return will be correlated with the expected yield of its underlying investments.

PRC Credit Rating Agencies

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

The major domestic credit rating agencies in China include:

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

These domestic credit rating agencies in China are regulated by competent mainland authorities. The domestic ratings agencies mainly provide credit ratings to publicly listed and

interbank market bonds. The definition and methodology of ratings vary among domestic credit agencies.

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

Stock Connect

The Stock Connect is a securities trading and clearing linked programme developed by Hong Kong Exchanges and Clearing Limited ("HKEx"), Shanghai Stock Exchange ("SSE"), the Shenzhen Stock Exchange ("SZSE") and China Securities Depository and Clearing Corporation Limited ("CSDCCL"), with an aim to achieve mutual stock market access between mainland China and Hong Kong. It comprises the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.

Each of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect comprises a Northbound Trading Link and a Southbound Trading Link. Under the Northbound Trading Link, Hong Kong and overseas investors (including the relevant Sub-Fund), through their Hong Kong brokers and a securities trading service companies (in Shanghai and Qianhai Shenzhen respectively) as established by The Stock Exchange of Hong Kong Limited ("SEHK") and the Hong Kong Securities Clearing Company Limited ("HKSCC"), may be able to trade eligible shares listed on the SSE or the SZSE by routing orders to SSE or the SZSE (as the case may be). Under the Southbound Trading Link, eligible investors, through Mainland Chinese securities firms and securities trading service companies established by the SSE and the SZSE, are able to trade eligible shares listed on the SEHK by routing orders to the SEHK.

Eligible securities

Hong Kong and overseas investors will be able to trade certain stocks listed on the SSE market (i.e. "SSE Securities") and the SZSE market (the "SZSE Securities"). SSE Securities include

all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed China A-Shares that are not included as constituent stocks of the relevant indices but which have corresponding H-Shares listed on SEHK, except the following:

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

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

- SZSE-listed shares which are not traded in RMB; and
- SZSE-listed shares which are included in the "risk alert board".

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

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

Trading Days

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

Trading quota

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

Settlement and custody

The HKSCC, a wholly-owned subsidiary of HKEx, will be responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by Hong Kong market participants and investors.

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

Corporate actions and shareholders' meetings

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

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

Foreign shareholding restrictions

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

- shares held by a single foreign investor (such as the Sub-Fund) investing in a listed company must not exceed 10% of the total issued shares of such listed company; and
- total shares held by all foreign investors (i.e. Hong Kong and overseas investors) who make investment in a listed company must not exceed 30% of the total issued

shares of such listed company.

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

Currency

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

Trading fees and taxes

Under the Stock Connect, Hong Kong and overseas investors will be subject to the fees and levies imposed by SSE, SZSE, CSDCCL, HKSCC or the relevant Mainland Chinese authority when they trade and settle China A-Shares via the Stock Connect. 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

Investor compensation

The relevant Sub-Fund's investments through Northbound trading under Stock Connect will not be covered by Hong Kong's Investor Compensation Fund. Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong.

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

On the other hand, where the relevant Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not PRC brokers, they are not protected by the China Securities Investor Protection Fund (中國投資者保護基金) in the PRC.

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

http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm
(this website has not been reviewed by the SFC)