E Fund (HK) Greater China Leaders Fund

a sub-fund of

Selection Investment Series

EXPLANATORY MEMORANDUM

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15 June 2018

CONTENTS

IMPORTANT INFORMATION FOR INVESTORS ii

DIRECTORY iv

DEFINITIONS 1

INTRODUCTION 5

MANAGEMENT OF THE TRUST 6

INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTIONS 10

SUBSCRIPTION OF UNITS 15

REDEMPTION OF UNITS 18

SWITCHING 21

VALUATION 22

EXPENSES AND CHARGES 25

RISK FACTORS 28

TAXATION 34

GENERAL 37

APPENDIX 1 : E FUND GREATER CHINA LEADERS FUND 42

IMPORTANT INFORMATION FOR INVESTORS

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

Selection Investment Series (the "Trust") is an umbrella unit trust established under the laws of Hong Kong by the Trust Deed between E Fund Management (Hong Kong) Co., Limited as manager (the "Manager") and ICBC (Asia) Trustee Company Limited as trustee (the "Trustee").

A product key facts statement which contains the key features and risks of the Sub-Fund is also issued by the Manager and such product key facts statement shall form part of this Explanatory Memorandum, and shall be read, in conjunction with, this Explanatory Memorandum.

The Manager and its directors accept full responsibility for the information contained in this Explanatory Memorandum as being accurate and confirm, having made all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make such information misleading. However, neither the delivery of this Explanatory Memorandum nor the offer or issue of Units shall under any circumstances constitute a representation that the information contained in this Explanatory Memorandum is correct as of any time subsequent to the date of its publication. This Explanatory Memorandum may from time to time be updated. Investors should check the Manager's website at www.efunds.com.hk (this website has not been reviewed by the SFC) for the latest version of the Explanatory Memorandum.

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

The Trust and each Sub-Fund have been authorised by the Securities and Futures Commission in Hong Kong (the "SFC") under Section 104 of the Securities and Futures Ordinance of Hong Kong. SFC authorisation is not a recommendation or endorsement of the Trust or any Sub-Fund nor does it guarantee the commercial merits of any Sub-Fund or its performance. It does not mean a Sub-Fund is 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 in any jurisdiction (other than Hong Kong) that would permit an offering of the Units or the possession, circulation or distribution of this Explanatory Memorandum or any other offering or publicity material relating to the offering of Units in any other jurisdiction where action for the purpose is required. This Explanatory Memorandum does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it would be unlawful to make such offer or solicitation.

In particular:

(a) the Units have not been registered under the United States Securities Act of 1933 (as amended) and, except in a transaction which does not violate such Act, may not be directly or indirectly offered or sold in the United States of America, or any of its territories or possessions or areas subject to its jurisdiction, or for the benefit of a U.S. Person ("U.S. Person" being defined as (i) an individual who is a United States citizen, a U.S. 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 of its source); and

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

The Manager will make an application with the China Securities Regulatory Commission ("CSRC") for offering E Fund (HK) Greater China Leaders Fund, a sub-fund of the Trust to retail investors in Mainland China under the Mainland-Hong Kong Mutual Recognition of Funds regime. The Manager may issue Class M RMB Units for this Sub-Fund in due course subject to applicable laws and regulations. Class M RMB Units will be available to investors in Mainland China only and will not be offered in Hong Kong. In respect of details in relation to Class M RMB Units, please refer to E Fund (HK) Greater China Leaders Fund's offering documents applicable to investors in Mainland China.

Prospective applicants for the Units should inform themselves as to the relevant legal requirements of applying and any applicable exchange control regulations and applicable taxes in the places of their respective citizenship, residence or domicile which might be relevant to the subscription, holding or disposal of Units.

Any investor enquiries or complaints should be submitted in writing to the Manager's office (Suites 3501-02, 35/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong) and the Manager will respond in writing within 14 Business Days.

DIRECTORY

Manager	E Fund Management (Hong Kong) Co., Limited (易方達資產管理(香港)有限公司) Suites 3501-02, 35/F Two International Finance Centre 8 Finance Street Central Hong Kong
Trustee	ICBC (Asia) Trustee Company Limited (工銀亞洲信託有限公司) 33/F., ICBC Tower 3 Garden Road Central Hong Kong
Custodian	Industrial and Commercial Bank of China (Asia) Limited 33/F, ICBC Tower 3 Garden Road Central Hong Kong
RQFII Custodian (for the E Fund (HK) Greater China Leaders Fund only)	China Construction Bank Corporation No. 25, Financial Street Xicheng District Beijing China
Registrar and Transfer Agent	Brown Brothers Harriman (Luxembourg) S.C.A. 80 route d'Esch L-1470 Luxembourg
Registrar and Transfer Agent Representative in Hong Kong	Brown Brothers Harriman (Hong Kong) Limited 13/F Man Yee Building 68 Des Voeux Road Central Hong Kong
Legal Counsel to the Manager	Simmons & Simmons 13/F One Pacific Place 88 Queensway Hong Kong
Auditors	Ernst & Young 22/F, Citic Tower 1 Tim Mei Avenue Central Hong Kong

DEFINITIONS

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

"**Appendix**"	means an appendix to this Explanatory Memorandum containing information in respect of a particular Sub-Fund.
"**A-Shares**"	means shares issued by companies incorporated in Mainland China and listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange and traded in RMB.
"**Base Currency**"	means, in respect of a Sub-Fund unless otherwise specified in the relevant Appendix, the USD.
"**Business Day**"	means unless otherwise specified in the relevant Appendix in respect of a particular Sub-Fund, a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for normal banking business or such other day or days as the Trustee and the Manager may determine from time to time, provided that where, as a result of a typhoon number 8 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 Trustee and the Manager determine otherwise.
"**Code**"	means the Code on Unit Trusts and Mutual Funds issued by the SFC (as amended from time to time).
"**Connected Person**"	has the meaning as set out in the Code which at the date of the Explanatory Memorandum means, in relation to a company: (a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise directly or indirectly, 20% or more of the total votes in that company; (b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); (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).
"**CSDCC**"	means the China Securities Depository and Clearing Co., Ltd.
"**CSRC**"	means the China Securities Regulatory Commission.
"**Custodian**"	means Industrial and Commercial Bank of China (Asia) Limited.
"**Dealing Day**"	means, in respect of any Sub-Fund, the days on which Units of that Sub-Fund may be subscribed or redeemed, as specified in the relevant Appendix.
"**Dealing Deadline**"	means, in respect of any Sub-Fund, such time on the relevant Dealing Day or any other Business Day as the Manager may from time to time with the approval of the Trustee determine in relation

	to the subscription and redemption of Units, as specified in the relevant Appendix.
"**Hong Kong**"	means the Hong Kong Special Administrative Region of the People's Republic of China.
"**Hong Kong Dollars**" or "**HKD**"	means the currency of Hong Kong.
"**Hong Kong Stock Exchange**"	means The Stock Exchange of Hong Kong Limited.
"**IFRS**"	means International Financial Reporting Standards issued by the International Accounting Standards Board.
"**Initial Offer Period**"	means, if applicable in respect of a Sub-Fund as determined by the Manager, the period during which Units in that Sub-Fund will be offered for subscription at a fixed price, as specified in the relevant Appendix.
"**Issue Price**"	means the price per Unit at which Units of a particular class will be issued, which price shall be ascertained in accordance with the section headed "Subscription of Units" below.
"Mainland China" or **"Mainland"**	means all the customs territories of the People's Republic of China, not including Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan of the People's Republic of China.
"**Manager**"	means E Fund Management (Hong Kong) Co., Limited.
"**MOF**"	means the Ministry of Finance of the PRC.
"**Net Asset Value**"	means, in relation to any Sub-Fund or class of Units, the net asset value of such Sub-Fund or class, as the context may require, in accordance with the provisions of the Trust Deed.
"**OECD**"	means the Organisation for Economic Co-operation and Development.
"**PBOC**"	means the People's Bank of China.
"**PRC" or "China**"	means the People's Republic of China.
"**QFII**"	means a qualified foreign institutional investor approved pursuant to the relevant Mainland China regulations (as amended from time to time).
"**Redemption Price**"	means the price per Unit at which Units of the relevant class will be redeemed, which price shall be ascertained in accordance with the section headed "Redemption of Units" below.
"**Registrar and Transfer Agent**"	means Brown Brothers Harriman (Luxembourg) S.C.A., as the registrar and transfer agent of each Sub-Fund.
"**Regulated Markets**"	means regulated markets of OECD member countries or anywhere

	in the world by any other body, which is of similar standing.
"**RMB**"	means Renminbi Yuan, the lawful currency of the PRC.
"**RQFII**" or "**RQFII holder**"	means a Renminbi qualified foreign institutional investor approved pursuant to the relevant PRC regulations (as amended from time to time).
"**RQFII Custodian**"	means China Construction Bank Corporation, acting as RQFII custodian to the E Fund (HK) Greater China Leaders Fund only.
"**RQFII Custody Agreement**"	means the custody agreement entered into between the RQFII Custodian and the Manager, as amended from time to time.
"**SAFE**"	means the State Administration of Foreign Exchange of the PRC.
"**SAT**"	means the State Administration of Taxation of the PRC.
"**SFC**"	means the Securities and Futures Commission of Hong Kong.
"**SFO**"	means the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong.
"**Stock Connect**"	means either (i) the Shanghai-Hong Kong Stock Connect securities trading and clearing linked programme; or (ii) the Shenzhen-Hong Kong Stock Connect securities trading and clearing linked programme.
"**Sub-Fund**"	means a sub-fund of the Trust, being a separate trust which is established pursuant to a supplemental deed and is maintained in accordance with the provisions of the Trust Deed and such supplemental deed and with respect to which one or more separate classes of Units is issued.
"**Trust**"	means Selection Investment Series.
"**Trust Deed**"	means the trust deed establishing the Trust entered into by the Manager and the Trustee dated 22 December 2014, and as amended and/or supplemented from time to time.
"**Trustee**"	means ICBC (Asia) Trustee Company Limited in its capacity as trustee of the Trust and each Sub-Fund.
"**Unit**"	means a unit of the class to which it relates and except where used in relation to a particular class of Unit, a reference to Units means and includes Units of all classes.
"**Unitholder**"	means a person registered as a holder of a Unit.
"**US dollars**" or "**USD**"	means the currency of the United States of America.
"**Valuation Day**"	means, such days as are described in the relevant Appendix of the relevant Sub-Fund.
"**Valuation Point**"	means the close of business in the last relevant market to close on a relevant Valuation Day or such other time on that day or such other day as the Manager and the Trustee may determine from

time to time either generally or in relation to a particular Sub-Fund or Class of Units and as specified in the relevant Appendix.

INTRODUCTION

Selection Investment Series is an open-ended umbrella unit trust established under the laws of Hong Kong pursuant to the Trust Deed. All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Trust Deed.

The Trust has been established as an umbrella fund and separate and distinct Sub-Funds may be established by the Manager and the Trustee within the Trust from time to time. Each Sub-Fund has its own investment objective and policies. More than one class of Units may be offered in relation to a particular Sub-Fund, which may have different terms, including different currencies of denomination. A separate portfolio of assets will not be maintained for each class. All classes of Units relating to the same Sub-Fund will be commonly invested in accordance with such Sub-Fund's investment objective and policies. 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.

A separate Net Asset Value per Unit will be calculated for each class following the close of the relevant Initial Offer Period. Additional classes of Units of the Sub-Fund and/or additional Sub-Funds may be created in the future in accordance with the Trust Deed.

Information relating to the Trust and the Sub-Fund, including the latest versions of the Sub-Fund's offering documentation, circulars, notices, announcements, financial reports and the latest available Net Asset Value will be available on the website www.efunds.com.hk (this website has not been reviewed by the SFC).

MANAGEMENT OF THE TRUST

The Manager

The Manager of the Trust is E Fund Management (Hong Kong) Co., Limited.

The Manager was incorporated with limited liability in August 2008 in Hong Kong and is licensed to conduct Types 1 (Dealing in Securities), 4 (Advising on Securities) and 9 (Asset Management) Regulated Activities under Part V of the SFO with CE number ARO593. It is principally engaged in fund management and the provision of investment advisory services to corporations, institutions and individual investors.

The Manager is a wholly owned subsidiary of E Fund Management Co., Limited which was established on 17 April 2001. The parent company of the Manager is a fund management company licensed with China Securities Regulatory Commission and at the end of December 2015, assets under the parent company of the Manager's management exceeded RMB820 billion, making it as one of the three largest asset managers in Mainland China, and is also qualified for managing investment portfolios for both the National Council for Social Security Fund and Ministry of Labour and Social Security of China Decree 23 compliant enterprise annuity schemes.

The Manager undertakes the management of the assets of the Trust and retains discretionary powers in the management of a Sub-Fund unless otherwise specified in the relevant Appendix. The Manager may appoint sub-manager(s) or investment adviser(s) in relation to specific Sub-Fund(s). Unitholders shall be given not less than one month's prior notice should there be any new appointments of any sub-manager(s) or investment adviser(s) with discretionary investment powers. The remuneration of such sub-manager(s) and investment adviser(s) will be borne by the Manager.

The directors of the Manager are as follows:

Liu Xiaoyan

Ms. Liu graduated from Nanjing University with a Doctorate degree in Economics. Ms. Liu was an investment manager at the fund investment department of GF Securities, a leading securities firm in Mainland China. Upon joining E Fund Management Co., Limited in 2001, Ms. Liu was Chief Compliance Officer and Chief Marketing Officer before her promotion to Chief Executive Officer of E Fund Management Co., Limited.

Zhang Youzao

Mr. Zhang graduated from the Baptist University of Hong Kong with a Master's degree in Business Administration. Mr. Zhang has served a number of Guangdong based financial institutions and has extensive experience in the securities and investment businesses. Mr. Zhang joined E Fund Management Co., Limited in 2001 and is responsible for overseeing the operation of the E Fund Management Co., Limited and is now the Chief Operating Officer of E Fund Management Co., Limited.

Fan Yue

Mr. Fan graduated from Wuhan University with a Master's degree in Business Administration. Mr. Fan was the Head of Fund Supervision at the Shenzhen Stock Exchange. Mr. Fan joined E Fund Management Co., Limited in 2011 and is responsible for the product development and corporate planning of the E Fund Management Co., Limited and is now the Chief Product Officer of E Fund Management Co., Limited.

Ma Jun

Mr. Ma graduated from Peking University with an Executive Master's degree in Business Administration. Mr. Ma previously worked in the sales department of Junan Securities, Shenzhen Public Investment Company Capital, and GF Securities. Mr. Ma joined E Fund Management Co., Limited in 2001 and is responsible for the RQFII products and is now the Chief Investment Officer of the Fixed Income Department of E Fund Management Co., Limited.

The Trustee

The Trustee of the Trust is ICBC (Asia) Trustee Company Limited, which is a registered trust company in Hong Kong. The principal activity of the Trustee is the provision of trustee services. 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). The Trustee is independent of the Manager within the meaning of Chapters 4.7 and 4.8 of the Code.

Under the Trust Deed, the Trustee is responsible for the safe-keeping of the assets of the Trust and each Sub-Fund, and such assets will be dealt with pursuant to the terms of the Trust Deed. The Trustee may solely or jointly with the Manager appoint such person or persons (including a Connected Person of the Trustee) as custodian or co-custodian of the investments comprised in any Sub-Fund and may empower any such custodian or co-custodian to appoint, subject to no objection in writing from the Trustee, sub-custodians, in accordance with all applicable laws or regulations. The fees and expenses of such custodian, co-custodian and sub-custodians 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 and diligence in the selection, appointment and ongoing monitoring of its agent, nominee, custodian, co-custodian or sub-custodian to hold any of the investments of the Sub-Fund(s) (each a "Correspondent"); (b) be responsible during the term of appointment of each Correspondent for satisfying itself that such persons retained remain suitably qualified and competent to provide services to the Trust or any Sub-Fund. Provided that the Trustee has discharged its obligations set out in (a) and (b) above, 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, omission, insolvency, liquidation or bankruptcy of (A) Euroclear Bank S.A./N.V., Clearstream Banking, S.A. or any other such depositary or clearing system in relation to any investment deposited with such depositary or clearing system; or (B) any lender or a nominee appointed by the lender in whose name any assets of a Sub-Fund 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 may incur or suffer in performing its obligations or functions relating to a Sub-Fund 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 Trust and/or each Sub-Fund. The Trustee is not responsible and has no liability for any investment decision made by the Manager.

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 Trustee is entitled to the fees set out below under the section headed "Fees payable by the Trust" and to be reimbursed for all costs and expenses in accordance with the provisions of the Trust Deed.

The Custodian

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

ICBC (Asia) is a wholly-owned subsidiary of Industrial and Commercial Bank of China Limited which is the largest commercial bank in the world by market capitalisation as at 31 December 2013. The Industrial and Commercial Bank of China Limited group ("ICBC Group") has reached RMB4,621.3 billion assets under custody as at 31 December 2013. ICBC (Asia), being the flagship of 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 Trust's and the Sub-Fund's assets, which may be held directly by the Custodian or through its agents, sub-custodians, or delegates pursuant to the Custodial Services Agreement.

The RQFII Custodian

For Sub-Fund(s) that invest in permissible investments in Mainland China through RQFII, the relevant RQFII is required to appoint a custodian in Mainland China for the custody of assets, pursuant to relevant laws and regulations. China Construction Bank Corporation ("CCB") has been appointed as the RQFII Custodian in respect of the investments held by the relevant Sub-Fund(s).

CCB's history dates back to 1954 when the People's Construction Bank of China was founded, which was renamed China Construction Bank in 1996, one of the big four commercial banks in Mainland China. CCB was formed in September 2004 as a result of a separation of its predecessor, China Construction Bank, and succeeded to its commercial banking business and related assets and liabilities. On 27 October 2005, the CCB's H-shares were listed on The Stock Exchange of Hong Kong Limited (Stock Code: 939), and on 25 September 2007, the Bank's A-shares were listed on the Shanghai Stock Exchange (Stock Code: 601939).

The Registrar and the Transfer Agent

The Trustee has appointed Brown Brothers Harriman (Luxembourg) S.C.A. as Registrar and Transfer Agent of the Trust and the Sub-Fund. Brown Brothers Harriman (Luxembourg) S.C.A. was incorporated on 9 February 1989 for an unlimited duration in the form of a company limited by shares whose registered office is located at 2-8 avenue Charles de Gaulle, L-1653 Luxembourg. Brown Brothers Harriman (Hong Kong) Limited in Hong Kong, a delegate of the Transfer Agent, supports the Transfer Agent locally in Hong Kong.

Pursuant to the Transfer Agency Services Agreement between the Trustee and the Transfer Agent (the "Transfer Agency Agreement"), the Transfer Agent will be responsible for providing transfer agency services to the Trust and the Sub-Fund, including but not limited to, processing applications for the subscription, switching and redemption of the Units, including verifying the

identity of applicants in accordance with applicable anti-money laundering legislation and maintaining the register of Unitholders.

The Transfer Agent is the service provider appointed by the Trustee and it does not provide any investment advisory or management services to the Trust or the Sub-Fund. It is also not responsible for, inter alia, the preparation of this document or any of the Trust's or the Sub-Fund's marketing or other materials, the Trust's or the Sub-Fund's investment returns or losses or for monitoring compliance with any investment restrictions (and as such is not liable for any breach thereof). The Transfer Agent accepts no responsibility for the information contained in this document other than the description in this section "The Registrar and the Transfer Agent"

Pursuant to the Transfer Agency Agreement, the Registrar will be responsible for keeping and maintaining the register of Unitholders.

The Trustee may change the arrangements described above by agreement with the Registrar and Transfer Agent, or appoint an alternative registrar and/or transfer agent.

INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTIONS

Investment objective

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

Investment strategy

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

Investment and borrowing restrictions

The following principal investment restrictions apply to each Sub-Fund authorised by the SFC, unless otherwise provided in the relevant Appendix:

(a) the value of the Sub-Fund's holding of securities issued by any single issuer may not exceed 10% of its Net Asset Value;

(b) the Sub-Fund may not hold more than 10% of any ordinary shares issued by any single issuer;

(c) the value of the Sub-Fund's holding of securities which are not listed, quoted nor dealt in on a market (being 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) may not exceed 15% of its Net Asset Value;

(d) notwithstanding (a) and (b) above, up to 30% of the Net Asset Value of the Sub-Fund may be invested in Government and other public securities of the same issue;

(e) subject to (d), the Sub-Fund may invest all of its assets in Government and other public securities in at least six different issues;

(f) the Sub-Fund may invest in options and warrants for hedging purposes, and the value of the Sub-Fund's investment in warrants and options not held for hedging purposes in terms of the total amount of premium paid may not exceed 15% of its total Net Asset Value;

(g) the Sub-Fund may enter into financial futures contracts for hedging purposes, and

(h) the Sub-Fund may enter into futures contracts on an unhedged basis provided that the net total aggregate value of contract prices, whether payable to or by the Sub-Fund under all outstanding futures contracts, together with the aggregate value of holdings of physical commodities (including gold, silver, platinum or other bullion) and commodity based investments (excluding, for this purpose, shares in companies engaged in producing, processing or trading in commodities) may not exceed 20% of the total Net Asset Value of the Sub-Fund;

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

    (1) the value of units or shares in underlying schemes which are neither recognised jurisdiction schemes (as defined under the Code) nor authorised by the SFC, held for the account of the Sub-Fund, may not exceed 10% of the Net Asset Value of the Sub-Fund; and

    (2) the Sub-Fund may invest in one or more underlying schemes which are either recognised jurisdiction schemes or authorised by the SFC, but the value of the

units or shares held for the account of the Sub-Fund in each such underlying scheme may not exceed 30% of the Net Asset Value of the Sub-Fund, unless the underlying scheme is authorised by the SFC and its name and key investment information are disclosed in the Appendix relating to that Sub-Fund,

provided that:

(A) the objective of each underlying scheme may not be to invest primarily in any investment prohibited by the investment restrictions set out in Chapter 7 of the Code, and where that underlying scheme's objective is to invest primarily in investments restricted by the provisions set out in Chapter 7 of the Code, such holdings may not be in contravention of the relevant limitation;

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

(C) the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or its management company, and

(j) ordinary shares issued by a single issuer held for the account of the Sub-Fund, when aggregated with other holdings of ordinary shares issued by the same issuer held for the account of all other Sub-Funds under the Trust may not collectively exceed 10% of the ordinary shares issued by such issuer,

save to the extent that any approval, permission or waiver in respect of any of the above restrictions has been obtained from the SFC and as set out in the relevant Appendix.

For the purposes of this section:

- "Government and other public securities" means any investment issued by, or the payment of principal and interest on which is guaranteed by, the government of any member state of the OECD or any fixed interest investment issued in any OECD country by a public or local authority or nationalised industry of any OECD country or anywhere in the world by any other body which is, in the opinion of the Trustee, of similar standing.

- 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.

Each Sub-Fund shall not:

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

(2) invest in any type of real estate (including buildings) or interests in real estate (including options or rights but excluding shares in real estate companies and interests in real estate investment trusts (REITs)) (and in the case of investments in such shares or REITs, such investments shall comply with the investment limits set out in (a), (b), (c) and (i) above, where applicable);

(3) make short sales if as a consequence the Sub-Fund's liability to deliver securities would exceed 10% of its Net Asset Value (and for this purpose securities sold short must be actively traded on a market where short selling is permitted);

(4) write uncovered options;

(5) write a call option on the Sub-Fund's portfolio investments if the aggregate of the exercise prices of all such call options would exceed 25% of the Net Asset Value of the Sub-Fund;

(6) make a loan out of the assets of the Sub-Fund without the prior written consent of the Trustee except to the extent that the acquisition of an investment or the making of a deposit (within the applicable investment restrictions) might constitute a loan;

(7) assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person without the prior written consent of the Trustee;

(8) acquire any asset which involves the assumption by the Sub-Fund of any liability which is unlimited; or

(9) apply any part of the assets of the Sub-Fund in the acquisition of any security where a call is to be made for any sum unpaid on that security unless that call could be met in full out of cash or near cash by the Sub-Fund's portfolio the amount of which has not already been taken into account for the purposes of (5) above.

The Manager may cause to borrow up to 25% of the latest available Net Asset Value of a Sub-Fund unless otherwise stated in the relevant Appendix. Up to 50% of the assets of any Sub-Fund may be charged or pledged as security for any such borrowings.

If any of the investment and borrowing restrictions 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.

If the name of any Sub-Fund indicates a particular objective, geographic region or market, that Sub-Fund should invest at least 70% of its non-cash assets in securities and other investments to reflect the particular objective or geographic region or market which the Sub-Fund represents.

Securities Lending

The Trustee may, at the request of the Manager, enter into securities lending arrangements in respect of a Sub-Fund. Please refer to relevant Appendix for the policy regarding securities lending of each Sub-Fund.

Securities lending transactions will only be entered into:-

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

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

Further, details of the arrangements are as follows:-

(a) the income received from such securities lending after deduction of any fees or commission payable will be credited to the account of the relevant Sub-Fund (and will not be shared with any operating party) and such income will be disclosed in its annual financial reports;

(b) (b) each borrower is expected to have a minimum credit rating of A2 assigned by Moody's or equivalent (or an equivalent credit rating as rated by a local credit rating agency in Mainland China), or deemed to have an implied rating of A2 (or equivalent); alternatively, an unrated borrower will be acceptable where the relevant Sub-Fund is indemnified against losses caused by the borrower, by an entity which has a minimum credit rating of A2 (or equivalent);

(c) the Trustee, upon the instruction of the Manager, will take collateral, which will be cash or liquid securities with value greater than or equal to the value of the securities lent, and the collateral agent (who may be the Trustee or a third party to be appointed by the Trustee at the direction of the Manager or by the Manager directly, as may from time to time be agreed between them) will review its value on a daily basis to ensure that it is at least of a value equivalent to the borrowed securities, and such collateral must meet the collateral policies described below;

(d) up to 100% of the assets of the relevant Sub-Fund may be lent to one or more borrowers; and

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

Where securities are accepted as collateral, the Manager will have regard to any relevant considerations which include, but are not limited to:

- Liquidity – sufficiently liquid in order that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing;
- Valuation – mark to market daily;
- Issuer credit quality – of high credit quality; collateral on assets that exhibit high price volatility may be accepted only if suitably conservative haircuts are in place;
- Diversification – must be appropriately diversified so as to avoid concentrated exposure to any single issuer. The counterparty or other investment limit/exposure of the collateral as a percentage of the Sub-Fund's Net Asset Value must not contravene the investment restrictions or limitations set out in Chapter 7 of the Code;
- Correlation – correlation between the counterparty and the collateral received must be avoided;
- Management of operational and legal risks – there must be in existence appropriate systems, operational capabilities and legal expertise for proper collateral management;
- Independent custody – must be held by or to the order of the Trustee;
- Enforceability – must be readily accessible/enforceable by the Trustee without further recourse to the counterparty; and
- Not available for secondary recourse – collateral cannot be applied for any purpose except for the purpose of being used as collateral.

Where the aggregate value of all collateral held by a Sub-Fund represents 30% or more of its Net Asset Value, a description of holdings of collateral (including a description of the nature of collateral, identity of the counterparty providing the collateral, value of the Sub-Fund (by percentage) secured/covered by collateral with breakdown by asset class/nature and credit rating

(if applicable)) will be disclosed in the Sub-Fund's annual and interim reports for the relevant period.

SUBSCRIPTION OF UNITS

Initial issue of Units

Details of the initial offer of Units in a Sub-Fund are set out in the relevant Appendix. Unless otherwise specified in the relevant Appendix, a Sub-Fund will have an Initial Offer Period.

During an Initial Offer Period, Units in a Sub-Fund will be offered to investors at an initial Issue Price of a fixed price per Unit as specified in the relevant Appendix. If there is no Initial Offer Period for a Sub-Fund (as specified in the relevant Appendix), Units in such Sub-Fund will be offered to investors at an initial Issue Price of a fixed price per Unit on such date or during such period as determined by the Manager as specified in the relevant Appendix.

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

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

Units will be issued on the Business Day following the close of the Initial Offer Period or such other Business Day as the Manager may determine. Dealing of the Units will commence on the Dealing Day immediately following the closure of the relevant Initial Offer Period.

Subsequent issue of Units

Following the close of the relevant Initial Offer Period, if any, Units will be available for issue on each Dealing Day at the relevant Issue Price.

The Issue Price on any Dealing Day will 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 relevant Dealing Day by the number of Units of such class of that Sub-Fund then in issue and rounded to 2 decimal places (0.005 and above being rounded up; below 0.005 being rounded down) or in such manner and to such other number of decimal places as may from time to time be determined by the Manager after consulting the Trustee (who should notify the Transfer Agent). Any rounding adjustment will be retained by the relevant Sub-Fund. The Issue Price will be calculated in the Base Currency of the relevant Sub-Fund, and quoted in the Base Currency or (for classes with a class currency other than the Base Currency) in the class currency of such classes, converted at the exchange rate agreed by the Manager and the Trustee.

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.

The Manager is entitled to impose a subscription fee on the Issue Price of each Unit. The Manager may retain the benefit of such subscription fee or may pay all or part of the subscription fee (and any other fees received) to recognised intermediaries or such other persons as the Manager may at its absolute discretion determine. Details of the subscription fee are set out in the section headed "Expenses and Charges" below.

Application procedure

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

Applications for Units during the relevant Initial Offer Period, together with cleared funds, must be received by no later than 4:00 pm (Hong Kong time) on the last day of the relevant Initial Offer Period. After the Initial Offer Period, applications must be received by the relevant Dealing Deadline.

Unless otherwise agreed by the Manager or the Trustee, application forms that are faxed to the Transfer Agent must always be followed by their original. Applicants who choose to send an application form by fax bear the risk of the form not being received by the Transfer Agent. Applicants should therefore, for their own benefit, confirm with the Transfer Agent safe receipt of an application form. Neither the Manager, the Trustee nor the Transfer Agent (nor any of their respective officers, employees, agents or delegates) will be responsible to an applicant for any loss resulting from non-receipt or illegibility of any application form sent by fax means or for any loss caused in respect of any action taken as a consequence of such application believed in good faith to have originated from properly authorised persons.

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

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

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

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

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

The Manager may, at its discretion, reject in whole or in part any application for Units. In the event that an application is rejected, application monies will be returned without interest and net of expenses by cheque through the post or by telegraphic transfer or by such other means as the Trustee considers appropriate at the risk of the applicant.

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

Payment procedure

Subscription monies should be paid in the currency in which the relevant Sub-Fund is denominated. Payment details are set out in the application form.

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

General

All holdings of Units will be in registered form and certificates will not be issued. Evidence of title of Units will be the entry on the register of Unitholders in respect of each Sub-Fund. Unitholders should therefore be aware of the importance of ensuring that the Registrar is informed of any change to the registered details. Fractions of a Unit may be issued rounded down to the nearest 2 decimal places. Subscription monies representing smaller fractions of a Unit will be retained by the relevant Sub-Fund. A maximum of 4 persons may be registered as joint Unitholders.

REDEMPTION OF UNITS

Redemption procedure

Unitholders who wish to redeem their Units in a Sub-Fund may do so on any Dealing Day by submitting a redemption request to the Transfer Agent.

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

A redemption request must be given in writing or by fax (with its original following promptly) and must specify the name of the Sub-Fund, the class (if applicable) and the value or number of Units to be redeemed, the name(s) of the registered Unitholder(s) and give payment instructions for the redemption proceeds.

Unless otherwise agreed by the Manager and the Trustee, the original of any redemption request given by fax should be forwarded to the Transfer Agent. A Unitholder who chooses to send an application form by fax bears the risk of the form not being received by the Transfer Agent. Unitholders should therefore, for their own benefit, confirm with the Transfer Agent safe receipt of a redemption request. Neither the Manager, the Trustee nor the Transfer Agent (nor any of their respective officers, employees, agents or delegates) will be responsible to a Unitholder for any loss resulting from non-receipt or illegibility of any redemption request sent by fax or for any loss caused in respect of any action taken as a consequence of such fax believed in good faith to have originated from properly authorised persons.

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

Payment of redemption proceeds

The Redemption Price on any Dealing Day will be the price per Unit ascertained by dividing the Net Asset Value of the relevant class of the relevant Sub-Fund as at the Valuation Point in respect of the relevant Dealing Day by the number of Units of such class then in issue and rounded to 2 decimal places (0.005 and above being rounded up; below 0.005 being rounded down) or in such manner and to such other number of decimal places as may from time to time be determined by the Manager after consulting the Trustee. Any rounding adjustment will be retained by the relevant Sub-Fund. The Redemption Price will be calculated in the Base Currency of the relevant Sub-Fund, and quoted in the Base Currency or (for classes with a class currency other than the Base Currency) in the class currency of such classes, converted at the exchange rate agreed by the Manager and the Trustee.

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 fee in respect of the Units to be redeemed as described in the section headed “Expenses and Charges” below. The Manager may on any day in its sole and absolute discretion differentiate between Unitholders as to the amount of the redemption fee to be imposed (within the permitted limit provided in the Trust Deed) on each Unitholder.

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

Redemption proceeds will not be paid to any redeeming Unitholder until (a) unless otherwise agreed in writing by the Manager and the Trustee, the written original of the redemption request duly signed by the Unitholder has been received by the Transfer Agent and (b) the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Trustee (or its delegate).

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

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

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

Restrictions on redemption

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

The Manager may suspend the redemption of Units of any Sub-Fund, or delay the payment of redemption proceeds in respect of any redemption request received, during any period in which

the determination of the Net Asset Value of the relevant Sub-Fund is suspended (for details please see the section headed “Suspension of determination of Net Asset Value”).

Compulsory redemption

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

The Manager or the Trustee may give notice requiring such Unitholder to transfer the Units to a person who would not be in contravention of the above restrictions within 30 days of the date of notice. If the Unitholder has failed to either transfer the relevant Units within 30 days of the date of the notice, or establish to the satisfaction of the Manager or the Trustee that the relevant Units are not held in contravention of any of the above restrictions, the Unitholder is deemed to have given a redemption request in respect of the relevant Units on the expiry of 30 days from the date of the notice. The Manager may also deem a Unitholder to have given a redemption request in respect of Units held by such Unitholder in circumstances provided under the Trust Deed.

SWITCHING

The Manager may from time to time permit Unitholders to switch some or all of their Units of any class of any Sub-Fund (the "Existing Sub-Fund") into Units of any class of any other Sub-Fund which has been authorised by the SFC (the "New Sub-Fund"). Unitholders may request such switching by giving notice in writing or by fax to the Transfer Agent. Neither the Manager, the Trustee nor the Transfer Agent (nor any of their respective officers, employees, agents or delegates) shall be responsible to any Unitholder for any loss resulting from the non-receipt or illegibility of a request for switching transmitted by facsimile, or for any loss caused in respect of any action taken as a consequence of instructions believed in good faith to have originated from the Unitholder. A request for the switching of part of a holding of Units will not be effected if, as a result, the Unitholder would hold less than the minimum holding specified for the New Sub-Fund (if any).

Under the Trust Deed, the Manager is entitled to impose a switching fee on the switching of Units of up to 3% of the Redemption Price of the Units of the Existing Sub-Fund being switched. The switching fee will be deducted from the amount reinvested in the New Sub-Fund and will be paid to the Manager.

Where a request for switching is received by the Transfer Agent prior to the Dealing Deadline in respect of a Dealing Day, switching will be effected as follows:

- redemption of the Units of the Existing Sub-Fund will be dealt with by reference to the Redemption Price on that Dealing Day (the "Switching Redemption Day");

- where the Existing Sub-Fund and the New Sub-Fund have different currencies of denomination, the redemption proceeds of Units of the Existing Sub-Fund, after deduction of any switching fee, shall be converted into the currency of denomination of the New Sub-Fund; and

- the redemption proceeds will be used to subscribe for Units of the New Sub-Fund at the relevant Issue Price on the Dealing Day on which the Trustee receives cleared funds by the Dealing Deadline of the New Sub-Fund (the "Switching Subscription Day").

Subject to the time required to remit redemption proceeds in respect of the Units of the Existing Sub-Fund, the Switching Subscription Day may be later than the Switching Redemption Day.

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

VALUATION

Valuation rules

The Net Asset Value of each Sub-Fund will be calculated by valuing the assets of the Sub-Fund and deducting the liabilities attributable to the Sub-Fund in accordance with the terms of the Trust Deed.

The Net Asset Value attributable to Units of a particular class related to a Sub-Fund as at any Valuation Point shall be determined as follows:

(a) by calculating the Net Asset Value of such Sub-Fund as at that time excluding any assets or liabilities which are specifically attributable to any particular class of Units related to such Sub-Fund;
(b) by apportioning the resulting amount between the classes of Units related to such Sub-Fund by reference to the respective Net Asset Values of each such class immediately prior to the relevant Valuation Point; and
(c) by deducting the liabilities and adding any assets specifically attributable to the relevant class of Units.

In order to determine the Net Asset Value of a Unit of a particular class related to such Sub-Fund the Net Asset Value of such class shall be divided by the number of Units of that class in issue immediately prior to the relevant Dealing Day for such class of Units.

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

(a) except in the case of any interest in a collective investment scheme to which paragraph (b) applies or a commodity, and subject as provided in paragraph (f) below, all calculations based on the value of investments quoted, listed, traded or normally dealt in on any stock exchange, over-the-counter market or securities market ("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 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 Manager shall adopt the price on the market which is considered the principal 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 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 after 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 or other interest as at the same day 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 the Net Asset Value of the relevant Sub-Fund is calculated, the last published net asset value per unit or share or other interest in such collective investment scheme (where available) or (if

the same is not available) the latest available bid price for such a unit, share or other interest 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 Trustee and the Manager shall determine;

(d) the value of any investment which is not quoted, listed or normally dealt in on a market shall be the initial value thereof equal to the amount expended out of the Sub-Fund in the acquisition of such investment (including in each case the amount of stamp duties, commissions and other acquisition expenses) provided that the value of any unquoted investments shall be determined on a regular basis by a professional person approved by the Trustee as qualified to value such investment;

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

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

(g) notwithstanding the foregoing, the Manager may, 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; and

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

Suspension of calculation of Net Asset Value

The Manager may, after giving notice to 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 in exceptional circumstances, being 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;

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

(c) circumstances exist as a result of which, in the opinion of the Manager or the Trustee, 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 relevant class;

(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 is delayed or cannot, in the opinion of the Manager or the Trustee, be carried out promptly at normal rates of exchange;

(e) when a breakdown in the systems and/or means of communication usually employed in ascertaining the value of any 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 any 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 or the Trustee reasonably or fairly be ascertained or cannot be ascertained in a prompt or accurate manner;

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

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

(h) when the business operations of the Manager or 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 a force majeure event;

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

(j) such other circumstance or situation exists as set out in the notice of establishment of a Sub-Fund.

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

Whenever the Manager declares such a suspension it shall, as soon as may be practicable after any such declaration and at least once a month during the period of such suspension, publish a notice on the Manager's website www.efunds.com.hk (this website has not been reviewed by the SFC).

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

Publication of Net Asset Value

For Units offered in Hong Kong, the latest Issue Price and Redemption Price in respect of Units or the Net Asset Value per Unit of each Sub-Fund are available on the Manager's website www.efunds.com.hk (this website has not been reviewed by the SFC) on each Dealing Day.

EXPENSES AND CHARGES

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

Fees payable by Unitholders

The following fees and charges are payable by Unitholders:

Subscription Fee

Under the Trust Deed, the Manager is entitled to impose a subscription fee on the issue of Units of any Sub-Fund of up to a maximum of 5% of the Issue Price.

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

Redemption fee

Under the Trust Deed, the Manager is entitled to impose a redemption fee on the redemption of Units of any Sub-Fund of up to a maximum of 3% of the Redemption Price of such Units.

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

Switching fee

Under the Trust Deed, the Manager is entitled to impose a switching fee on the switching of Units of up to 3% of the Redemption Price of the Units of the Existing Sub-Fund being switched.

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

Fees payable by the Trust

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

Management fee

The Trust Deed provides that the Manager is entitled to a management fee in respect of each Sub-Fund it manages, the maximum amount of which is equal to 2% per annum of the Net Asset Value of the relevant Sub-Fund. Any increase in the management fee in respect of a Sub-Fund (i) up to this maximum level, will only be implemented after giving one month's notice (or such period of notice as the SFC may require) to the affected Unitholders; and (ii) beyond this maximum level, is subject to the SFC's prior approval as well as approval by extraordinary resolution of the affected Unitholders. The management fee will be accrued as at each Valuation Day and will be payable monthly in arrears.

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

Performance fee

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

Trustee fee

The Trust Deed provides that the Trustee is entitled to a trustee fee in respect of each Sub-Fund, the maximum rate of 0.50% per annum of the Net Asset Value of the relevant Sub-Fund, subject to a monthly minimum fee charged by Trustee. Any increase in the trustee fee in respect of a Sub-Fund (i) up to this maximum level, will only be implemented after giving one month's notice (or such period of notice as the SFC may require) to the affected Unitholders; and (ii) beyond this maximum level, is subject to the SFC's prior approval as well as approval by extraordinary resolution of the affected Unitholders. The trustee fee will be accrued as at each Valuation Day and will be payable monthly in arrears. The trustee fee is inclusive of fees payable to the Registrar and Transfer Agent.

The Trustee is also entitled to a fee of USD5,000 for the establishment of the Trust and a further USD2,500 for the establishment of each Sub-Fund.

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

Custodian fee

A fee is payable by each Sub-Fund to the Custodian. Please refer to the relevant Appendix for the fee payable by each Sub-Fund.

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

Other charges and expenses

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 between all Sub-Funds pro-rata to the Net Asset Value of each Sub-Fund, unless otherwise determined by the Manager after consultation with the Trustee and/or the Auditor. Such costs include but are not limited to the costs of investing and realising the investments of a Sub-Fund, the fees and expenses of safekeeping of the assets of the Trust and each Sub-Fund, any fees, charges or expenses (including without limitation, stamp duty) incurred in connection with counterparty risk management procedures, the fees and expenses of any administrators, auditors, valuation costs, legal fees, the costs incurred in connection with any listing or regulatory approval, the cost of data and software for managing the Sub-Fund, the costs of holding meetings of Unitholders and the costs incurred in the preparation and printing of any explanatory memorandum and preparation and printing of any financial statements.

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

Establishment costs

The costs of establishing the Trust have been amortised.

Please refer to the relevant Appendix for the establishment costs of a Sub-Fund.

Investors should also note that under IFRS, establishment costs should be expensed as incurred and that amortisation of the expenses of establishing Sub-Funds is not in accordance with IFRS;

however, the Manager has considered the impact of such non-compliance and has considered that it will not have a material impact on the financial statements of Sub-Funds. To the extent that the basis adopted by a Sub-Fund for subscription and redemption purposes deviates from IFRS, the Manager may make necessary adjustments in the annual financial statements for the financial statements to be in compliance with IFRS.

Cash rebates and soft commissions

Neither the Manager nor any of its Connected Persons receives any cash commissions or other rebates from brokers or dealers in respect of transactions for the account of any Sub-Fund. However, the Manager and/or any of its Connected Persons with it reserve the right to effect transactions by or through the agency of another person (the "Agent") with whom the Manager and/or any of its Connected Persons has such an arrangement.

The Manager and/or any of its Connected Persons further reserve the right to effect transactions by or through the agency of another person with whom the Manager and/or any of its Connected Persons has an arrangement under which that party will from time to time provide to or procure for the Manager and/or any of its Connected Persons goods, services or other benefits (such as research and advisory services, computer hardware associated with specialised software or research services and performance measures) the nature of which is such that their provision are of demonstrable benefit to the Trust (or the relevant Sub-Fund) as a whole. Any transactions executed through such party must be consistent with best execution standards and brokerage rates must not be in excess of customary institutional full-service brokerage rates. Periodic disclosure will be made in the relevant Sub-Fund's annual report in the form of a statement describing the Manager's soft dollar practices, including a description of the goods and services received by the Manager. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

RISK FACTORS

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

General risks

Investment risk

Investors should be aware that investment in any Sub-Fund is subject to normal market fluctuations and other risks inherent in the underlying assets into which the Sub-Fund may invest. There can be no assurance that any appreciation in value of investments will occur. There is no assurance that the investment objectives of a Sub-Fund will actually be achieved, notwithstanding the efforts of the Manager since changes in political, financial, economic, social and/or legal conditions are not within the control of the Manager. Accordingly, there is a risk that investors may not recoup the original amount invested in a Sub-Fund or may lose a substantial part or all of their initial investment.

Market risk

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

Concentration risk

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

Emerging market risk

The Sub-Fund may invest in emerging markets, which subjects the Sub-Fund to a higher level of market risk than investments in a developed country or region. This is due to, among other things, greater market volatility, lower trading volume, political and economic instability, settlement risk (including risks arising from settlement procedures), greater risk of market shut down and more governmental limitations on foreign investment than those typically found in developed markets.

Counterparty risk

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

Liquidity risk

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

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

Exchange rate risk

Assets of the Sub-Fund may be denominated in currencies other than the base currencies of such Sub-Fund and the currency of some assets may not be freely convertible. Certain classes may be denominated in a currency other than the base currency of the Sub-Fund. The Sub-Fund may be adversely affected by changes in exchange rates between the currencies in which the assets of the relevant Sub-Fund are held, the base currency of such Sub-Fund and/or the currency of denomination of the relevant class.

Restricted markets risk

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

Legal and compliance risk

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

Suspension risk

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

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

Early termination risk

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

Cross class liability risk

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

Cross Sub-Fund liability risk

The assets and liabilities of each Sub-Fund under the Trust will be tracked, for bookkeeping purposes, separately from the assets and liabilities of any other Sub-Funds, and the Trust Deed provides that the assets of each Sub-Fund should be segregated from each other. There is no guarantee that the courts of any jurisdiction will respect the limitations on liability and that the assets of any particular Sub-Fund will not be used to satisfy the liabilities of any other Sub-Fund.

Valuation and accounting risk

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

Foreign Account Tax Compliance Act ("FATCA") risks

As discussed in detail under the "Taxation" section, FATCA imposes new rules with respect to certain payments to the Sub-Fund. The Sub-Fund will endeavour to satisfy the requirements imposed under FATCA and the terms of the FFI Agreement to avoid any withholding tax. The Sub-Fund have agreed to be subject to the terms of an FFI Agreement and has registered with the US IRS to be treated as "reporting financial institutions under a Model 2 IGA". E Fund (HK) Greater China Leaders Fund has been registered with the US IRS as a reporting financial institution under a Model 2 IGA with a Global Intermediary Identification Number T0KXWW.99999.SL.344.

Nevertheless, in the event that a Sub-Fund is not able to comply with the requirements imposed by FATCA or the terms of an FFI Agreement and such Sub-Fund does suffer US withholding tax on its investments as a result of non-compliance, the Net Asset Value of such Sub-Fund may be adversely affected and the Trust and such Sub-Fund may suffer significant loss as a result.

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

In cases where Unitholders invest in the Sub-Fund through an intermediary, Unitholders are reminded to check whether such intermediary is FATCA compliant and in accordance with all applicable laws and regulations. Each Unitholder and prospective investor should consult with his own tax advisor as to the potential impact of FATCA in its own tax situation and in respect of its investment in the Sub-Fund, as well as the potential impact of FATCA on the Sub-Fund.

Risks of specific investments

Equity securities risk

The Sub-Fund may engage in trading equity securities. The fundamental risk associated with any equity portfolio is the risk that the value of the investments it holds might suddenly and substantially decrease in value, due to factors such as the possibility of sudden or prolonged market declines and risks associated with individual companies. Market prices of equity securities as a group have dropped dramatically in a short period of time on several occasions in the past, and they may do so again in the future. Economic, political or issuer-specific changes may adversely affect individual companies. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or which are the subject of rumours of accounting irregularities. These factors may adversely affect the relevant Sub-Fund and, consequently, the Net Asset Value per Unit.

Investing in fixed income instruments risk

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

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

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

Volatility and liquidity risk: Debt securities in emerging markets may be subject to high volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the relevant Sub-Fund may incur significant trading costs.

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

Investing in financial derivatives instruments ("FDI") risk

The Sub-Fund may engage in various strategies in view of reducing certain risks and/or attempting to enhance return. These strategies may include the use of derivatives instruments such as options, warrants, swaps and/or futures. Such strategies might be unsuccessful and incur losses for the relevant Sub-Fund, due to market conditions. Derivatives also involve additional specific risks such as the risk that derivatives may not correlate perfectly with underlying assets, interest rates and indices. Other risks include:

Credit risk and counterparty risk: The relevant Sub-Fund will be subject to the risk of the inability of any counterparty through or with which the relevant Sub-Fund conduct the FDI transactions to perform its obligations, whether due to insolvency, bankruptcy or other causes, and thereby exposing the relevant Sub-Fund to the counterparties' credit worthiness and their ability to perform and fulfill their financial obligations. Any failure of the counterparties may result in financial loss to the relevant Sub-Fund.

Liquidity risk: There may be possible absence of a liquid secondary market for any particular FDI at anytime. The relevant Sub-Fund may be unable to sell illiquid FDI at an advantageous time or price, which may have an adverse impact on the value of the relevant Sub-Fund.

Valuation risk: The relevant Sub-Fund are subject to the risk of mispricing or improper valuation of FDI, which may have an adverse impact on the value of the relevant Sub-Fund.

Volatility risk: FDI tend to be more volatile and less liquid than underlying investments to which they relate, which may have an adverse impact on the value of the relevant Sub-Fund.

Investing in structured debt instruments (including mortgage-backed securities) risk

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

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 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.

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

Hedging risk

The Manager is permitted, but not obliged, to use hedging techniques to attempt to offset market risks. There is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result.

General economic and market conditions risk

The success of the Trust's activities is affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls and national, regional and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Sub-Fund's investments. Volatility or illiquidity could impair the Sub-Fund's profitability or result in losses.

Eurozone and European country risk

The Sub-Fund may invest in securities issued by issuers based in or with substantial operations in the European Union (the "EU"). Investments in Europe may be subject to a number of risks arising from a recent crisis in Europe. Adverse changes to the currency, economic, political or social conditions in Europe may bring risks to Sub-Fund investing in Europe, including increased volatility, liquidity and currency risk. While the governments of many European countries, the European Commission, the European Central Bank, the International Monetary Fund and other authorities are taking measures (such as undertaking economic reforms and imposing austerity measures on their citizens) to address the current fiscal conditions and concerns in Europe, these measures may not have the desired effect, and the future stability and growth of Europe is therefore uncertain. It is possible that a country may leave the Eurozone and return to a national currency, and as a result may leave the EU and/or that the Euro will cease to exist in its current form and/or lose its legal status in one or more countries in which it currently has such status. The effect of such potential events on the relevant Sub-Fund, which invests in instruments predominantly tied to Europe, is impossible to predict. The impact of the above events may be significant and may adversely affect the value of Sub-Fund investing in securities issued by issuers based in or with substantial operations in Europe, and investors may suffer significant loss.

Securities lending transactions risk

The Sub-Fund may enter into securities lending transaction, and may be subject to counterparty risk, including the risk that the loaned securities may not be returned or returned in a timely manner and/or at a loss of rights in the collateral if the borrower or the lending agent defaults or fails financially. Any delay in return of securities on loans may restrict the ability of a Sub-Fund to meet delivery obligations in respect of sales of such securities causing losses to be incurred by the Sub-Fund. If the borrower of securities lent by a Sub-Fund fails to return such securities, the

collateral received may realise less than the value of the securities lent out. The relevant Sub-Fund may therefore suffer substantial losses.

TAXATION

The following summary of Hong Kong taxation and FATCA is of a general nature, 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 investors. Prospective investors 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 as 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

During such period as the Trust and a Sub-Fund is authorised by the SFC as a collective investment scheme pursuant to Section 104 of the SFO, under the present tax law and practice in Hong Kong:

(a) profits of the Trust and the relevant Sub-Fund as an authorised collective investment scheme should be exempt from profits tax in Hong Kong;

(b) generally, no tax should be payable by Unitholders of that Sub-Fund in Hong Kong (whether by way of withholding or otherwise) in respect of income distributions from the relevant Sub-Fund. In respect of any profits arising on a sale, redemption or other disposal of Units, Hong Kong profits tax may arise where such transactions form part of a trade or business carried on by Unitholders of that Sub-Fund in Hong Kong, and where the profits, not being regarded as capital in nature, arising in or derived from such trade or business and being sourced in Hong Kong. Unitholders of that Sub-Fund who are not acquiring the Units as part of a trade or business that they carry on in Hong Kong will not be liable to profits tax in respect of any profits from the disposal/redemption of Units; and

(c) no Hong Kong stamp duty should be payable where the sale or transfer of Units in that Sub-Fund is effected by selling the relevant Units back to the Manager, who then either extinguish the Units or re-sells the Units to another person within two months thereof.

Other types of sales or purchases or transfers of Units by the Unitholders in that Sub-Fund should be liable to Hong Kong stamp duty of 0.1% (borne by each of the buyer and the seller) on the higher of the consideration amount or market value.

FATCA

Sections 1471 – 1474 of the US Internal Revenue Code of 1986, as amended ("US Code") (commonly known as the Foreign Account Tax Compliance Act or "FATCA") will impose new rules with respect to certain payments to non-United States persons, such as the Sub-Fund, 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 ("US IRS") to identify certain United States persons (within the meaning of the US Code) that own, directly or indirectly, Units in the Sub-Fund. To avoid such withholding on payments made to it, a foreign financial institution (an "FFI"), such as the Sub-Fund (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 owners to the US IRS.

In general, an FFI which does not sign an FFI Agreement and is not otherwise exempt will face a 30% withholding tax on "withholdable payments", including dividends, interest and certain derivative payments derived from US sources. In addition, starting from 1 January 2017, gross proceeds such as sales proceeds and return of principal derived from stocks and debt obligations generating US source dividends or interest will be treated as "withholdable payments." It is expected that certain non-U.S. source payments attributable to amounts that would be subject to FATCA withholding (referred to as "foreign passthru payments") may also be subject to FATCA withholding starting no earlier than 1 January 2017, though the US tax rules on "foreign passthru payments" are currently pending.

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

It is expected that FFIs in Hong Kong (such as the Sub-Fund) complying with the terms of an FFI Agreement (i) will generally not be subject to the above described 30% withholding tax; and (ii) will not be required to withhold tax on payments to "non-consenting US accounts" (i.e. certain accounts of which the holders do not consent to FATCA reporting and disclosure to the US IRS), but may be required to withhold tax on withholdable payments made to non-compliant FFIs.

The Sub-Fund will endeavour to satisfy the requirements imposed under FATCA and the terms of the FFI Agreement to avoid any withholding tax. The Sub-Fund has agreed to be subject to the terms of an FFI Agreement and have registered with the US IRS to be treated as "reporting financial institutions under a Model 2 IGA". E Fund (HK) Greater China Leaders Fund has been registered with the US IRS as a reporting financial institution under a Model 2 IGA with a Global Intermediary Identification Number T0KXWW.99999.SL.344.

Provision by Unitholders of documentation under FATCA or other applicable laws

Each Unitholder (i) will 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 Trust 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 mitigate backup withholding) in any jurisdiction from or through which the Trust or the relevant Sub-Fund receives payments and/or (B) to satisfy reporting or other obligations under US Code and the United States Treasury Regulations promulgated under the US Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority in any jurisdiction, (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments or when such form, certification or other information is no longer accurate, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction, including reporting obligations that may be imposed by future legislation or future applicable laws.

Power to disclose information to tax authorities

Subject to applicable laws and regulations in Hong Kong, the Trust, 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, taxpayer identification number (if any), and certain information relating to the Unitholder's holdings, to enable the Trust 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). Investors should refer to "Foreign

Account Tax Compliance Act risks" in the section headed "Risk Factors" for disclosures regarding compliance with the regulations under the United States Foreign Account Tax Compliance Act and the IGA between the Hong Kong government and the US.

Please also refer to "Risks related to FATCA" in the section "Risk Factors".

GENERAL

Reports and accounts

The Trust's and each Sub-Fund's financial year end is on 31 December in each year. The first financial year end of the Trust is 31 December 2015.

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

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

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

Distribution policy

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

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

Trust Deed

The Trust was established as an umbrella unit trust under the laws of Hong Kong by the Trust Deed made between the Manager and the Trustee. All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Trust Deed.

The Trust Deed contains provisions for the indemnification of the Trustee and the Manager out of the assets of the Trust or the relevant Sub-Fund(s) and their relief from liability in certain circumstances, subject to the proviso that nothing in any of the provisions of the Trust Deed shall exempt either the Trustee or the Manager (as the case may be) from or indemnify them against any liability to Unitholders imposed under Hong Kong law or breaches of trust through fraud or negligence. Unitholders and intending applicants are advised to consult the terms of the Trust Deed.

Modification of Trust Deed

The Trustee and the Manager may agree to modify the Trust Deed by supplemental deed provided that in the opinion of the Trustee and the Manager such modification (i) does not materially prejudice the interests of Unitholders, does not operate to release to any material extent the Trustee or the Manager or any other person from any responsibility to the Unitholders and (with the exception of the costs incurred in connection with the relevant supplemental deed) does not increase the costs and charges payable out of the assets of the Trust or the relevant Sub-Fund; or (ii) is necessary in order to make possible compliance with any fiscal, statutory or official requirement (whether or not having the force of law); or (iii) is made to correct a manifest error. In all other cases, modifications, alterations and additions require the sanction of an extraordinary resolution of the Unitholders affected or the SFC's approval. Any amendments to the Trust Deed will require prior approval from the SFC. Notice of any amendment or modification in respect of which the Trustee and the Manager shall have certified in accordance with the aforesaid will be given by the Manager unless such amendment or modification is not in the opinion of the Manager and the Trustee of material significance.

Meetings of Unitholders

Meetings of Unitholders may be convened by the Manager or the Trustee. Unitholders holding 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 is Unitholders present in person or by proxy representing 25% or more of the Units in issue. 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. Every individual Unitholder present in person, by proxy or by representative has one vote for every Unit of which he is the Unitholder. 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.

The Trust Deed contains provisions for the holding of separate meetings of Unitholders holding Units of different classes where only the interests of Unitholders of such class are affected.

Transfer of Units

Units may be transferred by an instrument in writing in common form signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee. The transferor will be deemed to remain the Unitholder of the Units transferred until the name of the transferee is entered in the Register of Unitholders in respect of such Units. The Trustee is entitled to require from the transferor and/or the transferee the payment to it of a fee (the maximum amount of which shall be agreed by the Trustee and the Manager from time to time), together with a sum equal to any expenses incurred by the Trustee in connection therewith.

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.

Transfers of Units are subject to prior consent of the Manager and the Manager may instruct the Trustee not to enter the name of a transferee in the Register or recognise a transfer of any Units if either the Manager or the Trustee believes that such will result in or is likely to result in the contravention of any applicable laws or requirements of any country, any governmental authority or any stock exchange on which such Units are listed.

Termination of the Trust or any Sub-Fund

The Trust shall continue until it is terminated in one of the ways set out below.

The Trust 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 upon terms previously approved in writing by the Trustee), becomes bankrupt or if a receiver is appointed over any of their assets and not discharged within 60 days; (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 Trust into disrepute or to be harmful to the interests of the Unitholders; (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 Trust; (d) within 30 days of the Manager leaving office, no new manager is appointed; or (e) no new trustee is appointed within 60 days of the Trustee giving notice of its desire to retire.

The Trust 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 Trust, the aggregate Net Asset Value of all Units outstanding thereunder shall be less than HKD200 million or in relation to a Sub-Fund, the aggregate Net Asset Value of the Units outstanding thereunder shall be less than HKD200 million or, in relation to any class of Units, the aggregate Net Asset Value of the Units of such class outstanding thereunder shall be less than HKD200 million (or other amounts disclosed in the Appendix); (b) in the opinion of the Manager, it is impracticable or inadvisable to continue the Trust, 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 Trust or a Sub-Fund.

In cases of termination on notice, prior notice will be given to Unitholders. The period of such prior notice will be determined in accordance with the Code.

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.

Upon termination of the Trust or a Sub-Fund, the Trustee and the Manager will arrange for the sale of all investments remaining as part of the assets and discharging all liabilities of the Trust or the relevant Sub-Fund (as the case may be). Thereafter, the Trustee will distribute to the Unitholders, in proportion to the Units held by them, any net cash proceeds derived from the realisation of the assets and available for the purposes of such distribution, provided that the Trustee may retain out of any moneys as part of the assets full provisions for all costs, charges, expenses, claims and demands properly incurred, made or apprehended by the Trustee or the Manager. Please refer to the Trust Deed for further details.

Documents available for inspection

Copies of the Trust Deed, this Explanatory Memorandum and the latest annual and interim reports (if any) are available for inspection free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the offices of the Manager. Copies of the Trust Deed can be purchased from the Manager at a nominal amount.

Anti-money laundering regulations

As part of the Trustee's and the Manager's responsibility to prevent money laundering, they and/or their respective delegates or agents may require detailed verification of a prospective

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

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

The Trustee, the Manager and their respective delegates and agents each also reserves the right to refuse to make any redemption payment to a Unitholder if the Trustee, the Manager and/or any of their respective delegates and agents suspect or are advised that the payment of redemption proceeds to such Unitholder might result in a breach of applicable anti-money laundering or other laws or regulations by any person in any relevant jurisdiction, or if such refusal is considered necessary or appropriate to ensure the compliance by the Trust or the relevant Sub-Fund(s) or the Trustee or the Manager with any such laws or regulations in any applicable jurisdiction.

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

Conflicts of interest

The Manager and the Trustee (and any of their affiliates) (each a "relevant party") 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 relevant party may, in the course of business, have potential conflicts of interest with the Trust or any Sub-Fund. Each relevant party will, at all times, have regard in such event to its obligations to the Trust and the relevant Sub-Fund and will endeavour to ensure that such conflicts are resolved fairly. Each relevant party shall be entitled to retain for its own use and benefit all fees and other monies payable thereby and shall not be deemed to be affected with notice of or to be under any duty to disclose to the Trust, any Sub-Fund, any Unitholder or any other relevant party any fact or thing which comes to the notice of the relevant party in the course of its rendering services to others or in the course of its business in any other capacity or in any manner whatsoever, otherwise than in the course of carrying out its duties under the Trust Deed. In any event, the Manager will ensure that all investment opportunities will be fairly allocated.

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

It is expected that transactions for any Sub-Fund may be carried out with or through Connected Persons of the Manager. The Manager will ensure that all transactions carried out by or on behalf of each Sub-Fund will be in compliance with all applicable laws and regulations. The Manager will use due care in the selection of such Connected Persons to ensure that they are suitably qualified in the circumstances, and will monitor and ensure that all such transactions are conducted on an arm's length basis and are consistent with best execution standards. The fees or commissions payable to any such Connected Persons will not be greater than those which are payable at the prevailing market rate for such transactions. All such transactions and the total commissions and other quantifiable benefits received by such Connected Persons will be disclosed in the relevant Sub-Fund's annual report.

Websites

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

APPENDIX 1: E FUND (HK) GREATER CHINA LEADERS FUND

This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the E Fund (HK) Greater China Leaders Fund (the "Sub-Fund"), a sub-fund of the Trust. All references in this Appendix to the Sub-Fund are to E Fund (HK) Greater China Leaders Fund. Terms defined in the main body of this Explanatory Memorandum have the same meaning when used in this Appendix.

Investment Objective

The investment objective of the Sub-Fund is to achieve medium to long-term capital appreciation primarily through equity-based investments in equity and equity-related securities of "leading" companies which are incorporated in, have their area of primary activity in or are related to the growth of the economy in Mainland China.

There can be no assurance that the Sub-Fund will achieve its investment objective.

Investment Strategy

The Sub-Fund will invest up to 100% of its Net Asset Value in equity or equity-related securities of companies whose activities are closely related to the economic development and growth of Mainland China. The Sub-Fund places emphasis on sectors and "leading" companies that, in the opinion of the Manager, exhibit growth investment characteristics, such as above-average growth rates in earnings or sales and high or improving returns on capital. Such companies may also have attained or exhibited potential to attain above average market share in the geography they operate, or in one or more products or services within its principal sector.

These companies may be listed in Hong Kong, Singapore, Taiwan, the United States and Mainland China. Equity and equity-related securities include but are not limited to common stocks, preference shares, American Depository Receipts and Global Depository Receipts. The Sub-Fund may invest in equity or equity-related securities of companies of any capital size. The Sub-Fund may not invest into Mainland market with more than 20% of its non-cash assets.

The Manager may invest up to 20% of the Sub-Fund's non-cash assets in A-Shares listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange directly through the Stock Connect or via the Manager's RQFII quota.

The Manager is of the view that long-term returns can most efficiently be achieved by identifying good quality stocks at a reasonable price and holding them for the long term. An estimate of a company's worth is analysed in two stages, assessing quality then price. Quality is defined with reference to management, business focus, balance sheet and corporate governance. Price is calculated relative to key financial ratios, market, peer group and business prospects. Generally, the Sub-Fund is run with an emphasis on traditional buy-and-hold investment resulting in low turnover.

The Sub-Fund may invest in options, warrants and financial futures contracts for hedging purposes only. The Sub-Fund will not write any options. The Sub-Fund will not invest in any derivative instruments for investment purpose.

The Sub-Fund may also invest no more than 30% of the Net Asset Value in money market funds, cash or cash equivalents, to the extent not invested in accordance with the above, for cash management purpose.

The Sub-Fund currently has no intention to invest in structured deposits, structured products or over-the-counter securities, or to take any short positions, and the Manager will not enter into any securities lending, repurchase or reverse-repurchase transactions or other similar over-the-counter transactions in respect of the Sub-Fund. The Sub-Fund will not invest in collateralised

and/or securitised securities (including asset backed commercial papers and mortgage backed securities). If any of this changes in the future, prior approval of the SFC will be sought and not less than one month's notice will be provided to Unitholders before the Sub-Fund enters into any such transaction.

Investment Restrictions

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

What is Stock Connect?

The Shanghai-Hong Kong Stock Connect is a securities trading and clearing links programme developed by the Hong Kong Exchanges and Clearing Limited (the "HKEx"), the Shanghai Stock Exchange (the "SSE") and the China Securities Depository and Clearing Co., Ltd. (the "CSDCC"), and the Shenzhen-Hong Kong Stock Connect is a securities trading and clearing links programme developed by the HKEx, the Shenzhen Stock Exchange (the "SZSE") and the CSDCC. The aim of both programmes are to achieve mutual stock market access between Mainland China and Hong Kong.

Both the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect comprise of a Northbound Trading Link and a Southbound Trading Link. Under the Northbound Trading Link, Hong Kong and overseas investors (including the Sub-Fund), through their Hong Kong brokers and a securities trading service company established by The Stock Exchange of Hong Kong Limited (the "SEHK") and the Hong Kong Securities Clearing Company Limited (the "HKSCC"), may trade eligible A-shares listed on the SSE and on the SZSE by routing orders to the SSE and/or SZSE. Under the Southbound Trading Link, eligible investors, may trade eligible shares listed on the SEHK by routing orders to the SEHK.

Eligible securities

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

(a) SSE-listed shares which are not traded in RMB; and

(b) SSE-listed shares which are included in the "risk alert board".

Hong Kong and overseas investors are able to trade certain stocks listed on the SZSE market (the "SZSE Securities"). These include all the constituent stocks of the SZSE component Index, SZSE Small/Mid Cap innovation Index which have a market capitalization of 6 RMB billion or above and all SZSE-listed shares of companies which have issued both A-Shares and H Shares, except the following:

(a) SZSE-listed shares which are not traded in RMB; and

(b) SZSE-listed shares which are included in the "risk alert board".

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

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

Trading day

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

Trading quota

Trading under Stock Connect will be subject to rules and regulations issued from time to time. Trading under the Stock Connect is subject to a daily quota ("Daily Quota"), which will be separate for Northbound and Southbound trading. The Daily Quota limits the maximum net buy value of cross-boundary trades under Stock Connect each day. The quotas do not belong to the Sub-Fund and are utilised on a first-come- first-serve basis.

Settlement and Custody

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

Corporate actions and shareholders' meetings

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

Currency

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

Trading fees and taxes

Under Stock Connect, Hong Kong and overseas investors will be subject to the fees and levies imposed by SSE, SZSE, CSDCC, HKSCC or the relevant Mainland Chinese authority when they trade and settle SSE Securities and SZSE Securities. Further information about the trading fees and levies is available online at the website: http://www.hkex.com.hk/mutual-market/stock-connect?sc_lang=en.

Coverage of Investor Compensation Fund

The Sub-Fund's investments through Northbound trading under Stock Connect is not 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 in Northbound trading via Stock Connect do not involve products listed or traded in the SEHK or the Hong Kong Futures Exchanges Limited, such trading is not covered by Hong Kong's Investor Compensation Fund. On the other hand, since the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not Mainland China brokers, such trading is not protected by the China Securities Investor Protection Fund (中國投資者保護基金) in Mainland China.

Foreign shareholding restrictions

Pursuant to relevant rules and regulations, foreign investors holding A-Shares (whether acquired through QFII, RQFII or Stock Connect) are subject to the following shareholding restrictions:

- the shareholding of any single foreign investor in an A-Share listed company must not exceed 10% of such company's total issued shares; and

- the aggregate shareholding of all foreign investors in an A-Share listed company must not exceed 30% of such company's total issued shares.

When aggregate foreign shareholding of an individual A-Share exceeds the 30% threshold, the foreign investors concerned will be requested to sell the relevant A-Shares on a last-in-first-out basis within 5 trading days. If the 30% threshold is exceeded due to trading via Stock Connect, the SEHK will identify the exchange participant(s) concerned and require a force-sell. As a result, it is possible that the Sub-Fund may be required to unwind its positions where it has invested in an A-Share listed company in respect of which the aggregate foreign shareholding threshold has been exceeded.

The SSE, SZSE and the SEHK will issue notices or warnings as the aggregate foreign shareholding of an SSE Security or SZSE Security approaches 30%. Northbound Trading buy orders will be suspended once the aggregate foreign shareholding reaches 28% and will only resume when it drops to less than 26%. Northbound Trading sell orders will not be affected.

Further information about Stock Connect is available at the website:

http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm

What is the RQFII regime?

The RQFII regime was introduced on 16 December 2011 by the "Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors which are Asset Management Companies or Securities Companies" (基金管理公司、證券公司人民幣合格境外機構投資者境內證券投資試點辦法) issued by the CSRC, the PBOC and the SAFE, which was repealed effective 1 March 2013.

The RQFII regime is currently governed by (i) the "Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors" issued by the CSRC, the PBOC and the SAFE and effective from 1 March 2013 (人民幣合格境外機構投資者境內證券投資試點辦法); (ii) the "Implementation Rules for the Pilot Scheme for Domestic Securities Investment Base Currency through Renminbi Qualified Foreign Institutional Investors" issued by the CSRC and effective from 6 March 2013 (關於實施《人民幣合格境外機構投資者境內證券投資試點辦法》的規定); (iii) the "Circular on Issues Related to the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors", Huifa 2013 No. 42 (國家外匯管理局關於人民幣合格境外機構投資者境內證券投資試點有關問題的通知, 匯發[2013]42 號) issued by SAFE and effective from 21 March 2013; (iv) the "Notice of the People's Bank of China on the Relevant Matters concerning the Implementation of the Pilot Measures for Domestic Securities Investment Made by the RMB Qualified Foreign Institutional Investors", issued by the PBOC and effective from 2 May 2013 (中國人民銀行關於實施《人民幣合格境外機構投資者境內證券投資試點辦法》有關事項的通知); and (v) any other applicable regulations promulgated by the relevant authorities (collectively, the "RQFII Regulations").

The Manager has obtained RQFII status and has been granted a RQFII quota for use of the public funds it manages.

The Sub-Fund's assets in Mainland China (including Mainland China cash deposits) invested via the RQFII regime will be held by the RQFII Custodian in accordance with the terms of the RQFII Custody Agreement. Securities account(s) shall be opened with CSDCC and other relevant depositories in the joint names of the Manager (as the RQFII holder) and the Sub-Fund. RMB special deposit account(s) shall be established and maintained with the RQFII Custodian in the joint names of the Manager (as the RQFII holder) and the Sub-Fund. The RQFII Custodian shall, in turn, have a cash clearing account with CSDCC and other relevant depositories for trade settlement according to applicable regulations.

There are specific risks associated with the RQFII regime and investors' attention is drawn to the risk factors under "RQFII risks" in the section entitled "Additional Risk Factors specific to the Sub-Fund" below.

Base Currency

The Base Currency of the Sub-Fund is USD.

Available Classes

Units in the following Classes are currently available for issue to investors:

For the retail public in Hong Kong:

- Class A (accumulation) USD Units;
- Class A (distribution) USD Units;
- Class A (accumulation) HKD Units; and
- Class A (distribution) HKD Units.

For institutional investors, professional investors and other investors as determined by the Manager:

- Class I (accumulation) USD Units;
- Class I (distribution) USD Units;
- Class I (accumulation) HKD Units; and
- Class I (distribution) HKD Units.

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

Initial Offer

The Sub-Fund does not have an Initial Offer Period.

As at the date of this Explanatory Memorandum, Units of the following Classes have been issued:

- Class A (accumulation) USD Units;

- Class A (distribution) USD Units; and
- Class I (accumulation) USD Units.

The first Class I (distribution) USD Units will be offered at the initial issue price of USD100 per Unit. Thereafter, Units will be available for issue on each Dealing Day at the relevant Issue Price.

For the following Classes, the first Units will be offered at the initial issue price of HKD100 per Unit:

- Class A (accumulation) HKD Units;
- Class A (distribution) HKD Units;
- Class I (accumulation) HKD Units; and
- Class I (distribution) HKD Units,

thereafter, Units will be available for issue on each Dealing Day at the relevant Issue Price.

Dealing Procedures

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

Dealing Day	each Business Day from 16 November 2016
Dealing Deadline	4:00 pm (Hong Kong time) on the relevant Dealing Day

The Issue Price of Class A USD Units and Class I USD Units will be calculated and quoted in the Base Currency of the Sub-Fund, and the Issue Price of Class A HKD Units and Class I HKD Units will be calculated and quoted in HKD.

Valuation Day

Each Dealing Day will be a Valuation Day.

Payment of Redemption Proceeds

As set out in the main body of this Explanatory Memorandum, save as otherwise agreed by the Manager, and so long as relevant account details have been provided, redemption proceeds will normally be paid in USD by telegraphic transfer, within 7 Business Days after the relevant Dealing Day and in any event within one calendar month of the relevant Dealing Day or (if later) receipt of a properly documented redemption request, unless legal or regulatory requirements (such as foreign currency controls) to which the Sub-Fund is subject render the payment of the redemption proceeds within the aforesaid time period not practicable.

It is only in exceptional circumstances where the market(s) in which a substantial portion of investments is made is subject to legal or regulatory requirements (such as foreign currency controls) thus making the payment of the redemption proceeds within one calendar month not practicable, the Sub-Fund would have a longer redemption payment period exceeding one calendar month. In such a case, proper records will be kept by the Manager to demonstrate and justify this (e.g. the Sub-Fund is directly subject to or adversely affected by the restrictions which are beyond the reasonable control of the Manager) and Unitholders and the SFC will be properly

and promptly informed. In any event, the redemption proceeds will be paid to Unitholders as soon as possible after the receipt of the proceeds by the Sub-Fund.

Investment Minima

The following investment minima apply to the Sub-Fund:

	Class A USD Units	Class A HKD Units	Class I USD Units	Class I HKD Units
Minimum initial investment	USD100	HKD1,000	USD500,000	HKD1,000,000
Minimum subsequent investment	USD100	HKD1,000	USD100,000	HKD1,000,000
Minimum holding	USD100	HKD1,000	USD100,000	HKD1,000,000
Minimum redemption amount	USD100	HKD1,000	USD100,000	HKD1,000,000

Publication of Net Asset Value

For Units offered in Hong Kong, the latest Issue Price and Redemption Price in respect of Units or the Net Asset Value per Unit of the Sub-Fund are available on the Manager's website www.efunds.com.hk (this website has not been reviewed by the SFC) on each Dealing Day.

Expenses and Charges

The following are the actual fees and charges payable in respect of Class A and Class I Units. Maximum fees permitted to be charged on one months' notice to Unitholders are set out under the section entitled "Expenses and Charges" in the main body of this Explanatory Memorandum.

Fees payable by Unitholders

	Class A USD, Class A HKD, Class I USD and Class I HKD Units
Subscription fee	Up to 3% of the Issue Price
Redemption fee	Up to 2% of the Redemption Price if redemption takes place within 1 year of the issue of the relevant Units (applicable to Class I Units only)
Switching fee	Nil

Fees payable by the Sub-Fund

	Class A USD and Class A HKD Units	Class I USD and Class I HKD Units
Management fee	1.5% per annum of the Net Asset Value of the Sub-Fund	1% per annum of the Net Asset Value of the Sub-Fund
Trustee fee	Up to 0.11% per annum of the Net Asset Value of the Sub-Fund (inclusive of fees payable to the Registrar and Transfer Agent)	

Custodian and RQFII Custodian fee	Up to 0.08% per annum of the Net Asset Value of the Sub-Fund. This is a safekeeping fee (as a percentage per annum of the Net Asset Value of the Sub-Fund) the percentage of which will vary based on the market on which the securities are traded or held Subject to a minimum monthly fee (Trustee fee, Custodian fee and RQFII Custodian fee collectively) of USD5,000
Establishment costs	The cost of establishing the Sub-Fund, including the updating of and addition of this Appendix to this Explanatory Memorandum, inception fees, the costs of seeking and obtaining the authorisation by the SFC and all relevant legal and printing costs was approximately USD200,000. Such establishment costs will be borne by the Sub-Fund and amortised over the first 5 accounting periods of the Sub-Fund (or such other period as determined by the Manager).

The Manager may, in its absolute discretion, (i) share with intermediaries the payment of all or any portion of the subscription fee, redemption fee and/or management fee and (ii) share with, waive, reduce or rebate the payment of all or any portion of the subscription fee, redemption fee and/or management fee to investors in Class I Units (which are institutional investors not being retail investors) provided that such fees and charges are those which the Manager is entitled to receive for its own benefit.

Additional Risk Factors specific to the Sub-Fund

The following risk factors are specific to the Sub-Fund. Investors should also note the relevant risk factors set out in the section entitled “Risk Factors” in the main body of this Explanatory Memorandum.

Risks of investing in A-Shares

The existence of a liquid trading market for A-Shares may depend on whether there is supply of, and demand for, such A-Shares. The price at which securities may be purchased or sold by the Sub-Fund and the Net Asset Value of the Sub-Fund may be adversely affected if trading markets for A-Shares are limited or absent. Securities markets in Mainland China may be less liquid than other leading stock markets. The Sub-Fund may suffer substantial losses if it is not able to dispose of investments at a time it desires. The A-Share market may also be more volatile with potential settlement difficulties (for example, due to the risk of suspension of a particular stock or government intervention). High market volatility and potential settlement difficulties in the A-Share markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of the Sub-Fund.

Securities exchanges in Mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. In particular, trading band limits are imposed by the stock exchanges in Mainland China on A-Shares, where trading in any A-Share security on the relevant stock exchange may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. This may mean that the prices of stocks may not necessarily reflect their underlying value. A suspension will also render it impossible for the Manager to liquidate positions and can thereby expose the Sub-Fund to significant losses. Further, when the suspension is subsequently lifted, it may not be possible for the Manager to liquidate positions at a favourable price. Moreover, the government or the regulators may also implement policies that may affect the financial markets. Such factors may affect the performance of the Sub-Fund, and the subscription and redemption of Units may also be disrupted.

Stocks listed on the Mainland China stock exchanges may have a high price-earnings ratio. Such high valuation may not be sustainable. Investment in the Sub-Fund may be subject to higher risk of over-valuation of A-Shares.

Stock Connect risks

The Sub-Fund's investments through Stock Connect are subject to the following risks in addition to the risks associated with Mainland China.

- *Difference in trading day:* Investors (including the Sub-Fund) can only trade on the other market on days where both markets are open for trading, and banking services are available in both markets on the corresponding settlement days.

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

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

- *Operational risk:* Stock Connect provides a new channel for investors from Hong Kong and overseas to access the Mainland China's 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 these differences (as well as the fact that the securities regime and legal systems of Mainland China and Hong Kong differ significantly) on an on-going basis.

  Further, the "connectivity" in 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 fail to function properly, trading in both markets through the programme could be disrupted and the Sub-Fund's ability to access the A-Share market (and hence to pursue its investment strategy) will be adversely affected.

- *No Protection by Investor Compensation Fund risk*: 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 "What is Shanghai-Hong Kong Stock Connect?", the Sub-Fund's investments through Northbound trading under Stock Connect is not covered by the Hong Kong's Investor Compensation Fund. On the other hand, since the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not Mainland China brokers, they are not protected by the China Securities Investor Protection Fund (中國投資者保護基金) in Mainland China. Therefore the Sub-Fund is exposed to the risks of default of the broker(s) it engages in its trading in A-Shares through the programme.

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

- *Settlement and corporate actions risks*: HKSCC is responsible for settlement in respect of trades executed for the Sub-Fund. HKSCC will also be treated as the shareholder of the SSE Securities and/or SZSE Securities which it will monitor and of which it will seek to notify

investors such as the Sub- Fund. The Sub-Fund will therefore depend on HKSCC for both settlement and notification and implementation of corporate actions.

HKSCC and CSDCC have established the clearing links and each has become a participant of each other to facilitate clearing and settlement of cross-boundary trades. Should the remote event of CSDCC default occur and the CSDCC be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against the CSDCC. HKSCC will in good faith seek recovery of the outstanding stocks and monies from the CSDCC through available legal channels or through the CSDCC's liquidation. In that event, the Sub-Fund may suffer delay in the recovery process or may not be able to fully recover its losses from the CSDCC.

- *Restrictions on selling imposed by pre-trade checking:* Mainland China regulations require there to be sufficient shares in an investor's securities account before such investor sells any share on the SSE or SZSE, otherwise the sell order will be rejected by the relevant exchange. The HKEx will carry out pre-trade checking on SSE Securities or SZSE Securities sell orders of its participants (i.e. brokers) to ensure there is no over-selling. This means that investors must transfer SSE 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 such SSE Securities on the relevant trading day. Because of this requirement, investors may not be able to dispose of holdings of SSE Securities in a timely manner. Mainland China regulations may impose certain other restrictions on selling and buying which results in the Sub-Fund not being able to dispose of holdings of A- Shares 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 or SZSE Securities. An investor only needs 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. This enhanced model is novel and initial market reaction is varied. 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:* If a stock is recalled from the scope of eligible stocks for trading via Stock Connect, the stock can only be sold and cannot be bought. This may affect the Sub-Fund's investment portfolio if the Sub-Fund has invested in the recalled stock.

- *Nominee arrangements in holding SSE Securities:* HKSCC is the nominee holder of the SSE Securities or SZSE Securities acquired by Hong Kong and overseas investors through Stock Connect.

  The CSRC Stock Connect rules expressly provide that investors enjoy the rights and benefits of the SSE Securities or SZSE Securities acquired through Stock Connect in accordance with applicable laws. Such rules are departmental regulations having legal effect in Mainland China. However, the application of such rules is untested, and there is no assurance that Mainland China courts will recognise such rules (for example, in liquidation proceedings of Mainland China companies).

  It should be noted that, under the CCASS Rules, HKSCC as nominee holder shall have no obligation to take any legal action or court proceedings to enforce any rights on behalf of the investors in respect of the SSE Securities in Mainland China or elsewhere. Although the relevant Mainland China laws provide that investors may, in its own name, take legal action in the Mainland China courts if it can provide evidential proof of direct interest as a beneficial owner of the SSE Securities, the application of such rules is untested. As such, the Sub-Fund may suffer difficulties or delays in enforcing its rights in SSE Securities or SZSE Securities.

RQFII risks

- *RQFII systems risk:* The current RQFII Regulations include rules on investment restrictions applicable to the Sub-Fund. Transaction sizes for RQFIIs are relatively large (with the corresponding heightened risk of exposure to decreased market liquidity and significant price volatility leading to possible adverse effects on the timing and pricing of acquisition or disposal of securities).

  Mainland China securities acquired by a RQFII for the account of the Sub-Fund are registered in the joint names of the Manager (as the RQFII holder) and the Sub-Fund in accordance with the relevant rules and regulations, and maintained in electronic form via a securities account with the CSDCC. The account is required to bear the name of the Manager as this is the name under which the RQFII is approved by the relevant regulator. The RQFII selects a Mainland China broker (the "Mainland China Broker") to act on its behalf in each of the two securities markets in Mainland China as well as the RQFII Custodian to maintain its assets in custody.

  In the event of any default of either the relevant Mainland China Broker or the RQFII Custodian in the execution or settlement of any transaction or in the transfer of any funds or securities in Mainland China, the Sub-Fund may encounter delays in recovering its assets which may in turn adversely impact the Net Asset Value of the Sub-Fund.

  The regulations which regulate investments by RQFIIs in Mainland China are relatively new. The application and interpretation of such investment regulations are therefore relatively untested and there is no certainty as to how they will be applied as the Mainland China authorities and regulators have been given wide discretion in such investment regulations and there is no precedent or certainty as to how such discretion may be exercised now or in the future.

- *RQFII Custodian and Mainland China Brokers risk:* Mainland China assets acquired by the Sub-Fund through the Manager's RQFII quota will be maintained by the RQFII Custodian in electronic form via securities account(s) with the CSDCC or relevant depositories and special deposit account(s) with the RQFII Custodian.

  The RQFII also selects one or more Mainland China Brokers to execute transactions for the Sub-Fund in the Mainland China markets. The Sub-Fund may incur losses due to the acts or omissions or insolvency of the Mainland China Brokers or the RQFII Custodian in the execution or settlement of any transaction or in the transfer of any funds or securities. Subject to the applicable laws and regulations in Mainland China, the Manager will make arrangements to ensure that the Mainland China Brokers and RQFII Custodian have appropriate procedures to properly safe-keep the Sub-Fund's assets.

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

- *Repatriation risk:* Repatriations by RQFIIs in respect of a fund such as the Sub-Fund conducted in RMB are permitted daily and are not subject to any lock-up periods or prior approval. There is no assurance, however, that Mainland China rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Any new restrictions

on repatriation of the invested capital and net profits may impact on the Sub-Fund's ability to meet redemption requests.

- *Quota risk:* The Sub-Fund will utilise the Manager's RQFII quota granted under the RQFII Regulations. This RQFII quota is limited and may be reached. Furthermore, the Manager has the flexibility to allocate its RQFII quota granted by SAFE across different public fund products under its management from time to time. As such, the Sub-Fund will not have exclusive use of a specified amount of RQFII investment quota granted by SAFE to the Manager and will rely on the Manager's management and allocation of such quota between different public fund products. If the amount of quota available to the Sub-Fund is insufficient, the Manager will seek to rely on Stock Connect investments.

Risks associated with ADRs and GDRs

Exposure to American Depository Receipts (ADRs) and Global Depository Receipts (GDRs) may generate additional risks compared to a direct exposure to the corresponding underlying stocks, in particular, as the consequence of the intervention of the depositary bank issuing the ADR/GDR and the risk of non-segregation under applicable law of the depositary bank who hold the underlying stock as collateral and its own assets. Although segregation is an integral part of the depositary agreement regulating the issuance of the ADRs/GDRs, there could be a risk that underlying shares would not be attributed to holders of ADRs/GDRs in case of bankruptcy of the depositary bank. In such case, the likeliest scenario would be the trading suspension and thereafter a freeze of the price of the ADRs/GDRs impacted by such bankruptcy event. Bankruptcy events in respect of the depositary banks issuing the ADRs/GDRs may negatively affect the performance and/or the liquidity of the Sub-Fund. There are fees related to ADRs/GDRs, for example fees charged by banks for the custody of ADRs/GDRs, which may impact the performance of the ADRs/GDRs. Also, holders of ADRs/GDRs are not direct shareholders of the underlying company and generally do not have voting and other shareholder rights as shareholders do. The Sub-Fund may also be subject to liquidity risk as ADRs/GDRs are often less liquid than the corresponding underlying stocks.

Concentration risk

Although there are various investment restrictions with which the Manager has to comply when managing the investments of the Sub-Fund, the Sub-Fund's focus on a single market (i.e. companies which are incorporated in, have their area of primary activity in or are related to the growth of the economy in Mainland China) subjects it to greater concentration risk. The Sub-Fund may be more volatile than a broadly-based fund such as a global or regional investment fund as it is more susceptible to fluctuation in value resulting from adverse conditions in a single market. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory events affecting the Greater China market.

Risks associated with Mainland China

The Sub-Fund invests in equity or equity-related securities of companies whose activities are closely related to the economic development and growth of Mainland China. The Sub-Fund is therefore subject to risks associated with Mainland China.

Economic, political and social risks

The economy of Mainland China, which has been in a state of transition from a planned economy to a more market oriented economy, differs from the economies of most developed countries or regions 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

Mainland China and a high level of management autonomy. The economy of Mainland China has experienced significant growth in the past 20 years, but growth has been uneven both geographically and among various sectors of the economy. Economic growth has also been accompanied by periods of high inflation. 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 Mainland China. 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 Mainland China 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 Mainland China economy which may also have an adverse impact on the capital growth and performance of the Sub-Fund.

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

Mainland China laws and regulations risk

The regulatory and legal framework for capital markets and joint stock companies in Mainland China may not be as well developed as those of developed countries or regions. Mainland China laws and regulations affecting securities markets are relatively new and evolving, and because of the limited volume of published cases and judicial interpretation and their non-binding nature, interpretation and enforcement of these regulations involve significant uncertainties. In addition, as the Mainland China legal system develops, no assurance can be given that changes in such laws and regulations, their interpretation or their enforcement will not have a material adverse effect on the business operations of Mainland China companies.

Accounting and reporting standards risk

Mainland China companies are required to follow Mainland China accounting standards and practice which follow international accounting standards to a certain extent. However, the accounting, auditing and financial reporting standards and practices applicable to Mainland China companies may be less rigorous, and there may be significant differences between financial statements prepared in accordance with Mainland China accounting standards and practice and those prepared in accordance with international accounting standards. As the disclosure and regulatory standards in the Mainland China are less stringent than in more developed markets, there might be substantially less publicly available information about issuers in the Mainland China on which the Manager can base investment decisions.

Changes in Mainland China 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 Mainland China companies and foreign investors in such companies. In particular, please refer to the risk factor "Mainland China taxation risk" below.

Mainland China taxation risk

Circular 81 states that corporate income tax ("CIT"), individual income tax and business tax ("BT") will be temporarily exempt on gains derived by Hong Kong and overseas investors (including the Sub-Fund) on the trading of A-Shares through Stock Connect. The "Notice on the temporary exemption of Corporate Income Tax on capital gains derived from the transfer of PRC equity investment assets such as PRC onshore stocks by QFII and RQFII" (Caishui [2014] No.79) promulgated by the MOF, the SAT and the CSRC on 14 November 2014 ("Circular 79") states

that QFIIs and RQFIIs (without an establishment or place of business in Mainland China or having an establishment in Mainland China but the income so derived in Mainland China is not effectively connected with such establishment) will be temporarily exempt from corporate income tax on gains derived from the transfer of Mainland China equity investment assets (including A-Shares) effective from 17 November 2014. In view of this, the Manager will not make any withholding income tax ("WIT") or BT provision on the gross unrealised and realised capital gains derived by the Sub-Fund from investments in A-Shares through Stock Connect or RQFII.

It should be noted that the tax exemption granted under Circular 81 and Circular 79 is temporary. As such, as and when the Mainland China authorities announce the expiry date of the exemption, the Sub- Fund may in future need to make provision to reflect taxes payable, which may have a substantial negative impact on the Net Asset Value of the Sub-Fund.

The Mainland China tax rules and practices in relation to Stock Connect are new and their implementation has not been tested and is uncertain. The Manager reserves the right to provide for Mainland China WIT or other taxes on capital gains or income and withhold the tax for the account of the Sub-Fund if there is any future change in tax rules. The Manager will closely monitor any further guidance by the relevant Mainland China tax authorities and change its tax provision policy and the tax provision amount in respect of the Sub-Fund accordingly. Any change to the tax provision policy or the amount of tax provision in respect of the Sub-Fund will be notified to the Unitholders.

If actual tax is collected by the SAT and the Sub-Fund is required to make payments reflecting tax liabilities for which no provision has been made, the Net Asset Value of the Sub-Fund may be adversely affected, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund.

Please refer to the sub-section on "Mainland China Taxation" for further information in this regard.

Operational and Settlement Risks

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

Any significant delays in the settlement of transactions or the registration of a transfer may affect the ability to ascertain the value of the Sub-Fund's portfolio and adversely affect the Sub-Fund.

Currency Risks

Assets held by the Sub-Fund may be denominated in various currencies that are different from the Base Currency and performance of the Sub-Fund may be strongly influenced by movements in exchange rates. The Manager may seek to hedge against fluctuations in the relative values of the portfolio positions. Such investments require consideration of certain risks which include, among other things, trade balances and imbalances and related economic policies, unfavourable currency exchange rate fluctuations, impositions of exchange control regulation by governments, withholding taxes, policies of governments with respect to possible nationalisation of their industries, political difficulties, including expropriation of assets, confiscatory taxation and economic or political instability. Such techniques may not be possible or practicable in all cases, in which case the Sub-Fund may be adversely affected by changes in exchange rates.

RMB currency risks

The Sub-Fund's investments may be denominated in the RMB and may therefore be subject to the following risks. There is no guarantee that RMB will not depreciate. Investors whose assets and liabilities are predominantly in currencies other than RMB should take into account the potential risk of loss arising from fluctuations in value between such currencies and the RMB.

RMB is not freely convertible and subject to exchange controls and restrictions risk

It should be noted that the RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies and repatriation restrictions imposed by the PRC government. Since 1994, the conversion of RMB into US dollar has been based on rates set by the People's Bank of China ("PBOC"), which are set daily based on the previous day's PRC interbank foreign exchange market rate. On 21 July, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. In addition, a market maker system was introduced to the interbank spot foreign exchange market. In July 2008, China announced that its exchange rate regime was further transformed into a managed floating mechanism based on market supply and demand. Given the domestic and overseas economic developments, the PBOC decided to further improve the RMB exchange rate regime in June 2010 to enhance the flexibility of the RMB exchange rate. However it should be noted that the PRC government's policies on exchange control and repatriation restrictions are subject to change, and any such change may adversely impact the Sub-Fund. There can be no assurance that the RMB exchange rate will not fluctuate widely against the US dollar or any other foreign currency in the future. Any depreciation of the RMB will decrease the value of RMB-denominated assets the Sub-Fund may hold and of any dividends that the Sub-Fund may receive from such investments, which may have a detrimental impact on the Net Asset Value of the Sub-Fund, and vice versa.

Foreign exchange transactions under the capital account, including principal payments in respect of foreign currency denominated obligations, currently continue to be subject to significant foreign exchange controls and require the approval of the SAFE. On the other hand, the existing Mainland China foreign exchange regulations have significantly reduced government foreign exchange controls for transactions under the current account, including trade and service related foreign exchange transactions and payment of dividends. Nevertheless, the Manager cannot predict whether the PRC government will continue its existing foreign exchange policy or when the PRC government will allow free conversion of the RMB to foreign currency.

Investors may be adversely affected by movements of exchange rates between the RMB and other currencies

Where the Sub-Fund invests in RMB-denominated assets, currency risk arises where an investor subscribes to Units of the Sub-Fund (denominated in USD) and the subscription monies in USD are converted into the RMB in order to make RMB-denominated portfolio investments, and where RMB-denominated portfolio investments are liquidated and RMB funds are converted back into USD to pay redemption proceeds. The calculation of the Net Asset Value per Units of any class not denominated in RMB will also be adversely impacted by movements in the exchange rate between the RMB and the Base Currency of the Sub-Fund.

Reports and Accounts

The first accounts for the Sub-Fund cover the period to 31 December 2017.

Distribution Policy

For distribution Classes (Class A USD (distribution), Class A HKD (distribution), Class I USD (distribution) and Class I HKD (distribution)), the Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends. It is

currently intended that distributions will be made once per year for distribution Classes of Units. The Sub-Fund will not pay dividends out of capital / effectively out of capital.

For accumulation Classes (Class A USD (accumulation), Class A HKD (accumulation), Class I USD (accumulation) and Class I HKD (accumulation)), no distributions will be made to Unitholders.

Mainland China Taxation

By investing in securities (including A-Shares) issued by Mainland China tax resident enterprises, irrespective of whether such securities are issued or distributed onshore ("onshore PRC securities") or offshore ("offshore PRC securities", and together with onshore PRC securities, "PRC Securities"), the Sub-Fund may be subject to Mainland China taxes. It is possible that the current tax laws, regulations and practice in Mainland China will change, including the possibility of taxes being applied retrospectively, and that such changes may result in higher taxation on PRC Securities than currently contemplated. Unitholders should seek their own tax advice on their tax position with regard to their investments in the Sub-Fund.

Corporate income tax ("CIT")

If the Sub-Fund is considered as a tax resident enterprise of Mainland China, it will be subject to Mainland China CIT at 25% on its worldwide taxable income. If the Sub-Fund is considered as a non-tax resident enterprise with a permanent establishment (a "PE") in Mainland China, the profits and gains attributable to that PE would be subject to CIT at 25%.

The Manager and the Trustee intend to manage and operate the Sub-Fund in such a manner that the Sub-Fund should not be treated as a tax resident enterprise of Mainland China or non-tax resident enterprises with a PE in Mainland China for CIT purposes, although this cannot be guaranteed. As such it is expected that the 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 that the Sub-Fund directly derives Mainland China sourced income in respect of its investment in PRC Securities.

Dividend income

Unless a specific exemption or reduction is available under current Mainland China tax laws and regulations or relevant tax treaties, non-tax resident enterprises without a PE in Mainland China are subject to a WIT, generally at a rate of 10% which may be reduced by the relevant double taxation agreement / arrangement, to the extent it directly derives the Mainland China sourced passive income. Mainland China sourced passive income (such as dividend income or interest income) may arise from investments in the PRC Securities. The entity distributing such Mainland China sourced passive income is required to withhold WIT. Accordingly, the Trust and the Sub-Fund may be subject to WIT and/or other Mainland China taxes on any dividends, distributions and interest it derives from its investment in PRC Securities.

Under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (the "Mainland China-HK Arrangements"), WIT imposed on dividends received by the non-resident holders of shares issued by Mainland China companies will be 5% of the gross amount of the dividends, if Hong Kong tax residents are the beneficial owners and directly hold at least 25% of the equity of the company paying the dividends, subject to completing the record filing procedures for treaty relief with the Mainland China tax authorities. Due to the Sub-Fund's investment restriction, the Sub-Fund will not hold more than 10% of any ordinary shares issued by any single issuer. In this connection, dividends derived from the PRC securities invested through Stock Connect or RQFII will not be able to benefit from the reduced tax rate of 5% and the general tax rate of 10% will be applicable to the Sub-Fund.

Interest

Under the Mainland China CIT Law, interest derived from government bonds issued by the Ministry of Finance, or bonds issued by local government of a province, autonomous regions, municipalities directly under the Central Government or municipalities separately listed on the state plan, as approved by the State Council, shall be exempt from Mainland China tax.

The Manager will make relevant tax provision on dividends at 10% if the WIT is not withheld at source.

Capital gains

Circular 81 states that CIT will be temporarily exempt on gains derived by Hong Kong and overseas investors (including the Sub-Fund) on the trading of A- Shares through Shanghai-Hong Kong Stock Connect.

Circular 127 states that investors in the Hong Kong market (including enterprises and individuals) are temporarily exempt from CIT with respect to gains derived from the trading of A-Shares through Shenzhen-Hong Kong Stock Connect.

Circular 79 states that QFIIs and RQFIIs (without an establishment or place of business in Mainland China or having an establishment in Mainland China but the income so derived in Mainland China is not effectively connected with such establishment) will be temporarily exempt from CIT on gains derived from the transfer of Mainland China equity investment assets (including A-Shares) effective from 17 November 2014. In view of this, the Manager will not make any WIT provision on the gross unrealised and realised capital gains derived by the Sub-Fund from investments in A-Shares through Stock Connect or RQFII.

It should be noted that the tax exemption granted under Circular 81, Circular 127 and Circular 79 is temporary. As such, as and when the Mainland China authorities announce the expiry date of the exemption, the Sub-Fund may in future need to make provision to reflect taxes payable, which may have a substantial negative impact on the Net Asset Value of the Sub-Fund.

Mainland China and Hong Kong signed the Fourth Protocol to the Mainland China-HK Arrangements (the "Fourth Protocol") on 1 April 2015. Pursuant to the Fourth Protocol, from a Mainland China tax perspective, gains derived by securities funds which meet certain conditions stated in the Fourth Protocol and quality as Hong Kong tax residents from the disposal of shares of Mainland China enterprises which are listed in recognized stock exchanges should not be subject to tax in Mainland China, provided that the purchase and sale of the listed shares are conducted on the stock exchange. If the tax exemption granted under Circular 81, Circular 127 and/or Circular 79 is expired, the Manager will seek to apply for approval from the Mainland China tax authorities for the treaty relief in relation to the Sub-Fund once the Fourth Protocol is effective, although this cannot be guaranteed.

The Mainland China tax rules and practices in relation to Stock Connect are new and their implementation has not been tested and is uncertain. The Manager reserves the right to provide for Mainland China WIT on capital gains or income and withhold the tax for the account of the Sub-Fund if there is any future change in tax rules. The Manager will closely monitor any further guidance by the relevant Mainland China tax authorities and change its tax provision policy and the tax provision amount in respect of the Sub-Fund accordingly. Any change to the tax provision policy or the amount of tax provision in respect of the Sub-Fund will be notified to the Unitholders.

It should be noted that there is a possibility of the Mainland China tax rules being changed and taxes being applied retrospectively. In view of the uncertainties, investors should note that if actual tax is collected by the SAT and the Sub-Fund is required to make payments reflecting tax liabilities for which no provision has been made, the Net Asset Value of the Sub-Fund may be adversely affected, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund. Upon any future resolution of the above-

mentioned tax exemption or further changes to tax law or policies, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary.

Value Added Tax ("VAT") and other surtaxes

Caishui [2005] 155 states that gains derived by QFIIs from the trading of Mainland China marketable securities (including A-Shares and other Mainland China listed securities) are exempt from BT. Since both RQFIIs and QFIIs are qualified foreign institutional investors which are allowed to make investments in the Mainland China capital markets, there should be a basis to make reference to the exemption treatment of Caishui [2005] 155 on RQFIIs. However, it is not clear whether a similar exemption would be extended to RQFIIs.

With the issuance of Caishui [2016] 36 ("Circular 36"), financial services (including the transfer of financial products), which were subject to BT, are subject to VAT since 1 May 2016. Under the VAT regime, the above-mentioned BT exemption granted to QFIIs with respect to gains realized from the trading of PRC marketable securities has been grandfathered (i.e. QFIIs continue to enjoy exemption on gains under the VAT regime). According to Caishui [2016] 70, gains realised by RQFIIs from the trading of PRC securities in the PRC are exempt from VAT.

Circular 81 states that BT will be temporarily exempt on gains derived by Hong Kong and overseas investors (including the Sub-Fund) on the trading of A-Shares through Shanghai-Hong Kong Stock Connect. With the expansion of VAT to financial services since 1 May 2016, the above-mentioned BT exemption granted to investors in the Hong Kong market with respect to their gains realized from the trading of A-Shares under Shanghai-Hong Kong Stock Connect has been grandfathered (i.e. investors in the Hong Kong market continue to enjoy exemption on gains under the VAT regime). According to Circular 127, investors in the Hong Kong market (including enterprises and individuals) are temporarily exempt from VAT with respect to gains derived from the trading of A-Shares through Shenzhen-Hong Kong Stock Connect.

In addition, urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), educational surcharge (currently at the rate of 3%) and local educational surcharge (currently at the rate of 2%) are imposed based on the VAT liabilities.

Stamp duty

Stamp duty under the Mainland China laws generally applies to the execution and receipt of all taxable documents listed in the PRC's Provisional Rules on Stamp Duty. Stamp duty is levied on the execution or receipt in Mainland China of certain documents, including contracts for the sale of A-Shares traded on the Mainland China stock exchanges. In the case of contracts for sale of A-Shares, such stamp duty is currently imposed on the seller but not on the purchaser, at the rate of 0.1% of the total sales value.

It should also be noted that the actual applicable tax rates imposed by the SAT may be different and may change from time to time. There is a possibility of the rules being changed and taxes being applied retrospectively.

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

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

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