Foundation China Equity Fund

Foundation Global Income and Growth Fund

sub-funds of

Foundation Fund Series

EXPLANATORY MEMORANDUM

August 2021 C21

CONTENTS

IMPORTANT INFORMATION FOR INVESTORS

Important – If you are in any doubt about the contents of this Explanatory Memorandum, you should seek independent professional advice. C19(a)

Foundation Fund Series (the "Trust") is an umbrella unit trust established under the laws of Hong Kong by the Trust Deed between Foundation Asset Management (HK) Limited as manager (the "Manager") and ICBC (Asia) Trustee Company Limited as trustee (the "Trustee"). C1

A product key facts statement which contains the key features and risks of each of the Sub-Funds 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. C19A

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.famfundgroup.com (this website has not been reviewed by the SFC) for the latest version of the Explanatory Memorandum. C22

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. Section I - 1.10 / Section II - 11.14

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 country or jurisdiction where action for the purpose is required. This Explanatory Memorandum does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it would be unlawful to make such offer or solicitation.

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).

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 countries 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 (Suite 2703, Tower One, Lippo Centre, 89 Queensway, Hong Kong) and the Manager will respond in writing within 14 Business Days. Section I - 7.4

DIRECTORY

C3(a)
C3(b)
C3(f)
C3(g)

Manager	Foundation Asset Management (HK) Limited Suite 2703, Tower One, Lippo Centre, 89 Queensway, Hong Kong
Trustee, Registrar and Transfer Agent	ICBC (Asia) Trustee Company Limited 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
Legal Counsel to the Manager	Simmons & Simmons 30/F, One Taikoo Place 979 King's Road 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.
"**Base Currency**"	means, in respect of a Sub-Fund, the base currency specified in the relevant Appendix.
"**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 agree 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 for normal banking business 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).
"**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, after consultation with the Trustee, may from time to time determine in relation to the subscription and redemption of Units, as specified in the relevant Appendix.
"**entities within the same group**"	means entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognised accounting standards.

“**Government and other Public Securities**”	has the meaning as set out in the Code which at the date of the main body of this Explanatory Memorandum means any investment issued by, or the payment of principal and interest on, which is guaranteed by a government, or any fixed-interest investment issued by its public or local authorities or other multilateral agencies.
“**Hong Kong**”	means the Hong Kong Special Administrative Region of the People’s Republic of China.
“**Hong Kong Dollars**” or “**HKD**”	means the currency of Hong Kong.
“**IFRS**”	means International Financial Reporting Standards issued by the International Accounting Standards Board.
“**Initial Offer Period**”	means, in respect of a Sub-Fund, the period during which Units in that Sub-Fund will be offered for subscription at a fixed price, as specified in the relevant Appendix.
“**Manager**”	means Foundation Asset Management (HK) Limited.
“**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.
“**PRC**” or “**China**”	means the People’s Republic of China, excluding for the purposes of interpretation of this Explanatory Memorandum only, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan.
“**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.
“**RMB**”	means Renminbi Yuan, the lawful currency for the time being and from time to time of the PRC.
“**SEHK**”	means The Stock Exchange of Hong Kong Limited.
“**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.
“**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.
“**Subscription 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.
“**Transfer Agent**”	means ICBC (Asia) Trustee Company Limited, in its capacity as the transfer agent and registrar of each Sub-Fund. C3(g)

"**Trust**"	means Foundation Fund Series.
"**Trust Deed**"	means the trust deed establishing the Trust entered into by the Manager and the Trustee dated 20 September 2018, as amended and restated on 31 December 2019, and as further 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, in relation to any class of Units, the Business Day as at which the Net Asset Value and the Net Asset Value per Unit is to be calculated as described in the relevant Appendix of the relevant Sub-Fund, and/or such other Business Day or Business Days as the Manager may from time to time determine. C7
"**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

Foundation Fund 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 any of the Sub-Funds 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-Funds, including the latest versions of the Sub-Funds' offering documentation, circulars, notices, announcements, financial reports and the latest C22A available Net Asset Value will be available on the website www.famfundgroup.com (this website has not been reviewed by the SFC).

MANAGEMENT OF THE TRUST

The Manager C3(a)

The Manager of the Trust is Foundation Asset Management (HK) Limited.

The Manager was incorporated with limited liability in 2006 in Hong Kong and is licensed to conduct Type 9 (Asset Management) Regulated Activities under Part V of the SFO with CE number AND386. It is principally engaged in fund management business.

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 director of the Manager is as follows: C3(a) 5.5(b)

Liang Jiang, Michael

Mr. Liang is the Chief Investment Officer of the Manager. He founded Foundation Asset Management (HK) Limited in 2006. Mr. Liang has been the firm's Chief Investment Officer since 2006 and is also in charge of the firm's business and corporate activities.

As one of the pioneers in creatively applying value investing to regional markets, Mr. Liang regularly presents at media and conferences, including CNN, Bloomberg TV and HK financial journals, sharing his view on the economy, markets, investment strategy and ideas.

Prior to founding the Manager, Mr. Liang's career in finance started with Macquarie Bank in Australia in 1993 as an investment analyst. He then held various senior positions of major financial institutions responsible for securities broking and research. He has an MBA degree from Peking University, a degree in Economics from Renmin University of China and Wollongong University in Australia. Mr. Liang is also a CFA.

Mui Tze Wah, Vivian

Ms. Mui is the Head of Risk Management of the Manager and is responsible for assisting Mr. Liang on company's affairs and activities, daily operations and overall management, including a high degree of responsibility for risk management.

Ms. Mui joined the Manager in September 2009 with a focus on portfolio valuation and risk management process for all aspects of the company's business. Prior to that, she was an Operations Manager of Sun Hung Kai Securities Co Ltd and DBS Vickers (Hong Kong) Ltd.

Ms. Mui graduated from University of Guelph, double majoring in Economics and Management.

The Trustee C3(b)

The Trustee of the Trust is ICBC (Asia) Trustee Company Limited which is registered under Part VIII of the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong). 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.

The principal activities of the Trustee are the provision of trustee services. The Trustee also acts as Registrar and Transfer Agent of the Trust.

Under the Trust Deed, the Trustee is responsible for taking into custody or under its control all the investments, cash and other assets forming part of the assets of each Sub-Fund and hold them in trust for the Unitholders of the relevant Sub-Fund in accordance with the provisions of the Trust Deed and, to the extent permitted by law, shall register cash and registrable assets in the name of or to the order of the Trustee and be dealt with as the Trustee may think proper for the purpose of providing 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. C26

Subject to applicable regulatory requirements, the Trustee may appoint any person or persons (including a Connected Person of the Trustee) as custodian, nominee, agent or delegate of the Trustee, to hold all or any of the assets of any Sub-Fund, and may empower any such person to appoint, subject to no objection in writing from the Trustee, co-custodians, sub-custodians and/or delegates (each such custodian, nominee, agent, co-custodian, sub-custodian, and delegate a "Correspondent"). The Trustee shall (a) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of such Correspondent; (b) be satisfied that such Correspondent retained remain suitably qualified and competent on an ongoing basis to provide the relevant services to the Trust; and (c) be liable for the acts and omissions of any Correspondent which is a Connected Person of the Trustee as if the same were the acts or omissions of the Trustee, but provided that the Trustee has discharged its obligations set out in (a) and (b) in this paragraph, the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any Correspondent which is not a Connected Person of the Trustee.

Notwithstanding the above, the Trustee shall not be liable for: (A) any act, omission, insolvency, liquidation or bankruptcy of Euro-clear Clearing System Limited or Clearstream Banking S.A. or any other recognised depositary or clearing and settlement system which may from time to time be approved by the Trustee and the Manager; or (B) the custody or control of any investments, assets or other property which is under the custody or held by or on behalf of a lender in respect of any borrowing made by the Trustee at the request of the Manager for the purposes of the Trust or any Sub-Fund.

Subject to applicable legal and regulatory requirements, the Trustee shall not be liable for losses in respect of investments and other property or assets forming part of the assets of the Trust or any Sub-Fund not registered in the name of or not deposited with or not held to the order of the Trustee or its delegate or nominee.

Subject as provided in the Trust Deed, the Trustee and its respective officers, employees, agents and delegates are entitled to be indemnified from the assets of the relevant Sub-Fund in respect of all liabilities and expenses incurred in relation to such Sub-Fund and against all actions, proceedings, costs, claims and demands in respect of any matter or thing done or omitted to be done in any way relating to such Sub-Fund, except to the extent that such liability, expense, action, proceeding, cost, claim or demand are imposed under Hong Kong law or arises out of breach of trust through the fraud, negligence or wilful default of the Trustee or its officers, employees, agents or delegates.

The Manager is responsible for making investment decisions in relation to the Trust and/or each Sub-Fund and the Trustee (including its delegates) is not responsible and has no liability for any investment decision made by the Manager (save that the Trustee shall take reasonable care to ensure that the investment and borrowing limitations set out in the Trust Deed and any authorisation conditions imposed by the SFC are complied with). The Trustee does not act as guarantor or offeror of the Units or any underlying investments of a Sub-Fund. The Trustee is not responsible for the preparation or issue of this Explanatory Memorandum, other than the description under the section "The Trustee". The appointment of the Trustee may be terminated in the circumstances set out in the Trust Deed.

The Trustee is entitled to the fees set 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 fees and expenses of any Correspondent shall be paid out of the relevant Sub-Fund.

The Custodian

The Trustee has appointed Industrial and Commercial Bank of China (Asia) Limited ("ICBC (Asia)") as the Custodian of the Trust and each 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 2018. The Industrial and Commercial Bank of China Limited group ("ICBC Group") has reached RMB16.3 trillion (approximately USD2.42 trillion) assets under custody as at 31 December 2018. 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.

INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTIONS

Investment objective

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

Investment strategy

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

Investment restrictions C2

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

(a) the aggregate value of a Sub-Fund's investments in, or exposure to, any single entity through the following may not exceed 10% of the Net Asset Value of such Sub-Fund save as permitted by Chapter 8.6(h) and as varied by Chapter 8.6(h)(a) of the Code: 7.1

(1) investments in securities issued by such entity;

(2) exposure to such entity through underlying assets of financial derivative instrument ("FDI"); and

(3) net counterparty exposure to such entity arising from transactions of over-the-counter FDIs;

(b) subject to (a) above and Chapter 7.28(c) of the Code and unless otherwise approved by the SFC, the aggregate value of a Sub-Fund's investments in, or exposure to, entities within the same group through the following may not exceed 20% of the Net Asset Value of the Sub-Fund: 7.1A

(1) investments in securities issued by such entities;

(2) exposure to such entities through underlying assets of FDIs; and

(3) net counterparty exposure to such entities arising from transactions of over-the-counter FDIs;

(c) unless otherwise approved by the SFC, the value of a Sub-Fund's cash deposits made with the same entity or entities within the same group may not exceed 20% of the Net Asset Value of the Sub-Fund, unless: 7.1B

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

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

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

7.2 7.40

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

(d) ordinary shares issued by a single entity held for the account of a Sub-Fund, when aggregated with other holdings of ordinary shares issued by a single entity held for the account of all other Sub-Funds under the Trust collectively, may not exceed 10% of the nominal amount of the ordinary shares issued by a single entity;

(e) not more than 15% of the total Net Asset Value of a Sub-Fund may be invested in securities and other financial products or instruments that are neither listed, quoted nor dealt in on a stock exchange, over-the-counter market or other organised securities market which is open to the international public and on which such securities are regularly traded; 7.3

(f) notwithstanding (a), (b), (d) and (e) above, where direct investment by a Sub-Fund in a market is not in the best interests of investors, a Sub-Fund may invest through a wholly-owned subsidiary company established solely for the purpose of making direct investments in such market. In this case: 7.3A

    (1) the underlying investments of the subsidiary, together with the direct investments made by the Sub-Fund, must in aggregate comply with the requirements of Chapter 7 of the Code;

    (2) any increase in the overall fees and charges directly or indirectly borne by the Holders or the Sub-Fund as a result must be clearly disclosed in the Explanatory Memorandum; and

    (3) the Sub-Fund must produce the reports required by Chapter 5.10(b) of the Code in a consolidated form to include the assets (including investment portfolio) and liabilities of the subsidiary company as part of those of the Sub-Fund.

(g) notwithstanding (a), (b) and (d), not more than 30% of the total Net Asset Value of a Sub-Fund may be invested in Government and other Public Securities of the same issue; 7.4

(h) subject to (g), a Sub-Fund may fully invest in Government and other Public Securities in at least six different issues; 7.5 8.6(i)

(i) unless otherwise approved by the SFC, a Sub-Fund may not invest in physical commodities; 7.10

(j) for the avoidance of doubt, exchange traded funds that are:

    (1) authorised by the SFC under Chapter 6 or Chapter 8.10 of the Code; or

    (2) listed and regularly traded on internationally recognized stock exchanges open to the public (nominal listing not accepted) and (i) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under Chapter 8.6 of the Code; or (ii) the investment objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under Chapter 8.10 of the Code,

    may either be considered and treated as (x) listed securities for the purposes of and subject to the requirements in paragraphs (a), (b) and (d) above; or (y) collective investment schemes for the purposes of and subject to the requirements in paragraph (k) below. However, the investments in exchange traded funds shall be subject to paragraph (e) above and the relevant investment limits in exchange traded funds by a Sub-Fund should be consistently applied and clearly disclosed in this Explanatory Memorandum;

(k) where a Sub-Fund invests in shares or units of other collective investment schemes 7.11 7.11A ("underlying schemes"),

(1) the value of such Sub-Fund's investment in units or shares in underlying schemes which are non-eligible schemes (as determined by the SFC) and not authorised by the SFC, may not in aggregate exceed 10% of the total Net Asset Value of the Sub-Fund; and

(2) such Sub-Fund may invest in one or more underlying schemes which are either schemes authorised by the SFC or eligible schemes (as determined by the SFC), but the value of the Sub-Fund's investment in units or shares in each such underlying scheme may not exceed 30% of the total 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 Explanatory Memorandum of the Sub-Fund, 7.11A

provided that in respect of (1) and (2) above:

(i) the objective of each underlying scheme may not be to invest primarily in any investment prohibited by Chapter 7 of the Code, and where that underlying scheme's objective is to invest primarily in investments restricted by Chapter 7 of the Code, such investments may not be in contravention of the relevant limitation prescribed by Chapter 7 of the Code. For the avoidance of doubt, a Sub-Fund may invest in scheme(s) authorised by the SFC under Chapter 8 of the Code (except for hedge funds under Chapter 8.7 of the Code), eligible scheme(s) (as determined by the SFC) of which the net derivative exposure (as defined in the Code) does not exceed 100% of its total Net Asset Value, and exchange traded funds satisfying the requirements in paragraph (i) above in compliance with paragraph (k)(1) and (k)(2); 7.11B Note (3)

(ii) where the underlying schemes are managed by the Manager or by other companies within the same group that the Manager belongs to, then paragraphs (a), (b), (d) and (e) above are also applicable to the investments of the underlying scheme; 7.11B Note (2)

(iii) the objective of the underlying schemes may not be to invest primarily in other collective investment scheme(s); 7.11B Note (4)

(3) where an investment is made in any underlying scheme(s) managed by the Manager or any of its Connected Persons, all initial charges and redemption charges on the underlying scheme(s) must be waived; and 7.11C

(4) the Manager or any person acting on behalf of the Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by a underlying scheme or the management company of a underlying scheme, or quantifiable monetary benefits in connection with investments in any underlying scheme; 7.11D

(l) a Sub-Fund may invest 90% or more of its total Net Assets Value in a single collective investment scheme and may be authorised as a feeder fund by the SFC. In this case: 7.12(a), (b), (d)

(1) the underlying scheme ("master fund") must be authorised by the SFC;

(2) the Explanatory Memorandum must state that:

(i) the Sub-Fund is a feeder fund into the master fund;

(ii) for the purpose of complying with the investment restrictions, the Sub-Fund and its master fund will be deemed a single entity;

(iii) the Sub-Fund's annual report must include the investment portfolio of the master fund as at the financial year end date; and

(iv) the aggregate amount of all the fees and charges of the Sub-Fund and its underlying master fund must be clearly disclosed;

(3) unless otherwise approved by the SFC, no increase in the overall total of initial charges, redemption charges, management company's annual fee, or any other costs and charges payable to the Manager or any of its Connected Persons borne by the Holders or by the Sub-Fund may result, if the master fund in which the Sub-Fund invests is managed by the Manager or by its Connected Person; and

(4) notwithstanding paragraph (k)(iii) above, the master fund may invest in other collective investment scheme(s) subject to the investment restrictions as set out in paragraph (k); and 7.12(e)

(m) if the name of a Sub-Fund indicates a particular objective, investment strategy, geographic region or market, the Sub-Fund should, under normal market circumstances, invest at least 70% of its total Net Asset Value in securities and other investments to reflect the particular objective, investment strategy or geographic region or market which the Sub-Fund represents. 7.42

A Sub-Fund shall not:

(a) invest in a 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 collectively own more than 5% of those securities; 7.19

(b) 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 and REITs, they shall comply with the investment restrictions and limitations set out in paragraphs (a), (b), (d), (e) and (k) above, where applicable (for the avoidance of doubt, where investments are made in listed REITs, paragraphs (a), (b) and (d) apply and where investments are made in unlisted REITs which are either companies or collective investment schemes, then paragraphs (e) and (k) apply respectively); 7.14 7.15 7.16

(c) make short sales if as a result a Sub-Fund would be required to deliver securities exceeding 10% of the total Net Asset Value of the Sub-Fund (and for this purpose securities sold short must be actively traded on a market where short selling is permitted). For the avoidance of doubt, a Sub-Fund is prohibited to carry out any naked or uncovered short sale of securities and short selling should be carried out in accordance with all applicable laws and regulations;

(d) subject to Chapter 7.3 of the Code, lend or make a loan out of the assets of a Sub-Fund, 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; 7.17

(e) subject to Chapter 7.3 of the Code, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person, save and except for reverse repurchase transactions in compliance with the Code; 7.17

(f) enter into any obligation in respect of a Sub-Fund or acquire any asset or engage in any transaction for the account of a Sub-Fund which involves the assumption of any liability which is unlimited. For the avoidance of doubt, the liability of Unitholders must be limited to their investments in the relevant Sub-Fund; or 7.18 7.18A

(g) apply any part of a Sub-Fund in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call is due to be made for any sum unpaid on such investments unless such call could be met in full out of cash or near cash forming part of a Sub-Fund whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transactions in FDIs for the purposes of Chapter 7.29 and 7.30 of the Code. 7.20

Borrowing restrictions

The Manager may cause to borrow up to 10% of the total Net Asset Value of a Sub-Fund. The assets of any Sub-Fund may be charged or pledged as security for any such borrowings unless otherwise stated in the relevant Appendix. 7.21

Financial Derivative Instruments

Subject always to the provisions of the Trust Deed and the Code, the Manager may on behalf of a Sub-Fund enter into any transactions in relation to swaps or other FDIs, for hedging or non-hedging (investment) purposes.

A Sub-Fund may acquire FDIs for hedging purposes. FDIs are considered as being acquired for hedging purposes if they meet all of the following criteria: 7.25

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

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

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

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

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

Each Sub-Fund may acquire FDIs for non-hedging purposes ("investment purposes"), subject to the limit that the Sub-Fund's net exposure relating to these FDIs ("net derivative exposure") does 7.26
not exceed 50% of its total Net Asset Value, except this limit may be exceeded for Sub-Funds approved by the SFC under Chapters 8.8 (structured funds) or 8.9 (funds that invest extensively in financial derivative insturments) of the Code. In this regard:

(a) for the purpose of calculating net derivative exposure, the positions of FDIs acquired by a Sub-Fund for investment purposes are converted into the equivalent position in the underlying assets of the FDIs, taking into account the prevailing market value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions;

(b) the net derivative exposure should be calculated in accordance with the requirements and guidance issued by the SFC which may be updated from time to time; and

(c) for the avoidance of doubt, FDIs acquired for hedging purposes will not be counted towards the 50% limit referred to in this paragraph so long as there is no residual derivative exposure arising from such hedging arrangement.

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

(a) the underlying assets consist solely of shares in companies, debt securities, money market instruments, units/shares of collective investment schemes, deposits with substantial financial institutions, Government and other Public Securities, highly liquid physical commodities (including gold, silver, platinum and crude oil), financial indices, interest rates, foreign exchange rates, currencies or other asset classes acceptable to the SFC, in which the Sub-Fund may invest according to its investment objectives and policies. Where a Sub-Fund invests in Index-based FDIs, the underlying assets of such FDIs are not required to be aggregated for the purposes of the investment restrictions or limitations set out in paragraphs (a), (b), (c) and (g) under the section headed "Investment restrictions" above provided that the relevant Index is in compliance with Chapter 8.6(e) of the Code; *7.28(a)*

(b) the counterparties to over-the-counter FDI transactions or their guarantors are substantial financial institutions; *7.28(b)*

(c) subject to paragraphs (a) and (b) under the section entitled "Investment Restrictions" above, a Sub-Fund's net counterparty exposure to a single entity arising from transactions of the over-the-counter FDIs may not exceed 10% of the Net Asset Value of such Sub-Fund. The exposure of the Sub-Fund to a counterparty of over-the-counter FDIs may be lowered by the collateral received (if applicable) by the Sub-Fund and shall be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter financial derivative instruments with that counterparty, if applicable; and *7.28(c)*

(d) the valuation of the FDIs is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager or the Trustee or their nominees, agents or delegates independent of the issuer of the FDIs through measures such as the establishment of a valuation committee or engagement of third party services. The FDIs can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the initiative of the Manager. Further, the calculation agent/fund administrator should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the FDIs on a regular basis *7.28(d)*

Subject to the above, a Sub-Fund may invest in FDIs provided that the exposure to the underlying assets of the FDIs, together with the other investments of the relevant Sub-Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets as set out in the relevant provisions of Chapter 7 of the Code. *7.27*

A Sub-Fund shall at all times be capable of meeting all its payment and delivery obligations incurred under transactions in FDIs (whether for hedging or for investment purposes). The Manager shall, as part of its risk management process, monitor to ensure that the transactions in FDIs are adequately covered on an ongoing basis. A transaction in FDIs which gives rise to a future commitment or contingent commitment of a Sub-Fund should also be covered as follows: *7.29* *7.30(a),(b)*

(a) in the case of FDIs transactions which will, or may at the discretion of the Trustee or the Manager, be cash settled, the Sub-Fund should at all times hold sufficient assets that can be liquidated within a short timeframe to meet the payment obligation; and

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

The above policies relating to FDIs apply to financial instruments which embeds a financial derivative as well. *7.31*

Securities Financing Transactions

Where indicated in the relevant Appendix, a Sub-Fund may enter into securities lending, repurchase transaction or other similar over-the-counter transactions ("**securities financing transactions**"), provided that they are in the best interests of the Unitholders and the associated risks have been properly mitigated and addressed. C2(a) 7.32

A Sub-Fund is subject to the following requirements when engaging in Securities Financing Transactions:

- it shall have at least 100% collateralisation in respect of the Securities Financing Transactions into which it enters to ensure there is no uncollateralised counterparty risk exposure arising from these transactions; 7.33

- all the revenues arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities financing transactions, shall be returned to the Sub-Fund; 7.34 C2(b)

- it shall ensure that it is able at any time to recall the securities or the full amount of cash / collateral (as the case may be) subject to the Securities Financing Transactions or terminate the Securities Financing Transactions into which it has entered; and 7.35

- the counterparties to the Securities Financing Transactions must be financial institutions which are subject to ongoing prudential regulation and supervision. C2(c) Note to 7.32

Further, details of the arrangements are as follows:

(a) each counterparty for such transactions will be independent counterparties approved by the Manager with credit rating of BBB- or above (by Moody's or Standard & Poor's, or any other equivalent ratings by recognised credit rating agencies) or which are corporations licensed by the SFC or are registered institutions with the Hong Kong Monetary Authority; C2(c)

(b) the Trustee, upon the instruction of the Manager, will take collateral, which can be cash or non-cash assets fulfilling the requirements under "Collateral" below; C2(d) C2(g)

(c) the maximum and expected level of a Sub-Fund's assets available for these transactions will be as set out in the relevant Appendix; and C2(e)

(d) where any securities financing transaction has been arranged through the Trustee or a Connected Person of the Trustee or the Manager, such transaction shall be executed at arm's length, on best available terms and in the best interest of the Unitholders, 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. C2(f)

Collateral

C2A

Collateral received from counterparties shall comply with the following requirements:

- Liquidity – collateral must be sufficiently liquid and tradable that it can be sold quickly at a robust price that is close to pre-sale valuation; *7.36(a)* C2A(a)

- Valuation – collateral should be marked-to-market daily by using independent pricing source; *7.36(b)* C2A(c)

- Issuer credit quality – asset used as collateral must be of high credit quality and should be replaced immediately as soon as the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral; 7.36(c) C2A(b)

- Haircut – collateral should be subject to prudent haircut policy which should be based on the market risks of the assets; 7.36(d) C2A(e)

- Diversification – collateral must be appropriately diversified to avoid concentrated exposure to any single entity and/or entities within the same group and a Sub-Fund's exposure to issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in Chapter 7 of the Code; 7.36(e) C2A(f)

- Correlation – the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty or the issuer of the FDIs in such a way that would undermine the effectiveness of the collateral. As such, securities issued by the counterparty or the issuer of the FDIs or any of their related entities should not be used as collateral; 7.36(f) C2A(f)

- Management of operational and legal risks – the Manager shall have appropriate systems, operational capabilities and legal expertise for proper collateral management; 7.36(g)

- Independent custody – collateral must be held by the Trustee; 7.36(h) C2A(j)

- Enforceability – collateral must be readily accessible/enforceable by the Trustee without further recourse to the issuer of the FDIs; 7.36(i)

- Cash collateral – cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorised under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the Code. Non-cash collateral received may not be sold, re-invested or pledged; 7.36(j) C2A(h)

- Encumbrances – collateral should be free of prior encumbrances; and 7.36(k)

- Collateral should not include (i) structured products whose payouts rely on embedded FDIs or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitised products; or (iv) unlisted collective investment schemes. 7.36(l)

Subject to the requirements above, below is a summary of the collateral policy and criteria adopted by the Manager:

- eligible collateral include cash, cash equivalents, government bonds, supranational bonds, corporate bonds, stocks, funds and money market instruments; C2A(a) C2(d)

- no maturity constraints will apply to the collateral received;

- collateral must have an investment grade rating (e.g. BBB- or higher by Moody's or Standard & Poor's or equivalent);

- regular stress tests are carried out under normal and exceptional liquidity conditions to enable adequate assessment of the liquidity risks of the collateral received;

- the issuer of collateral must be an independent counterparty approved by the Manager C2A(b) and is expected to have a minimum credit rating of BBB- or above (by Moody's or Standard & Poor's, or any other equivalent ratings by recognised credit rating agencies) or be a licensed corporation with the SFC or registered institution with the Hong Kong Monetary Authority when entering into such transactions;

- the Manager's haircut policy takes account of the characteristics of the relevant asset class, including the credit standing of the issuer of the collateral, the price volatility of the collateral and the results of any stress tests which may be performed in accordance with the collateral policy. Subject to the framework of agreements in place with the relevant counterparty, which may or may not include minimum transfer amounts, it is the Manager's intention that any collateral received shall have a value (adjusted in light of the haircut policy) which equals or exceeds the relevant counterparty exposure where appropriate; C2A(e)

- the collateral should be sufficiently diversified in terms of country, markets and issuers with a limit to the maximum exposure to each given issuer. Where a Sub-Fund has exposure to different counterparties, different baskets of collateral (provided by different counterparties) will be aggregated to determine the Sub-Fund's exposure to a single issuer; C2A(f)

- the issuer of collateral will be independent from the counterparty of the relevant transaction and is expected not to display a high correlation with the performance of the relevant counterparty;

- collateral must be readily enforceable by the Trustee and may be subject to netting or set-off; and C2A(d)

- cash collateral may be reinvested in short-term deposits, high quality money market instruments and money market funds authorised under Chapter 8.2 of the Code. [The maximum amount available for cash collateral re-investment is 100% of the cash value.] **[S&S: Please confirm]** Otherwise, cash collateral will generally not be used for reinvestment purposes unless otherwise determined by the Manager and notified to investors. C2A(h)

7.37
C2A

A description of holdings of collateral (if any) (including but not limited to 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.

7.41

If any of the restrictions or limitations set out above is breached in respect of a Sub-Fund, the Manager will make it a priority objective to take all necessary steps within a reasonable period of time to remedy such breach, taking into account the interests of the Unitholders of that Sub-Fund.

SUBSCRIPTION OF UNITS

Initial issue of Units C9

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

If at any time during an Initial Offer Period, 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), the Manager is entitled (but not obliged) to close the Sub-Fund to further subscriptions before the end of the relevant Initial Offer Period.

The Manager may decide not to issue any Units in the event that less than a minimum amount for aggregate subscriptions (as specified in the relevant Appendix) is raised during the relevant Initial Offer Period or if the Manager is of the opinion that it is not commercially viable to proceed. In such event subscription monies paid by an applicant will be returned by telegraphic transfer or such other means as the Manager 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, Units will be available for issue on each Dealing Day at the relevant Subscription Price.

The Subscription Price on any Dealing Day will be the price per Unit ascertained by dividing the C2B
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 down to the nearest 4 decimal places 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 Subscription 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 an appropriate exchange rate determined by the Manager (after consultation with the Trustee) based on the prevailing market currency exchange rates.

In determining the Subscription Price, the Manager is entitled to add an amount it considers represents an appropriate provision for extraordinary transactional fees or expenses, including stamp duty, other taxes, brokerage, bank charges, transfer fees and registration fees, which are customarily incurred in investing a sum equal to the application monies and issuing the relevant Units or the remittance of money to the Trustee. Any such additional amount will be paid to the Trustee and will form part of the assets of the relevant Sub-Fund.

The Manager is entitled to impose a subscription fee on the Subscription 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 via the authorised distributor or the Manager.

Applications for Units during the relevant Initial Offer Period, together with cleared funds, must be received by no later than such time (as stated in the relevant Appendix) 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 may be sent by post or facsimile from time to time determined by the Manager or the Trustee. Subsequent applications may also be sent by post or facsimile from time to time determined by the Manager or the Trustee. The original application form is not required to be submitted unless otherwise required by the Manger or the Trustee. 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 nor the Trustee (nor any of their respective officers, employees, agents or delegates) will be responsible to an applicant for any loss resulting from non-receipt or illegibility of any application form sent by fax or 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 no later than 4:00 p.m. (Hong Kong time) on the third Business Day 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 Subscription 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 confirmation 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 Transfer Agent 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 Transfer Agent 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. C12

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 to the account where the application money was sent without interest and net of expenses by telegraphic transfer or by such other means as the Manager and the Trustee consider 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 class currency of the relevant class of the relevant Sub-Fund. 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 Transfer Agent 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. C6

REDEMPTION OF UNITS

Redemption procedure C9

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 via an authorised distributor or the Manager.

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. Investors should check the relevant deadline of the distributor (or its nominee). 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 may be sent by post or facsimile (with the original to follow promptly) or other means determined by the Manager or the Trustee from time to time. The redemption request 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.

The original of any redemption request must be submitted to the Transfer Agent. A Unitholder who chooses to send a redemption request 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 nor the Trustee (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 request believed in good faith to have originated from properly authorised persons. If the account and banking details on the redemption form is different from those on the subscription application, the original redemption form must be sent to the Transfer Agent and redemption proceeds will only be paid upon receipt of the original form by the Transfer Agent.

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 down to the nearest 4 decimal places 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 an appropriate exchange rate determined by the Manager (after consultation with the Trustee) based on the prevailing market currency exchange rates.

In determining the Redemption Price, the Manager is entitled to deduct an amount which it considers represents an appropriate provision for extraordinary transactional fees or expenses, including stamp duty, other taxes, brokerage, bank charges, transfer fees and registration fees, which are customarily incurred by the relevant Sub-Fund. Any such deducted amount will be retained by and form part of the assets of the relevant Sub-Fund. C2B

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 different Sub-Funds or Classes as to the amount of the redemption fee to be imposed (within the permitted limit provided in the Trust Deed).

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 the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Transfer Agent.

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 class currency of the relevant class 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. C10

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 and notification to the Trustee.

Restrictions on redemption C11 C2C(c)

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 Transfer Agent) 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, after giving notice to the Trustee, suspend the redemption of Units of any

Sub-Fund, or delay the payment of redemption proceeds in respect of any redemption request received but which has not yet been effected prior to the suspension, during any period in which the determination of the Net Asset Value of the relevant Sub-Fund is suspended (for details please see the section headed "Suspension of Calculation of Net Asset Value").

Compulsory redemption

If it shall come to the notice of the Trustee or the Manager that any Units are owned directly, indirectly or beneficially (i) by a U.S. Person; (ii) in circumstances (whether directly or indirectly affecting such person or persons and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager to be relevant) which, in the opinion of the Manager or the Trustee, might result in the Manager, the Trustee or the relevant Sub-Fund incurring or suffering any liability to taxation or suffering any other potential or actual pecuniary disadvantage or would subject the Manager, the Trustee or the relevant Sub-Fund to any additional regulation to which the Manager, the Trustee or the relevant Sub-Fund might not otherwise have incurred or suffered or been subject; or (iii) in breach of any applicable law or applicable requirements of any country or governmental authority, the Trustee or the Manager may give notice to the relevant Unitholder requiring him to transfer such Units to a person who would not thereby be in contravention of any such restrictions as aforesaid or may give a request in writing for the redemption of such Units in accordance with the terms of the Trust Deed. If any Unitholder upon whom such a notice is served pursuant to the Trust Deed does not, within 30 days of such notice, transfer or redeem such Units as aforesaid or establish to the satisfaction of the Trustee or the Manager (whose judgment shall be final and binding) that such Units are not held in contravention of any such restrictions he shall be deemed upon the expiry of the 30 days period to have given a request in writing for the redemption of all such Units.

SWITCHING

C9

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 collective investment schemes managed by the Manager which has been authorised by the SFC[1] (the "New Sub-Fund"). Unitholders may request such switching by giving notice to the Transfer Agent via an authorised distributor or the Manager by post or facsimile from time to time determined by the Manager or the Trustee. Neither the Manager nor the Trustee (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 2% 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 Subscription 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, after giving notice to the Trustee, 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).

[1] SFC authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of any scheme or its performance. It does not mean a scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors

VALUATION

Valuation rules

C2B

The Net Asset Value of each Sub-Fund will be calculated by valuing the assets of the Sub-Fund and deducting the liabilities attributable to the Sub-Fund. These liabilities include, without limitation, any management fee, performance fee, trustee fee, any taxes, any borrowings and the amount of any interest and expenses thereon, any other costs or expenses expressly authorised by the Trust Deed, and an appropriate allowance for any contingent liabilities.

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) investments (other than a commodity, futures contract or an interest in a collective investment scheme) that are quoted, listed, traded or dealt in on any securities market will be valued by reference to the last traded price or "exchange close" price as calculated and published by the relevant exchange of that market in accordance with its local rules and customs, provided that: (i) if an investment is quoted, listed, traded or dealt in on more than one such market, the price adopted shall be the last traded price or the exchange close price as published by the market which, in the opinion of the Manager, provides the principal market for such investment, provided that if the Manager considers that the prices published on a securities market other than the principal market for such investment provides, in all circumstances, a fairer criterion of value in relation to any such investment, such prices may be adopted; (ii) if prices on such market are not available at the relevant time, the value of the investment shall be certified by such firm or institution making a market in such investment or, if the Trustee so requires, by the Manager after consultation with the Trustee; (iii) interest accrued on any interest-bearing investments shall be taken into account, unless such interest is included in the quoted or listed price; and (iv) the Trustee and the Manager shall be entitled to use and rely on electronically transmitted data from such source or sources or pricing systems as they may from time to time think fit and the prices provided by any such source or pricing system shall be deemed to be the last traded prices for the purposes of valuation;

(b) the value of any investment (other than a commodity, futures contract or an interest in a collective investment scheme) which is not quoted, listed, traded or ordinarily dealt in on any securities market shall initially be the value equal to the amount expended on behalf of the Sub-Fund in the acquisition of such investment (including, in each case the amount of stamp duties, commissions and other acquisition expenses), and thereafter the value as assessed by the Trustee on the latest revaluation thereof, provided that a revaluation shall be made on each Valuation Day by reference to the latest bid price, asked price or mean thereof, as the Trustee and the Manager consider appropriate, quoted by a person, firm or institution making a market in such investments or otherwise approved by the Trustee as qualified to value such investments (which may, if the Trustee agrees, be the Manager);

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

(d) the value of any commodity or futures contract shall be ascertained in accordance with the following:

   (i) if a commodity or futures contract is dealt in any recognised commodities market, then regard shall be had to the latest ascertainable price ruling or officially fixed on such recognised commodities market or (if there shall be more than one such recognised commodities market) on such recognised commodities market as the Trustee, in consultation with the Manager, shall consider appropriate;

(ii) if any such price as referred to in (i) is not, in the opinion of the Trustee, ascertainable at any relevant time, then regard shall be had to any certificate as to the value of such commodity or futures contract provided by a firm or institution making a market in such commodity or futures contract;

(iii) the value of any futures contract (the "relevant Contract"), to the extent that it is not determined in accordance with (i) or (ii), shall be valued (1) where the relevant Contract is for the sale of a commodity, by subtracting, from the contract value of the relevant Contract, the sum of the amount determined by the Trustee (based on the latest available price) to be the contract value of such futures contract as would be required to be entered into by the Manager for the account of the Sub-Fund in order to close the relevant Contract and the amount expended out of the Sub-Fund in entering into the relevant Contract (including the amount of all stamp duties, commissions and other expenses but excluding any deposit or margin provided in connection therewith); and (2) where the relevant Contract is for the purchase of a commodity, by subtracting, from the amount determined by the Trustee (based on the latest available price) to be the contract value of such futures contract as would be required to be entered into by the Manager for the account of the Sub-Fund in order to close the relevant Contract, the sum of the contract value of the relevant Contract and the amount expended out of the Sub-Fund in entering into the relevant Contract (including the amount of all stamp duties, commissions and other expenses but excluding any deposit or margin provided in connection therewith); and

(iv) if the provisions of (i) and (ii) do not apply to the relevant commodity, then the value shall be determined in accordance with (b) above as if such commodity were an unquoted investment;

(e) the value of each unit, share or interest in any collective investment scheme which is valued as at the same day as the Sub-Fund shall be the net asset value per unit, share or other interest in such collective investment scheme calculated as at that day or, if the Trustee so determines, if such collective investment scheme is not valued as at the same day as the Sub-Fund, shall be the last published net asset value per unit, share or other interest in such collective investment scheme, provided that if no net asset value and bid prices are available, the value thereof shall be determined from time to time in such manner as the Trustee shall determine in consultation with the Manager;

(f) notwithstanding paragraphs (a) to (e) above, the Manager may, with the consent of the Trustee, adjust the value of any investment or permit some other method of valuation to be used if, having regard to relevant circumstances, the Manager considers that such adjustment is required to reflect the fair value of the investment; C2B

(g) the value of any investment (whether of a borrowing or other liability or an investment or cash) in a currency other than the Base Currency of the Sub-Fund or the currency of denomination of the relevant class will be converted into the Base Currency or the currency of denomination of such class (as the case may be) at the rate (whether official or otherwise) which the Trustee shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange;

(h) according to IFRS, the Sub-Fund should apply the price within the bid-ask spread that is most representative of fair value in the circumstances to the entity's net exposure to those market risks according to the IFRS. Any such adjustments will be disclosed in the annual accounts, including a reconciliation. Otherwise, non-compliance with IFRS may result in the auditors issuing a qualified or an adverse opinion on the annual accounts depending on the nature and level of materiality of the non-compliance; and

(i) for the purposes of the above, a collective investment scheme which is listed and regularly traded on a securities market (other than a nominal listing) is deemed to be a quoted investment.

Suspension of calculation of Net Asset Value C11

The Manager may, after consultation with the Trustee and having regard to the best interests of Unitholders, declare a suspension of the determination of the Net Asset Value of a Sub-Fund 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 securities market or commodities market or futures exchange on which a substantial part of the investments of the Sub-Fund is normally listed, quoted, traded or dealt or a breakdown in any of the means normally employed in ascertaining the prices of investments of the relevant Sub-Fund;

(b) for any other reason the value of any of the investments or other assets of the Sub-Fund cannot, in the opinion of the Manager or the Trustee, reasonably, promptly and fairly be ascertained;

(c) there is a breakdown in the systems and/or means of communication normally employed in ascertaining the Net Asset Value of the relevant Sub-Fund or the Net Asset Value per Unit, Subscription Price or Redemption Price of the relevant class, or when for any other reason the Net Asset Value of the relevant Sub-Fund or the Net Asset Value per Unit, Subscription Price, or Redemption Price of the relevant class cannot be ascertained in a prompt or accurate manner;

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

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

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

(g) the business operations of the Manager, the Trustee or any agent of the Manager or the Trustee in relation of the operations of Trust and/or the relevant Sub-Fund are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riot, strikes, or acts of God;

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

(i) such other circumstance or situation exists as set out in the supplemental deed establishing a Sub-Fund; or

(j) the issue, redemption or transfer of Units of the relevant Sub-Fund or class would result in the violation of any applicable law or a suspension or extension is, in the opinion of the Manager, required by any applicable law or applicable legal process.

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 Dealing 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.famfundgroup.com (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

The latest Subscription 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.famfundgroup.com (this website has not been reviewed by the SFC). C8

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 Subscription Price. C14(a)

The subscription fee is payable in addition to the Subscription 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 in relation to a Sub-Fund or a particular class) 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 5% 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 in relation to a Sub-Fund or a particular class) 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 2% 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 in relation to a Sub-Fund or a particular class) of a Sub-Fund.

Fees payable by the Trust

C14(b)

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 3% 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 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. C14(c)

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 amount of which is equal to 2% per annum of the Net Asset Value of the relevant Sub-Fund. Any increase in the trustee fee in respect of a Sub-Fund (i) up to this maximum level, C14(c) 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 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 will be entitled to reimbursement by the Sub-Fund for any out-of-pocket expenses (including sub-custodian fees, if any) incurred in the course of their duties.

The Trustee fee is inclusive of fees payable to the Trustee for trustee and fund administration services.

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 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 and the first Sub-Fund (i.e. the Foundation China Equity Fund) are estimated to be approximately HK$700,000. These costs will be charged to the first Sub-Fund and amortised over the first 5 accounting periods of the Sub-Fund (or such other period as determined by the Manager after consultation with the auditors of the Sub-Fund).

Where subsequent Sub-Funds under the Trust are established in the future, the Manager may determine that the unamortised establishment costs of the Trust or a part thereof may be re-allocated to such subsequent Sub-Funds.

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

C15

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 policies and practices, including a description of the goods and services received by the Manager. The availability of soft dollar arrangements must not be the sole or primary purpose to perform or arrange transaction with such broker or dealer. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

RISK FACTORS

The nature of each Sub-Fund's investments involves certain risks and uncertainties, including those inherent in any investment. There can be no assurance that the investment objective of any Sub-Fund will be achieved. This section sets out what the Manager believes are the general risks associated with investments in the Sub-Funds, but investors should note that the relevant Appendix may include additional risk factors which are specific or particular to a particular Sub-Fund. The risk factors below do not offer advice on the suitability of investing in any Sub-Fund. Prospective investors should carefully evaluate the merits and risks of an investment in a Sub-Fund in the context of their overall financial circumstances, knowledge and experience as an investor and should consult their independent professional or financial advisors before making any investment in a Sub-Fund. C19(b)

General risks

Investment objective risk

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

Investment risk

Investors should be aware that investment in any Sub-Fund is subject to normal market fluctuations and other risks inherent in the underlying assets into which the Sub-Fund may invest. There can be no assurance that any appreciation in value of investments will occur.

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

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

Emerging market risk

Certain Sub-Funds may invest in emerging markets, which subjects Sub-Funds to a higher level of market risk than investments in a developed country. 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 C26

A Sub-Fund will be subject to the risk of the inability of any counterparty (including any custodian(s)) to perform with respect to any investments or contracts purchased by the Sub-Fund. If a counterparty (including any custodian(s)) 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

C2C(a)

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

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

Exchange rate risk

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

Restricted markets risk

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

Legal and compliance risk

Domestic and/or international laws or regulations may change in a way that adversely affects a Sub-Fund. Differences in laws between countries or 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, after giving notice to the Trustee, 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. Any unamortised costs of the terminating Sub-Fund may also be charged as an expense in full against the assets of the relevant Sub-Fund.

Cross class liability risk

The Trust Deed allows 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-Funds materially. To the extent that the valuation or accounting basis adopted by any Sub-Fund deviates from IFRS, the Manager may make necessary adjustments in the annual financial statements to comply with IFRS.

Foreign Account Tax Compliance Act (“FATCA”) risks

As discussed in detail under the “Taxation” section, FATCA imposes new rules with respect to certain payments to the Sub-Funds. The Sub-Funds will endeavour to satisfy the requirements imposed under FATCA and the terms of the FFI Agreement to avoid any withholding tax. The Sub-Funds have 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”. The Trust and the initial Sub-Fund (Foundation China Equity Fund) and the Foundation Global Income and Growth Fund have been registered with the US IRS as reporting financial institutions under a

Model 2 IGA with Global Intermediary Identification Numbers 5QDUES.99999.SL.344, 4VBQ44.99999.SL.344 and WPZ0RL.99999.SL.344 respectively.

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 and/or Trustee in taking any such action or pursuing any such remedy must act in good faith and on reasonable grounds and in accordance with all applicable laws and regulations.

In cases where 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-Funds, as well as the potential impact of FATCA on the Sub-Funds.

Investment risks

Equity securities risk

Certain Sub-Funds 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.

Risk of investing in debt securities:

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

Credit risk: Investment in debt securities 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 securities 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 debt securities 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 debt securities 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.

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

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

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

Risk of investing in financial derivative instruments

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

The eventuation of any of the above risks could have an adverse effect on the Net Asset Value of a Sub-Fund which uses financial derivative instruments. There is also no guarantee that the use of financial derivatives instruments for hedging purposes will be effective and the Sub-Funds may therefore be subject to substantial loss.

There are also risks associated with management of collateral and re-investment of collateral. C2(h) C2A(k)
The value of any collateral received in respect of any financial derivative instrument transactions may be affected by market events. In the case of collateral assets which are listed securities, the listing of such securities may be suspended or revoked or the trading of such securities on the stock exchanges may be suspended, and during the period of suspension or upon revocation, it may take longer to realise the relevant collateral assets. In the case of collateral assets which are debt securities, the value of such securities will be dependent on the creditworthiness of the

issuers or obligors in respect of the relevant collateral assets. In the event any issuer or obligor of such collateral assets is insolvent, the value of the collateral assets will be reduced substantially and may cause the relevant Sub-Fund's exposure to such counterparty to be under-collateralised. If the Sub-Fund reinvests cash collateral, it is subject to investment risk including the potential loss of principal.

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.

Inflation risk

Inflation risk is the risk that assets will lose value because of a decrease in the value of money. Inflation can reduce the purchasing power of income made on an investment in a Sub-Fund as well as the intrinsic value of the investment. This could have a negative effect on an investor's investment. Different currencies are subject to different levels of inflation risk.

Potential conflicts of interest

The Manager and its connected persons may act as the adviser or investment manager to other clients (including funds) now or in the future. They may additionally serve as consultants to partners or shareholders in other investment funds, companies and investment firms. Investors in a Sub-Fund should understand that certain investments may be appropriate for that Sub-Fund and also for other clients advised or managed by the Manager or its connected persons.

Investment decisions for the Sub-Fund and for such other clients are made with a view to achieving their respective investment objectives and after consideration of such factors as their current holdings, the current investment views of the Manager, availability of cash for investment, and the size of their positions generally.

The Manager or its connected persons may give advice and recommend securities to other managed accounts or investment funds, which may differ from advice given to, or securities recommended or bought for a Sub-Fund even though their investment objectives may be the same as or similar to that Sub-Fund's objectives.

The directors of the Manager, the Manager and their respective affiliates may also own Units in a Sub-Fund and hold, dispose or otherwise deal with such Units as well as hold or deal in any investments notwithstanding that similar investments may be held by or for the account of a Sub-Fund. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with a Sub-Fund. Each will at all times have regard in such event to its obligations to such Sub-Fund and will endeavour to ensure that such conflicts are resolved fairly and taking into account investors' interests. For more information, please refer to the section headed "General Information - Conflicts of Interest".

TAXATION

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The following summary of Hong Kong and PRC taxation 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 PRC and the laws and practice of their respective jurisdictions. The information below is based on the law and practice in force in Hong Kong and the PRC 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) the relevant Sub-Fund should be excluded from profits tax in Hong Kong;

(b) 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 0.2% (equally borne by the buyer and the seller) on the higher of the consideration amount or market value.

PRC Taxation

By investing in securities (including shares) issued by Chinese tax resident enterprises (i.e. companies incorporated in mainland China or incorporated elsewhere but with their effective management located in mainland China), irrespective of whether such securities are issued or distributed onshore (“onshore PRC securities”) or offshore (“offshore PRC securities”, and together with onshore PRC securities, the “PRC Securities”), the Sub-Fund may be subject to PRC taxes.

Enterprise Income Tax (“EIT”)

Pursuant to the PRC EIT Law and its implementation rules, if the Sub-Fund is considered as a PRC tax resident, it will be subject to PRC EIT at 25% on its worldwide taxable income. If the Sub-Fund is considered as a non-tax resident enterprise but has a permanent establishment (a “PE”) in the PRC, the profits and gains attributable to that PE would be subject to EIT at 25%.

The Manager intends to manage and operate the Sub-Fund in such a manner that the Sub-Fund should not be treated as tax resident enterprise of the PRC or non-tax resident enterprise with a PE in the PRC for PRC EIT purposes, although this cannot be guaranteed. If the Sub-Fund is non-tax resident in the PRC and has no PE in the PRC, the Sub-Fund would technically be subject to PRC withholding income tax ("WIT") of 10% on PRC sourced income (e.g. dividend, interest or capital gains). The WIT rate may be reduced or waived by (a) relevant double tax agreements/arrangements, if applicable, subject to the equity holding ratio and the tax residency status of the relevant holding company, whether it is the beneficial owner of the income in the case of dividend income and the approval from the PRC tax authorities; and (b) specific relief, if any, announced by the relevant authorities.

Dividend income or interest income

Unless a specific exemption or reduction is available under current PRC tax laws and regulations or relevant tax treaties, non-PRC tax resident enterprises without PE in the PRC are subject to EIT on a withholding basis, generally at a rate of 10%, to the extent it directly derives PRC-sourced passive income. PRC-sourced passive income (such as dividend income or interest income) may arise from investments in the PRC Securities. Accordingly, the Sub-Fund may be subject to WIT and/or other PRC taxes on any dividends, distributions and interest it receives from its investment in PRC Securities.

The SAT issued circulars to clarify that dividends from A-shares, B-shares and H-shares distributed from profits of year 2008 and subsequent years should be subject to WIT at 10% or a reduced rate pursuant to any applicable income tax treaty or arrangement. At present, a 10% PRC WIT is withheld at source in respect of dividend income on A-shares, B-shares and H-shares for non-resident enterprises (including the Sub-Fund) by the entity distributing such dividend income.

In addition, pursuant to the "Notice about the tax policies related to the Shanghai-Hong Kong Stock Connect" (Caishui [2014] No. 81) ("Notice No. 81") and the "Notice about the tax policies related to the Shenzhen-Hong Kong Stock Connect" (Caishui [2016] No. 127) ("Notice No. 127") promulgated by the Ministry of Finance (the "MOF"), the State Administration of Taxation (the "SAT") and the China Securities Regulatory Commission (the "CSRC") on 14 November 2014 and on 1 December 2016 respectively, dividends received by Hong Kong and overseas investors (including the Sub-Fund) from A-share investment via Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect respectively will be subject to WIT at 10% which will be withheld at source by the company distributing the dividend. If the recipient of the dividend is entitled to a lower treaty rate, it can apply to the tax bureau in-charge of the payer for a refund.

Capital gains

For capital gains on trading of H-shares by non-resident enterprises in the stock exchange, no WIT on capital gains is being imposed in practice.

However, there are still uncertainties as to whether WIT will be imposed on capital gains derived from trading of B-shares. The Manager has not made and currently has no intention to make provision in respect of WIT on gains on trading of B-shares as the potential impact of the imposition of such tax liability is considered immaterial and the possibility of the imposition of such tax liability is considered remote. The Manager will monitor the situation and if, in the opinion of the Manager, a provision is warranted, the change will be implemented by the Manager and Unitholders will be notified of the change.

Capital gains derived through Stock Connect

Pursuant to Notice No. 81 and Notice No. 127, EIT will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including the Sub-Fund) on the trading of A-shares through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock

Connect respectively. On the basis of Notice No. 81 and Notice No. 127, no provision in respect of WIT on the gross realised and unrealised capital gains derived by the Sub-Fund on trading of A-shares through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect will made by the Manager on behalf of the Sub-Fund. Please note that the tax exemption granted under Notice No. 81 and Notice No. 127 is temporary. If there is any update on the tax rules applied to the Stock Connect in the future, the Manager will review and adjust the capital gain tax provisioning approach for the Stock Connect accordingly.

It should be noted that the existing tax laws, regulations and practices may be revised or amended in the future, with the possibility that such changes will be applied with retrospective effect. If it transpires that the Sub-Fund is subject to actual tax liabilities, in respect of which the Manager had not made any provision, investors should note that the Net Asset Value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional 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 by persons who have already redeemed their Units in the Sub-Fund.

Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, 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

Pursuant to Caishui [2016] No.36 ("Circular 36"), with effect from 1 May 2016, the gains derived from the trading of Chinese securities would be subject to VAT instead of business tax.

According to Circular 36 and Caishui [2016] No. 70 ("Circular 70"), gains derived by QFIIs and RQFIIs from the trading of onshore Chinese securities (including A-shares and other PRC listed securities) is exempt from VAT from 1 May 2016. Based on Circular 70, gains derived from investment in China interbank local currency markets (including money market, bond market and derivatives market) by foreign investors, which are qualified by People's Bank of China, are exempt from VAT from 1 May 2016. Based on Circular 36 and Notice No. 127, the gains derived through the Stock Connect from the trading of A-shares would/will be exempt from VAT.

However, other than the VAT exemption in the paragraph above, Circular 36 shall apply to levy VAT at 6% on the difference between the selling and purchase prices in trading of those securities.

There is no clear rule on whether there is VAT exemptions on capital gains derived from trading of B-shares by foreign enterprises (including the Sub-Fund). Thus, there may be VAT imposed on the Sub-Fund for trading of B-shares in China. The trading of H shares and other kinds of offshore shares should not be subject to VAT.

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

If VAT is applicable, there are also other surtaxes (which include Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) that would amount to as high as 12% of VAT payable.

Stamp Duty ("SD")

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

Currently, SD on A-shares (including those invested via Stock Connect) and B-shares transactions is only imposed on the seller but not on the purchaser, at the tax rate of 0.1% of the total sales value.

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

According to Notice No. 127, the borrowing and return of listed shares in relation to shares guarantee and short-selling by Hong Kong and overseas investors through the Stock Connect is exempt from SD from 5 December 2016.

General

Various tax reform policies have been implemented by the Mainland China government in recent years, and existing tax laws and regulations may be revised or amended in the future. There is no assurance that current tax exemptions or incentives will not be abolished in the future. Furthermore, there is a possibility that the current tax laws, rules, regulations and practice in the PRC and/or the current interpretation or understanding thereof may change in the future and such change(s) may have retrospective effect. The Sub-Fund could become subject to additional taxation that is not anticipated as at the date hereof or when the relevant investments are made, valued or disposed of. Any of those changes may reduce the income from, and/or the value of, the relevant investments in the Sub-Fund. Investors may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. Unitholders should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund.

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-Funds, including interest and dividends from securities of US issuers and gross proceeds from the sale of such securities. All such payments may be subject to withholding at a 30% rate, unless the recipient of the payment satisfies certain requirements intended to enable the US Internal Revenue Service ("US IRS") to identify certain United States persons (within the meaning of the US Code) that own, directly or indirectly, Units in the Sub-Funds. To avoid such withholding on payments made to it, a foreign financial institution (an "FFI"), such as the Sub-Funds (and, generally, other investment funds organised outside the US), generally will be required to enter into an agreement (an "FFI Agreement") with the US IRS under which it will agree to identify its direct or indirect owners who are United States persons and report certain information concerning such United States person 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-Funds) 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-Funds) complying with the terms of an FFI Agreement (i) will generally not be subject to the above described 30% withholding tax; and (ii) will not be required to withhold tax on 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-Funds will endeavour to satisfy the requirements imposed under FATCA and the terms of the FFI Agreement to avoid any withholding tax. The Trust and each Sub-Fund have 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".

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".

Hong Kong requirements regarding tax reporting

The Inland Revenue (Amendment) (No.3) Ordinance (the "Ordinance") came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information ("AEOI"). The AEOI requires financial institutions ("FI") in Hong Kong to collect information relating to non-Hong Kong tax residents holding accounts with FIs, and exchange such information with the jurisdiction(s) in which that account holder is resident. Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has a Competent Authority Agreement ("CAA"); however, the Trust and/or its agents may further collect information relating to residents of other jurisdictions.

The Trust is a collective investment scheme within the definition set out in the SFO that is resident in Hong Kong, and is accordingly an investment entity with obligations to report as a financial institution in accordance with the Ordinance. This means that the Trust and/or its agents shall collect and provide to the Hong Kong Inland Revenue Department ("IRD") tax information relating to Unitholders and prospective investors.

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

By investing in the Sub-Fund(s) and/or continuing to invest in the Sub-Fund(s), Unitholders acknowledge that they may be required to provide additional information to the Trust, the Manager and/or the Trust's agents in order for the Trust to comply with AEOI. The Unitholder's information (and information on beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such Unitholders that are not natural persons), may be communicated by the IRD to authorities in other jurisdictions. The failure of a Unitholder to provide any requested information, may result in the Trust, the Manager and/or other agents of the Trust taking any action and/or pursue remedies at their disposal including, without limitation, mandatory redemption or withdrawal of the Unitholder concerned in accordance with applicable laws and regulations, exercised by the Manager acting in good faith and on reasonable grounds.

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

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 2019. C17

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. C18A

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.famfundgroup.com (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). C18

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

C13

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

Where specified in the relevant Appendix, dividends may be paid out of capital or effectively out of capital of the relevant Class, and may result in an immediate reduction of the Net Asset Value per Unit of the Sub-Fund. There is no guarantee of any distribution nor, where distribution is made, the amount being distributed.

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

Any payment of distributions will be made in the class currency of the relevant classes by direct transfer into the appropriate bank account 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.

In circumstances where the net distributable income of a Class is insufficient to pay for any dividend which may be declared, the Manager may, at its discretion, (i) pay dividend out of capital of the Sub-Fund; or (ii) pay dividend out of gross income of the Sub-Fund (that is, income before taking into account any fees or expenses) while charging all or part of the Sub-Fund's fees and expenses to the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. Payment of dividends out of capital or effectively out of capital may require the Manager to sell the assets of the Sub-Fund and amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of capital or effectively out of capital of the Sub-Fund (as the case may be) may result in an immediate reduction of the Net Asset Value per Unit of the relevant Class.

Where payment of dividends is being made out of capital or effectively out of capital, the compositions of the dividends (i.e. the relative amounts paid from net distributable income and capital) for the last 12 months (a rolling 12-month period starting from the date on which payment of dividends is being made out of capital or effectively out of capital) will be available from the Manager on request and on the Manager's website www.famfundgroup.com (this website has not been reviewed by the SFC).

Any changes regarding the policy on paying dividend out of capital or effectively out of capital will be subject to the SFC's prior approval (if required) and not less than one month's advance notice to Unitholders.

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 liability 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, regulatory or official requirement (whether or not having the force of law); or (iii) is made to correct a manifest error. In all other cases involving any material changes, modifications, alterations and additions require the sanction of an extraordinary resolution of the Unitholders affected or the SFC's approval. To the extent an amendment to the Trust Deed requires prior approval from the SFC, the Manager will seek such prior approval from the SFC. Notice of any amendment or modification which is necessary to enable Unitholders to appraise the position of the Sub-Fund in accordance with any applicable law and regulation, in respect of which the Trustee and the Manager shall have certified in accordance with the aforesaid, will be given by the Manager.

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 in which an extraordinary resolution is to be proposed and not less than 14 days' notice of any meeting in which an ordinary resolution is to be proposed.

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 and duly stamped with adequate stamp duty before the form is passed to the Transfer Agent. 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.

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. C1

The Trust may be terminated on the occurrence of any of the following events: (a) any law shall be passed which renders it illegal or, in the opinion of the Trustee or the Manager, impracticable or inadvisable to continue the Trust; (b) the Trustee shall be unable to find a person acceptable to the Trustee to act as the new manager within 30 days after the removal or retirement of the Manager; (c) the Trustee shall have decided to retire but within 3 months from the date of the Trustee giving its written notice to the Manager to retire as the Trustee, the Manager shall be unable to find a suitable person who is willing to act as trustee; (d) if the Trustee and the Manager agree that it is undesirable to continue the Trust and the affected Unitholders sanction the termination by way of extraordinary resolution; or (e) the affected Unitholders of the Trust determine, by extraordinary resolution, that the Trust should be terminated (in which case, such termination shall take effect from the date on which such extraordinary resolution is passed or such later date (if any) as the extraordinary resolution may provide). C24

Any Sub-Fund may also be terminated on the occurrence of any of the following events: (a) any law shall be passed which renders it illegal or, in the opinion of the Trustee or the Manager, impracticable or inadvisable to continue the Sub-Fund; (b) if the Trustee and the Manager agree that it is undesirable to continue the Sub-Fund and the affected Unitholders sanction the termination by way of extraordinary resolution; or (c) the affected Unitholders of the Sub-Fund determine, by extraordinary resolution, that the Sub-Fund should be terminated (in which case, such termination shall take effect from the date on which such extraordinary resolution is passed or such later date (if any) as the extraordinary resolution may provide).

The Trust may be terminated by the Trustee giving prior written notice to the Manager and the Unitholders if any of the following events shall occur: (a) the Manager shall go into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or a receiver shall be appointed over any of its assets and shall not be discharged within 60 days; (b) the Trustee shall form the opinion for good and sufficient reason and shall so state in writing to the Manager that the Manager is incapable of performing its duties under the Trust Deed satisfactorily; (c) the Manager shall fail to perform its duties under the Trust Deed satisfactorily or the Manager 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; (d) if any law or regulation shall be passed or amended or any regulatory directive or order is imposed that affects the Trust and which renders the Trust illegal or in the good faith opinion of the Trustee makes it impracticable or inadvisable to continue the Trust; (e) either the Trustee shall be unable to find a person acceptable to the Trustee to act as the new manager within 30 days after the removal of the Manager for the time being pursuant to the provisions of the Trust Deed or the person nominated by the Trustee shall fail to be approved by an extraordinary resolution; or (f) the Trustee shall have decided to retire but within 30 days of the Trustee giving notice to the Manager of its desire to retire the Manager shall be unable to find a suitable person who is willing to act as trustee.

The Trust may be terminated by the Manager in its absolute discretion by notice in writing to the Trustee: (a) if the aggregate Net Asset Value of the Units in all Sub-Funds outstanding shall be less than HKD50,000,000; (b) if any law or regulation shall be passed or amended or any regulatory directive or order is imposed that affects the Trust and which renders the Trust illegal or in the good faith opinion of the Manager makes it impracticable or inadvisable to continue the Trust; (c) if within a reasonable time and using commercially reasonable endeavours, the Manager shall be unable to find a person acceptable to the Manager to act as the new trustee after deciding to remove the Trustee for the time being pursuant to the provisions of the Trust Deed; or (d) if the Manager is unable to implement its investment strategy in respect of all Sub-Funds.

Any Sub-Fund may also be terminated by the Manager in its absolute discretion by notice in writing to the Trustee: (a) if the aggregate Net Asset Value of the Units in the Sub-Fund outstanding shall be less than HKD50,000,000; (b) if any law or regulation shall be passed or amended or any regulatory directive or order is imposed that affects the Sub-Fund and which renders the Sub-Fund illegal or in the good faith opinion of the Manager makes it impracticable or inadvisable to continue the Sub-Fund; or (c) if the Manager is unable to implement its investment strategy in respect of the Sub-Fund.

Prior notice of termination of the Trust or any Sub-Fund will be provided to Unitholders, the notice period of which will be determined in accordance with the Code. Such notice to Unitholders is subject to the SFC's prior approval.

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. Any unclaimed proceeds or other cash held by the Trustee upon termination may at the expiration of 12 months from the date upon which the same were payable be paid into court subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment. Please refer to the Trust Deed for further details. Any unclaimed proceeds or other C25
cash held by the Trustee may at the expiration of twelve months from the date upon which the same were payable be paid into court subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

Documents available for inspection

C20

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 country 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.

Liquidity risk management C2C(b)

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

On an on-going basis, the Manager’s risk management function will assess each Sub-Fund’s liquidity position against internal liquidity indicators. The liquidity indicators are set based on the minimum or maximum proportion of a Sub-Fund’s assets that can be liquidated under different periods of trading days. The Manager can break down the underlying liquidity of investments based on average or total days to liquidate, so it can determine the time horizon and cost needed to liquidate positions. Pre-trade analysis can be carried out in order to avoid potentially exceeding a security’s daily volume and thereby influencing its price.

Where a Sub-Fund is unable to meet the indicators, the risk management function will consider whether additional analysis is needed to be performed and whether further action should be taken to manage the liquidity risk of the Sub-Fund. Policies have been put in place and documentation will be maintained on the assessments. The Manager will also perform liquidity stress testing on the Sub-Funds on an ongoing basis, and in the event of major changes to market conditions (such as financial crisis or trading suspensions in the stock market) or major changes in the investor base in order to assess the impact on the liquidity of the relevant Sub-Fund. The liquidity risk management policies and procedures will be reviewed periodically and as needed.

Conflicts of Interest

Section I – 4.2

The Manager and the Trustee (and any of their affiliates) (each a "relevant party") may from time to time act as trustee, administrator, registrar, transfer agent, 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. In particular, any transactions between a Sub-Fund and the Manager or its Connected Persons as principal may only be made with the prior written consent of the Trustee. 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.

Cross-trades

Cross-trades between a Sub-Fund and other funds managed by the Manager or its affiliates may be undertaken when the Manager considers that, as part of its portfolio management, such cross-trades would be in the best interests of the Unitholders to achieve the investment objective and policy of the relevant Sub-Fund. By conducting cross-trades, the Manager may achieve trading efficiencies and savings for the benefit of the Unitholders.

In conducting transactions, the Manager will ensure that the trades are executed on arm's length terms at current market value and the reason for such trades shall be documented prior to execution, in accordance with the SFC's Fund Manager Code of Conduct.

Personal Data

Pursuant to the provisions of the Personal Data (Privacy) Ordinance (the "PDPO") (Chapter 468 of the Laws of Hong Kong), the Trustee, the Manager, or any of their respective delegates (each a "Data User") may collect, hold, use personal data of individual investors in the Sub-Funds only for the purposes for which such data was collected and shall comply with personal data protection principles and requirements as set out in the PDPO and all other applicable regulations and rules governing personal data use in Hong Kong from time to time. Accordingly, each Data User shall take all practicable steps to ensure that personal data collected, held and processed by them are protected against unauthorized or accidental access, processing, erasure or other use.

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: FOUNDATION CHINA EQUITY FUND

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

For the purpose of the Sub-Fund, "Valuation Day" means each Dealing Day.

Investment Objective

The investment objective of the Sub-Fund is to maintain a consistent value-investing approach with a focus on liquidity and high return by primarily investing in equities issued by companies that are incorporated in China or companies which have significant operations in or derive a significant portion of revenue or profits from China. There can be no assurance that the Sub-Fund will achieve its investment objective. C2

Investment Strategy

The Sub-Fund seeks to achieve its investment objective by investing primarily (at least 70% of the Sub-Fund's Net Asset Value) in equity securities listed in the Hong Kong and China markets that are incorporated in China or companies which have significant operations in or derive a significant portion of revenue or profits from China (including through investments in depositary receipts, such as American Depositary Receipts, and swaps). The Sub-Fund may invest less than 30% in A-shares and B-shares listed in Shanghai and/or Shenzhen. Exposure to A-shares and B-shares may be obtained in different ways, including indirect exposure, such as through investing in swaps, exchange traded funds ("ETFs") and/or other funds that invest in the relevant PRC listed shares, and direct exposure (in the case of A-shares, such as via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (together, the "Stock Connect") and/or other relevant programmes when such other relevant programmes become available). Investments in ETFs by the Sub-Fund are considered and treated as listed securities for the purposes of and subject to the requirements in Chapters 7.1, 7.1A and 7.2 of the Code.

There is no restriction on market capitalizations or industries in relation to the equity securities in which the Sub-Fund may invest.

The Sub-Fund will be actively managed and will focus on three core investment strategies: value recovery, growth-at-a-reasonable-price equity and index futures hedging.

The Sub-Fund's portfolio may also temporarily include cash and cash equivalents, up to 100% of its Net Asset Value, under exceptional circumstances (such as in the event of market crashes, major crisis or to mitigate the risk of potential sharp reversals and fall in the equity or bond markets) for cash flow management.

The Sub-Fund may invest in financial derivative instruments, including swaps, for hedging and non-hedging (i.e. investment) purposes.

The Manager will not enter into repurchase or reverse-repurchase transactions or other similar over-the-counter transactions in respect of the Sub-Fund.

Securities lending transactions

The Manager may, on behalf of the Sub-Fund, enter into securities lending transactions, for less than 30% of the Sub-Fund's Net Asset Value. The Manager will be able to recall the securities lent out at any time. All securities lending transactions will only be carried out in the best interest of the Sub-Fund and as set out in the relevant securities lending agreement. Such transactions may be terminated at any time by the Manager at its absolute discretion. Please refer to the sub-section "Securities Financing Transactions" under "Investment Objective, Strategy and Restrictions" in the main body of this Explanatory Memorandum for the details of the arrangements.

As part of the securities lending transactions, the Sub-Fund must receive cash and/or non-cash collateral of at least 100% of the value of the securities lent (interests, dividends and other eventual rights included). The collateral will be marked-to-market on a daily basis and be safekept by the Trustee or an agent appointed by the Trustee. Please refer to the section the paragraph headed "The Trustee" in the section "Management of the Trust" with regards to the extent of the Trustee's responsibility for the safekeeping of the assets of the Trust and the appointment of agents. The valuation of the collateral generally takes place on trading day T. If the value of the collateral falls below 100% of the value of the securities lent on any trading day T, the Manager will call for additional collateral on trading day T, and the borrower will have to deliver additional collateral to make up for the difference in securities value by 4 p.m. on trading day T+2. Non-cash collateral received may not be sold, re-invested or pledged. Any reinvestment of cash collateral received shall be subject to the requirements as set out in the sub-section "Collateral" of Schedule 1 of this Prospectus. Information as required under the Code will be disclosed in the annual and interim financial reports.

To the extent the Sub-Fund undertakes securities lending transactions, all revenues (net of direct and indirect expenses as reasonable and normal compensation for the services rendered by the Manager, a securities lending agent and/or other service providers in the context of such transactions to the extent permitted by applicable legal and regulatory requirements) shall be returned to the Sub-Fund. The cost relating to securities lending transactions will be borne by the borrower.

Securities lending transactions nonetheless give rise to certain risks including counterparty risk, collateral risk and operational risk. Please refer to paragraph "Securities Lending Transactions Risks" in the section "Risk Factors" in the main body of the Explanatory Memorandum for further details.

Use of derivatives / investment in derivatives

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

Stock Connect

The 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"), the Shenzhen Stock Exchange (the "SZSE") and the China Securities Depository and Clearing Co., Ltd. (the "CSDCC"), which provides mutual stock market access between mainland China and Hong Kong. It comprises the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.

Each of the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect comprises a northbound trading link (the "Northbound Trading Link") for investment in PRC shares ("Northbound Trading") and a southbound trading link (the "Southbound Trading Link") for investment in Hong Kong shares ("Southbound Trading"). Under the Northbound Trading Link, Hong Kong and overseas investors (including the Sub-Fund), through their Hong Kong brokers and securities trading service companies (in Shanghai and in Qianhai Shenzhen respectively) established by the SEHK, may trade eligible shares listed on the SSE or the SZSE by routing orders to the SSE or SZSE (as the case may be).

Eligible securities

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

SZSE Securities will include all the constituent stocks of the SZSE Component Index and the SZSE Small/Mid Cap Innovation Index which have a market capitalisation of not less than RMB 6 billion, and all the SZSE-listed A shares which have corresponding H shares listed on SEHK, 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 Shenzhen-Hong Kong Stock Connect, shares listed on the ChiNext Board of SZSE under Northbound Trading Link will be limited to institutional professional investors. Subject to resolution of related regulatory issues, other investors may subsequently be allowed to trade such shares.

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

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.

Trading quota

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

Settlement and custody

The Hong Kong Securities Clearing Company Limited (the "HKSCC") is responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by Hong Kong market participants and investors. SSE Securities or SZSE Securities acquired by an investor through Northbound Trading is maintained with such investor's broker's or custodian's stock account with the Central Clearing and Settlement System ("CCASS") operated by HKSCC.

Corporate actions and shareholders' meetings

Notwithstanding the fact that HKSCC does not claim proprietary interests in the SSE Securities or SZSE Securities held in its omnibus stock account in the CSDCC, the CSDCC as the share registrar for SSE or SZSE listed companies still treats the HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE Securities or SZSE Securities. The HKSCC monitors the corporate actions affecting SSE Securities or SZSE Securities and keeps the relevant CCASS participants 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) can trade and settle SSE Securities and SZSE Securities in RMB only.

Trading fees

In addition to paying trading fees and stamp duties in connection with A-share trading, the Sub-Fund may be subject to certain other fees which are yet to be determined by the relevant authorities.

Coverage of Investor Compensation Fund

A Sub-Fund's investments through Northbound trading under Stock Connect is not covered by Hong Kong's Investor Compensation Fund in respect of defaults occurring prior to 1 January 2020. 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. For defaults occurring on or after 1 January 2020, the Hong Kong's Investor Compensation Fund also covers investors' losses in relation to securities traded on a stock market operated by the SSE or the SZSE and in respect of which an order for sale or purchase is permitted to be routed through the Northbound link of a Stock Connect arrangement. 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 a Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not Mainland Chinese brokers, such trading is not protected by the China Securities Investor Protection Fund (中國投資者保護基金) in Mainland China. Further information about the Stock Connect is available at the website: http://www.hkex.com.hk/eng/market/sec_tradinfra/ chinaconnect/chinaconnect.htm. *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:

(a) 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

(b) 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 listed company 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 (as the case may be) will issue 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 resume when it drops back to 26%. Northbound Trading sell orders will not be affected.

When foreign investors carry out strategic investments in A-share listed companies in accordance with the relevant rules, the shareholding of such strategic investments is not capped by the above-mentioned percentages.

Further information about the Stock Connect is available at the website: http://www.hkex.com.hk/eng/csm/index.htm (this website has not been reviewed by the SFC).

Investment Restrictions

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

Base Currency

The Base Currency of the Sub-Fund is HKD.

Available Classes

Units in the following Classes are currently available for issue to investors: C5

- Class A HKD Units
- Class A HKD (Dist) Units
- Class A RMB Units
- Class A USD Units
- Class QD USD Units

Initial Offer Period C9

The Initial Offer Period of the Sub-Fund commenced at 9:00 a.m. (Hong Kong time) on 12 November 2018 and has ended on 11 July 2019.

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:

C7

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

The Subscription Price will be calculated and quoted in the Currency of each class of the Sub-Fund.

Payment of redemption proceeds

As set out in the main body of this Explanatory Memorandum, save as otherwise agreed by the Manager, and so long as relevant account details have been provided, redemption proceeds will normally be paid in the class currency of the relevant class by telegraphic transfer, within 7 C10

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.

The Redemption Price will be calculated, quoted and paid in the Currency of each class of the Sub-Fund.

The maximum interval between the receipt of a properly documented request for redemption of Units and the payment of the redemption money to the Unitholder may not exceed one calendar month unless the market(s) in which a substantial portion of investments is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of the redemption money within one calendar month not practicable. In such case, the extended time frame for the payment of redemption money shall reflect the additional time needed in light of the specific circumstances in the relevant market(s). 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.

Investment Minima

The following investment minima apply to the Sub-Fund: C4

	Class A HKD Units and Class A HKD (Dist) Units	Class A RMB Units	Class A USD Units	Class QD USD Units
Minimum initial investment	HKD50,000	RMB50,000	USD6,500	USD10,000,000
Minimum additional investment	HKD1,000	RMB1,000	USD130	USD1,000,000
Minimum holding	HKD50,000	RMB50,000	USD6,500	USD10,000,000
Minimum redemption amount (in Units)	1,000	1,000	1,000	100,000

Publication of Net Asset Value

The latest Subscription 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.famfundgroup.com (this website has not been reviewed by the SFC). C8

Expenses and Charges

The following are the actual fees and charges payable in respect of each class of the Sub-Fund. 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 C14(a)

	Class A Units	Class QD Units
Subscription fee	Up to 5% of the Subscription Price	Up to 5% of the Subscription Price
Redemption fee	Nil	Nil

Switching fee	1% of the Redemption Price of the Units being switched	1% of the Redemption Price of the Units being switched

Fees payable by the Sub-Fund

C14(b)

	Class A Units	**Class QD Units**
Management fee	1.50% per annum of the Net Asset Value of the Sub-Fund	0.75% per annum of the Net Asset Value of the Sub-Fund
Performance fee	15% of the amount by which the increase in Net Asset Value per unit during the relevant performance period exceeds the High Water Mark. Please refer to the section "Performance Fee" below	
Trustee fee	0.125% per annum of the Net Asset Value of the Sub-Fund	
Custodian fee	Up to 0.025% per annum of the month-end market value of investments held in custody for the Sub-Fund Subject to a monthly minimum fee (Trustee fee and Custodian fee collectively) of HKD32,000.	

The Manager may, in its absolute discretion, (i) share with intermediaries the payment of all or any portion of the subscription fee, redemption fee, management fee and/or performance fee and (ii) share with, waive, reduce or rebate the payment of all or any portion of the subscription fee, redemption fee, management fee and/or performance fee (either in relation to a Sub-Fund or a particular class) provided that such fees and charges are those which the Manager is entitled to receive for its own benefit.

Performance Fee

(i) Performance fee calculation

Performance fee is payable annually on a high-on-high basis (i.e. when the Net Asset Value per Unit as at the last valuation day of a performance period exceeds the High Water Mark (as defined below)) in accordance with the following formula:

$$(A - B) \times C \times D$$

where:

"A" is the Net Asset Value per Unit (before deduction of any provision for the performance fee and any distribution declared or paid in respect of that performance period) as at the last valuation day of a performance period.

"B" is the High Water Mark, which is the higher of:

(i) the initial subscription price; and

(ii) the Net Asset Value per Unit as at the end of any previous performance period in respect of which a performance fee was paid (after deduction of all fees including any performance fee and any distribution declared or paid in respect of that performance period).

Where a performance fee is payable for a performance period, the Net Asset Value per Unit on the last valuation day of that performance period will be set as the High Water Mark for the next performance period.

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

"C" is the rate of performance fee payable (i.e. 15%)

"D" is the total number of Units in issue as at the end of the relevant performance period.

Each performance period corresponds to the financial year of the Sub-Fund, except that the first performance period is from the first valuation day following the close of the initial offer period to the last valuation day of the Sub-Fund's financial year.

Any performance fee payable shall be paid to the manager as soon as practicable after the end of the relevant performance period.

(ii) Performance fee accrual

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

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

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

For instance, a unitholder will be advantaged if he subscribes to the Sub-Fund during a performance period when the Net Asset Value per Unit is below the High Water Mark, and redeems prior to the end of such performance period when the Net Asset Value per Unit has increased up to but does not exceed the High Water Mark at the time of his redemption, and thus, no performance fee is payable even though he has made a profit.

Likewise, a unitholder will be disadvantaged if he subscribes to the Sub-Fund during a performance period when the Net Asset Value per Unit is above the High Water Mark and redeems prior to or at the end of such performance period when the Net Asset Value per Unit at the time of redemption has decreased but remains above High Water Mark. Under such circumstances, he has paid the performance fee despite of a loss as his subscription price of the Units has taken into account a provision for the performance fee.

(iii) Illustrative examples

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

Assumptions:

- The initial subscription price for the relevant Unit is HKD1.00.

- The performance fee payable is 15% of the increase in the Net Asset Value per Unit during a performance period above the High Water Mark (i.e. outperformance of Net Asset Value per Unit).

(i) First performance period (Net Asset Value per Unit above High Water Mark at the end of performance period – performance fee payable)

Investor A subscribes for one Unit during the initial offer period at the initial subscription price. Thereafter, investor B subscribes for one Unit within the first performance period at a subscription price of HKD1.20. High Water Mark is the initial subscription price, which is HKD1.00.

By the end of the first performance period, the Net Asset Value per Unit is HKD1.10. The outperformance of Net Asset Value per Unit is thus HKD0.10. The total number of Units in issue on this valuation day is 2 Units.

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

(HKD1.10 – HKD1.00) x 15% x 2 Units = HKD0.03

At the end of the first performance period, the Net Asset Value per Unit will be reduced by HKD0.015. In effect, each of Investors A and B will have borne the HKD0.015 performance fee in respect of the first performance period, regardless of the Subscription Price at which they invested.

(ii) Second performance period (Net Asset Value per Unit below High Water Mark on a particular valuation day – no performance fee accrual; Net Asset Value per Unit below High Water Mark at the end of performance period – no performance fee payable):

At the start of the second performance period, the High Water Mark is HKD1.085 (being the Net Asset Value per Unit at the end of the last performance period in respect of which a performance fee was paid (after deduction of performance fee)).

Mid-way through the second performance period, the Net Asset Value per Unit is HKD0.985. Investor A redeems his Unit. Investor C subscribes for one Unit. On this valuation day, the Net Asset Value per Unit is below the High Water Mark. Therefore, no performance fee is accrued in respect of the Unit redeemed by Investor A.

At the end of the second performance period, the Net Asset Value per Unit becomes HKD1.05. There has been no outperformance of Net Asset Value per Unit. No performance fee is therefore payable in the second performance period.

Additional Risk Factors

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

<u>Investment risk</u>

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

Investors should be aware that investment in the Sub-Fund is subject to normal market fluctuations and other risks inherent in the underlying assets into which the Sub-Fund may invest. There can be no assurance that any appreciation in value of investments will occur. There is no guarantee of repayment of principal.

Whilst it is the intention of the Manager to implement strategies which are designed to achieve the investment objective, there can be no assurance that these strategies will be successful. The Manager may not be successful in selecting the best-performing securities or investment techniques. Accordingly, there is a risk that investors may not recoup the original amount invested in the Sub-Fund or may lose a substantial part or all of their initial investment.

Concentration risk

The Sub-Fund will invest primarily in the Hong Kong and China markets and may be adversely affected by negative conditions in any of such markets. The Sub-Fund typically offer less diversification and is therefore considered to be more risky than a more diversified investment fund. The Sub-Fund may be adversely affected by or depend heavily on the performance of the Hong Kong and China markets. Investors should also be aware that the Sub-Fund is likely to be more volatile than a broad-based fund, such as a global or regional equity fund, as it is more susceptible to fluctuations in value resulting from adverse conditions in its respective country/region.

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 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.

Investing in China risk

Apart from the usual investment risk, investing in Chinese companies is also subject to certain other inherent risks and uncertainties.

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

PRC government control of currency conversion and future movements in exchange rates: Various PRC companies derive their revenues in RMB but have requirements for foreign currency, including for the import of materials, debt service on foreign currency denominated debt; purchases of imported equipment and payment of any cash dividends declared in respect of e.g. H shares and N shares.

The existing PRC 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. However, 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.

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 State Administration for Foreign Exchange. The conversion of RMB into Hong Kong dollars and United States dollars is based on rates set by the People's Bank of China, which are set daily based on the previous day's PRC interbank foreign exchange market rate. The Manager cannot predict nor give any assurance of any future stability of the RMB to Hong Kong dollar exchange rate. Fluctuations in exchange rates may adversely affect the Sub-Fund's Net Asset Value.

Custodian risk: The evidence of title of exchange-traded securities in the PRC consists only of electronic book-entries in the depository and/or registry associated with the exchange. These arrangements of the depositories and registries are new and not fully tested in regard to their efficiency, accuracy and security.

PRC legal and regulatory system: PRC laws and regulations affecting securities markets are relatively new and evolving, are subject to different interpretations and may be inconsistently implemented and enforced. Limited volume of published cases and judicial interpretation and their non-binding nature, interpretation and enforcement of these regulations involve significant uncertainties. In addition, as the PRC legal system develops, no assurance can be given that changes in such laws and regulations, their interpretation or their enforcement will not have a material adverse effect on the business operations of PRC companies. Such uncertainties could negatively affect the value of the investments held by the Sub-Fund and consequently the Net Asset Value of the Sub-Fund.

Nationalisation and expropriation: After the formation of the Chinese socialist state in 1949, the Chinese government renounced various debt obligations and nationalised private assets without providing any form of compensation. In recent years, the Chinese government has adopted a more friendly attitude towards foreign investment in China. However, there can be no assurance that the Chinese government will not take similar actions in the future.

Political and economic considerations: Prior to 1978, the Chinese economy was centrally planned, and the Chinese government was responsible for formulating five-year plans for the country which set forth economic targets. However, since 1978, China has implemented a series of economic reform programmes emphasising the utilisation of market forces in the development of the Chinese economy and a high level of management autonomy. China's economy has experienced significant growth in the past twenty 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. However, there can be no assurance that the Chinese government will continue to pursue such economic policies or, if it does, that those policies will continue to be successful. The Chinese government may from time to time adopt corrective measures to control inflation and restrain the rate of economic growth, which may also have an adverse impact on the capital growth and performance of the Sub-Fund. Further, political changes, social instability and adverse diplomatic developments in China could result in the imposition of additional government restrictions including the expropriation of assets, confiscatory taxes or nationalisation of some or all of the investments held by the underlying securities in which the Sub-Fund may invest. The above factors could negatively affect the value of the investments held by the Sub-Fund and consequently the Net Asset Value of the Units.

Securities markets and market liquidity risk: The stock exchanges and markets in China have experienced significant fluctuations in the prices of securities, and no assurance can be given that such volatility will not continue in the future. China's securities markets are undergoing a period of growth and change which may lead to difficulties in the settlement and recording of transactions (which may result in such markets being less efficient and less liquid from time to time) and in interpreting and applying the relevant regulations.

Policy risk: As the Sub-Fund is exposed to domestic PRC securities, the Sub-Fund is additionally subject to policy risk as changes in macro-economic policies in the PRC (including monetary policy and fiscal policy) may have an influence over the PRC's capital markets and affect the pricing of A shares and B shares which the Sub-Fund is exposed to, which may in turn adversely affect the return of the Sub-Fund.

Government intervention and restrictions risk: The liquidity and price volatility associated with securities markets in China are subject to greater risks of government intervention (for example, to suspend trading in particular stocks) and imposition of trading restrictions for all or certain stocks from time to time. In addition, A-shares traded in the PRC are still subject to trading band limits that restrict maximum gain or loss in stock prices, such that trading for a security may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. Trading bands may therefore mean that the prices of stocks may not necessarily reflect their underlying value. The suspension of trading of any security in the Sub-Fund's portfolio may 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.

Risks associated with depositary receipts

Exposure to depositary receipts including American Depository Receipts ("ADRs") may generate additional risks compared to a direct exposure to the corresponding underlying stocks, in particular, the risk of non-segregation under applicable law of the depositary bank who hold the underlying stock as collateral and its own assets. In case of bankruptcy of the depositary bank, there could be a risk that the underlying shares would not be attributed to holders of depositary receipts, although segregation is an integral part of the depositary agreement regulating the issuance of the ADRs. In such case, the most likely scenario would be the trading suspension and thereafter a freeze of the price of the depositary receipts impacted by such bankruptcy event. Bankruptcy events in respect of the depositary banks issuing the depositary receipts may negatively affect the performance and/or the liquidity of the Sub-Fund. There are fees related to depositary receipts, for example fees charged by banks for the custody of underlying assets of depositary receipts, which may impact the performance of the depositary receipts. Also, holders of depositary receipts 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 depositary receipts are often less liquid than the corresponding underlying stocks.

Stock Connect risk

The Sub-Fund's investments through the Stock Connect may be subject to the following risks.

Quota limitations: The Stock Connect is subject to quota limitations. The investment quota does not belong to the Sub-Fund and is utilised on a first-come-first-serve basis. In particular, once the remaining balance of the Northbound Trading Daily Quota drops to zero or the Northbound Trading 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). Quota limitations may restrict the Sub-Fund's ability to invest in A-shares through the Stock Connect on a timely basis, and the Sub-Fund may not be able to effectively pursue its investment strategies.

Suspension risk: The SEHK, the SSE and the SZSE 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 PRC market through the Stock Connect will be adversely affected.

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

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

Recalling of eligible stocks: If a stock is recalled from the scope of eligible stocks for trading via the Stock Connect, the stock can only be sold and cannot be bought. This may affect the Sub-Fund's investment portfolio or strategy if, for example, the Manager wishes to purchase a stock which is recalled from the scope of eligible stocks. The Sub-Fund may also be unable to dispose of such stocks due to restrictions on selling.

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

Nominee arrangements: HKSCC is the nominee holder of the SSE Securities and 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 securities acquired through Stock Connect in accordance with applicable laws. Such rules are departmental regulations having legal effect in the PRC. However, the application of such rules is untested, and there is no assurance that PRC courts will recognise such rules (for example, in liquidation proceedings of PRC 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 and SZSE Securities in the PRC or elsewhere. Therefore, although the Sub-Fund's ownership may be ultimately recognised, the Sub-Fund may suffer difficulties or delays in enforcing its rights in SSE Securities or SZSE Securities.

Participation in corporate actions and shareholders' meetings: HKSCC will keep CCASS participants informed of corporate actions of SSE Securities and SZSE Securities. Hong Kong and overseas investors (including the Sub-Fund) will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of SSE Securities and SZSE Securities may be as short as one business day only. Therefore, the Sub-Fund may not be able to participate in some corporate actions in a timely manner.

Hong Kong and overseas investors (including the Sub-Fund) are holding SSE Securities and

SZSE Securities traded via Stock Connect program through their brokers or custodians. According to existing PRC practice, multiple proxies are not available. Therefore, the Sub-Fund may not be able to appoint proxies to attend or participate in shareholders' meetings in respect of the SSE Securities and SZSE Securities.

Limited Investor Compensation Risk: Investment through the Stock Connect is conducted through broker(s) and is subject to the risks of default by such brokers' in their obligations. While the Sub-Fund is covered by the Investor Compensation Fund for defaults occurring on or after 1 January 2020 for Northbound trading, since the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not Mainland Chinese brokers, they are not protected by the China Securities Investor Protection Fund (中國投資者保護基金) in Mainland China. *Regulatory risk:* The Stock Connect is evolving and will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connect. The regulations are untested and there is no certainty as to how they will be applied, and are subject to change (and such change may have a retrospective effect). There can be no assurance that the Stock Connect will not be abolished.

Taxation risk: Although the relevant authorities have announced that corporate income tax, business tax, and individual income tax will be temporarily exempted on gains derived by Hong Kong and overseas investors (including the Sub-Fund) on the trading of A-shares through the Stock Connect, dividends from A-shares paid to Hong Kong and overseas investors will continue to be subject to 10% PRC withholding income tax and the company distributing the dividend has the withholding obligation. Further, investors should note that the tax exemption on gains derived from trading of A-shares via the Stock Connect under Notice No. 81 and Notice No. 127 (both as defined in the section headed "Taxation" below) was granted on a temporary basis and there is no assurance that the Sub-Fund will continue to enjoy the tax exemption over a long period of time. If the exemption under Notice No. 81 and Notice No. 127 is withdrawn, or if guidance is issued in relation to the tax position for A-shares traded via the Stock Connect which differs from the current practice of the Manager, any tax on capital gains derived from the trading of A-shares via the Stock Connect may be directly borne by the Sub-Fund and may result in a substantial impact to the Sub-Fund's Net Asset Value.

The PRC tax rules and practices in relation to the Stock Connect are new and their implementation is untested and uncertain. It is possible that any future announcement by the PRC tax authority may subject the Sub-Fund to unforeseen tax obligations, which may have retrospective effect.

Differences in trading days: Stock Connect only operates on days when the SEHK market and the mainland market (SSE and SZSE) are open for trading, and banking services are available in both markets on the corresponding settlement days. Accordingly, there may be occasions when it is a trading day for the PRC market but not a trading day for the Hong Kong market. On these occasions, the Sub-Fund may be subject to a risk of price fluctuations in A-shares as the Sub-Fund will not be able to trade A-shares through the Stock Connect. Differences in trading days may also affect the Sub-Fund's ability to make timely investments and to pursue its investment strategies.

Shenzhen-Hong Kong Stock Connect Specific Risks: The Shenzhen-Hong Kong Stock Connect is relatively new and does not have an established operating history and the risks identified above are particularly relevant to the Shenzhen-Hong Kong Stock Connect due to the lack of an operating history. Investors should note that the performance of the Shenzhen-Hong Kong Stock Connect may not be the same as the performance of the Shanghai-Hong Kong Stock Connect to date.

<u>PRC taxation associated risk</u>

By investing in securities (including A-shares, B-shares and H-shares) issued by PRC tax resident enterprises, irrespective of whether such securities are issued or distributed onshore or offshore, the Sub-Fund may be at risk of being subject to PRC taxes.

There is a possibility that the current tax laws, rules, regulations and practice in the PRC and/or the current interpretation or understanding thereof may change in the future and such change(s) may have retrospective effect. The Sub-Fund could become subject to additional taxation that is not anticipated as at the date hereof or when the relevant investments are made, valued or disposed of. Any of those changes may reduce the income from, and/or the value of, the relevant investments in the Sub-Fund.

Please refer to the section headed "Taxation" below for further information on the risks associated with PRC taxation.

RMB currency risk

RMB is not freely convertible and subject to exchange controls and restrictions. From 2005, the RMB is no longer pegged to the USD but has moved to a managed floating exchange rate system under which the RMB is permitted to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Nevertheless, the RMB is not a freely convertible currency as it is subject to foreign exchange control policies and repatriation restrictions imposed by the PRC government, which may reduce the liquidity of the Sub-Fund. Such government policies and restrictions are subject to change, and there can be no assurance that the RMB exchange rate will not fluctuate widely against the US dollar or any other foreign currency in the future. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (for example, HKD) will not depreciate. Any depreciation of RMB could adversely affect the value of investors' investment in the Fund.

Assets of the Sub-Fund denominated in RMB are valued with reference to the CNH rate. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

Risk of investing in financial derivative instruments

The Manager may for hedging or non-hedging (i.e. investment) purposes invest in financial derivative instruments subject to the investment restrictions applicable to the Sub-Fund as set out in the section headed "Investment Objective, Strategy and Restrictions". These instruments can be highly volatile and expose investors to increased risk of loss. Please also refer to "Investment risks – Risk of investing in financial derivative instruments" and "Investment risks – Over-the-counter markets risk" under the section headed "Risk Factors" in the main body of this Explanatory Memorandum.

Hedging risk

The Manager may from time to time use hedging techniques, including investments in financial derivative instruments, to offset market and currency risks. There is no guarantee that such techniques will be effective. Please refer to "Investment risks – Hedging risk" under the section headed "Risk Factors" in the main body of this Explanatory Memorandum.

Dividends risk

The Manager may declare dividends on a semi-annual basis for distribution Class(es). However, the rate of distribution is not guaranteed and is subject to the discretion of the Manager. The Manager may change the Sub-Fund's dividend distribution policy (including for example the frequency of distribution) subject to the SFC's prior approval (where necessary) and by giving not less than one month's prior notice to Unitholders.

Performance fee related risk

In addition to receiving a management fee, the Manager may also receive a performance fee based on the appreciation in the Net Asset Value per Unit. As the calculation of the Net Asset Value per Unit will take account of unrealised appreciation as well as realised gains, a performance fee may be paid on unrealised gains which may subsequently never be realised. Furthermore, due to the way in which the performance fee is calculated, a Unitholder may incur a performance fee even though ultimately the Unitholder does not receive a positive return from the Sub-Fund (please also refer to the details of how performance fee is calculated under the section headed "Fees payable by the Sub-Fund" above). The performance fee may also create an incentive for the Manager to make investments for the Sub-Fund which are riskier than would be the case in the absence of a fee based on the performance of the Sub-Fund.

Securities lending transactions risk

C2(h)

Counterparty risk: The borrower may fail to return the securities in a timely manner or at all. The Sub-Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Sub-Fund's ability in meeting delivery or payment obligations from redemption requests.

Collateral risk: As part of the securities lending transactions, the Sub-Fund must receive at least 100% of the valuation of the securities lent as collateral marked-to-market on a daily basis. However, there is a risk of shortfall of collateral value due to inaccurate pricing of the collateral, adverse market movements in the collateral value, change of value of securities lent. This may cause significant losses to the Sub-Fund if the borrower fails to return the securities lent out. The Sub-Fund may also be subject to liquidity and custody risk of the collateral, as well as legal risk of enforcement.

Operational risk: By undertaking securities lending transactions, the Sub-Fund is exposed to operational risks such as delay or failure of settlement. Such delays and failure may restrict the Sub-Fund's ability in meeting delivery or payment obligations from redemption requests.

Reports and accounts

The first annual report for the Sub-Fund covers the period to 31 December 2019. C17

Distribution policy

In respect of each Class, the Manager has discretion as to whether to not to make any distribution and as to the frequency and amount of distributions. C13

Currently, it is not envisaged that any distributions will be paid in respect of the Units listed below (each an "Accumulation Class"):

- Class A HKD Units
- Class A RMB Units
- Class A USD Units
- Class QD USD Units

Therefore any net income and net capital gains in respect of an Accumulation Class will be reinvested, and will be reflected in the relevant Net Asset Value per Unit.

In respect of HKD (dist) Units (the "Distribution Class"), subject to the Manager's discretion, dividends will be declared semi-annually on such date which is within a reasonable time period after the end of March and the end of September of each year as may be determined by the

Manager (each a “Distribution Date”). It should be noted, however, that there is neither a guarantee that such distributions will be made nor will there by a target level of distribution payout.

Distributions declared in respect of a Distribution Class will be paid among the Unitholders of that Class rateably in accordance with the number of Units held by them on the record date as determined by the Manager in respect of the corresponding distribution. 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 distribution. Any payment of distributions will be made in the relevant class currency.

Unless Unitholders have indicated otherwise to the Manager on the subscription of Units, any distributions payable will automatically be reinvested in the subscription of further Units of the relevant Class on the Distribution Date at the prevailing Subscription Price applicable on such Distribution Date. The Manager may determine to make no distributions or make fewer distributions in a financial year at its absolute discretion.

Unitholders may specify on subscription that they wish to receive a cash distribution if a distribution is declared by the Manager provided, however, that distributions will not be paid in cash if the amount of the distribution for the relevant Unitholder amounts to less than HKD1,000 (or its equivalent) or such other amount determined by the Manager from time to time. If Unitholders do not request cash distributions or if the amount of the distribution payable to the relevant Unitholder is less than the minimum amount specified as aforesaid, the distribution to which the Unitholder is entitled will be reinvested in further Units of the relevant Class to be issued at the prevailing Subscription Price applicable on the Distribution Date.

The Manager currently does not intend to pay distributions out of capital or effectively out of capital of the Fund. Should there be any change to this policy on distributions out of or effectively out of capital in the future, the Manager will seek the SFC’s prior approval and provide not less than one month’s prior notice to the relevant Unitholders.

APPENDIX 2: FOUNDATION GLOBAL INCOME AND GROWTH FUND

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

For the purpose of the Sub-Fund, "Valuation Day" means each Dealing Day.

Investment Objective

The investment objective of the Sub-Fund is to provide income distribution and long term capital growth by investing in global equities and debt securities. There can be no assurance that the Sub-Fund will achieve its investment objective. C2

Investment Strategy

At least 70% of Sub-Fund's Net Asset Value are invested in a diversified portfolio of global equities and debt securities which in the Manager's opinion offer attractive yields, sustainable dividend payments and/or capital growth.

Up to 70% of Sub-Fund's Net Asset Value may be invested in equities of companies located across the globe. There is no restriction on market capitalisations or industries in relation to the equity securities in which the Sub-Fund may invest. The Sub-Fund may invest no more than 10% of Sub-Fund's Net Asset Value in emerging market equities.

Up to 70% of Sub-Fund's Net Asset Value may be invested in debt securities. Types of debt securities in which the Sub-Fund may invest will include (but are not limited to) government bonds, emerging market government bonds, corporate bonds, convertible and non-convertible debt securities, fixed and floating rate bonds and high-yield bonds. Debt securities in which the Sub-Fund may invest may encompass fixed/floating coupon, may be of different maturities and may be across all ratings. The Sub-Fund may invest up to 30% of its Net Asset Value in debt securities which are rated below investment grade or which are unrated. A long-term debt security is considered investment grade if its credit rating is BBB- or higher by Standard & Poor's and Fitch Ratings or Baa3 or higher by Moody's or equivalent rating as rated by an international credit rating agency. A short-term debt security is considered investment grade if its credit rating is A-3 or higher by Standard & Poor's or F3 or higher by Fitch Ratings or P-3 or higher by Moody's or equivalent rating as rated by an international credit rating agency. For the purposes of the Sub-Fund, an "unrated" debt security is one where neither the debt security itself nor its issuer has a credit rating. Up to 30% of Sub-Fund's Net Asset Value may be invested in emerging market debt securities. Investments in emerging market debt securities which are rated below investment grade or which are unrated will only be made through investing in other collective investment schemes. The Sub-Fund may invest no more than 10% in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) which is below investment grade.

Exposure to debt securities and/or equities may be sought through swaps and collective investment schemes and listed securities in accordance with the requirements of the Code. The Sub-Fund may invest up to 50% of its Net Asset Value in collective investment schemes (not more than 10% of the Net Asset Value of the Sub-Fund may in aggregate consist of shares or units in other collective investment schemes which are non-eligible schemes (as determined by the SFC) and not more than 30% of the Net Asset Value of the Sub-Fund may consist of shares or units in a single underlying scheme which is an eligible schemes (as determined by the SFC) or an SFC-authorised scheme). Investment by the Sub-Fund in exchange traded funds will be considered and treated as listed securities for the purposes of and subject to the requirements under Chapters 7.1, 7.1A and 7.2 of the Code. The Sub-Fund will invest in exchange traded funds that are listed and regularly traded on internationally recognized stock exchanges open to the public (primarily in US, UK and Hong Kong). The collective investment schemes in which the Sub-Fund may invest will generally be income generating. Where the Sub-Fund invests in a collective investment scheme that is managed by the Manager or its Connected Persons, all initial charges and redemption charges on the collective investment scheme must be waived. The Manager or any person acting on behalf of the Manager or the Sub-Fund may not obtain a rebate on any fees or charges levied by the underlying collective investment scheme or its management company, or any quantifiable monetary benefits in connection with investment in any underlying collective investment scheme.

As value of the assets held by the Sub-Fund will fluctuate, the Sub-Fund will conduct periodic rebalancing (at least monthly, and may be more frequent when deemed necessary by the Manager) to restore the Sub-Fund's exposure to investments to the pre-determined targeted level and to ensure compliance with the applicable investment restriction and limitations.

On a temporary basis for liquidity management, defensive purpose and/or any other exceptional circumstances (e.g. market crash or major crisis), and if the Manager considers it to be in the best interest of the Sub-Fund, up to 100% of Sub-Fund's Net Asset Value may be held in deposits and/or invested directly in money market instruments, and up to 10% of Sub-Fund's Net Asset Value may be invested in money market funds.

Non-USD currency exposure is limited to 30% of Sub-Fund's Net Asset Value.

The allocation of the Sub-Fund's investments across asset classes may vary substantially from time to time. The Sub-Fund's investments in each asset class are based upon the Managers' assessment of economic conditions and market factors, including equity price levels, interest rate levels and their anticipated direction.

The Sub-Fund may invest in financial derivative instruments ("FDI"), including swaps, for hedging and non-hedging (i.e. investment) purposes.

The Manager will not enter into any repurchase or reverse-repurchase transactions or other similar over-the-counter transactions in respect of the Sub-Fund.

Securities lending transactions

The Manager may, on behalf of the Sub-Fund, enter into securities lending transactions, for less than 30% of the Sub-Fund's Net Asset Value. The Manager will be able to recall the securities lent out at any time. All securities lending transactions will only be carried out in the best interest of the Sub-Fund and as set out in the relevant securities lending agreement. Such transactions may be terminated at any time by the Manager at its absolute discretion. Please refer to the sub-section "Securities Financing Transactions" under "Investment Objective, Strategy and Restrictions" in the main body of this Explanatory Memorandum for the details of the arrangements.

As part of the securities lending transactions, the Sub-Fund must receive cash and/or non-cash collateral of at least 100% of the value of the securities lent (interests, dividends and other eventual rights included). The collateral will be marked-to-market on a daily basis and be safekept by the Trustee or an agent appointed by the Trustee. Please refer to the section the paragraph headed "The Trustee" in the section "Management of the Trust" with regards to the extent of the Trustee's responsibility for the safekeeping of the assets of the Trust and the appointment of agents. The valuation of the collateral generally takes place on trading day T. If the value of the collateral falls below 100% of the value of the securities lent on any trading day T, the Manager will call for additional collateral on trading day T, and the borrower will have to deliver additional collateral to make up for the difference in securities value by 4 p.m. on trading day T+2. Non-cash collateral received may not be sold, re-invested or pledged. Any reinvestment of cash collateral received shall be subject to the requirements as set out in the sub-section "Collateral" of Schedule 1 of this Prospectus. Information as required under the Code will be disclosed in the annual and interim financial reports.

To the extent the Sub-Fund undertakes securities lending transactions, all revenues (net of direct and indirect expenses as reasonable and normal compensation for the services rendered by the Manager, a securities lending agent and/or other service providers in the context of such transactions to the extent permitted by applicable legal and regulatory requirements) shall be returned to the Sub-Fund. The cost relating to securities lending transactions will be borne by the borrower.

Securities lending transactions nonetheless give rise to certain risks including counterparty risk, collateral risk and operational risk. Please refer to paragraph "Securities Lending Transactions Risks" in the section "Risk Factors" in the main body of the Explanatory Memorandum for further details.

Use of derivatives / investment in derivatives

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

Investment Restrictions

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

Investment Advisers

China Merchants Bank Co., Ltd., Hong Kong Branch and CCB Securities Limited (the "**Investment Advisers**") are each appointed as an Investment Adviser to the Manager in respect of the Sub-Fund pursuant to an investment advisory agreement. Under the terms of the investment advisory agreements, the Investment Advisers will provide investment advice the Manager with regard to the investments of the Sub-Fund and will not exercise investment discretion in respect of the investments of the Sub-Fund.

China Merchants Bank Co., Ltd., Hong Kong Branch ("CMBHK"), a joint stock company incorporated in the People's Republic of China with limited liability whose principal place of business in Hong Kong is at 27F-31F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong. CMBHK is an authorised institution under the Hong Kong Banking Ordinance (Cap. 155 of the Laws of Hong Kong) and a registered institution under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities (CE No.: AHN815).

CCB Securities Limited, whose principal place of business in Hong Kong is at 18/F, CCB Centre, 18 Wang Chiu Road, Kowloon Bay, Hong Kong, is a wholly-owned subsidiary of China Construction Bank (Asia). It is a licensed corporation (CE No.: AGJ534) under the regulatory supervision of the Securities and Futures Commission Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) activities.

The Manager will pay the Investment Advisers out of its Management Fee.

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:

- Class A USD (Dist) Units
- Class A HKD (Dist) Units
- Class A USD Units
- Class A HKD Units
- Class QD USD Units

Initial Offer Period C9

The Initial Offer Period of the Sub-Fund will commence at 9:00 a.m. (Hong Kong time) on 2 January 2020 and end at 4:00 p.m. (Hong Kong time) on 28 February 2020 (or such other dates or times as the Manager may determine).

The initial Subscription Price for each class is as follows:

- Class A USD (Dist) Units: USD1 per Unit
- Class A HKD (Dist) Units: HKD1 per Unit
- Class A USD Units: USD1 per Unit
- Class A HKD Units: HKD1 per Unit
- Class QD USD Units: USD1 per Unit

The Manager may decide not to issue any Units in the event that less than the equivalent of USD10,000,000 is raised during the Initial Offer Period or if the Manager is of the opinion that it is not commercially viable to proceed. In such event subscription monies paid by an applicant will be returned by telegraphic transfer or by such other means as the Manager and the Trustee consider appropriate at the applicant's risk (without interest and net of expenses) within 14 Business Days after the expiry of the Initial Offer Period.

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:

C7

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

The Subscription Price will be calculated and quoted in the Currency of each class of the Sub-Fund.

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 C10 normally be paid in the class currency of the relevant class 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.

The Redemption Price will be calculated, quoted and paid in the Currency of each class of the Sub-Fund.

The maximum interval between the receipt of a properly documented request for redemption of Units and the payment of the redemption money to the Unitholder may not exceed one calendar month unless the market(s) in which a substantial portion of investments is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of the redemption money within one calendar month not practicable. In such case, the extended time frame for the payment of redemption money shall reflect the additional time needed in light of the specific circumstances in the relevant market(s). 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.

Investment Minima

The following investment minima apply to the Sub-Fund: C4

	Class A USD Units and Class A USD (Dist) Units	**Class A HKD Units and Class A HKD (Dist) Units**	**Class QD USD Units**
Minimum initial investment	USD6,500	HKD50,000	USD10,000,000
Minimum additional investment	USD130	HKD1,000	USD1,000,000
Minimum holding	USD6,500	HKD50,000	USD10,000,000
Minimum redemption amount (in Units)	1,000	1,000	100,000

Publication of Net Asset Value

The latest Subscription 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.famfundgroup.com (this website has not been reviewed by the SFC). C8

Expenses and Charges

The following are the actual fees and charges payable in respect of each class of the Sub-Fund. 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 C14(a)

	Class A Units	**Class QD Units**
Subscription fee	Up to 5% of the Subscription Price	Up to 5% of the Subscription Price
Redemption fee	Nil	Nil
Switching fee	1% of the Redemption Price of the	1% of the Redemption Price of the

	Units being switched	Units being switched

Fees payable by the Sub-Fund

C14(b)

	Class A Units	**Class QD Units**
Management fee	1.50% per annum of the Net Asset Value of the Sub-Fund	0.75% per annum of the Net Asset Value of the Sub-Fund
Performance fee	None	
Trustee fee	0.125% per annum of the Net Asset Value of the Sub-Fund	
Custodian fee	Up to 0.025% per annum of the month-end market value of investments held in custody for the Sub-Fund Subject to a monthly minimum fee (Trustee fee and Custodian fee collectively) of USD4,000.	

The Manager may, in its absolute discretion, (i) share with intermediaries the payment of all or any portion of the subscription fee, redemption fee, management fee and (ii) share with, waive, reduce or rebate the payment of all or any portion of the subscription fee, redemption fee, management fee (either in relation to a Sub-Fund or a particular class) provided that such fees and charges are those which the Manager is entitled to receive for its own benefit.

Establishment costs

The costs of establishing the Sub-Fund are estimated to be approximately HK$320,000. These costs will be charged to the Sub-Fund and amortised over the first 5 accounting periods of the Sub-Fund (or such other period as determined by the Manager after consultation with the auditors of the Sub-Fund).

Additional Risk Factors

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

Investment risk

Investors should be aware that investment in the Sub-Fund is subject to normal market fluctuations and other risks inherent in the underlying assets into which the Sub-Fund may invest. There can be no assurance that any appreciation in value of investments will occur. There is no guarantee of repayment of principal.

Whilst it is the intention of the Manager to implement strategies which are designed to achieve the investment objective, there can be no assurance that these strategies will be successful. The Manager may not be successful in selecting the best-performing securities or investment techniques. Accordingly, there is a risk that investors may not recoup the original amount invested in the Sub-Fund or may lose a substantial part or all of their initial investment.

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 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.

<u>Asset allocation strategy risk</u>

The performance of the Sub-Fund is partially dependent on the success of the asset allocation strategy employed by that Sub-Fund. There is no assurance that the strategy employed by the Sub-Fund will be successful and therefore the investment objective of the Sub-Fund may not be achieved. The investments of the Sub-Fund may be periodically rebalanced and therefore that Sub-Fund may incur greater transaction costs than a Sub-Fund with static allocation strategy.

<u>Small-capitalisation/Mid-capitalisation Companies Risk</u>

The stock of small-capitalisation/mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalization companies in general.

<u>Risk of investing in debt securities</u>

The Sub-Fund may invest up to 70% of its Net Asset Value in fixed income instruments – there are risks involved in such investments. Please refer to “Risk of investing in debt securities” under the section headed “Risk Factors” in the main body of this Explanatory Memorandum.

Sovereign debt risk: The Sub-Fund’s investment in securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the Sub-Fund to participate in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers. If governmental entities default on their sovereign debts, holders of such sovereign debts (including the Sub-Fund) may suffer losses, and may be required to participate in the rescheduling or restructuring of such debt and/or to extend further loans. There is no bankruptcy proceeding by which sovereign debt on which a governmental entity has defaulted may be collected in whole or in part. Sovereign debt prices may be sensitive to interest rate movements and are more likely to be restricted from growth during times of low inflation. The performance and value of the Sub-Fund could deteriorate should there be any adverse credit events in the sovereign and this impact may be particularly strong if, for example, a downgrade of the sovereign credit rating or a default or bankruptcy of a sovereign occurs. Zero coupon sovereign debts are subject to higher market risks than interest paying debts.

Valuation Risk: Valuation of the Sub-Fund’s investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Sub-Fund.

<u>Investing in other funds risk</u>

The Sub-Fund may from time to time invest in other funds (including ETFs). Investing in other funds may expose the Sub-Fund to the following risks:

Additional fees associated with investing in underlying funds: The value of the shares or units of the underlying funds will take into account their fees and expenses, including fees (in some cases including performance fees) charged by their management companies or investment managers. Some underlying funds may also impose fees or levies which may be payable by the Sub-Fund when it subscribes to or redeems out of such underlying funds. Whilst the Manager will take the level of any such fees into account when deciding whether or not to invest, investors should nevertheless be aware that investing into underlying funds may involve another layer of fees, in addition to the fees charged by the Sub-Fund.

Investment objective risk: Although the Manager will use due diligence procedures to select and monitor underlying funds, there can be no assurance that an underlying fund's investment strategy will be successful or that its investment objective will be achieved.

Conflicts of interest risk: The Sub-Fund may from time to time invest in other funds managed by the Manager or Connected Persons of the Manager. In such circumstances, in accordance with the Sub-Fund's investment restrictions, all initial charges on the underlying fund must be waived for the Sub-Fund and the Manager may not obtain a rebate on any fees or charges levied by the underlying fund. However, despite such measures, conflicts of interest may nevertheless arise out of such investments, and in such event the Manager will use its best endeavours to avoid and resolve such conflicts fairly.

Emerging market risk

The Sub-Fund may invest in emerging markets, which subjects Sub-Funds to a higher level of market risk than investments in a developed country. Please refer to "Emerging market risk" under the section headed "Risk Factors" in the main body of this Explanatory Memorandum.

Risk of investing in financial derivative instruments

The Manager may for hedging or non-hedging (i.e. investment) purposes invest in financial derivative instruments subject to the investment restrictions applicable to the Sub-Fund as set out in the section headed "Investment Objective, Strategy and Restrictions". These instruments can be highly volatile and expose investors to increased risk of loss. Please also refer to "Investment risks – Risk of investing in financial derivative instruments" and "Investment risks – Over-the-counter markets risk" under the section headed "Risk Factors" in the main body of this Explanatory Memorandum.

Hedging risk

The Manager may from time to time use hedging techniques, including investments in financial derivative instruments, to offset market and currency risks. There is no guarantee that such techniques will be effective. Please refer to "Investment risks – Hedging risk" under the section headed "Risk Factors" in the main body of this Explanatory Memorandum.

Settlement risk

There is a risk for investments in unlisted securities that the settlement will not be executed as expected by a transfer system owing to a delayed payment or delivery or payment not being made in accordance with the agreement. This may lead to a fall in the Net Asset Value of the Sub-Fund.

Exchange rate risk

Assets of the Sub-Fund may be denominated in currencies other than its base currencies. Also, a class of units may be designated 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 these currencies. Please also refer to "Exchange rate risk" under the section headed "Risk Factors" in the main body of this Explanatory Memorandum.

Dividends risk / Distributions payable out of capital or effectively out of capital risk

Dividend distributions are not guaranteed and are subject to the discretion of the Manager. Thus investors may not receive any distributions. Where there is a distribution, there will not be a target level of dividend payout.

In circumstances where the net distributable income of a class is insufficient to pay for any dividend which may be declared, the Manager may, at its discretion, (i) pay dividend out of capital of the Sub-Fund; or (ii) pay dividend out of gross income of the Sub-Fund (that is, income before taking into account any fees or expenses) while charging all or part of the Sub-Fund's fees and expenses to the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. Payment of dividends out of capital or effectively out of capital may require the Manager to sell the assets of the Sub-Fund and amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of capital or effectively out of capital of the Sub-Fund (as the case may be) may result in an immediate reduction of the Net Asset Value per Unit of the relevant class. The Manager may amend the policy regarding paying dividends out of capital and/or effectively out of capital subject to the SFC's prior approval and by giving not less than one month's advance notice to Unitholders.

Where any distribution involves payment of dividends out of capital and/or effectively out of capital of the Sub-Fund, investors should note that a high distribution yield does not imply a positive or high return on the total investment.

<u>Key personnel risk</u>

If staffing in respect of the Sub-Fund changes, new decision makers may have less success in managing the Sub-Fund's assets, which may have a negative impact on the performance of such Sub-Fund.

<u>Securities lending transactions risk</u> C2(h)

Counterparty risk: The borrower may fail to return the securities in a timely manner or at all. The Sub-Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Sub-Fund's ability in meeting delivery or payment obligations from redemption requests.

Collateral risk: As part of the securities lending transactions, the Sub-Fund must receive at least 100% of the valuation of the securities lent as collateral marked-to-market on a daily basis. However, there is a risk of shortfall of collateral value due to inaccurate pricing of the collateral, adverse market movements in the collateral value, change of value of securities lent. This may cause significant losses to the Sub-Fund if the borrower fails to return the securities lent out. The Sub-Fund may also be subject to liquidity and custody risk of the collateral, as well as legal risk of *enforcement.*

Operational risk: By undertaking securities lending transactions, the Sub-Fund is exposed to operational risks such as delay or failure of settlement. Such delays and failure may restrict the Sub-Fund's ability in meeting delivery or payment obligations from redemption requests.

Reports and accounts

The first annual report for the Sub-Fund covers the period to 31 December 2020. C17

Distribution policy

In respect of each Class, the Manager has discretion as to whether to not to make any distribution and as to the frequency and amount of distributions. C13

Currently, it is not envisaged that any distributions will be paid in respect of the Units listed below (each an “Accumulation Class”):

- Class A USD Units
- Class A HKD Units
- Class QD USD Units

Therefore any net income and net capital gains in respect of an Accumulation Class will be reinvested, and will be reflected in the relevant Net Asset Value per Unit.

In respect of USD (dist) and HKD (dist) Units (each a “**Distribution Class**”), subject to the Manager’s discretion, dividends will be declared monthly as may be determined by the Manager (each a “**Distribution Date**”). There is no guarantee of any distribution nor, where distribution is made, the amount being distributed.

Dividends may be paid out of capital or effectively out of capital of the relevant Class at the Manager’s discretion, and may result in an immediate reduction of the Net Asset Value per Unit of the Sub-Fund.

Distributions declared in respect of a Distribution Class will be paid among the Unitholders of that Class rateably in accordance with the number of Units held by them on the record date as determined by the Manager in respect of the corresponding distribution. 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 distribution. Any payment of distributions will be made in the relevant class currency.

Unless Unitholders have indicated otherwise to the Manager on the subscription of Units, any distributions payable will automatically be reinvested in the subscription of further Units of the relevant Class on the Distribution Date at the prevailing Subscription Price applicable on such Distribution Date. The Manager may determine to make no distributions or make fewer distributions in a financial year at its absolute discretion.

Unitholders may specify on subscription that they wish to receive a cash distribution if a distribution is declared by the Manager provided, however, that distributions will not be paid in cash if the amount of the distribution for the relevant Unitholder amounts to less than HKD1,000 (or its equivalent) or such other amount determined by the Manager from time to time. If Unitholders do not request cash distributions or if the amount of the distribution payable to the relevant Unitholder is less than the minimum amount specified as aforesaid, the distribution to which the Unitholder is entitled will be reinvested in further Units of the relevant Class to be issued at the prevailing Subscription Price applicable on the Distribution Date.

Distributions declared (if any) will be paid to Unitholders at their own risk and expense by telegraphic transfer in the relevant Class Currency.