IMPORTANT:

This Addendum is supplemental to and forms part of the Explanatory Memorandum of the GFIIM RMB Series II dated May 2014. Unless otherwise defined herein, words and expressions defined in the Explanatory Memorandum shall have the same meaning when used in this Addendum.

If you are in doubt about the contents of the Explanatory Memorandum and this Addendum, you should consult your financial planner, bank manager, solicitor or accountant or other financial adviser.

GFIIM RMB Series II (the "Fund")
GFIIM China RQFII Balanced Fund (the "Sub-Fund")

First Addendum to the Explanatory Memorandum

The Explanatory Memorandum is amended to reflect the following updates:-

1. The list of "Directors of the Manager" under the Section "ADMINISTRATION" on P.1 of the Explanatory Memorandum will be updated as follows:-

    LIN Chuanhui
    YU Liping
    YI Yangfang
    LIN Yongsen

2. The name and biography of Mr. LAM Din Kan are deleted in their entirety from P. 8 of the Explanatory Memorandum.

3. In the 1st paragraph of sub-section "Initial Offer" in Appendix I on P.45 of the Explanatory Memorandum, the end date of the offer period is changed to 31 July 2014 and the first Dealing Date is changed to 1 August 2014.

4. The 2nd paragraph of sub-section "Renminbi Qualified Foreign Institutional Investor(RQFII)" in Appendix I on P.49 of the Explanatory Memorandum is replaced in its entirety with the following:

    "As of the date of this document, the manager has obtained RQFII status and has been granted certain amount of RQFII quota for public fund. The manager will allocate quota to the Sub-Fund at its own discretion and the Sub-Fund will invest directly in the PRC's domestic securities markets through the Manager's RQFII quota."

5. Under the sub-section "Renminbi Qualified Foreign Institutional Investor(RQFII)" in Appendix 1 on P.50 of the Explanatory Memorandum, the following is inserted in the third paragraph as sub-paragraph (v):

    "*the 'RQFII Quota Administration Guideline' (RQFII 額度管理操作指引) issued by SAFE and effective from 30 May 2014;*"

    The original sub-paragraph (v), as the new sub-paragraph (vi), is put behind the new sub-paragraph (v).

6. The 1st paragraph under the section "Taxation" on P.35 of the Explanatory Memorandum is replaced in its entirety with the following:

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

7. Under the section "Taxation" on P.40 of the Explanatory Memorandum, the following is inserted after the sub-section "Mainland China" as a new sub-section headed "U.S.":

"**U.S.**

Foreign Account Tax Compliance Act

Foreign Account Tax Compliance Act ("FATCA"), under Sections 1471 through 1474 of the U.S. Internal Revenue Code, imposes a 30% withholding tax on certain withholdable payments to a foreign financial institution ("FFI") if that FFI is not compliant with FATCA. In addition, certain passive non-U.S. entities, which are Non-Financial Foreign Entities ("NFFEs"), are required to either certify they have no substantial U.S. owners or no controlling persons that are specified U.S. persons or report certain information with respect to their substantial U.S. owners or controlling persons that are specified U.S. persons. Non-compliance will result in the same 30% U.S. withholding tax as described above beginning from July 1, 2014.

The impact of FATCA on Financial Institutions ("FI") in a specific jurisdiction may be modified by an Intergovernmental Agreement ("IGA") between the U.S. and that jurisdiction. A Model 2 IGA between the U.S. and Hong Kong has been agreed in substance effective May 9, 2014 ("Hong Kong IGA")

Under FATCA, the Sub-Fund is likely to be treated as an "Investment Entity" and therefore a "FI". The manager will enter into FFI agreement on behalf of the Sub-Fund with the U.S. Internal Revenue Service and will act as the Responsible Officer for the Sub-Fund.

The Manager and/or Trustee may, at their discretion, take any necessary measures that may be required to avoid the 30% withholding tax, including but not limited to:

a) Apply prescribed due diligence procedures, and report "U.S. Accounts", "Non-consenting accounts" and account information with respect to "Nonparticipating Financial Institutions" to the IRS;
b) Obtain from its investors self-certification or other information or documentation in order to establish their tax residence or to comply with any reporting obligations imposed by U.S., Hong Kong or any other jurisdiction;
c) If there is any change in circumstances that would affect the investors tax residence, or there is any reason for the Manager/ Trustee to know that the self-certification is incorrect or unreliable, obtain a new self-certification and/or additional documentation may be required from the investors.

The Trustee/ Manager may need to obtain consent from investors authorizing the Trustee/ Manager to report their information to the appropriate tax authority. If consent is not obtained from investors, the Trustee/ Manager may, at its own discretion, decide not to open account for such investors and reject any subscription submitted by them.

Subsequent to the opening of an account, if there is a change in circumstances (with respect to the FATCA status) in the initial documentation and/or information provided by an investor or an intermediary through which the investor holds its interest in the Sub-Fund and the investor or intermediary fails to provide the Sub-Fund with any new information and/or documentation that the Manager/ Trustee may reasonably request, such account may be subject to reporting and potentially subject to the 30% withholding tax. Under such circumstance, the Trustee/ Manager on behalf of the Sub-Fund reserves the right to take any action and/or pursue all remedies at its discretion, including, without limitation, (i) reporting all relevant information of such investor to the Internal Revenue Service of the United States; (ii) withholding, deducting from such Investor's account, or otherwise collecting any such tax liability from such investor to the extent permitted by applicable laws and regulations; (iii) deeming such investor to have given notice to sell all units in the Sub-Fund. The Manager/ Trustee, on behalf of the Sub-Fund, will act in good faith, on reasonable grounds, and in compliance with applicable laws and regulations in taking any such actions and exercising its discretion to withhold amounts otherwise distributable to the investor.

The Manager has registered with the IRS as a sponsoring entity with Global Intermediary Identification Number (GIIN) "80WN0J.00000.SP.344". The Manager intends to register the Sub-Fund as its sponsored entity in due course and may at its discretion enter into any agreement on behalf of the Sub-Fund without the consent of investors to provide for any measures that the Manager deems appropriate or necessary to avoid the imposition of the FATCA withholding tax.

Other jurisdictions are in the process of adopting tax legislation concerning the reporting of information. The Sub-Fund may need to comply with such other similar tax legislation that may apply to the Sub-Fund, although the exact parameters of such requirements are not yet fully known. As a result, the Sub-Fund may need to seek information about the tax status of investors under such other jurisdiction's law for disclosure to the relevant governmental authority.

Although the Manager/Trustee will take all reasonable steps to avoid the imposition of the FATCA withholding tax, no assurance can be given that the Sub-Fund will be able to satisfy all FATCA obligations. If the Sub-Fund becomes subject to a withholding tax as a result of the FATCA regime, the value of the units held by Unitholders may suffer material losses.

Unitholders should consult their own tax advisors regarding the FATCA requirements with respect to their own situation. In particular, Unitholders who hold their shares through intermediaries should confirm the FATCA compliance status of those intermediaries to ensure that they would not be subject to FATCA withholding tax on their investment returns."

The directors of the Manager accept responsibility of the accuracy of the information contained in this Addendum as at the date of publication.

The Explanatory Memorandum may only be distributed if accompanied by this Addendum.

GF International Investment Management Limited
September 2014

GFIIM RMB SERIES II

EXPLANATORY MEMORANDUM

May 2014

IMPORTANT INFORMATION FOR INVESTORS

This Explanatory Memorandum comprises information relating to GFIIM RMB Series II, an open-ended unit trust established as an umbrella fund under the laws of Hong Kong by a trust deed dated 11 April 2014 between GF International Investment Management Limited (廣發國際資產管理有限公司) as manager and BOCI-Prudential Trustee Limited as trustee.

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

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

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

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

In particular:-

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

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

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

Investment involves risk and investors should note that losses may be sustained on their investment. There is no assurance that the investment objective of the respective Sub-Fund(s) will be achieved. Investors should consider the section headed "Risk Factors", and the section headed "Specific Risk Factors" (if any) in the relevant Appendix, before making their investment decisions.

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

Enquiries

Any investor enquiries or complaints should be submitted in writing to the Manager's office (Unit 3503-3505, Two International Finance Centre, 8 Finance Street, Central, Hong Kong) or calling the Manager at telephone number at +852 3695 2808and the Manager will respond in writing within 14 Business Days.

Further Information

Investors may access the website of the Manager at http://www.gffunds.com.hk for further information on the Fund and any Sub-Fund, including this Explanatory Memorandum and the Product Key Facts Statement, annual and semi-annual reports and the latest Net Asset Value. Please note that the website does not form part of this Explanatory Memorandum. Also, it has not been reviewed by the SFC.

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ADMINISTRATION

Manager and RQFII Holder
GF International Investment Management Limited (廣發國際資產管理有限公司)
Unit 3503-3505, Two International Finance Centre,
8 Finance Street, Central,
Hong Kong

Trustee and Registrar
BOCI-Prudential Trustee Limited
12/F & 25/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

Custodian
Bank of China (Hong Kong) Limited
14/F., Bank of China Tower
1 Garden Road
Hong Kong

RQFII Custodian
Agricultural Bank of China Limited
No. 69, Jianguomen Nei Avenue
Dongcheng District
Beijing 100005
China

Auditors
Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

Directors of the Manager
LIN Chuanhui
YU Liping
YI Yangfang
LAM Din Kan
LIN Yongsen

Solicitors to the Manager
Deacons
5/F, Alexandra House
18 Chater Road
Central
Hong Kong

DEFINITIONS

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

"**Accounting Date**"	Means 31 December in each year or such other date or dates in each year as the Manager may from time to time specify in respect of any Sub-Fund and notify to the Trustee and the Unitholders of such Sub-Fund
"**Accounting Period**"	Means a period commencing on the date of establishment of the relevant Sub-Fund or on the date next following an Accounting Date of the relevant Sub-Fund and ending on the next succeeding Accounting Date for such Sub-Fund
"**Authorised Distributor**"	Means any person appointed by the Manager to distribute Units of some or all of the Sub-Funds to potential investors
"**Business Day**"	Means a day (other than a Saturday and a Sunday) on which banks in Hong Kong are open for normal banking business or such other day or days as the Manager and the Trustee may agree from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
"**China A-Shares**"	Means shares issued by companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, traded in Renminbi and available for investment by domestic (Chinese) investors, holders of the qualified foreign institutional investors (QFII) status, holders of the RQFII status and foreign strategic investors approved by the CSRC
"**China B-Shares**"	Means shares issued by companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, traded in foreign currencies and available for investment by domestic (Chinese) investors and foreign investors
"China H-Shares"	shares issued by companies incorporated in the PRC and listed on the Stock Exchange of Hong Kong Limited
"**China Securities**"	Means China A-Shares, Renminbi denominated corporate and government bonds, securities investment funds and warrants listed on the PRC stock exchanges
"**Code**"	Means the Code on Unit Trusts and Mutual Funds issued by the SFC, as amended
"**connected person**"	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 being able to exercise, directly or indirectly, 20% or more of the total votes in that company; or
	(b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or
	(c) any member of the group of which that company forms part; or
	(d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c) above
“**CSRC**”	Means China Securities Regulatory Commission
“**Custodian**”	Means Bank of China (Hong Kong) Limited
“**Dealing Day**”	Means such days as described in the Appendix for the relevant Sub-Fund(s)
“**Dealing Deadline**”	Means such time on the relevant Dealing Day or on such other Business Day as the Manager may from time to time with the approval of the Trustee determine, as described in the Appendix for the relevant Sub-Fund(s)
“**Explanatory Memorandum**”	Means this Explanatory Memorandum including the Appendices, as each may be amended, updated or supplemented from time to time
“**Fund**”	Means GFIIM RMB Series II
“**Hong Kong**”	Means Hong Kong Special Administrative Region of the PRC
“**HK$**” or “**HKD**”	Means Hong Kong Dollars, the lawful currency of Hong Kong
“**Issue Price**”	Means in respect of each Sub-Fund the issue price per Unit as more fully described in the section headed “**Purchase of Units**”
“**Mainland China**” or “**PRC**”	Means the People’s Republic of China excluding Hong Kong, Macau and Taiwan for the purpose of this Explanatory Memorandum
“**Manager**”	Means GF International Investment Management Limited (廣發國際資產管理有限公司)

"**Net Asset Value**"	Means the net asset value of the Fund or a Sub-Fund or of a Unit, as the context may require, calculated in accordance with the provisions of the Trust Deed as summarised below under the section headed "**Valuation**"
"**PBOC**"	Means People's Bank of China
"**Redemption Price**"	Means the price at which Units will be redeemed as more fully described in the section headed "**Redemption of Units**"
"**Registrar**"	Means BOCI-Prudential Trustee Limited in its capacity as registrar of the Fund
"**RMB**" or "**Renminbi**"	Means renminbi, the lawful currency of the PRC
"**RQFII**"	Means a Renminbi qualified foreign institutional investor approved pursuant to the relevant PRC laws and regulations, as may be promulgated and/or amended from time to time
"**RQFII Holder**"	Means GF International Investment Management Limited in its capacity as an RQFII holder
"**RQFII Custodian**"	Means Agricultural Bank of China Limited
"**SAFE**"	Means the State Administration of Foreign Exchange
"**SFC**"	Means the Securities and Futures Commission of Hong Kong
"SFO"	Means the Securities and Futures Ordinance, Laws of Hong Kong (Chapter 571)
"**Sub-Fund**"	Means a separate pool of assets of the Fund that is invested and administered separately
"**Trust Deed**"	Means the trust deed establishing the Fund as more fully described in the section headed "**Trust Deed**"
"**Trustee**"	Means BOCI-Prudential Trustee Limited in its capacity as trustee of the Fund
"**Unit**"	Means a unit in a Sub-Fund
"**Unitholder**"	Means a person registered as a holder of a Unit
"Urban Investment Bonds" (城投債)	Means debt instruments issued by local government financing vehicles ("**LGFVs**") in the PRC listed bond markets and inter-bank bond market. These LGFVs are separate legal entities established by local governments and/or their affiliates to raise

	financing for public welfare investments or infrastructure projects.
"**US$**" or "**USD**"	Means the lawful currency of the United States of America
"**Valuation Day**"	Means such days as described in the Appendix for the relevant Sub-Fund
"**Valuation Point**"	Means such time as described in the Appendix for the relevant Sub-Fund to calculate the Net Asset Value

INTRODUCTION

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

GFIIM RMB Series II is an umbrella fund currently offering one Sub-Fund. The Manager may create further Sub-Funds in the future. Investors should contact the Manager to obtain the latest offering document relating to the available Sub-Fund(s).

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

INVESTMENT OBJECTIVE

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

MANAGEMENT AND ADMINISTRATION OF THE FUND

The Manager

The Manager of the Fund is GF International Investment Management Limited.

The Manager, which has a paid-up capital of HKD 120 million as of 31 December 2013, is a wholly owned subsidiary of GF Fund Management Co., Ltd. ("**GF Fund Management**"). Established in 2003, GF Fund Management has a registered capital of RMB120 million as of 31 December 2013, and is one of the largest independent management institutions in the PRC. As of 31 December 2013, the asset under management of GF Fund Management was over RMB140 billion. In terms of the asset of public funds under management in the PRC, GF Fund Management was ranked seventh in the domestic market. GF Fund Management's total assets under management has ranked in the top ten in the PRC since 2006.

The Manager is licensed by the SFC for type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO with CE number AXL121.

The Manager undertakes the management of the assets of the Fund and each Sub-Fund. The Manager may appoint sub-manager(s) and delegate any of its management functions in relation to assets of specific Sub-Fund(s) to such sub-manager(s) subject to prior SFC approval and at least one month's prior notice to Unitholders. Details of such appointment are set out in the Appendix relating to the relevant Sub-Fund.

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

Where the investment management functions in respect of a Sub-Fund are delegated to third party sub-managers or investment advisers, the Manager will conduct on-going supervision and regular monitoring of the competence of such delegates to ensure that the Manager's accountability to investors is not diminished, and although the investment management role of the Manager may be sub-contracted to third parties, the responsibilities and obligations of the Manager may not be delegated.

The remuneration of such sub-manager(s) and investment adviser(s) will be borne by the Manager.

The Manager has appointed Quality Risk Management & Operations (QRMO) Limited ("**QRMO**"), a Hong Kong limited liability company, to perform independent risk monitoring, middle-office and back-office services in respect of the Fund and the Sub-Fund(s). Notwithstanding such appointment, the Manager remains responsible for monitoring the risk of the Fund and the Sub-Fund(s).

Details of the directors of the Manager are as follows:-

Mr. LIN Chuanhui

Mr. Lin is the Chairman of the Board of the Manager and is also the General Manager of GF Fund Management. He held various senior positions in GF Securities Co. Ltd. ("**GF Securities**"), the single largest shareholder of GF Fund Management, including General Manager of Investment Banking in Beijing Region, Deputy General Manager of Investment Banking and Deputy General Manager of Investment Banking in Shanghai Region, and the Executive Vice General Manager of Investment Banking. Mr. Lin graduated from Jilin University, China in 1985 with a Bachelor degree majoring in Economics.

Dr. YU Liping

Dr. Yu is currently the Chairwoman of the Supervisory Committee of GF Fund Management. She acted as the General Manager of the Sales Department in Chengdu Region and Deputy General Manager of Investment Funds of GF Securities. Before joining GF Securities, Dr. Yu was the Deputy General Manager and Chairwoman of the Board of Harvest Fund Management Co. Ltd. She was awarded a PhD degree in Economics by Renmin University of China in 1989.

Mr. YI Yangfang

Mr. Yi is currently the Executive Director cum Portfolio Manager of the Manager and the Deputy General Manager cum Chief Investment Officer of GF Fund Management. He is also the fund manager of GF JuFeng Stock Fund. He was a committee member of the Securities Offering Supervision Committee of the CSRC. Mr. Yi also acted as an Assistant Manager in the Proprietary Trading Department of GF Securities. He was awarded a Master degree in Economics by Shanghai University of Finance and Economics, China in 1997.

Mr. LAM Din Kan, CFA

Mr. Lam has over 18 years of experience in the financial industry specialising in portfolio management, investment research, corporate financing and restructuring activities, and direct investments. He started his career in Hong Kong working at Value Partners Ltd. and subsequently worked in Asian Capital Partners, VP Private Equity Ltd. (currently known as Value Partners Private Equity Limited), NetStar Group, Hsin Chong Construction Group Ltd. and SGS Asset Management LP. Mr. Lam joined GF Fund Management in 2008 and is primarily responsible for structuring and managing investment products under the Qualified Domestic Institutional Investor (QDII) scheme in China.

Mr. LIN Yongsen, CFA

Mr. Lin has over 19 years of experience in the financial industry in Mainland China and Hong Kong. He joined E Fund Management Company Limited ("**E Fund**") in 2005 after working at GF Securities as deputy head of International Business Department and Proprietary Investment Department from 1993 to 2005. Nathan led E Fund's expansion to Hong Kong in 2008 and grew E Fund Management (Hong Kong) Company Limited's assets under management to US$2 billion within four years. He joined the Manager in March 2013 as General Manager. Nathan graduated from Jinan University with a Master's degree in economics and is a Chartered Financial Analyst charter-holder. He was a visiting scholar at the University of Southern California (March - August 1999).

The Trustee and the Registrar

BOCI-Prudential Trustee Limited, which is a registered trust company in Hong Kong, has been appointed as Trustee and Registrar of the Fund. The Trustee is a joint venture founded by BOC Group Trustee Company Limited and Prudential Corporation Holdings Limited. BOC Group Trustee Company Limited is owned by Bank of China (Hong Kong) Limited and BOC International Holdings Limited, which are subsidiaries of Bank of China Limited.

Under the Trust Deed, the Trustee is responsible for the safe-keeping of the assets of the Fund and monitoring the compliance by the Manager with the requirements of the Trust Deed. Subject to applicable regulatory requirements, the Trustee may, from time to time and as it may deem fit, appoint such person or persons (including a connected person) as delegate, agent, nominee, custodian or co-custodians in respect of the whole or any part of the assets of any Sub-Fund and may empower any such custodian or co-custodian to, with the prior consent in writing of the Trustee, appoint the RQFII Custodian, or to, with no objection in writing from the Trustee, appoint sub-custodians (other than the RQFII Custodian) (each such delegate, agent, nominee, custodian, co-custodian or sub-custodian, a "**Correspondent**").

The Trustee shall (A) exercise reasonable care and diligence in the selection, appointment and ongoing monitoring of the Correspondents; and (B) be satisfied that such Correspondents remain suitably qualified and competent to provide the relevant service to the Fund or any Sub-Fund. Provided that the Trustee has discharged its obligations set out in (A) and (B) the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any

Correspondent that is not a connected person of the Trustee. The Trustee shall remain liable for any act or omission of any Correspondent that is a connected person of the Trustee as if the same were the act or omission of the Trustee. For the purpose of the foregoing, "**Correspondents**" shall include the Custodian and the RQFII Custodian.

The Trustee shall not be liable for: 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 system which may from time to time be approved by the Trustee and the Manager; or 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.

As the Registrar of the Fund, BOCI-Prudential Trustee Limited will be responsible for maintaining the register of Unitholders.

The Custodian

The Custodian of the Fund is Bank of China (Hong Kong) Limited.

The Custodian was incorporated in Hong Kong on 16 October 1964. As a locally incorporated licensed bank, it was re-structured to the present form since 1 October 2001 by combining the businesses of ten of the twelve banks in Hong Kong originally belonging to the Bank of China Group.

With a network of over 280 branches, servicing more than 600,000 corporates and 2 million retail customers, the Custodian is the second largest banking group in Hong Kong. It offers a full range of banking services, including global custody and also fund-related services for institutional clients.

Pursuant to the custodian agreement, the Custodian will act as the custodian of the Fund's assets, which will be held directly by the Custodian or through its agents, sub-custodians, or delegates pursuant to the custodian agreement.

The Custodian shall (i) exercise reasonable care and diligence in the selection, appointment and ongoing monitoring of such agents, nominees or sub-custodians; (ii) be satisfied that such agents, nominees or sub-custodians remain suitably qualified and competent to provide the relevant services; and (iii) shall remain liable for their acts, omissions, negligence or wilful default in relation to assets forming part of the property of the Fund.

The RQFII Custodian

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

The predecessor of ABC is Agricultural Cooperative Bank established in 1951. Since the late 1970s, ABC has evolved from a state-owned specialized bank to a wholly state-owned commercial bank and subsequently a state-controlled commercial bank. ABC was restructured into a joint stock limited liability company in January 2009. Then it was listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange respectively in July 2010, which marked the completion of its transformation into a public shareholding commercial bank.

Being one of the major integrated financial service providers in China, ABC is committed to catering to the needs of agricultural-related developments and capitalizing on the synergy between the urban areas and the county areas. ABC strives to expand into the international market and provides diversified services so as to become a first-class modern commercial bank. Capitalizing on the comprehensive business portfolio, extensive distribution network and advanced IT platform, ABC provides various corporate and retail banking products and services for a broad range of customers and carries out treasury operations for its own accounts or on behalf of customers. Its business scope includes, among others, investment banking, fund management, financial leasing and life insurance. As one of the first group of qualified banks licensed for custody business, ABC is the second largest custodian bank in China, with the largest insurance assets under its custody in the domestic market. Its custodian service department has more than 14 years of experience, over 160 employees, and 20 executive heads with average 15 years of working experience. As of April 2013, total assets under its custody amount to RMB3.32 trillion, ABC's custody business has further expanded into the fields of open-end funds, insurance assets, securities company, qualified foreign institutional investors (QFII), qualified domestic institutional investor (QDII), trust products, bank financial products, trading products, special liquidity products, equity funds and pension funds etc. In addition, ABC has maintained a deep and good relationship with regulatory authorities to enable effective communications and better services.

The Authorised Distributor

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

CLASSES OF UNITS

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

DEALING DAY AND DEALING DEADLINE

The Manager may from time to time with the approval of the Trustee determine generally or in relation to any particular jurisdiction the time on such Dealing Day or on such other

Business Day (on which Units may from time to time be sold) prior to which instructions for subscriptions, redemptions or switching are to be received in order to be dealt with on a particular Dealing Day. The Dealing Day and the relevant Dealing Deadline for each Sub-Fund are set out in the relevant Appendix.

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

PURCHASE OF UNITS

Initial Offer

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

Subsequent Subscription

Following the close of the initial offer period, Units will be issued at the prevailing Issue Price per Unit. The Issue Price on any Dealing Day will be the Net Asset Value of the relevant class of Units of the Sub-Fund as at the Valuation Point in respect of the Dealing Day divided by the number of such class of Units then in issue prior to any redemption or issue being effected on that Valuation Day, rounded to the nearest 2 decimal places, with 0.005 and above being rounded up; below 0.005 being rounded down or in such manner and to such other number of decimal places as may from to time to time be determined by the Manager after consulting the Trustee. Any rounding adjustment shall be retained for the benefit of the relevant Sub-Fund. In calculating the Issue Price, the Manager may impose surcharges to compensate for the difference between the price at which assets of the relevant Sub-Fund are to be valued and the total cost of acquiring such assets including other relevant expenses such as taxes, governmental charges, brokerages, etc.

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

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

Application Procedure

To purchase Units an investor should complete the application form, which may be obtained from the Manager or the Authorised Distributors (the "**Application Form**"), and return the original Application Form together with any further supporting documents (as may be required by the Manager or the Trustee from time to time) and the application moneys to the Trustee via the Authorised Distributors (details of which as set out in the Application Form).

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

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

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

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

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

Investment Minima

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

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

Payment Procedure

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

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

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

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

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

General

All holdings will be held for the Unitholders in registered form and no certificates will be issued. Evidence of title will be the entry on the register of Unitholders. Unitholders should therefore be aware of the importance of ensuring that the Manager and the Trustee are informed of any change to the registered details.

Fractions of Units may be issued rounded to the nearest 2 decimal places, with 0.005 and above being rounded up; below 0.005 being rounded down or in such manner and to such other number of decimal places as may from to time to time be determined by the Manager after consulting the Trustee. Application moneys representing smaller fractions of a Unit will be retained by the relevant Sub-Fund. The Manager reserves the right to reject any application in whole or in part. In the event that an application is rejected, application moneys will be returned without interest by cheque through the post or by telegraphic transfer to the bank account from which the moneys originated at the risk and expense of the applicants, or in such other manner determined by the Manager and the Trustee. A maximum of 4 persons may be registered as joint Unitholders.

REDEMPTION OF UNITS

Redemption Procedure

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

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

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

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

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

Payment of Redemption Proceeds

The Redemption Price on any Dealing Day shall be the price per Unit ascertained by dividing the Net Asset Value of the relevant class of the Sub-Fund as at the Valuation Point in respect of the Dealing Day by the number of such class of Units then in issue, prior to any redemption or issue being effected on that Valuation Day, rounded to the nearest 2 decimal places, with 0.005 and above being rounded up; below 0.005 being rounded down or in such manner and to such other number of decimal places as may from to time to time be determined by the Manager after consulting the Trustee. Any rounding adjustment shall be retained by the relevant Sub-Fund. Such price shall be calculated in the base currency of the relevant Sub-Fund and quoted by the Manager in such base currency and in such other currency or currencies at the Manager's discretion (with prior notice to the Trustee) by converting such price to its equivalent in such other currency or currencies at the same rate as the Manager shall apply in calculating the Net Asset Value as at the Valuation Point. In calculating the Redemption Price, the Manager may impose deductions to compensate for the difference between the price at which assets of the relevant Sub-Fund are to be valued and the net proceeds which would be received on sale of such assets and for the relevant expenses such as taxes, governmental charges, brokerages, etc.

The Manager may at its option impose a redemption charge of up to 5% on the Redemption Price of each Unit. The redemption charge, if any, is described in the relevant Appendix. The Manager may on any day in its sole and absolute discretion differentiate between Unitholders as to the amount of the redemption charge to be imposed (within the permitted limit).

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

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

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

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

If the Manager or the Trustee is required by the laws of any relevant jurisdiction to make a withholding from any redemption moneys payable to the holder of a Unit the amount of such withholding shall be deducted from the redemption moneys otherwise payable to such person.

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

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

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

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

SWITCHING BETWEEN CLASSES

Unitholders have the right (subject to the limitations described in the paragraph below and such limitations as the Manager after consulting with the Trustee may impose) to switch all or part of their Units of any class relating to a Sub-Fund (the "**Existing Class**") into Units of any other class in the same Sub-Fund or into Units of another Sub-Fund (the "**New Class**") available for subscription or switching by giving notice in writing to the Manager or the Authorised Distributors. A request for switching will not be effected if as a result the relevant Unitholder would hold less than the minimum holding of Units of the relevant class prescribed by, or is prohibited from holding Units of the relevant class under, the relevant

Appendix.

Unless the Manager otherwise agrees, Units of a class can only be switched into Units of the same class of another Sub-Fund. In addition, Units of a class can only be switched into Units of another class which is denominated in the same currency as the original class.
Units shall not be switched during any period when the determination of the Net Asset Value of any relevant Sub-Fund is suspended.

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

The rate at which the whole or any part of a holding the Existing Class will be switched to the New Class will be determined in accordance with the following formula:

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

Where:

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

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

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

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

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

SF is a switching charge (if any).

The Manager has a right to impose a switching charge of up to 3% of the redemption proceeds payable in respect of the Units of the Existing Class being switched and the current rates are set out in the relevant Appendix.

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

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

Restrictions on redemption and switching

The Manager may suspend the redemption or switching of Units or delay the payment of redemption proceeds during any periods in which the determination of the Net Asset Value of the relevant Sub-Fund is suspended (for details see the sub-section headed "**Suspension of Calculation of Net Asset Value**" under the section headed "**Valuation**" below).

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

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

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

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

VALUATION

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

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

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

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

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

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

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

(g) notwithstanding the foregoing, the Manager may with the 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 or use of such other method is required to reflect the fair value of the investment; and

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

Suspension of Calculation of Net Asset Value

The Manager may, after giving notice to the Trustee, declare a suspension of the determination of the Net Asset Value of a Sub-Fund for the whole or any part of any period during which:

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

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

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

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

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

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

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

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

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

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

Whenever the Manager declares such a suspension it shall immediately notify the SFC of such suspension and 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 in the South China Morning Post and the Hong Kong Economic Times.

No Units in the relevant Sub-Fund may be issued, redeemed or switched during such a period of suspension. This applies to subscription, redemption and switching requests received both before and during the period of suspension so long as the Dealing Days to which such requests relate fall within the period of suspension.

INVESTMENT AND BORROWING RESTRICTIONS

The Trust Deed sets out restrictions and prohibitions on the acquisition of certain investments by the Manager. Unless otherwise disclosed in the Appendix for each Sub-Fund and agreed by the SFC, each of the Sub-Fund(s) is subject to the following principal investment restrictions:-

(a) not more than 10% of the Net Asset Value of a Sub-Fund may consist of securities (other than Government and other public securities) issued by a single issuer;

(b) a Sub-Fund may not hold more than 10% (when aggregated with the holdings of all the other Sub-Funds) of any ordinary shares issued by any single issuer;

(c) not more than 15% of the Net Asset Value of a Sub-Fund may consist of securities of any company not listed, quoted or dealt in on a stock exchange, over-the-counter market or other organised securities market;

(d) not more than 15% of the Net Asset Value of a Sub-Fund may consist of warrants and options in terms of total premium paid, other than warrants and options held for hedging purposes;

(e) (i) not more than 10% of the Net Asset Value of a Sub-Fund may consist of shares or units in other unit trusts or mutual funds ("**managed funds**") which are non-recognised jurisdiction schemes (as permitted under the Code) and not authorised by the SFC; (ii) not more than 30% of the Net Asset Value of a Sub-Fund may consist of shares or units in a managed fund which is a recognised jurisdiction scheme (as permitted under the Code) or an SFC-authorised scheme; provided that:-

(1) no investment may be made in a managed fund the investment objective of which is to invest primarily in any investment prohibited under this section;

(2) where the investment objective of such managed fund is to invest primarily in investments restricted under this section, such holdings may not be in contravention of the relevant limitation;

(3) all initial charges on the managed fund must be waived if the managed fund is managed by the Manager or any of its connected persons; and

(4) the Manager may not obtain a rebate on any fees or charges levied by such managed fund or its manager.

(f) subject to paragraph (g) below, not more than 20% of the Net Asset Value of a Sub-Fund may consist of physical commodities (including gold, silver, platinum or other bullion) and commodity based investments (other than shares in companies engaged in producing, processing or trading in commodities);

(g) the net aggregate value of futures contract prices, whether payable to or by a Sub-Fund (other than futures contracts entered into for hedging purposes), together with the aggregate value of investments falling within paragraph (f) above held by that Sub-Fund, may not exceed 20% of the Net Asset Value of that Sub-Fund;

(h) notwithstanding paragraphs (a) and (b) above, not more than 30% of the Net Asset Value of a Sub-Fund may consist of Government and other public securities of the same issue;

(i) subject to paragraph (h) above, a Sub-Fund may be fully invested in Government and other public securities issued by a single issuer provided that it holds Government and other public securities of at least six different issues; and

(j) if the name of a Sub-Fund indicates a particular objective, geographic region or market, the Sub-Fund will invest at least 70% of its non-cash assets in securities and other investments to reflect the particular objective or geographic region or market which the Sub-Fund represents.

For the purpose of this section, "**Government and other public securities**" means any investment issued by, or the payment of principal and interest on, which is guaranteed by the government of any member state of the Organisation for Economic Co-operation and Development ("**OECD**") or any fixed interest investment issued in any OECD country by a public or local authority or nationalised industry of any OECD country or anywhere in the world by any other body which is, in the opinion of the Trustee, of similar standing. "**Government and other public securities**" will be regarded as being of a different issue if, even though they are issued by the same person, they are issued on different terms whether as to repayment dates, interest rates, the identity of the guarantor, or otherwise.

The Manager shall not on behalf of any Sub-Fund(s):-

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

(ii) 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 or interests in real estate investment trusts (REITs));

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

(iv) write uncovered options;

(v) write a call option if the aggregate of the exercise prices of all call options written on behalf of the relevant Sub-Fund would exceed 25% of the Net Asset Value of that Sub-Fund;

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

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

(viii) enter into any obligation on behalf of a Sub-Fund or acquire any asset for the account of that Sub-Fund which involves the assumption of any liability which is unlimited; or

(ix) 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 unless such call could be met in full out of cash or near cash forming part of such Sub-Fund which has not been appropriated and set aside for any other purposes and shall not be entitled without the consent of the Trustee to apply any part of the relevant Sub-Fund in the acquisition of any other investment which is in the opinion of the Trustee likely to involve the Trustee in any liability (contingent or otherwise).

Borrowing Restrictions

Unless otherwise disclosed below or in the relevant Appendix, the Manager may borrow up to 25% of the latest available Net Asset Value of a Sub-Fund to acquire investments, to redeem Units or to pay expenses relating to the relevant Sub-Fund. For this purpose, back-to-back loans do not count as borrowing. The assets of a Sub-Fund may be charged or pledged as security for any such borrowings.

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

Securities Lending and Repurchase / Reverse Repurchase Transactions

The Manager currently does not intend to enter into any securities lending or repurchase / reverse repurchase transactions or other similar over-the-counter transactions in respect of any of the Sub-Funds. The approval of the SFC will be sought and at least one month prior notice will be given to Unitholders should there be a change in such intention.

RISK FACTORS

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

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

(i) ***Investment risk*** – There can be no assurance that a Sub-Fund will achieve its investment objective. Each Sub-Fund is subject to market fluctuations and to the risks inherent in all investments. The price of the Units of any Sub-Fund and the income from them may go down as well as up. An investment in a Sub-Fund involves investment risks, including possible loss of the amount invested. Past performance of a Sub-Fund does not indicate the future performance of the relevant Sub-Fund.

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

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

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

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

Investments in equity interests of Chinese companies may be made through China A-Shares, China B-Shares and China H-Shares. The PRC stock market has in the past experienced substantial price volatility, and there is no assurance that such volatility will not occur in future.

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

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

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

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

(vi) ***Emerging market risk*** - Various countries in which a Sub-Fund may invest are considered as emerging markets. Prospective investors should note that investment in emerging markets such as Mainland China and other countries involve special considerations and risks. These include a possibility of nationalisation, expropriation or confiscatory taxation, foreign exchange control, political and legal changes, government regulation, social instability or diplomatic developments which could affect adversely the economies of such countries or the value of a Sub-Fund's investments, and the risks of investing in countries with smaller capital markets, such as limited liquidity, price volatility, restrictions on foreign investment and repatriation of capital, and the risks associated with emerging economies, including high inflation and interest rates and political and social uncertainties. In addition, it may be difficult to obtain and enforce a judgement in a court in an emerging country. Underlying investments of emerging market funds may also become illiquid which may constrain the Manager's ability to realise some or all of the investments. Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to some countries in which a Sub-Fund may invest may differ from those applicable in developed countries, for example, less information is available to investors and such information may be out of date.

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

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

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

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

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

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

(xii) ***Credit risk*** - An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security or its issuer may also affect the security's liquidity, making it more difficult to sell. A Sub-Fund's investment is also subject to the risk that issuers may not make payments on the securities they issue. In particular, where a Sub-Fund invests in bonds or other debt securities, such Sub-Fund may be exposed to the default risk of an issuer of bonds or other debt securities. The issuers of bonds or other debt securities may incur difficulties in making full and timely repayments of principal and interest, which may lead to a default and, ultimately, a fall in the value of such Sub-Fund.

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

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

(xiv) ***Concentration risk*** - Certain Sub-Funds may invest only in a specific country/region/sector although each Sub-Fund's portfolio will be well diversified in terms of the number of holdings and the number of issuers of securities that the Sub-Fund may invest in. Investors should also be aware that such Sub-Funds are likely to be more volatile than a broad-based fund, such as a global or regional equity fund, as they are more susceptible to fluctuations in value resulting from adverse conditions in their respective countries.

(xv) ***Hedging risk*** - The Manager is permitted, but not obliged, to use hedging techniques to attempt to offset market and currency risks. There is no guarantee that hedging techniques will achieve their desired result.

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

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

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

(xix) ***PRC tax risk considerations*** – The PRC government has implemented a number of tax reform policies in recent years and interpretation made by local tax authorities of the tax policies may vary. The current tax laws and regulations may be revised or amended in the future. Any revision or amendment in tax laws and regulations may affect the after-taxation profit of PRC companies and foreign investors in such companies. In particular, investors should refer to the sub-section headed "**Mainland China**" under the section headed "**Taxation**" to inform themselves of possible tax consequences under PRC laws.

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

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

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

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

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

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

(xxv) ***Cross class liability risk*** – The Trust Deed allows the Trustee and the Manager to issue Units in separate classes. The Trust Deed provides for the manner in which liabilities are to be attributed across the various classes within a Sub-Fund under the Fund (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 Fund 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.

(xxvi) ***Cross Sub-Fund liability risk*** – The assets and liabilities of each Sub-Fund under the Fund 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. In the event that the assets of the Sub-Funds are held by any court of competent jurisdiction not to be effectively segregated, each of the Sub-Funds bears the risk of having its assets used to discharge the liabilities of or claims against any other Sub-Fund.

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

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

EXPENSES AND CHARGES

Charges Payable by Investors

Initial charge, redemption charge and switching charge may be charged to an investor in his/her purchase, redemption and switching of Units pursuant to the sections headed "**Purchase of Units**", "**Redemption of Units**" and "**Switching between Classes**" above. The applicable rates of such charges in respect of a Sub-Fund are set out in the Appendix for the relevant Sub-Fund.

Expenses and Charges Payable by the Sub-Fund

The following expenses, charges and fees are payable by the Sub-Fund.

Management Fee

The Manager is entitled to receive a management fee accrued on and calculated as at each Valuation Day and payable monthly in arrears out of each Sub-Fund as a percentage of the Net Asset Value of each class of Unit in a Sub-Fund as at each Valuation Day at the rates set out in the Appendix for the relevant Sub-Fund subject to a maximum fee of 3% per annum.

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

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

Trustee Fee

The Trustee is entitled to a Trustee Fee, payable out of the assets of each Sub-Fund which is based on the Net Asset Value of the relevant Sub-Fund at the rate set out in relevant Appendix for the Sub-Fund subject to a maximum fee of 0.5% per annum and a minimum monthly fee as agreed between the Manager and the Trustee in respect of the relevant Sub-Fund. The Trustee Fee is accrued daily and is payable monthly in arrears.

In addition, the Trustee is entitled a one-off set up fee in respect of the establishment of each Sub-Fund. Investors should refer to the Appendix relating to the relevant Sub-Fund for details.

The Trustee also acts as the Registrar of the Fund.

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

Custodian Fee

The Custodian is entitled to, among others, transaction charges at customary market rates and custody fees at different rates, largely depending on the markets where the Custodian is required to hold the Sub-Fund's assets. The current rate of the Custody Fee is set out in the Appendix for the relevant Sub-Fund. Such charges and fees will be calculated monthly and will be paid monthly in arrears. The Custodian will also be entitled to reimbursement by the Sub-Fund for any out-of-pocket expenses incurred in the course of its duties. The fees and expenses payable to the RQFII Custodian will be borne by the Custodian.

Establishment Costs

The establishment costs of the Fund and the initial Sub-Fund (i.e. GFIIM China RQFII Balanced Fund) will be borne by the initial Sub-Fund. Such costs amounted to RMB 1,000,000, and are being amortised over a period of five Accounting Periods (or such other period as determined by the Manager after consultation with the Auditors). Where subsequent Sub-Funds are established in the future, the Manager may determine that the unamortised establishment costs of the Fund or a part thereof may be re-allocated to such subsequent Sub-Funds.

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

General

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

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

In addition, the Manager pays QRMO a fee for providing services in respect of the Fund and the Sub-Fund(s) of not more than 0.04% per annum of the gross asset value (which is equal to the Net Asset Value of the relevant Sub-Fund plus any fees payable by that Sub-Fund for the relevant period) of the relevant Sub-Fund, subject to a minimum monthly fee of up to HKD 20,000. The Manager also paid QRMO an inception fee of HKD 20,000 and certain transaction and processing fees. The Manager seeks reimbursement of these fees from the relevant Sub-Fund.

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

Cash Rebates and Soft Commissions

Neither the Manager nor any of its connected persons will retain cash or other rebates from brokers or dealers in consideration of directing transactions for a Sub-Fund to such brokers or dealers, save that goods and services (soft commissions) may be retained if, such goods and services are of demonstrable benefit to the Unitholders, and the transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates. Any such cash commission or rebates received from any such brokers or dealers shall be for the account of the relevant Sub-Fund. Details of any such commissions will be disclosed in the annual and semi-annual report and accounts of the relevant Sub-Fund.

The Manager and/or any of its connected person reserves the right to effect transactions by or through the agency of another person with whom the Manager and/or any of its connected person 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 person 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 can reasonably be expected to benefit the relevant Sub-Fund as a whole and may contribute to an improvement in the performance of the relevant Sub-Fund or of the Manager and/or any of its connected person in providing services to the relevant Sub-Fund and for which no direct payment is made but instead the Manager and/or any of its connected person undertakes to place business with that party. 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.

If cash forming part of a Sub-Fund's assets is deposited with the Trustee, the Manager or with any connected person of these companies (being an institution licensed to accept deposits), interest must be received on the deposit at a rate not lower than the prevailing commercial rate for a deposit of that size and term.

TAXATION

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. Each prospective Unitholder should inform himself of, and where appropriate take advice on the taxes applicable to the subscription, acquisition, holding, redemption or disposing of Units both under the laws and practice of Hong Kong and the laws and practice of their respective jurisdictions. The information below is based on the law and practice in force in Hong Kong 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 Fund and the Sub-Fund are authorised by the SFC pursuant to section 104 of the SFO, under present law and practice in Hong Kong:

Taxation of the Fund

Profits derived by the Fund and the Sub-Fund are not expected to be subject to profits tax in Hong Kong upon the Fund and the Sub-Fund are authorised by the SFC as a collective investment scheme under section 104 of the SFO for offer to the retail public in Hong Kong.

Taxation of Unitholders

No profits tax in Hong Kong should be payable by Unitholders of the Sub-Fund (whether by way of withholding or otherwise) in respect of income distributions from the Sub-Fund or in respect of any capital gains arising on a sale, redemption or other disposal of Units, except that profits tax in Hong Kong may arise where such transactions form part of a trade, profession or business carried on in Hong Kong, and where the profits, not being regarded as capital in nature, arising in or derived from such trade, profession or business and being sourced in Hong Kong.

Stamp Duty

No Hong Kong stamp duty should be payable where the sale or transfer of the Units is effected by selling the relevant Units back to the Manager, who then either extinguishes the Units or re-sells the Units to another person within two months thereof.

Other types of sales or purchases or transfers of Units by the Unitholders 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.

Mainland China

Taxation of the Fund and Sub-Fund

*Corporate Income Tax ("**CIT**"):*

Dividend income or interest income – If the Fund or the Sub-Fund is considered as a tax resident enterprise of the PRC, it will be subject to CIT at 25% on its worldwide taxable income. If the Fund or the Sub-Fund is considered as a non-tax resident enterprise with an establishment or place of business in the PRC, the profits and gains attributable to that establishment or place of business would be subject to CIT at 25%.

The Manager intends to manage and operate the Fund and the Sub-Fund in such a manner that the Fund and the Sub-Fund should not be treated as tax resident enterprises of the PRC or non-tax resident enterprises with an establishment or place of business in the PRC for CIT purposes, although this cannot be guaranteed.

Unless a specific exemption or reduction is available under current PRC tax laws and regulations or relevant tax treaties, non-tax resident enterprises without an establishment or place of business in the PRC are subject to CIT 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 China Securities. Guoshuihan [2009] No. 47 clarifies that dividends and interests derived by QFIIs should be subject to withholding tax ("**WHT**") at a rate of 10% while there are no specific guidelines for RQFIIs in this regard yet. Guoshuihan [2009] No. 394 confirms that with effect from the year 2008, dividends derived from all listed shares of Chinese resident companies are subject to 10% WHT. Accordingly, the Fund or the Sub-Fund may be subject to WHT on any cash dividends, distributions and interest it receives from its investment in China Securities at the rate of 10%, subject to an applicable double tax treaty or arrangement, if any. For example, under the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" (the "PRC-HK Arrangement"), the WHT charged on interest received by non-resident enterprise holders of debt instruments will be 7% of the gross amount of the interests, if the holders are Hong Kong residents and are the beneficial owners of the interests under the PRC-HK Arrangement. Pre-approval from the PRC tax authorities is required before the reduced 7% rate can apply.

Under the PRC Corporate Income Tax Law ("**PRC CIT Law**"), interest derived from government bonds issued by the State Council's finance departments is exempt from PRC WHT. Interest income derived from bonds issued by local governments from 2009 to 2011 and 2012 and onwards is specifically exempt from CIT under Caishui [2011] No. 76 and Caishui [2013] No. 5, respectively.

Under current regulations in the PRC, foreign investors (such as the Fund and the Sub-Fund) may invest in onshore PRC securities, generally, only through a qualified foreign institutional investors ("**QFII**") or an RQFII (in this section referred to as the "**relevant RQFII**"). Assuming the current PRC laws only recognize the relevant RQFII as the legal owner of the onshore China Securities, any tax liability would, if it arises, be payable by the relevant RQFII, subject to further interpretations and rules that may be issued in the future. However under the terms of the arrangement between the relevant RQFII and the Fund, the relevant RQFII will pass on any tax liability to the Fund for the account of the Sub-Fund. As such, the Fund is the ultimate party which bears the risks relating to any PRC taxes which are so levied by the relevant PRC tax authority. Under current PRC tax laws and regulations, a relevant RQFII is subject to a WHT of 10% on cash dividends, distributions and interest from the Chinese Securities unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

Capital gains – Specific rules governing taxes on capital gains derived by QFIIs or RQFIIs from the trading of China Securities have yet to be announced. It is possible that the relevant tax authorities may in the future clarify the tax position on capital gains realised by the Fund or a Sub-Fund dealing in China Securities. In the absence of such specific rules, the income tax treatment should be governed by the general tax provisions of the PRC CIT Law. If the foreign investor is a non-tax resident enterprise without an establishment or place of business in the PRC, a 10% WHT would be imposed on the PRC-sourced capital gains, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

In light of the uncertainty on the income tax treatment on capital gains and in order to meet this potential tax liability for capital gains, the Manager reserves the right to provide for the WHT on such gains or income and withhold the tax for the account of the Sub-Fund and will notify the Unitholders should the Manager decide to exercise such right. Where any provision is made, the level of the provisioning will be set out in the relevant Appendix and amount of actual provision will be disclosed in the accounts of the Sub-Fund. Upon any future resolution of the above-mentioned uncertainty or further changes to tax law or policies, the Manager will, as soon as practicable, make relevant adjustments to the amount of tax provision as it considers necessary. Investors should note that if provision for taxation is made, in view of the uncertainties under the applicable PRC tax laws and the possibilities of such laws being changed and taxes being applied retrospectively, such provision may be excessive or inadequate to meet actual PRC tax liabilities on investments made by the Sub-Fund. As a result, investors may be advantaged or disadvantaged depending on the final outcome of how such gains will be taxed, the level of provision and when they subscribed and/or redeemed their Units in/from the relevant Sub-Fund. If no provision for potential WHT is made and in the event that the PRC tax authorities enforce the imposition of such WHT in respect of the Sub-Fund's investment, the net asset value of the Sub-Fund may be adversely affected. As a result, redemption proceeds or distributions may be paid to the relevant Unitholders without taking full account of tax that may be suffered by the Sub-Fund, which tax will subsequently be borne by the Sub-Fund and affect the net asset value of the Sub-Fund and the remaining Units in the Sub-Fund.

*Business Tax ("**BT**") and other surtaxes:*

The revised PRC Provisional Regulations of Business Tax ("**BT Regulations**"), which came into effect on 1 January 2009, stipulates that gains derived by taxpayers from the trading of marketable securities would be subject to BT at 5%. However, no specific tax administration and collection rules governing the imposition and collection of such BT in relation to foreign enterprises have been issued, to date.

Caishui [2005] 155 states that gains derived by QFIIs from the trading of Chinese Securities are exempt from BT. The new PRC BT Regulations which came into effect on 1 January 2009 has not changed this exemption treatment at the time of this Explanatory Memorandum. However, it is not clear whether a similar exemption would be extended to RQFIIs. Securities trading gains derived through RQFIIs may therefore be subject to BT at the rate of 5%.

However, for marketable securities other than those trading under QFIIs, the new BT Regulations shall apply to levy BT at 5% on the difference between the selling and buying prices of those marketable securities. Where capital gains are derived from trading of offshore PRC securities (e.g. China H-Shares), BT in general is not imposed as the purchase and disposal are concluded and completed outside China.

The new BT Regulations do not specifically exempt BT on interest earned by non-financial institutions. It is not entirely clear whether BT will apply to interest on government and corporate bonds. Practices among local tax authorities vary. Some local tax authorities treat interest income derived from government and corporate bonds as investment income which is not within the scope of BT, while some local tax authorities regard interest income derived from corporate bonds as subject to BT.

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

If BT is applicable, other surtaxes (which include Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) would also be charged at an amount as high as 12% on the 5% BT payable (or an additional 0.6%).

Stamp Duty:

Stamp duty under the PRC laws is generally levied on certain taxable documents executed or used in China, such as documentation effecting the transfer of equity interests in Chinese companies, including the contracts for the purchase and sale of China A-Shares and China B-Shares traded on the PRC stock exchanges and other documents that are listed in the PRC's Provisional Rules on Stamp Duty. Stamp duty is levied on the execution or receipt in China of certain documents, including contracts for the sale of China A-Shares and China B-Shares traded on the PRC stock exchanges. In the case of contracts for sale of China A-Shares and China B-Shares, such stamp duty is currently imposed on the seller but not on the purchaser, at the rate of 0.1%.

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

Further, no PRC stamp duty is expected to be imposed on non-tax resident holders of fund units, either upon subscription or upon a subsequent redemption of such fund units.

It should also be noted that the actual applicable tax rates imposed by State Administration of Taxation of the PRC ("**SAT**") may be different and may change from time to time. There is a possibility of the rules being changed and taxes being applied retrospectively. As such, any provision for taxation made by the Manager may be excessive or inadequate to meet final PRC tax liabilities. Consequently, Unitholders may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units.

If the actual applicable tax rate levied by SAT is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may be adversely impacted as the Sub-Fund will ultimately have to bear the additional tax liabilities. In this case, the then existing and new Unitholders will be disadvantaged. On the other hand, if the actual applicable tax rate levied by SAT is lower than that provided for by the Manager so that there is an excess in the tax provision amount, Unitholders who have redeemed their Units before SAT's ruling, decision or guidance in this respect will be disadvantaged as they would have borne the loss from the Manager's overprovision. In this case, the then existing and new Unitholders may benefit if the difference between the tax provision and the actual taxation liability under that lower tax rate can be returned to the account of the Sub-Fund as assets thereof.

<u>Taxation of Unitholders</u>

*Individual income tax ("**IIT**"):*

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

If an individual Unitholder is regarded as being domiciled in China, the Unitholder is subject to PRC IIT on its worldwide income. The investment distributions from the Trust, or gains realized on disposal of Units in the Trust received by the Unitholder should be subject to the standard tax rate of 20% provided that the income is considered as investment income or income from transfer of assets for purposes of the PRC IIT. Besides, if the Unitholder is a non-PRC domiciled individual but resides in China continuously for more than 5 full years (temporary absence of less than 30 days on a single trip or an aggregate period of less than 90 days in a calendar year will not count), this individual would be taxed on worldwide income basis in PRC beginning from the sixth year of residence or onwards if this individual resides in China for one full year in any year after the fifth year. The investment distributions from or gains realized on disposal of Units in the Fund this individual receives should be subject to the standard tax rate of 20% provided that the income is considered as investment income or income from transfer of assets for purposes of the PRC IIT.

CIT:

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

Corporate Unitholders who are considered to be PRC tax resident enterprise or non-PRC tax resident enterprise with an establishment or place of business in the PRC (and where such establishment holds the Units in the Fund as part of its business) should be subject to CIT on investment distributions from and gains realized on disposal of Units in the Fund.

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

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

REPORTS AND ACCOUNTS

The Fund's financial year end is on 31 December in each year. The Manager will not distribute printed copies of the annual report and audited accounts but instead make available such report and accounts to Unitholders (in printed and electronic forms). The Manager will notify Unitholders where and when the annual report and audited accounts (in English) can be obtained (in printed and electronic forms) within four months after the end of the financial year, and where and when the unaudited semi-annual reports (in English) can be obtained (in printed and electronic forms) within two months after 30 June in each year. Notwithstanding the above, printed copies of the annual and semi-annual reports will be available upon request of Unitholders free of charge at any time during normal business hours on any Business Day at the Manager's office and such reports will also be available in electronic copies at http://www.gffunds.com.hk[1].

In the event the Manager decides to change the means to make available financial reports stated above to Unitholders, not less than one month's prior notice will be given to Unitholders.

DISTRIBUTION OF INCOME

Unless otherwise described in the relevant Appendix, the Manager does not intend to make any distribution of income or out of the capital of a Sub-Fund.

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.

[1] This website has not been reviewed by the SFC.

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

VOTING RIGHTS

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

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

PUBLICATION OF PRICES

The Net Asset Value per Unit of each Sub-Fund at each Valuation Day will be published at least once a month in Hong Kong in the South China Morning Post and the Hong Kong Economic Times, and on the website of the Manager http://www.gffunds.com.hk[2].

TRANSFER OF UNITS

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

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

[2] This website has not been reviewed by the SFC.

COMPULSORY REDEMPTION OR TRANSFER OF UNITS

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

TRUST DEED

The Fund was established under the laws of Hong Kong by a Trust Deed dated 11 April 2014 made between GF International Investment Management Limited as Manager and BOCI-Prudential Trustee Limited as Trustee.

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

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

TERMINATION OF THE FUND OR ANY SUB-FUND

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

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

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

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

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

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

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

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

(a) on any date, in relation to the Fund, the aggregate Net Asset Value of all Units outstanding thereunder shall be less than RMB100 million or in relation to a Sub-Fund, the aggregate Net Asset Value of the Units of the relevant class outstanding thereunder shall be less than RMB5 million or such other amounts as disclosed in the relevant Appendix; or

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

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

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

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

ANTI-MONEY LAUNDERING REGULATIONS

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

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

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

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

CONFLICTS OF INTEREST

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

The Manager may conduct transactions with brokers or dealers connected to the Manager or any of its connected persons. In transacting with brokers or dealers connected to the Manager or any of its connected persons, the Manager will ensure compliance with the following obligations:-

(i) such transactions should be on arm's length terms;
(ii) the Manager must use due care in the selection of brokers or dealers and ensure that they are suitably qualified in the circumstances;
(iii) transaction execution must be consistent with applicable best execution standards;
(iv) the fee or commission paid to any such broker or dealer in respect of a transaction may not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature;
(v) the Manager will monitor such transactions to ensure compliance with these obligations; and
(vi) the nature of such transactions and the total commissions and other quantifiable benefits received by such broker or dealer will be disclosed in the annual and interim report and accounts of the Fund.

DOCUMENTS AVAILABLE FOR INSPECTION

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

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

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

(c) the latest financial reports of the Fund and the Sub-Fund(s).

APPENDIX I – GFIIM China RQFII Balanced Fund

This Appendix comprises information in relation to GFIIM China RQFII Balanced Fund, a Sub-Fund of the Fund.

Definitions

For this Sub-Fund, "**HK & PRC Business Day**" shall mean a Business Day on which banks and stock exchanges in Hong Kong and the PRC are open for normal business or such other day or days as the Manager and the Trustee may agree from time to time.

Initial Offer

Units of GFIIM China RQFII Balanced Fund will be available for subscription during the period commencing 9:00 a.m. (Hong Kong time) on 2 May 2014 to 4:00 p.m. (Hong Kong time) on 30 May 2014 (or such other dates as the Manager may determine). It is expected that the first Dealing Day will be 3 June 2014 (or such other date as the Manager may determine). If any such day is not a HK & PRC Business Day, the following HK & PRC Business Day will become the first Dealing Day.

The Manager may close the Sub-Fund to further subscriptions before the end of the initial offer period (i.e. 30 May 2014) without any prior or further notice if the total subscription amount reaches RMB540 million.

The following classes of Units are initially being offered at the respective initial offer prices during the initial offer period:

<u>Class</u>	Initial Offer Price per Unit (exclusive of initial charge)
Class A Units	RMB100
Class I Units	RMB100

The Manager is entitled to charge an initial charge of up to 3% of the Issue Price of each Unit in relation to an application in respect of Class A and I Units.

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

The Manager has set a minimum total subscriptions amounting to RMB50 million to be received during the initial offer period failing which the Manager may either extend the initial offer period or decide that the Sub-Fund shall not launch. If the Manager decides not to launch the Sub-Fund, application moneys paid by applicants will be returned without interest, within 14 HK & PRC Business Days after the expiry of the initial offer period, by cheque through the post, by telegraphic transfer to the bank account from which the moneys originated, at the risk and expense of the applicants or in such other manner determined by the Manager.

Application Moneys / Redemption Proceeds

Applicants for Units should note that application moneys for this Sub-Fund must be paid in RMB. Where Unitholders redeem their Units, redemption proceeds will be paid to the relevant Unitholders in RMB only.

Base Currency

The base currency of the Sub-Fund is RMB.

Investment Objective and Policy

The investment objective of the GFIIM China RQFII Balanced Fund is to provide long term capital growth principally from a portfolio of equity and equity-related securities of companies listed on the stock exchanges in the PRC, and stable income with capital appreciation through investment in primarily fixed income securities issued within the PRC through the RQFII quota of the Manager. All investments of the Sub-Fund will be onshore investments issued in the PRC.

To achieve the investment objective, the Sub-Fund will invest in a portfolio consisting primarily of:-

(i) Equity and equity-related securities listed in Mainland China which include (a) China A-Shares and (b) equity funds approved by the CSRC and offered to the public in Mainland China (collectively, "**PRC Equity Securities**"); and

(ii) RMB denominated and settled fixed income securities trading on the interbank bond market and/or the exchange bond market which include (a) bonds issued or distributed within Mainland China by governments, quasi-government organizations, financial institutions and other corporations, for example, government bonds and notes, municipal bonds, Urban Investment Bonds (城投債), corporate bonds, financial bonds, commercial papers and convertible bonds and (b) fixed income funds and money market funds approved by the CSRC and offered to the public in Mainland China (collectively, "**PRC Fixed Income Securities**").

Investment in equity funds, fixed income funds and money market funds approved by the CSRC which are offered to the public in Mainland China will not exceed 10% of the Net Asset Value of the Sub-Fund.

The Sub-Fund may invest: (i) up to 70% of its Net Asset Value in Urban Investment Bonds (城投債) and (ii) up to 60% of its Net Asset Value in fixed income securities which are rated BB+ or below by major local credit rating agencies or unrated. For the avoidance of doubt, the Manager will first consider the credit rating of a fixed income security itself, and only if it is not available, the Manager will then consider the credit rating of its issuer, which will become the implied rating of the fixed income security, if applicable. If neither the fixed income security nor its issuer is rated, such fixed income security shall be classified as unrated.

Up to 80% of the Sub-Fund's Net Asset Value may be invested in China A-Shares, among which up to 60% of the Sub-Fund's Net Asset Value may be invested in those which are issued by small and/or mid-capped companies.

The Sub-Fund may also invest in other permissible investments pursuant to the applicable PRC rules and regulations. If the Manager deems appropriate, the Sub-Fund may hold a portion of its assets in cash or cash equivalents. The Manager will adjust the allocation to cash or cash equivalents depending on the Sub-Fund's operational needs and prevailing market conditions.

An indicative investment allocation of the Sub-Fund is set out below:

Type of securities	**Exposure in terms of percentage of the Sub-Fund's Net Asset Value (indicative only)**
PRC Equity Securities (including equity funds approved by the CSRC and offered to the public in Mainland China) and PRC Fixed Income Securities (including fixed income funds and money market funds approved by the CSRC and offered to the public in Mainland China)	70-100%*
Cash or cash equivalents	0-30%

* The Sub-Fund's portfolio is subject to change or adjustment based on the analysis undertaken by the Manager and prevailing market conditions and circumstances, subject always to applicable rules and regulations. There is no minimum percentage of the portfolio which will be allocated to either PRC Equity Securities or PRC Fixed Income Securities.

The Sub-Fund does not and will not enter into securities lending, repurchase / reverse repurchase transactions or similar over-the-counter transactions in respect of the Sub-Fund. The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to Unitholders before the Manager engages in any such transactions and this Explanatory Memorandum will also be updated accordingly.

The Sub-Fund will not invest in any derivatives, structured deposits, structured products or asset backed securities (including asset backed commercial papers) for hedging or non-hedging purposes.

Investment Strategy

The Manager aims to diversify the Sub-Fund's asset allocation between equity securities and fixed income securities and will employ an active allocation approach. The Manager has formulated fixed income securities investment strategy and equity securities investment strategy to achieve its investment objective.

Equity securities investment strategy

The Sub-Fund's equity securities portfolio is expected to be diversified between growth and value equity investment styles, by employing an active blend investment approach. The Manager will select growth and value equity securities based on its fundamental growth and value investment disciplines to produce blended portfolio.

The Sub-Fund seeks to invest in growth stocks by using proprietary research to identify companies or industries that other investors have underestimated, overlooked or ignored (for example, some hidden earnings power (including, but not limited to, reduced competition, market share gain, better margin trend, increased customer base, or similar factors) that would cause a company to grow faster than the average market forecasts).

The Sub-Fund also seeks to invest in value stocks that are attractively priced relative to long-term earnings prospects and dividend distribution capability. The Manager will evaluate a company's financial performance over a full economic cycle and focus on the valuation implied by the current price relative to the earnings the company will be generating in five years.

Under normal market conditions, the Sub-Fund's equity securities portfolio is expected to comprise approximately 50% of growth stocks and 50% of value stocks. However, under extraordinarily circumstances, when conditions favoring one or the other investment style are compelling, the range may vary to a 30%/70% allocation before rebalancing takes place.

The Manager will use a top-down macro and sector overlay through conducting thorough analysis of macroeconomic factors, government policies, consensus earnings growth, market valuation and liquidity to formulate asset and sector allocation strategies. Also, the Manager will conduct thematic analysis to indentify cross-sector opportunities in a systematic way.

Fixed income securities investment strategy

The Sub-Fund's fixed income securities portfolio is expected to be diversified across a wide range of debt securities and cash equivalents based on analysis of the macro-economic, monetary and fiscal market environment, as well as on individual securities' fundamentals. The Sub-Fund's fixed income securities portfolio generally comprises fixed income securities diversified across various maturity buckets and across the credit spectrum, and each security is expected to be selected by considering various factors including but not limited to duration, term structure, sector allocation and credit quality, as follows:

<u>Duration strategy</u>
The Sub-Fund will adjust the duration risk of the fixed income investment portfolio based on expectations of global and Mainland China's macroeconomic cycle and monetary policy.

Term structure strategy
The Sub-Fund will adjust the allocation of short-term, medium-term and long-term securities based on the Manager's expectations on the changes in the shape of the RMB yield curve term structure.

Sector allocation strategy
The Sub-Fund will adjust the allocation of investments actively among government bonds, agency bonds, corporate bonds as well as deposits in order to seek optimal risk-adjusted returns across the various investments comprising the portfolio.

Credit quality strategy
The Sub-Fund will focus on instruments selected based on the Manager's strong understanding and analytical skills on credits in Mainland China. Through credit analysis, liquidity analysis and fundamental analysis, the Sub-Fund will adjust the allocation of investments among instruments with credit rating spectrum to seek better risk-adjusted returns.

Overview of the China A-Share Market and Fixed Income Securities Market

Please refer to Annex A for an overview of the China A-Share market and fixed income securities market in the PRC.

Renminbi Qualified Foreign Institutional Investor (RQFII)

Under prevailing RQFII regulations in the PRC, foreign institutional investors who wish to invest directly in the PRC domestic securities market may apply for an RQFII licence. The RQFII Holder (i.e. the Manager) has obtained an RQFII licence in the PRC. Currently it is intended that the Sub-Fund will obtain exposure to RMB denominated fixed income securities issued within Mainland China, China A-Shares and other permissible investments by using the RQFII quotas of the RQFII Holder (i.e. the Manager).

As of the date of this document, the Manager has obtained RQFII status and has been granted, on behalf of the Sub-Fund, an RQFII quota of RMB 600 million.

The RQFII regime is governed by rules and regulations as promulgated by the mainland Chinese authorities, i.e., the CSRC, the SAFE and the PBOC. Such rules and regulations may be amended from time to time and include (but are not limited to):

(i) the "Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors" (人民幣合格境外機構投資者境內證券投資試點辦法) issued by the CSRC, the PBOC and the SAFE and effective from 1 March 2013;

(ii) the "Implementation Rules for the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors" (關於實施《人民幣合格境外機構投資者境內證券投資試點辦法》的規定) issued by the CSRC and effective from 1 March 2013;

(iii) the "Circular on Issues Related to the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors" (國家外匯管理局關於人民幣合格境外機構投資者境內證券投資試點有關問題的通知) issued by SAFE and effective from 21 March 2013 ("**RQFII Measures**");

(iv) the "Notice of the People's Bank of China on the Relevant Matters concerning the Implementation of the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors" (中國人民銀行關於實施《人民幣合格境外機構投資者境內證券投資試點辦法》有關事項的通知) issued by the PBOC and effective from 2 May 2013; and

(v) any other applicable regulations promulgated by the relevant authorities.

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

Securities including RMB denominated fixed income securities issued within Mainland China, China A-Shares and other permissible investments will be maintained by the RQFII Custodian pursuant to PRC regulations through securities accounts with the China Securities Depository and Clearing Corporation Limited in such name as may be permitted or required in accordance with PRC law.

Investors should pay attention to the risk factors headed "**RQFII risk**", "**Application of RQFII rules**", "**Cash deposited with the RQFII Custodian**" and "**PRC brokerage risk**" under the section headed "**Specific Risk Factors**". The Manager has obtained an opinion from PRC legal counsel to the effect that, as a matter of PRC laws:

(a) securities account(s) with relevant depositories and RMB special deposit account(s) with the RQFII Custodian (respectively, the "**securities account(s)**" and the "**cash account(s)**") shall be opened in the joint name of the Manager and the Sub-Fund for the sole benefit and use of the Sub-Fund in accordance with all applicable laws and regulations of the PRC and with approval from all competent authorities in the PRC;

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

(c) the assets held/credited in the cash account(s) (i) become an unsecured debt owing from the RQFII Custodian to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager (as the RQFII Holder) and any PRC Broker(s), and from the assets of other clients of the Manager (as the RQFII Holder) and any PRC Broker(s);

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

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

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

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

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

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

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

The Manager, as the holder of the RQFII quotas of the Sub-Fund, will be responsible for ensuring that all transactions and dealings will be dealt with in compliance with the Trust Deed (where applicable) as well as the relevant laws and regulations applicable to the RQFII Holder. If any conflicts of interest arise, the Manager will have regard in such event to its obligations to the Sub-Fund and will endeavour to ensure that such conflicts are resolved fairly and in the best interests of the Unitholders.

PRC Tax Provisions

For further details relating to PRC taxes and the associated risks, please refer to the risk factor headed "**PRC tax risk considerations**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

The Manager will make provisions for any PRC taxes payable by the Sub-Fund on dividend from China A-Shares, interest from RMB denominated fixed income securities and the gross capital gains, whether realised or unrealised, derived from China A-Shares and RMB fixed income securities at a rate of 10%. Such provision may be excessive or inadequate to meet the actual tax liabilities. Upon the availability of a definitive tax assessment or the issue of announcements or regulations by the competent authorities promulgating definitive tax assessment rules, any sums withheld in excess of the tax liability incurred or is expected to be incurred by the Sub-Fund shall be released and transferred to the Sub-Fund's accounts forming part of the Sub-Fund's assets. In case of any shortfall between the provisions and actual tax liabilities, which will be debited from the Sub-Fund's assets, the Sub-Fund's asset value will be adversely affected.

Specific Risk Factors

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

Investment risk - The Sub-Fund mainly invests in RMB denominated equity and fixed income securities and these instruments may fall in value due to market fluctuations and the risks inherent in all investments. Investors may suffer losses as a result. The Sub-Fund is not principal guaranteed and the purchase of its Units is not the same as investing directly in debt securities.

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

RQFII risk - The Sub-Fund is not an RQFII but may obtain access to Renminbi denominated fixed income securities, China A-Shares or other permissible investments directly using RQFII quotas of an RQFII. The Sub-Fund may invest directly in RQFII eligible securities investment via the RQFII status of the RQFII Holder (i.e. the Manager). The following risks are relevant to the RQFII regime:

Risks regarding RQFII status and RQFII quota

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

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

RQFII quotas are generally granted to an RQFII. The rules and restrictions under RQFII regulations, generally apply to the RQFII as a whole and not simply to the investments made by the Sub-Fund. It is provided in the RQFII Measures that the size of the quota may be reduced or cancelled by the SAFE if the RQFII is unable to use its RQFII quota effectively within one year since the quota is granted. If the SAFE reduces the RQFII's quota, it may affect the Manager's ability to effectively pursue the investment strategy of the Sub-Fund. On the other hand, the SAFE is vested with the power to impose regulatory sanctions if the RQFII or the RQFII Custodian violates any provision of the RQFII Measures. Any violations could result in the revocation of the RQFII's quota or other regulatory sanctions and may adversely impact on the portion of the RQFII's quota made available for investment by the Sub-Fund.

Repatriation and liquidity risks

In addition, certain restrictions imposed by the Chinese government on RQFIIs may have an adverse effect on the Sub-Fund's liquidity and performance. The SAFE regulates and monitors the repatriation of funds out of the PRC by the RQFII pursuant to the RQFII Measures. Repatriations in RMB conducted by RQFIIs in respect of an open-ended RQFII fund (such as the Sub-Fund) are currently not subject to any lock-up periods, prior approval or other repatriation restrictions, although authenticity and compliance reviews will be conducted, and monthly reports on remittances and repatriations will be submitted to SAFE by the RQFII Custodian. There is no assurance, however, that PRC rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Any restrictions on repatriation of the invested capital and net profits may impact on the Sub-Fund's ability to meet redemption requests from the Unitholders. Furthermore, as the RQFII Custodian's review on authenticity and compliance is conducted on each repatriation, the repatriation may be delayed or even rejected by the RQFII Custodian in case of non-compliance with the RQFII regulations. In such case, it is expected that redemption proceeds will be paid to the redeeming Unitholder as soon as practicable after completion of the repatriation of funds concerned. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the Manager's control.

Application of RQFII rules - The RQFII regulations described under the section headed "**Renminbi Qualified Foreign Institutional Investor (RQFII)**" above have only been recently announced and enable Renminbi to be remitted into and repatriated out of the PRC. The rules are novel in nature and their application may depend on the interpretation given by the relevant Chinese authorities. Investment products (such as the Sub-Fund) which make investments pursuant such RQFII regulations are among the first of its kind. Any changes to the relevant rules and regulations may have an adverse impact on investors' investment in the Sub-Fund. In the worst scenario, the Manager may determine that the Sub-Fund shall be terminated if it is not legal or viable to operate the Sub-Fund because of changes to the application of the relevant rules.

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

Renminbi currency risk – Renminbi is currently not a freely convertible currency as it is subject to foreign exchange control policies of and repatriation restrictions imposed by the Chinese government. If such policies change in future, the Sub-Fund's or the investors' position may be adversely affected.

Investors may subscribe for Units and receive redemption proceeds in RMB. There is no assurance that RMB will not be subject to devaluation, in which case the value of their investments will be adversely affected. If investors convert HKD or any other currency into RMB so as to invest in the Sub-Fund and subsequently convert the RMB redemption proceeds back into HKD or any other currency, they may suffer a loss if RMB depreciates against HKD or such other currency.

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

Risk relating to equity and equity-related securities - The Sub-Fund may invest in equity and equity-related securities in Mainland China and is therefore subject to market risks. The value of such investments may be volatile and may be affected by uncertainties such as international, political and economic developments, changes in government policies, investment sentiment, regional or global economic instabilities, currency and interest rate fluctuations, etc. In falling equity markets there may be increased volatility. Market prices in such circumstances may defy rational analysis or expectation for prolonged periods of time, and can be influenced by movements of large funds as a result of short-term factors, counter-speculative measures or other reasons. If the market value of equity securities in which the Sub-Fund invests goes down, its Net Asset Value may be adversely affected, and investors may suffer substantial losses.

Risks associated with Urban Investment Bonds (城投債) – The Sub-Fund may invest up to 70% of its Net Asset Value in Urban Investment Bonds (城投債). Although these Urban Investment Bonds, which are issued by LGFVs, may appear to be connected with local government bodies, they are typically not guaranteed by such local government bodies or the central government of the PRC. As such, local government bodies or the central government of the PRC are not obligated to support any LGFVs in default. In the event that the LGFVs default on payment of principal or interest on the Urban Investment Bonds, the Sub-Fund could suffer very significant loss and the Net Asset Value of the Sub-Fund could be adversely affected.

Credit risk of issuers / counterparties – Investment in RMB denominated fixed income securities is subject to the counterparty risk of the issuers which may be unable or unwilling to make timely payments on principal and/or interest. In the event of a default or credit rating downgrading of the issuers, valuation of the Sub-Fund's portfolio may become more difficult, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against such issuers as they may be incorporated outside Hong Kong and subject to foreign laws.

RMB denominated fixed income securities 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 the fixed income securities only after all secured claims have been satisfied in full. The Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

Risks of investing in PRC fixed income securities markets and of lower rated or unrated fixed income securities – The financial market of the PRC is at early stage of development, and some of the fixed income securities held by the Sub-Fund may be lower rated or may not be rated by any rating agency of an international standard. In general, fixed income securities that have a lower credit rating or that are unrated will be more susceptible to the credit risk of the issuers. In particular, the Sub-Fund may invest up to 60% of its Net Asset Value in fixed income securities which are rated BB+ or below by major local credit rating agencies or unrated. Such securities are generally subject to a higher degree of credit risk and a lower degree of liquidity, which may result in greater fluctuations in value. The value of these securities may also be more difficult to ascertain and thus the Net Asset Value of the Sub-Fund may be more volatile. Please refer to the risk factor headed "**Below investment grade and unrated securities risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

Risk of credit rating not the only selection criterion – The credit rating of a fixed income security is not the only selection criterion for investment by the Sub-Fund. Investors should therefore note that even if all the fixed income securities the Sub-Fund currently invests in have a higher credit rating, there is no assurance that (a) such fixed income securities will continue to have a higher credit rating, (b) the Sub-Fund will not invest in fixed income securities that do not have a higher credit rating in future; (c) such fixed income securities will continue to be rated, and/or (d) the Sub-Fund will not invest in non-rated fixed income securities in future. Moreover, the Manager may or may not, in its sole discretion, dispose of fixed income securities of which the credit rating falls to BB+ or below by major local credit rating agencies. The Manager will take into account factors including liquidity and maturity date of the relevant fixed income securities and market sentiment towards the fixed income securities at the relevant time to determine whether (and when) disposing of a fixed income security of which the credit rating falls to BB+ or below by major local credit rating agencies is in the financial interest of the Sub-Fund. Please also refer to "**Risks associated with Chinese local credit ratings**" below.

Risks associated with Chinese local credit ratings – Investors should note the limitations of credit ratings set out under the risk factors headed "**Credit rating downgrading risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum. In addition, the Sub-Fund may invest in securities the credit ratings of which are assigned by the Chinese local credit rating agencies.

Local credit rating agencies must be approved by the relevant PRC authorities to conduct ratings business and are also subject to industry self-regulation. However, at present, the PRC's domestic credit rating industry lacks a strong reputation and authority amongst market participants in comparison to its counterparts in more developed markets. This is in part due to the highly-regulated nature of the PRC bond markets, which may result in credit ratings being perceived as superfluous.

In addition, the rating process may lack transparency and the rating criteria and methodology used by such agencies may be significantly different from those adopted by most of the established international credit rating agencies. Therefore, such rating system may not provide an equivalent standard for comparison with securities rated by international credit rating agencies. Consequently, there is little assurance that credit ratings are independent, objective and of adequate quality. In some cases, local credit agencies have been suspected of engaging in “ratings inflation” in order to generate more income from the ratings business. As a result, credit ratings given by local credit rating agencies are often disregarded by market participants when making investment and financing decisions. In selecting the Sub-Fund’s fixed income portfolio, the Manager may refer to credit ratings given by PRC local credit rating agencies for reference but will primarily rely on its own internal analysis to evaluate each fixed income security independently. Investors should also exercise caution before relying on any local credit ratings.

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

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

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

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

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

PRC brokerage risk – The execution and settlement of transactions or the transfer of any funds or securities may be conducted by brokers ("**PRC Brokers**") and/or the RQFII Custodian appointed by the RQFII. There is a risk that the Sub-Fund may suffer losses from the default, bankruptcy or disqualification of the PRC Brokers and/or the RQFII Custodian. In such event, the Sub-Fund may encounter delays in recovering its assets and the Sub-Fund may be adversely affected in the execution or settlement of any transaction or in the transfer of any funds or securities. Subject to the applicable laws and regulations in the PRC, the Manager will make arrangements to ensure that the PRC Brokers and RQFII Custodian have appropriate procedures to properly safe-keep the Sub-Fund's assets.

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

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

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

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

Municipal bond risk - The State Council has recently approved municipal debt issuance on a pilot basis covering a number of local governments. However, local governments have also taken on debt in other forms, including through the urban development investment vehicles. Recent events have highlighted the risk of possible defaults by such urban development investment vehicles. Investors should note that RMB fixed income securities may not be guaranteed by the Chinese government.

Convertible bonds - The Sub-Fund may invest in convertible bonds. Convertibles are a hybrid between debt and equity, permitting holders to convert into shares or stocks in the company issuing the bond at a specified future date. Prior to conversion, convertible bonds have the same general characteristics as non-convertible fixed income securities and the market value of convertible bonds tends to decline as interest rates increase and increase as interest rates decline. However, while convertible bonds generally offer lower interest or dividend yields than non-convertible fixed income securities of similar quality, they enable the Sub-Fund to benefit from increases in the market price of the underlying stock, and hence the price of a convertible bond will normally vary with changes in the price of the underlying stock. Therefore, investors should be prepared for greater volatility than straight bond investments, with an increased risk of capital loss, but with the potential of higher returns.

Investors should also note the interest rate risk associated with investments in fixed income securities. Please refer to the risk factor headed "**Interest rate risk**" under the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum for details.

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

Risk of investing in other funds - Whilst the Sub-Fund may invest in funds approved by the CSRC and offered to the public in the PRC, these are not regulated by the SFC. Also, the Manager does not have any control over the investment decisions made by the managers of the underlying funds. In addition to the expenses and charges payable by the Sub-Fund as disclosed in this Explanatory Memorandum, the Sub-Fund will also bear indirectly fees charged by the managers and other service providers of the underlying funds. The Manager will seek to invest in underlying funds which allow redemption within a reasonable time frame. However, there is no assurance that the liquidity of the underlying funds will always be sufficient to meet redemption requests as and when made. If the Sub-Fund invests in an underlying fund managed by the Manager, potential conflicts of interest may arise. Please refer to the section headed "**Conflicts of Interest**" in the main part of the Explanatory Memorandum.

Other risks - Investment in the Sub-Fund is subject to risks that apply to equity securities and risks that apply to fixed income securities, including the credit risk of the issuers and interest rate risk. Further, investors should note the relevant PRC tax risk considerations that apply to the Sub-Fund. Investors should refer to the relevant risk factors in the section headed "**Risk Factors**" in the main part of the Explanatory Memorandum.

In particular, the Chinese government's macro-economic policies and controls (including its monetary and fiscal policies) will have significant influence over the capital markets in China. Changes in fiscal policies, such as interest rates policies, may have an adverse impact on the pricing of fixed income securities held by the Sub-Fund. The return of the Sub-Fund will be adversely affected as a result.

Available Classes

The following class of Units is available for sale to the retail public in Hong Kong.

Class	**Class Currency**
Class A	RMB

The following class of Units is offered to institutional investors:

Class	Class Currency
Class I	RMB

The Manager accepts payment of subscription moneys in the class currency of the relevant Units.

Investment Minima

Minimum Subscription Amount	**Class A**: RMB10,000 **Class I**: RMB10,000,000
Minimum Subsequent Subscription Amount	**Class A**: RMB5,000 **Class I**: RMB1,000,000
Minimum Holding	**Class A**: Units with aggregate minimum value of RMB5,000 **Class I**: Units with aggregate minimum value of RMB1,000,000
Minimum Redemption Amount	**Class A**: Units with aggregate minimum value of RMB5,000 **Class I**: Units with aggregate minimum value of RMB1,000,000

Fees

Fees payable by investors	
Initial Charge (% of Issue Price)	**Class A and Class I**: up to 3%
Redemption Charge (% of Redemption Price)	**Class A and Class I**: Nil
Switching Charge (% of the redemption proceeds payable in respect of the Units of the Existing Class being switched)	**Class A and Class I**: Nil
Fees payable by the Sub-Fund	
Management Fee (% Net Asset Value of the Sub-Fund)	**Class A**: 1.35% p.a. **Class I**: 1% p.a.
Trustee Fee (% Net Asset Value of the Sub-Fund)	**Class A and Class I**: up to 0.175% p.a., subject to a minimum monthly fee of RMB40,000

Trustee Set up Fee (one-off set up fee payable to the Trustee in respect of the establishment of the Sub-Fund)	RMB30,000
Custody Fee (including fees payable to the Custodian and RQFII Custodian) (% Net Asset Value of the Sub-Fund)	**Class A and Class I**: up to 0.1 % p.a.

Establishment Costs

The costs of establishment of the GFIIM RMB Series II and the GFIIM China RQFII Balanced Fund (the initial Sub-Fund) have been described in the main part of the Explanatory Memorandum.

Dealing Day

Each HK & PRC Business Day shall be a Dealing Day.

Dealing Deadline

4:00 p.m. (Hong Kong time) on the relevant Dealing Day. The Authorised Distributor(s) may impose an earlier cut-off time before the Dealing Deadline for receiving instructions for subscriptions, redemptions or switching. Investors should confirm the arrangements with the Authorised Distributor(s) concerned.

Subscription, Redemption and Switching of Units

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

No conversion into currency other than RMB may be made with respect to subscription and redemption of Units. No switching may be made between Units denominated in RMB and Units denominated in another currency.

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends. It is currently intended that distributions (if any) will be made on a semi-annual basis (i.e. June and December each year) in RMB. There is no guarantee of regular distribution and if distribution is made the amount being distributed. Only the net income (the income net of expenses) of the Sub-Fund may be distributed. No distribution will be paid out of the Sub-Fund's capital.

All distributions declared on the Sub-Fund will be automatically reinvested unless otherwise elected by the Unitholders, in which case the relevant proceeds will be paid to the Unitholders accordingly.

Valuation

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

Documents Available for Inspection

Please refer to the section headed "**Documents Available for Inspection**" in the main part of the Explanatory Memorandum. Copies of the following document(s) are available for inspection during normal working hours at the offices of the Manager free of charge and copies thereof may be obtained from the Manager upon payment of a reasonable fee:-

(i) the RQFII Custodian Agreement between the Manager, the Custodian and the RQFII Custodian; and

(ii) the Participation Agreement between the Manager, the Trustee, the Custodian and the RQFII Custodian.

ANNEX A

(A) Overview of the China A-Share Market

The Stock Exchanges in Mainland China

Mainland China has two stock exchanges, located in Shanghai and Shenzhen respectively. Shanghai Stock Exchange ("**SSE**") was established on 26 November1990 and started trading on 19 December of the same year. Shenzhen Stock Exchange ("**SZSE**") was established on 1 December 1990. The two exchanges are under the direct management of the CSRC. Their main functions include: to provide premises and facilities for securities trading; to develop the business rules of the exchanges; to accept listing applications and arrange for the listing of securities; to organize and supervise securities trading; to regulate exchange members and listed companies; to manage and disclose market information.

SSE adopts an electronic trading platform. The trading of all exchange-traded securities are required to be submitted to the exchange's matching engine which automatically matches orders based on price priority and time priority. The SSE's new trading system has a peak order processing capacity of 80,000 transactions per second. It has a bilateral transactions capacity of over 120 million which is equivalent to the size of daily turnover of RMB1.2 trillion by a single market. The system also has parallel scalability.

The SZSE, assuming the mission to build China's multi-level capital market system, has fully supported small and middle size enterprise development, and promoted the implementation of the national strategy of independent innovation. In May 2004, it officially launched the Small and Medium Enterprise ("**SME**") board; in January 2006, it started a pilot program for shares trading of non-listed companies of the Zhongguancun Science Park; it officially launched Growth Enterprises Market ("**GEM**") board in October 2009. After years of development, the SZSE has basically established a multi-level capital market system architecture consisting the above market boards and systems.

After years of sustained development, the two exchanges have made great achievements in terms of products and quantity listed. Now the listed products include: China A-Shares, China B-Shares, open-ended funds, close-ended funds, exchange traded funds and bonds. As of 31 January 2013, the number of listed companies amounted to 2494, including 954 in Shanghai, 1540 in Shenzhen. The combined market capitalization of the two exchanges amounted to RMB24.4 trillion of which RMB19.3 trillion is free float. Currently, there are derivatives such as warrants and index futures and fixed income products listed on the SSE and SZSE.

The regulatory agency of each stock exchange is its Stock Exchange Council. The Council consists of member directors and non-member directors. The highest decision-making body of an exchange is the General Assembly; however, the Council decides the business agenda of the exchange. The Council reports to the General Assembly, and assumes the following powers:

- To convene the General Assembly, report to the General Assembly, the implementation of the resolutions of the General Assembly;

- To enact, amend the relevant business rules of the Stock Exchange;
- To approve the general work plan submitted by its Chief Executive Officer, budget plan and the draft final accounts;
- To approve the membership admission and approve the sanction of members;
- To decide the stock exchange’s internal structure;
- Other powers conferred by the General Assembly.

Development of the China A-Share market

In the 80s of last century, with huge demand of public capital from the national economic development, the State started a pilot reform program adopting the joint-stock system, commencing first in Shanghai, Shenzhen and several other cities. After the Reform and Opening up China's first stock - “Shanghai Feile Audio-Visual” was born in November 1984.

Then in 1990, the SSE and SZSE officially opened, marking the official start of the rapid development of the Chinese stock market. The China A-Share markets in SSE and SZSE commenced on 19 December 1990 and 1 December 1990 respectively. Initially, trading in A-Shares are restricted to domestic investors only while China B-Shares are available to both domestic (since 2001) and foreign investors. However, after reforms were implemented in December 2002, foreign investors are now allowed (with limitations) to trade in China A-shares under the qualified foreign institutional investor program which was launched in 2003 and the RQFII program which was launched in 2011.

After 20 years of development, the China A-Share market has since grown to become influential on the global market. The participants in the China A-Share market include retail investors, institutional investors and listed companies. The total market capitalization of the two exchanges combined as at 31 January 2013 has reached RMB24.4 trillion, and the floating market capitalization has reached RMB19.3 trillion, accounting for 6.7% of global market capitalization and ranking third. As of 31 January 2013, there were 2494 China A-Share companies listed on the SSE and SZSE.

(B) Overview of the Fixed Income Securities Market

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

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

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

	Interbank Bond Market	**Exchange Bond Market**

	Interbank Bond Market	**Exchange Bond Market**
Size	RMB 27,658.64 billion, as at 29 November 2013 (source: www.chinabond.com.cn, Wind)	RMB 15,703.68 billion, as at 29 November 2013 (source: www.chinabond.com.cn, Wind)
Major types of products being traded	Government bonds, central bank bills, financial bonds, enterprise bonds, commercial papers, mid-term notes, asset backed securities, panda bonds (i.e. RMB-denominated bonds issued by international financial institutions within the boundaries of China)	Treasury bonds, government bonds, listed company bonds, enterprise bonds, convertible bonds and asset backed securities
Key market participants	Institutional investors (such as commercial banks, securities firms, funds and trust investment companies), qualified foreign institutional investors (QFIIs), RQFIIs	Individuals and non-bank institutions (such as insurance companies and funds), qualified foreign institutional investors (QFIIs), RQFIIs
Trading and settlement mechanism	Trades through bilateral negotiation and settle trade-for-trade; settlement cycle: T+0 or T+1	Centralised trade matching with netting settlement; settlement cycle: T+1
Regulator(s)	PBOC	CSRC
Counterparty	The trading counterparty	CSDCCL acting as the central counterparty to all securities transactions on the Shanghai and Shenzhen Stock Exchanges
Central Clearing Entity (if any)	CCDC or Shanghai Clearing House, depending on the type of securities	CSDCCL
Liquidity of Market	High	Medium to low
Associated Risks	Counterparty risk Credit risk of bond issuers Liquidity risk (Please refer to the risk factors "**Counterparty and settlement risk**", "**Credit risk of issuers / counterparties**" and "**Liquidity risk**" under the section headed "**Specific Risk Factors**" in this Appendix for details.)	Counterparty risk Credit risk of bond issuers Liquidity risk (Please refer to the risk factors "**Counterparty and settlement risk**", "**Credit risk of issuers / counterparties**" and "**Liquidity risk**" under the section headed "**Specific Risk Factors**" in this Appendix for details.)
Minimum rating requirements (if	No minimum rating requirement	AA for the exchange trading platform which is accessible by

	Interbank Bond Market	**Exchange Bond Market**
any)		qualified foreign institutional investors (QFIIs) and RQFIIs; no minimum rating requirement for the electronic trading platform

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

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

The yield of the major RMB denominated debt instruments issued in the PRC was in the range of 3.9% to 5.0% for government bonds and 6.0% to 7.0% for AAA corporate bonds, as at 29 November 2013 (Source: www.chinabond.com.cn, Wind). However, investors should note that this is not an indication of the expected return of the Sub-Fund. There is no assurance that the Sub-Fund's return will be correlated with the expected yield of its underlying investments.

PRC Credit Rating Agencies

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

The major domestic credit rating agencies in China include:

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

The domestic ratings agencies mainly provide credit ratings to publicly listed and interbank market bonds. The definition and methodology of ratings vary among domestic credit agencies.

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