

GFI UNIT TRUST SERIES

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EXPLANATORY MEMORANDUM

April 2019

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IMPORTANT INFORMATION FOR INVESTORS

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

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This Explanatory Memorandum comprises information relating to GFI Unit Trust Series (“**Fund**”) and its sub-funds (“**Sub-Funds**”). The Fund is an open-ended unit trust established as an umbrella unit trust under the laws of Hong Kong by a trust deed dated 11 April 2014, as amended from time to time (“**Trust Deed**”) between BOCI-Prudential Trustee Limited (“**Trustee**”) as trustee and GF International Investment Management Limited (“**Manager**”) as manager.

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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.

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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 audited accounts of the Fund and the Sub-Fund(s) (if any) and any subsequent unaudited semi-annual accounts. Units of the Sub-Fund(s) 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 audited accounts and unaudited semi-annual accounts. 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.

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Hong Kong Authorisation and Approval

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.

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Selling restrictions

General: No action has been taken to permit an offering of Units of the Sub-Fund(s) 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 of the Sub-Fund(s) may not be offered or sold, directly or indirectly, to any persons for reoffering or resale, in any jurisdiction where such action is not authorised. Receipt of this Explanatory Memorandum or the Product Key Facts Statement does not constitute an offer of Units of the Sub-Fund(s) in those jurisdictions in which it is illegal to make such an offer.

United States: In particular, potential investors should note the following:-

- (a) the Units have not been registered under the United States Securities Act of 1933 (as amended)

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

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

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 will be achieved. Investors should read the Explanatory Memorandum, particularly the section headed “Risk Factors”, and the section headed “Specific Risk Factors” in the relevant Appendix, before making their investment decisions.

Please note that this Explanatory Memorandum must be read together with the relevant Appendix and/or Addendum to this Explanatory Memorandum which relate to a specific Sub-Fund of the Fund. The Appendix and/or Addendum set out the details relating to the Sub-Fund (which may include, without limitation, specific information on the Sub-Fund and additional terms, conditions and restrictions applicable to the Sub-Fund). The provisions of an Appendix and/or an Addendum supplement this Explanatory Memorandum.

Enquiries

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

OP7.4

- write to the Manager (address at Unit 3503-3505, Two International Finance Centre, 8 Finance Street, Central, Hong Kong); or
- call the Manager at telephone number at +852 3695 2808.

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

Further Information

Investors may access the website of the Manager at <http://www.gffunds.com.hk> for further information on the Fund and the Sub-Fund(s), including this Explanatory Memorandum and the Product Key Facts Statement, annual and semi-annual reports and latest Net Asset Values. This website has not been reviewed by the SFC.

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DIRECTORY OF PARTIES

Manager
GF International Investment Management Limited
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

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C3(f)
C3(g)

Directors of the Manager
LIN Chuanhui
ZHANG Jinghan
YI Yangfang
SUN Min
JIN Ya
SHANGGUAN Peng

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

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

Auditors
Ernst & Young, Ltd
Suite 6401, 62 Forum Lane
Camana Bay
Grand Cayman KY1-1106
Cayman Islands

DEFINITIONS

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

“Appendix”	the appendix containing specific information in relation to a Sub-Fund or a Class or Classes of Units in relation thereto which is enclosed with this Explanatory Memorandum and which forms part of this Explanatory Memorandum	
“Accounting Date”	31 December in each year or such other date or dates in each year as the Manager may from time to time select in respect of any Sub-Fund after consultation with the Trustee and notification to the Unitholders of such Sub-Fund	C17
“Accounting Period”	a period commencing on the date of establishment of the Fund or the relevant Sub-Fund (as the case may be) 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	
“Amortisation Period”	in relation to the Fund and/or a Sub-Fund, such period as specified in the relevant Appendix over which establishment costs of the Fund and/or such Sub-Fund will be amortised	
“Application Form”	the prescribed application form for the subscription of Units and for the avoidance of doubt, the Application Form does not form part of this Explanatory Memorandum	
“Authorised Distributor”	any person appointed by the Manager to distribute Units of some or all of the Sub-Funds to potential investors	
“Base Currency”	in relation to a Sub-Fund, means the currency of account of the Sub-Fund as specified in the relevant Appendix	C5
“Business Day”	a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for normal banking business or such other day or days in relation to a Sub-Fund as the Trustee and Manager may determine from time to time and as specified in the relevant Appendix, 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	
"Class"	means any class of Units in issue in relation to a Sub-Fund	C5
“Class Currency”	in relation to a Class in a Sub-Fund, means the currency of account of such Class as specified in the relevant Appendix	
“Code”	the Overarching Principles Section and Section II- Code on Unit Trusts and Mutual Funds of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products or any handbook, guideline and code issued by the Commission, as may be amended from time to time	

“connected person”	<p>in relation to a company, means:</p> <ul style="list-style-type: none"> (a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise, directly or indirectly, 20% or more of the total votes in that company; 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
“Conversion Form”	the prescribed conversion form for the conversion of Units and for the avoidance of doubt, the Conversion Form does not form part of this Explanatory Memorandum
“CSRC”	China Securities Regulatory Commission
“Custodian”	Bank of China (Hong Kong) Limited
“Decimal Places”	two decimal places or such other decimal places as the Manager determines
“Explanatory Memorandum”	this Explanatory Memorandum including the Appendices, as each may be amended, updated or supplemented from time to time
“Fund”	GFI Unit Trust Series
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$” or “HKD”	Hong Kong Dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Initial Offer Period”	in relation to a Sub-Fund or a Class or Classes of Units, such period as the Manager may determine for the purpose of making an initial offer of Units of such Sub-Fund or such Class or Classes and as specified in the relevant Appendix (if applicable)
“Initial Offer Price”	the price per Unit during the Initial Offer Period as determined by the Manager and as specified in the relevant Appendix (if applicable)
“Investment Adviser”	the investment adviser appointed in respect of a Sub-Fund, the details of which as specified in the relevant Appendix (if applicable)
“IOP Deadline”	4:00 p.m. (Hong Kong time) on the last Business Day of the Initial Offer Period of a Sub-Fund or a particular Class of Units or such other time on such Business Day or such other day as the Manager with the approval of the Trustee may from time to time determine and as specified in the relevant Appendix

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“Issue Price”	the issue price of a Unit of a particular Class after the expiry of the Initial Offer Period calculated in accordance with the Trust Deed and as described below under “Investing in the Fund - Issue Price”	
“Mainland China”	all customs territory of the People’s Republic of China	
“Manager”	GF International Investment Management Limited in its capacity as the manager of the Fund and its Sub-Funds or such other entity as may be appointed from time to time as the manager of the Fund and its Sub-Funds	
“Minimum Initial Subscription Amount”	the minimum initial investment for Units in a Sub-Fund or a Class of Units and as specified in the relevant Appendix	C4
“Minimum Holding Amount”	the minimum number or value of Units of any Sub-Fund or Class of Units which must be held by any Unitholder and as specified in the relevant Appendix	
“Minimum Redemption Amount”	the minimum number or value of Units of any Sub-Fund or Class of Units to be redeemed by any Unitholder in respect of a partial redemption of Units and as specified in the relevant Appendix	
“Minimum Subsequent Subscription Amount”	the minimum additional subscriptions for Units in a Sub-Fund or a Class of Units and as specified in the relevant Appendix	
“Minimum Subscription Level”	the total minimum subscription amount, if applicable, to be received on or prior to the close of the Initial Offer Period and as specified in the relevant Appendix	
“Net Asset Value”	in relation to a Sub-Fund means the net asset value of such Sub-Fund or, as the context may require, of a Unit of the Class or Classes relating to such Sub-Fund, calculated in accordance with the provisions of the Trust Deed and as summarised below under “Valuation and Suspension - Calculation of Net Asset Value”	
“Payment Period”	such period as the Manager with the approval of the Trustee may determine within which payment for Units issued for cash after the Initial Offer Period for such Units is due, and as specified in the relevant Appendix	
“PRC”	the People’s Republic of China excluding Hong Kong, Macau and Taiwan for purpose of this Explanatory Memorandum	
“Redemption Charge”	the redemption charge (if any) payable upon redemption of Units and as specified in the relevant Appendix	C14(a)
“Redemption Day”	in relation to a Sub-Fund, or, as the context may require, of a particular Class relating to a Sub-Fund, such Business Day or such other day or days as the Manager and the Trustee may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for redemption of Units in that Sub-Fund or the relevant Class or Classes and as specified in the relevant Appendix	C7

“Redemption Deadline”	in relation to a Redemption Day, such time by which a redemption request in respect of a Sub-Fund or a Class of Units must be received either on such Redemption Day or on such other Business Day or day as the Manager with the approval of the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of that Sub-Fund or the relevant Class may from time to time be sold and as specified in the relevant Appendix	
“Redemption Form”	the prescribed redemption form for the redemption of Units and for the avoidance of doubt, the Redemption Form does not form part of this Explanatory Memorandum	
“Redemption Price”	the price at which Units will be redeemed as determined in accordance with the Trust Deed and as described below under “Redemption of Units - Redemption Price”	
“Refund Period”	14 Business Days from the relevant Subscription Day or close of the relevant Initial Offer Period (as the case may be) or such other period as specified in the relevant Appendix within which subscription moneys in respect of an application which was rejected or a Sub-Fund or a Class of Units which was not launched will be returned to the relevant applicant	
“Registrar”	BOCI-Prudential Trustee Limited in its capacity as registrar of the Fund	
“RMB”	Renminbi, the lawful currency of the PRC	
“Securities Market”	any stock exchange, over-the-counter market or other organised securities market that is open to the international public and on which such securities are regularly traded	
“Semi-Annual Accounting Date”	30 June in each year or such other date or dates in each year as the Manager may from time to time select in respect of any Sub-Fund and notify to the Trustee and the Unitholders of such Sub-Fund	
“SFC”	the Securities and Futures Commission of Hong Kong	
“SFO”	the Securities and Futures Ordinance, Laws of Hong Kong (Chapter 571), as amended	
“Sub-Fund”	a separate pool of assets of the Fund that is invested and administered separately	
“Subscription Charge”	the subscription charge (if any) payable on the issue of Units and as specified in the relevant Appendix	C14(a)
“Subscription Day”	in relation to a Sub-Fund, or, as the context may require, of a particular Class relating to a Sub-Fund, such Business Day or such other day or days as the Manager and the Trustee may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for subscription of Units in that Sub-Fund or the relevant Class or Classes and as specified in the relevant Appendix	C7

“Subscription Deadline”	in relation to a Subscription Day, such time by which an application for subscription in respect of a Sub-Fund or a Class of Units must be received either on such Subscription Day or on such other Business Day or day as the Manager with the approval of the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of that Sub-Fund or the relevant Class may from time to time be sold and as specified in the relevant Appendix	
“Switching Fee”	the switching fee (if any) payable on the conversion of Units and as specified in the relevant Appendix	C14(a)
“Trust Deed”	the trust deed dated 11 April 2014 establishing the Fund and entered into by the Manager and the Trustee (as amended from time to time)	
“Trustee”	BOCI-Prudential Trustee Limited in its capacity as trustee of the Fund and its Sub-Funds or such other entity as may be appointed from time to time as the trustee of the Fund and its Sub-Funds	
“Unit”	a unit in a Sub-Fund	
“Unitholder”	a person registered as a holder of a Unit	
“U.S.”	United States of America	
“US\$” or “USD”	U.S. Dollars, the lawful currency of the United States of America	
“Valuation Day”	each Business Day on which the Net Asset Value of a Sub-Fund and/or the Net Asset Value of a Unit or a Class of Unit falls to be calculated and in relation to each Subscription Day or Redemption Day (as the case may be) of any Class or Classes of Units means either such Subscription Day or Redemption Day (as the case may be) or such other Business Day or day as the Manager and the Trustee may from time to time determine, either generally or in relation to a particular Sub-Fund or Class of Units, and as specified in the relevant Appendix	C7
“Valuation Point”	the close of business in the last relevant market to close on a relevant Valuation Day or such other time on that day or such other day as the Manager and the Trustee may determine from time to time either generally or in relation to a particular Sub-Fund or Class of Units and as specified in the relevant Appendix.	

THE FUND

The Fund 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.

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The Fund is organised as an umbrella fund and details of each of its current Sub-Fund(s) and/or their respective Class or Classes of Units are set out in the relevant Appendix. Subject to any applicable regulatory requirements and approvals, the Manager may in its sole discretion create further Sub-Funds or determine to issue additional Classes or multiple Classes in relation to each Sub-Fund in the future.

Each Sub-Fund is established as a separate trust under the Trust Deed, and the assets of each Sub-Fund will be invested and administered separately from the assets of, and shall not be used to meet liabilities of, the other Sub-Fund(s).

The Base Currency of a Sub-Fund will be set out in the relevant Appendix. Each Class of Units within a Sub-Fund will be denominated in the Class Currency thereof, which may be the Base Currency of the Sub-Fund to which such Class relates or such other currency of account as specified in the relevant Appendix.

MANAGEMENT AND ADMINISTRATION OF THE FUND

Manager

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

The Manager, which has a paid-up capital of HKD500 million as of 31 December 2017, 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 RMB126.88 million as of 31 December 2017, and is one of the largest public fund management institutions in the PRC. As of 30 June 2018, the asset of public funds under management of GF Fund Management was over RMB6,249.7 billion, ranking the third in the domestic market.

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.

The Manager undertakes the management of the assets of the Fund. The Manager may appoint Investment Adviser and delegate any of its management functions in relation to assets of specific Sub-Funds to such Investment Adviser subject to prior SFC approval. In the event that an Investment Adviser is appointed by the Manager in respect of an existing Sub-Fund, at least one month’s prior notice will be provided to Unitholders of such Sub-Fund and this Explanatory Memorandum and/or the relevant Appendix will be updated to include such appointment.

The Manager shall not be exempted from or indemnified against any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence for which it may be liable in relation to its duties, or be indemnified against such liability by Unitholders or at Unitholders' expense.

Directors of Manager

Details of the directors of the Manager are as follows:

LIN Chuanhui

Mr. Lin is the Chairman of the Board of the Manager and is also the General Manager and the Vice Chairman of the Board of GF Fund Management, the Chairman of the Board of Ruiyuan Capital Management Co., Ltd. (“**Ruiyuan Capital**”), a member of the Innovations and Strategic Development Committee and the Asset Management Business Committee of the Asset Management Association of China and a member of the third Appeal Review Committee of the Shenzhen Stock Exchange. He acted as the Executive Vice General Manager of Investment Banking of GF Securities Co. Ltd. (“**GF Securities**”) and the General Manager of Ruiyuan Capital. Mr. Lin graduated from Jilin University, China in 1985 with a Bachelor degree majoring in Economics.

ZHANG Jinghan

Ms. Zhang is currently the Vice Chairperson of the Board of the Manager and the Deputy General Manager of GF Fund Management. She served in the CSRC for more than 16 years before joining the Manager. She held various senior positions in the CSRC, including Director of the Private Equity Supervision Division, Vice Director and Director of the Fund Supervision Division. Ms. Zhang was awarded a Master degree in Management by the Accounting Faculty of Renmin University of China in 2001 and later graduated from Sciences Po in France with a Master degree in Public Administration.

YI Yangfang

Mr. Yi is currently a Portfolio Manager of the Manager, the Deputy General Manager cum Chief Investment Officer of GF Fund Management and a director of Ruiyuan Capital. Mr. Yi acted as an Assistant Manager in the Proprietary Trading Department of GF Securities and the General Manager of the Investment Management Department of GF Fund Management and was also a member of the Securities Offering Supervision Committee of the CSRC in 2008 and 2009. He was awarded a Master degree in Economics by Shanghai University of Finance and Economics, China in 1997.

SUN Min

Ms. Sun is currently the Chief Investment Officer cum Director of the Manager and is also working as an investment manager of International Business Department of GF Fund Management. Ms. Sun worked in the China's State Administration of Foreign Exchange for around 20 years, served as Deputy Head of Investment Group IV in Investment Management Department and portfolio manager of various investment portfolios. Ms. Sun graduated from Renmin University of China in 1996 with a bachelor degree in Economics and was later awarded a Master degree in Public Affairs by Sciences Po in France.

JIN Ya

Mr. Jin is currently the director of the Manager cum the General Manager of Asset Allocation Department of GF Fund Management. Before joining the Manager, he served as Co-Portfolio Manager, Senior Quantitative Analyst in Fidelity Investments, Multi Asset Class Solution Group, where he had more than 10 years' experience in global asset allocation. He also has extensive experience in portfolio management, research and solution design. Mr. Jin gained a PhD degree in Applied Mathematics and a Master Degree in Economics in Brown University.

SHANGGUAN Peng

Mr. Shangguan is currently the Chief Executive Officer of the Manager. He is a Certified Public Accountant in PRC. Before joining the Manager, Mr. Shangguan acted as an Assistant General Manager, Deputy General Manager and the Director in Ruiyuan Capital, where he was in charge of the sales sector, Alternative Investment Department and Asset Management Department. Previously he served as Executive Director in ZhongYu XQ (Shenzhen) Investment Management Co., Ltd where he was responsible for equity investment and research. He was awarded a Bachelor degree in Accounting from Xiamen University, China in 2000.

Trustee

The Trustee of the Fund is BOCI-Prudential Trustee Limited, which is a registered trust company in Hong Kong. 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 BOC International Holdings Limited and Bank of China (Hong Kong) Limited, which are subsidiaries of Bank of China Limited. The principal activity of the Trustee is the provision of trustee services.

Under the Trust Deed, the Trustee is responsible for the safe-keeping of the assets of the Fund and each Sub-Fund, and such assets will be dealt with pursuant to the terms of the Trust Deed. The Trustee may, from time to time appoint such person or persons (including a connected person) as custodian, co-custodians or sub-custodian 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 appoint, with no objection in writing from the Trustee, sub-custodians. The fees and expenses of such custodian, co-custodian and sub-custodians or any persons appointed by the Trustee in relation to the relevant Sub-Fund shall, if approved by the Manager, be paid out of the relevant Sub-Fund.

The Trustee shall (A) exercise reasonable care and diligence in the selection, appointment and ongoing monitoring of its agent, nominee, custodian, co-custodian or sub-custodian (each a "**Correspondent**");

and (B) be responsible during the term of appointment of each Correspondent for satisfying itself that such Correspondents retained remain suitably qualified and competent to provide services to the Fund or any Sub-Fund. The Trustee shall remain liable for any act or omission of any Correspondent which is a connected person of the Trustee as if the same were the act or omission of the Trustee. 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 not be responsible for any act or omission of: (a) Euro-clear Clearing System Limited, Clearstream Banking, S.A. or any other recognised depository or clearing system in relation to any investment deposited with such central depository or clearing system; or (b) any lender or a nominee appointed by the lender in whose name any assets of a Sub-Fund are registered pursuant to a borrowing undertaken for the account of such Sub-Fund.

Under the Trust Deed, the Trustee and its directors, officers, employees, delegates and agents shall be entitled for the purpose of indemnity against any actions, proceedings, liabilities, costs, claims, damages, expenses (including all reasonable legal, professional and other similar expenses) or demands to which it may be put or asserted against, or may incur or suffer in performing its obligations or functions relating to a Sub-Fund to have recourse to the assets of the relevant Sub-Fund or any part thereof but shall not have a right of recourse to the assets of any other Sub-Fund. Notwithstanding the foregoing, the Trustee shall not be exempted from or indemnified against any liability imposed under the laws of Hong Kong (including under the Trustee Ordinance) or for breach of trust through fraud or negligence for which it may be liable in relation to its duties, or be indemnified against such liability by Unitholders or at Unitholders' expense.

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

The Trustee is not responsible for the preparation or issue of this Explanatory Memorandum and therefore accepts no responsibility for any information contained in this Explanatory Memorandum other than information relating specifically to the Trustee and neither the Trustee nor any of its directors, officers or employees accepts any responsibility or liability for any information contained in this document.

Custodian

Bank of China (Hong Kong) Limited ("**BOCHK**") has been appointed as the custodian of the Fund.

BOCHK 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. In addition, it holds shares in BOC Credit Card (International) Limited.

BOC Hong Kong (Holdings) Limited was incorporated in Hong Kong on 12 September 2001 to hold the entire equity interest in BOCHK, its principal operating subsidiary. After a successful global IPO, BOC Hong Kong (Holdings) Limited began trading on the Main Board of The Stock Exchange of Hong Kong Limited on 25 July 2002 with stock code "2388" and became a Hang Seng Index constituent stock on 2 December 2002.

With a network of approximately 200 branches in Hong Kong, servicing more than 600,000 corporates and 2 million retail customers, BOCHK 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. In recent years, BOCHK also strived to expand its network in South East Asia and is now present in eight of such markets.

Pursuant to the custodian agreement, BOCHK 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 appointment of the Custodian may be terminated by not less than ninety (90) days' notice in writing. The Trustee reserves the right to change the custodian arrangements described above by agreement with the Custodian, subject to the terms of the custodian agreement.

Authorised Distributors

The Manager may appoint one or more Authorised Distributor(s) to market, promote, sell and/or distribute Units of one or more Sub-Fund(s), and to receive applications for subscription, redemption and/or conversion of Units.

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.

Investors who apply for subscription, redemption and/or conversion of Units through Authorised Distributor(s) should note that such Authorised Distributor(s) may impose earlier dealing deadlines for receiving instructions for subscriptions, redemptions or conversions. Investors should pay attention to the arrangements of the Authorised Distributor(s) concerned.

The Manager may pay or share any of the fees received by it (including any Subscription Charge, Redemption Charge, Switching Fee and management fees) with such Authorised Distributors. For the avoidance of doubt, any fees, costs and expenses payable to the Authorised Distributor(s) arising out of any advertisement or promotional activities in connection with the Fund or the Sub-Fund(s) will not be paid from the assets of the Fund or the Sub-Fund(s).

Other Service Providers

The Trustee or the Manager may appoint other service providers to provide services in respect of a Sub-Fund. Details of such other service providers (if any) are set out in the relevant Appendix.

INVESTMENT CONSIDERATIONS

Investment Objective and Policies

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

There may not be any fixed asset allocation by geographical locations for certain Sub-Funds. The expected asset allocations for a Sub-Fund (if any) are for indication only. In order to achieve the investment objectives, the actual asset allocations may in extreme market conditions (such as economic downturn or political turmoil in the markets in which a substantial portion of the assets of a Sub-Fund is invested or changes in legal or regulatory requirements or policies) vary significantly from the expected asset allocations.

Any changes in the investment objective and/or policy which are not immaterial changes will be subject to the prior approval of the SFC and notified to the affected Unitholders by at least one month's prior written notice (or such other notice period as agreed with the SFC). Set out below are the overriding principles and requirements that must be satisfied in order for any changes to be immaterial changes:

- (a) the changes do not amount to a material change to the relevant Sub-Fund;
- (b) there will be no material change or increase in the overall risk profile of the relevant Sub-Fund following the changes; and
- (c) the changes do not materially prejudice the rights or interests of Unitholders of the relevant Sub-Fund.

Investment Restrictions

The Trust Deed sets out restrictions and prohibitions on the acquisition of certain investments by the Manager. Unless otherwise disclosed in the relevant Appendix, each of the Sub-Funds is subject to the following principal investment restrictions:-

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- (a) not more than 10% of the latest available Net Asset Value of a Sub-Fund may consist of securities issued by a single issuer (other than Government and other public securities); 7.1
- (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; 7.2, 7.22
- (c) not more than 15% of the latest available Net Asset Value of a Sub-Fund may consist of securities of any company neither listed, quoted nor dealt in on a Securities Market; 7.3
- (d) not more than 15% of the latest available Net Asset Value of a Sub-Fund may consist of warrants and options (in terms of the total amount of premium paid), other than warrants and options held for hedging purposes; 7.6
- (e) (i) not more than 10% of the latest available Net Asset Value of a Sub-Fund may in aggregate consist of shares or units in other collective investment schemes (namely “**underlying schemes**”) which are non-recognised jurisdiction schemes (as permitted under the Code) and not authorised by the SFC; (ii) not more than 30% of the latest available Net Asset Value of a Sub-Fund may consist of shares or units in an underlying scheme which is a recognised jurisdiction scheme (i.e. a UCITS scheme which is domiciled in Luxembourg, Ireland or the United Kingdom, whether or not authorised by the SFC) or an SFC-authorized scheme; provided that 7.11
7.11A

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|-----|---|-------------|
| (1) | no investment may be made in an underlying scheme the investment objective of which is to invest primarily in any investment prohibited under Chapter 7 of the Code; | 7.11B |
| (2) | where the investment objective of such underlying scheme is to invest primarily in investments restricted under Chapter 7 of the Code and/or applicable laws and regulations, such holdings may not be in contravention of the relevant limitation; | 7.11B |
| (3) | all initial charges on the underlying scheme must be waived if the underlying scheme is managed by the Manager or any of its connected persons; and | 7.11C |
| (4) | the Manager may not obtain a rebate on any fees or charges levied by such underlying scheme or its manager; | 7.11D |
| | | |
| (f) | subject to paragraph (g) below, not more than 20% of the latest available 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); | 7.10 |
| | | |
| (g) | the net total aggregate value of futures contract prices, whether payable to or by a Sub-Fund under all outstanding futures contracts (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 latest available Net Asset Value of that Sub-Fund; | 7.9
7.10 |
| | | |
| (h) | notwithstanding paragraphs (a) and (b) above, not more than 30% of the latest available Net Asset Value of a Sub-Fund may consist of Government and other public securities of the same issue; | 7.4 |
| | | |
| (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 | 7.5 |
| | | |
| (j) | if the name of a Sub-Fund indicates a particular objective, geographic region or market, the Sub-Fund must 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. | 7.24 |

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:-

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| (i) | invest in a security of any class in any company or body if any director or officer of the Manager individually owns more than 0.5% of the total nominal amount of all the issued securities of that class or collectively the directors and the officers of the Manager own more than 5% of those securities; | 7.19 |
| | | |
| (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); | 7.14 |

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| (iii) | make short sales if as a consequence the liability of such Sub-Fund to deliver securities would exceed 10% of the latest available 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); | 7.15,
7.16 |
| (iv) | write uncovered options; | 7.7 |
| (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 latest available Net Asset Value of that Sub-Fund; | 7.8 |
| (vi) | lend, 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; | 7.17 |
| (vii) | 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 | 7.18 |
| (viii) | invest in any security where a call is to be made for any sum unpaid on that security, unless the call could be met in full out of cash or near cash from such Sub-Fund, the amount of which has not already been taken into account for the purposes of paragraph (v) above. | 7.20 |

Borrowing Restrictions

Unless otherwise disclosed in the relevant Appendix, the Manager may borrow up to 25% of the latest available Net Asset Value of a Sub-Fund (except for a Sub-Fund which is a capital markets scheme (as defined in the Code) which may not exceed 10% of the latest available Net Asset Value of such Sub-Fund) to acquire investments, to meet redemption requests or to pay operating 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 or encumbered as security for any such borrowings. 7.21

Breach of Investment and Borrowing Restrictions

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. 7.23

Leverage

The expected maximum level of leverage of a Sub-Fund will be available on the Manager's website at <http://www.gffunds.com.hk> or from the Manager upon request. Investors should note that the aforesaid website is not reviewed by the SFC.

Securities Lending and Repurchase / Reverse Repurchase Transactions

Unless otherwise disclosed in the relevant Appendix, 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's prior notice will be given to Unitholders and this Explanatory Memorandum will be updated should there be a change in such intention.

Liquidity Risk Management

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

The day-to-day liquidity risk management of the Sub-Funds is carried out by the Manager's liquidity risk management function which is functionally independent from the portfolio investment function. The oversight of the liquidity risk management function will be performed by a risk management committee consisting of responsible officers and senior staff such as the risk and compliance officer, head of investment, head of operations. The committee generally meets on a quarterly basis. A liquidity report of each Sub-Fund will be generated by the Manager's operations team at the end of each day and will be submitted to the liquidity risk management function. Exceptions on liquidity risk related issues will be escalated to the risk management committee.

The Manager would regularly assess the liquidity of each Sub-Fund's assets under the current and likely future market conditions. In particular, for high yield or unrated debt securities and emerging market assets, the Manager intends to maintain a more diversified investment portfolio with different levels of liquidity and avoid concentrating investment in any one investment, particularly investments which are less liquid. The Manager may also set an internal limit as to each individual investment that may be held by a Sub-Fund.

The Manager may also be in regular communication with distributors and substantial investors of the relevant Sub-Fund in order to receive updates on investor profile and their historical and expected redemption patterns. Through such communication, the Manager can make better assessment as to the expected redemptions (especially substantial redemptions) from the relevant Sub-Fund in the future.

The Manager may use a range of quantitative metrics and qualitative factors in assessing the liquidity of a Sub-Fund's assets including the following:

- the volume and turnover in the security;
- (where the price is determined by the market) the size of the issue and the portion of the issue that the Manager plans to invest in;
- the cost and timeframe to acquire or sell the securities;
- an independent analysis of historic bid and offer prices which may indicate the relative liquidity and marketability of the security; and
- the quality and number of intermediaries and market makers dealing in the security concerned.

The Manager will classify the assets of each Sub-Fund into different liquidity categories. For example, for a Sub-Fund which invests in bonds, the liquidity of the bonds will be categorised into 3 categories: (1) highly liquid bonds (e.g. government bonds); (2) liquid bonds (e.g. corporate bonds with 3 or more market makers); and (3) less liquid bonds (e.g. corporate bonds with 2 or less market makers).

The Manager will also perform liquidity stress testing on each Sub-Fund on an ongoing basis; normally on a quarterly basis but in times of adverse market conditions or during the period where there are large redemption requests, the stress tests will be performed on a daily basis, if necessary.

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

- the Manager may, with the approval of the Trustee, limit the number of Units of the relevant Sub-Fund redeemed on any Redemption Day to 10% of the total number of Units of the relevant Sub-

Fund in issue, subject to the conditions under the heading entitled “**Restrictions on Redemption**” in the section headed “**Redemption of Units**”. If such limitation is imposed, this would restrict the ability of a Unitholder to redeem in full the Units he intends to redeem on a particular Redemption Day;

- the Manager may suspend redemption under exceptional circumstances as set out under the heading entitled “**Suspension**” in the section headed “**Valuation and Suspension**”. During such period of suspension, Unitholders would not be able to redeem their investments in the relevant Sub-Fund; and
- the Manager may, in calculation of the Issue Price, 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 (see “**Investing in the Fund – Issue Price**” above) and, in calculation of the Redemption Price, 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(see “**Redemption of Units – Redemption Price**” above), to protect the interest of remaining unitholders. As a result of such adjustment, the Issue Price or the Redemption Price, (as the case may be) will be higher or lower than the Issue Price or the Redemption Price (as the case may be) which otherwise would be if such adjustment has not been made.

In practice, the Manager will consult the Trustee before the use of any liquidity risk management tools. Investors should note that there is a risk that the tools may be ineffective to manage liquidity and redemption risk.

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.

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Risk of not achieving investment objective

There is no assurance that the investment objective of the respective Sub-Fund will be achieved. Whilst it is the intention of the Manager to implement strategies which are designed to minimise potential losses, there can be no assurance that these strategies will be successful. It is possible that an investor may lose a substantial proportion or all of its investment in a Sub-Fund. As a result, each investor should carefully consider whether he can afford to bear the risks of investing in the relevant Sub-Fund.

Investment risk

Investments involve risks. Each Sub-Fund's investment portfolio may fall in value due to any of the key risk factors set out in this Explanatory Memorandum and the Appendix for the relevant Sub-Fund and therefore your investment in the Sub-Fund may suffer losses. Each Sub-Fund is not principal guaranteed. Investment in a Sub-Fund is not in the nature of a deposit in a bank account and is not protected by any government, government agency or other guarantee scheme which may be available to protect the holder of a bank deposit account. There is no guarantee that in any time period, particularly in the short term, a Sub-Fund's portfolio will achieve appreciation in terms of capital growth. 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 guarantee of the repayment of principal.

Market risk

Market risk includes such factors as changes in economic environment, consumption pattern, lack of publicly available information of investments and their issuers and investors' expectations, which may have significant impact on the value of the investments. Usually, emerging markets tend to be more volatile than developed markets and may experience substantial price volatility. Market movements may therefore result in substantial fluctuations in the Net Asset Value per Unit of the relevant Sub-Fund. The price of Units and the distributions from them (if any) may go down as well as up.

There can be no assurance that an investor will achieve profits or avoid losses, significant or otherwise. 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 and as a result, may have adverse impact to the relevant Sub-Fund and its investors.

Equity investment risks

A Sub-Fund may invest directly or indirectly in equity securities. Investing in equity securities may offer a higher rate of return than those investing in short term and longer term debt securities. However, the risks associated with investments in equity securities may also be higher, because the investment performance of equity securities depends upon factors which are difficult to predict. As a result, the

market value of the equity securities that it invests in may go down as well as up. Factors affecting the equity securities are numerous, including but not limited to general market risks, changes in investment sentiment, political environment, economic environment, issuer-specific factors and the business and social conditions in local and global marketplace. Securities exchanges typically have the right to suspend or limit trading in any security traded on the relevant exchange; a suspension will render it impossible to liquidate positions and can thereby expose the relevant Sub-Fund to losses. The government or the regulators may also implement policies that may affect the financial markets which may have a negative impact on the relevant Sub-Fund.

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 and the potential settlement difficulties in the markets. A Sub-Fund's value will be affected by such price movements and could be volatile, especially in the short-term.

Risk relating to small- and mid-capped companies

A Sub-Fund may invest in the securities of small and/or mid-capped companies. Investing in these securities may expose such Sub-Fund to risks such as lower liquidity, greater market price volatility, less publicly available information, and greater vulnerability to fluctuations in the economic cycle. Their prices are also more volatile to adverse economic developments than those of larger capitalisation companies in general.

Risks of investing in IPO securities

A Sub-Fund may invest in initial public offers (“**IPOs**”) securities. The prices of securities involved in initial public offers (“**IPOs**”) are often subject to greater and more unpredictable price changes than more established securities. There is the risk that there are inadequate trading opportunities generally or allocations for IPOs which the Manager wishes or is able to participate in. Furthermore, the liquidity and volatility risks associated with investments or potential investments in IPO securities may be difficult to assess, due to the lack of trading history of such IPO securities. These risks may have adverse impact on the relevant Sub-Fund and its investors.

Risks relating to debt securities

- ***Credit risk***

Investment in bonds or other debt securities involve credit/default risk of the issuers. 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 timely payments on principal and/or interests of the securities they issue. If the issuers of any of the securities in which the Sub-Fund's assets are invested default, the performance of the Sub-Fund will be adversely affected.

The debt securities that a Sub-Fund invests in may be offered on an unsecured basis without collateral. In such circumstances, the relevant Sub-Fund will rank equally with other unsecured creditors 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 relevant fixed income instrument issued by it only after all secured claims have been satisfied in full. The relevant Sub-Fund is

therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

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

- *Credit ratings risk*

The ratings of debt securities by Moody's Investor Services, Standard & Poor's and Fitch's are a generally accepted barometer of credit risk. They are, however, subject to certain limitations from an investor's standpoint and do not guarantee the creditworthiness of the security and/or their issuer at all times. The rating of an issuer is heavily weighted by past performance and does not necessarily reflect probable future conditions. Rating agencies might not always change their credit rating of an issuer in a timely manner to reflect events that could affect the issuer's ability to make scheduled payment on its obligations. In addition, there may be varying degrees of difference in credit risk of securities within each rating category.

- *Credit rating downgrading risk*

The credit rating assigned to a security or an issuer may be re-evaluated and updated based on recent market events or specific developments. As a result, investment grade securities may be subject to the risk of being downgraded to below investment grade securities. Similarly, an issuer having an investment grade rating may be downgraded, for example, as a result of deterioration of its financial conditions. In the event of downgrading in the credit ratings of a security or an issuer relating to a security, a Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not dispose of the securities that are being downgraded, subject to the investment objectives of the relevant Sub-Fund. In the event of investment grade securities being downgraded to below investment grade securities and such securities continued to be held by the Sub-Fund, the Sub-Fund will also be subject to the risk associated with lower-rated or unrated securities outlined in the following paragraph.

- *Risk associated with lower-rated or unrated securities*

A Sub-Fund may invest in securities which are below investment grade by internationally recognised credit rating agencies or are lower-rated by Mainland China credit rating agencies (including high yield bonds), or which are unrated. Investors should note that such securities would generally be considered to have a higher degree of counterparty risk, credit risk and liquidity risk than higher rated, lower yielding securities and may be subject to higher volatility, greater fluctuation in value and higher chance of default. If the issuer of securities defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. The market for these securities may be less active, making it more difficult to sell the securities. Valuation of these securities is more difficult and thus the relevant Sub-Fund's prices may be more volatile.

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

- *Interest rates risk*

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

- *Valuation risk*

The value of debt securities that a Sub-Fund invests may be subject to the risk of mispricing or improper valuation, i.e. operational risk that the debt securities are not priced properly. Valuations of quoted or listed debt securities are primarily based on the valuations from independent third party sources where the prices are available. However, in the case where independent pricing information may not be available such as in extreme market conditions or break down in the systems of third party sources, the value of such debt securities may be based on certification by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager after consultation with the Trustee. Valuations in such circumstance may involve uncertainty and judgemental determination.

In the event of adverse market conditions where it is not possible to obtain any reference quotation from the market at the relevant time of valuation, the latest available quotations of the relevant debt securities may be used to estimate the fair market value. Alternatively, the Manager after consultation with the Trustee may, permit some other method of valuation to be used to estimate the fair market value of such debt securities including the use of quotation of other debt securities with very similar attributes. Such valuation methodology may not equal to the actual liquidation price due to liquidity and size constraints. If valuation is proven to be incorrect, this will affect the Net Asset Value calculation of the relevant Sub-Fund.

The valuation of unlisted debt securities is more difficult to calculate than listed debt securities. Normally, unlisted debt securities are valued at their initial value thereof equal to the amount expended out of the relevant Sub-Fund in the acquisition thereof (including in each case the amount of the stamp duties, commissions and other acquisition expenses) provided that the value of any such unlisted debt securities shall be determined on a regular basis by a professional person (which may be the Manager) approved by the Trustee as qualified to value such unlisted debt securities. Such professional person may value the unlisted debt securities by reference to the prices of other comparable unlisted debt securities. The trading of unlisted debt securities may not be transparent and the prices of unlisted debt securities may not be openly displayed. There is a risk that such professional person is not aware of all the trading in unlisted debt securities and may use prices which may be historical only and may not reflect recent trading in the debt securities concerned. In such circumstance, the valuation of the unlisted debt securities may not be accurate as a result of incomplete price information. This would have impact on the calculation of the Net Asset Value of the relevant Sub-Fund.

- *Unlisted debt securities risk*

The debt securities in which a 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 debt 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 relevant Sub-Fund may need to hold the debt securities until their maturity date. If sizeable redemption requests are received, the relevant Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the relevant Sub-Fund may suffer losses in trading such securities.

Risks of investing in other funds

A Sub-Fund may invest in underlying funds which are not regulated by the SFC and will be subject to the risks associated with the underlying funds. In addition to the expenses and charges charged by such Sub-Fund, investor should note that there are additional fees involved when investing into these underlying funds, including fees and expenses charged by investment manager of these underlying funds as well as fees payable by the relevant Sub-Fund during its subscription to or redemption from these underlying funds. Furthermore, there can be no assurance that 1) the liquidity of the underlying funds will always be sufficient to meet redemption request as and when made; and 2) investment objective and strategy will be successfully achieved despite the due diligence procedures undertaken by the Manager and the selection and monitoring of the underlying funds, because the Manager does not have control of the investments of the underlying funds. These factors may have adverse impact on the relevant Sub-Fund and its investors. If a Sub-Fund invests in an underlying fund managed by the Manager or connected person of the Manager, potential conflict of interest may arise. Please refer to the section headed “*General Information - Conflicts of Interest*” for details under the circumstances.

Borrowing Risks

The Trustee, on the instruction of the Manager, may borrow for the account of a Sub-Fund for various reasons, such as facilitating redemptions or to acquire investments for the account of the relevant Sub-Fund. Borrowing involves an increased degree of financial risk and may increase the exposure of the relevant Sub-Fund to factors such as rising interest rates, downturns in the economy or deterioration in the conditions of the assets underlying its investments. There can be no assurance that the relevant Sub-Fund will be able to borrow on favourable terms, or that the relevant Sub-Fund's indebtedness will be accessible or be able to be refinanced by the relevant Sub-Fund at any time.

Emerging markets risks

Certain countries in which a Sub-Fund may invest are considered as emerging markets. Investments in emerging markets may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility. Investments in emerging markets will also be sensitive to any change in political, social or economic development in the region. Many emerging countries have historically been subject to political instability which may affect the value of securities in emerging markets to a significant extent. As emerging markets tend to be more volatile than developed markets, any holdings in emerging markets are exposed to higher levels of market risk.

The securities markets of some of the emerging countries in which a Sub-Fund's assets may be invested are not yet fully developed which may, in some circumstances, lead to a potential lack of liquidity. The securities markets of developing countries are not as large as the more established securities markets and have a substantially lower trading volume. Investment in such markets will be subject to risks such as market suspension, restrictions on foreign investment and control on repatriation of capital.

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

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

Sovereign risks

Certain developing countries and certain developed countries are especially large debtors to commercial banks and foreign governments. Investment in debt obligations issued or guaranteed by governments or their agencies of such countries may involve a high degree of political, social and economic risk. The willingness or ability of a governmental entity to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due and the relative size of the debt service burden to the economy as a whole.

Governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others agencies abroad to reduce principal and arrearage on their debts. However, failure to implement economic reforms or achieve a required level of economic performance or repay debts when due may result in the cancellation of these third parties' commitments to continuously lend funds to a governmental entity, which may further impair such debtor's ability or willingness to service its debt on a timely basis.

In case of default, holders of sovereign debts (including a Sub-Fund) may be requested to participate in the rescheduling of such debt and to extend further loans to the relevant governmental entities. In addition, a Sub-Fund may invest in securities issued or guaranteed by the government of a country with a sovereign credit rating below investment grade. The performance and value of the Sub-Fund could deteriorate should there be any adverse credit events in the sovereign, in particular if there is downgrading of the sovereign credit rating or a default or bankruptcy of a sovereign occurs. There are no bankruptcy proceedings by which sovereign debt on which a governmental entity has defaulted may be recovered in whole or in part.

Concentration risk

A Sub-Fund's investments may be concentrated in a specific country/region/sector/asset class. A Sub-Fund's portfolio may not be well diversified in terms of the number of holdings and the number of issuers of securities that the Sub-Fund may invest in. Such Sub-Fund may be adversely affected by or depend heavily on the performance of those securities. Investors should also be aware that such Sub-Fund is likely to be more volatile than a broad-based fund, such as a global or regional equity or bond fund. The value of such Sub-Fund may be more susceptible to fluctuations in value resulting from limited number of holdings or from adverse economic, political, policy, foreign exchange, liquidity, tax legal or regulatory event affecting the respective country/region/sector/asset class.

Settlement risk

Settlement procedures in emerging countries are frequently less developed and less reliable and may involve the relevant Sub-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. A Sub-Fund may incur substantial losses if its counterparty fails to pay for securities such Sub-Fund has delivered, or for any reason fails to complete its contractual obligations owed to such 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.

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 extreme circumstances such as the retroactive application of legislation and fraud or improper registration of title, the Sub-Fund may even be unable to recover all of its assets. The costs borne by a Sub-Fund in investing and holding investments in such markets will be generally higher than in organised securities markets.

Counterparty risk

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

Currency and foreign exchange risk

A Sub-Fund may also issue Classes denominated in a currency other than the Base Currency of that Fund or the currency of its underlying investment. A Sub-Fund may be invested in part in assets quoted in currencies other than its Base Currency or the relevant Class Currency. The performance of such Sub-Fund will therefore be affected by movements in the exchange rate between the currencies in which the assets are held and the Base Currency of such Sub-Fund or the relevant Class Currency. The Net Asset Value of such Sub-Fund may also be affected unfavourably by changes in exchange rate controls. Since the Manager aims to maximise returns for such Sub-Fund in terms of its Base Currency, investors in such Sub-Fund may be exposed to additional currency risk. These risks may have adverse impact on the relevant Sub-Fund and its investors.

A Sub-Fund may, in part, seek to offset the risks associated with such exposure through foreign exchange transactions. The markets in which foreign exchange transactions are effected are highly volatile, highly specialised and highly technical. Significant changes, including changes in liquidity and prices, can occur in such markets within very short periods of time, often within minutes. Foreign exchange trading risks include, but are not limited to, exchange rate risk, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment, or particular transactions in foreign currency. These risks may have adverse impact on the relevant Sub-Fund and its investors.

Any changes in exchange control regulations may cause difficulties in the repatriation of funds. Dealings in a Sub-Fund may be suspended if the relevant Sub-Fund is unable to repatriate funds for the purpose of making payments on the redemption of Units. For further details on suspension of dealings in a Sub-Fund, please refer to the section headed “***Valuation and Suspension - Suspension***” below.

Derivative and structured product risk

A Sub-Fund 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”. Risks associated with derivatives include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. Investment in these instruments can be illiquid, if there is no active market in these instruments. Such instruments are complex in nature. Therefore there are risks of mispricing or improper valuation and possibilities that these instruments do not always perfectly track the value of the securities, rates or indices they are designed to track. Improper valuations can result in increased payments to counterparties or a loss in the value of the relevant Sub-Fund.

These instruments will also be subject to insolvency or default risk of the issuers or counterparties. In addition, investment through structured products may lead to a dilution of performance of such Sub-Funds when compared to a fund investing directly in similar assets. Besides, many derivative and structured products involve an embedded leverage. The leverage element/component of a derivative can result in a loss significantly greater than the amount invested in the derivative by the relevant Sub-Fund. Exposure to derivatives may lead to a high risk of significant loss by the relevant Sub-Fund.

Over-the-counter markets risk

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

In addition, certain instruments traded on the OTC markets (such as customised financial derivatives and structured products) can be illiquid. The market for relatively illiquid investments tends to be more volatile than the market for more liquid investments. These risks may have adverse impact on the relevant Sub-Fund and its investors.

Hedging risk

The Manager is permitted, but not obliged, to use hedging techniques such as using futures, options and/or forward contracts to attempt to offset market and currency risks. There is no guarantee that hedging techniques will fully and effectively achieve their desired result. The success of hedging much depends on the Manager’s expertise and hedging may become inefficient or ineffective. This may have adverse impact on the relevant Sub-Fund and its investors.

While a Sub-Fund may enter into such hedging transactions to seek to reduce risks, unanticipated changes in currency, interest rates and market circumstances may result in a poorer overall performance of a Sub-Fund. A Sub-Fund may not obtain a perfect correlation between hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the intended hedge or expose the relevant Sub-Fund to risk of loss.

Any expenses arising from such hedging transactions, which may be significant depending on prevailing market conditions, will be borne by the relevant Sub-Fund in relation to which they have been incurred.

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 relevant Sub-Fund’s ability to acquire or dispose of such securities at their intrinsic value. The bid and spreads of the price of such securities may be large and the relevant Sub-Fund may incur significant trading costs. A Sub-Fund may encounter difficulties in valuing and/or disposing of assets at their fair price due to adverse market conditions and/or large-scale redemptions. This may also expose the Sub-Fund to liquidity risks. 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 investments. As a result, this may have adverse impact on the relevant Sub-Fund and its investors.

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.

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, after consultation with 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.

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.

Restricted markets risk

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

Legal, tax and regulatory risk

Legal, tax and regulatory changes could occur in the future. For example, the regulatory or tax environment for derivative instruments is evolving, and changes in their regulation or taxation may adversely affect the value of derivative instruments. Changes to the current laws and regulations will lead to changes in the legal requirements to which the relevant Sub-Fund may be subject, and may adversely affect the relevant Sub-Fund and its investors.

Risk of termination

A Sub-Fund may be terminated in certain circumstances which are summarised under the section "***General Information - Termination of Fund or a Sub-Fund***", including where, on any date, in relation to the Fund, the aggregate Net Asset Value of all Units outstanding thereunder shall be less than RMB100,000,000 or its equivalent or in relation to a Sub-Fund, the aggregate Net Asset Value of the Units outstanding thereunder shall be less than RMB5,000,000 or its equivalent (or other amounts disclosed in the Appendix). 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.

Distributions risk

Distributions may be made in respect of the Distribution Classes. However, there is no guarantee that such distributions will be made nor will there be a target level of distributions payout. A high distribution yield does not imply a positive or high return.

Subject to the disclosure in the relevant Appendix, distributions may be paid out of the capital or effectively out of capital of a Sub-Fund. The Manager may distribute out of the capital of a Sub-Fund if the net distributable income attributable to the relevant Distribution Class during the relevant period is insufficient to pay distributions as declared. A Sub-Fund may also charge all or part of its fees and expenses to capital which means that the Sub-Fund may effectively pay distributions out of capital. **Investors should note that the payment of distributions out of capital or effectively out of capital represents a return or a withdrawal of part of the amount they originally invested or capital gain attributable to that amount. Distributions will result in an immediate decrease in the Net Asset Value of the relevant Units.**

For Accumulation Classes, the Manager does not intend to pay distributions. Accordingly, an investment in the Accumulation Classes may not be suitable for investors seeking income returns for financial or tax planning purposes.

Cross-Class liability

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

Creation of Sub-Funds or New Classes of Units

Additional Sub-Funds or additional Classes of Units which may have different terms of investment may be established in the future without the consent of, or notification to existing Unitholders. In particular, such additional Sub-Funds or additional Classes may have different terms with regard to fees.

Non-compliance with HKFRS

The annual and semi-annual reports and accounts of a Sub-Fund will be prepared in accordance with the HKFRS. Investors should note that the valuation rules described in the section headed "**Valuation and Suspension – Calculation of Net Asset Value**" below may not necessarily comply with HKFRS. Under HKFRS, investments should be valued at fair value, and bid and ask pricing is considered to be representative of fair value for long and short listed investments respectively. However, under the valuation basis described in the section headed "**Valuation and Suspension – Calculation of Net Asset Value**" below, listed investments are expected to be valued normally at the last traded price or closing price instead of bid and ask pricing as required under HKFRS.

Also, the cost of establishment of each Sub-Fund will be amortised over the Amortisation Period. Investors should note that this policy of amortisation is not in accordance with HKFRS. However, the Manager has considered the impact of such non-compliance and do not expect this issue to materially affect the results and Net Asset Value of a Sub-Fund. Further, the Manager believes that this policy is fairer and more equitable to the initial investors.

Accordingly, Unitholders should note that the Net Asset Value as described in this Explanatory Memorandum may not necessarily be the same as the net asset value to be reported in the annual and

semi-annual reports and accounts of such Sub-Fund as the Manager may make necessary adjustments in the annual accounts to comply with HKFRS.

Foreign Account Tax Compliance

The Fund and/or each Sub-Fund intend to satisfy the requirements imposed under FATCA (as defined under the section headed “***Foreign Account Tax Compliance***” under the “***Taxation – Hong Kong Taxation***” section below) and the terms of the FFI Agreement to avoid any withholding tax. In the event the Fund or any Sub-Fund is not able to comply with the requirements imposed by FATCA or the terms of the FFI Agreement (as defined under the section headed “***Foreign Account Tax Compliance***” under the “***Taxation – Hong Kong Taxation***” section below), the Fund or such Sub-Fund may be subject to US withholding tax on its “withholdable payments”. The Net Asset Value of the Fund or that Sub-Fund may be adversely affected and the Fund or such Sub-Fund may suffer significant loss as a result.

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

Each Unitholder and prospective investor should consult with his own tax advisor as to the potential impact of FATCA in its own tax situation.

Conflicts of Interest; Other Activities of the Manager

Various potential and actual conflicts of interest may arise from the overall investment activities of the Manager and its connected persons for their own accounts and the accounts of others. The Manager and its connected persons may invest for their own accounts and for the accounts of clients in various instruments that have interests different from or adverse to the instruments that are owned by the relevant Sub-Fund. For more information, please refer to the section headed “***General Information - Conflicts of Interest***”.

Effect of Substantial Redemptions

Substantial redemptions by Unitholders within a short period of time could require the relevant Sub-Fund to liquidate securities and other positions more rapidly than would otherwise be desirable, possibly reducing the value of its assets and/or disrupting its investment strategy. Further, it may be impossible to liquidate a sufficient amount of securities to meet redemptions because a significant part of the portfolio at any given time may be invested in securities for which the market is or has become illiquid. Reduction in the size of the relevant Sub-Fund could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the Sub-Fund’s ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

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.

INVESTING IN THE FUND

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 Class 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 Subscription Amount, Minimum Subsequent Subscription Amount, Minimum Holding Amount and Minimum Redemption Amount. Investors should refer to the relevant Appendix for the available Classes of Units and the applicable minimum amounts.

C5

Initial Offer

Units of a Sub-Fund or a Class in a Sub-Fund will be offered for the first time at the Initial Offer Price during the Initial Offer Period of such Sub-Fund or such Class as specified in the relevant Appendix.

Minimum Subscription Level

The offering of a Class of Units or a Sub-Fund may be conditional upon the Minimum Subscription Level (if applicable) being received on or prior to the close of the Initial Offer Period.

In the event that the Minimum Subscription Level of a Class of Units or a Sub-Fund is not achieved or the Manager is of the opinion that it is not in the commercial interest of investors or not feasible, as a result of adverse market conditions or otherwise, to proceed with the relevant Class of Units or Sub-Fund, the Manager may in its discretion extend the Initial Offer Period for the relevant Class of Units or Sub-Fund or determine that the relevant Class of Units or the relevant Sub-Fund and the Class or Classes of Units relating to it will not be launched. In such event, the relevant Class of Units or the Sub-Fund and the Class or Classes of Units relating to it shall be deemed not to have commenced.

Notwithstanding the aforesaid, the Manager reserves the discretion to proceed with the issue of Units of the relevant Class of Units or Sub-Fund even if the Minimum Subscription Level has not been achieved.

Subsequent Subscription

Units are available for subscription on each Subscription Day after the expiry of the Initial Offer Period.

C7

Issue Price

After the close of the Initial Offer Period, the Issue Price per Unit for any Class of a Sub-Fund on a Subscription Day will be calculated by reference to the Net Asset Value per Unit of that Class as at the Valuation Point on the Valuation Day in respect of that Subscription Day (for further details see “*Valuation and Suspension - Calculation of Net Asset Value*” below).

In calculating the Issue Price, the Manager may impose surcharges to compensate for the difference between the price at which assets of the relevant Sub-Fund are to be valued and the total cost of acquiring such assets including other relevant expenses such as taxes, governmental charges, brokerages, etc.

The Issue Price shall be rounded to the Decimal Places. Any amount corresponding to such rounding will accrue to the relevant Sub-Fund.

Subscription Charge

The Manager, its agents or delegates may charge a Subscription Charge on the issue of each Unit of a percentage of either (i) the Initial Offer Price or the Issue Price, as the case may be, of such Unit or (ii) the total subscription amount received in relation to an application, as the Manager may at its discretion determine. The maximum and current rate of Subscription Charge (if any) and the manner in which it will be imposed are specified in the relevant Appendix. For the avoidance of doubt, a lower maximum rate of Subscription Charge may be imposed in relation to the issue of Units of a Sub-Fund as compared to other Sub-Funds and also in relation to different Classes of Units of a Sub-Fund.

C14(a)

The Manager may at any time increase the rate of Subscription Charge provided that any increase in the rate of Subscription Charge above the maximum rate may only be made if such increase (i) will not impact on the existing investments of any Unitholder, and (ii) will be subject to any requirements of the Code.

The Manager may on any day differentiate between applicants or Classes of Units as to the amount of the Subscription Charge. The Subscription Charge will be retained by or paid to the Manager, its agents or delegates for their own absolute use and benefit.

Minimum Initial Subscription Amount and Minimum Subsequent Subscription Amount

C4

Details of any Minimum Initial Subscription Amount and Minimum Subsequent Subscription Amount applicable to a Class of Unit or a Sub-Fund are set out in the relevant Appendix.

The Manager has the discretion to waive, change or accept an amount lower than the Minimum Initial Subscription Amount or Minimum Subsequent Subscription Amount from time to time, whether generally or in a particular case.

Application Procedures

Applications for subscription of Units may be made to the Manager by completing the Application Form and sent by post or by facsimile to the Manager at the business address or facsimile number on the Application Form. The Manager and/or the Trustee may request further supporting documents and/or information to be provided together with the Application Form. The original of any Application Form sent by facsimile must follow promptly, unless the Trustee agrees otherwise. The Application Form is available from the Manager and/or the Authorised Distributors.

C9

In respect of Application Forms and subscription moneys in cleared funds which are received on or before the IOP Deadline, Units will be issued following the close of the Initial Offer Period. If Application Forms and/or application monies in cleared funds are received after the IOP Deadline, the relevant applications shall be carried forward to the next Subscription Day and shall be dealt with at the Issue Price at such Subscription Day.

Following the close of the Initial Offer Period, an Application Form received by the Manager by the Subscription Deadline of a Subscription Day will be dealt with on that Subscription Day. If an application for Units is received after the Subscription Deadline in respect of a Subscription Day then the application will be held over until the next Subscription Day provided that the Manager may in the event of system failure which is beyond the reasonable control of the Manager or events of natural disaster and with the approval of the Trustee after taking into account the interest of other Unitholders of the relevant Sub-Fund, exercise its discretion to accept an application in respect of a Subscription Day which is received after the Subscription Deadline if it is received prior to the Valuation Point relating to that Subscription Day. Notwithstanding the aforesaid, where in the Trustee's reasonable opinion, the Trustee's operational requirements cannot support accepting any such application, the Manager shall not exercise its discretion to accept any application.

Payment procedures

Payment for Units subscribed for cash during the Initial Offer Period and the Subscription Charge (if any) is due in cleared funds by the IOP Deadline. Following the close of the Initial Offer Period, payment for Units and the Subscription Charge (if any) is due at the expiry of the Payment Period.

C9

If payment in full in cleared funds has not been received by the IOP Deadline or the relevant Payment Period (or such other period as the Manager may determine and disclose to the applicants), the Manager may (without prejudice to any claim in respect of the failure of the applicant to make payment when due) cancel any Units which may have been issued in respect of such application for subscription and the Manager must cancel the issue of the relevant Units if the Trustee so requires.

Upon such cancellation, the relevant Units shall be deemed never to have been issued and the applicant shall have no right to claim in respect thereof against the Manager or the Trustee, provided that: (i) no previous valuations of the relevant Sub-Fund shall be re-opened or invalidated as a result of the cancellation of such Units; (ii) the Manager and the Trustee may charge the applicant a cancellation fee to represent the administrative costs involved in processing the application for such Units from such applicant; and (iii) the Manager and the Trustee may require the applicant to pay (for the account of the relevant Sub-Fund in respect of each Unit so cancelled) the amount (if any), by which the Issue Price of each such Unit exceeds the Redemption Price of such Unit on the day of cancellation (if such day is a Redemption Day for the relevant class of Units) or the immediately following Redemption Day plus interest on such amount until receipt of such payment by the Trustee.

Payments for Units should be made in the Base Currency of the relevant Sub-Fund or where one or more Classes are issued in respect of a Sub-Fund, payment for Units of a Class should be made in the Class Currency of such Class. Subject to the agreement of the Manager, payment in other freely convertible currencies may be accepted. Where amounts are received in a currency other than the relevant Base Currency or Class Currency (as the case may be), they will be converted into the relevant Base Currency or Class Currency (as the case may be) at the cost of the relevant applicant and the proceeds of conversion (after deducting the costs of such conversion) will be applied in the subscription of Units in the relevant Sub-Fund or Class. Any conversion to the relevant Base Currency or Class Currency (as the case may be), will be at the prevailing market rate (whether official or otherwise) which the Manager deems appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange. Conversion of currency may be made at a premium or discount in exceptional circumstances such as where there is a huge fluctuation in the exchange rate. Currency conversion will be subject to availability of the currency concerned. Save for any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence of the Trustee or the Manager, none of the Manager, the Trustee or their respective agents or delegates will be liable to any Unitholder or any person for any loss suffered by such Unitholder arising from such currency conversion.

All payments should be made by cheque, direct transfer, telegraphic transfer or bank draft (or other manner as may be agreed by the Manager). Cheques and bank drafts should be crossed "a/c payee only, not negotiable" and made payable to the accounts specified in the Application Form, 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 subscription moneys to a Sub-Fund will be payable by the applicant.

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

No money should be paid to an intermediary in Hong Kong who is not licensed or registered to

C12

carry on Type 1 Regulated Activity (dealing in securities) under Part V of the Securities and Futures Ordinance.

General

The Manager has an absolute discretion to accept or reject in whole or in part any application for Units.

If an application is rejected (either in whole or in part) or the Manager determines that the relevant Class of Units or the relevant Sub-Fund and the Class or Classes of Units related to it will not be launched, subscription moneys (or the balance thereof) will be returned within the Refund Period without interest and after deducting any of out-of-pocket fees and charges incurred by the Manager and the Trustee 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 applicant or in such other manner as the Manager and the Trustee may from time to time determine. Save for any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence of the Trustee or the Manager, none of the Manager, the Trustee or their respective delegates or agents will be liable to the applicant for any loss the applicant suffers as a result of the rejection or delay of any application.

Units issued by the Fund will be held for investors in registered form. Certificates will not be issued. A contract note will be issued upon acceptance of an applicant's application and the receipt of cleared funds and will be forwarded to the applicant (at the risk of the person entitled thereto). In case of any error in a contract note, applicants should contact the relevant intermediaries or the Authorised Distributor promptly for rectification.

C6

Fractions of a Unit (rounded down to the Decimal Places) may be issued. Any amount corresponding to such rounding will accrue to the relevant Sub-Fund.

Restrictions on Issue

No Units of a Sub-Fund or a Class will be issued where the determination of the Net Asset Value of that Sub-Fund or Class and/or the allotment or issuance of Units of that Sub-Fund or Class is suspended (for further details see "***Suspension***" below) or when the Manager determines, with prior notification to the Trustee, that subscriptions for such Sub-Fund or Class of Units are closed.

C11

REDEMPTION OF UNITS

Redemption of Units

Subject to the restrictions (if any) as specified in the relevant Appendix, any Unitholder may redeem his Units on any Redemption Day in whole or in part. Save where there is a suspension of the determination of the Net Asset Value of the relevant Sub-Fund or Class and/or the redemption of Units of the relevant Sub-Fund or Class, a redemption request once given cannot be revoked without the consent of the Manager.

C7

Redemption Price

Units redeemed on a Redemption Day will be redeemed at the Redemption Price calculated by reference to the Net Asset Value per Unit of the relevant Class as at the Valuation Point on the Valuation Day in respect of that Redemption Day (for further details, see “*Valuation and Suspension - Calculation of Net Asset Value*” below).

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 Redemption Price shall be rounded to the Decimal Places. Any amount corresponding to such rounding will accrue to the relevant Sub-Fund.

If at any time during the period from the time as at which the Redemption Price is calculated and the time at which redemption proceeds are converted out of any other currency into the Base Currency of the relevant Sub-Fund or the Class Currency of the relevant Class there is an officially announced devaluation or depreciation of that currency, the amount payable to any relevant redeeming Unitholder may be reduced as the Manager considers appropriate to take account of the effect of that devaluation or depreciation.

Redemption Charge

The Manager may charge a Redemption Charge on the redemption of Units of a percentage of either (i) the Redemption Price per Unit; or (ii) the total redemption amount in relation to a redemption request, as the Manager may at its discretion determine. The maximum and current rate of Redemption Charge (if any) and the manner in which it will be imposed are specified in the relevant Appendix. For the avoidance of doubt, a lower maximum rate of Redemption Charge may be imposed in relation to the redemption of Units of a Sub-Fund as compared to other Sub-Funds and also in relation to different Classes of Units of a Sub-Fund.

C14(a)

The Manager may increase the rate of Redemption Charge payable up to or towards the maximum rate for a Sub-Fund or a Class of Units, on giving at least one month’s prior written notice to the Unitholders. The maximum rate of Redemption Charge of a Sub-Fund or a Class of Units may be increased with the sanction of an extraordinary resolution of the Unitholders of the relevant Sub-Fund or Class of Units (as the case may be) and subject to the SFC’s prior approval.

For the purpose of calculating the Redemption Charge payable on a partial redemption of a Unitholder’s holding, Units subscribed earlier in time are deemed to be redeemed prior to Units subscribed later in time unless the Manager and the Trustee agree otherwise.

The Redemption Charge will be deducted from the amount payable to a Unitholder in respect of the redemption of Units. The Redemption Charge will be retained by or paid to the Manager for its own

absolute use and benefit or, if so stated in the relevant Appendix, retained by the relevant Sub-Fund. Where the Redemption Charge is retained by the Manager, it may at its discretion, pay all or part of the Redemption Charge to its agents or delegates. The Manager shall be entitled to differentiate between Unitholders or Classes of Units as to the amount of the Redemption Charge (within the maximum rate of Redemption Charge).

Minimum Redemption Amount and Minimum Holding Amount

Details of any Minimum Redemption Amount and Minimum Holding Amount applicable to a Class of Unit or a Sub-Fund are set out in the relevant Appendix. C4

If a redemption request will result in a Unitholder holding Units of a Sub-Fund or a Class less than the Minimum Holding Amount for that Sub-Fund or Class, the Manager may deem such request to have been made in respect of all Units of the relevant Sub-Fund or Class held by that Unitholder.

The Manager has the discretion to waive, change or accept an amount lower than the Minimum Redemption Amount or Minimum Holding Amount from time to time, whether generally or in a particular case.

Redemption Procedures

Applications for redemption of Units may be made to the Manager by completing the Redemption Form and sent by post or by facsimile to the Manager at the business address or facsimile number on the Redemption Form. The original of Redemption Form sent by facsimile must follow promptly, unless the Trustee agrees otherwise. The Redemption Form is available from the Manager and/or the Authorised Distributors. C9

A Redemption Form received by the Manager by the Redemption Deadline of a Redemption Day will be dealt with on that Redemption Day. If an application for redemption of Units is received after the Redemption Deadline in respect of a Redemption Day then the application will be held over until the next Redemption Day provided that the Manager may in the event of system failure which is beyond the reasonable control of the Manager or events of natural disaster and with the approval of the Trustee after taking into account the interest of other Unitholders of the relevant Sub-Fund, exercise its discretion to accept a redemption request in respect of a Redemption Day which is received after the Redemption Deadline if it is received prior to the Valuation Point relating to that Redemption Day. Notwithstanding the aforesaid, where in the Trustee's reasonable opinion, the Trustee's operational requirements cannot support accepting any such redemption request, the Manager shall not exercise its discretion to accept any redemption request.

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

Payment of Redemption Proceeds

Redemption proceeds will normally be paid by direct transfer or telegraphic transfer in the Base Currency of the relevant Sub-Fund or the Class Currency of the relevant Class of Units to the pre-designated bank account of the Unitholder (at his risk and expense). No third party payments will be permitted. Any bank charges associated with the payment of such redemption proceeds will be borne by the redeeming Unitholder.

Redemption proceeds may be paid in a currency other than the relevant Base Currency or Class Currency if so requested by the relevant redeeming Unitholders and agreed by the Manager with the approval of the Trustee.

Where redemption proceeds are paid in a currency other than the relevant Base Currency or Class Currency, they will be converted from the relevant Base Currency or Class Currency at the cost of the relevant redeeming Unitholders. Any conversion from the relevant Base Currency or Class Currency, will be at the prevailing market rate (whether official or otherwise) which the Manager deems appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange. Conversion of currency may be made at a premium or discount in exceptional circumstances such as where there is a huge fluctuation in the exchange rate. Save for any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence of the Trustee or the Manager, none of the Manager, the Trustee or their respective agents or delegates will be liable to any Unitholder or any person for any loss suffered by such Unitholder arising from such currency conversion.

Redemption Proceeds will be paid as soon as practicable but in any event not exceeding one calendar month after the day on which the Manager receives the duly completed Redemption Form and such other documents and information as the Manager and/or the Trustee may require, unless the market(s) in which a substantial portion of investments is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of the redemption money within the aforesaid time period not practicable. In such case, 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).

C10

The Manager or the Trustee, as the case may be, may, in its absolute discretion, delay payment to the Unitholder until (a) if required by the Manager or the Trustee, the original of the Redemption Form duly signed by the Unitholder has been received; (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; and (c) the Unitholder has produced all documents or information required by the Manager and/or the Trustee for the purpose of verification of identity.

The Manager or the Trustee, as the case may be, may, refuse to make a redemption payment to a Unitholder if either the Manager or the Trustee suspects or is advised that (i) such payment may result in a breach or violation of any anti-money laundering law or other laws or regulations by any person in any relevant jurisdiction; or (ii) such refusal is necessary or appropriate to ensure compliance by the Fund, the Manager, the Trustee or other service providers with any such laws or regulations in any relevant jurisdiction.

If the Manager or the Trustee is required or entitled by any applicable laws, regulations, direction or guidance, or by any agreement with any tax or fiscal authority to make withholdings from any redemption moneys payable to the Unitholder, the amount of such withholdings shall be deducted from the redemption moneys otherwise payable to such person, provided that the Manager or the Trustee is acting in good faith and on reasonable grounds.

Save for any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence of the Trustee or the Manager, neither the Manager nor the Trustee nor their agents shall be liable for any loss caused by any refusal or delay in making payment as a result of delay in receipt of proceeds of realisation of the investments of the relevant Sub-Fund.

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

Restrictions on Redemption

No Units of a Sub-Fund or a Class may be redeemed where the determination of the Net Asset Value of that Sub-Fund or Class and/or the redemption of Units of that Sub-Fund or Class is suspended (for further details see “*Valuation and Suspension - Suspension*” below).

C11

With a view to protecting the interests of all Unitholders of a Sub-Fund, the Manager may with the approval of the Trustee limit the number of Units of such Sub-Fund redeemed on any Redemption 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 Redemption 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 Redemption Day and all following Redemption 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 inform the Unitholders concerned as soon as practicable and in any event within five Business Days of such Redemption Day.

Compulsory redemption of Units

If the Manager or the Trustee suspects that Units of any Class are owned directly or beneficially by any person:

- (a) in contravention of any laws 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 person 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 their opinion might result in the relevant Sub-Fund, the Fund, the Trustee and/or the Manager incurring any liability to taxation or suffering any other pecuniary disadvantage which the Sub-Fund, the Fund, the Trustee and/or the Manager might not otherwise have incurred or suffered,

the Manager or the Trustee may:

- (i) give notice requiring the relevant Unitholder to transfer the Units to a person who would not be in contravention of the above restrictions within 30 days of the date of the notice; or
- (ii) deem receipt of a redemption request in respect of such Units.

Where the Manager or the Trustee has given such notice and the Unitholder has failed to either (i) transfer the relevant Units within 30 days of the date of the notice, or (ii) establish to the satisfaction of the Manager or the Trustee (whose judgment is final and binding) that the relevant Units are not held in contravention of any of the restrictions set out above, the Unitholder is deemed to have given a redemption request in respect of the relevant Units on the expiry of 30 days from the date of the notice.

CONVERSION

Conversion of Units

Unless otherwise specified in the relevant Appendix, Unitholders shall be entitled (subject to such limitations as the Manager after consulting with the Trustee may impose) to convert 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 conversion. Unless the Manager otherwise agrees, Units of a Class can only be converted into Units of the same Class of another Sub-Fund.

C9

A request for conversion will not be effected if as a result the relevant Unitholder would hold less than the Minimum Holding Amount of the Existing Class, or is prohibited from holding Units of the New Class.

In addition, specific limitations or restrictions may apply when a Unitholder intends to convert his Units into another Class or Sub-Fund. The relevant limitations or restrictions (if any) will be set out in the Appendix for the relevant Sub-Fund.

Switching Fee

A Switching Fee may be charged by the Manager in respect of each Unit of the New Class to be issued upon such conversion of a percentage of either –

C14(a)

- (i) the Issue Price per Unit of the New Class as at the Valuation Point on the Valuation Day at which the Issue Price of such Units is ascertained; or
- (ii) the total monetary amount being switched out of the Existing Class.

The maximum and current rate of Switching Fee (if any) and the manner in which it will be imposed are specified in the relevant Appendix. For the avoidance of doubt, a lower maximum rate of Switching Fee may be imposed in relation to the conversion of Units of a Sub-Fund as compared to other Sub-Funds and also in relation to different Classes of Units of a Sub-Fund.

The Switching Fee shall be deducted from the amount reinvested into the Sub-Fund relating to Units of the New Class and shall be retained by or paid to the Manager for its own absolute use and benefit.

Where the Switching Fee is levied pursuant to paragraph (i) above, Units of the Existing Class will be converted into Units of the New Class in accordance (or as nearly as may be in accordance) with the following formula:-

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

Where the Switching Fee is levied pursuant to paragraph (ii) above, Units of the Existing Class will be converted into Units of the New Class in accordance (or as nearly as may be in accordance) with the following formula:-

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

Where in either case:-

N is the number of Units of the New Class to be issued, provided that amounts lower than the smallest

fraction of a Unit of the New Class shall be ignored and shall be retained by the Sub-Fund relating to the New Class.

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

F is the currency conversion factor determined by the Manager for the relevant Subscription Day of the New Class 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 Redemption Day less any Redemption Charge imposed by the Manager.

S is the Issue Price per Unit for the New Class applicable on the Subscription Day for the New Class coincident with or immediately following the relevant Redemption Day for the Existing Class 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 Subscription Day for the New Class falling on or after the satisfaction of such conditions.

SF is a Switching Fee (if any).

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 up to the time at which any necessary transfer of funds from the Sub-Fund to which the Existing Class relates (“**Original Sub-Fund**”) to the Sub-Fund to which the New Class relates takes place, a devaluation or depreciation of any currency in which any investment of the Original Sub-Fund is denominated or normally traded, the Manager may at its discretion reduce the Redemption Price as the Manager consider appropriate to take account of the effect of that devaluation or depreciation and in such event the number of Units of the New Class to be allotted to any relevant Unitholder shall be recalculated in accordance with the relevant formula set out above as if that reduced Redemption Price had been the Redemption Price ruling for redemptions of Units of the Existing Class on the relevant Redemption Day.

Conversion Procedures

Applications for conversion of Units may be made to the Manager by completing the Conversion Form and sent by post or by facsimile to the Manager at the business address or facsimile number on the Conversion Form. The original of Conversion Form sent by facsimile must follow promptly, unless the Trustee agrees otherwise. The Conversion Form is available from the Manager and/or the Authorised Distributors.

Conversion Forms which is received by the Manager by the Redemption Deadline applicable to the Existing Class or such later time as the Manager may think fit on a Redemption Day (but prior to the Valuation Point relating to the relevant Redemption Day) in relation to such Existing Class will be dealt with on that Redemption Day and Conversion Forms received after such time will be dealt with on the following Redemption Day in relation to such Existing Class. Conversion Forms may not be withdrawn without the consent of the Manager.

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

Restrictions on Conversion

Units shall not be converted during any period when the determination of the Net Asset Value of any

relevant Sub-Fund is suspended (for further details see “*Valuation and Suspension - Suspension*” below) or when the Manager determines, with prior notification to the Trustee, that subscriptions for Units of the New Class are closed.

VALUATION AND SUSPENSION

Calculation of Net Asset Value

The Net Asset Value of each Sub-Fund and the Net Asset Value per Unit of each Class will be calculated in accordance with the Trust Deed as at the Valuation Point on each Valuation Day. The Trust Deed provides among others that:-

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(a) Listed Investments

The value of any investment (other than an interest in a collective investment scheme or a commodity) quoted, listed, traded or normally dealt in on a Securities Market shall at the discretion of the Manager be calculated by reference to the last traded price or closing price as calculated and published by the relevant Securities Market at or immediately preceding the Valuation Point, as the Manager may consider in the circumstances to provide a fair criterion, provided that:-

- (i) 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, after consultation with the Trustee, adopt such prices.
- (ii) In the case of any investment which is quoted, listed or normally dealt in on a Securities Market but in respect of which, for any reason, prices on that Securities Market may not be available at any relevant time, the value thereof shall be certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager or, if the Trustee so requires, by the Manager after consultation with the Trustee.
- (iii) There shall be taken into account interest accrued on interest-bearing investments up to (and including) the date as at which the valuation is made, unless such interest is included in the quoted or listed price.

(b) Unquoted Investments

The value of any investment (other than an interest in a collective investment scheme or a commodity) which is not quoted, listed or normally dealt in on a Securities Market shall be the initial value thereof equal to the amount expended out of the relevant Sub-Fund in the acquisition thereof (including in each case the amount of the stamp duties, commissions and other acquisition expenses) provided that the value of any such unquoted investments shall be determined on a regular basis by a professional person approved by the Trustee as qualified to value such unquoted investment. Such professional person may, with the approval of the Trustee, be the Manager.

(c) Cash, Deposits etc.

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.

(d) Collective Investment Scheme

The value of each unit, share or other interest in any collective investment scheme shall be the net asset value per unit or share as at the same day the Net Asset Value of the relevant Sub-Fund is calculated, or if such collective investment scheme is not valued as at the same day the Net Asset Value of the relevant Sub-Fund is calculated, the last published net asset value per unit or share 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.

If no net asset value, bid and offer prices or price quotations are available, the value of each unit, share or other interest in any collective investment scheme shall be determined from time to time in such manner as the Manager with the approval of the Trustee shall determine.

(e) Other Valuation Methods

Notwithstanding paragraphs (a) to (d) above, the Manager may, with the consent of the Trustee, adjust the value of any investment or permit some other method of valuation to be used if, having regard to currency, applicable rate of interest, maturity, marketability and other considerations they deem relevant, they consider that such adjustment or use of such other method is required to reflect the fair value thereof.

(f) Conversion to Base Currency

The value (whether of a borrowing or other liability or an investment or cash) otherwise than in the Base Currency of a Sub-Fund shall be converted into the Base Currency at the prevailing market rate (whether official or otherwise) which the Manager shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange. Conversion of currency may be made at a premium or discount in exceptional circumstances such as where there is a huge fluctuation in the exchange rate.

(g) Reliance on Price Data and Information provided through Electronic Price Feeds etc

Subject as provided below, when calculating the Net Asset Value of a Sub-Fund, price data and other information in relation to the value of any asset of any investment, or the cost price or sale price thereof provided through electronic price feeds, mechanised or electronic systems of price or valuation, or valuation or pricing information which is provided by any valuer, third party valuation agent, intermediary or other third party appointed or authorised to provide valuations or pricing information of the investments or the assets of the Sub-Fund may be relied upon without verification, further enquiry or liability notwithstanding that the prices so used are not the last traded prices or closing prices.

The Manager shall exercise reasonable care and diligence in the selection of the valuation service providers and shall satisfy itself that such valuation service providers remain suitably qualified and competent to provide such price data and other information services.

Investors should note that, under HKFRS, investments should be valued at fair value and also that, under HKFRS, bid and offer pricing is considered to be representative of the fair value of investments. However, the valuation basis described above may deviate from the HKFRS which may lead to a different valuation had the valuation been performed in accordance with HKFRS. The Manager has considered the impact of such non-compliance and do not expect this issue to affect the results and Net Asset Value of a Sub-Fund materially. To the extent that the valuation basis adopted by the relevant Sub-Fund deviates from HKFRS, the Manager may make necessary adjustments in the annual financial statements for the financial statements to be in compliance with HKFRS.

The Manager may, at any time with the approval of the Trustee and shall at such times or at such intervals as the Trustee may request, arrange for a revaluation of the Net Asset Value of a Unit of any Class if it considers that the Net Asset Value per Unit of the relevant Class calculated in relation to any Subscription Day or Redemption Day (as the case may be) does not accurately reflect the true value of such Unit. Any revaluation will be made on a fair and equitable basis.

Suspension

The Manager may, after giving notice to the Trustee and with the agreement of the Trustee, declare a suspension of the determination of the Net Asset Value of any Sub-Fund or of any Class of Units and/or the issuance, conversion and/or the redemption of Units for the whole or any part of any period during which:-

C11

- (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 that Sub-Fund is normally traded or a breakdown in any of the means normally employed in ascertaining the prices of investments or the Net Asset Value of a Sub-Fund or the Issue Price or Redemption Price per Unit; or
- (b) for any other reason the prices of investments held or contracted for by the Manager for the account of that Sub-Fund cannot, in the opinion of the Manager or the Trustee, reasonably, promptly or fairly be ascertained; or
- (c) circumstances exist as a result of which, in the opinion of the Manager or the Trustee, it is not reasonably practicable to realise a substantial part of the investments held or contracted for the account of that Sub-Fund or it is not possible to do so without seriously prejudicing the interests of Unitholders of Units of the relevant Class; 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 is delayed or cannot, in the opinion of the Manager or the Trustee, 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 any of the investments or other assets of that Sub-Fund or the Net Asset Value of that Sub-Fund or the Issue Price or Redemption Price per Unit takes place or when for any other reason the value of any of the investments or other assets of that Sub-Fund or the Net Asset Value of that Sub-Fund or the Issue Price or Redemption Price per Unit cannot in the opinion of the Manager or the Trustee reasonably or fairly be ascertained or cannot be ascertained in a prompt or accurate manner; or
- (f) when, in the opinion of the Manager or the Trustee, 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 realisation of interests in any relevant collective investment scheme(s) (representing a substantial portion of the assets of the Sub-Fund) is suspended or restricted; 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

or to carry out a scheme of amalgamation involving that Sub-Fund; or

- (j) such other circumstance or situation exists as set out in the Appendix of that Sub-Fund.

If a suspension is declared, during such a period of suspension –

- (a) where the suspension is in respect of the determination of the Net Asset Value, there shall be no determination of the Net Asset Value of the relevant Sub-Fund and the Net Asset Value per Unit of that Sub-Fund (or a Class thereof) (although an estimated Net Asset Value may be calculated and published) and any applicable issue or request for conversion or redemption of Units shall be similarly suspended. If a request for subscription, conversion or redemption of Units are received by the Manager during a period of suspension and not withdrawn, such request shall be treated as if it were received in time to be dealt with on the Subscription Day or the Redemption Day (as the case may be) next following the end of the said suspension and dealt with accordingly;
- (b) where the suspension is in respect of the allotment or issue, conversion and/or the redemption of Units, there shall be no allotment, issue, conversion and/or redemption of Units. For the avoidance of doubt, the allotment, issue, conversion or redemption of Units may be suspended without suspending the determination of the Net Asset Value.

A 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 as soon as may be practicable after any such declaration 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, cause a notice to be published at the Manager's website at <http://www.gffunds.com.hk> or cause such notice to be published in any other media and/or cause a notice to be given to Unitholders of the Class relating to the relevant Sub-Fund and to all those (whether Unitholders or not) whose applications to subscribe for or redeem Units shall have been affected by such suspension stating that such declaration has been made. Investors should note that the aforesaid website is not reviewed by the SFC.

DISTRIBUTION POLICY

C13

The distribution policy adopted by a Sub-Fund is set out in the relevant Appendix of such Sub-Fund. A Sub-Fund may offer Classes of Units that accumulate income (“**Accumulation Classes**”) or pay regular distributions out of net distributable income of such Sub-Fund (“**Distribution Classes**”).

Accumulation Classes

No distribution is intended to be made in respect of Accumulation Classes. Therefore, any net income and net realised capital gains attributable to Units of the Accumulation Classes will be reflected in their respective Net Asset Value.

Distribution Classes

For Distribution Classes, the Manager will declare and pay distributions in such amount, on such date and at such frequency as the Manager may determine. However, unless otherwise specified in the relevant Appendix, there is neither a guarantee that such distributions will be made nor will there be a target level of distributions payout.

Distributions will be paid out of the net distributable income of the relevant Distribution Class. The Manager will also have the discretion to determine if and to what extent distributions will be paid out of capital attributable to the relevant Distribution Class.

In the event that the net distributable income attributable to the relevant Distribution Class during the relevant period is insufficient to pay distributions as declared, the Manager may in its discretion determine such dividends be paid from capital. A Sub-Fund may also charge all or part of its fees and expenses to capital which means that the Sub-Fund may effectively pay distributions out of capital. Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor’s original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of a Sub-Fund’s capital may result in an immediate reduction of the Net Asset Value per Unit of the relevant Distribution Class.

The composition of the distributions (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months are available by the Manager on request and also on the Manager’s website at <http://www.gffunds.com.hk>. Investors should note that the aforesaid website has not been reviewed by the SFC.

Distributions of a Distribution Class declared, if any, shall be distributed among the Unitholders of the relevant Distribution Class rateably in accordance with the number of Units held by them on the record date as determined by the Manager with the approval of the Trustee in respect of the corresponding distribution. For the avoidance of doubt, only Unitholders whose names are entered on the register of Unitholders on such record date shall be entitled to the distribution declared in respect of the corresponding distribution.

Distributions may be paid in cash or may be applied to subscribe for additional Units in the relevant Class of the relevant Sub-Fund at the option of the Unitholder as indicated in its Application Form. Unitholders may change their distribution option by giving not less than 14 days’ written notice to the Manager. Any payment of distributions in cash will normally be paid by direct transfer or telegraphic transfer in the Class Currency of the relevant Distribution Class to the pre-designated bank account of the Unitholder (at his risk and expense). No third party payments will be permitted.

The Manager may amend the dividend policy subject to obtaining the SFC’s prior approval and by

giving not less than one month's prior notice to Unitholders.

FEES AND EXPENSES

Management Fee

C14(b)

The Manager is entitled to receive in respect of a Sub-Fund (or any Class thereof), a management fee calculated and accrued as at the Valuation Point on each Valuation Day and payable monthly in arrears as a percentage of the Net Asset Value of such Sub-Fund (or such Class) as at each Valuation Day at the rates as specified in the relevant Appendix subject to a maximum fee as specified in the relevant Appendix.

Performance Fee

The Manager may charge a performance fee in respect of a Sub-Fund (or any Class thereof), payable out of the assets of the relevant Sub-Fund (or the relevant Class). If a performance fee is charged, further details will be provided in the Appendix for the relevant Sub-Fund, including the current rate of the performance fee payable and the basis of calculation of such fee.

The Manager reserves the right to waive or rebate any fees to which it is entitled, whether in part or in full and whether in respect of a particular investor or generally. The Manager may share any fees it receives with any person(s) as it deems appropriate.

Trustee Fee

The Trustee is entitled to receive a fee which is charged as a percentage of the Net Asset Value of the relevant Sub-Fund on each Valuation Day, at the rates specified in the Appendix and subject to a minimum monthly fee (if any) as specified in the relevant Appendix. The Trustee's fee is calculated and accrued as at the Valuation Point on each Valuation Day and payable monthly in arrears out of the assets of the relevant Sub-Fund. The fee payable to the Trustee is subject to a maximum rate as specified in the Appendix.

C14(b)

The Trustee is also entitled to receive a fee for acting as Registrar. It is also entitled to receive various transaction, processing, valuation fees and other applicable fees as agreed with the Manager from time to time and to be reimbursed by the relevant Sub-Fund for all out-of-pocket expenses (including sub-custody fees and expenses) properly incurred by it in the performance of its duties.

Custodian Fees

Pursuant to the fee letter entered into between the Trustee and the Custodian, the Custodian is entitled to (among others) transaction charges at customary market rates and custody fees at different rates, largely depending on the investment instruments concerned as well as the markets where the Custodian is required to hold the Fund's assets. Such fees will be calculated monthly and will be paid monthly in arrears, or any other mutually agreed frequency. The Custodian will also be entitled to reimbursement by the Fund for any out-of-pocket expenses or third-party charges incurred in the course of its duties.

Notice for Fee Increase

Unitholders shall be given not less than one month's prior notice should there be any increase of the management fee, performance fee or Trustee's fee from the current level to the maximum level. Any increase in the maximum level of the management fee, performance fee or Trustee's fee of a Sub-Fund (or any Class thereof) shall be subject to the SFC's prior approval and the sanction of extraordinary resolution of the Unitholders of such Sub-Fund (or such Class).

C14(c)

Establishment Costs

The establishment costs of a Sub-Fund are of such amount as set out in the Appendix of the relevant Sub-Fund and will be borne by the relevant Sub-Fund. The establishment costs will be amortised over the Amortisation Period.

C14(b)

Investors should also note that under HKFRS, establishment costs should be expensed as incurred and that amortisation of the expenses of establishing Sub-Funds is not in accordance with HKFRS; however, the Manager has considered the impact of such non-compliance and has considered that it will not have a material impact on the financial statements of Sub-Funds. To the extent that the accounting basis adopted by a Sub-Fund deviates from HKFRS, the Manager may make necessary adjustments in the annual financial statements for the financial statements to be in compliance with HKFRS.

General Expenses

Each Sub-Fund will bear the costs (including those set out below) 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.

C14(b)

Such costs include but are not limited to the costs of investing and realising the investments of the Sub-Funds, the fees and expenses of the custodian, registrar and the auditors, valuation costs, legal fees, the expenses incurred by the Manager and the Trustee in establishing the Fund and Sub-Funds and costs in connection with the initial issue of Units or a Class of Units, the costs incurred in connection with the preparation of supplemental deeds or any listing or regulatory approval, the costs of holding meetings of Unitholders and of giving notices to Unitholders, the costs incurred in terminating the Fund or any Sub-Fund, the fees and expenses of the Trustee which are agreed by the Manager in connection with time and resources incurred by the Trustee reviewing and producing documentation in connection with the operation of any Sub-Fund including the filing of annual returns and other statutory information required to be filed with any relevant regulatory authority and the costs incurred in the preparation and printing of any explanatory memorandum, all costs incurred in publishing the Net Asset Value of a Sub-Fund, Net Asset Value per Unit, Issue Price and Redemption Price of Units, all costs of preparing, printing and distributing all statements, accounts and reports, the expenses of preparing and printing any offering document, and any other expenses, deemed by the Manager, after consulting the Auditors, to have been incurred in compliance with or 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 any code relating to unit trusts.

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

Transactions with Connected Persons, Cash Rebates and Soft Dollars

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

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- (a) such transactions are on arm's length terms;
- (b) it uses due care in the selection of such brokers or dealers and ensure that they are suitably qualified in the circumstances;
- (c) transaction execution must be consistent with applicable best execution standards;
- (d) the fee or commission paid to any such broker or dealer in respect of a transaction must not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature;

- (e) it monitors such transactions to ensure compliance with its obligations; and
- (f) the nature of such transactions and the total commissions and other quantifiable benefits received by such broker or dealer shall be disclosed in the annual report of the Fund and/or the relevant Sub-Fund.

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 dollars) as described in the paragraph below may be retained. Any such cash commission or rebates received from any such brokers or dealers shall be for the account of the relevant Sub-Fund. Details of any such commissions and the Manager's soft dollar practices, including a description of the goods and services received by the Manager will be disclosed in the annual and semi-annual report and accounts of the Fund and/or 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 or services 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. The Manager shall procure that no such arrangements are entered into unless the goods and services to be provided pursuant thereto are of demonstrable benefit to the Unitholders (taken as a body and in their capacity as such) whether by assisting the Manager in its ability to manage the relevant Sub-Fund or otherwise and the transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates. Such goods and services may include research and advisory services, economic and political analysis, portfolio analysis including valuation and performance measurement, market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publications. 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.

TAXATION

Each prospective Unitholder should inform himself of, and where appropriate take advice on, the taxes applicable to the acquisition, holding and redemption of Units by him under the laws of the places of his citizenship, residence and domicile.

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The following summary of Hong Kong taxation is of a general nature, is for information purposes only, and is not intended to be an exhaustive list of all of the tax considerations that may be relevant to a decision to purchase, own, redeem or otherwise dispose of Units. This summary does not constitute legal or tax advice and does not purport to deal with the tax consequences applicable to all categories of Unitholders. Prospective Unitholders should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, redeeming or disposing of Units both under the laws and practice of Hong Kong and the laws and practice of their respective jurisdictions. The information below is based on the law and practice in force in Hong Kong at the date of this Explanatory Memorandum. The relevant laws, rules and practice relating to tax are subject to change and amendment (and such changes may be made on a retrospective basis). As such, there can be no guarantee that the summary provided below will continue to be applicable after the date of this Explanatory Memorandum. Furthermore, tax laws can be subject to different interpretations and no assurance can be given that relevant tax authorities will not take a contrary position to the tax treatments described below.

Hong Kong Taxation

Profits Tax

The Fund/ Sub-Fund(s)

As the Fund and the Sub-Fund(s) have been authorised, as a collective investment scheme constituted as a unit trust by the SFC under Section 104 of the SFO, profits of the Fund and the Sub-Fund(s) are exempt from Hong Kong Profits Tax.

The Unitholders

Unitholders should not be subject to any Hong Kong profits tax (whether by way of withholding or otherwise) on distributions by the Fund or Sub-Fund(s) in accordance with the practice of the Inland Revenue Department of Hong Kong (as at the date of this Explanatory Memorandum).

Hong Kong profits tax (which is currently charged at the rate of 16.5% for corporations, and 15% for individuals or unincorporated business) will arise on any gains or profits made on the sale, redemption or other disposal of the Units where the profits, not being regarded as capital in nature, arise from a trade, profession or business carried on by a Unitholder in Hong Kong and are sourced in Hong Kong. Unitholders should take advice from their own professional advisers as to their particular tax position.

Stamp Duty

No Hong Kong ad valorem stamp duty is payable on the issue of Units or on the redemption of Units.

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

Other types of sales or purchases or transfers of the Units by the Unitholders should be liable to Hong Kong Stamp Duty of 0.1% (borne by each of the buyer and seller) on the higher of the consideration amount or market value. In addition, a fixed duty of HK\$5.00 is currently payable on any instrument of transfer of Units.

Foreign Account Tax Compliance

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

In general, an FFI which does not sign an FFI Agreement and is not otherwise exempt will face a 30% withholding tax on all “withholdable payments”, including U.S. sourced dividends, interest and certain other payments. In addition, starting from 1 January 2019, gross proceeds such as sales proceeds and returns of principal derived from stocks and debt obligations generating US source dividends or interest will be treated as “withholdable payments.” It is possible that certain non-U.S. source payments attributable to amounts that would be subject to FATCA withholding (referred to as “**foreign passthru payments**”) may also be subject to FATCA withholding starting from 1 January 2019, though the definition of “foreign passthru payments” in US Treasury Regulations is currently pending.

The Hong Kong government has entered into an intergovernmental agreement with the US (“**IGA**”) for the implementation of FATCA, adopting “Model 2” IGA arrangements. Under these “Model 2” IGA arrangements, FFIs in Hong Kong (such as the Fund and/or the Sub-Funds) would be required to be subject to the terms of the FFI Agreement with the U.S. IRS, register with the U.S. IRS and comply with the terms of FFI Agreement. Otherwise they may be subject to a 30% withholding tax on “withholdable payments” to them.

It is expected that FFIs in Hong Kong (such as the Fund and/or the Sub-Funds) complying with the FFI Agreement (i) will generally not be subject to the above described 30% withholding tax; and (ii) will not be required to withhold tax on “withholdable payments” made to non-consenting accounts (including accounts which the holders are U.S. persons and do not provide their U.S. taxpayer identification number or consent to the FFI to report their information to the U.S. IRS).

As of the date hereof, the Fund has already registered with the U.S. IRS as a participating FFI.

Automatic Exchange of Financial Account Information

The Inland Revenue (Amendment) (No.3) Ordinance 2016 (the “**Ordinance**”) came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information (“**AEOI**”). The AEOI requires financial institutions (“**FI**”) in Hong Kong to collect information relating to non-Hong Kong tax residents holding accounts with FIs and controlling persons of certain entities holding accounts with FIs, and report the relevant information to the Hong Kong Inland Revenue Department (“**IRD**”) for exchange of such information with the jurisdiction(s) in which that account holder is a tax resident. Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has a Competent Authority Agreement (“**CAA**”). However, subject to the passage of the Inland Revenue (Amendment) (No. 3) Bill 2017, the number of reportable jurisdictions may increase significantly. The Fund, each Sub-Fund and/or its agents may adopt a wider approach in collecting residency information of other jurisdictions.

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

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

By investing in the Fund and the Sub-Funds and/or continuing to invest in the Fund and the Sub-Funds, Unitholders acknowledge that they are required to enable the Fund and the Sub-Funds to comply with AEOI by providing the required information to the Fund, the Sub-Funds, the Manager and/or the agents of the Fund and/or the Sub-Funds in order to open an account. Moreover, Unitholders acknowledge that they may be required to provide additional information to the Fund, the Sub-Funds, the Manager and/or agents of the Fund and the Sub-Funds in order for the Fund and the Sub-Funds to comply with AEOI. The Unitholder's information (and information on beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such Unitholders that are not natural persons), may be communicated by the IRD to authorities in other jurisdictions.

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

Other Jurisdiction(s)

Please refer to the relevant Appendix on taxation requirements in other jurisdiction(s) that may be applicable to a Sub-Fund.

GENERAL INFORMATION

Reports and Accounts

The Fund's and each Sub-Fund's financial year end is on the Accounting Date in each year.

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As an alternative to the distribution of printed audited accounts and unaudited semi-annual reports, the Manager will notify Unitholders where the annual report and audited accounts (in English only) can be obtained (in printed and electronic forms) within four months after the Accounting Date, and where the unaudited semi-annual accounts (in English only) can be obtained (in printed and electronic forms) within two months after the Semi-Annual Accounting Date in each year. Once issued, hardcopies of the reports and accounts are available upon request of Unitholders free of charge at any time during normal business hours on any Business Day at the office of the Manager. Copies of the accounts and reports may be posted to investors on request.

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C18A

The Manager intends to adopt HKFRS in drawing up the annual accounts of the Fund and Sub-Funds. It should however be noted that in amortising the establishment costs of the Fund in accordance with the section headed "**Establishment Costs**", possible deviation from such accounting standards may occur but the Manager does not expect this issue to be material under normal circumstances. The Manager may make necessary adjustments in the annual accounts in order to comply with HKFRS and to include a reconciliation note in the Fund's audited accounts.

Publication of Prices

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The Issue Price and Redemption Price for each Class of a Sub-Fund will be published on each Business Day of that Sub-Fund on the Manager's website at <http://www.gffunds.com.hk>. Investors should note that the aforesaid website is not reviewed by the SFC.

Termination of Fund or a Sub-Fund

The Fund shall continue for an unlimited period unless it is earlier terminated in one of the ways provided under the Trust Deed and as summarised below.

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Termination by the Trustee

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

- (a) the Manager shall go into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation), become bankrupt or if a receiver is appointed over any of their assets and not discharged within 60 days;
- (b) in the opinion of the Trustee the Manager shall be incapable of performing or shall in fact fail to perform their duties under the Trust Deed satisfactorily or shall do any other thing which in the opinion of the Trustee is calculated to bring the Fund into disrepute or to be harmful to the interests of the Unitholders;
- (c) 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;
- (d) the Manager shall, have ceased to be the manager and, within a period of 30 days thereafter, no other qualified corporation shall have been appointed by the Trustee as successor manager; or

- (e) the Trustee shall desire to retire as trustee and no new trustee is appointed within six months of the Trustee giving notice of such desire.

Termination by the Manager

The Fund, any Sub-Fund and/or any Class of Units (as the case may be) may be terminated by the Manager in its absolute discretion by notice in writing to the Trustee and the Unitholders if:-

- (a) on any date, in relation to the Fund, the aggregate Net Asset Value of all Units outstanding hereunder shall be less than RMB100,000,000 or its equivalent or, in relation to any Sub-Fund, the aggregate Net Asset Value of the Units outstanding hereunder in respect of such Sub-Fund shall be less than RMB5,000,000 or its equivalent or such other amount stated in the relevant Appendix;
- (b) in the opinion of the Manager, it is impracticable or inadvisable to continue a Sub-Fund and/or any Class of Units of the Sub-Fund (as the case may be) (including without limitation, a situation where it is no longer economically viable to operate the Sub-Fund);
- (c) if 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 and/or any Sub-Fund; or
- (d) the occurrence of any other event(s) or in such other circumstance(s) as set out in the relevant Appendix of the Sub-Fund.

In cases of termination on notice, no less than three months' notice will be given to Unitholders.

Further, a Sub-Fund or a Class of Units may be terminated by an extraordinary resolution of the Unitholders of the Sub-Fund or the Unitholders of the relevant Class (as the case may be) on such date as the extraordinary resolution may provide. At least twenty one days' notice shall be given to the Unitholders in respect of a meeting of Unitholders where such extraordinary resolution will be tabled.

Trust Deed

The Fund was established under the laws of Hong Kong by the Trust Deed. All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Trust Deed.

C1

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

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

The quorum for all meetings is Unitholders present in person or by proxy representing 10% of the Units for the time being in issue except for the purpose of passing an extraordinary resolution. The quorum

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

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.

The duly stamped instrument of transfer, any necessary declarations, other documents that may be required by the Manager, the Trustee or the Registrar or in consequence of any legislation (including any anti-money laundering legislation) shall be left with the Registrar for registration. 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 Amount (if any) of the relevant Class as specified in the relevant Appendix.

The Manager or the Trustee may refuse to enter or cause to be entered the name of a transferee in the register or recognise a transfer of any Units if either of them believes that such will result in or is likely to result in the contravention of any applicable laws or requirements of any country, any governmental authority or any stock exchange on which such Units are listed, including without limitation any anti-money laundering or anti-terrorist financial laws or regulations.

Anti-Money Laundering Regulations

As part of the Manager's and the Trustee's responsibility for the prevention of money laundering, the Manager or the 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 documents or information required for verification of identity or legitimacy of the subscription monies, the Manager or the Trustee may refuse to accept the application and the subscription moneys relating thereto. Further, they may delay in paying any redemption proceeds if an applicant for Units delays in producing or fails to produce any documents or information required for the purposes of verification of identity. The Manager or the Trustee may refuse to make payment to the Unitholder if either of them suspects or is advised that (i) such payment may result in a breach or violation of any anti-money laundering law or other laws or regulations by

any person in any relevant jurisdiction; or (ii) such refusal is necessary or appropriate to ensure compliance by the Fund, the Manager, the Trustee or other service providers with any such laws or regulations in any relevant jurisdiction.

Conflicts of Interest

OP4.2

The Manager, the Investment Adviser (if any), the Trustee and the Custodian may from time to time act as trustee, administrator, transfer agent, manager, custodian 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 and the Sub-Funds. Each will, at all times, have regard in such event to its obligations to the Fund and the Sub-Funds and will endeavour to ensure that such conflicts are resolved fairly and taking into account investors' interests. 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 also act as the investment manager of other funds whose investment objectives, investment approach and investment restrictions are similar to those of a Sub-Fund. The Manager or any of its connected persons may invest in, directly or indirectly, or manage or advise other investment funds or accounts which invest in assets which may also be purchased or sold by a Sub-Fund. Neither the Manager nor its connected persons is under any obligation to offer investment opportunities of which any of them become aware to any Sub-Fund or to account to any Sub-Fund in respect of (or share with any Sub-Fund or to inform any Sub-Fund of) any such transactions or any benefit received by any of them from any such transaction, but will allocate such opportunities on an equitable basis between the Fund and other clients. Where the Manager invests a Sub-Fund in shares or units of a collective investment scheme managed by the Manager or any of its connected persons, the manager of the scheme in which the investment is being made by such Sub-Fund must waive any preliminary or initial charge which it is entitled to charge for its own account in relation to the acquisition of shares or units and there must be no increase in the overall total of annual management fees (or other costs and charges payable to the Manager or any connected person of the Manager) borne by the relevant Sub-Fund.

The Manager reserves the right for itself and its connected persons to co-invest on its own or for other funds and/or other clients with any Sub-Fund, although any such co-investment must be made on terms no better than those in which the relevant Sub-Fund is investing. Further, the Manager and any of its connected persons may hold and deal in Units of any Sub-Fund or in investments held by any Sub-Fund either for their own account or for the account of their clients.

Subject to the restrictions and requirements applicable from time to time, the Manager, any Investment Advisers as may be appointed by the Manager or any of their respective connected persons may deal with any Sub-Fund as principal provided that dealings are effected on best available terms negotiated and on an arm's length basis. Any transactions between a Sub-Fund and the Manager, the Investment Advisers as may be appointed by the Manager or any of their connected persons as principal may only be made with the prior written consent of the Trustee. All such transactions must be disclosed in the Sub-Fund's annual report.

10.11

In effecting transactions for the account of any Sub-Fund with brokers or dealers connected to the Manager, the Investment Adviser of such Sub-Fund or their connected persons, the Manager shall ensure that it complies with the following requirements:

10.12

- (a) such transactions should be on arm's length terms;

- (b) the Manager must use due care in the selection of brokers or dealers and ensure that they are suitably qualified in the circumstances;
- (c) transaction execution must be consistent with applicable best execution standards;
- (d) the fee or commission paid to any such broker or dealer in respect of a transaction must not be greater than that which is payable at the prevailing market rate for a transaction of that size and nature;
- (e) the Manager must monitor such transactions to ensure compliance with its obligations; and
- (f) the nature of such transactions and the total commissions and other quantifiable benefits received by such broker or dealer shall be disclosed in the annual report of the relevant Sub-Fund.

The services of the Trustee provided to the Fund and the Sub-Funds are not deemed to be exclusive and the Trustee shall be free to render similar services to others so long as its services hereunder are not impaired thereby and to retain for its own use and benefit all appropriate fees and benefits. The Trustee shall not be deemed to be affected with notice of or to be under any duty to disclose to the Fund and the Sub-Funds any fact or information which comes to the notice of the Trustee in the course of the Trustee rendering similar services to other parties or in the course of its business in any other capacity, otherwise than in the course of carrying out its duties under the Trust Deed or as required by any applicable laws and regulations for the time being in force.

If cash forming part of a Sub-Fund's assets is deposited with the Trustee, the Manager, the Investment Adviser or with any connected person of these companies (being an institution licensed to accept deposits), such institution shall allow interest thereon in accordance with normal banking practice for deposits of that term at a rate not lower than the prevailing rate for deposits of a similar size and duration, in the same currency and with institutions of a similar standing negotiated at arm's length.

Facsimile Instructions

Investors should be reminded that if they choose to send the Application Forms, Redemption Forms or Conversion Forms by facsimile or such other means, they bear their own risk of such Application Forms, Redemption Forms or Conversion Forms 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 Form, Redemption Form or Conversion Form sent by facsimile or other 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 transmission report produced by the originator of such transmission discloses that such transmission was sent. Investors should therefore for their own benefit confirm with the Manager or the Trustee safe receipt of an application.

Forfeiture of Unclaimed Proceeds or Distributions

If any redemption proceed or distribution remains unclaimed six years after the relevant Redemption Day or distribution date, as the case may be, (a) the Unitholder and any person claiming through, under or in trust for the Unitholder forfeits any right to the proceed or distribution; and (b) the amount of the proceed or distribution will become part of the relevant Sub-Fund unless such Sub-Fund shall have been terminated in which case such amount shall be paid into a court of competent jurisdiction subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

Market Timing

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, as the case may 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.

Certification for Compliance with FATCA or Other Applicable Laws

Each investor (i) shall be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Fund or a Sub-Fund (A) to prevent withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Fund or the relevant Sub-Fund receives payments and/or (B) to satisfy reporting or other obligations under IRS Code and the United States Treasury Regulations promulgated under the IRS Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority in any jurisdiction (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments or when such form, certificate or other information is no longer accurate, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction (including under FATCA and AEOI), including reporting obligations that may be imposed by future legislation.

For the purposes herein, “**FATCA**” means:

- (a) Section 1471-1471 of the U.S. Internal Revenue Code of 1986; and
- (b) any intergovernmental agreement and supplementary agreements between the Hong Kong government (or any government body in Hong Kong) and the U.S. government (or any government body of the U.S.).

For the purposes herein, “**AEOI**” means:

- (a) the OECD Standard for Automatic Exchange of Financial Account Information in Tax Matters – the Common Reporting Standard and any associated guidance; and
- (b) any legislation, regulations or guidance in Hong Kong.

Power to Disclose Information to Tax Authorities

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

Personal Data

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

Documents Available for Inspection

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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 annual reports and audited accounts and unaudited semi-annual accounts (if any) of the Fund and the Sub-Funds.

APPENDIX 1 – GFI GLOBAL SELECTIVE FIXED INCOME FUND

This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the GFI Global Selective Fixed Income Fund (“Sub-Fund”), a sub-fund of the Fund.

PRINCIPAL TERMS

DEFINITIONS

Terms used in this Appendix shall, unless otherwise defined herein or unless the context otherwise requires, have the same meaning as provided for in the Explanatory Memorandum.

“Amortisation Period”	the first five Accounting Periods from the date of launch of the Sub-Fund or such other period as the Manager after consultation with the Auditors shall determine
“Base Currency”	USD
“CCDC”	China Central Depository and Clearing Co., Ltd.
“CIBM”	China interbank bond market
“Class”	Class A (USD) Units; Class A (HKD) Units; Class A (RMB) Units; Class I (USD) Units; Class I (HKD) Units; and Class I (RMB) Units
“Class Currency”	Class A (USD) Units and Class I (USD) Units: USD; Class A (HKD) Units and Class I (HKD) Units: HKD; and Class A (RMB) Units and Class I (RMB) Units: RMB
“Initial Offer Period”	the period commencing 9:00 a.m. (Hong Kong time) on 3 April 2019 to 4:00 p.m. (Hong Kong time) on 9 April 2019 (or such other dates as the Manager may determine)
“MOF”	Ministry of Finance
“Payment Period”	the relevant Subscription Day on which the relevant Units are issued
“PBOC”	People’s Bank of China
“Redemption Day”	each Business Day or such other day or days as the Manager and the Trustee may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for redemption of Units in the Sub-Fund or the relevant Class or Classes in the Sub-Fund
“Redemption Deadline”	4:00 p.m. (Hong Kong time) on the relevant Redemption Day by which a redemption request in respect of the Sub-Fund or a Class of Units must be received or such other time or on such other Business Day or day as the

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Manager with the approval of the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of the Sub-Fund or the relevant Class may from time to time be sold

“SAFE”	State Administration of Foreign Exchange
“SAT”	State Administration of Taxation
“Sub-Fund”	GFI Global Selective Fixed Income Fund
“Subscription Day”	each Business Day or such other day or days as the Manager and the Trustee may from time to time determine, either generally or in respect of a particular Class or Classes of Units, for effecting any requests for subscription of Units in the Sub-Fund or the relevant Class or Classes in the Sub-Fund
“Subscription Deadline”	4:00 p.m. (Hong Kong time) on the relevant Subscription Day by which an application for subscription in respect of the Sub-Fund or a Class of Units must be received or such other time or on such other Business Day or day as the Manager with the approval of the Trustee may from time to time determine generally or in relation to any particular jurisdiction in which Units of the Sub-Fund or the relevant Class may from time to time be sold
“Urban Investment Bonds”	(城投債) debt instruments issued by local government financing vehicles (“LGFVs”) in the Mainland China. These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects.
“Valuation Day”	each Business Day on which the Net Asset Value of the Sub-Fund and/or the Net Asset Value of a Unit or a Class of Unit of the Sub-Fund falls to be calculated and in relation to each Subscription Day or Redemption Day (as the case may be) of any Class or Classes of Units means either such Subscription Day or Redemption Day (as the case may be) or such other Business Day or day as the Manager and the Trustee may from time to time determine, either generally or in relation to a particular Class of Units

INVESTMENT CONSIDERATIONS

Investment Objective	The investment objective of the Sub-Fund is to achieve investment returns, comprising income together with capital growth through investment in a portfolio primarily consisting of fixed income securities traded on international financial markets.
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Investment Policies	<i>Investment in fixed income securities</i>
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The Manager will decide the investment portfolio of the Sub-Fund based on (i) macro-economic analysis, sector analysis and bottom-up credit fundamental research on individual companies and (ii) country’s economic outlook, financial situation, political risk and sustainability on government debt. The Manager will use quantitative methods to manage the volatility of investment return and establish and maintain policies and procedures as well as a designated risk management function to identify and quantify the risks, whether financial or otherwise, to which the Manager and, if

applicable, the Sub-Fund is exposed. The Manager will take appropriate and timely action to contain and otherwise adequately manage such risks and regularly conduct assessments of liquidity in different scenarios, including stressed situations, to assess and monitor the liquidity risk of the Sub-Fund accordingly, to control the maximum downside risk of the investments of the Sub-Fund.

The Sub-Fund seeks to achieve its investment objective by investing at least 70% of its Net Asset Value in fixed income securities issued by corporates and government agencies traded on international financial markets, including, but not limited to, senior unsecured debt, subordinated debt, collateralised and/or securitised products (e.g. asset backed securities and mortgage backed securities) and convertible bonds, subject to the following limitations:

- (1) Under normal circumstances, the Sub-Fund may invest not less than 50% of its Net Asset Value in fixed income securities rated investment grade or above by an internationally recognised credit rating agency, or at least AA+ where the credit rating is designated/assigned by a Mainland China credit rating agency (the “**Designated Rating**”). The Sub-Fund may however invest up to 90% of its Net Asset Value in fixed income securities rated below the Designated Rating or unrated if specific market conditions so warrant. The Manager will increase the Sub-Fund’s exposure to fixed income securities rated below the Designated Rating or unrated when it believes the valuation of such securities are economical, taking into account the calculated risk based on the analysis of the credit fundamentals, macroeconomic conditions and supply-demand dynamics. For the purpose of this Sub-Fund, “**investment grade**” refers to at least Baa3 by Moody’s or BBB- by Standard & Poor’s or equivalent ratings as rated by one of the internationally recognised credit rating agencies. A fixed income security is “**unrated**” where neither the fixed income security itself nor its issuer has a credit rating.
- (2) The Sub-Fund may invest up to 90% of its Net Asset Value in offshore fixed income securities issued by Mainland Chinese companies or its subsidiaries or the companies whose revenues are mainly from Mainland China, including “Dim Sum” bonds (i.e. bonds issued outside of Mainland China but denominated in RMB).
- (3) It is not intended that the Sub-Fund will invest in contingent convertible bonds.
- (4) The Sub-Fund may only invest not more than 30% of its Net Asset Value in collateralised and/or securitised products (e.g. asset backed securities and mortgage backed securities).
- (5) The Sub-Fund may only invest less than 30% of its Net Asset Value in fixed income securities traded on the CIBM via Bond Connect (including Urban Investment Bonds in the Mainland China).

- (6) The Sub-Fund will not invest more than 10% of its Net Asset Value in securities issued by and/or guaranteed by any single sovereign that is rated below investment grade and/or unrated (including its government, public or local authority).

The Sub-Fund will not have any particular focus on currency denomination of the fixed income securities. In respect of the convertible bonds that are due to be converted into equities, the Sub-Fund intends to dispose of such equities upon conversion.

Holding of cash and cash equivalents under exceptional circumstances

Under exceptional circumstances (such as a prolonged bearish market with market volatilities rising, deteriorating sentiments or rapidly worsening economic fundamentals) and at the Manager’s discretion, the Sub-Fund may hold temporarily up to 50% of its Net Asset Value in cash and cash equivalents (e.g. certificates of deposit, commercial paper and treasury bills) for cash flow management in order to defend against market turmoil and to capture future investment opportunities as and when they arise.

Other investments

The Sub-Fund may invest less than 30% of its Net Asset Value in preference share, futures and options. For avoidance of doubt, the Sub-Fund may only invest in financial derivative instruments to the extent permitted by the investment restrictions under Chapter 7 of the Code and this Explanatory Memorandum. The Sub-Fund may also use derivatives (including but not limited to, interest rate swaps, credit derivatives, forward contracts and options) for hedging purposes.

The Manager will seek the SFC’s prior approval (if required) and give at least one month’s prior notice (or such other notice period as may be agreed with the SFC from time to time) to investors (if required), should there be any changes to the investment objective and policy as stated above.

**Investment and
Borrowing Restrictions**

The Sub-Fund is subject to the investment and borrowing restrictions as set out in the Explanatory Memorandum under the heading “***Investment Restrictions***” and “***Borrowing Restrictions***”.

**Securities Lending and
Repurchase / Reverse
Repurchase Transactions**

The Manager may, on behalf of the Sub-Fund, enter into repurchase transactions and/or reverse repurchase transactions on the OTC markets for up to 30% of the Net Asset Value of the Sub-Fund with a view to creating additional income. For the avoidance of doubt, the aggregate exposure of repurchase transactions together with the Sub-Fund’s borrowing will be up to 25% of the Sub-Fund’s Net Asset Value.

Any incremental income generated will be credited to the account of the Sub-Fund after deducting any fees charged by parties operating such transactions.

The Manager has also put in place a collateral valuation system to monitor the change in value of the security collaterals provided to the counterparty which will be marked-to-market on a daily basis by the counterparty and/or

the Sub-Fund and where either of the parties disagrees with the value of the security collateral determined by the other party, the security collateral will be valued by a pre-appointed third party, such as the Custodian.

In order to manage the counterparty risk associated with repurchase transactions and reverse repurchase transactions, the Manager will enter into repurchase transactions and reverse repurchase transactions only with counterparties who are approved by the Manager. The Manager has established control measures to manage the credit and settlement risks pertaining to the counterparties during the relevant transaction period through regular assessments on the counterparties and control on credit limits and transaction amounts. The Manager will seek to appoint counterparties with credit rating of A- or above (by Moody's or Standard & Poor's, or any other equivalent ratings by recognised credit rating agencies). The Manager will also monitor and conduct periodic review on the counterparties' ability and strength in the specific market (e.g. by reference to the counterparties' market share).

Collateral received must be at least equal to the relevant counterparty exposure. In general, the Manager approves collateral based on various criteria: the liquidity of the collateral, market risks and price volatility of the collateral, issuer credit risk, etc. Collateral acceptable to the Manager normally includes (but is not limited to) high quality readily marketable assets, such as U.S dollar, U.S treasury and other high quality sovereign/corporate bonds etc.. Lower quality assets might be eligible under certain circumstances, and the Manager will apply a conservative haircut policy. The Manager will seek to achieve diversification of the portfolio of collateral to avoid concentration and correlation between the counterparty and the collateral received. Collateral received on behalf of a Sub-Fund for reverse repurchase transactions is subject to a haircut (a discount applied if the value or liquidity of the collateral declines).

Cash obtained in repurchase transactions will be used for liquidity management, re-investment and hedging purposes. Where cash received by the Sub-Fund will be used for re-investment, such cash may only be re-invested in accordance with the investment objective and the investment restrictions of the Sub-Fund. For the securities acquired by the cash obtained from a repurchase transaction, the Sub-Fund will not use them as collateral of another repurchase transaction to acquire more cash.

The Manager currently does not intend to carry out any repurchase and reverse repurchase transactions with or through a connected person of the Manager or the Trustee. Details (such as information on income, direct and indirect costs, fees, entities to which such costs and fees are paid and the relationship of the entities with the Manager or the Trustee (if any)) of the repurchase transactions and/or reverse repurchase transactions will be disclosed in the Sub-Fund's annual reports.

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

Bond Connect

Bond Connect is a new initiative launched in July 2017 for mutual bond market access between Hong Kong and Mainland China (“**Bond Connect**”) established by China Foreign Exchange Trade System & National Interbank Funding Centre (“**CFETS**”), China Central Depository & Clearing Co., Ltd, Shanghai Clearing House, and Hong Kong Exchanges and Clearing Limited and Central Moneymarkets Unit.

Bond Connect is governed by rules and regulations as promulgated by the Mainland China authorities. Such rules and regulations may be amended from time to time and include (but are not limited to):

- the “Interim Measures for the Administration of Mutual Bond Market Access between Mainland China and Hong Kong (Decree No.1 [2017])” (內地與香港債券市場互聯互通合作 管理暫行辦法(中國人民銀行令[2017]第1 號)) issued by the PBOC on 21 June 2017;
- the “Guide on Registration of Overseas Investors for Northbound Trading in Bond Connect” (中國人民銀行上海總部”債券通”北向通境外投資者准入備案業務指引) issued by the Shanghai Head Office of PBOC on 22 June 2017; and
- any other applicable regulations promulgated by the relevant authorities.

Under the prevailing regulations in Mainland China, eligible foreign investors will be allowed to invest in the bonds circulated in the CIBM through the northbound trading of Bond Connect (“**Northbound Trading Link**”). There will be no investment quota for Northbound Trading Link.

Under the Northbound Trading Link, eligible foreign investors are required to appoint the CFETS or other institutions recognised by the PBOC as registration agents to apply for registration with the PBOC. Pursuant to the prevailing regulations in Mainland China, an offshore custody agent recognised by the Hong Kong Monetary Authority (currently, the Central Moneymarkets Unit) shall open omnibus nominee accounts with the onshore custody agent recognised by the PBOC (currently, the CCDC and Shanghai Clearing House). All bonds traded by eligible foreign investors will be registered in the name of Central Moneymarkets Unit, which will hold such bonds as a nominee owner.

SPECIFIC RISK FACTORS

In addition to the relevant risks mentioned in the “Risk Factors” section in the Explanatory Memorandum, investors should also take note of the following risks associated with investment in the Sub-Fund.

Risk associated with senior unsecured debt and subordinated debt

Investments in subordinated debt will have a lower priority of claim in the event of the relevant issuer’s liquidation or bankruptcy as they rank behind holders of unsubordinated debt securities but before holders of equity securities. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer’s assets will be paid to holders of subordinated debt securities only after all claims by holders of unsubordinated debt securities have been satisfied in full.

In respect of the investments in senior unsecured debt, notwithstanding its senior status, senior unsecured debt may not benefit from security that effectively renders that other instrument more likely to be repaid in an insolvency than unsecured senior debt.

The Sub-Fund is therefore exposed to higher credit / insolvency risk of its counterparties as a holder of senior unsecured debt and subordinated debt securities, and may suffer significant losses as a result.

Risk associated with collateralised and/or securitised products (e.g. asset backed securities and mortgage backed securities)

The Sub-Fund may invest in collateralised and/or securitised products (e.g. asset backed securities and mortgage backed securities), which may be highly illiquid and prone to substantial price volatility. These instruments may be subject to greater credit, liquidity and interest rate risk compared to other debt securities. They are often exposed to extension and prepayment risks and risks that the payment obligation relating to the underlying assets are not met, which may adversely impact the returns of the securities.

Risk associated with convertible bonds

Convertible bonds are a hybrid between debt and equity, permitting holders to convert into shares in the company issuing the bond at a specified future date. As such, convertibles will be exposed to equity movement and greater volatility than straight bond investments. Investments in convertible bonds are subject to the same interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable straight bond investments.

Risk relating to repurchase agreements

In the event of the failure of the counterparty with which collateral has been placed, the Sub-Fund may suffer loss as there may be delays in recovering collateral placed out or the cash originally received may be less than the collateral placed with the counterparty due to inaccurate pricing of the collateral or market movements.

Risk relating to reverse repurchase agreements

In the event of the failure of the counterparty with which cash has been placed, the Sub-Fund may suffer loss as there may be delay in recovering cash placed out or difficulty in realising collateral or proceeds from the sale of the collateral may be less than the cash placed with the counterparty due to inaccurate pricing of the collateral or market movements.

China market risk

Investing in the China market is subject to the risks of investing in emerging markets generally and the risks specific to the China market.

Since 1978, the Mainland China 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 Mainland China's political, social or economic policies may have a negative impact on investments in the China market.

The regulatory and legal framework for capital markets and joint stock companies in the Mainland China 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.

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

**RMB currency
conversion risk**

and RMB is not currently a freely convertible currency and is subject to exchange controls and restrictions 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 Mainland China. Insofar as the Sub-Fund's assets are invested in the Mainland China, it will be subject to the risk of the Mainland China government's imposition of restrictions on the repatriation of funds or other assets out of the country, limiting the ability of the Sub-Fund to satisfy payments to investors.

Where the Sub-Fund invests in RMB denominated investments, the value of such investments may be affected favourably or unfavourably depending on the changes in exchange rate between RMB and the Base Currency of the Sub-Fund. There can be no assurance that RMB will not be subject to devaluation. Any devaluation of the RMB could adversely affect the value of investors' investments in the Sub-Fund.

Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (e.g. HKD) will not depreciate. Any depreciation of RMB could adversely affect the value of the investor's investment in the Sub-Fund.

Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. The CNH rate may be at a premium or discount to the exchange rate for CNY and there may be significant bid and offer spreads. As such, CNH does not necessarily have the same exchange rate and may not move in the same direction as CNY. Any divergence between CNH and CNY may adversely impact the value of the Sub-Fund and thus the investors.

The supply of RMB and the conversion of foreign currency into RMB are subject to exchange control policies and restrictions imposed by the mainland authorities. Liquidity of RMB could deteriorate due to government controls and restrictions which would adversely affect investors' ability to exchange RMB into other currencies as well as the conversion rates of RMB. As RMB is not freely convertible, currency conversion is subject to availability of RMB at the relevant time. As such, in case of sizable redemption requests for the RMB denominated Class(es) are received, the Manager has the absolute discretion to delay any payment of redemption requests from the RMB denominated Class(es) where it determines that there is not sufficient RMB for currency conversion by the Sub-Fund for settlement purpose. There is also a risk that payment of redemptions and/or dividend payment may be delayed due to the exchange controls and restrictions applicable to RMB.

RMB class(es) related risk When calculating the value of the RMB denominated Class(es), CNH will be used. As mentioned in the risk factor headed “**RMB currency and conversion risk**” above, the CNH rate may be at a premium or discount to the exchange rate for CNY and there may be significant bid and offer spreads. The value of the RMB denominated Class(es) thus calculated will be subject to fluctuation.

The exchange rate of RMB may rise or fall. There can be no assurance that RMB will not be subject to devaluation. Any devaluation of RMB could adversely affect the value of investors’ investments in the RMB denominated Class(es) of the Sub-Fund. Non-RMB based (e.g. Hong Kong) investors may have to convert HKD or other currencies into RMB when investing in the RMB denominated Class(es). Subsequently, investors may also have to convert the RMB redemption proceeds (received when selling the Units) and RMB distributions received (if any) back to HKD or other currencies. During these processes, investors will incur currency conversion costs and may suffer losses in the event that RMB depreciates against HKD or such other currencies upon receipt of the RMB redemption proceeds and/or RMB distributions (if any). There is no guarantee that the value of RMB against the investors’ base currencies (e.g. HKD) will not depreciate.

For RMB denominated Class(es), since the Unit prices are denominated in RMB but the Sub-Fund will not be fully invested in RMB-denominated underlying investments and its Base Currency is USD, so even if the prices of the non-RMB denominated underlying investments and/or value of the Base Currency rise or remain stable, investors may still incur losses if RMB appreciates against the currencies of the non-RMB denominated underlying investments and/or the Base Currency more than the increase in the value of the non-RMB denominated underlying investments and/or the Base Currency.

Furthermore, under the scenario where RMB appreciates against the currencies of the non-RMB denominated underlying investments and/or the Base Currency, and the value of the non-RMB denominated underlying investments decreased, the value of investors’ investments in RMB denominated Class(es) may suffer additional losses.

Credit rating agency risk The credit appraisal system in the Mainland China and the rating methodologies employed in the Mainland China may be different from those employed in other markets. Credit ratings given by the Mainland China rating agencies may therefore not be directly comparable with those given by other international rating agencies.

Risks associated with CIBM Market volatility and potential lack of liquidity due to low trading volume of certain fixed income securities in the CIBM market may result in prices of certain debt securities traded on such market fluctuating significantly. The Sub-Fund is therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the Sub-Fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

The Sub-Fund is also exposed to risks associated with settlement procedures and default of counterparties. 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.

For investments via the Bond Connect, the relevant filings, registration with the PBOC and account opening have to be carried out via an onshore settlement agent, offshore custody agent, registration agent or other third parties (as the case may be). As such, the Sub-Fund is subject to the risks of default or errors on the part of such third parties.

Investing in the CIBM via Bond Connect is also subject to regulatory risks. The relevant rules and regulations on this regime are subject to change which may have potential retrospective effect. In the event that the relevant Mainland Chinese authorities suspend account opening or trading on the CIBM, the Sub-Fund's ability to invest in the CIBM will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective will be negatively affected.

In addition, there is limited specific guidance by the Mainland tax authorities on the treatment of income tax and other tax categories payable in respect of trading in the CIBM by foreign institutional investors via the Bond Connect. By investing in the CIBM, the Sub-Fund may be at risk of being subject to Mainland Chinese taxes. There is a possibility that the current tax laws, rules, regulations and practice in Mainland China and/or the current interpretation or understanding thereof may change in the future and such change(s) may have retrospective effect. The Sub-Fund could become subject to additional taxation that is not anticipated as at the date hereof or when the relevant investments are made, valued or disposed of. Any of those changes may reduce the income from, and/or the value of, the relevant investments in the Sub-Fund.

“Dim Sum” bond (i.e. bonds issued outside of Mainland China but denominated in RMB) market risk

The “Dim Sum” bond market is still a relatively small market which is more susceptible to volatility and illiquidity. The operation of the “Dim Sum” bond market as well as new issuances could be disrupted causing a fall in the Net Asset Value of the Sub-Fund should there be any promulgation of new rules which limit or restrict the ability of the issuers to raise RMB by way of bond issuances and/or reversal or suspension of the liberalisation of the offshore RMB (CNH) market by the relevant regulator(s).

Risk associated with Urban Investment Bonds

In view of the limitations on directly raising funds, local governments in Mainland China have set up numerous entities known as LGFVs to borrow and fund local development, public welfare investment and infrastructure projects. Urban Investment Bonds are issued by LGFVs. Local governments may be seen to be closely connected to Urban Investment Bonds, as they are shareholders of the LGFVs issuing such bonds. However, Urban Investment Bonds issued by LGFVs are typically not guaranteed by the relevant local governments in Mainland China or the central government of the PRC. As such, local governments in Mainland China or the central government of the PRC are not obliged to support any LGFVs in default. The LGFVs' ability to repay debts depends on various factors, including the nature of the business of such LGFVs, the financial strength of such LGFVs and the extent to which the relevant local governments are prepared to support such LGFVs. Slower revenue growth at some local governments

may constrain their capacity to provide support, while regulatory constraints may also limit local governments' ability to inject land reserves into LGFVs. Further, local governments have taken on debt in various other forms, and recent analyses show that increased financing activities have posed a risk to local government finances. If a LGFV encounters financial difficulties, without the local government's support, there is a risk of possible defaults by the LGFV. In the event that the LGFVs default on payment of principal or interest of the Urban Investment Bonds, the Sub-Fund could suffer substantial loss, and as a result, the Sub-Fund's Net Asset Value could be adversely affected.

Mainland China tax risk There are risks and uncertainties associated with the current Mainland China tax laws, regulations and practice in respect of the gains and income realised via Bond Connect. Any increased tax liabilities on the Sub-Fund may adversely affect the Sub-Fund's Net Asset Value. The provisions made by the Manager 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, the actual tax liabilities may be lower than the tax provisions made and 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. Depending on the timing of their subscriptions and/or redemptions, investors may be disadvantaged as a result of any shortfall of tax provision and will not have the right to claim any part of the overprovision (as the case may be).

INVESTING IN THE FUND AND REDEMPTION OF UNITS

Classes	Class A (USD) Units	Class A (HKD) Units	Class A (RMB) Units	
Initial Offer Price	USD1.00	HKD1.00	RMB1.00	C5
Minimum Initial Subscription Amount	USD1,000	HKD10,000	RMB10,000	
Minimum Subsequent Subscription Amount	USD1,000	HKD10,000	RMB10,000	
Minimum Redemption Amount	USD1,000	HKD10,000	RMB10,000	
Minimum Holding Amount	USD1,000	HKD10,000	RMB10,000	
Classes	Class I (USD) Units*	Class I (HKD) Units*	Class I (RMB) Units*	
Initial Offer Price	USD1.00	HKD1.00	RMB1.00	C5
Minimum Initial Subscription Amount	USD1,000,000	HKD5,000,000	RMB5,000,000	

Minimum Subsequent Subscription Amount	USD10,000	HKD100,000	RMB100,000
Minimum Redemption Amount	USD10,000	HKD100,000	RMB100,000
Minimum Holding Amount	USD1,000,000	HKD5,000,000	RMB5,000,000

** Class I Units are offered to institutional investors only and are not available to the public in Hong Kong.*

CONVERSION

Unitholders shall be entitled to convert all or part of their Units of a Class of the Sub-Fund into Units of another Class in the Sub-Fund or into Units of another Sub-Fund (if any) available for subscription or conversion. Units of a Class can only be converted into Units of the same Class of another Sub-Fund.

DISTRIBUTION POLICY

Distribution Class(es)

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Class A (USD) Units, Class A (HKD) Units, Class A (RMB) Units, Class I (USD) Units, Class I (HKD) Units and Class I (RMB) Units are Distribution Classes. Net distributable income of the relevant Distribution Class will be distributed on a monthly basis, subject to the Manager's discretion. Distributions may, at the Manager's discretion, be paid out of the capital of the Sub-Fund. The Sub-Fund may also charge all or part of its fees and expenses to capital which means that the Sub-Fund may effectively pay distributions out of capital. Payment of distributions out of capital or effectively out of capital represents a return or a withdrawal of part of the amount the Unitholders originally invested or capital gain attributable to that amount. Any such distributions will result in an immediate decrease in the Net Asset Value of the Units.

Please refer to the section headed "*Distribution Policy*" and the risk factor headed "*Distributions risk*" in the main part of the Explanatory Memorandum for further details.

FEES AND EXPENSES

Fees payable by investors:

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Class	Class A (USD) Units, Class A (HKD) Units and Class A (RMB) Units	
	Current	Maximum
Subscription Charge (% of the total subscription amount)	5%	5%
Redemption Charge (% of the total redemption amount)	5%	5%

The Redemption Charge will be retained by or paid to the Manager for its own absolute use and benefit.

Switching Fee (% of the total monetary amount being switched out)	1%	1%
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Class	Class I (USD) Units, Class I (HKD) Units and Class I (RMB) Units	Current	Maximum
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Subscription Charge (% of the total subscription amount)	0%	5%
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Redemption Charge (% of the total redemption amount)	0%	5%
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The Redemption Charge will be retained by or paid to the Manager for its own absolute use and benefit.

Switching Fee (% of the total monetary amount being switched out)	1%	1%
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Fees and expenses payable from assets of the Sub-Fund:

C14(b)

Management Fee (% of the Net Asset Value of the relevant Class per annum)	Current Class A (USD) Units, Class A (HKD) Units and Class A (RMB) Units: 1.2% Class I (USD) Units, Class I (HKD) Units and Class I (RMB) Units: 0.1%	Maximum 3%
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Trustee Fee (% of the Net Asset Value of the relevant Class per annum)	<ul style="list-style-type: none"> • 0.14% on the first USD45 million of the Net Asset Value of each Class; • 0.12% on the next USD45 million of the Net Asset Value of such Class; • 0.10% on the next USD45 million of the Net Asset Value of such Class; • 0.09% on the remaining balance of the Net Asset Value of such Class, 	0.5%
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subject to a minimum monthly fee of USD6,000 per Sub-Fund

Custodian Fee (% of the Net Asset Value of the Sub-Fund per annum) 0.03%

Establishment Costs The establishment costs of the Sub-Fund are approximately USD 68,000 and will be borne by the Sub-Fund. The establishment costs will be amortised over the Amortisation Period.

General Expenses Please refer to the section headed “*General Expenses*” in the Explanatory Memorandum for further details.

TAXATION

Mainland China Taxation *The following summary of Mainland China taxation is of a general nature, for information purposes only, and is not intended to be an exhaustive list of all of the tax considerations that may be relevant to a decision to purchase, own, redeem or otherwise dispose of Units. This summary does not constitute legal or tax advice and does not purport to deal with the tax consequences applicable to all categories of investors. Prospective investors should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, redeeming or disposing of Units both under the laws and practice of Mainland China and the laws and practice of their respective jurisdictions. The information below is based on the law and practice in force in Mainland China at the date of this Appendix. 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 Appendix. Furthermore, tax laws can be subject to different interpretations and no assurance can be given that relevant tax authorities will not take a contrary position to the tax treatments described below.*

Taxation of the Sub-Fund:

The Sub-Fund may invest in Mainland China securities via Bond Connect (collectively, “**Mainland China Debt Securities**”). By investing in Mainland China Debt Securities, the Sub-Fund may be subject to withholding income tax and other taxes imposed in Mainland China.

Corporate Income Tax (“CIT”)

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

A non-Mainland China tax resident enterprise without a PE in Mainland China will generally be subject to Mainland China withholding income tax (“**WIT**”) of 10% on its Mainland China sourced income (including dividends, interest, gains arising from transfer of assets, etc.) unless a specific exemption or reduction is available under the current CIT law and regulations or relevant tax treaties.

C16

The Manager intends to manage and operate the Sub-Fund in such a manner that the Sub-Fund should not be treated as a tax resident enterprise of the Mainland China or a non-tax resident enterprise with a PE in Mainland China for CIT purposes, although this cannot be guaranteed. As such, it is expected that the Sub-Fund only be subject to Mainland China WIT to the extent the Sub-Fund derives Mainland China sourced income in respect of its investments in Mainland China Debt Securities, subject to any specific exemption or reduction under the CIT Law and relevant tax treaty if available.

Interest

Interest income derived from government bonds issued by the MOF or bonds issued by local government of a province, autonomous regions, municipalities directly under the PRC government or municipalities separately listed on the state plan, as approved by the State Council of the PRC are exempt from Mainland China WIT under the CIT Law.

Unless a specific exemption is applicable, non-Mainland China tax residents without PE in the Mainland China are subject to Mainland China WIT on interests arising from investments in Mainland China Debt Securities including bonds issued by Mainland China enterprises. The general Mainland China WIT rate applicable is 10%, subject to reduction under relevant double tax treaties (if any). The entity distributing such interests is technically obliged to withhold such tax on behalf of the recipients.

Under the Arrangement between the Mainland China and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the “**Arrangement**”), the tax charged on interests derived by a Hong Kong tax resident from Mainland China debt instruments will be 7% of the gross amount of the interests, if the Hong Kong tax resident is the beneficial owner of the interest income, subject to assessment by Mainland China tax authorities.

It is uncertain as to whether the Sub-Fund can be eligible to enjoy a preferential rate of 7% of Mainland China WIT under the Arrangement. If the Sub-Fund cannot enjoy the preferential rate, the general rate of 10% will be applicable to the Sub-Fund on interests.

Furthermore, in August 2018, the PRC State Council announced a temporary 3-year exemption of WIT on bond interest derived by foreign institutional investors. However, there is lack of guidance regarding the counting of the 3-year period; and the tax treatment of bond interest prior to the 3-year period. It is expected that the PRC authorities would issue a circular to provide further details on the implementation.

Capital gains

There is no specific rule governing WIT treatment on capital gains realized by the non-PRC enterprises from the trading of Mainland China Debt Securities. Based on the current interpretation of the SAT and the local tax authorities, on the basis that debt securities are treated as movable assets, gains realized by the non-PRC enterprises from investment in Mainland

China Debt Securities should be treated as non-Mainland China sourced income and thus should not be subject to Mainland China WIT. However, there are no written tax regulations issued by the Mainland China tax authorities to confirm such interpretation. In practice, the Mainland China tax authorities have not enforced the collection of WIT on gains realised from the disposal of Mainland China Debt Securities.

Should the Mainland China tax authorities decide to levy WIT on gains derived from the trading of Mainland China Debt Securities in the future, the Manager would seek to apply with the Mainland China tax authorities to treat the Sub-Fund as Hong Kong tax resident and rely on the capital gain tax exemption (to the extent the relevant treaty conditions can be satisfied) accorded under the Arrangement, although this cannot be guaranteed.

Value-added Tax (“VAT”) and Other Surtaxes

The MOF and SAT jointly issued “Circular on the Comprehensive Roll-out of the Business Tax to Value Added Tax Transformation Pilot Program Circular” (Caishui [2016] No. 36) (“**Circular 36**”) on 24 March 2016, which provides the detailed implementation guidance on the further rollout of the VAT reform to sectors such as construction, real estate, financial services and lifestyle services, as well as modifications to the current VAT rules for transportation services, modern services, postal and telecommunication services. Accordingly, all incomes that were subject to business tax are now subject to VAT (generally at a rate of 6%) after Circular 36 became effective on 1 May 2016.

(i) Capital Gain

According to Circular 36 and Caishui [2016] No. 70, a supplementary notice to Circular 36 issued by the MOF and the SAT concerning the financial industry (“**Circular 70**”), the capital gains derived from the disposal of Mainland China Debt Securities in China interbank local currency markets (including money market, bond market and derivatives market) by foreign investors, which are qualified by the PBOC, are exempt from VAT since 1 May 2016.

(ii) Interest

Pursuant to Circular 36, interest income from Mainland China bond issuers should technically be subject to 6% VAT. In addition, deposit interest income is not subject to VAT and interest income received from government bonds issued by the MOF, or bonds issued by local government of a province, autonomous regions, and municipalities directly under the Central Government or municipalities separately listed on the state plan, as approved by the State Council is also exempted from VAT. In August 2018, the PRC State Council announced a temporary 3-year exemption of VAT on bond interest derived by foreign institutional investors. However, there is lack of guidance regarding the counting of the 3-year period; and the tax treatment of bond interest prior to the 3-year period. It is expected that the PRC authorities would issue a circular to provide further details on the implementation.

As the VAT reform has become effective only on 1 May 2016, it is

uncertain as to whether the enforcement practice of the Mainland China tax authorities will change under the Mainland China VAT regime.

If VAT is applicable, there are also other surtaxes (which include Urban Construction and Maintenance Tax (currently at the rate ranging from 1% to 7%), Education Surcharge (currently at the rate of 3%) and Local Education Surcharge (currently at the rate of 2%)) that would amount to as high as 12% of VAT payable. In addition, there may also be other local levies such as flood prevention fee, commodity reconciliation fund and water conservancy fund, depending on the location of the Mainland China enterprises.

Stamp Duty (“SD”)

SD is levied on certain taxable documents executed or used in China and other documents listed in the PRC’s provisional rules on SD.

No SD is imposed on the purchase or sale of debt securities issued by PRC tax residents.

General

Various tax reform policies have been implemented by the Mainland China government in recent years, and existing tax laws and regulations may be revised or amended in the future. There is a possibility that the current tax laws, regulations and practice in Mainland China may be changed with retrospective effect in the future and any such change may have an adverse effect on the Net Asset Value of the Sub-Fund. Moreover, there is no assurance that tax incentives currently offered to foreign companies, if any, will not be abolished and the existing tax laws and regulations will not be revised or amended in the future.

The Manager may make provisions in respect of the Sub-Fund for the Mainland China tax obligations. The Manager’s current policy on tax provisions is disclosed below.

Mainland China Tax Provisions

Based on professional and independent tax advice, the Manager will make provisions from the Sub-Fund’s assets for Mainland China WIT at a rate of 10% in respect of the interests paid by Mainland China tax resident enterprises (except for government bonds) where such Mainland China WIT has not been withheld at source.

Based on professional and independent tax advice, the Manager will not make provision for (i) any Mainland China WIT and VAT in respect of realised and unrealised capital gain derived from the trading of Mainland China Debt Securities; and (ii) any Mainland China VAT in respect of interest income derived from Mainland China Debt Securities.

The implication of the above tax provision policy is that if the Sub-Fund is liable to pay such WIT or VAT, there may be an adverse impact on the Net Asset Value of the Sub-Fund.

The Manager reserves the right to change the Mainland China tax provision policy in response to changes in Mainland China tax law and practices, especially upon further guidance to be issued with respect to the implementation of the above-mentioned 3-year WIT and VAT exemption on the interest income announced by the State Council of the PRC. Should there be a change to the Mainland China tax provision policy in respect of the Sub-Fund, the Manager will notify Unitholders accordingly.

For details relating to Mainland China taxes and associated risks, please refer to the paragraphs under the heading “*Mainland China Tax Risk*” in the section “*Specific Risk Factors*” in this Appendix above.

GFI UNIT TRUST SERIES

FIRST ADDENDUM TO THE EXPLANATORY MEMORANDUM

Important

If you are in doubt about the contents of this document, you should seek independent professional financial advice.

This First Addendum is supplemental to and forms part of the Explanatory Memorandum of the GFI Unit Trust Series dated April 2019, as amended from time to time (the “**Explanatory Memorandum**”). The Manager accepts full responsibility for the accuracy of the information contained in this First Addendum 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 misleading.

Unless otherwise defined herein, words and expressions defined in the Explanatory Memorandum shall have the same meaning when used in this First Addendum.

Change of Initial Offer Period – GFI Global Selective Fixed Income Fund

The Manager has decided to change the initial offer period of the GFI Global Selective Fixed Income Fund. The Explanatory Memorandum is amended as follows with immediate effect:

Under the **APPENDIX 1 – GFI GLOBAL SELECTIVE FIXED INCOME FUND** section, the definition of “Initial Offer Period” in the section headed “**DEFINITIONS**” on page 58 of the Explanatory Memorandum shall be deleted and replaced with the following:

“**Initial Offer Period**” the period commencing 9:00 a.m. (Hong Kong time) on 3 April 2019 to 4:00 p.m. (Hong Kong time) on 10 April 2019 (or such other dates as the Manager may determine)”

April 2019

GF International Investment Management Limited