IMPORTANT INFORMATION FOR INVESTORS

This Explanatory Memorandum comprises information relating to Harvest Funds (Hong Kong), an umbrella unit trust established under the laws of Hong Kong by a trust deed dated 4 January 2012 between Harvest Global Investments Limited as manager and BOCI-Prudential Trustee Limited as trustee.

The Manager accepts full responsibility for the accuracy of the information contained in this Explanatory Memorandum and the Product Key Facts Statement of each Sub-Fund, and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading. However, neither the delivery of this Explanatory Memorandum, the Product Key Facts Statement of any of the Sub-Fund 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 Statements of any of the Sub-Funds is correct as of any time subsequent to the date of publication. This Explanatory Memorandum and the Product Key Facts Statement of each Sub-Fund may from time to time be updated. Intending applicants for Units should ask the Manager if any supplements to this Explanatory Memorandum or any later Explanatory Memorandum have been issued.

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

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

No action has been taken to permit an offering of Units or the distribution of this Explanatory Memorandum or the Product Key Facts Statement of any of the Sub-Fund 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 of any of the Sub-Fund 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 of any of the Sub-Funds 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.

In particular:

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

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

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

AIFMD

Neither the Fund nor the Manager has complied with, or currently intends to comply with, the requirements of the Alternative Investment Fund Managers Directive ("**AIFMD**") of the European Union. Accordingly, (i) no direct or indirect offering or placement by or on behalf of the Fund nor the Manager (including by any intermediary, distribution agent, placement agent or other person) of Units may be made to or with investors domiciled or with a registered office in member states of the European Union in breach of either the applicable requirements under the AIFMD or the applicable requirements under the private placement regime in each relevant member state and (ii) the Fund and the Manager will only accept subscriptions for Units from investors domiciled or with a registered office in the member states of the European Union in accordance with the applicable laws and regulations of the European Union and the relevant member states. Notwithstanding the foregoing, the Fund and the Manager reserve the right to take such steps, including to make such amendments to this Explanatory Memorandum, as they reasonably deem to be appropriate in their sole discretion, in order to comply with any applicable requirements under the AIFMD or under the private placement regime in any relevant member state.

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 consider the section headed "Risk Factors" in the main part of the Explanatory Memorandum, and the section headed "Specific Risk Factors" in the Appendix for the relevant Sub-Fund before making any investment decision.

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.

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

Investors may contact the Manager for any queries or complaints in relation to any Sub-Fund. To contact the Manager, investors may write to the Manager (address at 31/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong). The Manager will respond to any enquiry or complaint in writing.

December 2023

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ADMINISTRATION

Manager
Harvest Global Investments Limited
31/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Directors of the Manager
ZHAO Xuejun
JING Lei
GUO Song
LU Lingfei
KWAN Chi Wang Thomas
GONG Kang

Trustee and Registrar
BOCI-Prudential Trustee Limited
Suites 1501-1507 & 1513-1516, 15/F,
1111 King's Road,
Taikoo Shing, Hong Kong

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

QFI Custodian
Bank of China Limited
No. 1, Fuxingmen Nei Dajie
Beijing 100818
China

Auditors
PricewaterhouseCoopers
21/F Edinburgh Tower
15 Queen's Road Central
Hong Kong

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

DEFINITIONS

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

"**Accounting Date**"	Means 31 December in each year or such other date or dates in each year as the Manager may from time to time specify in respect of any Sub-Fund and notify to the Trustee and the Unitholders of such Sub-Fund
"**Accounting Period**"	Means a period commencing on the date of establishment of the relevant Sub-Fund or on the date next following an Accounting Date of the relevant Sub-Fund and ending on the next succeeding Accounting Date for such Sub-Fund
"**AUD**"	Means Australian Dollars, the lawful currency of Commonwealth of Australia
"**Authorised Distributor**"	Means any person appointed by the Manager to distribute Units of some or all of the Sub-Funds to potential investors
"A-Share Access Products"	Means instruments, such as (but not limited to) equity linked notes, swaps or participation notes, issued by QFIs which the Sub-Fund may invest into in order to gain exposure to China A-Shares
"**Business Day**"	Means a day (other than a Saturday) on which banks in Hong Kong are open for normal banking business or such other day or days as the Manager and the Trustee may agree from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
"**China" or "PRC**"	Means the People's Republic of China excluding Hong Kong, Macau and Taiwan for purpose of this document
"**China A-Shares**"	Means shares issued by companies incorporated in the PRC and listed on the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Beijing Stock Exchange (as the case may be), traded in Renminbi and available for investment by domestic (Chinese) investors, holders of QFI, investors investing through the Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and/or any other similar schemes and foreign strategic investors approved by the China Securities Regulatory Commission

“China B-Shares”	Means shares issued by companies incorporated in the PRC and listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, traded in foreign currencies and available for investment by domestic (Chinese) investors and foreign investors;
“**Code**”	Means 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 SFC, as may be amended from time to time
“**connected person**”	Means, in relation to a company (a) any person, company or fund beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or being able to exercise, directly or indirectly, 20% or more of the total votes in that company; or (b) any person, company or fund controlled by a person who or which meets one or both of the descriptions given in (a); or (c) any member of the group of which that company forms part; or (d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c) above
“**Custodian**”	Means Bank of China (Hong Kong) Limited
“**Dealing Day**”	Means the days on which Units are subscribed for or redeemed, as described in the Appendices for the relevant Sub-Funds
“**Dealing Deadline**”	Means such time on the relevant Dealing Day or on such other Business Day as the Manager may from time to time with the approval of the Trustee determine, as described in the Appendices for the relevant Sub-Funds
“Euro” or “EUR”	Means the single currency shared by the European Union's Member States which together make up the euro area
“**Explanatory Memorandum**”	Means this Explanatory Memorandum including the Appendices, as each may be amended, updated or supplemented from time to time

"**Fund**"	Means Harvest Funds (Hong Kong)
"**Government and other Public securities**"	Means any investment issued by, or the payment of principal and interest on, which is guaranteed by, a government or any fixed-interest investment issued by its public or local authorities or other multilateral agencies
"**Hong Kong**"	Means Hong Kong Special Administrative Region of the PRC
"**HK$**" or "**HKD**"	Means Hong Kong Dollars, the lawful currency of Hong Kong
"**Investment Delegate**"	Means an entity that has been delegated the investment management function of all or part of the assets of a Sub-Fund, the details of which are as specified in the relevant Appendix (if applicable)
"**Issue Price**"	Means in respect of each Sub-Fund the issue price per Unit as more fully described in the section "Purchase of Units"
"JPY"	Means Japanese Yen, the lawful currency of Japan
"**Manager**"	Means Harvest Global Investments Limited
"**Net Asset Value**"	Means the net asset value of the Fund or a Sub-Fund or of a Unit, as the context may require, calculated in accordance with the provisions of the Trust Deed as summarised below under the section headed "Valuation"
"**PRC Securities**"	Means China A-Shares, Renminbi denominated corporate and government bonds, securities investment fund and warrants listed on the PRC stock exchanges
"**QFI**"	Means qualified foreign investor approved pursuant to the relevant PRC regulations (as amended from time to time), including both qualified foreign institutional investor (QFII) and RMB qualified foreign institutional investors (RQFII), as the case may be, or as the context may require, the QFI regime
"**QFI Custodian**"	Means Bank of China Limited
"**Qualified Exchange Traded Funds**"	Means exchange traded funds that are: (a) authorized by the SFC under 8.6 or 8.10 of the Code; or (b) listed and regularly traded on internationally recognized stock exchanges open to the public (nominal listing not accepted) and either (i) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under 8.6 of the Code; or (ii) the investment objective, policy, underlying investments and product features of which are

substantially in line with or comparable with those set out under 8.10 of the Code

"**Redemption Price**"	Means the price at which Units will be redeemed as more fully described in the section headed "Redemption of Units"
"**Registrar**"	Means BOCI-Prudential Trustee Limited in its capacity as registrar of the Fund
"**REITs**"	Means real estate investment trusts
"**reverse repurchase transactions**"	Means transactions whereby a Sub-Fund purchases securities from a counterparty of sale and repurchase transactions and agrees to sell such securities back at an agreed price in the future
"**sale and repurchase transactions**"	Means transactions whereby a Sub-Fund sells its securities to a counterparty of reverse repurchase transactions and agrees to buy such securities back at an agreed price with a financing cost in the future
"**securities financing transactions**"	Means collectively securities lending transactions, sale and repurchase transactions and reverse repurchase transactions
"**Securities Market**"	Means 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
"**securities lending transactions**"	Means transactions whereby a Sub-Fund lends its securities to a security-borrowing counterparty for an agreed fee
"**RMB" or "Renminbi**"	Means renminbi, the lawful currency of the PRC
"**SFC**"	Means the Securities and Futures Commission of Hong Kong
"**SFO**"	Means the Securities and Futures Ordinance, Laws of Hong Kong (Chapter 571)
"Stock Connect" or "Stock Connects"	Means Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect
"**Sub-Fund**"	Means a separate pool of assets of the Fund that is invested and administered separately
"**substantial financial institution**"	Means an authorized institution as defined in section 2(1) of the Banking Ordinance (Chapter 155 of Laws of Hong Kong) or a financial institution which is on an ongoing basis subject to

	prudential regulation and supervision, with a minimum net asset value of HK$2 billion or its equivalent in foreign currency
"**Trust Deed**"	Means the trust deed dated 4 January 2012 establishing the Fund and entered into by the Manager and the Trustee (as amended from time to time)
"**Trustee**"	Means BOCI-Prudential Trustee Limited in its capacity as trustee of the Fund
"**Unit**"	Means a unit in a Sub-Fund
"**Unitholder**"	Means a person registered as a holder of a Unit
"**US$**" or "**USD**"	Means the lawful currency of the United States of America
"**Valuation Day**"	Means such days as are described in the Appendix for the relevant Sub-Fund
"**Valuation Point**"	Means such time on the relevant Valuation Day as described in the Appendix for the relevant Sub-Fund to calculate the Net Asset Value

INTRODUCTION

Harvest Funds (Hong Kong) is a 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.

Harvest Funds (Hong Kong) is an umbrella unit trust. The following Sub-Funds are authorised by the SFC and offered currently:

- Harvest ESG China A Research Select Fund
- Harvest Asia Dividend Equity Fund
- Harvest Global Real Estate Opportunities Fund

The Manager may create further Sub-Funds in the future. Investors should contact the Manager to obtain the latest offering document relating to the available Sub-Fund(s).

Multiple classes of Units may be issued in respect of each Sub-Fund and the Manager may create additional classes of Units for any Sub-Fund in its sole discretion in the future. The assets of a Sub-Fund will be invested and administered separately from the assets of the other Sub-Funds issued.

The details of the above Sub-Funds and/or the new class or classes of Units related thereto that are on offer are set out in the Appendices to this Explanatory Memorandum.

INVESTMENT OBJECTIVE

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

MANAGEMENT OF THE FUND

The Manager

The Manager of the Fund and each Sub-Fund is Harvest Global Investments Limited.

Harvest Global Investments Limited ("HGI") was established in Hong Kong in September 2008 and is a wholly owned subsidiary of Harvest Fund Management Co., Ltd ("HFM") registered in China.

HGI holds licences from the Securities and Futures Commission in Hong Kong to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

Details of the Directors of the Manager are as follows:

ZHAO Xuejun (Director)

Dr. Xuejun (Henry) Zhao is Chairman of the Board and a board member of Harvest Fund Management Co., Ltd. ("HFM"), the parent company of the Manager. From October 2000 to December 2017, he worked as Director and General Manager of HFM. He worked as Chairman of HFM since December 2017. Prior to joining Harvest, Dr. Zhao was the deputy general manager of Da Cheng Fund Management Co., Ltd. and served in executive group in the brokerage company on commodity futures, commodities exchange and import and export corporation. Dr. Zhao holds a PhD in economics from Guanghua School of Management, Peking University. He is currently the Vice President of the Asset Management Association of China.

JING Lei (Chairman of the Board of Directors and Director)

Mr. Jing joined HFM in October 2013 and was the CIO (Chief Investment Officer) of Fixed Income and Institutional Investments, Managing Director. He is now the CEO of HFM. Before joining HFM, Mr. Jing worked as deputy director of Asset Management Center China Division, CIO and Head of Asset Management Center for American International Assurance (China) Co., Ltd. from 2008-2013. Before that, Mr. Jing worked in AIG Investment (New York headquarter) fixed income team from 1998 to 2008 for various positions and lastly as vice president. Mr. Jing holds a Bachelor of Business Administration degree with double majors of Finance and Accounting from PACE University in New York City. Mr. Jing obtained his CFA charter in 2002.

GUO Song (Director)

Mr. Guo is the Chief Compliance Officer of HFM and joined HFM in December 2019. Prior to joining HFM, Mr. Guo worked in the State Administration of Foreign Exchange and its subsidiary from 1992 to 2019. Mr. Guo holds a Master Degree of Economics from

Tianjin University of Finance & Economics and an Executive MBA Degree from Cheung Kong Graduate School of Business.

LU Lingfei (Director)

Mr. Lu is a Director of the Manager. Mr. Lu joined HFM in October 2000 and is currently working as Deputy General Manager and Head of Institutional Sales. Before joining HFM, Mr. Lu worked in Beijing Beihuang Automation Equipment Installation Limited Company as Sales Manager. Mr. Lu holds a Master Degree in Finance.

KWAN Chi Wang, Thomas (Chief Executive Officer, Chief Investment Officer and Director)

Mr. Kwan is the Chief Executive Officer and Director of the Manager. He also leads the investment management and research platform in the Manager, including fixed income, greater China equity, Asian equity, exchange traded funds and asset allocation. Mr. Kwan has over 20 years' of investment management experience and prior to joining the Manager, Mr. Kwan worked at Baring Asset Management in Hong Kong as Head of Asian Debt, Credit Suisse Asset Management in Singapore and Beijing as Director of Asian Fixed Income and Currency, Prudential Asset Management in Singapore as Investment Director and First State Investments in Hong Kong as portfolio manager. Mr. Kwan has an M.A. in Economics and B.Comm in Finance from the University of Toronto and is a CFA charter holder.

GONG Kang (Director)

Since joining HFM in September 2005, Mr. Gong has worked as Deputy Head and Head of Human Resources, Chief Operating Officer, and Deputy General Manager of HFM. He is now the General Manager of Harvest Capital Management Co., Ltd. Mr. Gong holds a PhD in Physics from Sun Yat-sen University.

The Investment Adviser

The Manager undertakes the management of the assets of the Fund. The Manager has appointed Harvest Fund Management Co., Ltd. ("HFM") to act as the non-discretionary investment adviser of certain Sub-Fund(s) in respect of the Fund and provide non-discretionary investment advice to the Manager in relation to such Sub-Fund(s) as the Manager may determine from time to time. HFM was established in 1999 in China as one of the first 10 asset management institutions authorised by the Chinese government as part of its strategy to open up and develop the financial sector. HFM became a joint venture asset management company in June 2005. Currently the shareholders are China Credit Trust Co., Ltd, Lixin Investment Co., Ltd and DWS Investments Singapore Limited. HFM is a leading asset manager in China with assets under management of approximately US$203 billion as of 31 December 2022. HFM offers a wide range of investment funds. It also manages national and local social security funds, corporate annuity funds, offshore securities and segregated accounts.

Where appointed as an investment adviser in respect of a Sub-Fund, the Investment Adviser will advise the Manager in respect of the Sub-Fund. In particular, the Investment Adviser will provide fundamental research support to the relevant Sub-Fund, which includes providing investment ratings on individual stocks and sectors with consideration of their ESG performance (where applicable) and other criteria; providing investment write-ups on companies or sectors selected by the Manager for potential investment by the relevant Sub-Fund; attending the monthly investment committee meetings of the Manager to provide advice and required information on potential investments of the relevant Sub-Fund; and advising the Manager where changes in circumstances may mean that certain potential and/or existing investments of the relevant Sub-Fund may no longer be suitable to achieve the investment strategy of the relevant Sub-Fund.

The Manager retains discretionary powers in the management of the Sub-Fund(s). The remuneration of the investment adviser will be borne by the Manager.

The Trustee and Registrar

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 Bank of China (Hong Kong) Limited and BOC International Holdings Limited, which are subsidiaries of Bank of China Limited.

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

The Trustee shall (i) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of agent, nominee, custodian, co-custodian or sub-custodian which are appointed for the custody and/or safekeeping of any of the investments, cash, assets or other property comprised in each Sub-Fund (each a "**Correspondent**") and (ii) be responsible during the term of appointment of each Correspondent for satisfying itself that each of the Correspondents retained remain suitably qualified and competent on an ongoing basis to provide the relevant services to the Fund or any Sub-Fund. Notwithstanding anything herein contained the Trustee shall remain liable for any act or omission of any agent, nominee, custodian or joint custodian (the "**Correspondent**") (other than (a) Euroclear, Clearstream or any other central depositaries or clearing system; and (b) any Correspondent who is not a connected person of the Trustee appointed in respect of emerging markets (as defined in the Trust Deed) provided that the Trustee has discharged its obligations set out in (i) and (ii) in the foregoing) in relation to any investment deposited with such agent, nominee, custodian or joint custodian (other than as aforesaid) as if the same were the act or omission of the Trustee. Subject to the foregoing, the Trustee shall not be liable for losses arising from the insolvency of any brokers or agents appointed by the Trustee, at the direction of the Manager, to hold any assets of any Investment Fund, provided that such brokers or agents are not a connected person of the Trustee and the Trustee has discharged its obligations set out in (i) and (ii) in the foregoing.

The Trustee also acts as the Registrar of the Fund and will be responsible for keeping the register of Unitholders.

The 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. as well as a number of subsidiaries in specialized business areas.

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 on 25 July 2002 with stock code "2388" and became a Hang Seng Index constituent stock on 2 December 2002.

With an extensive branch network 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 is also widely present in the ASEAN countries to better service the local and international communities. It offers a full range of banking services, including global custody and also fund-related services for institutional clients.

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

The QFI Custodian

For Sub-Fund(s) that invest in debt securities issued within mainland China, China A-Shares or other permissible investments in the PRC through the QFI regime, the relevant QFI is required to appoint a custodian in the PRC for the custody of assets, pursuant to relevant laws and regulations. Bank of China Limited has been appointed as the QFI Custodian in respect of the investments held by the relevant Sub-Fund(s).

Bank of China was founded in February 1912 following the approval of Dr. Sun Yat-sen. Until the founding of the People's Republic of China in 1949, the Bank served as the central bank, international exchange bank and specialized foreign trade bank of the country. In 1994, Bank of China was transformed into a state-owned commercial bank. It was then selected as a pilot bank for the joint stock reforms of state-owned commercial banks in 2003, so it was incorporated in August 2004 and got listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange in June and July 2006 respectively, becoming the first A and H dual listed Chinese commercial bank.

Bank of China Limited engages in full-fledged commercial banking business, including a wide spectrum of corporate and retail services, treasury functions and institutional banking. The latter refers to services offered to banks, brokerage houses, fund companies, and insurance companies worldwide, ranging from clearing and inter-bank lending to agency and custody services etc. The Bank has been providing custody services since 1998 as one of the first qualified custodians in the mainland Chinese market. For more than a decade, the Bank has been playing a leading role in the domestic custodian industry in terms of research capabilities, service standards, internal controls and IT constructions. It is consistently being ranked the top in terms of servicing cross-border custody assets. Its Custody Business Department has over 130 professional staff. Fund houses, insurance companies, securities firms, trust companies, commercial banks, National Council for Social Security, pensions, private equity companies, and individual clients are well served by the Bank. In addition, the Bank has been maintaining a close relationship with various regulatory authorities to enable effective communication and quality services.

The Authorised Distributors

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

CLASSES OF UNITS

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

DEALING DAY AND DEALING DEADLINE

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

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

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

PURCHASE OF UNITS

Initial Offer

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

Subsequent Subscription

Following the close of the initial offer period, Units will be issued at the prevailing Issue Price per Unit. The Issue Price on any Dealing Day will be the Net Asset Value of the relevant class of Units of the Sub-Fund as at the Valuation Point in respect of the Dealing Day divided by the number of such class of Units then in issue, rounded down to 3 decimal places. Any rounding adjustment shall be retained for the benefit of the relevant Sub-Fund. In calculating the Issue Price, the Manager may impose surcharges to compensate for the difference between the price at which assets of the relevant Sub-Fund are to be valued and the total cost of acquiring such assets including other relevant expenses such as taxes, governmental charges, brokerages, etc.

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

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

Application Procedure

To purchase Units an investor should complete the application form, which may be obtained from the Manager or Authorised Distributors (the “**Application Form**”), and return the Application Form to the Trustee or Authorised Distributors (details of which as set out in the Application Form).

Applications will generally be accepted on a Dealing Day only if cleared funds have been received on or prior to such Dealing Day in relation to which Units are to be issued. Notwithstanding the above, a Sub-Fund may rely upon application orders received, even prior to receipt of application moneys, and may issue Units to investors according to such orders and invest the expected application amounts. If payment is not cleared within 7 Business Days following the relevant Dealing Day (or such other date as the Manager with the approval of the Trustee shall determine and notify the relevant applicant at the time of receipt of the application), the Manager reserves the right to cancel the transaction. In such circumstances, an investor may be required to settle the difference between the prices at issue and at cancellation of the Units concerned and in addition the appropriate cancellation fees and charges.

Each applicant whose application is accepted will be sent a contract note confirming details of the purchase of Units.

No certificates will be issued.

The Manager, at its discretion, is entitled to impose a preliminary charge of up to 8% on the total subscription amount received in relation to an application, and the current rates are described in the relevant Appendix for each Sub-Fund. The Manager may retain the benefit of such charge or may re-allow or pay all or part of the preliminary charge (and any other fees received) to intermediaries or such other persons as the Manager may at its absolute discretion determine. The Manager also has discretion to waive the preliminary charge in whole or in part in relation to any subscription for Units whether generally or in a particular case.

Investment Minima

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

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

Payment Procedure

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

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

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

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

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

General

All holdings will be registered and certificates are not issued. Evidence of title will be the entry on the register of Unitholders. Unitholders should therefore be aware of the importance of ensuring that the Manager and the Trustee are informed of any change to the registered details.

Fractions of Units may be issued rounded down to 3 decimal places. Application moneys representing smaller fractions of a Unit will be retained by the relevant Sub-Fund. The Manager reserves the right to reject any application in whole or in part. In the event that an application is rejected, application moneys will be returned without interest by cheque through the post or by telegraphic transfer to the bank account from which the moneys originated at the risk and expense of the applicants (or in such other manner determined by the Manager and the Trustee). A maximum of 4 persons may be registered as joint Unitholders.

REDEMPTION OF UNITS

Redemption Procedure

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

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

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

A redemption request must specify (i) the name of the Sub-Fund and the value or number of Units to be redeemed; (ii) the relevant class of Units to be redeemed; (iii) the name(s) of the registered holder(s); and (iv) the payment instructions for the redemption proceeds.

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

Payment of Redemption Proceeds

The Redemption Price on any Dealing Day shall be the price per Unit ascertained by dividing the Net Asset Value of the relevant class of the Sub-Fund as at the Valuation Point in respect of the Dealing Day by the number of such class of Units then in issue rounded down to 3 decimal places. Any rounding adjustment shall be retained by the relevant Sub-Fund. Such price shall be calculated in the base currency of the relevant Sub-Fund and quoted by the Manager in such base currency and in such other currency or currencies at the Manager's discretion (with prior notice to the Trustee) by converting such price to its equivalent in such other currency or currencies at the same rate as the Manager shall apply in calculating the Net Asset Value as at the Valuation Point. In calculating the Redemption Price, the Manager may impose deductions to compensate for the difference between the price at which assets of the relevant Sub-Fund are to be valued and the net proceeds which would be received on sale of such assets and for the relevant expenses such as taxes, governmental charges, brokerages, etc.

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

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

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

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

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

In the event that there is a delay in receipt by the Manager or the Trustee of the proceeds of realisation of the investments of the relevant Sub-Fund to meet redemption requests, the Manager or the Trustee may delay the payment of the relevant portion of the amount due on the redemption of Units. If the Manager or the Trustee is required by the laws of any relevant jurisdiction to make a withholding from any redemption moneys payable to the holder of a Unit the amount of such withholding shall be deducted from the redemption moneys otherwise payable to such person.

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

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

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

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

SWITCHING BETWEEN CLASSES

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

Unless the Manager otherwise agrees, Units of a class can only be switched into Units of the same class of another Sub-Fund.

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

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

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

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

Where:

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

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

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

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

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

SF is a switching charge (if any).

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

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

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

Restrictions on redemption and switching

The Manager may, after consultation with the Trustee, having regard to the best interests of Holders, suspend the redemption or switching of Units or delay the payment of redemption proceeds during any periods in which the determination of the Net Asset

Value of the relevant Sub-Fund is suspended (for details see "Suspension of Calculation of Net Asset Value" below).

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

With a view to protecting the interests of Unitholders, the Manager is entitled, with the approval of the Trustee, to limit the number of Units of any Sub-Fund redeemed on any Dealing Day (whether by sale to the Manager or by cancellation of Units) to 10% of the total number of Units of the relevant Sub-Fund in issue. In this event, the limitation will apply pro rata so that all Unitholders of the relevant Sub-Fund who have validly requested to redeem Units of the same Sub-Fund on that Dealing Day will redeem the same proportion of such Units of that Sub-Fund provided that any holdings so requested to be redeemed being in aggregate of not more than 1% of the total number of Units of any Sub-Fund in issue may be redeemed in full if in the opinion of the Manager with the Trustee's approval the application of such limitation would be unduly onerous or unfair to the Unitholder or Unitholders concerned. Any Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, and will have priority on the next succeeding Dealing Day and all following Dealing Days (in relation to which the Manager has the same power) until the original request has been satisfied in full. If requests for redemption are so carried forward, the Manager will inform the Unitholders concerned within 7 days of such Dealing Day.

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

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

VALUATION

The value of the net assets of each Sub-Fund will be determined as at each Valuation Point in accordance with the Trust Deed.

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

(a) except in the case of any interest in a collective investment scheme to which paragraph (b) applies or a commodity, and subject as provided in paragraph (g) below, all calculations based on the value of investments on a Securities Market shall be made by reference to the last traded price on the principal Securities Market for such investments, at or immediately preceding the Valuation Point, provided that if the Manager considers that the prices ruling on a Securities Market other than the principal Securities Market provide in all the circumstances a fairer criterion of value in relation to any such investment, it may adopt such prices after consultation with the Trustee; and in determining such prices the Manager and the Trustee shall be entitled to use and rely on without verification electronically transmitted information from such source or sources as they may from time to time determine notwithstanding the prices used are not the last traded prices;

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

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

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

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

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

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

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

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

Suspension of Calculation of Net Asset Value

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

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

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

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

(d) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, the investments of that Sub-Fund or the issue or redemption of Units of the relevant class in the Sub-Fund is delayed or cannot, in the opinion of the Manager after consultation with 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 a substantial part of the investments or other assets of that Sub-Fund or the Net Asset Value of that Sub-Fund or the Issue Price or Redemption Price per Unit takes place or when for any other reason the value of a substantial part of the investments or other assets of that Sub-Fund or the Net Asset Value of that Sub-Fund or the Issue Price or Redemption Price per Unit cannot in the opinion of the Manager after consultation with 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 after consultation with 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 redemption of interests in any relevant collective investment scheme(s) (representing a substantial portion of the assets of the Sub-Fund) is suspended or restricted; or

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

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

Such suspension shall take effect forthwith upon the declaration thereof and thereafter there shall be no determination of the Net Asset Value of the relevant Sub-Fund until the Manager shall 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 practicable, after any such declaration and at least once a month during the period of such suspension, publish on the Manager's website, www.harvestglobal.com.hk, or in any other appropriate manner that such suspension has been made. Please note that the aforesaid website has not been reviewed by the SFC.

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

INVESTMENT AND BORROWING RESTRICTIONS

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

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

Please refer to the heading of "Use of derivatives / investment in derivatives" in the relevant Sub-Fund Appendix for details on the use of derivatives for each Sub-Fund.

Securities Lending, Sale and Repurchase and Reverse Repurchase Transactions

The Manager currently does not intend to enter into any securities financing transactions in respect of any Sub-Funds. Prior approval will be sought from the SFC and at least one month's prior notice will be given to Unitholders should there be a change in such intention.

Unless otherwise stated in the relevant Sub-Fund appendix, it is not expected that the Sub-Funds will receive collateral. However, collateral may be provided during the course of a Sub-Fund's investment activities, for example, cash may be provided as margin on futures for hedging purposes.

RISK FACTORS

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

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

(i) ***Market risk*** - 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, investment sentiment and issuer-specific factors. 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. There is no guarantee of the repayment of principal.

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

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

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

Investments in equity interests of Chinese companies may be made through China A-Shares, China B-Shares and H-Shares (i.e. shares issued by companies incorporated in the PRC and listed on the Stock Exchange of Hong Kong and traded in Hong Kong dollars). The PRC stock market has in the past experienced substantial price volatility, and there is no assurance that such volatility will not occur in future. Securities exchanges in China typically have the right to suspend or limit trading in any security traded on the relevant exchange. In particular, trading band limits are imposed by the stock exchanges in the PRC on China A-Shares, where trading in any China A-Share security on the relevant stock exchange may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. In addition, it is possible that the PRC government, relevant PRC stock exchanges and/or relevant regulatory authorities may from time to time introduce new measures to control the risk of substantial fluctuations in the China A-Share market, such as a circuit breaker mechanism whereby the trading on the stock exchanges in China may be suspended if the daily trading limit of the relevant benchmark index reaches a specified threshold value under the circuit breaker mechanism.

Investment in RMB denominated bonds may be made in or outside the PRC. Investment in these securities may be subject to increased price volatility and lower liquidity.

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

Under the prevailing rules and regulations in mainland China, only certain qualifying foreign investors that have been approved as QFIs may invest directly in PRC Securities through holding QFI license which have been approved by the relevant Chinese authorities. Direct investments in China A-Shares may also be made by Hong Kong and overseas investors via the Stock Connects. For certain Sub-Funds which the Manager decides is desirable to gain exposure to the China A-Shares market, exposure to China A-Shares may be gained directly via the Stock Connects or indirectly via A-Share Access Products. Please refer to the risk factor headed "Risks associated with the Stock Connects" for further details on the Stock Connects and its associated risks.

(iii) ***Risks relating to A-Share Access Products*** - A-Share Access Products are designed to mirror the returns on the underlying China A-Shares. A-Share Access products are instruments representing an obligation of the issuer to pay to the holder an economic return equivalent to holding the underlying securities. Such products may be structured in various forms, such as swaps, warrants or participation notes. They do not provide any beneficial or equitable entitlement or interest in the underlying securities to which they are linked. Investors should also note the risks relating to China A-Shares and the following risks:

- Investments in A-Share Access Products will subject a Sub-Fund to the risks associated with financial derivative instruments ("FDI") which include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by a Sub-Fund. Exposure to FDI may lead to a high risk of significant loss by the Sub-Fund.
- Costs of investment - Investment through A-Share Access Products will be subject to a higher investment cost where the market supply is low relative to market demand. Further, there is no guarantee that assets of a Sub-Fund can be immediately invested through A-Share Access Products. This may impact on the performance of the Sub-Fund.
- Limitations posed by QFI restrictions - As QFIs are subject to applicable regulation in mainland China, their ability to issue A-Share Access Products may be limited. This could restrict the ability of a Sub-Fund to invest in such products.

(iv) ***Risks associated with China Interbank Bond Market*** – Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the China Interbank Bond Market may result in prices of certain debt securities traded on such market fluctuating significantly. A Sub-Fund investing in such market 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.

To the extent that a Sub-Fund transacts in the China Interbank Bond Market, the Sub-Fund may also be 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.

Since the relevant filings and account opening for investment in the China Interbank Bond Market have to be carried out via the an onshore settlement agent, a Sub-Fund is subject to the risks of default or errors on the part of the onshore settlement agent.

The China Interbank Bond Market is also subject to regulatory risks. The relevant rules and regulations on investment in the China Interbank Bond Market is subject to change which may have potential retrospective effect. In the event that the relevant Chinese authorities suspend account opening or trading on the China Interbank Bond Market, a Sub-Fund's ability to invest in the China Interbank Bond Market will be limited and, after exhausting other trading alternatives, the Sub-Fund may suffer substantial losses as a result.

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

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

(vii) ***RMB denominated class(es) related risk*** – Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. When calculating the value of the RMB denominated class(es), offshore RMB (CNH) will be used. The CNH rate may be at a premium or discount to the exchange rate for onshore RMB (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. Any divergence between CNH and CNY may adversely impact investors.

Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (for example HKD) will not depreciate. Any devaluation of RMB could adversely affect the value of investors' investments in the RMB denominated class(es) of a 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).

For unhedged RMB denominated class(es), depending on the exchange rate movements of RMB relative to the base currency of a Sub-Fund and/or other currency(ies) of the non-RMB-denominated underlying investments of a Sub-Fund, investors may still suffer losses even if there are gains or no losses in the value of the non-RMB-denominated underlying investments.

Furthermore, under the scenario where RMB appreciates against the currencies of the underlying investments and/or the base currency, and the value of the underlying investments decreased, the value of investors' investments in any unhedged RMB denominated class(es) may suffer additional losses. The Net Asset Value of the Sub-Fund may be affected unfavorably by fluctuations in the exchange rates between these currencies and by changes in exchange rate controls.

RMB is currently not freely convertible and is subject to exchange controls and restrictions. 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. In case of sizeable redemption requests for the RMB denominated class(es) are received or under exceptional circumstances, payment of redemption requests and/or distributions in RMB (if any) from the RMB denominated class(es) may be delayed when there is not sufficient amount of RMB for currency conversion for payment of redemption requests and/or distributions in a timely manner due to the exchange controls and restrictions applicable to RMB.

(viii) ***Emerging markets risk*** - Various countries in which a Sub-Fund may invest are considered as emerging markets. Investments in emerging markets will 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. 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. As such, the Sub-Fund invests in emerging markets which may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

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

(x) ***Currency risk*** - Underlying investments of certain Sub-Funds may be denominated in currencies other than the base currency of the Sub-Fund. The performance of such Sub-Funds will therefore be affected by movements in the exchange rate between the currencies in which the assets are held and the base currency of the Sub-Funds. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The movement in currency exchange rates can be volatile at times. Since the Manager aims to maximise returns for such Sub-Funds in terms of their base currency, investors in these Sub-Funds may be exposed to additional currency risk. Also, a class of Units may be designated in a currency other than the base currency of a Sub-Fund. The Net Asset Value of the Sub-Fund may be affected unfavorably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.

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

(xii) ***Credit rating downgrading risk*** - The credit ratings of debt securities by credit rating agencies are a generally accepted barometer of credit risk. They are, however, subject to certain limitations. For example, the rating of an issuer is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is often a time lag in updating the credit ratings in response to recent credit events. Credit ratings do not guarantee the creditworthiness of the security and/or issuer at all times.

The credit rating with debt securities or their issuers are subject to the risk of being subsequently downgraded. Insofar as a Sub-Fund invests in investment grade securities, such securities may be subject to the risk of being downgraded to below investment grade securities. In the event of downgrading in the credit ratings of a security or an issuer relating to a security, a Sub-Fund's investment value in such security may be adversely affected. Downgrading may lower the liquidity of the relevant securities, and it may be more difficult for the Manager to sell such securities at a favourable price. If securities in a Sub-Fund's portfolio are downgraded, the Manager may or may not dispose of the securities, subject to the investment objectives of the relevant Sub-Fund. In the event of investment grade securities being downgraded to below investment grade securities, the Sub-Fund will also be subject to the below investment grade securities risk outlined in the following paragraph.

(xiii) ***Below investment grade and unrated securities risk*** - A Sub-Fund may invest in securities which are below investment grade or which are unrated. Investors should note that such securities would generally be considered to have a higher degree of counterparty risk, credit risk and liquidity risk than higher rated, lower yielding securities. The ability of the issuer to make timely interest and principal payments will be especially susceptible to uncertainties and adverse changes in its financial conditions. If the issuer of securities default, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. Such securities are generally subject to greater risk of loss of principal and interest than high-rated debt securities. Further, the market for these securities may be less active, making it more difficult to sell the securities at a price or time that the Sub-Fund wishes to do so. Valuation of these securities is more difficult. The values of these securities tend to be more volatile and sensitive to individual issuer developments and general economic conditions than the values of higher rated securities. As a result, the relevant Sub-Fund's prices may be more volatile.

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

(xv) ***Sovereign risk -*** 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 risks. 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. The relevant Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

(xvi) ***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.

(xvii) ***Concentration risk*** - Certain Sub-Funds may invest only in a specific country/region/sector. Each Sub-Fund's portfolio may not be well diversified in terms of the number of holdings and the number of issuers of securities that the Sub-Fund may invest in. Investors should also be aware that such Sub-Funds are likely to be more volatile than that of a fund having a more diverse portfolio of investments, such as a global or regional equity fund, as they are more susceptible to fluctuations in value resulting from limited number of holdings or from adverse conditions in their respective countries. The value of the Sub-Funds may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory events affecting the in the specific country/region/sector.

(xviii) ***Depository Receipts Risk*** - Depository receipts are negotiable financial instruments issued by banks to represent a foreign company's publicly traded shares. Investments in depository receipts may be subject to counterparty risks in which a significant or even total loss might be suffered in the event of the liquidation of the depository or custodian bank.

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

(xx) ***Liquidity risk*** - Some of the markets in which a Sub-Fund invests may be less liquid and more volatile than more developed markets and this may result in the fluctuation in the price of securities traded on such markets. Certain securities may be difficult or impossible to sell, and this would affect the Sub-Fund's ability to acquire or dispose of such securities at their intrinsic value. In the case of debts securities, the bid and offer spreads of the price of such securities may be large and the relevant Sub-Fund may incur significant trading costs.

The Sub-Funds 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.

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

(xxii) ***Difficulties in valuation of investments*** – Valuation of the Sub-Funds' investments may involve uncertainties and judmnetal determinations. If such valuation turns out to be incorrect, this may affect the NAV calculation of the relevant Sub-Fund. Securities acquired on behalf of any Sub-Fund may subsequently become illiquid due to events relating to the issuer of the securities, market and economic conditions and regulatory sanctions. In cases where no clear indication of the value of a Sub-Fund's portfolio securities is available (for example, when the secondary markets on which a security is traded has become illiquid) the Manager may apply valuation methods to ascertain the fair value of such securities, pursuant to the Trust Deed.

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

(xxiii) ***Small and medium-sized companies risk*** - The stock of small capitalisation and mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

(xxiv) ***Risk relating to investments in ETFs*** – A Sub-Fund may invest in ETFs and are subject to the following risks

Passive investment risks - The ETF that the Sub-Fund invests in may not be "actively managed" and the manager of the relevant ETF may not take defensive positions in declining markets. Consequently, falls in the underlying index of the ETF are expected to result in a corresponding fall in the value of the Sub-Fund.

Tracking error risks - Factors such as fees and expenses of an ETF, imperfect correlation between the ETF's assets and the underlying securities within the relevant tracking index, rounding of share prices and adjustments to the tracking index may affect the ability of the manager of an ETF to achieve close correlation with the tracking index for the relevant ETF. An ETF's returns may therefore deviate from that of its tracking index and may have an adverse impact on the ETF and the Sub-Fund.

Underlying index related risks - There is no guarantee that the ETF will achieve a high degree of correlation to its underlying index and therefore achieve its investment objective. Market disruptions and regulatory restrictions could have an adverse effect on the ETF's ability to adjust its exposure to the required levels in order to track the underlying index. Errors in index data may occur from time to time and may not be identified and corrected for a period of time, and may have an adverse impact on the ETF and the Sub-Fund.

The securities that constitute the underlying index are changed by the index provider from time to time or may be delisted. Where the underlying index is rebalanced, any transaction costs arising from the ETF corresponding rebalancing will be borne by the ETF.

The SFC may withdraw authorization of the ETF if the index is no longer considered acceptable.

Counterparty risks - The Sub-Fund may invest in synthetic ETFs which utilize a synthetic replication strategy and invest in derivative instruments which are issued by one or more issuers to gain exposure to a benchmark. The Sub-Fund will not be able to monitor or control the creditworthiness of the counterparties entered by synthetic ETFs. Such synthetic ETFs are therefore subject to counterparty risk of the derivative instruments' issuers in addition to the risks of the securities that constitute the benchmark and may suffer substantial losses if such issuers default or fail to honour their contractual commitments which may have an adverse impact on the Sub-Fund.

Some synthetic ETFs invest in derivative instruments issued by a number of different counterparties in order to diversify the risk of concentrating on a few counterparties only. However, the more counterparties a synthetic ETF has, the higher the probability of the synthetic ETF being affected by a counterparty's default. If any one of the counterparties fails or defaults, the synthetic ETF may suffer losses.

The issuers of the derivative instruments are predominantly international financial institutions and this may pose a concentration risk to the synthetic ETF. Some synthetic ETF managers only acquire derivative instruments from one or a few counterparties. These synthetic ETF managers may seek to reduce an ETF's net exposure to each single counterparty for example, by requiring the counterparty(ies) to provide collateralization to ensure there is no or minimal uncollateralized counterparty risk exposure arising from the use of financial derivatives.

Even if a synthetic ETF is fully collaterised, it is subject to the collateral provider fulfilling its obligations. When such synthetic ETF seeks to exercise its right against the collateral, the market value of the collateral could be substantially less than the amount secured if the market dropped sharply before the collateral is realised, thereby resulting in significant loss to the synthetic ETF.

Trading risks - The trading prices of units/shares in an ETF may differ significantly from the net asset value of the units/shares of such ETF due to, disruptions to creations and realisations (for example, as a result of imposition of capital controls by a foreign government) and supply and demand forces in the secondary trading market for units/shares in the ETF.

There can be no assurance that an active trading market will exist or maintain for units /shares of an ETF on any securities exchange on which units/shares of an ETF may trade. The units/shares of the ETFs in which the Sub-Fund invests may be traded at large discounts or premiums to their net asset value, which may in turn affect the Net Asset Value of the Sub-Fund.

Regulatory Policies Risks - Regulatory policies may affect the ability of the manager of an ETF to achieve close correlation with the tracking index for the relevant ETF. An ETF's returns may therefore deviate from that of its tracking index.

(xxv) ***Risks relating to REITs*** – A Sub-Fund may invest in REITs which may not necessarily be authorised by the SFC.

The prices of REITs are affected by changes in the value of the underlying properties owned by the REITs. Investment in REITs may therefore subject the relevant Sub-Fund to risks similar to those from direct ownership of real property.

Real estate investments are relatively illiquid and may affect the ability of a REIT to vary its investment portfolio or liquidate part of its assets in response to changes in economic conditions, international securities markets, foreign exchange rates, interest rates, real estate markets or other conditions. Adverse global economic conditions could adversely affect the business, financial condition and results of operations of REITs. REITs may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than other securities.

Further, returns from REITs are dependent on management skills in managing the underlying properties. Investments made by REITs generally may not be diversified. In addition, certain REITs in which the relevant Sub-Fund may invest may have their assets concentrated in specific real property sectors, and are therefore subject to the risks associated with adverse developments in these sectors.

REITs are also subject to heavy cash flow dependency, defaults by borrowers and self-liquidation. Further, borrowers under mortgages held by REITs or lessees of property that REITs own may be unable to meet their obligations to the REITs. On the other hand, if the key tenants experience a downturn in their businesses or their financial condition, they may fail to make timely rental payments or default under their leases. Tenants in a particular industry might also be affected by any adverse downturn in that industry and this may result in their failure to make timely rental payments or to default under the leases. In the event of a default, a REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments. The REITs may suffer losses as a result.

REITs may have limited financial resources and may be subject to borrowing limits. Consequently, REITs may need to rely on external sources of funding to expand their portfolios, which may not be available on commercially acceptable terms or at all. If a REIT cannot obtain capital from external sources, it may not be able to acquire properties when strategic opportunities exist.

Any due diligence exercise conducted by REITs on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies. Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow of the REITs.

(xxvi) ***Risks of investing in other funds*** – A Sub-Fund may invest in other funds and will be subject to the risks associated with the underlying funds. The Sub-Fund does not have control of the investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved which may have a negative impact to the Net Asset Value of the Sub-Fund.

The underlying funds in which the Sub-Fund may invest may not be regulated by the SFC. There may be additional costs involved when investing into these underlying funds. This is because, in addition to the expenses and charges payable by the Sub-Fund as disclosed in this Explanatory Memorandum, the Sub-Fund will bear indirectly the fees charged by the managers and other service providers of the underlying funds, or will incur charges in subscribing for or redeeming shares in the underlying funds. There is also no guarantee that the underlying funds will always have sufficient liquidity to meet the Sub-Fund's redemption requests as and when made.

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

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

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

(xxix) ***PRC tax considerations – PRC Securities:***

By investing in PRC Securities or Renminbi denominated corporate and government bonds issued by PRC tax residents, a Sub-Fund may be subject to taxes imposed by the PRC authorities.

1. *Trading of China A-Shares via QFI, the Connect Schemes and A Share Access Products*

<u>Corporate Income Tax ("CIT"):</u>
In general, if the Fund or the relevant Sub-Fund is considered as a tax resident enterprise of the PRC, it will be subject to PRC CIT at 25% on its worldwide taxable income. If the Fund or the relevant Sub-Fund is considered as non- PRC tax resident enterprise with an establishment or place of business ("PE") in the PRC, the profits attributable to that PE would be subject to PRC CIT at 25%. If the Fund or the relevant Sub-Fund is a non-PRC tax resident without a PE in the PRC, the income derived by it from the investment in PRC Securities would in general be subject to 10% PRC withholding income tax ("WIT") in the PRC, unless exempt or reduced under specific tax circulars or relevant tax treaty.

It is the intention of the Manager to manage and operate the affairs of the Manager as a QFI and the relevant Sub-Fund such that they should not be treated as PRC tax resident enterprises or non-tax resident enterprises with a PE in the PRC for PRC CIT purposes, although this cannot be guaranteed. Any PRC WIT imposed on a QFI in respect of the PRC Securities invested by the relevant Sub-Fund will be passed on to the Sub-Fund and the asset value of the Sub-Fund will be reduced accordingly.

Capital Gains

a) *Direct China A-Shares investment via QFI and the* Stock *Connect Schemes*

The Ministry of Finance of the PRC (the "**MoF**"), the State Taxation Administration of the PRC ("**STA**") and the China Securities Regulatory Commission (the "**CSRC**") issued the "*Notice on temporary exemption of Corporate Income Tax on capital gains derived from the transfer of equity investment assets such as PRC domestic stocks by QFII and RQFII*" "關於 QFII 和

RQFII 取得中國境內的股票等權益性投資資產轉讓所得暫免徵收企業所得稅問題的通知") Caishui [2014] No.79 (the "**Notice 79**") on 14 November 2014.

The Notice 79 states that:

1) PRC corporate income tax will be imposed on gains obtained by QFIIs and RQFIIs from the transfer of PRC equity investment assets (including China A-Shares) derived prior to 17 November 2014 in accordance with laws;

2) QFIIs and RQFIIs, which do not have an establishment or place of business in the PRC or have an establishment or place in the PRC but the income so derived in China is not effectively connected with such establishment, will be temporarily exempt from corporate income tax on gains derived from the transfer of PRC equity investment assets (including China A-Shares) effective from 17 November 2014.

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

b) *Indirect China A-Shares investment via A-Share Access Products*

In light of Notice No. 79, WIT on capital gain attributable to a Sub-Fund's investment in A-Share access products realized from 17 November 2014 onwards should be exempted if the A-Share access products issuers do not have an establishment or place in China or have an establishment in China but the income so derived in China is not effectively connected with such establishment.

Please note that it is possible that under the terms of an agreement between the A-Share access products issuers and a Sub-Fund, the A-Share access products issuers may pass on any tax liability that they incur to the Sub-Fund. If this is the case, the Sub-Fund could be the ultimate party which bears the PRC tax risks on the investment in the PRC securities.

Dividend income

Unless a specific exemption or reduction is available under current CIT Law and regulations or relevant tax treaties, non-tax resident enterprises without PE in the PRC are subject to WIT, generally at a rate of 10% on dividend income arising from investments in the PRC securities. The entity distributing such dividends is required to withhold such tax on behalf of the recipients. The Sub-Fund is subject to WIT at 10 % on dividends received from China A-Shares traded via QFI and the Connect Schemes.

Under current regulations in the PRC, foreign investors (such as a Sub-Fund) may invest in onshore PRC securities (i.e. China A-Shares), generally, only through a QFI (in this section referred to as the "relevant QFI") and the Connect Schemes. For China A-Shares invested via relevant QFI, since only the relevant QFI's interests in China A-Shares are recognised under PRC laws, any tax liability would, if it arises, be payable by the relevant QFI, subject to further interpretations and rules that may be issued in the future. However under the terms of the arrangement between the relevant QFI (i.e. the QFI Holder or the issuers of A-Share Access Products) and a Sub-Fund, the relevant QFI will pass on any tax liability to the Sub-Fund. As such, the Sub-Fund is the ultimate party which bears the risks relating to any PRC taxes which are so levied by the relevant PRC tax authority. Under current PRC tax laws and regulations, the relevant QFI (if without a PE in China) is subject to WIT of 10 % on dividends from China A-Shares unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

<u>Value Added Tax ("VAT") and other surtaxes:</u>

The MOF and the STA issued the "*Notice on the Comprehensive Roll-out of the B2V Transformation Pilot Program (the "B2V Pilot Program*") Caishui [2016] No.36 (the "**Notice 36**") on 23 March 2016 announcing that the B2V Pilot Program will be rolled out to cover all the remaining industries of the program, including financial services. The Notice 36 shall take effect from 1 May 2016, unless otherwise stipulated therein. The Notice 36 provides VAT at 6% shall be levied on the difference between the selling and buying prices of those marketable securities, e.g. China A-Shares, unless there is specific exemption.

If VAT is applicable, there are also other local surtaxes (including Urban Maintenance and Construction Tax ("UMCT"), Education Surcharge ("ES") and Local Education Surcharge ("LES")) that could amount to as high as 12% of the VAT payable. Having said that, pursuant to the newly issued UMCT law, effective from 1 September 2021, no UMCT would be levied on the VAT paid for the sale of services by overseas parties to Mainland Chinese parties. Furthermore, Public Notice [2021] No.28 stipulates that the taxation basis of ES and LES are the same as that of the UMCT. In other words, if UMCT is exempted, the relevant ES and LES would also be exempted. However, the implementation of the exemption may vary depending on the local practice

Under the Notice 36 and Caishui [2016] No. 70 ("**Circular 70**"), gains realised by QFIIs and RQFIIs from trading of PRC marketable securities are exempt from VAT. Pursuant to Notice 36 and Notice 127, foreign investors which derive capital gains from trading of A Shares via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect are also exempted from VAT.

Therefore, to the extent that the Sub-Fund's key investments (such as China A-Shares through QFI, the Stock Connect Schemes and A-Share Access Products) are conducted through these channels, either by the Sub-Fund directly or via issuers of A-Share Access Products, the capital gains should be exempted from VAT.

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

Stamp duty:

Stamp duty under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC's Provisional Rules on Stamp Duty. Stamp duty is levied on the execution or receipt in China of certain documents, including contracts for the sale of China A -Shares traded on the PRC stock exchanges. In the case of contracts for sale of China A-Shares, such stamp duty is currently imposed on the seller but not on the purchaser, at the rate of 0.05%.

2. ***Trading of Renminbi bonds via QFI, China Interbank Bond Market and the Bond Connect Scheme***

Corporate Income Tax ("CIT"):

Capital Gains

Under the current PRC tax law, there are no specific rules or regulation governing taxes on capital gains derived by foreign investors from the trading bonds via QFI, China Interbank Bond Market and Bond Connect Scheme.

In the absence of specific taxation rule, the tax treatment for investment in these securities is governed by the general taxing provisions of the CIT Law. For an enterprise that is not a tax resident enterprise and has no PE in the PRC for CIT purpose, a 10% PRC WIT would potentially, subject to exemptions under relevant laws and regulations or applicable tax treaty, apply to PRC-sourced capital gains derived from the disposal of these securities.

Pursuant to Article 7 of the Detailed Implementation Regulations of PRC CIT Law, where the property concerned is a movable property, the source shall be determined according to the location of the enterprise, establishment or place which transfers the property. The PRC tax authorities have verbally indicated that debt instruments issued by PRC tax resident enterprises are movable property. In this case, the source shall be determined based on the location of the transferor. As the Sub-Funds are located outside the PRC, gains derived by the Sub-Funds from the Renminbi denominated debt instruments issued by PRC tax resident enterprises could be argued as offshore source and thus not subject to PRC WIT. However, there is no written confirmation issued by the PRC tax authorities that the debt instruments issued by PRC tax resident enterprises are movable property.

In addition to the verbal comments, Article 13.6 of the Arrangement between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income ("China-HK Arrangement") provides that any gains derived by a Hong Kong tax resident from the disposal of PRC properties that are not referred to in Articles 13.1 to 13.5 of the China-HK Arrangement shall be taxable only in Hong Kong. As the debt instruments issued by the PRC tax resident enterprises are not referred to in Articles 13.1 to 13.5 of the China-HK Arrangement, capital gains derived by the Hong Kong tax resident from the disposal of debt instruments issued by the PRC tax resident enterprises should technically be exempt from PRC WIT provided all the other relevant treaty conditions are satisfied, subject to agreement by the PRC tax authorities. In order to qualify for this preferential treatment, the Manager will further assess and seek agreement from the PRC tax authorities in relation to the relevant Sub-Fund, although this cannot be guaranteed.

However, as a matter of practice, the 10% WIT has not been strictly enforced by local tax bureau on capital gains derived by non-PRC tax resident enterprises from the trading of these securities.

Interest

Currently, a 10% PRC WIT is payable on interests derived from RMB denominated corporate bonds by a foreign investor which is deemed as a non-tax resident enterprise without a PE in China for PRC CIT purposes. The entity distributing such interests is required to withhold WIT.

Interest derived from government bonds issued by the in-charge Finance Bureau of the State Council and/or local government bonds approved by the State Council are exempt from PRC CIT under the PRC CIT Law. Further, under the China-HK Arrangement, the WIT charged on interests received by the non-resident holders of debt instruments (including enterprises and individuals) will be 7% of the gross amount of the interests, if the Hong Kong tax residents are the beneficial owners under the China-HK Arrangement and other relevant conditions are satisfied. In practice, due to the practical difficulties in demonstrating that the relevant Sub-Fund is the beneficial owner of the interest income received, the Sub-Fund is generally not entitled to the reduced WIT rate of 7%. In general, the prevailing rate of 10% should be applicable to the relevant Sub-Fund.

On 7 November 2018, the MOF and the STA issued Caishui [2018] No. 108 ("**Circular 108**"), which stipulated that foreign institutional investors are temporarily exempted from PRC WIT in respect of bond coupon interest income received from 7 November 2018 to 6 November 2021 from investments in the China bond market. The STA and MOF have issued Public Notice [2021] No.34 ("PN34") in November 2021 to grant an extension on the WIT and VAT exemption in respect of bond interest received from 7 November 2021 to 31 December 2025.

<u>VAT and other surtaxes:</u>

Capital Gains

Under The Notice 36 and Circular 70 gains realised by QFIIs and RQFIIs from trading of PRC marketable securities are exempt from VAT. Gains realized by approved foreign investors from trading of RMB denominated debt securities in the China Interbank Bond Market are also exempt from VAT. There is no specific VAT rules on Bond Connect, by making reference to the above circular and other related prevailing tax regulations, it is anticipated that gains derived by foreign investors from the trading of PRC bonds through “Northbound Trading” should also not be subject to China VAT.

Interest income

Pursuant to Notice No. 36, interest income derived from bonds issued by PRC tax resident enterprise should be subject to 6% VAT plus local surtaxes, unless specifically exempted. Interest income derived from PRC government bonds issued by the in-charge Finance Bureau of the State Council and/or local government bonds approved by the State Council are exempted from VAT.

Notice 36 and Circular 70 do not specifically exempt VAT on interest income earned by QFIs or foreign investors. Hence, interest on non-government bonds (including corporate bonds) technically should be subject to 6% VAT under Notice 36 and Circular 70. According to Circular 108, foreign institutional investors are temporarily exempted from PRC VAT in respect of bond coupon interest income received from 7 November 2018 to 6 November 2021 from investments in the China bond market. Furthermore, pursuant to PN34, the aforesaid WIT and VAT exemption is extended to 31 December 2025.

If VAT is applicable, there are also other local surtaxes (including UMCT, ES and LES) that could amount to as high as 12% of the VAT payable. Having said that, pursuant to the newly issued UMCT law, effective from 1 September 2021, no UMCT would be levied on the VAT paid for the sale of services by overseas parties to Mainland Chinese parties. Furthermore, Public Notice [2021] No.28 stipulates that the taxation basis of ES and LES are the same as that of the UMCT. In other words, if UMCT is exempted, the relevant ES and LES would also be exempted. However, the implementation of the exemption may vary depending on the local practice

3. *Trading of collective investment scheme units via QFI*

<u>Corporate Income Tax (“CIT”):</u>

Capital Gains

There are currently no specific tax rules or regulations governing the taxation of capital gains realised by foreign investors on the disposal of collective investment scheme units. In the absence of specific rules, the general tax provisions under PRC CIT law should apply which stipulate that a PRC tax resident enterprise with no PE in the PRC would generally be subject to PRC WIT at the rate of 10% on its PRC-sourced income, unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties. Having said that, as a matter of current practice, the collection of PRC WIT on capital gains realised by non-PRC tax resident enterprises from the trading of collective investment scheme units has not been strictly enforced by the PRC tax authorities.

Fund distribution

There are currently no specific tax rules or regulations governing the taxation of fund distribution from the collective investment schemes to foreign investors. Pursuant to Caishui [2008] No. 1, income derived by investors from distribution from securities investment funds is termporarily exempt from CIT. However, the Beijing tax authorities are of the view that the exemption under Caishui [2008] No.1 is not applicable to QFI. Based on the current interpretation of the Beijing tax authorities, fund distribution from securities investment funds is subject to PRC WIT at 10%.

Please note that the above treatment is the prevailing practice of Beijing tax authorities only, which may be subject to change from time to time. Other PRC tax authorities may have different interpretation and practice towards the fund distribution from collective investment schemes.

<u>VAT and other surtaxes:</u>

Capital Gains

There are currently no specific tax rules or regulations governing the taxation of capital gains realised by foreign investors from trading of collective investment scheme units. In practice, PRC tax authorities currently have not actively enforced the collection of VAT on capital gains from collective investment scheme units.

Fund distribution

There are currently no specific tax rules or regulations governing the taxation of fund distribution realised by foreign investors received from collective investment schemes. Based on the current interpretation of Beijing tax authorities, fund distribution derived by foreign investors from collective investment schemes other than Money Market Fund should not be subject to VAT. In practice, Beijing tax authorities currently do not enforce the collection of VAT on fund distribution from collective investment schemes other than Money Market Fund. In respect of Money Market Fund, based on the current interpretation of Beijing tax authorities, distribution from Money Market Fund shall be subject to self-assessment on case-by-case basis. Taxpayers shall assess whether the distribution from Money Market Fund is interest income in nature based on the offering documents of the funds they invest in. If the fund is principal-guranteed as stated in the offering documents, the distribution should be deemed as interest income and subject to 6% VAT.

If VAT is applicable, there are also other local surtaxes (including UMCT, ES and LES) that could amount to as high as 12% of the VAT payable. Having said that, pursuant to the newly issued UMCT law, effective from 1 September 2021, no UMCT would be levied on the VAT paid for the sale of services by overseas parties to Mainland Chinese parties. Furthermore, Public Notice [2021] No.28 stipulates that the taxation basis of ES and LES are the same as that of the UMCT. In other words, if UMCT is exempted, the relevant ES and LES would also be exempted. However, the implementation of the exemption may vary depending on the local practice

Please note that the above treatment is the prevailing practice of Beijing tax authorities only, which may be subject to change from time to time. Other PRC tax authorities may have different interpretation and practice towards the fund distribution from collective investment schemes.

General:

The Manager's current policy on tax provisions is set out in the Appendix for the relevant Sub-Fund.

It should be noted that the prevailing PRC tax regulations specified that the tax exemption on capital gains derived from the trading of China A-Shares from 17 November 2014 onwards as well as the tax exemption on bond interest derived from China bond market is temporary. There is a possibility of the PRC tax rule, regulations and practice being changed and taxes being applied retrospectively. The potential application of tax treaties is uncertain. As such, there are also risks and uncertainties associated with the current PRC tax laws, regulations and practice. As such, there is a risk that any tax provision made by the Manager in respect of the Sub-Funds may be more than or less than the Sub-Funds' respective actual tax liabilities, which may potentially cause substantial loss to the Sub-Funds. Any increased tax liabilities on the Sub-Funds may adversely affect the Sub-Fund's value. The Manager will closely monitor any further guidance by the relevant PRC tax authorities and adjust the withholding policy of the Sub-Funds accordingly, taking into account independent professional tax advice.

If the amount of tax provision is more than or less than the Sub-Funds' actual tax liabilities, Unitholders may be disadvantaged or advantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. If the actual tax levied by the PRC tax authorities is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the relevant Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund. On the other hand, the actual tax liabilities may be lower than the tax provision made, in which case only the then existing Unitholders will benefit from a return of the extra tax provision. Those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision.

Various tax reform policies have been implemented by the PRC government in recent years, and existing tax laws and regulations may be revised or amended in the future.

There is a possibility that the current tax laws, regulations and practice in the PRC will be changed with retrospective effect in the future and any such change may have an adverse effect on the asset value of the relevant 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. Any changes in tax policies may reduce the after-tax profits of the companies in the PRC which a Sub-Fund invests in, thereby reducing the income from, and/or value of the Units.

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

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

(xxxi) ***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 the liquidation, bankruptcy or insolvency of a custodian or sub-custodian, the Sub-Fund may take a longer time to recover its assets. In circumstances such as the retroactive application of legislation and fraud or improper registration of title, the Sub-Fund may even be unable to recover all of its assets. The costs borne by a Sub-Fund in investing and holding investments in such markets will be generally higher than in organised securities markets.

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

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

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

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

(xxxiv) ***Risks of investing in IPO securities*** - The prices of securities involved in 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.

(xxxv) ***Distribution out of capital -*** Subject to the disclosure in the relevant Appendix, dividends/distributions may be paid out of the capital of a Sub-Fund. The Manager may distribute out of the capital of a Sub-Fund if the income generated from the relevant Sub-Fund’s investments attributable to the relevant class of Units during the relevant period is insufficient to pay distributions as declared. Investors should note that the payment of distributions out of capital represents a return or a withdrawal of part of the amount they originally invested or from any capital gain attributable to that amount. Distributions will result in an immediate decrease in the Net Asset Value of the relevant Units.

The distribution amount and the Net Asset Value of the relevant hedged share class may be adversely affected by differences in the interest rates of the reference currency of the hedged share class and the relevant Sub-Fund’s base currency, resulting in an increase in the amount of distribution that is paid out of capital and hence a greater erosion of capital than other non-hedged share classes.

(xxxvi) ***Foreign Account Tax Compliance Act*** - Sections 1471 – 1474 (referred to as “FATCA”) of the U.S. Internal Revenue Code of 1986, as amended (“IRS Code”), impose rules with respect to certain payments to non-United States persons, such as the Fund, including interest and dividends from securities of U.S. issuers. All such payments may be subject to withholding at a 30% rate. To avoid such withholding on payments made to it, a foreign financial institution (an “FFI”), such as the Fund (and other investment funds organised outside the U.S.), generally will be required to enter into an agreement (an “FFI Agreement”) with the U.S. Internal Revenue Service (“U.S. IRS”) and/or comply with the requirements imposed under an applicable intergovernmental agreement for the implementation of FATCA (an “IGA”) under which it will agree to identify its direct or indirect owners who are United States persons and report certain information concerning such United States person owners to the U.S. IRS.

In general, an FFI which does not sign and comply with the terms of an FFI Agreement and is not otherwise exempt will face a 30% withholding tax on “withholdable payments”, including dividends, interest and certain derivative payments derived from U.S. sources. It is possible that certain non-U.S. source payments attributable to such U.S. source income (referred to as “foreign passthru payments”) may also be subject to such FATCA withholding, beginning on a future date dependent on the date of publication of any final U.S. Treasury regulations that define the term “foreign passthru payment”.

The Hong Kong government entered into an IGA with the U.S. for the implementation of FATCA, adopting a “Model 2” IGA arrangement. Under this “Model 2” IGA arrangement, FFIs in Hong Kong are generally required to register with the U.S. IRS and comply with the terms of an FFI Agreement. Otherwise they may be subject to the 30% withholding tax as described above.

FFIs in Hong Kong complying with the terms of an FFI Agreement (i) will generally not be subject to the above described 30% withholding tax; and (ii) will generally not be required to withhold tax on withholdable payments made to non-consenting U.S. accounts (i.e. certain accounts of which the holders do not consent to FATCA reporting and disclosure to the U.S. IRS) or close such accounts (provided that information regarding such non-consenting account holders is reported to the U.S. IRS), but may be required to withhold tax on payments made to non-participating FFIs. In order to comply with FATCA obligations relating to the Fund, the Fund, the Manager and/or other agents of the Fund will be required to obtain certain information from the Unitholders so as to ascertain the FATCA status of the Unitholders. If the Unitholder is a specified U.S. person, certain U.S. owned non-U.S. entity or non-participating FFI, or does not provide the requisite documentation, the Fund or its “sponsoring entity” may need to report information on the Unitholder to the U.S. IRS.

In cases where Unitholders invest in a Sub-Fund through an intermediary, Unitholders are reminded to check whether such intermediary is FATCA compliant. Unitholders should consult their tax advisor regarding the possible implications of FATCA on an investment in a Sub-Fund and on the Fund.

As at the date of the Explanatory Memorandum, the Manager has registered as a “sponsoring entity” and agreed to perform, on behalf of the Fund which is its “sponsored investment entity”, due diligence, reporting and other relevant FATCA requirements relating to the Fund. For FATCA purposes, a Sub-Fund is intended to be treated as part of the Fund and therefore treated as part of a “sponsored investment entity”. The Fund will be classified as a “sponsored investment entity” and will be a non-reporting financial institution treated as a registered deemed-compliant FFI. The Manager, the Fund and/or other agents of the Fund will endeavour to satisfy the requirements imposed under FATCA relating the Fund and the terms of an FFI Agreement as applied to the Fund to avoid any withholding tax. In the event that the requirements imposed by FATCA or the terms of the FFI Agreement relating to the Fund are not complied with and the Fund or a Sub-Fund does suffer U.S. withholding tax on its investments as a result of non-compliance, the Net Asset Value of the Fund or a Sub-Fund may be adversely affected.

Unitholders that fail to comply with information requests from the Manager, the Fund or other agents of the Fund regarding FATCA or otherwise comply with the requirements of the FATCA rules, may be subject to a 30% withholding tax on any "foreign passthru payment" that may be made by the Fund or a Sub-Fund to the extent provided for in future U.S. Treasury regulations on "foreign passthru payments".

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 a risk of the Fund being subject to withholding tax under FATCA, the Fund, the Manager and/or other agents of the Fund reserve the right to take any action and/or pursue all remedies at their disposal including, without limitation, (i) reporting the relevant information of such Unitholder to the U.S. IRS to the extent permitted by applicable laws and regulations; (ii) withholding or deducting from such Unitholder's redemption proceeds or distributions, or otherwise collecting any FATCA withholding tax liability from such Unitholder to the extent permitted by applicable laws and regulations; (iii) deeming such Unitholder to have given notice to redeem all his Units in the relevant Sub-Fund; and/or (iv) bringing legal action against such Unitholder for losses suffered by the Fund and/or a Sub-Fund as a result of any FATCA-related withholding tax. The Fund and/or Manager in taking any such action or pursuing any such remedy shall act in good faith and on reasonable grounds.

The scope and application of FATCA withholding and reporting pursuant to the terms of FATCA and the IGA are subject to change. Each Unitholder and prospective investor should consult with its own tax advisor as to the potential impact of FATCA to it under its particular circumstances and on the Fund.

(xxxvii) ***Automatic Exchange of Financial Account Information and Related Matters*** – The Organisation for Economic Cooperation and Development released in 2014 the Standard for Automatic Exchange of Financial Account Information including the Common Reporting Standard (collectively, "AEOI"), regarding governments enacting local legislation to collect from their financial institutions ("FIs") financial account information of overseas tax residents and exchanging the information on an annual basis with jurisdictions of tax residence of the relevant account holders that Hong Kong considers to be "Reportable Jurisdictions" for such purposes (including jurisdictions where there is the Multilateral Competent Authority Agreement on AEOI or another Competent Authority Agreement ("CAA") in place between Hong Kong and the relevant other government).

The Inland Revenue (Amendment) (No.3) Ordinance 2016 and subsequent related Hong Kong legislation (collectively, the "Ordinance") constitute the legislative framework for the implementation of AEOI in Hong Kong. The Fund may collect information on tax residents of jurisdictions beyond those with which Hong Kong has CAAs or which have been otherwise designated as "Reportable Jurisdictions" under Hong Kong's implementation of AEOI. The Hong Kong Inland Revenue Department

("IRD") published Guidance for Financial Institutions regarding the implementation of AEOI in Hong Kong.

Hong Kong FIs will generally be required to comply with the AEOI due diligence, reporting and other requirements under the Ordinance. The Fund intends to comply with the requirements of AEOI as implemented by Hong Kong and to qualify as a "Reporting Financial Institution" for such purposes. However, there can be no assurance that the Fund will be able to so comply.

The Ordinance and other AEOI rules as implemented by Hong Kong require the Fund to, amongst other things, (i) register with the IRD the Fund's status as a "Reporting Financial Institution"; (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 (i.e., accounts that relate to "Reportable Jurisdictions"). The IRD will generally on an annual basis transmit the information reported to it to the relevant governmental authorities in the relevant "Reportable Jurisdictions" under Hong Kong's implementation of AEOI. AEOI contemplates that Hong Kong Reporting Financial Institutions would 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, address, tax residence jurisdiction(s), associated taxpayer identification number(s), account details, account balance/value and income or sale or redemption proceeds, may be reported to the IRD and forwarded to the respective "Reportable Jurisdictions".

By investing in the Fund and/or continuing to invest in the Fund, Unitholders shall be deemed to acknowledge that further information may need to be provided to the Fund, the Manager and/or the Fund's agents in order for the Fund to comply with AEOI and FATCA, the Fund's compliance with the AEOI and FATCA may result in the disclosure of Unitholder information (and information on beneficial owners, direct or indirect shareholders or other controlling persons of certain Unitholders), and such information may be exchanged by the IRD with other governmental authorities or sent by the Manager or the Fund to the U.S. IRS, as applicable. Where a Unitholder fails to provide any requested information (regardless of the consequences), the Fund, the Manager and/or other agents of the Fund reserve the right to take any action and/or pursue all remedies at their disposal including, without limitation, redemption or withdrawal of the Unitholder concerned. Additional information may be required by the Fund, the Manager and/or other agents of the Fund in order to comply with AEOI or FATCA rules relating to the Fund.

Each Unitholder and prospective investor should consult with its own professional advisor as to the potential impact of AEOI on it under its particular circumstances and on the Fund.

(xxxviii) ***Risks associated with the Stock Connects*** - Where a Sub-Fund may invest through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect

("Stock Connects"), in addition to the risks associated with the China market, it is also subject to the following additional risks:

Quota limitations

- The Stock Connects are subject to quota limitations. In particular, Stock Connects are subject to a daily quota which does not belong to the Fund and/or the releveant Sub-Fund(s) and can only be utilised on a first-come-first serve-basis. Once the daily quota is exceeded, buy orders will be rejected (although investors will be permitted to sell their cross-boundary securities regardless of the quota balance). Therefore, quota limitations may restrict the Fund's ability to invest in China A-Shares and/or ETFs (as the case may be) through Stock Connects on a timely basis, and a Sub-Fund may not be able to effectively pursue its investment strategies.

Suspension risk

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

Differences in trading day

- The Stock Connects only operate on days when both the PRC and Hong Kong markets are open for trading. So it is possible that there are occasions when it is a normal trading day for the PRC market but Hong Kong investors (such as the relevant Sub-Funds) cannot carry out any China A-Shares and/or ETFs (as the case may be) trading. The relevant Sub-Funds may be subject to a risk of price fluctuations in China A-Shares and/or ETFs (as the case may be) during the time when the Stock Connects are not operating as a result.

Operational risk

- The Stock Connects provide a channel for investors from Hong Kong and overseas to access the China securities markets directly.

- The Stock Connects are premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in these programs subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.

- Although market participants have taken steps to configure and adapt their operational and technical systems to meet such requirements, it should be appreciated that given the securities regimes and legal systems of the two markets differ significantly and in order for the program to operate, market participants may need to address issues arising from the differences on an on-going basis.

- Further, the "connectivity" in the Stock Connects requires routing of orders across the border. SEHK has set up an order routing system ("China Stock Connect System") to capture, consolidate and route the cross boundary orders input by exchange participants. There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems fail to function properly, trading in both markets through the programs could be disrupted. A Sub-Fund's ability to access the China A-Shares and/or ETFs (as the case may be) market (and hence to pursue its investment strategy) will be adversely affected.

Restrictions on selling imposed by front-end monitoring

- PRC regulations require that before a Stock Connects investor sells any China A-Shares and/or ETFs (as the case may be), there should be sufficient China A-Shares and/or ETFs (as the case may be) in the investor's account before market opens that day; otherwise SSE or SZSE will reject the sell order concerned. SEHK will carry out pre-trade checking on all sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

- Generally, if a Sub-Fund desires to sell certain China A-Shares and/or ETFs (as the case may be) it holds, it must transfer those China A-Shares and/or ETFs (as the case may be) to the respective accounts of its brokers before the market opens on the day of selling ("trading day"). If it fails to meet this deadline, it will not be able to sell those China A-Shares and/or ETFs (as the case may be) on the trading day. Because of this requirement, the Sub-Fund may not be able to dispose of holdings of China A-Shares and/or ETFs (as the case may be) in a timely manner. This also raises concerns as to counterparty risks as securities may need to be kept by brokers overnight.

- However, the relevant Sub-Fund may request such custodian to open a special segregated account ("SPSA") in CCASS to maintain its holdings in China A-Shares and/or ETFs (as the case may be) under the enhanced pre-trade checking model. Each SPSA will be assigned a unique "Investor ID" by CCASS for the purpose of facilitating China Stock Connect System to verify the holdings of an investor such as the relevant Sub-Fund. Provided that there is sufficient holding in the SPSA when a broker inputs the relevant Sub-Fund's sell order, the relevant Sub-Fund will be able to dispose of its holdings of China A-Shares and/or ETFs (as the case may be) (as opposed to the practice of transferring China A-Shares and/or ETFs (as the case may be) to the broker's account under the current pre-trade checking model for non-SPSA accounts). Opening of the SPSA accounts for the relevant Sub-Fund will not be subject to the risk of being unable to dispose of its holdings of China A-Shares and/or ETFs (as the case may be) in a timely manner. If a Sub-Fund is unable to utilise this model, it would have to deliver the China A Share and/or ETFs to brokers before the trading day and the above risks may still apply.

Recalling of eligible securities

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

Clearing and settlement risk

- The Hong Kong Securities Clearing Company Limited ("HKSCC") and the China Securities Depository and Clearing Corporation Limited ("ChinaClear") have established the clearing links and each will become a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house.

- As the national central counterparty of PRC's securities market, ChinaClear operates a comprehensive network of clearing, settlement and security holding infrastructure. ChinaClear has established a risk management framework and measures that are approved and supervised by the CSRC. The chances of ChinaClear default are considered to be remote.

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

Participation in corporate actions and shareholders' meetings

- HKSCC will keep CCASS (the Central Clearing and Settlement System operated by HKSCC for the clearing securities listed or traded on SEHK) participants informed of corporate actions of SSE Securities and SZSE Securities (as defined in Annex B to this Explanatory Memorandum). Hong Kong and overseas investors (including a Sub-Fund) are holding SSE Securities and SZSE Securities traded via the Stock Connects through their brokers or custodians, and they need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of SSE Securities and SZSE Securities may be as short as one business day only. Therefore, a relevant Sub-Fund may not be able to participate in some corporate actions in a timely manner.

- Hong Kong and overseas investors (including the relevant Sub-Funds) are holding SSE Securities and SZSE Securities traded via the Stock Connects through their brokers or custodians. Where the articles of association of a listed company do not prohibit the appointment of proxy/multiple proxies by its shareholder, HKSCC will make arrangements to appoint one or more investors as its proxies or representatives to attend shareholders' meetings when instructed. Further, investors (with holdings reaching the thresholds required under the PRC regulations and the articles of associations of listed companies) may, through their CCASS participants, pass on proposed resolutions to listed companies via HKSCC under the CCASS rules. HKSCC will pass on such resolutions to the companies as shareholder on record if so permitted under the relevant regulations and requirements. However, there is still a possibility that the relevant Sub-Funds may not be able to appoint proxies to attend or participate in shareholders' meetings in respect of the SSE Securities and SZSE Securities.

Currency risk

- As a Sub-Fund may be denominated in Hong Kong dollars, the performance of a Sub-Fund may be affected by movements in the exchange rate between RMB (i.e. the currency in which SSE Securities and SZSE Securities are traded and settled) and Hong Kong dollars. A Sub-Fund may, but is not obliged to, seek to hedge foreign currency risks. However, even if undertaken, such hedging may be ineffective. On the other hand, failure to hedge foreign currency risks may result in a Sub-Fund suffering from exchange rate fluctuations.

No Protection by Investor Compensation Fund and China Securities Investor Compensation Fund

- Investment through Stock Connects is conducted through broker(s), and is subject to the risks of default by such brokers' in their obligations.

- As disclosed in Annex B headed "Overview of Stock Connects", a Sub-Fund's investments through Northbound trading under Stock Connects are not covered by the Hong Kong's Investor Compensation Fund. Therefore the relevant Sub-Fund is exposed to the risks of default of the broker(s) it engages in its trading in China A-Shares and/or ETFs (as the case may be) through the program. Further, since the relevant Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not PRC brokers, it is not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金) in the PRC.

Regulatory risk

- The Stock Connects are subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC and Hong Kong.

Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under Stock Connects.

- The current rules and regulations on the Stock Connects are subject to change which may have potential retrospective effect. There can be no assurance that the Stock Connects will not be abolished. A Sub-Fund, which may invest in the PRC markets through Stock Connects, may be adversely affected as a result of such changes.

(xxxl) ***Risks associated with the Beijing Stock Exchange, ChiNext of the Shenzhen Stock Exchange and/or the STAR market of the Shanghai Stock Exchange*** – The relevant Sub-Fund may have exposure to stocks listed on the Beijing Stock Exchange, ChiNext of the SZE and/or STAR market of the SSE and may be subject to the following risks:

Higher fluctuation on stock prices and liquidity risk - Listed companies on the Beijing Stock Exchange, ChiNext market and/or STAR market are usually of emerging nature with smaller operating scale. In particular, listed companies on the Beijing Stock Exchange, ChiNext market and STAR Board are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, companies listed on these boards are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the main boards of the SZSE and SSE ("**Main Boards**").

Over-valuation risk - Stocks listed on the Beijing Stock Exchange, ChiNext market and/or STAR market may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

Differences in regulation - The rules and regulations regarding companies listed on the Beijing Stock Exchange, ChiNext market and STAR market are less stringent in terms of profitability and share capital than those in the Main Boards.

Delisting risk - It may be more common and faster for companies listed on the Beijing Stock Exchange, ChiNext market and/or STAR market to delist. This may have an adverse impact on the relevant Sub-Fund if the companies that it invests in are delisted.

Risk associated with transfer of listing for stocks listed on Beijing Stock Exchange - A company listed on the Beijing Stock Exchange in which a relevant Sub-Fund invests may apply for transfer of listing to the ChiNext Board of the SZSE or the STAR Board of the SSE, if permitted by the applicable laws and regulations, subject to meeting the relevant listing requirements. The application for transfer of listing, whether successful or not, may cause fluctuations in the price of the relevant stock, and hence the net asset value of the relevant Sub-Fund.

Concentration risk applicable to the Beijing Stock Exchange and STAR Board – Beijing Stock Exchange and STAR Board may have a fewer number of listed companies than the Main Boards. As such, investments in stocks listed on the Beijing Stock Exchange and

STAR Board may be concentrated in a small number of stocks and subject the relevant Sub-Fund to higher concentration risk.

Investments in the Beijing Stock Exchange, ChiNext market and/or STAR market may result in significant losses for the relevant Sub-Fund and its investors.

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.

(xli) ***Risks Associated with Collateral Management***

Where a Sub-Fund enters into an OTC derivative transaction, collateral may be provided to the relevant counterparty.

Where collateral is provided by a Sub-Fund to the relevant counterparty, in the event of the insolvency of the counterparty, the relevant Sub-Fund may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return if the collateral becomes available to the creditors of the relevant counterparty.

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

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

(xlii) Sustainability Risks

The Sub-Funds may be exposed to sustainability risks from time to time. A sustainability risk refers to an environmental, social or governance ("**ESG**") event or condition that could cause an actual or a potential material negative impact on the value of investments. The universe of sustainability events or conditions is very broad, and their relevance, materiality and impact on investments will depend on a number of factors such as asset location and/or sector. Depending on the circumstances, examples of sustainability risks can include but are not limited to physical environmental risks, climate change transition risks, supply chain disruptions, improper labour practices, lack of board diversity and corruption. If they materialize, sustainability risks can reduce the value of a Sub-Fund and could have a material impact on the performance and returns of the relevant Sub-Fund.

The Manager may integrate the review of sustainability risks into the investment process, as relevant, to the nature and risk of investment opportunities, by reference to factors such as location and/or sector. As part of the due diligence process, information is generally requested on ESG matters such as environmental issues, health and safety and diversity policies (as relevant to the nature and risk of the specific investment opportunity). This information will be used to consider and assess the sustainability risk profile (among other relevant considerations) of the proposed investment, and identify relevant sustainability risk issues that may need to be managed and/or addressed either before or after the acquisition of the investment. If unacceptable sustainability risk issues and/or areas requiring further enhancement are discovered as part of the due diligence process, the Manager may choose not to progress with the investment opportunity.

The Manager may also internally escalate and/or prohibit certain transactions that it deems to present unacceptable levels of sustainability risk. On an ongoing basis, the Manager may utilise proprietary processes, third-party tools and/or research to monitor sustainability risks that are relevant to investments within a Sub-Fund, and will directly engage with underlying company management and/or relevant advisors on these matters.

(xliii) Climate-related Risks

The underlying companies in which a Sub-Fund invests may have investments that are located in areas which are subject to climate-related risks. Any investments located in coastal regions may be affected by any future increases in sea levels or in the frequency or severity of hurricanes and tropical storms, whether such increases are caused by global climate changes or other factors. There may be significant physical effects of climate change that have the potential to have a material effect on the underlying company's business and operations. Physical impacts of climate change may include: increased storm intensity and severity of weather (e.g., floods or hurricanes); sea level rise; and extreme temperatures. As a result of these physical impacts from climate-related events, a Sub-Fund may be vulnerable to the following: risks of property damage to the relevant Sub-Fund's investments; indirect financial and operational impacts from disruptions to the operations of the relevant Sub-Fund's investments from severe weather; increased insurance premiums and deductibles or a decrease in the availability of coverage, for investments in areas subject to severe weather; decreased net migration to areas in which investments are located, resulting in lower than expected demand for the products and services of the investments; increased insurance claims and liabilities; increase in energy cost impacting operational returns; changes in the availability or quality of water or other natural resources on which the business depends; decreased consumer demand for consumer products or services resulting from physical changes associated with climate change (e.g. warmer temperature or decreasing shoreline could reduce demand for residential and commercial properties previously viewed as desirable); incorrect long-term valuation of an equity investment due to changing conditions not previously anticipated at the time of the investment; and economic distributions arising from the foregoing.

The underlying companies in which a Sub-Fund may invest may also be subject to transitional risks resulting from a transition to a low-carbon economy. Transitional risks relate to risks associated with the ongoing viability of a business as the high-carbon economy transitions to a low-carbon economy, e.g. reduced demand for commodities, goods and services with a high carbon footprint owing to changing consumer preferences or government policies, increased operating costs resulting from increasing pricing of green house gas emissions, enhanced emissions-reporting obligations, regulation of existing products and services and/or exposure to litigation. A fall in the value of the underlying investments of a Sub-Fund may negatively impace the Net Asset Value of such Sub-Fund.

EXPENSES AND CHARGES

Management Fee

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

Unless otherwise stated in this Explanatory Memorandum and/or an Appendix relating to a Sub-Fund, the Manager shall pay the fees of any sub-investment manager and investment adviser which it has appointed, and any such sub-investment managers and investment adviser will not receive any remuneration directly from any Sub-Fund.

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

Trustee Fee

The Trustee is entitled to a Trustee Fee, payable out of the assets of each Sub-Fund based on the Net Asset Value of the relevant Sub-Fund at the rate set out in relevant Appendix for the Sub-Fund subject to a minimum monthly fee (if any) as specified in the relevant Appendix and a maximum fee of 0.5% per annum. The Trustee's fee is accrued daily and is payable monthly in arrears.

The Trustee also acts as the Registrar of the Fund.

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

Custodian Fee

The Custodian is entitled to (among others) transaction charges at customary market rates and custody fees at different rates, largely depending on the markets where the Custodian is required to hold the Sub-Fund's assets. Such charges and fees will be calculated monthly and will be paid monthly in arrears, out of the assets of each Sub-Fund. Such charges and fees to the Custodian will also cover those incurred by the QFI Custodian. Both the Custodian and the QFI Custodian will be entitled to reimbursement by the Sub-Fund for any out-of-pocket expenses incurred in the course of their duties.

The current rate of the custody fees set out in the Appendix for the relevant Sub-Fund represents the maximum of such custody fees payable by the Sub-Fund.

Establishment Costs

The establishment costs of the Fund and its initial Sub-Fund have been fully amortised.

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

It should be noted that the proposed treatment of amortising the establishment costs over 36 months is not in accordance with the requirements of International Financial Reporting Standards (IFRS), under which the establishment costs should be expensed as incurred. The Manager believes that such treatment is more equitable to the initial investors than expensing the entire amount as they are incurred and is of the opinion that the departure is unlikely to be material to the Fund's financial statements. However, if the amounts involved are material to the Fund's financial statements the Manager may be required to make adjustments in the annual financial statements of the Fund in order to comply with IFRS, and if relevant will include a reconciliation note in the annual financial statements of the Fund to reconcile amounts shown in the annual financial statements determined under IFRS to those arrived at by applying the amortisation basis to the Fund's establishment costs.

General

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

Each Sub-Fund will bear the cost of (a) all stamp and other duties, taxes, governmental charges, brokerages, commissions, exchange costs and commissions, bank charges, transfer fees and expenses, registration fees and expenses, transaction fees of the Trustee, custodian or sub-custodian and proxy fees and expenses, collection fees and expenses, insurance and security costs, and any other costs, charges or expenses payable in respect of the acquisition, holding and realisation of any investment or other property or any cash, deposit or loan (including the claiming or collection of income or other rights in respect thereof and including any fees or expenses charged or incurred by the Trustee or the Manager or any connected person in the event of the Trustee or the Manager or such connected person rendering services or effecting transactions giving rise to such fees or expenses), (b) the fees and expenses of the Auditors and the Registrar, (c) fees charged by the Trustee in connection with valuing the assets of the Sub-Fund or any part thereof, calculating the issue and redemption prices of Units of the Sub-Fund and preparing financial statements, (d) all legal charges incurred by the Manager or the Trustee in connection with the Sub-Fund, (e) out-of-pocket expenses incurred by the Trustee wholly and exclusively in the performance of its duties, (f) the expenses of or incidental to the preparation of deeds supplemental to the Trust Deed, (g) the expenses of holding meetings of Unitholders and of giving notices to Unitholders, (h) the costs and expenses of obtaining and maintaining a listing for the Units of the Sub-Fund on any stock exchange or exchanges selected by the Manager and approved by the Trustee and/or in obtaining and maintaining any approval or authorisation of the Sub-Fund or in complying with any undertaking given, or agreement entered into in connection with, or any rules governing such listing, approval or authorisation, and (i) without prejudice to the generality of the foregoing, all costs incurred in publishing the issue and redemption prices of Units of the

Sub-Fund, all costs of preparing, printing and distributing all statements and financial reports pursuant to the provisions of the Trust Deed (including the Auditors' fees and Trustee's fee), the expenses of preparing and printing any explanatory memorandum, and any other expenses, deemed by the Manager, after consulting the Trustee, to have been incurred in compliance with or in connection with any change in or introduction of any law or regulation or directive (whether or not having the force of law) of any governmental or other regulatory authority or with the provisions of any code relating to unit trusts.

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

Transactions with Connected Persons, Cash Rebates and Soft Commissions

All transaction carried out by or on behalf of the Fund or a Sub-Fund must be executed at arm's length and in the best interests of the Unitholders of the relevant Sub-Fund. Any transaction with a connected person will be conducted in compliance with the requirements under the SFC's Code on Unit Trusts and Mutual Funds.

Neither the Manager, the Investment Delegate, nor any of their connected persons will retain cash or other rebates from brokers or dealers in consideration of directing transactions for a Sub-Fund to such brokers or dealers, save that goods and services (soft commissions) may be retained if, such goods and services are (i) of demonstrable benefit to the Unitholders; (ii) the transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates; (iii) periodic disclosure is made in the annual report of the Fund or the relevant Sub-Fund in the form of a statement describing the soft dollar policies and practices of the Manager or the Investment Delegate, including a description of goods and services received by them; and (iv) the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer.

The Manager, the Investment Delegate and/or any of their connected persons reserves the right to effect transactions by or through a broker or dealer with whom the Manager, the Investment Delegate and/or any of their connected persons has an arrangement under which that broker or dealer will from time to time provide to or procure for the Manager, the Investment Delegate and/or any of their connected persons goods, services or other benefits (such as 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) the nature of which is such that their provision can reasonably be expected to benefit the relevant Sub-Fund as a whole and may contribute to an improvement in the performance of the relevant Sub-Fund or of the Manager, the Investment Delegate and/or any of their connected persons in providing services to the relevant Sub-Fund and for which no direct payment is made but instead the Manager, the Investment Delegate and/or any of their connected persons undertakes to place business with that broker or dealer. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

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

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

TAXATION

Each prospective Unitholder should consult his own professional advisors on the possible tax consequences applicable to the acquisition, holding and redemption of Units by him under the laws of the places of his citizenship, residence and domicile. Neither the Manager, the Trustee nor any of their respective affiliates accepts any responsibility for providing tax advice to any prospective Unitholder.

Hong Kong

<u>Taxation of the Fund and its Sub-Funds</u>

Profits Tax: During such period as the Fund and any of its Sub-Funds are authorised by the SFC as a collective investment scheme pursuant to section 104 of the SFO then, under present Hong Kong law and practice, the Fund and the Sub-Funds will be exempted from profits tax in Hong Kong in respect of any of its authorised activities.

Stamp Duty: Hong Kong ad valorem stamp duty is payable on the sale, purchase, and transfer of Hong Kong stock at the current rate of 0.26% on the consideration or the fair market value of the stocks (whichever is higher). The seller and the purchaser will each be liable for 50% of the stamp duty (i.e. 0.13% each). "Hong Kong stock" is defined as "stock" the transfer of which is required to be registered in Hong Kong.

<u>Taxation of Unitholders and its Sub-Funds</u>

Profits Tax: There is no withholding tax on dividends and interest in Hong Kong.

In general, gains arising from the disposal or redemption of the Units in the Sub-Funds by the Unitholders should not be subject to Hong Kong profits tax where the Unitholders do not carry on a trade or business in Hong Kong, or such gains are capital in nature or non-Hong Kong sourced for Hong Kong profits tax purposes. For Unitholders carrying on trade, profession or business in Hong Kong and also investing in securities for trading purpose (e.g. dealers in securities, financial institutions, insurance companies), such gains may be considered to be trading gains and in such circumstances may be subject to Hong Kong profits tax (which is currently charged at the rate of 16.5% in the case of corporations, and 15% in the case of unincorporated businesses[1]) if the gains in question arise in or are derived from Hong Kong. The Profits Tax treatment should depend on the circumstances of each investor.

Distributions by the Sub-Funds should generally not be subject to Hong Kong profits tax in the hands of Unitholders (whether by way of withholding or otherwise).

Stamp Duty: Allotment of Units in the Sub-Funds is not subject to stamp duty in Hong Kong.

No Hong Kong stamp duty is payable by a Unitholder in relation to an issue or on the redemption of Units when the Units are extinguished upon redemption. No Hong Kong stamp duty is payable where the sale is effected by transferring the Units back to the Manager, who then either extinguishes the Units or resell the Units to another person within two months thereof. Hong Kong stamp duty payable on the delivery of Hong Kong stocks by a Unitholder to a Sub-Fund as consideration for an allotment of Units, or by a Sub-Fund to a Unitholder upon redemption of such Units will be exempt from stamp duty.

Other types of purchase or sale or transfer of the Units should be subject to Hong Kong ad valorem stamp duty at 0.26% of the higher of the considerations or the fair market value of the Units . The seller and the purchaser should each be liable for 50% of the stamp duty (i.e. 0.13% each).

China

Investors should also refer to the "PRC tax considerations" under the section headed "Risk Factors" to inform themselves of the possible tax consequences under PRC laws.

REPORTS AND ACCOUNTS

The Fund's financial year end is on 31 December in each year. The Manager will notify Unitholders when the annual report and audited accounts (in English only) are published (in printed and electronic forms) within four months after the end of the financial year, and when the unaudited semi-annual reports (in English only) are published (in printed and electronic forms) within two months after 30 June in each year. Printed copies of the annual and semi-annual reports will be available at the Manager's office upon request and electronic reports will be available at the Manager's website www.harvestglobal.com.hk. Please note that the aforesaid website has not been reviewed by the SFC.

[1] Under the two-tier profits tax rates system in Hong Kong, the profits tax rate for the first HK$2 million of assessable profits is lowered to 8.25% for corporation and 7.5% for unincorporated businesses (i.e. half of the prevailing Hong Kong profits tax rates), subject to certain conditions being met.

DISTRIBUTION OF INCOME

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

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

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

VOTING RIGHTS

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

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

PUBLICATION OF PRICES

The Net Asset Value per Unit of each Sub-Fund at each Valuation Day will be published on each Business Day on the Manager's website, www.harvestglobal.com.hk, or in any other appropriate manner. Please note that the aforesaid website has not been reviewed by the SFC.

TRANSFER OF UNITS

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

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

COMPULSORY REDEMPTION OR TRANSFER OF UNITS

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

TRUST DEED

The Fund was established under the laws of Hong Kong by a Trust Deed dated 4 January 2012 made between Harvest Global Investments Limited as Manager and BOCI-Prudential Trustee Limited as Trustee.

The Trust Deed contains provisions for the indemnification of the parties and their exculpation from liability in certain circumstances. However, the Trustee and the Manager shall not be exempted from any liability to Unitholders imposed under Hong Kong law or breaches of trust through fraud or negligence, nor may they be indemnified against such liability by Unitholders or at Unitholders' expense. Unitholders and intending applicants are advised to consult the terms of the Trust Deed.

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

TERMINATION OF THE FUND OR ANY SUB-FUND

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

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

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

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

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

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

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

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

(a) on any date, in relation to the Fund, the aggregate Net Asset Value of all Units outstanding thereunder shall be less than RMB300 million or in relation to a Sub-Fund, the aggregate Net Asset Value of the Units of the relevant class outstanding thereunder shall be less than RMB60 million (or other amounts disclosed in the Appendix); or

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

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

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

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

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

ANTI-MONEY LAUNDERING REGULATIONS

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

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

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

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

CONFLICTS OF INTEREST

The Manager, the Investment Delegate (if any), the Trustee and the Custodian and their respective connected persons may from time to time act as trustee, administrator, registrar, manager, custodian, investment manager or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients including those which have similar investment objectives to those of any Sub-Fund or contract with or enter into financial, banking or other transaction with one another or with any investor of the Sub-Funds, or any company or body any of whose shares or securities form part of any Sub-Fund or may be interested in any such contract or transaction. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Fund. Neither the Manager nor its affiliates is under any obligation to offer investment opportunities of which any of them become aware to the Fund or a Sub-Fund or to account to the Fund or a Sub-Fund of (or share with the Fund or a Sub-Fund of) any such transactions or any benefit received by any of them from any such transaction, but will allocate appropriate investment opportunities fairly between the relevant Sub-Fund and other clients.

If cash forming part of a Sub-Fund's assets is deposited with the Trustee, the Manager, the Investment Delegate of such Sub-Fund or any of their connected persons (being an institution licensed to accept deposits), such cash deposit shall be maintained in a manner that is in the best interests of the Unitholders of the relevant Sub-Fund, having regard to the prevailing commercial rate for a deposit of similar type, size and term negotiated at arm's length in accordance with ordinary and normal course of business.

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, the Investment Delegate, or any of their connected persons may deal with any Sub-Fund as principal provided that dealings are effected on an arm's length basis and best execution basis. Any transactions between a Sub-Fund and the Manager, the Investment Delegate, or any of their connected persons as principal may only be made with the prior written consent of the Trustee. All such transactions must be disclosed in the Sub-Fund's annual report.

The Manager, any Investment Delegates as may be appointed by the Manager or any of their respective connected persons will take all reasonable steps to identity, prevent, manage and monitor any actual or potential conflicts of interest including conducting all transactions in good faith at arm's length and effected on best available terms negotiated on an arm's length basis and in the best interests of the Unitholders of the relevant Sub-Fund. If such conflicts arise, each will, at all times, act in accordance with the terms of the Trust Deed and have regard in such event to its obligations to the Fund, the Sub-Funds and the Unitholders and will endeavour to ensure that such conflicts are managed and minimised so far as reasonably practicable and that measures are adopted that seek to ensure such conflicts are resolved fairly, taking into account the interests of Unitholders of the relevant Sub-Fund as a whole. Compliance procedures and measures such as segregation of duties and responsibilities together with different reporting lines and "Chinese walls" have been put in place by the Manager to minimise potential conflicts of interest. In any event, the Manager shall ensure that all investment opportunities will be fairly allocated.

The Manager may enter into trades for the account of a Sub-Fund with the accounts of other clients of the Manager or its affiliates ("cross trades"). Such cross trades will only be undertaken where the sale and purchase decisions are in the best interests of both clients and fall within the investment objective, restrictions and policies of both clients, the cross trades are executed on arm's length terms at current market value, and the reasons for such cross trades are documented prior to execution.

Cross trades may also be entered into between house accounts (i.e. account owned by the Manager or any of its connected persons over which it can exercise control and influence) and client accounts in accordance with applicable laws and regulations. Cross transactions involving client accounts will be conducted in accordance with the Manager's internal policies, which are intended to ensure that each account is treated fairly, and applicable rules and regulations (including the applicable provisions of the SFC's Fund Manager Code of Conduct) are met. Among other things, the Manager's policies establish the pricing mechanism to be used in this context. In these circumstances, the Manager will not receive any compensation in addition to its management fee.

FACSIMILE OR ELECTRONIC INSTRUCTIONS

The Manager and Trustee will generally act on faxed or any other electronic instructions for subscription, redemption or switching but may require signed original instructions. However, the Manager or Trustee may refuse to act on faxed or any other electronic instructions until the original written instructions are received. The Manager or Trustee may, in its absolute discretion, determine whether or not original instructions are also required in respect of subsequent applications or requests for subscription, redemption or switching sent by facsimile or any other electronic means by applicants or Unitholders.

Applicants or Unitholders should be reminded that if they choose to send the applications or requests for subscription, redemption or switching by facsimile or any other electronic means, they bear the risk of such applications or requests not being received. Applicants or Unitholders should note that the Fund, the Sub-Funds, the Manager, the Trustee and the Registrar and their respective agents and delegates accept no responsibility for any loss caused as a result of non-receipt or illegibility of any application or request sent by facsimile or any other electronic means or any amendment of such application or request or for any loss caused in respect of any action taken as a consequence of such faxed or any other electronic instruction believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a facsimile or any other electronic transmission report produced by the originator of such transmission discloses that such transmission was sent. Applicants or Unitholders should therefore for their own benefit confirm with the Manager safe receipt of an application or request.

LIQUIDITY RISK MANAGEMENT

Liquidity risk is defined as the risk of failing to meet investors' redemption requests in a timely manner, and the potential that a Sub-Fund is unable to liquidate its investments without incurring losses on the Sub-Fund and Unitholders. If the size of a transaction represents a relatively large proportion of the average trading volume in that security or if the relevant market is illiquid, it may become difficult to acquire or dispose of such security at an advantageous time or price. Market liquidity of equity securities of smaller companies may be lower than that of equity securities of larger companies. In extreme market conditions (e.g. the closure, suspension or restriction of trading on any stock exchange or market), listed equities may become less liquid. Investments in debt securities which are below investment grade or are unrated would generally be considered to have a higher degree of liquidity risk than higher rated, lower yielding securities and they may have higher bid/ask spreads. The accumulation and disposal of such holdings may be time consuming and may need to be conducted at unfavourable prices with significant trading costs.

In order to manage the liquidity risk of a Sub-Fund and ensure redemption requests from investors can be met in accordance with the terms set out in this Explanatory Memorandum, the Manager has established and implemented a liquidity risk management framework. This includes a risk management team which is functionally independent from the portfolio management teams and which communicates with portfolio managers on a Sub-Fund's liquidity risk issues and escalates problems and exceptions identified to the liquidity risk management committee. The liquidity risk management committee is responsible for overseeing liquidity risks and reviewing periodic liquidity risk management reports that contain the results of liquidity risk assessment. The committee meets at least monthly and may hold ad-hoc meetings under certain circumstances, such as periods of market stress, to determine the appropriate action to safeguard the interests of the investors. Various liquidity risk management tools and metrics are used by the risk management team, including trading data of the securities extracted from various data providers (e.g. trading prices, volume, etc.), their bid/ask spreads and the liquidation timeline calculated using various risk management software.

In addition to the above, the Manager may use the following tools to manage liquidity risks:

- the Manager may limit the number of Units of any Sub-Fund redeemed on any Dealing 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 and switching**" in the section "**SWITCHING BETWEEN CLASSES**"). 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 Dealing Day;

- subject to the restrictions in Schedule 1, the Manager may borrow in respect of a Sub-Fund to meet realisation requests;

- the Manager may suspend realisation under exceptional circumstances as set out under the heading entitled "**Suspension of Calculation of Net Asset Value**" in the section "**VALUATION**"). During such period of suspension, Unitholders would not be able to redeem their investments in the relevant Sub-Fund.

- the Manager may, in calculation of the Issue Price and the Redemption Price, impose surcharges (please refer to the heading entitled "**Subsequent Subscription**" in the section "**PURCHASE OF UNITS**") or impose deductions (please refer to the heading entitled "**Payment of Redemption Proceeds**" in the section "**REDEMPTION OF UNITS**"), 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 realisation risks.

GENERAL INFORMATION

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, the United States Treasury Regulations promulgated under the IRS Code and AEOI rules, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority, (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction, including reporting obligations that may be imposed by future legislation.

Power to Disclose Information to Tax Authorities

Subject to applicable laws and regulations in Hong Kong, the Fund, the relevant Sub-Fund, the Trustee or the Manager or any of their authorised person(s) (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the U.S. IRS and the IRD), certain information in relation to a Unitholder, including but not limited to the Unitholder's name, address, jurisdiction(s) of tax residence, taxpayer identification number(s) (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 any AEOI rules).

Subject to compliance with any applicable laws and regulations, the Manager, the Trustee or any of their affiliates may also provide such information to any custodian, prime broker, distributor of Units or other person receiving payments from or for the account of, or making payments to or for the account of, the Trust, any Sub-Fund or any Unitholder (each such custodian, prime broker, distributor and other Persons, a "relevant party"), if the Manager, Trustee or any of their affiliates reasonably determines that any such action is required by, or would mitigate an adverse result under, any applicable law, regulation or any agreement with any tax or fiscal authority (including, without limitation, the application of a withholding or the reporting of information).

Personal Data

Pursuant to the provisions of the Personal Data (Privacy) Ordinance as amended from time to time (Chapter 486 of the Laws of Hong Kong, "PDPO"), the Fund, the Trustee, the Manager, the Investment Adviser (if any) or any of their respective delegates (each a "Data User"), and/or their respective service providers (including the Custodian, the QFI Custodian and the Registrar in their respective capacities as such) and/or data processors, as the case may be, may collect, hold, use and/or transfer personal data of individual investors in relation to the Fund and/or the relevant Sub-Fund(s) only for the purposes for which such data was collected and shall otherwise comply with applicable personal data protection principles, applicable laws and requirements under the PDPO and all other applicable regulations and rules governing personal data collection, use and/or transfer in Hong Kong from time to time. In particular, each Data User shall take all practicable steps to ensure that relevant personal data collected, held, transferred, used and/or otherwise processed by them are protected against unauthorized or accidental access, processing, erasure or other use.

DOCUMENTS AVAILABLE FOR INSPECTION

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

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

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

(c) the latest financial reports of the Fund.

APPENDIX I - Harvest ESG China A Research Select Fund

This Appendix comprises information in relation to Harvest ESG China A Research Select Fund, a Sub-Fund of the Fund.

Directory

Investment Adviser:	Harvest Fund Management Co., Ltd. Unit 1806A, No.1318 Luijiazui Ring Rd, China (Shanghai) Pilot Free Trade Zone People's Republic of China

Definitions

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

Application Moneys / Redemption Proceeds

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

Base Currency

The base currency of the Sub-Fund is RMB.

Five different currencies of denomination (i.e. the class currencies) are offered: RMB, USD, EUR, HKD and JPY. The class currency will be indicated in the name of the relevant class, as follows:

For Class A (RMB), Class I (RMB), Class P (RMB), Class S (RMB): RMB
For Class A (HKD), Class I (HKD), Class P (HKD), Class S (HKD): Hong Kong Dollars
For Class A (USD), Class I (USD), Class P (USD), Class S (USD): U.S. Dollars
For Class A (EUR), Class I (EUR), Class P (EUR), Class S (EUR): Euro
For Class J (JPY): Japanese Yen

Investors in Class J (JPY) Units should pay attention to the terms applicable to dealing in such class of Units. Please refer to further information set out under the heading "Subscription, Redemption and Switching of Units" below.

Investment Objective and Policy

Harvest ESG China A Research Select Fund seeks to achieve long-term capital growth by investing primarily (at least 70% of its Net Asset Value) in China A-Shares listed on the

Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Beijing Stock Exchange consistent with the principles of environmental, social and governance (“ESG”) focused investing.

The Sub-Fund invests primarily in (at least 70% of its Net Asset Value) China A-Shares (including initial public offerings) i) listed on the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Beijing Stock Exchange (less than 30% of its Net Asset Value in the Beijing Stock Exchange) through the QFI status of the Manager and ii) which are ESG leaders with sustainable practices, namely companies that are ranked top 1/3 within the investment universe in one or more of the following: overall ESG score, climate change score or social equality score as determined under the sub-section “ESG selection” below (the “ESG Leaders”).

However, the Sub-Fund may invest less than 30% of its Net Asset Value in companies ranking in the lower 2/3 amongst the investment universe on all three ESG considerations as further described in the sub-section “ESG selection” below. It is expected that the companies ranking in the lower 2/3 amongst the investment universe on all three ESG considerations will, in aggregate, comprise at least 20% of the Sub-Fund’s investment universe.

A company with sustainable practices is one with operations and business strategies which integrate measures or take into consideration the need to prevent the depletion of natural or physical resources, so that such resources will remain available for the long term. Climate change and social equality best encapsulate the concept of sustainability. In respect of climate change, the prevention of climate change is one of the core aims of environmental protection which ties back to sustainability and ensuring that the planet’s resources will not be depleted. In respect of social equality, companies which are highly ranked in social equality often also adopt sustainable practices, as companies which promote or take into account social inclusivity often also contribute to economic development and environmental protection within society, and hence sustainability.

The Sub-Fund may invest in equity of companies of any capital size, including small and mid-cap companies. It does not have an investment focus on any particular sector or industry.

Not more than 10% of the Sub-Fund’s Net Asset Value may be held in cash and cash based instruments and money market instruments and/or, to the extent permitted by applicable regulations and investment restrictions, in other types of investments including, but not limited to, warrants traded or transferred on a stock exchange in the PRC, securities investment funds (including exchange traded funds) and other instruments from time to time approved by the China Securities Regulatory Commission (“CSRC”) for investment by a QFI.

The Sub-Fund may use deliverable or non-deliverable forwards, currency options and currency futures (which are traded offshore outside the PRC) for the purpose of currency hedging only. The Sub-Fund may also acquire stock index futures traded in the PRC or in offshore markets for equity market hedging only. The Manager currently does not intend to invest in other derivatives (save for the aforementioned derivatives). The Sub-Fund’s total exposure to investments issued or traded offshore outside the PRC (such as equities, collective investment schemes, ETFs and real estate investment trusts (“REITs”)) will in aggregate be up to 30% of its Net Asset Value.

The Manager currently does not intend to:

(i) invest in debt securities, including urban investment bonds issued in the PRC (i.e. bonds issued by PRC local government financing vehicles);

(ii) invest in structured deposits or products (including asset backed securities, mortgage backed securities and asset backed commercial papers or similar structured products);

(iii) enter into any securities financing transactions in respect of the Sub-Fund,

and prior approval will be sought from the SFC and at least one month's prior notice will be given to Unitholders should there be a change in such intention.

Investment Strategy

The portfolio of the Sub-Fund will primarily comprise securities issued by entities which are considered by the Manager to be able to benefit from or related to the economic growth of China with strong performance regarding overall ESG or climate change or social equality aspects.

The Sub-Fund adopts a Growth at a Reasonable Price ("GARP") strategy. The GARP strategy combines both value and growth investing principles with the aim to identify undervalued companies with sustainable growth potential. The strategy includes both top-down industry selection and bottom-up stock picking approach. In the top-down approach, the Manager identifies focus sectors by observing current economic cycle, policy and structural reform trends, gross margin change of different industries and other relative factors to determine industries experiencing high growth or industries with growth momentum. In the bottom-up approach, the Manager places emphasis on business models, earning results, good corporate governance, financial statements, competitor analysis as well as long-term growth drivers and short term catalysts.

The investment process is research driven wherein the Manager will utilise its internal research infrastructure and platform as well as a combination of different research methodologies for example company visits, independent verification and financial model analysis. It will perform research on companies based on both qualitative and quantitative analysis to find out the long term potential value in the relevant stocks.

The selection criteria comprise four tiers of analysis -

Macro and sector analysis: This includes analysis on areas including the macro-economic environment, fiscal and monetary policy trends and effects as well as sector dynamics. The Manager will consider the upstream and downstream supply chain, supply-demand factors and competition within the industry. Through macro and sector analysis, the Manager aims to identify leading enterprises in a sector which demonstrate good growth prospects and investment value.

Market/ business model analysis: The Manager's analysis will encompass all aspects of a company including in-depth research on the comparative advantage and disadvantage of the company, its business opportunities and growth catalysts, changes that the company faces or may face, the business model, corporate governance and transparency of information. The Manager conducts this qualitative analysis by way of on-site company visits, off-site meetings, conferences and research publications as well as independent verification of information obtained from companies.

Financial analysis and valuation analysis: Financial analysis involves looking at the financial reports (including profitability and cash-flow) of the relevant company as well as the company's past financial performance. During analysis, the Manager mainly focuses on areas such as consistency of earnings growth, consensus estimates, historical revisions and comparable analysis with peers. In conducting valuation analysis, the Manager will utilise its in-house financial model to value stocks in the watch list. At the same time, reality checks are performed by making references to other conventional valuations such as price-to-earnings ratio ("P/E"), price-to-book ratio ("P/B"), dividend yield, price/earnings to growth ratio ("PEG"), net asset value ("NAV"), sum-of-the-parts analysis ("SOTP") and discounted cash flow model ("DCF"). The Manager will select the appropriate valuation method and determine whether there is a premium or discount to the company's reasonable valuation and its target valuation.

ESG analysis: This includes "ESG selection", "Multi-faceted systematic ESG integration process" and "Separate assessment of climate change and social equality performance", each as further outlined below:

ESG selection

The investment universe of the Sub-Fund comprises China A-Shares listed on the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Beijing Stock Exchange.

To achieve the ESG objective of the Sub-Fund, the Sub-Fund adopts a multi-faceted systematic ESG integration process which combines elements such as ESG negative screening and active ownership to select best-in-class ESG Leaders on an ongoing basis. The above process will be applied to all potential investments of the Sub-Fund except certain assets where ESG may not be relevant such as cash or money market instruments.

Subject to the investment objective and policy, the Sub-Fund invests at least 70% of its Net Asset Value in ESG Leaders, which are China A-shares of companies that are ranked top 1/3 within the investment universe in one or more of the following: overall ESG score, climate change score or social equality score. The Sub-Fund may invest less than 30% of its NAV in companies ranking in the lower 2/3 amongst the investment universe on all three ESG considerations (namely, overall ESG score, climate change score and social equality score) where such companies demonstrate (i) a strong performance in ESG aspects other than the overall ESG score, climate change score and social equality score or (ii) a strong trajectory of improvement or strong potential of improvement on one or more of overall ESG, climate change and social equality considerations, in particular after the Manager's engagement communications with and ongoing assessment of such companies.

Multi-faceted systematic ESG integration process

The multi-faceted systematic ESG integration process may be broadly categorised into quantitative and qualitative elements as follows:

- Quantitative assessment is based on proprietarily-developed Harvest ESG scoring methodology (as further described in the Explanatory Memorandum), which has been created making reference to globally-recognised ESG frameworks such as the ones developed by Sustainability Accounting Standard Board and the Global Reporting Initiative. With an aim to build an objective, transparent, and consistent scoring system, the methodology is quant-driven and rule-based. Each potential company will be assigned an ESG score based on the Harvest ESG scoring methodology. The Manager's quantitative assessment comprises maintenance of an exclusion database which conducts norm-based exclusions (namely, screening out companies which do not meet widely-accepted norms such as the Ten Principles of the United Nations Global Compact), and the creation of baskets of high performing ESG securities based on ESG scoring.

- Qualitative assessment will be performed collaboratively by ESG analysts and investment analysts. Qualitative assessment emphasises on companies' ESG momentum in the near and long term and serves as a complement to quantitative assessment (which relies on backward-looking data). The Manager's qualitative assessment comprises assessment of measurable ESG impact and performance improvement, and adoption of an active ownership philosophy.

The Manager also conducts in-depth research on individual companies, which is partially quantitative and partially qualitative.

The quantitative and qualitative elements of the multi-facetd systematic ESG integration process are further described below:

- *Maintenance of an exclusion database for negative screening of potential investments:* The Manager' s ESG research team and compliance team maintain a norm-based exclusion database for negative screening of potential investments, in which excluded companies are incorporated into the compliance pre-trade clearance system. Sector-based exclusion lists of excluded industry sectors such as the controversial sectors described under "Separate assessment of climate change and social equality performance" below, as well as norm-based exclusion lists such as United Nations Global Compact and Organisation for Economic Co-operation and Development violators, will be maintained. Sector-based exclusion lists are identified by the Manager and updated semi-annually. Norm-based exclusion lists are monitored by the Manager on a monthly or quarterly basis.

- *ESG scoring and creation of baskets of high performing ESG Securities:* The overall scores are used as a quantitative screening tool to determine the overall ESG performance of companies within the investment universe in order to create baskets of ESG-eligible Securities. The Sub-Fund will primarily invest in companies with one or more of overall ESG score, climate change score or social equality score ranked in the top 1/3 of the investment universe.

- *In-depth ESG research:* ESG research team works with investment analysts to conduct in-depth ESG research and analysis, and provides investment recommendations on prospective investment opportunities and current portfolio holdings. Synthesis of ESG related insights will incorporate quantitative and qualitative data or information that are accurate and reliable. The proprietary ESG research insights, data and analytics tools are integrated in the centralised investment platform that can be accessed by internal investment teams on a daily basis for investment decision making.

- *Assessment of measurable ESG impact and performance improvement:* The Manager will monitor the ESG performance and impact of the Sub-Fund's portfolio holdings on a monthly basis to ensure that the Sub-Fund's portfolio is invested in accordance with the ESG investment strategy of the Sub-Fund. The Manager will also continuously review and seek improvements in the ESG scoring of the Sub-Fund's portfolio as a whole.

- *Adoption of an active ownership philosophy:* Active ownership is an integral part of the Manager's practices. From time to time, the Manager will seek additional understanding through engagement communications and proxy voting actions with investee companies to enhance the Manager's ESG and fundamental analysis as well as to promote changes that will protect and enhance the value of the Sub-Fund's investments. Engagement activities typically involve, for example, one-on-one meetings and phone calls, on-site company visits, discussions with company advisers and stakeholders, as well as collective engagement with other investors.

Once the above assessment is conducted, companies which rank amongst the top 1/3 of the investment universe for ESG may be selected for primary investment by the Sub-Fund.

Separate assessment of climate change and social equality performance

The above assessment will then be repeated by the Manager on all potential investments of the Sub-Fund (except certain assets where ESG may not be relevant such as cash or money market instruments) but with a focus on climate change and social equality. The Manager assesses the companies' performance by considering specific topics under each of the climate change and social equality themes, including but not limited to carbon emission intensity, community development and contribution, human capital development, average employee salary and employee welfare. The companies will then be ranked on each of climate change and social equality. Companies which rank amongst the top 1/3 of the investment universe for climate change score and/or social equality score may be selected for primary investment by the Sub-Fund.

In particular, the Manager's ESG criteria to investment in fossil fuels are as follows: the Manager invests in transitioning companies that have moderate to high emissions or resource intensity, which are making industry-leading efforts to reduce them by increasing the proportion of renewables or investing in net-negative technologies etc. Further engagement is encouraged to justify the investment. The Investment Committee may vote to divest if a company's carbon emissions or ESG performance does not improve as targeted within 12 months of engagement.

In addition to norm-based exclusions, companies which breach certain climate change and social equality key principles will be excluded from investment:

- Companies that breach international principles and norms of climate change and/or social equality, and where ESG engagement was not successful and/or the relevant company(ies) did not show material improvement within 2 years of initial ESG engagement , including but not limited to International Labour Organisation (ILO) laws, United Nations Global Compact (UNGC) and the Universal Declaration of Human Rights. An engagement process shall be undertaken with companies that have significant breaches of these principles and guidelines. If this engagement does not lead to the desired change in a period of two years from the start of the engagement, the Sub-Fund must exclude a company from its investment universe.

- Companies with involvement in the following controversial businesses and sectors which generate a turnover of over a pre-determined threshold: controversial weapons (any involvement), tobacco (more than 5% of turnover), nuclear energy (more than 10% of turnover). For the purposes of this section, "controversial weapons" include but are not limited to anti-personnel mines, biological and chemical weapons, blinding laser weapons, incendiary weapons, weapons using nondetectable fragments, cluster munitions, depleted uranium and nuclear weapons.

- Companies with involvement in severe controversies in the past year that have caused severe reputational damage, operational disruptions or negative impact on the environment and affected communities, and/or have resulted in material and profound financial loss for the relevant constituent company.

ESG scoring

The ESG scoring methodology is proprietarily developed by Harvest Fund Management, the parent company of the Manager, based on extensive research of globally well-recognised ESG frameworks and applying on-the-ground ESG investment insights on the investment universe of the Sub-Fund.

By incorporating extensive knowledge of sectors from investment analysts and ESG analysts, the ESG scoring framework selects ESG quantitative metrics most relevant to investment risks and return to better reflect ESG materiality within each industry. Furthermore, Harvest improves its overall ESG data accessibility and quality using artificial intelligence and natural language processing techniques to extract and process unstructured data from a variety of public sources to synthesise meaningful investment insights.

Harvest's methodology leverages localised ESG factors and insights essential to capture the most pertinent and material ESG issues in China. The ESG score is derived from over 110 specific metrics categorised into 8 specific topics and 23 issues under the environment, social and governance pillars as shown in following framework:

Environmental topics:
- Environmental Risk Exposure
- Pollution & Emission Control

- Natural Resources & Ecological Impact

Social topics:
- Human Capital
- Product & Service Quality
- Community Development & Contribution

Governance topics:
- Corporate Governance Structure
- Governance Behaviour

The "environment", "social" and "governance" scores are then combined to derive an overall ESG score.

With respect to the collection of raw ESG data for assessment, the data collection team will collect data from local data sources which include the following:

- data procured from external financial, ESG data vendors and data partners, such as governance data points regarding board independence and concentration of shareholding;
- alternative ESG data collected from over 5,000 public regulatory sources and industry associations using data mining and natural language processing technologies. For instance, the ESG scoring team may capture environmental violation and penalty notifications issued by the Ministry of Ecology and Environment of the PRC, faulty products or product recalls issued by the State Administration of Market Regulation of the PRC and/or investigations and warnings issued by the CSRC; and
- news and ESG events collected from 2,300 credible local media sources using natural language processing technologies.

Raw data are subject to rigorous cleaning, duplication removal and error checks to ensure data quality, which is then entered into a centralised ESG database for standardisation and scoring.

ESG Leaders, being companies which are ranked top 1/3 in one or more of overall ESG score, climate change score and/or social equality score during the ESG selection process above, refer to companies which are ranked top 1/3 on the overall ESG score, the relevant metrics under the "environmental" pillar and/or the relevant metrics under the "social" pillar respectively.

Further information about the Sub-Fund's ESG investment strategy is available online at the website: https://www.harvestglobal.com.hk/hgi/index.php/funds/active/HCARSF#overview. Please note that the aforesaid website has not be reviewed by the SFC.

Use of derivatives / investment in derivatives

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

Qualified Foreign Investor ("QFI")

Currently it is intended that the Sub-Fund will obtain exposure to securities and instruments issued or distributed in the PRC by using the QFI status of the Manager.The Manager has obtained a QFI license in China.

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

(i) the "Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors" jointly issued by the CSRC, the PBOC and the SAFE on 25 September 2020 and effective from 1 November 2020 (《合格境外機構投資者和人民幣合格境外機構投資者境內證券期貨投資管理辦法》);

(ii) the "Provisions on Issues Concerning the Implementation of the Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors" issued by the CSRC on 25 September 2020 and effective from 1 November 2020 (《關於實施<合格境外機構投資者和人民幣合格境外機構投資者境內證券期貨投資管理辦法>有關問題的規定》);

(iii) the "Regulations on Funds of Domestic Securities and Futures Investment by Foreign Institutional Investors" issued by PBOC and SAFE on 7 May 2020 and effective from 6 June 2020 (《境外機構投資者境內證券期貨投資資金管理規定》); and

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

Under the prevailing QFI regulations in Mainland China, foreign institutional investors who wish to invest directly in Mainland Chinese domestic securities market may apply for a QFI licence. The QFI has obtained a QFI licence in Mainland China. The status or approval of the QFI may be revoked or terminated or otherwise invalidated at any time by reason of a change in applicable law, regulations, policy, practice or other circumstances, an act or omission of the QFI or for any other reasons. In such event, all the assets held by the QFI Holder for or on account of the relevant Sub-Fund will be liquidated and repatriated to the Sub-Fund in accordance with applicable laws and regulations. The relevant Sub-Fund may suffer loss as a result of such liquidation and repatriation.

The Custodian has been appointed by the Trustee to hold the assets of the Sub-Fund. The Manager, in its capacity as a QFI, and the Custodian have appointed Bank of China Limited as the QFI Custodian in respect of the QFI securities, pursuant to relevant laws and regulations.

Securities and instruments issued or distributed within the PRC will be maintained by the QFI Custodian pursuant to PRC regulations through securities accounts with the relevant PRC securities depositaries in such name as may be permitted or required in accordance with PRC law.

Investors should pay attention to the sections headed "QFI risk" and "PRC brokerage risk" under the "Specific Risk Factors" section. The Manager has obtained an opinion from PRC legal counsel to the effect that, as a matter of PRC laws:

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

(b) the assets held/credited in the securities account(s) (i) belong solely to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Manager (as QFI holder), the QFI Custodian and any broker appointed to execute transactions for the Sub-Fund in the PRC markets (a "PRC Broker") and from the assets of other clients of the Manager (as QFI holder), the QFI Custodian and any PRC Broker;

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

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

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

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

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

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

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

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

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

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

Tax reporting and tax treaty application to Beijing tax authority

Upon the request of the Beijing Xicheng State Tax Bureau (the "Beijing Tax Authority"), the Manager, as the then RQFII licence holder, submitted the requested information and documents on behalf of the Sub-Fund to the Beijing Tax Authority in July 2015 for tax clearance concerning the gains (including capital gains through the trading of PRC Securities, dividend and interest) of the Sub-Fund during the period commencing on the date of inception of the Sub-Fund and ending on 31 December 2014, both days inclusive. In the documents and information submitted, the Manager has set out the amount of gains, the amount of tax liability, the amount of tax exemption or reduction and the Manager's basis for such position. The Manager's tax reporting included the submission that the Sub-Fund is eligible for tax relief under a tax treaty, namely, the Arrangement between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income ("China-HK Arrangement") regarding gross realised capital gains derived from trading of non-immovable properties rich PRC equity investment assets prior to 17 November 2014.

Review of the tax reporting and treaty application by Beijing Tax Authority and WIT payment

The Beijing Tax Authority has accepted the Sub-Fund's tax treaty application in the form of record-filing and affixed an official stamp on the "Reporting Form for Non-resident Taxpayer Claiming Tax Treaty Benefits" for the Sub-Fund. Upon the Beijing Tax Authority's confirmation, the Sub-Fund settled its PRC tax liability (for the period from its inception to 31 December 2014).

PRC tax provision policy of the Sub-Fund

In consideration of the Beijing Tax Authority's acceptance of the Sub-Fund's tax treaty application and the Sub-Fund's tax reporting (which included a "nil" basis WIT return for gross realised capital gains derived from trading of debt securities), the Manager considers that the

Sub-Fund should not be subject to PRC WIT for the gross realised or unrealised capital gains derived from trading of PRC debt securities. Therefore, the Manager, having taken and considered independent professional tax advice, has determined that no provision for WIT will be made on gross realised or unrealised capital gains derived from trading of PRC debt securities from 1 January 2015 onwards. In light of the foregoing and Notice 79, the Manager will at present implement the following PRC tax provisioning policy:

a) The Sub-Fund will not make WIT provision for gross realised and unrealised capital gains from trading of PRC equity investment assets (including China A-Shares).
b) The Sub-Fund will not make WIT provision for gross realised and unrealised capital gains derived from trading of PRC debt securities.
c) The Sub-Fund will, with reference to latest practice of the Beijing Tax Authority, make a provision of 10% on dividend from China A-Shares, interest received before 7 November 2018 from Renminbi denominated bonds (except PRC government bonds which are State treasury bonds issued by the in-charge finance department of the State Council of the People's Republic of China) issued by PRC tax resident enterprises, dividend from securities investment fundsand interest from RMB bank deposits if the WIT is not withheld at source.

d) The Sub-Fund will, with reference to latest practice of the Beijing Tax Authority, make a WIT provision of 10% as well as VAT and local surtax provision of 6.72% on distribution from money market funds if the funds are principal-guaranteed as stated in the respective fund offering documents.

It should be noted that the Notice 79 states that the corporate income tax exemption effective from 17 November 2014 is temporary. As such, as and when the PRC authorities announce the expiry date of the exemption, the Sub-Fund may in future need to make provision to reflect taxes payable, which may have a substantial negative impact on the Net Asset Value of the Sub-Fund.

Investors should note that the provisions are made in accordance with the prevailing tax rules and current practices of the Beijing Tax Authority in respect of the recent tax reporting. The PRC tax laws, regulation and practice may change from time to time.

There are risks and uncertainties associated with the current PRC tax laws, regulations and practice which may have retrospective effect. As such, there is a risk that the amount of any tax provision made by the Manager in respect of the Sub-Fund may be more than or less than the amount of the Sub-Fund's actual tax liabilities, which may potentially cause substantial loss to the Sub-Fund and the Net Asset Value of the Sub-Fund may require further adjustment to take into account any retrospective application of new tax regulations and development, including change in interpretation of the relevant regulations by the PRC tax authority. Any increased in tax liabilities on the Sub-Fund may adversely affect the Sub-Fund's value. There is a risk that taxes may be levied in the future on the Sub-Fund for which no provision is made, which may potentially cause substantial loss to the Sub-Fund.

Unitholders may be advantaged or disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Units. If the actual tax levied by the PRC tax authorities is higher than that provided for by the Manager so that there is a shortfall in the tax provision amount or if no provision is made by the Manager for all or part of the actual tax levied by the tax authorities, investors should note that the Net Asset Value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Units in issue at the relevant time, and the then existing Unitholders and subsequent Unitholders will be disadvantaged as such Unitholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund. Even if tax provisions are made, the amount of such provisions may not be sufficient to meet the actual tax liabilities. Any shortfall between the provision and the actual tax liabilities, which will be debited from the Sub-Fund's assets, will adversely affect the Sub Fund's Net Asset Value. On the other hand, the actual tax liabilities may be lower than the tax provision made, in which case only the then existing Unitholders will benefit from a return of the extra tax provision. Those persons who have already redeemed their Units before the actual tax liabilities are determined will not be entitled or have any right to claim any part of such overprovision. Depending on timing of their subscriptions and/or redemptions, Unitholders 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).

The Manager will closely monitor any further guidance by the relevant PRC tax authorities and adjust the tax provisioning policy of the Sub-Fund if necessary. The Manager will act in the best interest of the Unitholders of the Sub-Fund at all times.

Tax laws, regulations or practice in the PRC may be subject to change.

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

Specific Risk Factors

Investors should refer to the relevant risks under the section headed "Risk Factors" in the main part of the Explanatory Memorandum. The following risks are of particular relevance to the Sub-Fund: "China market risk", "Concentration risk", "Risks relating to investments in ETFs", "Emerging markets risk", "Liquidity risk", "Renminbi currency risk", "Volatility risk", "Small and medium-sized companies risk", "Counterparty risk", "Over-the-counter markets risk", "Derivative and structured product risk", "Hedging risk", "Risks associated with the Beijing Stock Exchange, ChiNext of the Shenzhen Stock Exchange and/or the STAR market of the Shanghai Stock Exchange" and "PRC tax considerations".

Investors should further refer to the following specific risk disclosures for the Sub-Fund:

Investment risk – The Sub-Fund mainly invests in equity securities and such securities may fall in value. Investors may suffer losses as a result. The Sub-Fund is not principal guaranteed and the purchase of its Units is not the same as investing directly in equity securities. There can be no assurance that the Sub-Fund will achieve its investment objective.

Risks relating to equity securities – Investment in equity securities is subject to general market risk and the prices of such securities may be volatile. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political and economic conditions, regional or global economic instability, currency and interest rate fluctuations and issuer-specific factors. If the market value of equity securities in which the Sub-Fund invests goes down, its Net Asset Value may be adversely affected, and investors may suffer substantial losses. Please refer to the risk factor headed "Volatility risk" in the main part of the Explanatory Memorandum.

The Sub-Fund may have exposure to equities of smaller sized companies and the prices of such equities may be more volatile. Please refer to the risk factor headed "Small and medium-sized companies risk" in the main part of the Explanatory Memorandum.

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

ESG investment policy risks - The use of ESG criteria may affect the Sub-Fund's investment performance. ESG-based exclusionary criteria used in the Sub-Fund's investment policy may, for instance, result in the Sub-Fund forgoing opportunities to buy certain securities when it might otherwise be advantageous to do so. As such, the Sub-Fund may perform differently compared to similar funds that do not use such ESG criteria. In evaluating a security or issuer based on ESG criteria, the Manager is dependent upon information and data from public data, which may be incomplete, inaccurate, inconsistent or unavailable. As a result, there is a risk that the Manager may incorrectly assess a security or company. In addition, with a standardised ESG taxonomy yet to emerge for the market, evaluation of ESG characteristics of the securities and selection of securities may involve the Manager's subjective judgment, which may not be accurate, or may result in the Sub-Fund gaining limited exposure to companies which may not be consistent with the relevant ESG criteria used by the Sub-Fund. The securities held by the Sub-Fund may be subject to style drift which no longer meet the Sub-Fund's ESG investment approach after such investments were made, meaning that the Manager may need to dispose of such securities, which may in turn lead to a fall in the Net Asset Value of the Sub-Fund. The Sub-Fund may also be concentrated in companies with ESG focus and its value may be more volatile than that of a fund having a more diverse portfolio of investments.

PRC tax risks – Investors should note the relevant PRC tax considerations that apply to the Sub-Fund including the PRC Capital Gain Tax provisioning policies adopted by the Sub-Fund. Tax laws, regulations or practice in the PRC may be subject to change. Investors should refer to the relevant risk factor headed "PRC tax considerations" in the main part of the Explanatory Memorandum.

Risks relating to China A-Shares market - The existence of a liquid trading market for China A-Shares may depend on whether there is supply of, and demand for, such China A-Shares. The price at which securities may be purchased or sold by the Sub-Fund and the Net Asset Value of the Sub-Fund may be adversely affected if trading markets for China A-Shares are limited or absent. The China A-Share market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention). Market volatility and settlement difficulties in the China A-Share markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may affect the value of the Sub-Fund.

Securities exchanges in China typically have the right to suspend or limit trading in any security traded on the relevant exchange. In particular, trading band limits are imposed by the stock exchanges in China on China A-Shares, where trading in any China A-Share security on the relevant stock exchange may be suspended if the trading price of the security has increased or decreased to the extent beyond the trading band limit. A suspension will render it impossible for the Manager to liquidate positions and can thereby expose the Sub-Fund to significant losses. Further, when the suspension is subsequently lifted, it may not be possible for the Manager to liquidate positions at a favourable price.

Liquidity risk – Some of the Sub-Fund's investments (such as investment in small/mid-cap companies) may be subject to higher liquidity risk. Lower liquidity may arise from a low trading volume of securities, or if trading restrictions or temporary suspensions on trading are imposed. Investment in securities that have lower liquidity may reduce returns for or result in substantial losses to the Sub-Fund if the Sub-Fund is unable to sell such securities at the time or price that is desirable. Liquidity could be reduced within a very short period of time especially during a financial market crisis. Please refer to the risk factor headed "Liquidity risk" in the main part of the Explanatory Memorandum.

Renminbi currency risk – Renminbi (RMB) is currently not freely convertible and is subject to exchange controls and restrictions.

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

Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

Please refer to the risk factor headed "Renminbi currency risk" in the main part of the Explanatory Memorandum.

RMB denominated class(es) related risk – The Sub-Fund may, within the respective investment limits stated in the investment objective and strategy, invest extensively in RMB denominated investments. The Sub-Fund offers RMB denominated class(es).

Although CNH and CNY are the same currency, they trade at different rates. When calculating the value of the RMB denominated class(es), CNH will be used. 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. Any divergence between CNH and CNY may adversely impact investors.

Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (for example HKD) will not depreciate. Any 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).

RMB is currently not freely convertible and is subject to exchange controls and restrictions. 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. In case of sizeable redemption requests for the RMB denominated class(es) are received or under exceptional circumstances, payment of redemption requests and/or distributions in RMB (if any) from the RMB denominated class(es) may be delayed when there is not sufficient amount of RMB for currency conversion for payment of redemption requests and/or distributions in a timely manner due to the exchange controls and restrictions applicable to RMB.

QFI risk - The Sub-Fund is not a QFI but may obtain access to securities issued within China directly using QFI status of a QFI. The Sub-Fund may invest directly in QFI eligible securities investment via the QFI status of the Manager.

Investors should note that approval of a QFI status could be suspended, terminated, revoked, or otherwise invalidated, which may have an adverse effect on the Sub-Fund's performance as the Sub-Fund may be required to dispose of its securities holdings. In addition, certain restrictions imposed by the Chinese government on QFIs may have an adverse effect on the Sub-Fund's liquidity and performance. The State Administration of Foreign Exchange ("SAFE") regulates and monitors the repatriation of funds out of the PRC by the QFI pursuant to the "Notice on Issues Relevant to Administration of Domestic Securities Investment by Renminbi Qualified Foreign Institutional Investors" (中國人民銀行國家外匯管理局關於人民幣合格境外機構投資者境內證券投資管理有關問題的通知) (the "RQFII Measures"). Repatriations by QFIs in respect of an open-ended QFI fund (such as the Sub-Fund) conducted in RMB are currently not subject to repatriation restrictions or prior approval, although authenticity and compliance reviews will be conducted, and monthly reports on remittances and repatriations will be submitted to SAFE by the QFI Custodian. There is no assurance, however, that PRC rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Any restrictions on repatriation of the invested capital and net profits may impact on the Sub-Fund's ability to meet redemption requests from the Unitholders. Furthermore, as the QFI Custodian's review on authenticity and compliance is conducted on each repatriation, the repatriation may be delayed or even rejected by the QFI Custodian in case of non-compliance with the QFI rules and regulations. In such case, it is expected that redemption proceeds will be paid to the redeeming Unitholder as soon as practicable and after the completion of the repatriation of funds concerned. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the Manager's control.

The current QFI regulations include rules and restrictions on investments being made by a QFI which may be amended from time to time. Investors should also note that a QFI's domestic investment is currently subject to the following investment restrictions:

(a) shares held by a single foreign investor in one listed company should not exceed 10% of the total outstanding shares of the listed company.

(b) aggregate China A-Shares held by all foreign investors in one listed company shall not exceed 30% of total outstanding shares of such listed company.

The restrictions specified in paragraphs (a) and (b) above do not apply to the shareholdings acquired on Strategic Investments in Listed Companies by Offshore Investors (as defined in the "Implementation Rules for the Pilot Scheme for Domestic Securities Investment through Renminbi Qualified Foreign Institutional Investors" (關於實施《人民幣合格境外機構投資者境內證券投資試點辦法》的規定)).

Investors should note that there can be no assurance that an QFI will continue to maintain its QFI status, or that redemption requests can be processed in a timely manner due to adverse changes in relevant laws or regulations. Such restrictions may respectively result in a rejection of applications and a suspension of dealings of the Sub-Fund. In extreme circumstances, the Sub-Fund may incur substantial losses due to limited investment capabilities, the approval of the QFI status is being revoked/terminated or otherwise invalidated as the Sub-Fund may be prohibited from trading of relevant securities and repatriation of the Sub-Fund's monies, or if any of the key operators or parties (including QFI custodian/brokers) is bankrupt/in default and/or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities), or may not be able to fully implement or pursue its investment objective or strategy, due to QFI investment restrictions, illiquidity of the Chinese domestic securities market, and/or delay or disruption in execution of trades or in settlement of trades.

The Sub-Fund's ability to make the relevant investments or to fully implement or pursue its investment objective and strategy is subject to the applicable laws, rules and regulations (including restrictions on investments and repatriation of principal and profits) in the PRC. The current QFI laws, rules and regulations are subject to change, which may take retrospective effect. In addition, there can be no assurance that the QFI laws, rules and regulations will not be abolished. The Sub-Fund, which invests in the PRC markets through an QFI, may be adversely affected as a result of such changes.

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

Application of QFI rules – The QFI rules described under "QFI risk" are relatively new, and enable Renminbi to be remitted into and repatriated out of the PRC. Application of the rules may depend on the interpretation given by the relevant Chinese authorities. Any changes to the relevant rules may have an adverse impact on investors' investment in the Sub-Fund. In the worst scenario, the Manager may determine that the Sub-Fund shall be terminated if it is not legal or viable to operate the Sub-Fund because of changes to the application of the relevant rules.

PRC brokerage risk – The execution and settlement of transactions or the transfer of any funds or securities may be conducted by brokers ("PRC Brokers") appointed by the QFI. There is a risk that the Sub-Fund may suffer losses from the default, bankruptcy or disqualification of the PRC Brokers. In such event, the Sub-Fund may be adversely affected in the execution or settlement of any transaction or in the transfer of any funds or securities.

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

Risks of investing in other funds – The Sub-Fund may invest in bond funds or equity funds which are authorised by the CSRC for investment by the retail public in China. The underlying funds in which the Sub-Fund may invest in may not be regulated by the SFC. There may be additional costs involved when investing into these underlying funds. Investors should note that such investment may involve another layer of fees charged at the underlying fund level. This is because, in addition to the expenses and charges payable by the Sub-Fund as disclosed in this Explanatory Memorandum, the Sub-Fund will bear indirectly the fees charged by the managers and other service providers of the underlying funds, or will incur charges in subscribing for or redeeming shares in the underlying funds.

There is also no guarantee that the underlying funds will always have sufficient liquidity to meet the Sub-Fund's redemption requests as and when made.

The Manager will consider various factors in selecting the underlying funds, for example, the investment objective and strategy, level of fees and charges, the redemption frequency and liquidity of such funds. However, The Sub-Fund does not have control of the investments of the underlying funds and there is no assurance that the investment objective or strategy of the underlying funds will be successfully achieved which may have a negative impact to the net asset value of the Sub-Fund.

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

Risks relating to REITs – The Sub-Fund may invest in REITs which may not necessarily be authorised by the SFC.

The prices of REITs are affected by changes in the value of the underlying properties owned by the REITs. Investment in REITs may therefore subject the Sub-Fund to risks similar to those from direct ownership of real property.

Real estate investments are relatively illiquid and may affect the ability of a REIT to vary its investment portfolio or liquidate part of its assets in response to changes in economic conditions, international securities markets, foreign exchange rates, interest rates, real estate markets or other conditions. Adverse global economic conditions could adversely affect the business, financial condition and results of operations of REITs. REITs may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than other securities.

Further, returns from REITs are dependent on management skills in managing the underlying properties. Investments made by REITs generally may not be diversified. In addition, certain REITs in which the Sub-Fund may invest may have their assets concentrated in specific real property sectors, and are therefore subject to the risks associated with adverse developments in these sectors.

REITs are also subject to heavy cash flow dependency, defaults by borrowers and self-liquidation. Further, borrowers under mortgages held by REITs or lessees of property that REITs own may be unable to meet their obligations to the REITs. On the other hand, if the key tenants experience a downturn in their businesses or their financial condition, they may fail to make timely rental payments or default under their leases. Tenants in a particular industry might also be affected by any adverse downturn in that industry and this may result in their failure to make timely rental payments or to default under the leases. In the event of a default, a REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments. The REITs may suffer losses as a result.

REITs may have limited financial resources and may be subject to borrowing limits. Consequently, REITs may need to rely on external sources of funding to expand their portfolios, which may not be available on commercially acceptable terms or at all. If a REIT cannot obtain capital from external sources, it may not be able to acquire properties when strategic opportunities exist.

Any due diligence exercise conducted by REITs on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies. Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow of the REITs.

Risks relating to derivative / hedging - Insofar as the Sub-Fund acquires derivative instruments for currency and interest rate hedging, it will be subject to additional risks. The use of financial derivatives instruments may expose the Sub-Fund to risks including market volatility risk, credit risk, counterparty risk, liquidity risk, valuation risk and over-the-counter transaction risk. There can be no assurance that any hedging techniques will fully and effectively eliminate the risk exposure of the Sub-Fund. Derivative instruments may be illiquid and are complex in nature. In adverse situations, the Sub-Fund's use of derivatives for hedging may become ineffective and the Sub-Fund may suffer significant losses. The price of a derivative instrument can be very volatile which may result in losses in excess of the amount invested in the derivative instruments by the Sub-Fund. The leverage element/component of a derivative instrument can result in a loss significantly greater than the amount invested in the derivative instrument by the Sub-Fund. Exposure to derivative instruments may lead to a high risk of significant loss by the Sub-Fund.

Derivative instruments are subject to the risk that the counterparties of the instruments will not fulfil their obligations to the Sub-Fund. The Sub-Fund is therefore subject to risks relating to the financial soundness and credit worthiness of the counterparties and may suffer substantial losses in its investment in derivative instruments if a counterparty defaults. Settlement risk exists when such instruments are not settled in a timely manner, thereby increasing counterparty credit risk prior to settlement and potentially incurring funding costs for the Sub-Fund.

Over-the-counter derivatives are not guaranteed by an exchange or clearing house and may not be regulated by any governmental authority. It may not be possible to dispose of or close out a derivative position without the consent of the counterparty, and the Sub-Fund may not be able to enter into an offsetting contract in order to cover this risk.

Please refer to the relevant risk factors "Counterparty risk", "Over-the-counter markets risk", "Derivative and structured product risk", and "Hedging risk" under the section headed "Risk Factors" in the main part of the Explanatory Memorandum.

Reliance on the Investment Adviser risk

The Manager will make use of the research expertise of the Investment Adviser to support the investments of the Sub-Fund in the relevant markets. In the event of a breakdown or disruption in communications with or the provision by the Investment Adviser of its assistance to the Manager, the operations of the Sub-Fund may be adversely affected. The occurrence of such events could affect the Sub-Fund's investment activities and as a result, its performance.

Available Classes

Class A Units are available for sale to the retail public.

Class I, Class P and Class S Units are offered to private bank or institutional investors or other investors determined by the Manager. Class S Units will only be made available with the Manager's agreement in writing.

Class J Units will only be offered to and can only be acquired by investors that are established as "Fund of Funds" type of investment vehicles as defined from time to time in the Regulations on Management of Investment Trust etc. of the Investment Trusts Association of Japan, regardless of whether it is resident or established in Japan or elsewhere or by such other investors as agreed by the Manager in writing.

Investment Minima

	Class A	**Class I**	**Class P**	**Class S**	**Class J**
Minimum Subscription Amount	Class A (RMB): RMB 10,000 Class A (HKD): HK$10,000Class A (USD): US$ 1,000 Class A (EUR): EUR 1,000	Class I (RMB): RMB 30 million Class I (HKD): HK$30 million Class I (USD): US$5 million Class I (EUR): EUR3 million	Class P (RMB): RMB500,000 Class P (HKD): HK$500,000 Class P (USD): US$100,000 Class P (EUR): EUR 100,000	Class S (RMB): RMB30 million Class S (HKD): HK$30 million Class S (USD): US$5 million Class S (EUR): EUR 3 million (or such other amount as the Manager may from time to time approve)	Class J (JPY): JPY 300 million
Minimum Subsequent Subscription Amount	Class A (RMB): RMB 1,000 Class A (HKD): HK$1,000Class A (USD): US$100 Class A (EUR): EUR100	Class I (RMB): RMB 50,000 Class I (HKD): HK$50,000Class I (USD): US$10,000 Class I (EUR): EUR10,000	Class P (RMB): RMB5,000 Class P (HKD): HK$5,000 Class P (USD): US$1,000 Class P (EUR): EUR 1,000	Class S (RMB): RMB50,000 Class S (HKD): HK$50,000 Class S (USD): US$10,000 Class S (EUR): EUR 10,000	Class J (JPY): JPY 50,000
Minimum Holding	Class A (RMB): RMB10,000 Class A (HKD): HK$10,000Class A (USD): US$1,000 Class A (EUR): EUR1,000	Class I (RMB): RMB 30 million Class I (HKD): HK$30 million Class I (USD): US$5 million Class I (EUR): EUR3 million	Class P (RMB): RMB500,000 Class P (HKD): HK$500,000 Class P (USD): US$100,000 Class P (EUR): EUR 100,000	Class S (RMB): RMB30 million Class S (HKD): HK$30 million Class S (USD): US$5 million Class S (EUR): EUR 3 million (or such other amount as the Manager may from time to time approve)	Class J (JPY): JPY 300 million
Minimum Redemption Amount	Class A (RMB): RMB 1,000 Class A (HKD): HK$5,000Class A (USD): US$1,000 Class A (EUR): EUR1,000	Class I (RMB): RMB 50,000 Class I (HKD): HK$50,000Class I (USD): US$10,000 Class I (EUR): EUR10,000	Class P (RMB): RMB5,000 Class P (HKD): HK$5,000 Class P (USD): US$1,000 Class P (EUR): EUR 1,000	Class S (RMB): RMB50,000 Class S (HKD): HK$50,000 Class S (USD): US$10,000 Class S (EUR): EUR10,000	Class J (JPY): JPY 50,000

Fees

	Class A	Class I	Class P	Class S	Class J
Fees payable by investors					
Preliminary Charge (% of total subscription amount)	up to 5%	up to 5%	up to 5%	up to 5%	up to 5%
Redemption Charge (% of Redemption Price)	Nil	Nil	Nil	Nil	Nil
Switching Charge (% of total amount being switched out of the Existing Class)	up to 1%	Nil	up to 1%	Nil	Nil
Fees payable by the Sub-Fund					
Management Fee (% Net Asset Value of the Sub-Fund)	up to 1.8% p.a.	up to 0.90% p.a.	up to 1.20% p.a.	0%	up to 0.9% p.a.
Trustee Fee (% Net Asset Value of the Sub-Fund)	up to 0.15% p.a., subject to a minimum monthly fee of RMB35,000.				
Custody Fees (% Net Asset Value of the Sub-Fund)	up to 0.10% p.a. (inclusive of custody fees payable to the QFI Custodian)				

Establishment Costs

The establishment costs of the Sub-Fund has been fully amortised.

Dealing Day

Every HK & PRC Business Day.

Dealing Deadline

5 p.m. (Hong Kong time) on the relevant Dealing Day.

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

Subscription, Redemption and Switching of Units

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

Unitholders of Class J (JPY) Units should note that generally, the Manager will not consent to the conversion of Class J (JPY) Units into other classes of Units in the Sub-Fund and nor may Units of other classes be converted into Class J (JPY) Units.

Distributions

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends. The Manager does not currently intend to make any distribution (whether out of income or capital) but instead intends to reinvest all of the Sub-Fund’s income and gains (if any). Should the Manager decides to change its distribution policy and make distributions in the future, prior approval from the SFC will be obtained and not less than one month’s notice will be given to Unitholders.

Valuation

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

Documents Available for Inspection

Please refer to the section headed “Documents Available for Inspection” in the main part of the Explanatory Memorandum and the following are the material contracts in respect of this Sub-Fund:

(i) the QFI Custodian Agreement between the Manager, the Custodian and the QFI Custodian; and
(ii) the Participation Agreement between the Manager, the Trustee, the Custodian and the QFI Custodian.

APPENDIX II - Harvest Asia Dividend Equity Fund

This Appendix comprises information in relation to Harvest Asia Dividend Equity Fund, a Sub-Fund of the Fund.

Application Moneys / Redemption Proceeds

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

Base Currency

The base currency of the Sub-Fund is USD.

Three different currencies of denomination (i.e. the class currencies) are offered: USD, HKD and RMB. The class currency will be indicated in the name of the relevant class, as follows:

For Class A (USD), Class I (USD), Class I (USD Acc), Class P (USD), Class S (USD): USD

For Class A (HKD), Class I (HKD), Class P (HKD), Class S (HKD): HKD

For Class A (RMB), Class A (RMB Acc), Class I (RMB), Class I (RMB Acc), Class I (RMB hedged), Class I (RMB hedged Acc), Class P (RMB), Class P (RMB Acc), Class P (RMB hedged), Class P (RMB hedged Acc) and Class S (RMB): RMB

Initial Offer

Class I (RMB hedged), Class I (RMB hedged Acc), Class P (RMB hedged) and Class P (RMB hedged Acc) Units were available for subscription during the period commencing 9:00 a.m. (Hong Kong time) on 9 January 2017 to 5:00 p.m. (Hong Kong time) on 9 January 2017 (or such other dates as the Manager and the Trustee may determine). The initial offer period for unlaunched classes has been extended until such time as an investor subscribes into the relevant class without separate notification. Following the close of the initial offer period, Units of the relevant class will be issued at the prevailing Issue Price.

The initial offer price per Class I (RMB hedged), Class I (RMB hedged Acc), Class P (RMB hedged) and Class P (RMB hedged Acc) Unit (exclusive of preliminary charge) is RMB100.

The Manager is entitled to charge a preliminary charge of up to 5% of the total subscription amount received.

Class I (USD Acc) Units will be issued on the second Business Day following the last day of the initial offer period in respect of applications (together with cleared funds) received prior to 5:00 p.m. (Hong Kong time) on the last day of the initial offer period and accepted by the Manager. If applications and/or cleared funds are received after that time, such applications shall be carried forward to the next Dealing Day.

Investment Objective and Policy

Harvest Asia Dividend Equity Fund aims to provide an income stream over the medium term and potential capital appreciation over the long term. The Sub-Fund invests at least 70% in equities or equity-related securities of companies which are expected to pay dividends (as assessed by the Manager) and which are incorporated, or conduct their primary business activity, in the Asia ex-Japan Region and real estate investment trusts (REITs) which underlying properties are primarily located in the Asia ex-Japan Region.

The Sub-Fund may also invest in debt securities issued by government or corporate entities in the Asia ex-Japan Region, denominated in the relevant local currency or in US dollars. These investments will not in aggregate exceed 30% of the Sub-Fund's Net Asset Value. There is no requirement on minimum credit rating of the debt securities or of the issuers of such debt securities that the Sub-Fund may invest in. However, the Sub-Fund will not invest more than 10% of its Net Asset Value in securities issued by or guaranteed by any single country (including its government and a public or local authority of that country) that is rated non-investment grade*.

The Sub-Fund may gain direct exposure to China A-Shares via the Stock Connects or similar schemes which may be approved by the relevant authorities. Direct investments in China A-Shares will be less than 20% of the Sub-Fund's Net Asset Value.

The Sub-Fund may use derivatives for hedging purposes only. The Sub-Fund may use various types of derivative instruments, including but not limited to deliverable or non-deliverable options (including options on forward, futures contracts or swap contracts), forward contracts (such as currency forwards), futures contracts (such as currency futures, US treasury futures, stock index futures) or swap contracts on any type of financial instruments (such as credit default swaps, interest rate swaps) for hedging purposes. In particular, the Sub-Fund may acquire derivatives on equities, currencies and/or recognized financial indices for hedging purposes.

The Manager currently does not intend to:

(i) invest in asset backed securities (including mortgage backed securities and asset backed commercial papers), structured deposits or products or financial derivative instruments (except for hedging purposes as described above);
(ii) invest in debt securities issued in or distributed within the PRC, including urban investment bonds issued in the PRC (i.e. bonds issued by PRC local government financing vehicles);
(iii) enter into any securities financing transactions in respect of the Sub-Fund;

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* The credit rating of a sovereign issue generally refers to the prevailing official credit rating of the sovereign issuer assigned by an internationally recognised credit agency. In the event of spilt ratings among such credit agencies, the highest credit rating accredited to the relevant sovereign issuer shall be deemed the reference credit rating. Non-investment grade refers to a credit rating of BB+ or below from Standard & Poor's, Ba1 or below from Moody's or an equivalent rating from an internationally recognised rating agency.

and prior approval will be sought from the SFC and at least one month's prior notice will be given to Unitholders should there be a change in such intention.

The Sub-Fund may also hold cash and cash based instruments and money market instruments as considered appropriate by the Manager. The Sub-Fund may hold substantial cash and cash equivalents in adverse market conditions in order to protect the capital of the Sub-Fund.

Investment Strategy

The Sub-Fund adopts a Growth at a Reasonable Price ("GARP") strategy. The GARP strategy combines both value and growth investing principles with the aim to identify undervalued companies with sustainable growth potential. Macro and thematic trends will lay the basis of the Manager's strategy. The investment process is built upon fundamental analysis of companies, after taking reference on the Manager's macro and thematic views, and is based on the central belief that cash-flow and cash-flow return on investment (CFROI) will ultimately determine share prices over the medium and long term. The Manager focuses on identifying growth opportunities at reasonable valuations. The Manager seeks to capitalise on pricing inefficiencies identified through analysing cash-flow drivers. Reality checks are performed by making references to other conventional valuations like price-to-earnings ratio (P/E) and EV/EBITDA ratio. The Sub-Fund aims to invest in companies with sustainable CFROI, low financial gearing, pro-dividend commitment, steady dividend income and good corporate governance.

The Manager will focus on 4 key attributes of companies:

- Business model
- Management and shareholding
- Valuations
- Catalysts

Use of derivatives / investment in derivatives

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

Specific Risk Factors

Investors should refer to the relevant risks under the section headed "Risk Factors" in the main part of the Explanatory Memorandum. The following risks are of particular relevance to the Sub-Fund: "Concentration risk", "Small and medium-sized companies risk", "Emerging markets risk", "Liquidity risk", "Renminbi currency risk", "Volatility risk", "Credit risk", "Credit rating downgrading risk", "Below investment grade and unrated securities risk", "Interest rates risk", "Currency risk", "Hedging risk", "Distribution out of capital", "Risks associated with the Stock Connects" and "Risks associated with the Beijing Stock Exchange, ChiNext of the Shenzhen Stock Exchange and/or STAR market of the Shanghai Stock Exchange".

Investors should further refer to the following specific risk disclosures for the Sub-Fund:

Investment risk – The Sub-Fund mainly invests in equity and debt securities and these instruments may fall in value. There is also no guarantee of regular distribution payments during the period you hold the Units of the Sub-Fund. Investors may suffer losses as a result. The Sub-Fund is not principal guaranteed and the purchase of its Units is not the same as investing directly in debt securities.

Concentration risk / emerging market risks – The Sub-Fund invests primarily in Asia and will be subject to additional concentration risks. Please refer to the risk factor headed "Concentration risk" in the main part of the Explanatory Memorandum.

Some of the markets in which the Sub-Fund may invest are emerging markets. Investment in emerging markets is subject to additional political, social and economic risks and the prices of emerging market securities may be more volatile. Please refer to the relevant risk factor headed "Emerging markets risk" in the main part of the Explanatory Memorandum.

Liquidity risk **–** Some of the Sub-Fund's investments may be subject to higher liquidity risk. Lower liquidity may arise from a low trading volume of securities, or if trading restrictions or temporary suspensions on trading are imposed. Investment in securities that have lower liquidity may reduce returns for or result in substantial losses to the Sub-Fund if the Sub-Fund is unable to sell such securities at the time or price that is desirable. Liquidity could be reduced within a very short period of time especially during a financial market crisis. Please refer to the risk factor headed "Liquidity risk" in the main part of the Explanatory Memorandum.

RMB denominated class(es) related risk – The Sub-Fund's exposure to RMB denominated investments may be limited. The Sub-Fund offers RMB denominated class(es).

Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. When calculating the value of the RMB denominated class(es), offshore RMB (CNH) will be used. The CNH rate may be at a premium or discount to the exchange rate for onshore RMB (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. Any divergence between CNH and CNY may adversely impact investors.

Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (for example HKD) will not depreciate. Any 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).

For unhedged RMB denominated class(es), depending on the exchange rate movements of RMB relative to the base currency of the Sub-Fund and/or other currency(ies) of the non-RMB-denominated underlying investments of the Sub-Fund, investors may still suffer losses even if there are gains or no losses in the value of the non-RMB-denominated underlying investments.

Furthermore, under the scenario where RMB appreciates against the currencies of the underlying investments and/or the base currency, and the value of the underlying investments decreased, the value of investors' investments in any unhedged RMB denominated class(es) may suffer additional losses. The Net Asset Value of the Sub-Fund may be affected unfavorably by fluctuations in the exchange rates between these currencies and by changes in exchange rate controls.

RMB is currently not freely convertible and is subject to exchange controls and restrictions. 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. In case of sizeable redemption requests for the RMB denominated class(es) are received or under exceptional circumstances, payment of redemption requests and/or distributions in RMB (if any) from the RMB denominated class(es) may be delayed when there is not sufficient amount of RMB for currency conversion for payment of redemption requests and/or distributions in a timely manner due to the exchange controls and restrictions applicable to RMB.

Risks relating to equity securities – Investment in equity securities is subject to general market risk and the prices of such securities may be volatile. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political and economic conditions, regional or global economic instability, currency and interest rate fluctuations and issuer-specific factors. If the market value of equity securities in which the Sub-Fund invests goes down, its Net Asset Value may be adversely affected, and investors may suffer substantial losses. Please refer to the risk factor headed "Volatility risk" in the main part of the Explanatory Memorandum.

The Sub-Fund may have exposure to equities of smaller sized companies and the prices of such equities may be more volatile. Please refer to the risk factor headed "Small and medium-sized companies risk" in the main part of the Explanatory Memorandum.

Risks relating to REITs – The Sub-Fund may invest in REITs which may not necessarily be authorised by the SFC.

The prices of REITs are affected by changes in the value of the underlying properties owned by the REITs. Investment in REITs may therefore subject the Sub-Fund to risks similar to those from direct ownership of real property.

Real estate investments are relatively illiquid and may affect the ability of a REIT to vary its investment portfolio or liquidate part of its assets in response to changes in economic conditions, international securities markets, foreign exchange rates, interest rates, real estate markets or other conditions. Adverse global economic conditions could adversely affect the business, financial condition and results of operations of REITs. REITs may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than other securities.

Further, returns from REITs are dependent on management skills in managing the underlying properties. Investments made by REITs generally may not be diversified. In addition, certain REITs in which the Sub-Fund may invest may have their assets concentrated in specific real property sectors, and are therefore subject to the risks associated with adverse developments in these sectors.

REITs are also subject to heavy cash flow dependency, defaults by borrowers and self-liquidation. Further, borrowers under mortgages held by REITs or lessees of property that REITs own may be unable to meet their obligations to the REITs. On the other hand, if the key tenants experience a downturn in their businesses or their financial condition, they may fail to make timely rental payments or default under their leases. Tenants in a particular industry might also be affected by any adverse downturn in that industry and this may result in their failure to make timely rental payments or to default under the leases. In the event of a default, a REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments. The REITs may suffer losses as a result.

REITs may have limited financial resources and may be subject to borrowing limits. Consequently, REITs may need to rely on external sources of funding to expand their portfolios, which may not be available on commercially acceptable terms or at all. If a REIT cannot obtain capital from external sources, it may not be able to acquire properties when strategic opportunities exist.

Any due diligence exercise conducted by REITs on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies. Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow of the REITs.

Risks relating to debt securities – Investment in debt securities is subject to the credit risk of the issuers which may be unable or unwilling to make timely payments on principal and/or interest. The entire amount of investment in the debt securities is at risk of loss if there is no recovery after default of the issuer. Some of the securities that the Sub-Fund invests in may be rated below-investment grade or unrated. In general, debt securities that have a lower credit rating or that are unrated will be more susceptible to the credit risk of the issuers. Please refer to the relevant risk factors headed "Credit risk" and "Below investment grade and unrated securities risk" in the main part of the Explanatory Memorandum.

The Sub-Fund may invest in higher yielding debt securities where the level of income may be relatively high (compared to investment grade debt securities). However, investors should note that a higher distribution yield does not imply a positive or high return on the total investment. For high yield debt securities, there is a significantly higher risk of a fall in value of such securities (and therefore a loss in the investment amount) than investment grade securities. As high yield securities typically have lower credit ratings or are unrated, they are often subject to a higher risk of issuer default. These securities are more vulnerable to adverse economic conditions and their prices are more volatile (i.e. they typically fall more in value than investment grade debt securities as investors become more risk averse as default risk rises).

Investment grade securities may be subject to downgrading risk. Please refer to the relevant risk factor headed "Credit rating downgrading risk" in the main part of the Explanatory Memorandum.

Debt securities are sensitive to changes in interest rates. Interest rates are subject to fluctuations. Any such fluctuations may have a direct effect on the income received by the Sub-Fund and its capital value. Please refer to the relevant risk factor headed "Interest rates risk" in the main part of the Explanatory Memorandum.

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

Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the securities and/or issuers at all times.

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

Risks associated with derivative instruments - The Sub-Fund may have exposure to derivatives for hedging purposes. Derivatives are securities and other instruments the value or return of which is based on the performance of an underlying asset, index, interest rate or other investment. The prices of derivatives may be volatile and they may involve various risks, depending upon the derivatives and their functions in the Sub-Fund. The use of financial derivatives instruments may expose the Sub-Fund to risks including market volatility risk, credit risk, counterparty risk, liquidity risk, valuation risk and over-the-counter transaction risk. There can be no assurance that any hedging techniques will fully and effectively eliminate the risk exposure of the Sub-Fund. Derivative instruments may be illiquid and are complex in nature. In adverse situations, the Sub-Fund's use of derivatives for hedging may become ineffective and the Sub-Fund may suffer significant losses. The price of a derivative instrument can be very volatile which may result in losses in excess of the amount invested in the derivative instruments by the Sub-Fund. The leverage element/component of a derivative instrument can result in a loss significantly greater than the amount invested in the derivative instrument by the Sub-Fund. Exposure to derivative instruments may lead to a high risk of significant loss by the Sub-Fund.

Derivative instruments are subject to the risk that the counterparties of the instruments will not fulfil their obligations to the Sub-Fund. The Sub-Fund is therefore subject to risks relating to the financial soundness and credit worthiness of the counterparties and may suffer substantial losses in its investment in derivative instruments if a counterparty defaults. Settlement risk exists when such instruments are not settled in a timely manner, thereby increasing counterparty credit risk prior to settlement and potentially incurring funding costs for the Sub-Fund.

Over-the-counter derivatives are not guaranteed by an exchange or clearing house and may not be regulated by any governmental authority. It may not be possible to dispose of or close out a derivative position without the consent of the counterparty, and the Sub-Fund may not be able to enter into an offsetting contract in order to cover this risk.

Please refer to the relevant risk factors “Counterparty risk”, “Over-the-counter markets risk” and “Hedging risk” under the section headed “Risk Factors” in the main part of the Explanatory Memorandum.

Dividend Risk – There is no assurance that dividends will be declared and paid in respect of the securities held by the Sub-Fund. The rates of dividend payment in respect of such securities will depend on the performance of the relevant companies or REITs as well as other factors beyond the control of the Manager, including but not limited to the dividend policy of the relevant companies or REITs.

In addition, whether or not distributions will be made by the Sub-Fund is at the discretion of the Manager taking into account various factors. There can be no assurance that the distribution yield of the Sub-Fund is the same as that of the underlying securities.

Risks relating to distributions from capital – The Manager may in its discretion distribute dividends out of capital of the Sub-Fund. Please note the relevant risk associated with distributions out of capital set out in the risk factor “Distribution out of capital” in the main part of the Explanatory Memorandum and further disclosures set out under the heading “Distribution” below.

Currency risk and currency hedging risks –

Currency movements and asset values:

Assets of the Sub-Fund may be denominated in a currency other than the base currency of the Sub-Fund or the currency of denomination of a class of Units of the Sub-Fund (if different from the base currency). Any income or capital received by the Sub-Fund from these investments may be denominated in the local currency denomination of the relevant asset, whereas the Sub-Fund is denominated in the base currency and the class of Units may be designated in a currency other than the base currency of the Sub-Fund.

Accordingly:-

(i) changes in the exchange rate between the base currency and the currency denomination of an asset may lead to a depreciation of the value of such asset; and

(ii) changes in the exchange rate between the base currency and the currency of denomination of a class (i.e. class currency) may lead to a depreciation of the value of Units of such class as expressed in the class currency.

Please also refer to the risk factor headed "Currency risk" in the main part of the Explanatory Memorandum.

Risks concerning Asian currencies:

Insofar as the Sub-Fund invests in Asia ex-Japan Region fixed income and debt instruments denominated in the relevant local currencies, the Sub-Fund may be subject to additional exchange rate risks. Emerging markets may be subject to additional political, social, economic, regulatory and settlement risks. These factors may adversely affect the exchange rates of emerging market currencies and hence the value of the securities held by the Sub-Fund. Adverse economic developments (such as trade barriers, exchange controls, managed adjustments in relative currency and other protectionist measures imposed or negotiated by the countries with which they trade) and/or political events (including changes in foreign exchange policies), may result in substantial depreciation in currency exchange rates or unstable currency fluctuations. As a result, currencies of emerging markets may be more volatile than major world currencies such as USD, Euro or British Pound.

Risks relating to currency hedging:

The Sub-Fund may use techniques and instruments to seek to hedge against exchange rate risks and protect against fluctuations in the relative value of its portfolio positions. However, it may not be possible or practical to hedge against such risks at all times. These hedging transactions may, on the other hand, limit any potential gain that might be realised should the value of the hedged currency increase. There is no guarantee that hedging techniques will achieve their desired result and a hedged strategy may not be able to match exactly the profile of the investments of the Sub-Fund. The abovementioned hedging transactions may become ineffective and the Sub-Fund may suffer a substantial loss.

The Sub-Fund offers hedged classes of Units. Where hedging is undertaken at class level, then such transactions will each be solely attributable to the relevant class and any gains or losses will be borne by such class accordingly. The gains or losses for class specific hedging will be reflected in the prices of the hedged classes of Units and, as a result, Unitholders in hedged classes of Units may be adversely affected by the class hedging strategies. The use of class hedging strategies may also substantially limit Unitholders of the hedged class from benefiting if the class currency falls against the currency in which the assets of the relevant Sub-Fund are denominated.

Available Classes

Class A Units are available for sale to the retail public.

Class I, Class P and Class S Units are offered to private bank or institutional investors or other investors determined by the Manager. Class S will only be made available with the Manager's agreement in writing.

For the Sub-Fund, the following hedged classes are offered:

Class I (RMB hedged), Class I (RMB hedged Acc)
Class P (RMB hedged), Class P (RMB hedged Acc)

Investment Minima

	Class A	**Class I**	**Class P**	**Class S**
Minimum Subscription Amount	For USD denominated classes: US$1,000 For HKD denominated classes: HK$10,000 For RMB denominated classes: RMB10,000	For USD denominated classes: US$5 million For HKD denominated classes: HK$30 million For RMB denominated classes: RMB30 million	For USD denominated classes: US$100,000 For HKD denominated classes: HK$500,000 For RMB denominated classes: RMB500,000	For USD denominated classes: US$5 million For HKD denominated classes: HK$30 million For RMB denominated classes: RMB30 million (or such other amount as the Manager may from time to time approve)
Minimum Subsequent Subscription Amount	For USD denominated classes: US$100 For HKD denominated classes: HK$1,000 For RMB denominated classes: RMB1,000	For USD denominated classes: US$10,000 For HKD denominated classes: HK$50,000 For RMB denominated classes: RMB50,000	For USD denominated classes: US$1,000 For HKD denominated classes: HK$5,000 For RMB denominated classes: RMB5,000	For USD denominated classes: US$10,000 For HKD denominated classes: HK$50,000 For RMB denominated classes: RMB50,000
Minimum Holding	For USD denominated classes: US$1,000 For HKD denominated classes: HK$10,000 For RMB denominated classes: RMB10,000	For USD denominated classes: US$5 million For HKD denominated classes: HK$30 million For RMB denominated	For USD denominated classes: US$100,000 For HKD denominated classes: HK$500,000 For RMB denominated	For USD denominated classes: US$5 million For HKD denominated classes: HK$30 million For RMB denominated

		classes: RMB30 million	classes: RMB500,000	classes: RMB30 million (or such other amount as the Manager may from time to time approve)
Minimum Redemption Amount	For USD denominated classes: US$1,000 For HKD denominated classes: HK$5,000 For RMB denominated classes: RMB1,000	For USD denominated classes: US$10,000 For HKD denominated classes: HK$50,000 For RMB denominated classes: RMB50,000	For USD denominated classes: US$1,000 For HKD denominated classes: HK$5,000 For RMB denominated classes: RMB5,000	For USD denominated classes: US$10,000 For HKD denominated classes: HK$50,000 For RMB denominated classes: RMB50,000

Fees

	Class A	**Class I**	**Class P**	**Class S**
Fees payable by investors				
Preliminary Charge (% of total subscription amount)	up to 5%	up to 5%	up to 5%	up to 5%
Redemption Charge (% of Redemption Price)	Nil	Nil	Nil	Nil
Switching Charge (% of total amount being switched out of the Existing Class)	up to 1%	Nil	up to 1%	Nil
Fees payable by the Sub-Fund				
Management Fee (% Net Asset Value of the Sub-Fund)	up to 1.5% p.a.	up to 0.75% p.a.	up to 1.2% p.a.	0%
Trustee Fee (% Net Asset Value of the Sub-Fund)	up to 0.15% p.a., subject to a minimum monthly fee of US$6,000.			
Custody Fees (% Net Asset Value of the Sub-Fund)	up to 0.075% p.a.			

Establishment Costs

The costs of establishment of Harvest Asia Dividend Equity Fund amount to approximately US$150,000 and such amount will be amortised over a period of three Accounting Periods of the Sub-Fund.

Dealing Day

Every Business Day.

Dealing Deadline

5 p.m. (Hong Kong time) on the relevant Dealing Day.

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

Subscription, Redemption and Switching of Units

Class A (USD), Class I (USD), Class I (USD Acc), Class P (USD), Class S (USD)[2] are available for subscription at US$10 per Unit (exclusive of preliminary charge) and Class A (HKD), Class I (HKD), Class P (HKD), Class S (HKD)[2] are available for subscription at HK$100 per Unit (exclusive of preliminary charge), Class A (RMB), Class A (RMB Acc), Class I (RMB), Class I (RMB Acc), Class P (RMB), Class P (RMB Acc), Class S (RMB)[2] are available for subscription at RMB100 per Unit (exclusive of preliminary charge) until such time an investor invests into such class of Unit or as otherwise agreed between the Trustee and the Manager. Following such subscription, Units of the relevant class will be issued at the prevailing Issue Price.
For details regarding the procedures for subscription, redemption and switching, see the main part of the Explanatory Memorandum under "Purchase of Units", "Redemption of Units" and "Switching between Classes".

Distributions

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

For Class A (RMB Acc), Class I (USD Acc), Class I (RMB Acc), Class I (RMB hedged Acc), Class P (RMB Acc) and Class P (RMB hedged Acc):

The Manager does not currently intend to make any distribution (whether out of income or capital) but instead intends to reinvest all income and gains (if any).

[2] Class S will only be made available with the Manager's agreement in writing.

For Classes other than Class A (RMB Acc), Class I (USD Acc), Class I (RMB Acc), Class I (RMB hedged Acc), Class P (RMB Acc) and Class P (RMB hedged Acc):

It is currently intended that no dividend will be paid during the first year after the launch of the Sub-Fund. Thereafter, distributions will be declared on a semi-annual basis (i.e. in June and December each year, if applicable) and payable in the relevant class currency. There is no guarantee of regular distribution and if distribution is made the amount being distributed.

Dividends, if any, may be paid from income and/or capital of the Sub-Fund at the Manager's discretion. Payment of dividends 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 the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Unit. Compositions of the dividend distributions (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months will be available from the Manager upon request and on the website of the Manager www.harvestglobal.com.hk on a regular basis. Please note that the aforesaid website has not been reviewed by the SFC. Please refer to the risk factor headed "Distribution out of capital" in the section headed "Risk Factors" in the main part of the Explanatory Memorandum for the relevant risks.

The Manager may change the distribution policy subject to the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

Valuation

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

APPENDIX III – Harvest Global Real Estate Opportunities Fund

This Appendix comprises information in relation to Harvest Global Real Estate Opportunities Fund, a Sub-Fund of the Fund.

Application Moneys / Redemption Proceeds

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

Base Currency

The base currency of the Sub-Fund is USD.

Six different currencies of denomination (i.e. the class currencies) are offered: USD, HKD, RMB, AUD, EUR and JPY. The class currency will be indicated in the name of the relevant class, as follows:

For Class A (USD), Class A (USD Acc), Class I (USD), Class I (USD Acc), Class P (USD), Class P (USD Acc), Class S (USD), and Class S (USD Acc): U.S. Dollars
For Class A (HKD), Class A (HKD Acc), Class I (HKD), Class I (HKD Acc), Class P (HKD), Class P (HKD Acc), Class S (HKD), and Class S (HKD Acc): Hong Kong Dollars
For Class A (RMB), Class A (RMB Acc), Class A (RMB hedged), Class A (RMB hedged Acc), Class I (RMB), Class I (RMB Acc), Class I (RMB hedged), Class I (RMB hedged Acc), Class P (RMB), Class P (RMB Acc), Class P (RMB hedged), Class P (RMB hedged Acc), Class S (RMB), Class S (RMB Acc), Class S (RMB hedged), and Class S (RMB hedged Acc): RMB
For Class A (AUD), Class A (AUD Acc), Class A (AUD hedged), Class A (AUD hedged Acc), Class I (AUD), Class I (AUD Acc), Class I (AUD hedged), Class I (AUD hedged Acc), Class P (AUD), Class P (AUD Acc), Class P (AUD hedged), Class P (AUD hedged Acc), Class S (AUD), Class S (AUD Acc), Class S (AUD hedged), and Class S (AUD hedged Acc): Australian Dollars
For Class A (EUR), Class A (EUR Acc), Class A (EUR hedged), Class A (EUR hedged Acc), Class I (EUR), Class I (EUR Acc), Class I (EUR hedged), Class I (EUR hedged Acc), Class P (EUR), Class P (EUR Acc), Class P (EUR hedged), Class P (EUR hedged Acc), Class S (EUR), Class S (EUR Acc), Class S (EUR hedged), and Class S (EUR hedged Acc): Euro
For Class A (JPY), Class A (JPY Acc), Class A (JPY hedged), Class A (JPY hedged Acc), Class I (JPY), Class I (JPY Acc), Class I (JPY hedged), Class I (JPY hedged Acc), Class P (JPY), Class P (JPY Acc), Class P (JPY hedged), Class P (JPY hedged Acc), Class S (JPY), Class S (JPY Acc), Class S (JPY hedged), Class S (JPY hedged Acc), and Class J (JPY): Japanese Yen

Investors in Class J (JPY) Units should pay attention to the terms applicable to dealing in such class of Units. Please refer to further information set out under the heading "Subscription, Redemption and Switching of Units" below.

Initial Offer

All classes of Units were available for subscription during the period commencing 9:00 a.m. (Hong Kong time) on 3 April 2018 to 5:00 p.m. (Hong Kong time) on 31 May 2018 (or such other dates as the Manager and the Trustee may determine). The initial offer period for unlaunched classes has been extended until such time as an investor subscribes into the relevant class without separate notification. Following the close of the initial offer period, Units of the relevant class will be issued at the prevailing Issue Price.

The initial offer price per Unit of the following classes is:-

For Class A (USD), Class A (USD Acc), Class I (USD), Class I (USD Acc), Class P (USD), Class P (USD Acc), Class S (USD)[3], and Class S (USD Acc)[3]: USD10 per Unit
For Class A (HKD), Class A (HKD Acc), Class I (HKD), Class I (HKD Acc), Class P (HKD), Class P (HKD Acc), Class S (HKD)[3], and Class S (HKD Acc)[3]: HKD100 per Unit
For Class A (RMB), Class A (RMB Acc), Class A (RMB hedged), Class A (RMB hedged Acc), Class I (RMB), Class I (RMB Acc), Class I (RMB hedged), Class I (RMB hedged Acc), Class P (RMB), Class P (RMB Acc), Class P (RMB hedged), Class P (RMB hedged Acc), Class S (RMB)[3], Class S (RMB Acc)[3], Class S (RMB hedged)[3], and Class S (RMB hedged Acc)[3]: RMB100 per Unit
For Class A (AUD), Class A (AUD Acc), Class A (AUD hedged), Class A (AUD hedged Acc), Class I (AUD), Class I (AUD Acc), Class I (AUD hedged), Class I (AUD hedged Acc), Class P (AUD), Class P (AUD Acc), Class P (AUD hedged), Class P (AUD hedged Acc), Class S (AUD)[3], Class S (AUD Acc)[3], Class S (AUD hedged)[3], and Class S (AUD hedged Acc)[3]: AUD10 per Unit
For Class A (EUR), Class A (EUR Acc), Class A (EUR hedged), Class A (EUR hedged Acc), Class I (EUR), Class I (EUR Acc), Class I (EUR hedged), Class I (EUR hedged Acc), Class P (EUR), Class P (EUR Acc), Class P (EUR hedged), Class P (EUR hedged Acc), Class S (EUR)[3], Class S (EUR Acc)[3], Class S (EUR hedged)[3], and Class S (EUR hedged Acc)[3]: EUR10 per Unit
For Class A (JPY), Class A (JPY Acc), Class A (JPY hedged), Class A (JPY hedged Acc), Class I (JPY), Class I (JPY Acc), Class I (JPY hedged), Class I (JPY hedged Acc), Class P (JPY), Class P (JPY Acc), Class P (JPY hedged), Class P (JPY hedged Acc), Class S (JPY)[3], Class S (JPY Acc)[3], Class S (JPY hedged)[3], Class S (JPY hedged Acc)[3], and Class J (JPY)[3]: JPY1,000 per Unit

The Manager is entitled to charge a preliminary charge of up to 5% of the total subscription amount received.

The above classes of Units will be issued on the second Business Day following the last day of the initial offer period in respect of applications (together with cleared funds) received prior to 5:00 p.m. (Hong Kong time) on the last day of the initial offer period and accepted by the Manager. If applications and/or cleared funds are received after that time, such applications shall be carried forward to the next Dealing Day.

[3] Class S will only be made available with the Manager's agreement in writing.

In the event that the targeted subscription level 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 launching the Sub-Fund, the Manager may in its discretion extend the initial offer period for the Sub-Fund or determine that the Sub-Fund will not be launched. Notwithstanding the aforesaid, the Manager reserves the discretion to proceed with the launch of the Sub-Fund even if the targeted subscription level has not been achieved during the initial offer period having regard to the prevailing market conditions.

Investment Objective and Policy

The Sub-Fund seeks to achieve long term capital appreciation through primarily investing in a managed portfolio of real estate securities on a global basis.

The Sub-Fund seeks to achieve its objective through investing at least 70% of its Net Asset Value in securities issued by real estate related entities worldwide, including but not limited to equities, equities related securities and real estate investment trusts ("REITs"). For the purpose of this section, "real estate related entities" are companies or other entities with a significant portion of their assets, revenues or net income attributable to ownership, construction, management or transactions of real estate. The Sub-Fund will invest on a global basis, including but not limited to North America, Europe and Asia.

There are no specific market capitalisation requirements and the Sub-Fund may be invested in small-capitalisation / mid-capitalisation companies.

The Sub-Fund may invest less than 30% of its Net Asset Value in (i) other collective investment schemes (such as equity funds) ("underlying funds"), exchange-traded funds (which are not REITs) ("ETFs") and exchange traded notes ("ETNs") which primarily invest in real estate and/or real estate related entities, and/or (ii) equities or equities related securities issued by non-real estate related entities, debt securities (issued and settled in any currency worldwide), money market instruments and/or cash and cash equivalents. The Sub-Fund's holdings in underlying funds which are not authorised by the SFC and non-recognised jurisdiction schemes, in aggregate, will not be more than 10% of the Sub-Fund's Net Asset Value.

There is no minimum credit rating requirement in respect of the debt securities in which the Sub-Fund may invest; however, the Sub-Fund is not expected to invest more than 10% of its Net Asset Value in securities issued by and/or guaranteed by any single sovereign issuer that is rated non-investment grade and/or unrated (including its government and a public or local authority of that country). Non-investment grade refers to a credit rating of BB+ or below from Standard & Poor's, Ba1 or below from Moody's or an equivalent rating from an internationally recognised rating agency.

Subject to the above, the Sub-Fund may directly or indirectly invest less than 20% of its Net Asset Value in China A-Shares (including REITs listed in the stock exchanges in Mainland China, if available) and/or China B-Shares. Direct exposure may be obtained via the Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and/or other similar programmes (for China A-Shares only) or through the QFI status of the Manager. Indirect exposure to such securities may be obtained through A-Share Access Products, ETFs or funds investing in such securities.

Generally, the Sub-Fund may invest up to 20% of its Net Asset Value in cash, cash equivalents and/or money market instruments. However, under exceptional circumstances (e.g. market crash, major crisis, or where the Manager reasonably foresees adverse market conditions or increased market volatility etc.), the Sub-Fund may be invested temporarily up to 100% in such assets for liquidity and cash flow management purposes and/or to limit downside risks.

The Sub-Fund may use derivatives for hedging or investment purposes. The use of derivatives for investment purposes (e.g. warrants, futures and options) will be subject to the applicable restrictions as set out in the Explanatory Memorandum under the heading "Investment and Borrowing Restrictions". For hedging purposes, the Sub-Fund may use various types of derivatives instruments, including but not limited to deliverable or non-deliverable forward contracts, futures contracts, swap contracts as well as options. In particular, the Sub-Fund may acquire derivatives in equities, bonds, currencies and/or recognized financial indices.

The Sub-Fund will not invest in mortgaged-backed securities, asset-backed securities or asset-backed commercial papers or enter into any securities financing transactions in respect of the Sub-Fund. Prior approval will be sought from the SFC and at least one month's prior notice will be given to Unitholders should there be a change in such intention.

Investors should note that insofar as the Sub-Fund directly invests in REITs, any dividend policy or dividend payout at the Sub-Fund level may not be representative of the dividend policy or dividend payout of the underlying REITs. Hong Kong investors should also note that the relevant underlying REITs may not necessarily be authorised by the SFC in Hong Kong. The Sub-Fund does not invest directly in real estate. It is authorised under the SFC's Code on Unit Trusts and Mutual Funds and not under the SFC's Code on Real Estate Investment Trusts. SFC authorisation is not a recommendation or endorsement of a Sub-Fund nor does it guarantee the commercial merits of a Sub-Fund or its performance. It does not mean the Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

Investment Strategy

The Sub-Fund combines a top-down regional allocation process with an active bottom-up approach to selecting securities. The top-down regional allocation process involves the analysis of both the economic environment (including but not limited to GDP, employment, consumption indicators, interest rates and inflation) in each region and property fundamentals (demand, supply, vacancy, rental rates and development margins) for each region. The security selection process is based primarily on fundamental research and starts with the construction of a broad investment universe that is then screened to establish a smaller investment universe from which securities are considered for further research, valuation and eventually portfolio inclusion. Some of the key aspects of the fundamental research include public information and financial data, on-site property inspections and company visits, company management interviews and detailed valuation analysis and modelling. The Sub-Fund also intends to take advantage of events that can result in the short term mispricing of real estate securities.

Use of derivatives / investment in derivatives

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

Specific Risk Factors

Investors should refer to the relevant risks under the section headed "Risk Factors" in the main part of the Explanatory Memorandum. The following risks are in particular relevant to the Sub-Fund: "Market risk", "China market risk", "Risks relating to A-Share Access Products", "Foreign exchange control risk", "Interest rates risk", "Credit rating downgrading risk", "Below investment grade and unrated securities risk", "Credit risk", "Sovereign risk", "Over-the-counter markets risk", "Hedging risk", "Small and medium-sized companies risk", "Derivative and structured product risk", "Restricted market risk", "Legal, tax and regulatory risk", "Custodial risk", "Counterparty risk", "Risk of termination", "Foreign Account Tax Compliance Act", "Automatic Exchange of Financial Account Information and Related Matters", "Risks associated with the Stock Connects", "Concentration risk", "RMB denominated class(es) related risk", "Emerging market risk", "Liquidity risk", "Volatility risk", "Currency risk", "Risk relating to investments in ETFs", "Risks relating to REITs" and "Risks of investing in other funds".

Investors should further refer to the following specific risk disclosures for the Sub-Fund:

Investment risk – The Sub-Fund invests in equity and these instruments may fall in value. There is no guarantee of the repayment of principal. There is also no guarantee of regular distribution payments during the period you hold the Units of the Sub-Fund. The instruments invested by the Sub-Fund may fall in value and therefore investors' investment in the Sub-Fund may suffer losses.

Risks relating to equity securities – Investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors. Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, regional or global economic instability, currency and interest rate fluctuations and issuer-specific factors. If the market value of equity securities in which the Sub-Fund invests goes down, its Net Asset Value may be adversely affected, and investors may suffer substantial losses. Please refer to the risk factor headed "Volatility risk" in the main part of the Explanatory Memorandum. Further, securities exchange typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the Sub-Fund.

Liquidity risk – Some of the Sub-Fund's investments may be subject to higher liquidity risk. Lower liquidity may arise from a low trading volume of securities, or if trading restrictions or temporary suspensions on trading are imposed. Investment in securities that have lower liquidity may reduce returns for or result in substantial losses to the Sub-Fund if the Sub-Fund is unable to sell such securities at the time or price that is desirable. Liquidity could be reduced within a very short period of time especially during a financial market crisis. Please refer to the risk factor headed "Liquidity risk" in the main part of the Explanatory Memorandum.

Currency risk and currency hedging risks –

Currency movements and asset values:

Underlying investments of the Sub-Fund may be denominated in currencies other than the base currency of the Sub-Fund. Any income or capital received by the Sub-Fund from these investments may be denominated in the local currency denomination of the relevant asset, whereas the Sub-Fund is denominated in the base currency and the class of Units may be designated in a currency other than the base currency of the Sub-Fund.

Accordingly:-

(i) changes in the exchange rate between the base currency and the currency denomination of an asset may lead to a depreciation of the value of such asset; and

(ii) changes in the exchange rate between the base currency and the currency of denomination of a class (i.e. class currency) may lead to a depreciation of the value of Units of such class as expressed in the class currency.

Please also refer to the risk factor headed "Currency risk" in the main part of the Explanatory Memorandum.

Risks relating to currency hedging:

The Sub-Fund may use techniques and instruments to seek to hedge against exchange rate risks and protect against fluctuations in the relative value of its portfolio positions. However, it may not be possible or practical to hedge against such risks at all times. These hedging transactions may, on the other hand, limit any potential gain that might be realised should the value of the hedged currency increase. There is no guarantee that the desired hedging instruments will be available or that the hedging techniques will achieve their desired result, and a hedged strategy may not be able to match exactly the profile of the investments of the Sub-Fund. The abovementioned hedging transactions may become ineffective and the Sub-Fund may suffer a substantial loss.

The Sub-Fund offers hedged classes of Units. Where hedging is undertaken at class level, then such transactions will each be solely attributable to the relevant class and any gains or losses will be borne by such class accordingly. The gains or losses for class specific hedging will be reflected in the prices of the hedged classes of Units and, as a result, Unitholders in hedged classes of Units may be adversely affected by the class hedging strategies. The use of class hedging strategies may also substantially limit Unitholders of the hedged class from benefiting if the class currency falls against the currency in which the assets of the relevant Sub-Fund are denominated, i.e. it may limit potential gains of the hedged class.

Dividend Risk – There is no assurance that dividends will be declared and paid in respect of the securities held by the Sub-Fund. The rates of dividend payment in respect of such securities will depend on the performance of the relevant companies or REITs as well as other factors beyond the control of the Manager, including but not limited to the dividend policy of the relevant companies or REITs.

In addition, whether or not distributions will be made by the Sub-Fund is at the discretion of the Manager taking into account various factors. There can be no assurance that the distribution yield of the Sub-Fund is the same as that of the underlying securities.

Cross Trades

If the Manager believes it will be in the best interests of the Sub-Fund, the Manager may effect cross trades among its client accounts, provided that such transactions are consistent with applicable rules and regulations (including the applicable provisions of the SFC's Fund Manager Code of Conduct) and contractual requirements. Cross transactions involving client accounts will be conducted in accordance with the Manager's internal policies, which are intended to ensure that each account is treated fairly, and applicable rules and regulations (including the applicable provisions of the SFC's Fund Manager Code of Conduct) are met. Among other things, the Manager's policies establish the pricing mechanism to be used in this context. In these circumstances, the Manager will not receive any compensation in addition to its management fee.

Available Classes

Class A Units are available for sale to the retail public.

Class I, Class P and Class S Units are offered to private bank or institutional investors or other investors determined by the Manager. Class S will only be made available with the Manager's agreement in writing.

Class J Units will only be offered to and can only be acquired by investors that are established as "Fund of Funds" type of investment vehicles as defined from time to time in the Regulations on Management of Investment Trust etc. of the Investment Trusts Association of Japan, regardless of whether it is resident or established in Japan or elsewhere or by such other investors as agreed by the Manager in writing.

For the Sub-Fund, the following hedged classes are offered:

> Class A (RMB hedged), Class A (RMB hedged Acc), Class I (RMB hedged), Class I (RMB hedged Acc), Class P (RMB hedged), Class P (RMB hedged Acc), Class S (RMB hedged), Class S (RMB hedged Acc)
> Class A (AUD hedged), Class A (AUD hedged Acc), Class I (AUD hedged), Class I (AUD hedged Acc), Class P (AUD hedged), Class P (AUD hedged Acc), Class S (AUD hedged), Class S (AUD hedged Acc)

Class A (EUR hedged), Class A (EUR hedged Acc), Class I (EUR hedged), Class I (EUR hedged Acc), Class P (EUR hedged), Class P (EUR hedged Acc), Class S (EUR hedged), Class S (EUR hedged Acc)
Class A (JPY hedged), Class A (JPY hedged Acc), Class I (JPY hedged), Class I (JPY hedged Acc), Class P (JPY hedged), Class P (JPY hedged Acc), Class S (JPY hedged), Class S (JPY hedged Acc)

For the hedged classes, the term "hedged" is placed after the currency of denomination (or class currency) of the relevant class, e.g. for hedged Class A Units of the Sub-Fund denominated in RMB: Class A (RMB hedged).

In relation to the hedged classes, the Manager may enter into certain currency related transactions in order to hedge the currency exposure of the assets of the Sub-Fund attributable to the relevant hedged class of Units into the currency of denomination of the hedged class of Units and/or hedge against the exchange rate fluctuation risks between the relevant class currency and the base currency of the Sub-Fund.

There is no guarantee that hedging techniques will achieve their desired result. Investors should pay attention to the heading "Risks relating to currency hedging" under the section headed "Currency risk and currency hedging risks" in the "Specific Risk Factors" for the Sub-Fund.

Investment Minima

	Class A	**Class I**	**Class P**	**Class S**[4]	**Class J**
Minimum Subscription Amount	For USD denominated classes: US$1,000 For HKD denominated classes: HK$10,000 For RMB denominated classes: RMB10,000 For AUD denominated classes: AUD1,000 For EUR denominated classes: EUR1,000 For JPY denominated classes: JPY100,000	For USD denominated classes: US$5 million For HKD denominated classes: HK$30 million For RMB denominated classes: RMB30 million For AUD denominated classes: AUD5 million For EUR denominated classes: EUR3 million For JPY denominated	For USD denominated classes: US$100,000 For HKD denominated classes: HK$500,000 For RMB denominated classes: RMB500,000 For AUD denominated classes: AUD100,000 For EUR denominated classes: EUR100,000 For JPY denominated	For USD denominated classes: US$5 million For HKD denominated classes: HK$30 million For RMB denominated classes: RMB30 million For AUD denominated classes: AUD5 million For EUR denominated classes: EUR3 million For JPY denominated	Class J (JPY): JPY 300 million

[4] Class S will only be made available with the Manager's agreement in writing.

		classes: JPY300 million	classes: JPY10 million	classes: JPY300 million (or such other amount as the Manager may from time to time approve)	
Minimum Subsequent Subscription Amount	For USD denominated classes: US$100 For HKD denominated classes: HK$1,000 For RMB denominated classes: RMB1,000 For AUD denominated classes: AUD100 For EUR denominated classes: EUR100 For JPY denominated classes: JPY10,000	For USD denominated classes: US$10,000 For HKD denominated classes: HK$50,000 For RMB denominated classes: RMB50,000 For AUD denominated classes: AUD10,000 For EUR denominated classes: EUR10,000 For JPY denominated classes: JPY50,000	For USD denominated classes: US$1,000 For HKD denominated classes: HK$5,000 For RMB denominated classes: RMB5,000 For AUD denominated classes: AUD1,000 For EUR denominated classes: EUR1,000 For JPY denominated classes: JPY10,000	For USD denominated classes: US$10,000 For HKD denominated classes: HK$50,000 For RMB denominated classes: RMB50,000 For AUD denominated classes: AUD10,000 For EUR denominated classes: EUR10,000 For JPY denominated classes: JPY50,000	Class J (JPY): JPY 50,000
Minimum Holding	For USD denominated classes: US$1,000 For HKD denominated classes: HK$10,000 For RMB denominated classes: RMB10,000 For AUD denominated classes: AUD1,000 For EUR denominated classes: EUR1,000	For USD denominated classes: US$5 million For HKD denominated classes: HK$30 million For RMB denominated classes: RMB30 million For AUD denominated classes: AUD5 million For EUR denominated classes: EUR3 million	For USD denominated classes: US$100,000 For HKD denominated classes: HK$500,000 For RMB denominated classes: RMB500,000 For AUD denominated classes: AUD100,000 For EUR denominated classes: EUR100,000	For USD denominated classes: US$5 million For HKD denominated classes: HK$30 million For RMB denominated classes: RMB30 million For AUD denominated classes: AUD5 million For EUR denominated classes: EUR3 million	Class J (JPY): JPY 300 million

	For JPY denominated classes: JPY100,000	For JPY denominated classes: JPY300 million	For JPY denominated classes: JPY10 million	For JPY denominated classes: JPY300 million (or such other amount as the Manager may from time to time approve)	
Minimum Redemption Amount	For USD denominated classes: US$100 For HKD denominated classes: HK$1,000 For RMB denominated classes: RMB1,000 For AUD denominated classes: AUD100 For EUR denominated classes: EUR100 For JPY denominated classes: JPY10,000	For USD denominated classes: US$10,000 For HKD denominated classes: HK$50,000 For RMB denominated classes: RMB50,000 For AUD denominated classes: AUD10,000 For EUR denominated classes: EUR10,000 For JPY denominated classes: JPY50,000	For USD denominated classes: US$1,000 For HKD denominated classes: HK$5,000 For RMB denominated classes: RMB5,000 For AUD denominated classes: AUD1,000 For EUR denominated classes: EUR1,000 For JPY denominated classes: JPY10,000	For USD denominated classes: US$10,000 For HKD denominated classes: HK$50,000 For RMB denominated classes: RMB50,000 For AUD denominated classes: AUD10,000 For EUR denominated classes: EUR10,000 For JPY denominated classes: JPY50,000	Class J (JPY): JPY 50,000

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

Fees

	Class A	**Class I**	**Class P**	**Class S[5]**	**Class J**
Fees payable by investors					

[5] Class S will only be made available with the Manager's agreement in writing.

Preliminary Charge (% of total subscription amount)	up to 5%	up to 5%	up to 5%	up to 5%	up to 5%
Redemption Charge (% of Redemption Price)	Nil	Nil	Nil	Nil	Nil
Switching Charge (% of total amount being switched out of the Existing Class)	up to 1%	Nil	up to 1%	Nil	Nil
Fees payable by the Sub-Fund					
Management Fee (% Net Asset Value of the Sub-Fund)	up to 1.5% p.a.	up to 0.75% p.a.	up to 1.2% p.a.	0%	up to 0.75% p.a.
Trustee Fee (% Net Asset Value of the Sub-Fund)	up to 0.15% p.a., subject to a minimum monthly fee of US$6,000.				
Custody Fees (% Net Asset Value of the Sub-Fund)	up to 0.075% p.a.				

Establishment Costs

The costs of establishment of Harvest Global Real Estate Opportunities Fund amount to approximately US$75,000 and such amount will be amortised over a period of three Accounting Periods of the Sub-Fund.

Dealing Day

Every Business Day.

Dealing Deadline

5 p.m. (Hong Kong time) on the relevant Dealing Day.

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

Subscription, Redemption and Switching of Units

Until such time an investor invests into such classes of Unit or as otherwise agreed between the Trustee and the Manager, the classes of Unit are available for subscription at the following prices:-

Classes	**Subscription Prices per Unit (exclusive of preliminary charge)**
USD denominated classes	USD10
HKD denominated classes	HKD100
RMB denominated classes	RMB100
AUD denominated classes	AUD10
EUR denominated classes	EUR10
JPY denominated classes	JPY1,000

Following such subscription, Units of the relevant class will be issued at the prevailing Issue Price.

Unitholders of Class J (JPY) Units should note that generally, the Manager will not consent to the conversion of Class J (JPY) Units into other classes of Units in the Sub-Fund, nor may Units of other classes be converted into Class J (JPY) Units.

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

Distributions

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

For Class A (USD Acc), Class I (USD Acc), Class P (USD Acc), Class S (USD Acc), Class A (HKD Acc), Class I (HKD Acc), Class P (HKD Acc), Class S (HKD Acc), Class A (RMB Acc), Class A (RMB hedged Acc), Class I (RMB Acc), Class I (RMB hedged Acc), Class P (RMB Acc), Class P (RMB hedged Acc), Class S (RMB Acc), Class S (RMB hedged Acc), Class A (AUD Acc), Class A (AUD hedged Acc), Class I (AUD Acc), Class I (AUD hedged Acc), Class P (AUD Acc), Class P (AUD hedged Acc), Class S (AUD Acc), Class S (AUD hedged Acc), Class A (EUR Acc), Class A (EUR hedged Acc), Class I (EUR Acc), Class I (EUR hedged Acc), Class P (EUR Acc), Class P (EUR hedged Acc), Class S (EUR Acc), Class S (EUR hedged Acc), Class A (JPY Acc), Class A (JPY hedged Acc), Class I (JPY Acc), Class I (JPY hedged Acc), Class P (JPY Acc), Class P (JPY hedged Acc), Class S (JPY Acc), and Class S (JPY hedged Acc) :

The Manager does not currently intend to make any distribution (whether out of income or capital) but instead intends to reinvest all income and gains (if any).

For classes other than Class A (USD Acc), Class I (USD Acc), Class P (USD Acc), Class S (USD Acc), Class A (HKD Acc), Class I (HKD Acc), Class P (HKD Acc), Class S (HKD Acc), Class A (RMB Acc), Class A (RMB hedged Acc), Class I (RMB Acc), Class I (RMB hedged Acc), Class P (RMB Acc), Class P (RMB hedged Acc), Class S (RMB Acc), Class S (RMB hedged Acc), Class A (AUD Acc), Class A (AUD hedged Acc), Class I (AUD Acc), Class I (AUD hedged Acc), Class P (AUD Acc), Class P (AUD hedged Acc), Class S (AUD Acc), Class S (AUD hedged Acc), Class A (EUR Acc), Class A (EUR hedged Acc), Class I (EUR Acc), Class I (EUR hedged Acc), Class P (EUR Acc), Class P (EUR hedged Acc), Class S (EUR Acc), Class S (EUR hedged Acc), Class A (JPY Acc), Class A (JPY hedged Acc), Class I (JPY Acc), Class I (JPY hedged Acc), Class P (JPY Acc), Class P (JPY hedged Acc), Class S (JPY Acc), and Class S (JPY hedged Acc) :

It is currently intended that distributions will be declared on a semi-annual basis (i.e. in June and December each year, if applicable) and payable in the relevant class currency. There is no guarantee of regular distribution and if distribution is made the amount being distributed.

Dividends, if any, are intended to be paid only from net income (the income net of fees and expenses) of the Sub-Fund at the Manager's discretion.

The Manager may change the distribution policy subject to the SFC's prior approval and by giving not less than one month's prior notice to Unitholders.

Valuation

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

SCHEDULE 1
INVESTMENT AND BORROWING RESTRICTIONS

1. <u>Investment limitations applicable to each Sub-Fund</u>

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

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

(i) investments in securities issued by that entity;

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

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

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

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

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

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

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

(i) investments in securities issued by those entities;

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

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

For the purposes of sub-paragraphs 1(b) and 1(c) of this Schedule 1, "entities within the same group" means entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognized accounting standards.

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

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

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

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

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

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

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

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

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

(g) (i) the value of the Sub-Fund's investment in units or shares in other collective investment schemes (namely "**underlying schemes**") which are non-eligible schemes (the list of "eligible schemes" is as specified by the SFC from time to time) and not authorized by the SFC in aggregate exceeding 10% of its latest available Net Asset Value; and

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

provided that:

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

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

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

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

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

For the avoidance of doubt:

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

(bb) unless otherwise disclosed in the Appendix of a Sub-Fund, the investment by a Sub-Fund in a Qualified Exchange Traded Fund will be considered and treated as listed securities for the purposes of and subject to the requirements in sub-paragraphs 1(a), (b) and (d) of this Schedule 1. Notwithstanding the aforesaid, the investments by a Sub-Fund in Qualified Exchange Traded Funds shall be subject to sub-paragraph 1(e) of this Schedule 1 (where applicable) and the relevant investment limits in Qualified Exchange Traded Funds by a Sub-Fund shall be consistently applied;

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

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

2. Investment prohibitions applicable to each Sub-Fund

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

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

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

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

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

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

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

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

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

3. Feeder Funds

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

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

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

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

4. Use of financial derivative instruments

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

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

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

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

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

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

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

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

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

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

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

(c) subject to sub-paragraphs 1(a) and (b) of this Schedule 1, a Sub-Fund's net counterparty exposure to a single entity arising from transactions of over-the-counter financial derivative instruments may not exceed 10% of its latest available Net Asset Value provided that the exposure of the Sub-Fund to a counterparty of over-the-counter financial derivative instruments may be lowered by the collateral received (if applicable) by the Sub-Fund and shall be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter financial derivative instruments with that counterparty, if applicable; and

(d) the valuation of the financial derivative instruments is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager or the Trustee or their nominee(s), agent(s) or delegate(s) independent of the issuer of the financial derivative instruments through measures established by the Manager after consultation with the Trustee. The financial derivative instruments can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Sub-Fund's initiative. Further, the Manager shall ensure that the Manager or the Trustee or their nominee(s), agent(s) or delegate(s) should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the financial derivative instruments on a regular basis.

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

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

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

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

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

5. Securities financing transactions

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

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

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

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

6. Collateral

In order to limit the exposure to each counterparty as set out in sub-paragraphs 4.4(c) and 5.2 of this Schedule 1, a Sub-Fund may receive collateral from such counterparty, provided that the collateral complies with the requirements set out below:

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

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

(c) Credit quality – the collateral is of high credit quality provided that, in the event the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral, such collateral shall be replaced immediately;

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

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

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

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

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

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

(j) Re-investment of collateral – any re-investment of collateral received for the account of the relevant Sub-Fund shall be subject to the following requirements:

    (i) cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorized under 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in Chapter 7 of the Code. For this purpose, money market instruments refer to securities normally dealt in on the money markets, including but not limited to government bills, certificates of deposit, commercial papers, short-term notes and bankers' acceptances, etc. In assessing whether a money market instrument is of high quality, at the minimum, the credit quality and the liquidity profile of the money market instruments must be taken into account;

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

(iii) the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in sub-paragraphs (b) and (j) of the section headed "**Additional Investment Restrictions**" in Appendix V;

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

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

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

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

7. Borrowing and Leverage

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

Cash borrowing

7.1 No borrowing shall be made in respect of a Sub-Fund which would result in the principal amount for the time being of all borrowings made pursuant to the Trust Deed for the account of the relevant Sub-Fund exceeding an amount equal to 10% of the latest available Net Asset Value of the relevant Sub-Fund provided always that back-to-back loans do not count as borrowing. For the avoidance of doubt, securities lending transactions and sale and repurchase transactions in compliance with the requirements as set out in sub-paragraphs 5.1 to 5.4 of this Schedule 1 are not borrowings for the purpose of, and are not subject to the limitations in this sub-paragraph 7.1.

7.2 Notwithstanding sub-paragraph 7.1 of this Schedule 1, a money market fund authorised by the SFC pursuant to section 104 of the SFO may borrow up to 10% of its latest available Net Asset Value but only on a temporary basis for the purposes of meeting redemption requests, or defraying operating expenses.

Leverage from the use of financial derivative instruments

7.3 A Sub-Fund may also be leveraged through the use of financial derivative instruments and its expected maximum level of leverage through the use of financial derivative instruments (i.e. expected maximum net derivative exposure) is 50% unless otherwise set out in the Appendix for the relevant Sub-Fund.

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

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

8. <u>Name of Sub-Fund</u>

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

8.2 The name of a money market fund must not appear to draw a parallel between the money market fund and the placement of cash on deposit.

ANNEX A - OVERVIEW OF THE PRC DEBT SECURITIES MARKET

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

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

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

	Interbank Bond Market	**Exchange Bond Market**
Size	From 31 October 2018 to 31 October 2019, 98.77% of all bond transactions (Data source: WIND)	From 31 October 2018 to 31 October 2019, 1.23% of all bond transactions (Data source: WIND)
Major types of products being traded	Government bonds, central bank bills, financial bonds, enterprise bonds, commercial papers, mid-term notes, asset backed securities, panda bonds (i.e. RMB-denominated bonds issued by international financial institutions within the boundaries of China)	Government bonds, listed company bonds, enterprise bonds, convertible bonds, asset backed securities
Key market participants	Institutional investors (such as commercial banks, securities firms, funds and trust investment companies), QFIs	Individuals and non-bank institutions (such as insurance companies and funds), QFIs
Trading and settlement mechanism	Trades through bilateral negotiation and settle trade-for-trade; settlement cycle: T+0 or T+1, depending on the bilateral negotiation.	Centralised trade matching with netting settlement; settlement cycle: T+1
Regulator(s)	People's Bank of China	China Securities Regulatory Commission
Counterparty	The trading counterparty	China Securities Depository and Clearing Corporation Limited acting as the central counterparty to all securities transactions on the Shanghai and Shenzhen Stock Exchanges

Central Clearing Entity (if any)	China Central Depository & Clearing Co., Ltd or Shanghai Clearing House, depending on the type of securities	China Securities Depository and Clearing Corporation Limited
Liquidity of Market	High	Medium to low
Associated Risks	Counterparty risk Credit risk of bond issuers Liquidity risk	Counterparty risk Credit risk of bond issuers Liquidity risk
Minimum rating requirements (if any)	No minimum rating requirement	AA for the exchange trading platform which is accessible by QFIs; no minimum rating requirement for the electronic trading platform

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

Type	**Sector**	**Issuer**	**Market**	**Regulator**
Government Securities	Treasury	PRC Government	Interbank/Exchange	PRC Government/China Securities Regulatory Commission
	Central Bank Bill	PRC Central Bank	Interbank	People's Bank of China
	Municipal Bond	Municipal Government	Interbank/Exchange	PRC Government/China Securities Regulatory Commission
	Agency Bond	Policy Banks & Central Huijin Investment Ltd.	Interbank	People's Bank of China
Corporate Securities	Financial Bond	Financial Institution	Interbank	People's Bank of China
	Structure Bond	Bank/Motor Credit Company	Interbank	People's Bank of China /China Securities Regulatory Commission/China Banking Regulatory Commission

	Commercial Paper (Maturity < 1 year)	Non-Financial Enterprise	Interbank	People's Bank of China
	Mid Term Note (Maturity > 1 year)	Non-Financial Enterprise	Interbank	People's Bank of China
	Enterprise Bond	Enterprise (Mostly unlisted)	Interbank/Exchange	National Development and Reform Commission/ China Securities Regulatory Commission
	Corporate Bond	Corporate (Mostly listed)	Exchange	China Securities Regulatory Commission/ National Development and Reform Commission
	Convertible Bond	Listed Corporate	Exchange	China Securities Regulatory Commission

The yield of the major RMB denominated instruments issued in the PRC was in the range of 2.6664% to 2.8972% for government bonds (tenor 1-3 years) and 3.2926% to 3.6341% for AAA corporate bonds (tenor 1-3 years), as at 31 October 2019 (Source: WIND). However, investors should note that this is not an indication of the expected return of the Sub-Fund. There is no assurance that the Sub-Fund's return will be correlated with the expected yield of its underlying investments.

PRC Credit Rating Agencies

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

The major domestic credit rating agencies in China include:

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

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

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

ANNEX B – OVERVIEW OF STOCK CONNECTS

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

The Shanghai-Hong Kong Stock Connect comprises a Northbound Shanghai Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shanghai Trading Link, Hong Kong and overseas investors (including the relevant Sub-Funds), through their Hong Kong brokers and a securities trading service company as established by The Stock Exchange of Hong Kong Limited ("SEHK"), may be able to trade eligible China A-Shares and ETFs listed on SSE by routing orders to SSE. The Shenzhen-Hong Kong Stock Connect comprises a Northbound Shenzhen Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shenzhen Trading Link, Hong Kong and overseas investors (including the relevant Sub-Funds), through their Hong Kong brokers and a securities trading service company as established by SEHK, may be able to trade eligible China A-Shares and ETFs listed on the SZSE by routing orders to SZSE.

Eligible securities

(i) Shanghai-Hong Kong Stock Connect

Under the Shanghai-Hong Kong Stock Connect, Hong Kong and overseas investors will be able to trade certain eligible shares and ETFs listed on the SSE market (i.e. "SSE Securities"). The aforementioned shares include (i) the constituent stocks of the SSE A Share Index which fulfil all of the relevant criteria at any half-yearly review, monthly review or DVR Stock (A stock with Differentiated Voting Rights) review, as the case may be, and (ii) all the SSE-listed China A-Shares that are not accepted for Northbound trading by virtue of (i) but which have corresponding China H-Shares accepted for listing and trading on SEHK, except the following:

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

Investors eligible to trade shares that are listed on the STAR Board of SSE under the Northbound Shanghai Trading Link will be limited to institutional professional investors as defined in the relevant Hong Kong rules and regulations.

In addition, Hong Kong and overseas investors are able to trade eligible SSE-listed ETFs that satisfy the relevant criteria at a regular review and are accepted as eligible ETFs for Northbound trading. Regular reviews will be performed to determine the eligible ETFs for Northbound trading every six months.

The list of eligible securities will be subject to review and approval by the relevant PRC regulators from time to time.

(ii) Shenzhen-Hong Kong Stock Connect

Under the Shenzhen-Hong Kong Stock Connect, Hong Kong and overseas investors are able to trade certain eligible shares and ETFs listed on the SZSE market (i.e. "SZSE Securities"). The aforementioned shares include (i) SZSE-listed A-Shares that are constituent stocks of the SZSE Composite Index which fulfil all of the relevant criteria at any half-yearly review, monthly review or DVR Stock review, as the case may be, and (ii) SZSE-listed China A-Shares are not accepted for Northbound trading by virtue of (i) but which have corresponding China H-Shares accepted for listing and trading on SEHK, except the following:

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

Investors eligible to trade shares that are listed on the ChiNext Board of the SZSE ("ChiNext Board") under Northbound trading will be limited to institutional professional investors (which the Fund will qualify as such) as defined in the relevant Hong Kong rules and regulations.

In addition, Hong Kong and overseas investors are able to trade eligible SZSE-listed ETFs that satisfy the relevant criteria at a regular review and are accepted as eligible ETFs for Northbound trading. Regular reviews will be performed to determine the eligible ETFs for Northbound trading every six months.

The list of eligible securities will be subject to review and approval by the relevant PRC regulators from time to time.

Trading day

The SSE, SZSE and SEHK concurrently allow Stock Connects trading on all the days which are trading days in both the PRC and Hong Kong stock markets.

Trading quota

Trading under Stock Connects will be subject to rules and regulations issued from time to time.

Trading under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect will be subject to a daily quota ("Daily Quota"). Northbound Shanghai Trading Link under the Shanghai-Hong Kong Stock Connect, Northbound Shenzhen Trading Link under the Shenzhen-Hong Kong Stock Connect and Southbound Hong Kong Trading Link under the Shanghai-Hong Kong Stock Connect and the Southbound Hong Kong Trading Link under the Shenzhen-Hong Kong Stock Connect will be respectively subject to a separate set of Daily Quota.

The Daily Quota limits the maximum net buy value of cross-boundary trades under each of the Stock Connects each day. The Northbound Daily Quota is currently set at RMB52 billion for each of the Stock Connects.

SEHK will monitor the quota and publish the remaining balance of the Northbound Daily Quota at scheduled times on the HKEx's website.

Settlement and custody

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

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

Corporate actions and shareholders' meetings

Notwithstanding the fact that HKSCC does not claim proprietary interests in the SSE Securities and SZSE Securities held in its omnibus stock account in ChinaClear, ChinaClear as the share registrar for SSE and SZSE listed companies will still treat HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE Securities and SZSE Securities.

HKSCC will monitor the corporate actions affecting SSE Securities and SZSE Securities and keep the relevant brokers or custodians participating in CCASS ("CCASS participants") informed of all such corporate actions that require CCASS participants to take steps in order to participate in them.

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

Foreign shareholding restrictions

The China Securities Regulatory Commission stipulates that, when holding China A-Shares through the Stock Connects and/or the QFI regime, Hong Kong and overseas investors are subject to the following shareholding restrictions:

- shares held by a single foreign investor (such as a Sub-Fund) investing in a listed company must not exceed 10% of the total issued shares of such listed company; and

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

When the aggregate foreign shareholding of an individual China A Share approaches 30%, SSE or SZSE, as the case may be, and the SEHK will issue a notice or warning or restrict buy orders for the related China A-Shares. If the aggregate foreign shareholding exceeds the 30% threshold, the foreign investors concerned will be requested to sell the excessive shareholding on a last-in-first-out basis within five trading days.

Currency

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

Trading fees and taxes

Under the Stock Connects, Hong Kong and overseas investors will be subject to the fees and levies imposed by SSE, SZSE, ChinaClear, HKSCC or the relevant Mainland Chinese authority when they trade and settle SSE Securities and SZSE Securities via the Stock Connects. Further information about the trading fees and levies is available online at the website: http://www.hkex.com.hk/mutual-market/stock-connect?sc_lang=en. (*this website has not been reviewed by the SFC*).

Investor compensation

Hong Kong's Investor Compensation Fund is established to pay compensation to qualifying investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong. Examples of default are insolvency, in bankruptcy or winding up, breach of trust, defalcation, fraud, or misfeasance.

For defaults occurring on or after 1 January 2020, the Investor Compensation Fund also covers investors' losses in relation to securities traded on a stock market operated by the SSE or the SZSE and in respect of which an order for sale or purchase is permitted to be routed through the Northbound Trading Link of a Stock Connect arrangement.

On the other hand, according to the Measures for the Administration of Securities Investor Protection Fund 《證券投資者保護基金管理辦法》, the functions of China Securities Investor Protection Fund ("CSIPF", 中國投資者保護基金) include "indemnifying creditors as required by Mainland China's relevant policies in case a securities company is subjected to compulsory regulatory measures including dissolution, closure, bankruptcy and administrative takeover by the CSRC and custodian operation" or "other functions approved by the State Council". As far as the relevant Sub-Fund(s) are concerned, since they are carrying out Northbound trading through securities brokers in Hong Kong and these brokers are not brokers in Mainland China, therefore they are not protected by CSIPF in Mainland China.

Further information about the Stock Connects is available online at the website:

http://www.hkex.com.hk/mutual-market/stock-connect?sc_lang=en. (*this website has not been reviewed by the SFC*).