CHINA EVERBRIGHT FORTUNE FUND SERIES

EVERBRIGHT INCOME FOCUS FUND
EVERBRIGHT HONG KONG BOND FUND
EVERBRIGHT GREATER CHINA OPPORTUNITIES FUND
EVERBRIGHT GLOBAL BRANDS FUND

FOURTH ADDENDUM TO THE EXPLANATORY MEMORANDUM ("**FOURTH ADDENDUM**")

IMPORTANT: This Fourth Addendum is supplemental to and forms part of the Explanatory Memorandum for the China Everbright Fortune Fund Series dated March 2023, as amended by a second addendum dated 17 July 2024 and the third addendum dated 9 September 2024 (the "**Explanatory Memorandum**"). Unless otherwise defined herein, words and expressions defined in the Explanatory Memorandum shall have the same meaning when used in this Fourth Addendum.

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

The Securities and Futures Commission of Hong Kong takes no responsibility for the accuracy of any of the statements made or opinions expressed in this Fourth Addendum.

The Manager accepts full responsibility for the accuracy of the information contained in the Explanatory Memorandum and this Fourth Addendum and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

The Explanatory Memorandum is amended as follows with effect from 2 December 2024:

Under the Appendix IV – Everbright Greater China Opportunities Fund heading, Item b of the second paragraph in the section "Investment Policy" on Page 121 of the Explanatory Memorandum shall be deleted and replaced with the following:

The Sub-Fund may invest :

(b) up to 100% of its assets in debt securities of issuers in the Greater china region being governments, quasi-governmental organisations, multilateral international agencies and companies. Such debt securities may include but are not limited to treasury bills or short-term money market instruments, commercial paper and certificates of deposit and can be fixed or floating rate. To the extent permitted by the investment policy of the Sub-Fund, up to 30% of the Sub-Fund's net asset value may be invested in debt securities of issuers worldwide. The Manager intends the Sub-Fund to invest in debt securities which are of investment grade (i.e. rated as Baa3 or above by Moody's or equivalent ratings by other credit rating agencies of similar standing) or below investment grade as well as unrated debt securities (which in the opinion of the Manager are of comparable quality).

China Everbright Securities (HK) Limited

6 November 2024

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

CHINA EVERBRIGHT FORTUNE FUND SERIES

EVERBRIGHT INCOME FOCUS FUND
EVERBRIGHT HONG KONG BOND FUND
EVERBRIGHT GREATER CHINA OPPORTUNITIES FUND
EVERBRIGHT GLOBAL BRANDS FUND

THIRD ADDENDUM TO THE EXPLANATORY MEMORANDUM ("**THIRD ADDENDUM**")

IMPORTANT: This Third Addendum is supplemental to and forms part of the Explanatory Memorandum for the China Everbright Fortune Fund Series dated March 2023, as amended by a second addendum dated July 2024 (the "**Explanatory Memorandum**"). Unless otherwise defined herein, words and expressions defined in the Explanatory Memorandum shall have the same meaning when used in this Third Addendum.

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

The Securities and Futures Commission of Hong Kong takes no responsibility for the accuracy of any of the statements made or opinions expressed in this Third Addendum.

The Manager accepts full responsibility for the accuracy of the information contained in the Explanatory Memorandum and this Third Addendum and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

The Explanatory Memorandum is amended as follows with immediate effect:

Under the MANAGEMENT AND ADMINISTRATION OF THE FUND heading, the second paragraph in the section "The Manager" on Page 8 of the Explanatory Memorandum shall be deleted and replaced with the following:

The Manager is a limited liability company incorporated in Hong Kong on 4 January 1991. It is currently licensed by the SFC for Type 1 (dealing in securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO with CE number AAW536. The Manager is a subsidiary of Everbright Securities Company Limited.

China Everbright Securities (HK) Limited

9 September 2024

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

CHINA EVERBRIGHT FORTUNE FUND SERIES

EVERBRIGHT INCOME FOCUS FUND
EVERBRIGHT HONG KONG BOND FUND
EVERBRIGHT GREATER CHINA OPPORTUNITIES FUND
EVERBRIGHT GLOBAL BRANDS FUND

SECOND ADDENDUM TO THE EXPLANATORY MEMORANDUM ("**SECOND ADDENDUM**")

IMPORTANT: This Second Addendum is supplemental to and forms part of the Explanatory Memorandum for the China Everbright Fortune Fund Series dated March 2023 (the "**Explanatory Memorandum**"). Unless otherwise defined herein, words and expressions defined in the Explanatory Memorandum shall have the same meaning when used in this Second Addendum.

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

The Securities and Futures Commission of Hong Kong takes no responsibility for the accuracy of any of the statements made or opinions expressed in this Second Addendum.

The Manager accepts full responsibility for the accuracy of the information contained in the Explanatory Memorandum and this Second Addendum and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

With effect from the date of this Second Addendum, the following changes will be made to the Explanatory Memorandum:

(1) The section entitled "**Enquiries**" under the section entitled "**IMPORTANT INFORMATION FOR INVESTORS"** of the Explanatory Memorandum shall be deleted and be replaced with the following:

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

• write to the Manager (address at 33/F, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong); or

• call the Manager at telephone number at +852 2106 8101.

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

(2) The address of the Manager under the section entitled **"ADMINISTRATION"** of the Explanatory Memorandum shall be deleted in their entirety and replaced with the following:

Manager

China Everbright Securities (HK) Limited
33/F, Everbright Centre
108 Gloucester Road
Wanchai, Hong Kong

China Everbright Securities (HK) Limited

17 July 2024

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

CHINA EVERBRIGHT FORTUNE FUND SERIES

EXPLANATORY MEMORANDUM

March 2023

IMPORTANT INFORMATION FOR INVESTORS

This Explanatory Memorandum comprises information relating to China Everbright Fortune Fund Series. China Everbright Fortune Fund Series is an open-ended unit trust established as an umbrella unit trust under the laws of Hong Kong by a trust deed dated 10 October 2013 between China Everbright Securities (HK) Limited as manager and ICBC (Asia) Trustee Company Limited as trustee. The Fund may establish sub-funds (each a "Sub-Fund") in respect of which a separate class or classes of Units will be issued. The Fund currently has four Sub-Funds namely, Everbright Income Focus Fund (formerly known as Everbright Fortune Strategic Managed Fund), Everbright Hong Kong Bond Fund, Everbright Greater China Opportunities Fund and Everbright Global Brands Fund.

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

The Manager accepts full responsibility for the accuracy of the information contained in this Explanatory Memorandum and the Product Key Facts Statement of each Sub-Fund, and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this Explanatory Memorandum and the Product Key Facts Statement of each Sub-Fund misleading. However, neither the delivery of this Explanatory Memorandum and the Product Key Facts Statement of each Sub-Fund nor the offer or issue of Units shall under any circumstances constitute a representation that the information contained in this Explanatory Memorandum and the Product Key Facts Statement of each Sub-Fund 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 each Sub-Fund and the latest available audited annual report and accounts of the Fund (if any) and any subsequent unaudited interim report. Units of each Sub-Fund are offered on the basis only of the information contained in this Explanatory Memorandum, the Product Key Facts Statement and (where applicable) the above mentioned audited annual reports and accounts and unaudited interim reports. Any information given or representations made by any dealer, salesman or other person and (in either case) not contained in this Explanatory Memorandum or the Product Key Facts Statement should be regarded as unauthorised and accordingly must not be relied upon.

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

No action has been taken to permit an offering of Units of the Sub-Fund(s) or the distribution of this Explanatory Memorandum in any jurisdiction other than Hong Kong where action would be required for such purposes. Accordingly, this Explanatory Memorandum 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 does not constitute an offer of Units of the relevant Sub-Fund in those jurisdictions in which it is illegal to make such an offer.

In particular, potential investors should note the following:-

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

    (i) an individual who is a United States citizen, a US green card holder, or a resident of the United States for U.S. federal income tax purposes,

    (ii) a corporation or partnership organised under the laws of the United States or any political subdivision thereof, or

    (iii) an estate or trust, the income of which is subject to U.S. federal income taxation regardless or its source; 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.

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

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

Enquiries

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

- write to the Manager (address at 12/F, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong); or
- call the Manager at telephone number at +852 2106 8101.

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

Further Information

Investors may access the website of the Manager at http://www.ebshk.com for further information on the Fund and the Sub-Funds, including the following:

- this Explanatory Memorandum and the Product Key Facts Statement;
- the audited annual reports and unaudited interim reports (available in English only);
- the latest Net Asset Value for each class of the Sub-Fund(s);
- the composition of dividends (if any) (i.e. the relative amounts and percentage paid out of (i) net distributable income and (ii) capital for the last 12 months);
- notices (if any) made by the Fund and Sub-Fund(s), including information regarding the Sub-Fund(s), the suspension and resumption of subscription and redemption of Units, the suspension of the calculation of the Net Asset Value, changes in fees, and

notices relating to material alterations or additions to this Explanatory Memorandum or the Trust Deed; and

- the past performance information of the Sub-Fund(s).

Investors should note that the website referred to in this Explanatory Memorandum (including the Product Key Facts Statements) has not been reviewed or authorised by the SFC. Any information provided in this website may be updated and changed periodically without any notice to any person.

Unitholders should regularly visit this website, or request that their representatives do so on their behalf, to ensure that they obtain such information on a timely basis.

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ADMINISTRATION

Manager

China Everbright Securities (HK) Limited
12/F, Everbright Centre
108 Gloucester Road
Wanchai, Hong Kong

Trustee, Registrar and Transfer Agent

ICBC (Asia) Trustee Company Limited
33/F, ICBC Tower,
3 Garden Road, Central,
Hong Kong

Directors of the Manager

Li Mingming
Ma Kai
Wu Po Sing
Kong Sheung Wing

Investment Adviser

In relation to Everbright Income Focus Fund:
China Everbright Assets Management Limited
46/F Far East Finance Centre,
16 Harcourt Road, Hong Kong

Custodian

Industrial and Commercial Bank of China (Asia) Limited
33/F, ICBC Tower,
3 Garden Road, Central,
Hong Kong

Solicitors to the Manager

King & Wood Mallesons
13/F Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

Auditors

KPMG
8/F, Prince's Building
10 Chater Road
Central
Hong Kong

DEFINITIONS

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

"**Accounting Date**"	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**"	a period commencing on the date of establishment of the relevant Sub-Fund or on the date next following an Accounting Date of the relevant Sub-Fund and ending on the next succeeding Accounting Date for such Sub-Fund
"**Authorised Distributor**"	any person appointed by the Manager to distribute Units of some or all of the Sub-Funds to potential investors
"**Business Day**"	a day (other than Saturday and Sunday) on which banks in Hong Kong are open for normal banking business or such other day or days as the Manager and the Trustee may agree from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
"**China" or "PRC**"	the People's Republic of China excluding Hong Kong, Macau and Taiwan for purpose of this document
"**China A-Shares**"	shares issued by companies listed on either the Shanghai Stock Exchange or the Shenzhen Stock Exchange in the PRC, traded in Renminbi and available for investment by domestic (Chinese) investors, holders of the qualified foreign institutional investors ("QFII") status, RQFII status and foreign strategic investors approved by the CSRC
"**China B-Shares**"	shares issued by companies listed on either the Shanghai Stock Exchange or the Shenzhen Stock Exchange in the PRC, traded in foreign currencies and available for investment by domestic

(Chinese) investors and foreign investors

"**China H-Shares**"	shares issued by companies incorporated in the PRC and listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"**Code**"	the SFC's Code on Unit Trusts and Mutual Funds (as amended from time to time)
"**CSRC**"	China Securities Regulatory Commission
"**Custodian**"	Industrial and Commercial Bank of China (Asia) Limited
"**connected person**"	in relation to a company, means: (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
"**Dealing Day**"	the days on which Units are subscribed for or redeemed, as described in the Appendix for the relevant Sub-Fund(s)
"Dealing Deadline"	such time on the relevant Dealing Day or on such other Business Day as the Manager may from time to time with the approval of the Trustee determine, as described in the Appendix for the relevant Sub-Fund(s)

“Explanatory Memorandum”	this Explanatory Memorandum including the Appendices, as each may be amended, updated or supplemented from time to time
“**Fund**”	China Everbright Fortune Fund Series
“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”	Hong Kong Special Administrative Region of the PRC
“HK$” or “HKD”	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**”	in respect of each Sub-Fund the issue price per Unit as more fully described in the section “Purchase of Units”
“**Manager**”	China Everbright Securities (HK) Limited
“**Net Asset Value**”	the net asset value of the Fund or a Sub-Fund or of a Unit, as the context may require, calculated in accordance with the provisions of the Trust Deed as summarised below under the section headed “Valuation”
“**PBOC**”	the People’s Bank of China
“**PRC Securities**”	Renminbi denominated bonds, fixed income instruments, securities investment funds
“**Qualified Exchange Traded Funds**”	means exchange traded funds that are: (a) authorized by the Commission 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 (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**"	the price at which Units will be redeemed as more fully described in the section headed "Redemption of Units"
"Registrar"	ICBC (Asia) Trustee Company Limited in its capacity as registrar of the Fund and its Sub-Funds or such other entity as may be appointed from time to time as the registrar of the Fund and its Sub-Funds
"**reverse repurchase transactions**"	means transactions whereby an Investment 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
"RMB" or "Renminbi"	renminbi, the lawful currency of the PRC
"**RQFII**"	RMB qualified foreign institutional investors approved pursuant to the relevant PRC regulations (as amended from time to time)
"**sale and repurchase transactions**"	means transactions whereby an Investment 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 lending transactions**”	means transactions whereby an Investment Fund lends its securities to a security-borrowing counterparty for an agreed fee
“Securities Market”	any stock exchange, over-the-counter market or other organised securities market that is open to the international public and on which such securities are regularly traded
“**SFC**”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Laws of Hong Kong (Chapter 571)
“**Sub-Fund**”	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$2 billion or its equivalent in foreign currency, as amended by the Code from time to time
“Transfer Agent”	ICBC (Asia) Trustee Company Limited in its capacity as transfer agent of the Fund and its Sub-Funds or such other entity as may be appointed from time to time as the transfer agent of the Fund and its Sub-Funds
“**Trust Deed**”	the trust deed dated 10 October 2013 establishing the Fund and entered into by the Manager and the Trustee (as amended)
“**Trustee**”	ICBC (Asia) Trustee Company Limited in its capacity as trustee of the Fund
“**Unit**”	a unit in a Sub-Fund
“**Unitholder**”	a person registered as a holder of a Unit
“**US$**” **or “USD”**	US Dollars, the lawful currency of the United States of America

"**Valuation Day**"	such days as the Manager may from time to time determine as are described in the Appendix for the relevant Sub-Fund(s)
"**Valuation Point**"	the close of business in the last relevant market to close on each Valuation Day or such other time on such other day as the Manager may from time to time determine, as described in the Appendix for the relevant Sub-Fund(s) to calculate the Net Asset Value

THE FUND

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

China Everbright Fortune Fund Series is an umbrella unit trust currently offering Units of the Sub-Funds as set out in the Appendices to this Explanatory Memorandum. The Manager may create further Sub-Fund(s) in the future. Investors should contact the Manager to obtain the latest offering document relating to the available Sub-Fund(s).

Each Sub-Fund is established as a separate trust under the Trust Deed, and the assets of each Sub-Fund will be invested and administered separately from the assets of, and shall not be used to meet liabilities of, the other Sub-Fund(s). Multiple classes of Units may be issued in respect of each Sub-Fund and the Manager may create additional classes of Units for any Sub-Fund(s) in its sole discretion in the future. The details of the Sub-Fund(s) and/or the new class or classes of Units related thereto that are on offer are set out in the Appendices to this Explanatory Memorandum.

INVESTMENT OBJECTIVE

The investment objective 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 AND ADMINISTRATION OF THE FUND

The Manager

The Manager of the Fund is China Everbright Securities (HK) Limited.

The Manager is a limited liability company incorporated in Hong Kong on 4 January 1991. It is currently licensed by the SFC for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO with CE number AAW536. The Manager is a subsidiary of Everbright Securities Company Limited.

The Manager undertakes the investment of the assets of the Fund.

The Manager may appoint sub-managers and delegate any of its management functions in relation to assets of specific Sub-Funds to such sub-manager(s) subject to prior SFC approval. In the event that a sub-manager is appointed by the Manager, at least one month's prior notice will be provided to Unitholders and this Explanatory Memorandum will be updated to include the appointment.

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

Details of the Directors of the Manager are as follows:

Li Mingming

Mr. Li Mingming is the Executive Director and Chief Executive Officer of China Everbright Securities International Company Limited (previously "Everbright Sun Hung Kai Company Limited"). Prior to joining the firm in July 2021, Mr. Li has held a number of prominent titles in various businesses and departments in the group headed by Everbright Securities Company Limited (SSE: 601788; HKEX: 6178) ("**EBSI Group**") for 17 years. He has solid background and extensive experience in corporate mergers and acquisitions, retail brokerage business, institutional business, corporate finance and business development. Mr. Li holds an Executive Master of Business Administration (EMBA) from Xi'an Jiaotong University.

Ma Kai

Mr. Ma Kai, Kyle is the managing director of China Everbright Securities Asset Management Limited overseeing the asset management businesses. Prior to joining the EBSI Group, Mr. Ma served as portfolio manager at Guotai Junan Assets (Asia) Limited, Elmore Capital Limited and Grand Alliance Asset Management Limited. Mr. Ma is a Chartered Financial Analyst with over 16 years' experience in quantitative modelling and managing both public funds and private funds investing in the Asia Pacific Region, including Japan. Mr. Ma holds a Master's Degree of Philosophy in Finance and a Bachelor's Degree of Science in Quantitative Finance from the Chinese University of Hong Kong.

Wu Po Sing

Mr. Wu Po Sing, Oscar has about 20 years' experience in investment banking and corporate management. Before joining the EBSI Group, Mr. Wu has previously worked in Haitong

International Securities Group Co., Standard Chartered Bank (Hong Kong) Limited's Securities Section, UBS Investment Bank and ABN AMRO Bank. Mr. Wu is currently a sponsor principal of China Everbright Capital Limited. Mr. Wu has led and participated in a number of Hong Kong IPOs across different industries and scales of PRC state-owned and privately-owned enterprises, share placements and pre-IPO investments, and acted as advisor to offerors in takeover and merger transactions as well as acted as sell-side advisors in other merger & acquisition transactions. Mr. Wu graduated from the University of New South Wales with Bachelor and Master of Commerce degrees.

Kong Sheung Wing

Mr. Kong Sheung Wing, John is the director and responsible officer of China Everbright Securities (HK) Limited. Mr. Kong is a certified financial planner with more than 20 years' experience in investment banking and wealth management. Before joining the EBSI Group, Mr. Kong worked at The Hongkong and Shanghai Banking Corporation Limited and Citibank (HK) Limited. Mr. Kong holds a Master of Science in Financial Engineering Degree and a Bachelor's Degree of Science in Combined Science from City University of Hong Kong and the Hong Kong Baptist University, respectively. He has also completed the part-time MBA programme with the HKU Business School of the University of Hong Kong.

The Trustee, Registrar and Transfer Agent

The Trustee of the Fund is ICBC (Asia) Trustee Company Limited, which is a registered under Part VIII of the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong). The principal activity of the Trustee is the provision of trustee services. The Trustee is independent of the Manager within the meaning of Chapters 4.7 and 4.8 of the Code.

The Trustee is a wholly-owned subsidiary of Industrial and Commercial Bank of China (Asia) Limited, which is a company incorporated in Hong Kong and a bank licensed under section 16 of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Under the Trust Deed, the Trustee shall take into custody or under its control all the investments, cash and other assets forming part of the assets of the Fund and 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 may, from time to time, appoint such person or persons (including connected persons) as custodian, co-custodian, sub-custodian, delegate, nominee, agent in respect of the whole or any part of the asset of any Sub-Fund and may empower any such person to appoint, subject to no objection in writing from the Trustee, sub-custodians, nominees, agents and/or delegates. The fees and expenses of such custodian, co-custodian, sub-custodians, nominees, agents, delegates or any persons appointed by the Trustee in relation to the relevant Sub-Fund shall be paid out of the relevant Sub-Fund.

The Trustee shall (A) exercise reasonable care, 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 any of the Sub-Fund or the Fund (each a "Correspondent"); and (B) be satisfied that such Correspondents remain suitably qualified and competent on an ongoing basis to provide the relevant service to the Fund or any Sub-Fund. Provided that the Trustee has discharged its obligations set out in (A) and (B), the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any Correspondent that is not a connected person of the Trustee. The Trustee shall remain liable for any act or omission of any Correspondent that is a connected person of the Trustee as if the same were the act or omission of the Trustee. The Trustee shall use reasonable endeavours to recover any loss of investments and other assets arising from any default of a Correspondent.

The Trustee shall not be responsible for any act or omission of (a) Euroclear Bank S.A./N.V., or Clearstream Banking S.A. or any other such central depositary or clearing and settlement system in relation to any investment deposited with such central depositary or clearing and settlement system; or (b) any lender or a nominee appointed by the lender in whose name any assets of a Sub-Fund transferred to it are registered pursuant to a borrowing undertaken for the account of such Sub-Fund.

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

The Manager is solely responsible for making investment decisions in relation to the Fund and/or each Sub-Fund. The Trustee shall take reasonable care to ensure that the investment and borrowing limitations set out under the section headed "Investment and Borrowing Restrictions", Schedule 1 and any specific investment and borrowing limitations as set out in the relevant Appendix as they relate to a Sub-Fund and the conditions under which such Sub-Fund is authorised pursuant to the SFO are complied with and save for the aforesaid, the Trustee is not responsible and has no liability for any investment decision made by the Manager.

The Trustee (in its capacity as Registrar) will maintain the register of Unitholders. The Trustee also acts as Transfer Agent. It will be responsible for providing transfer agency services to the Fund and the Sub-Funds, including but not limited to, processing applications for the subscription, conversion and redemption of the Units.

The Trustee is not responsible for the preparation or issue of this Explanatory Memorandum other than the disclosures on the profiles of the Trustee as set out herein.

The Custodian

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

ICBC (Asia) is a wholly-owned subsidiary of Industrial and Commercial Bank of China Limited which is one of the largest commercial banks in the world by market capitalization as at 31 December 2019. The Industrial and Commercial Bank of China Limited, together with its subsidiaries (collectively the "ICBC Group"), has reached RMB16.5 trillion (approximately USD2.37 trillion) assets under custody as at 31 December 2019. ICBC (Asia), being the flagship of the ICBC Group outside Mainland China provides global custodian services to institutional clients and is a regional centre covering Asia-Pacific.

Pursuant to the Custodial Services Agreement between the Trustee and the Custodian (the "**Custodial Services Agreement**"), the Custodian will act as the custodian of the Fund's and the Sub-Funds' assets, which may be held directly by the Custodian or through its agents, sub-custodians, or delegates pursuant to the Custodial Services Agreement.

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) as from time to time determined by the Manager or the Transfer Agent (as the case may be). 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 the arrangements with the Authorised Distributor(s) concerned on the arrangements and dealing procedures that are applicable to them.

PURCHASE OF UNITS

Initial Offer

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

Subsequent Subscription

Following the close of the initial offer period of the relevant Sub-Fund, 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 2 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 Authorised Distributors or the Manager or the Transfer Agent, 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 Authorised Distributors or the Manager (the "**Application Form**"), and return the original Application Form (if original is required by the Manager or the Transfer Agent) to the Authorised Distributors or the Manager or the Transfer Agent (details of which as set out in the Application Form). Further supporting documents (described in the Application Form) should also be provided together with the Application Form.

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

Applications will generally be accepted on a Dealing Day only if cleared funds have been received on or prior to such Dealing Day in relation to which Units are to be issued. Notwithstanding the above and subject to the discretion of the Manager, a Sub-Fund may rely upon application orders received, even prior to receipt of application moneys, and may issue Units to investors according to such application 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 shall determine and notify the relevant applicant at the time of receipt of the application), the Manager reserves the right to cancel the transaction. In such circumstances, an investor may be required to settle the difference between the prices at issue and at cancellation of the Units concerned and in addition the appropriate cancellation fees and charges.

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

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

The Manager or its Authorised Distributor(s)/intermediary(ies), at its/their discretion, is/are entitled to impose a preliminary charge of up to 5% on the total subscription amount received (i.e. before deducting preliminary charge) in relation to an application, and the current rates are described in the relevant Appendix for each Sub-Fund. The Manager or its Authorised Distributor(s)/intermediary(ies) 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 or its Authorised Distributor(s)/intermediary(ies) may at its/their absolute discretion determine. The Manager or its Authorised Distributor(s)/intermediary(ies) also has/have 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.

For the avoidance of doubt, a numerical example of the calculation of the subscription of Units illustrating the number of Units to be issued based on the total subscription amount of HKD10,000 at an initial offer price of HKD10.00 and with an applicable preliminary charge of 5% is set out below:

Total subscription amount		Preliminary charge		Net subscription amount		Initial offer price		Number of Units
HKD10,000	-	HKD500	=>	HKD9,500	/	HKD10.00	=	950

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

All payments should be made by cheque, direct transfer, telegraphic transfer or bank draft (or other manner as may be agreed by the Manager). Cheques and bank drafts should be crossed “a/c payee only, not negotiable” and made payable to the accounts specified in the Application Form, stating the name of the relevant Sub-Fund to be subscribed, and sent with the Application Form. Payment by cheque is likely to cause delay in receipt of cleared funds and Units generally will not be issued until the cheque is cleared. Any costs of transfer of 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 as to the source of payment.

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

General

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

Fractions of Units may be issued rounded down to 2 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 Authorised Distributors or the Manager or the Transfer Agent before the Dealing Deadline for the relevant Sub-Fund, as defined in the relevant Appendix. Unless otherwise stated in the Appendix of the relevant Sub-Fund, redemption requests received after the Dealing Deadline will be carried forward and dealt with on the next Dealing Day.

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

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

A redemption request may be sent by facsimile or other means from time to time determined by the Manager or the Transfer Agent, provided the original must follow promptly by mail, and 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 and (v) the registered account number with the Fund. Investors should be reminded that if they choose to send redemption requests by facsimile, they bear their own risk of the requests not being received or being illegible. Investors should note that the Fund, the Sub-Funds, the Manager, the Trustee, the Transfer Agent and their respective agents and delegates accept no responsibility for any loss caused as a result of non-receipt or illegibility of any redemption request sent by facsimile or for any loss caused in respect of any action taken as a consequence of such facsimile instructions believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a facsimile transmission report produced by the originator of such transmission discloses that such transmission was sent. Investors should therefore for their own benefit confirm with the Manager or the Transfer Agent the safe receipt of a redemption request.

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

Payment of Redemption Proceeds

The Redemption Price on any Dealing Day shall be the price per Unit ascertained by dividing the Net Asset Value of the relevant class of the Sub-Fund as at the Valuation Point in respect of the Dealing Day by the number of such class of Units then in issue rounded down to 2 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 1% of the total redemption proceeds. 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 Manager or the Transfer Agent, 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 (or the Transfer Agent on behalf 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 Manager and/or the Trustee (or the Transfer Agent on behalf of the Trustee) or their respective duly authorised agent for the purpose of verification of identity.

If the Manager or the Trustee is required by the laws of any relevant jurisdiction to make a withholding from any redemption moneys payable to the holder of a Unit the amount of such withholding shall be deducted from the redemption moneys otherwise payable to such person, provided that the Manager or the Trustee is acting in good faith and on reasonable grounds.

Subject to the provisions of the Trust Deed and save for any liability imposed under the laws of Hong Kong or for breach of trust through fraud or negligence for which the Manager and the Trustee may be liable in relation to their duties, neither the Manager nor the Trustee nor their agents shall be liable for any loss caused by any refusal or delay in making payment as a result of the circumstances described in this section.

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). Any bank charges associated with the payment of such redemption proceeds will be borne by the redeeming Unitholder.

Redemption proceeds will only be paid to a bank account that bears the name of the redeeming Unitholder. No payments to third parties will be made. 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 instruction of 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 and 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 Authorised Distributors or Manager or Transfer Agent. 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, the Trustee nor the Transfer Agent 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 into 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 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). Payment of moneys in respect of a properly documented redemption request duly received and fully processed prior to a declaration of suspension of determination of the Net Asset Value of the relevant Sub-Fund will be made in accordance with the procedures set out in the section headed “Payment of Redemption Proceeds”.

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 Transfer Agent or the Authorised Distributors or the Manager.

With a view to protecting the interests of Unitholders, the Manager is entitled 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 the 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, and Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption on the next Dealing Day based on the Redemption Price as at the next Dealing Day, subject to the same limitation, and will have priority on the next Dealing Day over subsequent redemption requests received in respect of such subsequent Dealing Days. If requests for redemption are so carried forward, the Manager will promptly inform the Unitholders concerned.

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

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

VALUATION

The Net Asset Value 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 quoted, listed or normally dealt in on any Securities Market shall be made by reference to the last traded price or closing price as calculated and published by the Securities Market (which, in the opinion of the Manager, provides the principal Securities Market for such Investment) for such investments in accordance with its local rules and customs, at or immediately preceding the Valuation Point, provided that: (i) if an investment is quoted, listed or normally dealt in on more than one such Securities Market, the price adopted shall be the last traded price or closing price as published by the Securities Market which, in the opinion of the Manager, provides the principal Securities Market for such investment; (ii) if prices on such Securities Market are not available at the relevant time, the value of the investment shall be certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager or, if the Trustee so requires, by the Manager after consultation with the Trustee; (iii) there shall be taken into account interest accrued on interest-bearing investments up to (and including) the date as at which valuation is made, unless such interest is included in the quoted or listed price; and/or (iv) if the Manager in its discretion considers that the prices ruling on a Securities Market other than the principal Securities Market provide in all the circumstances a fairer criterion of value in relation to any such investment, it may adopt such prices subject to consultation with the Trustee. In determining such prices the Manager and the Trustee shall be entitled to use and rely on without verification electronically transmitted information from such source or sources as they may from time to time determine notwithstanding the prices used are not the last traded prices or closing prices;

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

(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, in consultation with the Trustee, determine;

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

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

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

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

For instance, where the market value of an investment is unavailable or where the Manager reasonably believes that no reliable price exists or the most recent price available does not reflect a price the relevant Sub-Fund would expect to receive upon the current sale of the investment, the Manager may value the investment at a price which the Manager believes reflects a fair and reasonable price for that investment in the prevailing circumstances.

(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 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 and 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, reasonably, promptly or fairly be ascertained; or

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

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

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

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

(g) where that Sub-Fund is invested in one or more collective investment schemes and the redemption of interests in 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, after consultation with the Trustee, having regard to the best interests of the Unitholders, declare the suspension at an end, except that the suspension shall terminate in any event on the day following the first Business Day on which (i) the condition giving rise to the suspension shall have ceased to exist and (ii) no other condition under which suspension is authorised shall exist.

Whenever the Manager declares such a suspension it shall immediately notify the SFC of such suspension. The Manager shall, as soon as may be practicable after any such declaration and at least once a month during the period of such suspension, publish a notice on the website of the Manager at http://www.ebshk.com (this website has not been reviewed by the SFC) stating the fact that the calculation of the Net Asset Value of a Sub-Fund has been suspended.

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, each of the Sub-Funds is subject to the investment restrictions and borrowing restrictions set out in Schedule 1 of this Explanatory Memorandum.

Breach of Investment and Borrowing Restrictions

If the investment and borrowing restrictions for a Sub-Fund are 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 of the relevant Sub-Fund.

Borrowing Restrictions

Unless otherwise disclosed below or in the relevant Appendix, the Manager may borrow up to 10% of the latest available Net Asset Value of a Sub-Fund to acquire investments, to meet redemption requests or to pay expenses relating to the relevant Sub-Fund. For this purpose, back-to-back loans do not count as borrowing. The assets of a Sub-Fund may be charged or pledged as security for any such borrowings.

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

Leverage

The expected maximum level of leverage of the Sub-Funds is set out in the relevant Appendix.

Securities Lending, Sale and Repurchase and Reverse Repurchase Transactions

The Manager may not enter into any securities financing transactions in respect of any Sub-Fund unless otherwise disclosed in the Appendix of a Sub-Fund.

Where it is disclosed in the relevant Appendix, a Sub-Fund may engage in securities lending, sale and repurchase and/or reverse repurchase transactions. A Sub-Fund may engage in securities lending, sale and repurchase and/or reverse repurchase transactions provided that they are in the best interests of Unitholders of the relevant Sub-Fund to do so and the associated risks have been properly mitigated and addressed. Information on a Sub-Fund's securities financing transactions will be included in the annual report of the Sub-Fund. A summary of the policy of the Manager in relation to securities financing transactions is set out in Schedule 2 to this Explanatory Memorandum.

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. There is no assurance that the investment objective of the respective Sub-Fund will be achieved.

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.

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

(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 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 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.

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

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

(iii) ***Settlement risk*** – 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.

(iv) ***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.

(v) ***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 a broad-based fund, 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.

(vi) ***Equity risk*** - A Sub-Fund’s investment in equity securities is subject to general market risks. The risks associated with investments in equity securities may be high, because the investment performance of equity securities depends upon a number of factors which are difficult to predict. The value of the Sub-Fund’s investment in equity securities may fluctuate due to various factors, such factors include but are not limited to real or perceived adverse political, economic and market conditions, changes in the general outlook for corporate earnings, risks associated with individual companies, changes in interest or currency rates or adverse investor sentiment and issuer-specific factors. The fundamental risk associated with any equity portfolio is the risk that the value of the investments it holds might fall in value. As a result, the value of the relevant Sub-Fund may fall in value.

(vii) ***Risks of investing in debt instruments with loss-absorption features (LAP) -*** Debt instruments with loss-absorption features are subject to greater risks when compared to traditional debt instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of a pre-defined trigger event (e.g. when the issuer is near or at the point of non-viability or when the issuer’s capital ratio falls to a specified level), which are likely to be outside of the issuer’s control. Such trigger events are complex and difficult to predict and may result in a significant or total reduction in the value of such instruments.

In the event of the activation of a trigger, there may be potential price contagion and volatility to the entire asset class. Debt instruments with loss-absorption features may also be exposed to liquidity, valuation and sector concentration risk.

A Sub-Fund may invest in contingent convertible debt securities, commonly known as CoCos, which are highly complex and are of high risk. Upon the occurrence of the trigger event, CoCos may be converted into shares of the issuer (potentially at a discounted price), or may be subject to the permanent write-down to zero. Coupon payments on CoCos are discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

A Sub-Fund may invest in senior non-preferred debts. While these instruments are generally senior to subordinated debts, they may be subject to write-down upon the occurrence of a trigger event and will no longer fall under the creditor ranking hierarchy of the issuer. This may result in total loss of principal invested.

(viii) ***Risks of investing in IPO securities*** - When investing in IPO securities, the Sub-Fund may experience volatility in price as the prices of IPO securities are often subject to greater and more unpredictable price changes than more established securities. There is also a risk that there are inadequate trading opportunities generally or allocations for IPO securities 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. As a result, the foregoing risks may have an unfavourable impact on the Net Asset Value of the relevant Sub-Fund.

(ix) ***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 exceeding the original amount invested.

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

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

(xii) ***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.

(xiii) ***Credit rating downgrading risk*** - The credit ratings of fixed income instruments by credit rating agencies are a generally accepted barometer of credit risk. They are, however, subject to certain limitations. For example, the rating of an issuer is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is often a time lag in updating the credit ratings in response to recent credit events. Investment grade securities may be subject to the risk of being downgraded to below investment grade securities. In the event of downgrading in the credit ratings of a security or an issuer relating to a security, a Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not dispose of the securities, subject to the investment objectives of the relevant Sub-Fund. In the event of investment grade securities being downgraded to below investment grade securities, the Sub-Fund will also be subject to the below investment grade securities risk outlined in the following paragraph.

(xiv) ***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 investment grade debt securities.

If the issuer of securities defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. The market for these securities may be less active, making it more difficult to sell the securities. Valuation of these securities is more difficult and thus the relevant Sub-Fund's prices may be more volatile.

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

(xv) ***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.

(xvi) ***Hedging risk*** - The Manager is permitted, but not obliged, to use hedging techniques such as using futures, options and/or forward contracts to attempt to offset market and currency risks. There is no guarantee that hedging techniques will achieve their desired result.

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

(xviii) ***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.

(xix) ***Difficulties in valuation of investments*** – Securities acquired on behalf of the 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 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 Fund and the fair value of the 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 Fund or the Units, if in the circumstances it considers that such adjustment is required to reflect more accurately the fair value of the Fund's assets, pursuant to the Trust Deed.

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

(xx) ***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.

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

(xxii) ***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.

(xxiii) ***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.

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

In general, an FFI which does not sign an FFI Agreement or is not otherwise exempt will face a punitive 30% withholding tax on all "withholdable payments" derived from US sources, including dividends, interest and certain derivative payments made on or after 1 July 2014. In addition, starting from 1 January 2017, gross proceeds such as sales proceeds and returns of principal derived from stocks and debt obligations generating US source dividends or interest will be treated as "withholdable payments".

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

As an IGA has been signed between Hong Kong and the US, it is expected that FFIs in Hong Kong (such as the Fund and the Sub-Funds) complying with the FFI Agreement (i) will generally not be subject to the above described 30% withholding tax; and (ii) will not be required to withhold tax on payments to recalcitrant accounts (i.e. accounts of which the holders do not consent to FATCA reporting and disclosure to the US IRS) or close those recalcitrant accounts (provided that information regarding such recalcitrant account holders is reported to the US IRS), but may be required to withhold tax on payments made to non-compliant FFIs.

The Manager has been registered as a "sponsoring FFI" (i.e. the FFI which undertakes the obligations under FATCA on behalf of the Fund and/or the Sub-Funds).

The Fund and each Sub-Fund will endeavour to satisfy the requirements imposed under FATCA and the FFI Agreement to avoid any withholding tax. In the event that the Fund or any Sub-Fund is not able to comply with the requirements imposed by FATCA or the FFI Agreement and the Fund or such Sub-Fund does suffer US withholding tax on its investments as a result of non-compliance, the Net Asset Value of the Fund or that Sub-Fund may be adversely affected and the Fund or such Sub-Fund may suffer significant loss as a result.

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

Each Unitholder and prospective investor should consult with his own tax advisor regarding the possible implications of FATCA on them and the Sub-Fund.

(xxv) ***Distribution out of capital*** - Subject to the disclosure in the relevant Appendix, dividends may be paid out of the capital of the relevant Sub-Fund. The Manager may at its discretion distribute out of the capital of the relevant 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. The Manager may also at its discretion pay dividend out of gross income while charging/paying all or part of the relevant Sub-Fund's fees and expenses to/out of the capital of the relevant Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the relevant Sub-Fund and therefore, the relevant Sub-Fund may effectively pay dividend out of capital.

Investors should note that the payment of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of a Sub-Fund's capital or

effectively out of a Sub-Fund's capital may result in an immediate reduction of the Net Asset Value of the relevant Units.

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

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

EXPENSES AND CHARGES

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 2.5% per annum.

The Manager shall pay the fees of any sub-investment manager and investment adviser to which it has appointed. Any such sub-investment 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.

Performance Fee

The Manager may charge a performance fee for certain Sub-Fund(s), payable out of the assets of the relevant Sub-Fund based on its Net Asset Value. If a performance fee is charged, further details will be provided in the Appendix for the relevant Sub-Fund, including the current rate of the performance fee payable and the basis of calculation of such fee.

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 maximum rate of 1% per annum of the Net Asset Value of the relevant Sub-Fund. The Trustee's fee is accrued as at each Valuation Day and is payable monthly in arrears. 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.

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

Custody Fee

A Custody Fee of up to 1% per annum of the month-end market value (if unavailable, the nominal value) of the relevant Sub-Fund's investments in custody plus transaction fees at customary rates dependent on the market a Sub-Fund invests in and out of pocket expenses incurred by the Custodian appointed by the Trustee may be charged separately to the assets of the relevant Sub-Fund. Such custody fee is accrued and is payable monthly in arrears. Unitholders shall be given not less than one month's prior notice should there be any increase of the Custody Fee from the current level up to the maximum level.

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

Registrar Fee

The Registrar may receive a transaction-based fee for each Sub-Fund, other than Everbright Income Focus Fund and Everbright Greater China Opportunities Fund, and may be reimbursed other out-of-pocket expenses incurred in the course of its duties.

Establishment Costs

The establishment costs of the Fund and the initial Sub-Fund (i.e. Everbright Income Focus Fund) will be borne by the initial Sub-Fund. Such costs amount to approximately HKD1,400,000, and are being amortised over a period of five Accounting Periods (or such other period as determined by the Manager after consultation with the Auditors). Where subsequent Sub-Funds are established in the future, the Manager may determine that the unamortised establishment costs of the Fund or a part thereof may be re-allocated to such subsequent Sub-Funds.

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

General

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

Each Sub-Fund will bear the cost of, inter alia, (a) all stamp and other duties, taxes, governmental charges, brokerages, commissions, exchange costs and commissions (excluding commissions payable to sales agents arising out of any dealing in Units), 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, the Transfer Agent, the Registrar and other service providers to the Fund and the relevant Sub-Fund, (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, (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/or in obtaining and maintaining any approval or authorisation of the Fund or 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, (i) fees charged by the Manager in connection with preparing financial statements, and (j) without prejudice to the generality of the foregoing, all costs incurred in publishing the issue and redemption prices of Units of the Sub-Fund, all costs of preparing, printing and distributing all statements, accounts and reports pursuant to the provisions of the Trust Deed (including the Auditors' fees and Trustee's fee), the expenses of preparing and printing any explanatory memorandum, and any other expenses, deemed by the Manager, after consulting the Auditors, 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 on the best available terms and in the best interests of the Unitholders. In particular, any transactions between the 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 will be disclosed in the annual report of the Fund and/or the relevant Sub-Fund.

In transacting with brokers or dealers connected to the Manager, the Investment 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 financial report of the Fund and/or the relevant Sub-Fund.

None of the Manager, the Investment Delegate or 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) as described in the paragraph below may be retained. Any such cash commission or rebates received from any such brokers or dealers shall be for the account of the relevant Sub-Fund.

The Manager, the Investment Delegate and/or any of their connected persons reserve 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 have 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 for which no direct payment is made but instead the Manager, the Investment Delegate, and/or any of their connected persons undertake to place business with that broker or dealer. The Manager shall procure that no such arrangements are entered into unless (i) the goods and services to be provided pursuant thereto are of demonstrable benefit to the Unitholders (taken as a body and in their capacity as such) whether by assisting the Manager and/or the Investment Delegate in their ability to manage the relevant Sub-Fund or otherwise; (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 commissions 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 commissions arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer. For the avoidance of doubt, 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 may be considered as of such benefit to the Unitholders. Such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

TAXATION

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

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

Hong Kong Taxation

<u>The Fund/ Sub-Fund(s)</u>

(a) Profits Tax:

The Fund, as a collective investment scheme constituted as a unit trust and authorised under Section 104 of the SFO, is exempt from Hong Kong Profits Tax.

(b) Stamp Duty:

Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, no Hong Kong Stamp Duty is payable by the Fund on an issue or redemption of Units.

No Hong Kong stamp duty is payable where the sale or transfer of the Unit is effected by extinguishing the Unit or the sale or transfer is to the Manager who subsequently re-sells the Units within two months thereof.

The sale and purchase of Hong Kong stocks by the Fund will be subject to Stamp Duty in Hong Kong at the current rate of 0.2 per cent of the price of the shares purchased and of the shares sold. In practice, the Fund will be liable to one half of such Hong Kong Stamp Duty on each transaction. In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of Units.

<u>The Unitholders</u>

(a) Profits Tax:

It is understood that, under the Inland Revenue Department's current practice, Hong Kong Profits Tax will not be payable by Unitholders on distributions made by Fund. However, Unitholders should take advice from their own professional advisers as to their particular tax position.

Hong Kong Profits Tax will not be payable by the Unitholders (other than Unitholders carrying on a trade, profession or business and holding Units for trading purposes) on any gains made on the sale or other disposal of Units.

(b) Stamp Duty:

No Hong Kong ad valorem stamp duty is payable by a Unitholder in relation to an issue of Units or on the redemption of Units.

The transfer (for example the sale and purchase) of Units by a Unitholder may attract Hong Kong Stamp Duty at the current rate of 0.2 per cent of the price of the Units being sold or purchased, whether or not the sale or purchase is on or off the Hong Kong Stock Exchange. The Unitholder selling the Units and the purchaser will each be liable for one-half of the amount of Hong Kong Stamp Duty payable upon such transfer. In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of Units.

Automatic Exchange of Financial Account Information

The Inland Revenue (Amendment) (No.3) Ordinance (the "**Ordinance**") came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information ("**AEOI**"). The Ordinance requires financial institutions ("**FI**") in Hong Kong to collect Unitholders' information from 1 January 2017, and to file such information of Unitholders residing in jurisdictions which signed a Competent Authority Agreement ("**CAA**") with Hong Kong (collectively "**reportable jurisdictions**") with the Hong Kong Inland Revenue Department ("**IRD**") annually commencing from the year 2018. The Hong Kong IRD will in turn exchange such information with government authorities of the reportable jurisdictions. Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has a CAA; however, the Fund, the Sub-Funds, the Manager and/or its agents may further collect information relating to residents of other jurisdictions.

The Fund and each Sub-Fund are required to comply with the Ordinance, which means that the Fund, the Sub-Funds, the Manager and/or their agents shall collect and provide to IRD information relating to Unitholders and prospective investors.

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

By investing in the Fund and/or the Sub-Funds and/or continuing to invest in the Fund and/or the Sub-Funds, Unitholders acknowledge that they may be required to provide additional information to the Fund, the Sub-Funds, the Manager and/or its agents in order for the Fund and/or the Sub-Funds to comply with the Ordinance. The Unitholder's information (and information pertaining to controlling persons, as defined in the Ordinance, of a Unitholder that is not a natural person), may be communicated by the IRD to government authorities of the reportable jurisdictions.

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

PRC Taxation

Sub-Fund(s)

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

A Sub-Fund would invest in securities including (i) debt and/or equity securities issued within China, and (ii) other permissible investments in the PRC via RMB qualified foreign institutional investors (RQFII). The Manager and the Trustee intend to manage and operate the relevant Sub-Fund in such a manner that the relevant Sub-Fund should not be treated as a tax resident enterprise of the PRC or a non-tax resident enterprise with an establishment or place of business in the PRC for CIT purposes. As such, it is expected that the relevant Sub-Fund should not be subject to CIT on an assessment basis and would only be subject to CIT on a withholding basis to the extent the relevant Sub-Fund directly derives PRC sourced income in respect of its investment in debt and/or equity instruments.

(i) Investment in debt securities issued within China

By directly investing in Renminbi denominated debt instruments issued by tax residents in the PRC, the relevant Sub-Fund may be subject to CIT at the rate of 10% on a withholding basis ("WHT") which is imposed in the PRC on the income (including interest and capital gains) derived by non-resident (such as the relevant Sub-Fund) from the investment in debt instruments.

Interest

Unless a specific exemption is applicable, non-residents, including the relevant Sub-

Fund are subject to PRC withholding tax on the interest income derived from the investment in debt instruments issued by PRC tax residents, including bonds issued by enterprises established within mainland China and policy banks in the PRC (i.e. China Development Bank, Agricultural Development Bank of China and The Export-Import Bank of China). The general withholding income tax rate applicable is 10%, which may be reduced under an applicable double tax treaty between the PRC and Hong Kong SAR in which the RQFII holder / the relevant Sub-Fund is tax resident.

Interest derived from state treasury bonds is currently exempt from PRC income tax under the CIT Law. State treasury bonds refer to bonds issued by the finance department of the State Council (i.e. Ministry of Finance of the PRC).

Capital gains

Capital gains derived by the relevant Sub-Fund in respect of disposal or transfer of RMB denominated corporate, government and non-government bonds would likely be subject to the general PRC withholding tax at the rate of 10% unless reduced under an applicable double tax treaty.

Pursuant to the double tax arrangement between Hong Kong and the PRC, capital gains derived by a Hong Kong tax resident from the disposal of RMB denominated corporate, government and non-government bonds may be exempted from the PRC withholding tax, subject to the approval of the PRC tax authorities.

(ii) Investment in equity investments issued within China

Dividend

Unless a specific exemption or reduction is applicable, non-residents, including the relevant Sub-Fund are subject to PRC withholding tax on the dividend income derived from the PRC tax residents via QFII/ RQFII or Stock Connect. The general withholding income tax rate applicable is 10%, which may be reduced under an applicable double tax treaty between the PRC and Hong Kong SAR in which the QFII/ RQFII holder / the relevant Sub-Fund is tax resident.

Capital gains

Pursuant to Caishui [2014] No. 79 ("Notice No.79") promulgated by the Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission on 14 November 2014, (among other things) 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 CIT on capital gains derived from the transfer of PRC equity investment assets (including China A-Shares) effective from 17 November 2014.

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

Pursuant to Notice No. 79 and Notice No. 81, the Manager has determined not to make WHT provision for gross realised or unrealised capital gains derived by the relevant Sub-Fund from trading of China A-Shares via RQFII and/or Stock Connect.

It is noted that Notice No. 79 and the Notice No. 81 both state that the CIT exemption effective from 17 November 2014 is temporary. As such, as and when the PRC authorities announce the expiry date of the exemption, the relevant 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 relevant Sub-Fund.

In addition to the above, pursuant to the fourth protocol to the applicable double tax treaty between the PRC and Hong Kong, an additional capital gain tax protection/ exemption could be sought by qualified tax treaty applicants (including Hong Kong residents and also Hong Kong resident funds as specifically defined). Under the fourth protocol, capital gains derived by a resident of Hong Kong from the disposal of securities in a PRC company quoted on a recognised stock exchange shall be exempt from PRC capital gain taxes, subject to the approval of the PRC tax authorities.

(b) Value-added tax (“**VAT**”) and other surcharges, and Stamp Duty

(i) VAT and other surcharges

China has introduced a VAT to replace Business Tax (“BT”) across all sectors which were historically under the BT regime. Circular Caishui [2016] 36 (“Circular 36”) contains the VAT rates and rules applicable to the expansion of the VAT to financial services sector with effect from 1 May 2016.

Circular 36 provides that VAT at the rate of 6% applies generally in respect of net capital gains derived from the trading in financial products, and on interest income.

In each case, any VAT paid by the Sub-Fund could not be claimed by the counterparty either disposing of the financial product or incurring the interest expense as VAT credit.

In addition, Urban Maintenance and Construction Tax, Education Surcharge, Local Education Levy and other applicable local levies ("Local Surcharges") are imposed based on the VAT liabilities. The amount of Local Surcharges differs from location to location, but when combined with the 6% VAT, the total would typically be expected to amount to approximately 6.8% and the current combined rate for VAT and Local Surcharges is 6.72% in Beijing.

Capital gains

Capital gains derived from the trading in financial products is subject to VAT at the rate of 6%. However, capital gains derived by QFIIs / RQFIIs/ Stock Connect from the trading of PRC securities are exempt from VAT under Circular 36 and Circular Caishui [2016] 70 ("Circular 70").

As such, the Manager is not proposing at this stage to make any provision for VAT on any realised or unrealised capital gains derived by QFIIs/ RQFIIs/ Stock Connect from the trading of PRC securities.

Interest

VAT at the rate of 6% applies generally on interest income. However, pursuant to Circular 36 and Circular 70, the following income would be exempt from VAT:

- Interest income derived from state treasury bonds generally;
- Interest income derived from corporate bonds held by "financial institutions" where the bond is issued by a financial institution or by one of the three policy banks in China (i.e. China Development Bank, Agricultural Development Bank of China and The Export-Import Bank of China).

At present, it is unclear whether the Sub-Funds qualify as "financial institutions" (as defined) given that the Sub-Funds are foreign entities which are/may not be established with the approval of the PBOC, CBRC, CSRC or the CIRC. Hence, it is unclear whether interest income derived from corporate bonds held by non-resident taxpayers such as the Sub-Funds qualify for exemption from VAT under Circular 36 and Circular 70. Furthermore, Circular 36 does not technically contain any withholding mechanism which would allow a PRC custodian to account for the VAT in respect of any interest income on behalf of a non-resident investor. In view of the above uncertainties on the eligibility of VAT exemption for the Sub-Funds and the fact that VAT is not withheld at source by the PRC bond issuers, for prudence, pending further clarification, the Manager on behalf of the Sub-Funds will make the tax provision of 6.72% for any VAT on the interest income (other than those fall within the scope of the exemption categories set out above) received for the benefit of investors.

Dividend

Dividends and profit distributions are generally considered to be outside the scope of what is taxable under China's VAT rules, although the VAT rules do not specifically state this.

As such, the Manager is not proposing at this stage to make any provision for VAT on dividends or on profit distributions derived by the relevant Sub-Fund.

The VAT rules in Circular 36 are also currently silent as to whether any VAT liability is to be accounted for at the level of the Sub-Fund or the Fund, or by the investors in the Sub-Fund. It is expected that the VAT liability is to be accounted for at the level of the Sub-Fund or the Fund because in practice, it is difficult to impose VAT on investors in the Sub-Fund.

(ii) Stamp Duty

Since 19 September 2008, the seller of PRC listed shares will be taxable to stamp duty at the rate of 0.1% on the sale and the buyer is not liable to any stamp duty.

The Unitholders

(a) Individual Income Tax ("IIT")

Non-PRC national individual Unitholders should not be subject to IIT as a result of their investment in the relevant Sub-Fund. There should be no PRC withholding taxes applicable to investment distributions from or gains realised on disposal of Units in the relevant Sub-Fund as such distributions and gains should not be considered to be PRC-sourced (as it is expected that the relevant Sub-Fund will not be a tax resident enterprise of the PRC or otherwise have an establishment or place of business in the PRC).

Individual Unitholders who are domiciled in the PRC or non-PRC national individual Unitholders who have resided in the PRC for five consecutive full years will be subject to IIT on investment distributions derived from the relevant Sub-Fund on a receipt basis.

(b) CIT

Corporate Unitholders who are considered to be non-tax resident enterprises without an establishment or place of business in the PRC should not be subject to CIT as a result of their investment in the relevant Sub-Fund. There should also be no PRC withholding taxes applicable to investment distributions from the relevant Sub-Fund to such Unitholders as such distributions would not be considered to be PRC-sourced (because it is expected that the relevant Sub-Fund will not be a tax resident enterprise of the PRC or otherwise have an establishment or place of business in the PRC).

Corporate Unitholders who are considered to be: (i) tax resident enterprises of the PRC; or (ii) non-PRC tax resident enterprises who have an establishment or place of business in the PRC (and the investment distributions from or gains realised on disposal of Units in the relevant Sub-Fund are derived by or effectively connected with such establishment) would likely be subject to CIT on investment distributions derived from the relevant Sub-Fund on an accrual basis.

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

FINANCIAL REPORTS

The Fund's financial year end is on 31 December in each year.

Copies of the audited annual report and accounts (in English) will be published as soon as possible and in any event within four months, after the end of the financial year. The Manager also procures unaudited interim reports (in English) will be published within two months after 30 June in each year.

As an alternative to distribution of printed forms of the audited annual report and accounts and/or unaudited interim reports, upon its publication, the Manager will electronically notify Unitholders where the audited annual report and accounts (in English) can be obtained (in printed and electronic forms) within four months after the end of the financial year, and where the unaudited interim reports (in English) can be obtained (in printed and electronic forms) within two months after 30 June in each year.

The audited annual reports and interim reports will be prepared in English only and will be published online at http://www.ebshk.com (this website has not been reviewed by the SFC) within the relevant time frame. Once issued, printed forms of the reports and accounts will also be available upon request of Unitholders free of charge at any time during normal business hours on any Business Day at the office of the Manager.

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

The Manager intends to adopt International Financial Reporting Standards in drawing up the annual financial reports of the Fund and the Sub-Funds and the interim financial reports will apply the same accounting policies and method of computation as are applied in the annual financial reports of the Fund and the Sub-Funds. It should however be noted that in amortising the establishment costs of the Fund in accordance with the section headed "Establishment Costs", possible deviation from such accounting standards may occur but the Manager does not expect this issue to be material under normal circumstances. The Manager may make necessary adjustments in the annual financial reports in order to comply with International Financial Reporting Standards and to include a reconciliation note in the Fund's audited annual financial reports.

DISTRIBUTION POLICY

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 and agreed by 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 unless the relevant Sub-Fund shall have been terminated in which case such amount shall be paid into a court of competent jurisdiction subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

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 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.

PUBLICATION OF PRICES

The Net Asset Value for each class of each Sub-Fund at each Valuation Day will be published on each Dealing Day on the website of the Manager at http://www.ebshk.com (this website has not been reviewed by the SFC). Unitholders should regularly visit the website, or request that their representatives do so on their behalf, to ensure that they obtain such information on a timely basis.

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, acting in good faith and in compliance with any applicable laws and regulations, 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 directly, indirectly or beneficially owns 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 or would subject the Manager, the Trustee, the Trust or any Investment Fund to any additional regulation which the Fund or the Sub-Fund might not otherwise have incurred or suffered or been subject to.

TRUST DEED

The Fund was established under the laws of Hong Kong by a Trust Deed dated 10 October 2013 made between China Everbright Securities (HK) Limited as Manager and ICBC (Asia) Trustee Company Limited as Trustee.

The Trust Deed contains provisions for the indemnification of the parties and their exculpation from liability in certain circumstances. Any indemnity expressly given to the Trustee or to the Manager in the Trust Deed is in addition to and without prejudice to any indemnity allowed by law. 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 office 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 to the Manager and the Unitholders:

(a) if the Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation), 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 under the Trust Deed satisfactorily or shall do any other thing which in the opinion of the Trustee is calculated to bring the Fund into disrepute or to be harmful to the interests of the Unitholders; 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 HKD10 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 HKD10 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 upon termination of the Fund and/or a Sub-Fund, as the case may be, may at the expiration of twelve months from the date upon which the same were payable be paid into court subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

ANTI-MONEY LAUNDERING REGULATIONS

As part of the Manager's and the Trustee's responsibility for the prevention of money laundering, the Manager/Trustee (through the Transfer Agent) 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, the Trustee and the Transfer Agent 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 or the Transfer Agent may refuse to accept the application and the subscription moneys relating thereto and refuse to pay any redemption proceeds if an applicant for Units delays in producing or fails to produce any information required for the purposes of verification of identity or source of fund.

CONFLICTS OF INTEREST

The Manager and the Trustee may from time to time act as trustee, administrator, registrar, manager, custodian, investment manager or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of any Sub-Fund. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Fund. Each will, at all times, have regard in such event to its obligations to the Fund and will endeavour to ensure that such conflicts are resolved fairly. Compliance procedures and measures such as, segregation of duties and responsibilities together with different reporting lines and "Chinese walls" have been put in place 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 services of the Trustee provided to the Fund are not deemed to be exclusive and the Trustee shall be free to render similar services to others so long as its services hereunder are not impaired thereby and to retain for its own use and benefit all appropriate fees and benefits. The Trustee shall not be deemed to be affected with notice of or to be under any duty to disclose to the Fund any fact or information which comes to the notice of the Trustee in the course of the Trustee rendering similar services to other parties or in the course of its business in any other capacity, otherwise than in the course of carrying out its duties under the Trust Deed or as required by any applicable laws and regulations for the time being in force.

LIQUIDITY RISK MANAGEMENT

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

The Manager's liquidity policy takes into account the investment strategy, the liquidity profile, the redemption policy, the dealing frequency, the ability to enforce redemption limitations and the fair valuation policies of the Fund and the Sub-Funds. These measures seek to ensure fair treatment and transparency for all investors.

The liquidity management policy involves monitoring the profile of investments held by the Sub-Funds on an on-going basis to ensure that such investments are appropriate to the redemption policy as stated under the section headed "Redemption of Units", and will facilitate compliance with the Sub-Funds' obligation to meet redemption requests. Further, the liquidity management policy includes details on periodic stress testing carried out by the Manager to manage the liquidity risk of the Sub-Funds under normal and exceptional market conditions.

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

- the Manager is entitled 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 the Units) to 10% of the total number of Units of the relevant Sub-Fund in issue (subject to the conditions under the heading headed "Restrictions on redemption and switching" in the section headed "Switching between Classes");

- the Manager may, after consultation with the Trustee and having regard to the interests of Unitholders, declare a suspension of the determination of the Net Asset Value of a Sub-Fund for the whole or any part of any period due to the circumstances disclosed under the heading headed "Suspension of Calculation of Net Asset Value" in the section headed "Valuation".

CERTIFICATION FOR COMPLIANCE WITH FATCA OR OTHER APPLICABLE LAWS

Each investor (i) shall be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Fund or a Sub-Fund (A) to prevent withholding (including, without limitation, any withholding taxes required under FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Fund or the relevant Sub-Fund receives payments and/or (B) to satisfy reporting or other obligations under IRS Code and the United States Treasury Regulations promulgated under the IRS Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority (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 US IRS), certain information in relation to a Unitholder, including but not limited to the Unitholder's name, address, tax identification number (if any), social security number (if any) and certain information relating to the Unitholder's holdings, to enable the Fund or the relevant Sub-Fund to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law, regulation or agreement under FATCA)."

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal working hours at the office 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.

SCHEDULE 1 – INVESMENT AND BORROWING RESTRICTIONS

1. Investment limitations applicable to each Sub-Fund

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 or no cash deposits may be made 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 6(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 6(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 except 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 (subject to the foregoing statement, 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, 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 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), sub-paragraph 2(b) and proviso (cc) to sub-paragraph 1(g) 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 valuation agent, the Manager or the Trustee or their nominee(s), agent(s) or delegate(s) (as the case may be) independent of the issuer of the financial derivative instruments through measures such as the establishment of a valuation committee or engagement of third party service. 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 valuation agent/administrator 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.

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 there is no uncollateralized 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

Unless otherwise specified in the relevant Appendix and subject to prior consultation with the SFC and in compliance with the relevant laws and regulations, 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;

(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 – unless otherwise specified in the relevant Appendix and subject to prior consultation with the SFC, and in compliance with all applicable laws and regulations, 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 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 a 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 7(b) and 7(j) of this Schedule 1;

(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.

Further details relating to the collateral policy of the Fund and/or Sub-Funds are disclosed in Schedule 3.

7. Money Market Funds

In the exercise of its investment powers in relation to a Sub-Fund which is a money market fund ("Money Market Fund") authorised by the SFC under 8.2 of the Code, the Manager shall ensure that the core requirements as set out in paragraphs 1, 2, 4, 5, 6, 8, 9.1 and 9.2 of this Schedule 1 shall apply with the following modifications, exemptions or additional requirements:-

(a) subject to the provisions set out below, a Money Market Fund may only invest in short-term deposits and high quality money market instruments (i.e. securities normally dealt in on the money markets including government bills, certificates of deposit, commercial papers, short-term notes, bankers' acceptances, asset-backed securities such as asset-backed commercial papers), and money market funds that are authorised by the SFC under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC;

(b) a Money Market Fund shall maintain a portfolio with weighted average maturity not exceeding 60 days and a weighted average life not exceeding 120 days and must not purchase an instrument with a remaining maturity of more than 397 days (or two years in the case of Government and other public securities). For the purposes herein;

(i) "**weighted average maturity**" is a measure of the average length of time to maturity of all the underlying securities in a Money Market Fund weighted to reflect the relative holdings in each instrument; and is used to measure the sensitivity of the Money Market Fund to changing money market interest rates; and

(ii) "**weighted average life**" is the weighted average of the remaining life of each security held in a Money Market Fund; and is used to measure the credit risk, as well as the liquidity risk,

provided that the use of interest rate resets in variable-notes or variable-rate notes generally should not be permitted to shorten the maturity of a security for the purpose of calculating weighted average life, but may be permitted for the purpose of calculating weighted average maturity;

(c) notwithstanding sub-paragraphs 1(a) and 1(c) of this Schedule 1, the aggregate value of a Money Market Fund's holding of instruments issued by a single entity, together with any deposits held with that same issuer may not exceed 10% of the latest available Net Asset Value of such Money Market Fund except:-

(i) the value of a Money Market Fund's holding of instruments and deposits issued by a single entity may be increased to 25% of the latest available Net Asset Value of such Money Market Fund if the entity is a substantial financial institution, provided that the total value of such holding does not exceed 10% of the entity's share capital and non-distributable capital reserves; or

(ii) up to 30% of a Money Market Fund's latest available Net Asset Value may be invested in Government and other public securities of the same issue; or

(iii) in respect of any deposit of less than US$1,000,000 or its equivalent in the Base Currency of the relevant Money Market Fund where such Money Market Fund cannot otherwise diversify as a result of its size;

(d) notwithstanding sub-paragraphs 1(b) and 1(c) of this Schedule 1, the aggregate value of a Money Market Fund's investments in entities within the same group through instruments and deposits may not exceed 20% of its latest available Net Asset Value provided that:

(i) the aforesaid limit will not apply in respect of cash deposit of less than US$ 1,000,000 or its equivalent in the Base Currency of such Money Market Fund, where it cannot otherwise diversify as a result of its size;

(ii) where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%;

(e) the value of a Money Market Fund's holding of money market funds that are authorised under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC may not in aggregate exceed 10% of its latest available Net Asset Value;

(f) the value of a Money Market Fund's holding of investments in the form of asset-backed securities may not exceed 15% of its latest available Net Asset Value;

(g) subject to paragraphs 5 and 6 of this Schedule 1, a Money Market Fund may engage in sale and repurchase transactions, and reverse repurchase transactions in compliance with the following additional requirements:

  (i) the amount of cash received by the Money Market Fund under sale and repurchase transactions may not in aggregate exceed 10% of its latest available Net Asset Value;

  (ii) the aggregate amount of cash provided to the same counterparty in reverse repurchase agreements may not exceed 15% of the latest available Net Asset Value of the Money Market Fund;

  (iii) collateral received may only be cash, high quality money market instruments and may also include, in the case of reverse repurchase transactions, government securities receiving a favourable assessment on credit quality; and

  (iv) the holding of collateral, together with other investments of the Money Market Fund, must not contravene the investment limitations and requirements set out in the other provisions of this paragraph 7 of this Schedule 1;

(h) a Money Market Fund may use financial derivative instruments for hedging purposes only;

(i) the currency risk of an Money Market Fund should be appropriately managed and any material currency risk that arises from investments of the Money Market Fund that are not denominated in its Base Currency shall be appropriately hedged;

(j) a Money Market Fund must hold at least 7.5% of its latest available Net Asset Value in daily liquid assets and at least 15% of its latest available Net Asset Value in weekly liquid assets. For the purposes herein:

  (i) daily liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within one Business Day; and (iii) amount receivable and due unconditionally within one Business Day on pending sales of portfolio securities; and

  (ii) weekly liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within five Business Days; and (iii) amount receivable and due unconditionally within five Business Days on pending sales of portfolio securities.

8. Borrowing and Leverage

The expected maximum level of leverage of each Sub-Fund is as follows:

Cash borrowing

8.1 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 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 8.1.

8.2 Notwithstanding sub-paragraph 8.1 of this Schedule 1, a Money Market Fund may borrow only on a temporary basis for the purposes of meeting redemption requests or defraying operating expenses.

Leverage from the use of financial derivative instruments

8.3 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 set out in the relevant Appendix.

8.4 In calculating the net derivative exposure, derivatives acquired for investment purposes that would generate incremental leverage at the portfolio level of the relevant Sub-Fund are converted into their 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.

8.5 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.

9. Name of Sub-Fund

9.1 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.

9.2 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.

SCHEDULE 2 – SUMMARY OF POLICY OF SECURITIES FINANCING TRANSACTIONS

The summary of policy of securities financing transactions set out in this Schedule 2 is only applicable to a Sub-Fund which may engage in securities financing transactions.

Securities financing transactions may only be effected in accordance with normal market practice and provided that they are in the best interest of Unitholders of the relevant Sub-Fund to do so and the associated risks have been properly mitigated and addressed.

Securities Financing Transactions

Under a securities lending transaction, a Sub-Fund lends its securities to a security-borrowing counterparty for an agreed fee subject to a commitment from that counterparty that it will return equivalent securities on a specified future date or when requested to do so by the relevant Sub-Fund. A Sub-Fund is expected to retain the rights of beneficial ownership as to the loaned securities, including voting rights and rights to interest or other distributions, and will generally have the right to regain record ownership of loaned securities to exercise such beneficial rights.

Where the Sub-Fund enters into sale and repurchase transactions it sells securities such as bonds for cash and simultaneously agrees to repurchase the securities from the counterparty at a predetermined future date for a pre-determined price. A sale and repurchase transaction is economically similar to secured borrowing, with the counterparty of the Sub-Fund receiving securities as collateral for the cash that it lends to the Sub-Fund.

Where the Sub-Fund enters into reverse repurchase transactions it acquires securities such as bonds by cash and simultaneously agrees to sell the securities to the counterparty at a pre-determined future date for a pre-determined price. A reverse repurchase transaction is economically similar to secured lending, with the Sub-Fund receiving securities as collateral for the cash it lends to the counterparty.

A Sub-Fund must have the right to terminate the securities financing transactions at any time and demand the return of all of the securities loaned or the full amount of cash (as the case may be).

It is the intention of the Manager to sell the securities for cash equal to the market value of the securities provided to the counterparty. Cash obtained in sale and repurchase transactions will be closely monitored by the Manager and will be used for liquidity management, re-investment and hedging purposes. Where cash received by the Sub-Fund is used for re-investment, such cash may only be re-invested subject to applicable investment restrictions in securities within the ambit of the investment objective and policies of the Sub-Fund. For the securities acquired through a reverse repurchase transaction or by cash obtained from a sale and repurchase transaction, the Sub-Fund will not use them as collateral of another sale and repurchase transaction.

Revenues and Expenses

All 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 relevant Sub-Fund. Such direct and indirect expenses shall include fees and expenses payable to securities lending agents engaged for the relevant Sub-Fund from time to time. Such fees and expenses of any securities lending agents engaged for the relevant Sub-Fund, will be at normal commercial rates and will be borne by the relevant Sub-Fund in respect of which the relevant party has been engaged.

Information on the revenues generated under such transactions shall be disclosed in the annual and interim financial reports of the relevant Sub-Fund, along with entities to whom direct and indirect operational costs and fees relating to such transactions are paid. These entities may include the Manager, the Investment Delegate or any other their connected persons.

Eligible Counterparties

Please refer to Schedule 3 for further details.

Collateral

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

The acceptability of the collateral used for each such transaction is subject to negotiation between the Sub-Fund and its counterparty in the transaction. In general, the Manager approves collateral based on various criteria: the liquidity of the collateral, market risk associated with the collateral (e.g. based on the price volatility of the collateral), issuer risk, etc. Collateral acceptable to the Manager includes (but does not limit to) liquid assets (i.e. certificate of deposits, commercial papers and other money market instruments), various government bonds and corporate bonds which are of investment grade, equity securities traded on a stock exchange, etc. The Manager will seek to achieve diversification of the portfolio of collateral to avoid concentrated exposure and correlation between the counterparty and the issuer of the collateral.

Please refer to Schedule 3 for further details.

Maximum and expected level of securities financing transactions

The maximum and expected level of a Sub-Fund's assets available for securities financing transactions are set out in the Appendix of the relevant Sub-Fund.

Types of assets that may be subject to securities financing transactions

The types of assets that may be subject to securities financing transactions include certain equity securities, fixed income securities, collective investment schemes, money market instruments and cash. Use of such assets is subject to a Sub-Fund's investment objective and policy.

Connected person(s) arrangement

The Manager currently does not intend to carry out any securities financing transactions in respect of the Sub-Fund with or through a connected person of the Manager or the Trustee.

Safekeeping arrangement

Assets received

Assets (including any collateral) received by a Sub-Fund under a title-transfer arrangement should be held by the Trustee or a Correspondent.

Assets provided

Assets (including any collateral) provided to a counterparty under a title-transfer arrangement shall no longer belong to the Sub-Fund. Assets (including any collateral) provided to a counterparty other than under a title-transfer arrangement shall be held by the Trustee or a Correspondent (which may include the counterparty to the relevant securities financing transaction). Upon the exercise of a right of re-use by a counterparty, such assets will not be safe-kept by the Trustee or a Correspondent and such counterparty may use the assets at its absolute discretion**.**

SCHEDULE 3 – COLLATERAL VALUATION AND MANAGEMENT POLICY

The Manager employs a collateral management policy in relation to collateral received in respect of securities financing transactions and OTC financial derivative transactions entered into in respect of a Sub-Fund.

A Sub-Fund may receive collateral from a counterparty to a securities financing transaction or OTC derivative transaction in order to reduce its counterparty risk exposure, subject to the investment restrictions and requirements applicable to collateral under Schedule 1.

Nature and quality of the collateral

The Manager is generally expected to accept collateral types that it is able, following a counterparty failure, to: (a) hold for a period without breaching applicable laws or regulations or the relevant mandate; (b) value; and risk manage appropriately.

A Sub-Fund may receive the following collateral instruments from a counterparty:

(a) Cash;

(b) Debt securities with time to maturity/time to call date less than 30 years and those debt securities being issued have either issuer, guarantor or bond ratings rated by a recognized external credit rating agency where these are either:
   (i) at least investment grade when issued by sovereigns or public sector enterprises ("PSEs") that are treated as sovereigns by the national supervisor; or
   (ii) at least investment grade when issued by other entities (including banks and other prudentially regulated financial institutions);

(c) Equities (including convertible bonds) that are included in a major market index (e.g. Hang Seng Index, indexes in the mainland China and OECD countries); or

(d) Equities (including convertible bonds) that are not included in a major market index (e.g. Hang Seng Index, indexes in the mainland China and OECD countries) but which are listed on a recognized stock exchange.

Collateral should not include: (a) structured products whose payouts rely on embedded financial derivatives or synthetic instruments; (b) securities issued by special purpose vehicles, special investment vehicles or similar entities; (c) securitized products; or (d) unlisted collective investment schemes.

Criteria for selecting counterparties

The Manager has counterparty selection policies and control measures to manage the credit risks of counterparties of securities financing transactions and OTC derivative transactions which shall include amongst other considerations, operational profiles (country activity, strategy and business model, risk management policy and experience of the managerial team), fundamental creditworthiness (e.g. ownership structure, financial strength (revenue, profitability, balance sheet, liquidity, capital and etc.)) and commercial reputation of specific legal entities in conjunction with the nature and structure of proposed trading activities, external credit ratings of the counterparty, the regulatory supervision applied to the relevant counterparty, country of origin of the counterparty and legal status of the counterparty.

The counterparty of securities financing transactions must be financial institutions which are subject to ongoing prudential regulation and supervision.

The counterparties of OTC derivative transactions will be entities with legal personality typically located in OECD jurisdictions (but may also be located outside such jurisdictions), and be subject to ongoing supervision by a regulatory authority. The exposure to each counterparty is limited to no more than 10% of the latest Net Asset Value of the relevant Sub-Fund. If the counterparty is not an international institution with headquarters located in OECD member countries, the exposure to such counterparty will be limited to 5% of the latest Net Asset Value of the relevant Sub-Fund. This limit may be revised downward at any time due to the market conditions.

The Manager will seek to appoint independent counterparties which are of investment grade (i.e. rated as Baa3 or above by Moody's Investor Services, Inc. or BBB- or above by Standard & Poor's Corporation or BBB- or above by Fitch Group or equivalent ratings by other credit rating agencies of similar standing) or corporations licensed with the SFC or institutions registered with the Hong Kong Monetary Authority.

Valuation of collateral

The collateral received is valued daily by the Manager on a mark-to market basis.

Enforceability of collateral

Collateral (subject to any net-off or set-off, if applicable) is capable of being fully enforced by the Manager / Sub-Fund at any time without further recourse to the counterparty.

Haircut policy

A documented haircut policy is in place for detailing the policy in respect of each class of assets received by a Sub-Fund in order to reduce exposure to counterparties. A haircut is a discount applied to the value of a collateral asset to account for the fact that its valuation, or liquidity profile, may deteriorate over time. The haircut policy applied to posted collateral will be negotiated on a counterparty basis and will vary depending on the class of asset received by the relevant Sub-Fund. Haircuts will be based on the market risks of the assets used as collateral in order to cover potential maximum expected decline in collateral values during liquidation before a transaction can be closed out with due consideration on stress period and volatile markets. The haircut policy takes into account the price volatility of the asset used as collateral and other specific characteristics of the collateral, including, among others, asset types, issuer creditworthiness, residual maturity, price sensitivity, optionality, expected liquidity in stressed period, impact from foreign exchange, and correlation between securities accepted as collateral and the securities involved in the transactions.

Further details of the applicable haircut arrangement for each asset class can be available from the Manager upon request.

Diversification and correlation of collateral

Collateral must be sufficiently diversified. The exposures of a Sub-Fund to the collateral issuers are monitored in accordance with the relevant restrictions on exposure to a single entity and/or entities within the same group as set out in in Schedule 1.

Collateral received must be issued by an entity that is independent from the relevant counterparty.

Cash collateral reinvestment policy

A Sub-Fund shall not sell, pledge or re-invest any non-cash collateral received by it.

Subject to the applicable restrictions in respect of collateral in Schedule 1, cash collateral received by a Sub-Fund may 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. Subject to prior consultation with the SFC and where it is disclosed in the relevant Appendix, a Sub-Fund may reinvest the cash collateral received from sale and repurchase transactions in investments other than those set out in sub-paragraph 6(j) of Schedule 1 to this Explanatory Memorandum.

Up to 100% of the cash collateral received by a Sub-Fund may be reinvested.

Safe-keeping of collateral

Any non-cash assets received by a Sub-Fund from a counterparty on a title transfer basis (whether in respect of a securities financing transaction or an OTC derivative transaction) should be held by the Trustee or a Correspondent. This is not applicable in the event that there is no title transfer in which case the collateral will be held by a third party custodian which is unrelated to the provider of the collateral.

A description of collateral holdings of each Sub-Fund will be disclosed in its interim and annual financial reports as required under Appendix E of the Code.

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.

APPENDIX I – EVERBRIGHT INCOME FOCUS FUND

This Appendix comprises information in relation to Everbright Income Focus Fund, a Sub-Fund of the Fund.

For this Appendix I, "**Sub-Fund**" shall mean Everbright Income Focus Fund.

Base Currency

The base currency of the Sub-Fund is USD.

Initial Offer

Class A HKD (Distributing) Units, Class A USD (Distributing) Units, Class A USD (Accumulating) Units, Class I HKD Units, Class I RMB Units and Class I USD Units have already been launched and their initial offer periods have been closed. The respective initial offer prices of Class A HKD (Distributing) Units, Class A USD (Distributing) Units, Class A USD (Accumulating), Class I HKD Units, Class I USD Units and Class I RMB Units (exclusive of preliminary charge) were as follows:-

Class	**Initial offer price per Unit (exclusive of preliminary charge)**
Class A HKD (Distributing) Units	HKD10.00
Class A USD (Distributing) Units	USD10.00
Class A USD (Accumulating) Units	USD10.00
Class I HKD Units	HKD10.00
Class I RMB Units	RMB10.00
Class I USD Units	USD10.00

The Manager or its Authorised Distributor(s)/intermediary(ies) is/are entitled to charge a preliminary charge of up to 5% of the total subscription amount received (i.e. before deducting preliminary charge) in relation to an application.

Investors may now subscribe for Class A and Class I Units at their prevailing Issue Prices in accordance with the section headed "Purchase of Units" above.

Investment Objective

The investment objective of the Sub-Fund is to aim to provide investors with regular income and steady capital appreciation by investing in a diversified portfolio of debt securities in the global markets.

Investment Strategy

The Manager will seek to achieve the Sub-Fund's investment objective by investing a minimum of 70% of its Net Asset Value in a diversified portfolio of debt securities issued by governments and corporations in the global markets which are denominated in USD, EUR or in the local currencies of the relevant markets.

Debt securities that may be invested in by the Sub-Fund include but are not limited to fixed and floating rate bonds, zero coupon and discount bonds, straight bonds, convertible bonds, contingent convertible bonds, perpetual securities, preferred securities, hybrid securities, senior debts, subordinated debts, as well as short-term money market instruments (such as treasury bills, commercial papers, certificates of deposit of variable or fixed interest rates that are listed or quoted on the over-the-counter markets, bank deposits, short term bills and notes). Debt securities may be issued or guaranteed by government, municipal government, government agencies, quasi-government organisations, financial institutions, investment trust and property trust, multi-national organisations and other corporations. The Sub-Fund will only invest in debt securities which are of investment grade (i.e. rated as Baa3 or above by Moody's Investor Services, Inc. or BBB- or above by Standard & Poor's Corporation or BBB- or above by Fitch Group or equivalent ratings by other credit rating agencies of similar standing).

The Sub-Fund may invest less than 30% of its Net Asset Value in debt instruments with loss-absorption features (e.g. total loss-absorbing capacity eligible instruments, contingent convertible bonds, senior non-preferred debt, Additional Tier 1 and Tier 2 capital instruments (i.e. debt instruments with write-down features which are triggered when the issuers' regulatory capital ratio falls to a certain level)). These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

To the extent permitted under the investment policy of the Sub-Fund, the Sub-Fund may invest more than 30% of its Net Asset Value in debt securities which are issued or distributed in Hong Kong.

The Sub-Fund may invest up to 50% of its net asset value in offshore debt securities denominated in non-RMB currencies (e.g. USD) and issued outside of mainland China by mainland Chinese government or government agencies or mainland Chinese corporations which carry out a predominant proportion of their business activities in or derive a predominant of their revenue from mainland China ("Offshore China Bonds").The Sub-Fund may also invest less than 30% of its Net Asset Value in dim sum bonds (i.e. bonds issued outside of mainland China but denominated in RMB) or other securities which are denominated in RMB. For the avoidance of doubt, the Sub-Fund may not invest directly or indirectly in RMB denominated debt securities issued or distributed within the PRC.

The Sub-Fund will not invest in equities and collective investment schemes.

The Sub-Fund does not intend to enter into securities lending transactions. The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to Unitholders before the Manager enters into any such transactions.

The Sub-Fund may enter into reverse repurchase transactions and / sale and repurchase transactions in aggregate for up to 20% of its Net Asset Value. Notwithstanding the requirements on reinvestment on collateral as described in sub-paragraph 6(j) of Schedule 1 of this Explanatory Memorandum, the Sub-Fund may reinvest the cash collateral received from sale and repurchase transactions in investments other than those set out in sub-paragraph 6(j) of Schedule 1 of this Explanatory Memorandum only if the following requirements are met:

(i) the re-investment, together with the Sub-Fund's net derivative exposure, do not in aggregate exceed 50% of the Sub-Fund's Net Asset Value;

(ii) the re-investment will only be made on investment grade debt securities which is consistent with the Sub-Fund's investment objective and strategies;

(iii) the re-investment is limited to securities which are sufficiently liquid and of good quality; and

(iv) the re-investment is subject to the corresponding investment restrictions and limitations applicable to such investments or exposure as set out in Chapter 7 of the Code and complies with sub-paragraphs 6(j)(iv) and 6(j)(v) of Schedule 1 of this Explanatory Memorandum.

Re-investment of cash collateral received from sale and repurchase transactions in compliance with the above requirements shall not be subject to the limitation in sub-paragraph 8.1 of Schedule 1 of this Explanatory Memorandum which allows borrowing of a Sub-Fund of up to 10% of the Sub-Fund's latest available Net Asset Value.

The Sub-Fund may invest in financial derivatives instruments (including but not limited to currency forwards, futures, options and swaps) for hedging purpose only. The Sub-Fund will not invest in any structured deposits, structured products, asset backed securities (including asset backed commercial papers) or mortgage backed securities for hedging or non-hedging purposes.

It is expected that the Sub-Fund may temporarily hold a significant amount of cash or cash equivalents in times of substantial subscription/redemption, extreme market conditions such as in times of a prolonged bearish market or extremely severe and rapid economic downturn.

Use of Derivatives

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

Management and Administration of the Sub-Fund

The Investment Adviser

The Manager has appointed China Everbright Assets Management Limited (the "**Investment Adviser**") to act as investment adviser to provide advisory services to the Manager in respect of the assets of the Sub-Fund. The Investment Adviser will not have any discretionary investment management power in respect of the assets of the Sub-Fund.

The Investment Adviser is a company incorporated in Hong Kong and whose registered office is at 46/F Far East Finance Centre, 16 Harcourt Road, Hong Kong. It is currently licensed by the SFC for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO with CE number AGC028. The Investment Adviser is wholly owned by China Everbright Limited (SHEK: 0165.HK), a Hong Kong-listed diversified financial services enterprise.

Leveraging parent company's established Risk, Legal & Compliance, Finance and IT infrastructure, the Investment Adviser provides asset management, investment management and investment advisory services.

Details of the key officers of the Investment Adviser are as follows:

Will Chung, CFA

Mr. Chung is Managing Director and Portfolio Manager at the Investment Adviser where he oversees more than US$1 billion assets in fixed income strategy, including hedge and long-only funds as well as customized mandates in public, private and asset-backed securities. Prior to joining China Everbright Assets Management Limited, Mr. Chung served as head of public investment for Shining Capital Management where he was responsible for multi-strategy absolute return investments across major asset classes. Before that, Mr. Chung was the head of tactical asset allocation at Shin Kong Life where he oversaw a US$35 billion of global multi-asset class portfolios. Mr. Chung served as Board Director of Taiwan CFA Society from 2007 to 2008 and graduated with Beta Gamma Sigma Honour from Columbia University with an MBA in Finance.

Willie Wu, CFA

Mr. Wu currently is Vice President and Portfolio Manager at the Investment Adviser where he is responsible in managing various fixed income portfolios. Prior to joining China Everbright Assets Management Limited, Mr. Wu served as Portfolio Manager for Rongtong's QDII public offered fund. He has more than 15 years of investment experience and has worked in the financial institutions such as Fidelity, JPMorgan, Sumitomo Mitsui Asset Management and Rongtong Fund Management. Mr. Wu received his bachelor's degree in economics and finance from McGill University in Canada. He is also a Chartered Financial Analyst, member of Hong Kong Society of Financial Analysts and American CFA Institute.

Claire Chao, CFA

Miss Chao currently is Vice President and Portfolio Manager at the Investment Adviser where she is responsible to manage various fixed income portfolios. Prior to joining China Everbright Assets Management Limited, Miss Chao served as Fixed Income PM at Guotai Junan Assets (Asia) Limited where she managed one USD-denominated Emerging Markets Bond Fund (UCITS platform), two RQFII Bond Funds in Hong Kong, and one HKD-denominated Bond Fund in Hong Kong. She has won "CAMAHK-Bloomberg Offshore China Fund Awards 2015" (Best Total Return-Greater China Fixed Income 2nd Runner-up). Before that, Miss Chao had already had many years of interest rate products proprietary trading experience, including US Treasury Futures, Euro Bund Futures, Japanese Government Bond (JGB) Futures, and Taiwanese Government Bond (TGB) cash bond. Miss Chao received her Bachelor of Economics degree from National Taiwan University and received her Master of Finance degree from National Central University.

The Manager will bear the fees of the Investment Adviser.

Specific Risk Factors

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

Investment risk

The Sub-Fund is an investment fund and mainly invests in debt securities. There can be no assurance that the Sub-Fund will achieve its investment objective. Investment in debt securities is not the same as deposits with a bank. The Sub-Fund's investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of the repayment of principal. There is also no guarantee of dividend or distribution payments during the period an investor holds Units in the Sub-Fund.

Concentration risk

The Sub-Fund may invest substantially in Offshore China Bonds. The value of the Sub-Fund may be volatile than that of a fund having a more diverse portfolio of investments. Also, the value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the mainland China market.

Mainland China market risk

The Sub-Fund may invest substantially in debt securities associated with mainland China, which is an emerging market and thus is subject to the "Emerging market risk" described above.

Investment relating to mainland China may be sensitive to any major change in economic, social and political policy in mainland China. The capital growth and thus the performance of these investments may be adversely affected due to such sensitivity.

Debt securities

Investments in debt securities will be subject to the following risks associated with debt securities. If the debt securities held by the Sub-Fund fall in value, the Sub-Fund's value will also be adversely affected.

Interest rates risk - Investment in the Sub-Fund is subject to interest rate 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 the Sub-Fund fall in value, the

Sub-Fund's value will also be adversely affected.

Credit rating downgrading risk - The credit ratings of fixed-income securities by credit rating agencies are a generally accepted barometer of credit risk. They are, however, subject to certain limitations and do not guarantee the creditworthiness of the security and/or issuer at all times. For example, the rating of an issuer is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is often a time lag in updating the credit ratings in response to recent credit events. Investment grade securities or its issuer may be subject to the risk of being downgraded. In the event of downgrading in the credit ratings of a security or an issuer relating to a security, the Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not be able to dispose of the securities that are being downgraded. If investment grade securities are downgraded to below investment grade, such securities will not be sold unless, in the opinion of the Manager, it is in the interest of Unitholders to do so. Securities which are below investment grade or unrated are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than high-rated debt securities.

Credit risk - The Sub-Fund is exposed to the credit/default risk of issuers of the debt securities that the Sub-Fund may invest in. 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. The 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.

Liquidity risk - The Sub-Fund may invest in debt securities that are not listed. Such securities may be less liquid and more volatile than listed debt securities; this may result in the fluctuation in the price of such securities and hence adversely affect the Net Asset Value of the Sub-Fund.

Counterparty risk - Counterparty risk involves the risk that a counterparty or third party will not fulfil its obligations to the Sub-Fund. The Sub-Fund may be exposed to the risk of a counterparty through investments such as bonds. To the extent that a counterparty defaults on its obligations and the Sub-Fund is prevented from exercising its rights with respect to the investment in its portfolio, the 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.

Risk of default - 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 Sub-Fund.

Risk of investing in convertible bonds and hybrid securities - Convertible bonds and hybrid securities are a hybrid between debt and equity which give an investor an option to exchange the bond for a pre-determined number of shares at a given price and a specified future date. Convertible bonds and hybrid securities are subject to risks which typically apply to bonds and equity securities. On one hand, convertible bonds and hybrid securities are subject to interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable straight bond investments. The value of convertible bonds and hybrid securities tends to decline as interest rates increase and increase as interest rates decline. If the credit quality of the convertible bonds and hybrid securities deteriorates or the issuer of the convertible bonds and hybrid securities defaults, the performance of the Sub-Fund will be adversely affected. On the other hand, convertibles will be exposed to equity movement and greater volatility than straight bond investments. The prices of convertible bonds and hybrid securities will be affected by the changes in the price of the underlying equity securities which in turn, may have an unfavourable impact on the Net Asset Value of the Sub-Fund.

Risk of investing in contingent convertible bonds - Contingent convertible bonds are hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level. Upon the occurrence of a predetermined event (known as a trigger event), contingent convertible bonds will be converted into shares of the issuing company (potentially at a discounted price as a result of the deterioration in the financial condition of the issuing company), or cause the permanent writedown to zero of the principal investment and/or accrued interest such that the principal amount invested may be lost on a permanent or temporary basis. Contingent convertible bonds are risky and highly complex instruments. Coupon payments on contingent convertible bonds are discretionary and may at times also be ceased or deferred by the issuer. Trigger events can vary but these could include the capital ratio of the issuing company falling below a certain level, or the share price of the issuer falling to a particular level for a certain period of time.

Contingent convertible bonds are also subject to additional risks specific to their structure including:

(i) Trigger level risk

Trigger levels differ and determine exposure to conversion risk. It might be difficult for the Manager to anticipate the trigger events that would require the debt to convert into equity or the write down to zero of principal investment and/or accrued interest. Trigger events may include: (i) a reduction in the issuing bank's Core Tier 1/Common Equity Tier 1 (CT1/ CET1) ratio or other ratios, (ii) a regulatory authority, at any time, making a subjective determination that an institution is "non-viable", i.e. a determination that the issuing bank requires public sector support in order to prevent the issuer from becoming insolvent, bankrupt or otherwise carry on its business and requiring or causing the conversion of the contingent convertible bonds into equity or write down, in circumstances that are beyond the control of the issuer or (iii) a national authority deciding to inject capital.

(ii) Coupon cancellation

Coupon payments on some contingent convertible bonds are entirely discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

The discretionary cancellation of payments is not an event of default and there are no possibilities to require re-instatement of coupon payments or payment of any passed missed payments. Coupon payments may also be subject to approval by the issuer's regulator and may be suspended in the event there are insufficient distributable reserves. As a result of uncertainty surrounding coupon payments, contingent convertible bonds may be volatile and their price may decline rapidly in the event that coupon payments are suspended.

(iii) Capital structure inversion risk

Contrary to the classic capital hierarchy, investors in contingent convertible bonds may suffer a loss of capital when equity holders do not, for example when the loss absorption mechanism of a high trigger/write down of a contingent convertible bond is activated. This is contrary to the normal order of the capital structure where equity holders are expected to suffer the first loss.

(iv) Call extension risk

Some contingent convertible bonds are issued as perpetual instruments and only callable at predetermined levels upon approval of the competent regulatory authority. It cannot be assumed that these perpetual contingent convertible bonds will be called on a call date. Contingent convertible bonds are a form of permanent capital. The investor may not receive return of principal as expected on call date or indeed at any date.

(v) Conversion risk

Trigger levels differ between specific contingent convertible bonds and determine exposure to conversion risk. It might be difficult at times for the Manager of the Sub-Fund to assess how the contingent convertible bonds will behave upon conversion. In case of conversion into equity, the Manager might be forced to sell these new equity shares subject to the investment policy of the Sub-Fund. Given the trigger event is likely to be some event depressing the value of the issuer's common equity, this forced sale may result in the Sub-Fund experiencing some loss.

(vi) Valuation and write-down risk

Contingent convertible bonds often offer attractive yield which may be viewed as a complexity premium. The value of contingent convertible bonds may need to be reduced due to a higher risk of overvaluation of such asset class on the relevant eligible markets. Therefore, the Sub-Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment.

(vii) Market value fluctuations due to unpredictable factors

The value of contingent convertible bonds is unpredictable and will be influenced by many factors including, without limitation (i) creditworthiness of the issuer and/or fluctuations in such issuer's applicable capital ratios; (ii) supply and demand for the contingent convertible bonds; (iii) general market conditions and available liquidity and (iv) economic, financial and political events that affect the issuer, its particular market or the financial markets in general.

(viii) Liquidity risk

In certain circumstances finding a buyer ready to invest in contingent convertible bonds may be difficult and the Sub-Fund may have to accept a significant discount to the expected value of the bond in order to sell it.

(ix) Sector concentration risk

Contingent convertible bonds are issued by banking and insurance institutions. Investment in contingent convertible bonds may lead to an increased sector concentration risk. The performance of the Sub-Fund which invests in contingent convertible bonds will depend to a greater extent on the overall condition of the financial services industry than for the Sub-Fund following a more diversified strategy.

(x) Subordinated instruments

Contingent convertible bonds will, in the majority of circumstances, be issued in the form of subordinated debt instruments in order to provide the appropriate regulatory capital treatment prior to a conversion. Accordingly, in the event of liquidation, dissolution or winding-up of an issuer prior to a conversion having occurred, the rights and claims of the holders of the contingent convertible bonds, such as the Sub-Fund, against the issuer in respect of or arising under the terms of the contingent convertible bonds shall generally rank junior to the claims of all holders of unsubordinated obligations of the issuer.

(xi) Novelty and untested nature

The structure of contingent convertible bonds is innovative yet untested. In a stressed environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform.

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

Sovereign debt risk - The Sub-Fund's investment in securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the Sub-Fund to participate in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

Risk of investing in perpetual securities - Perpetual securities are perpetual in nature, which means that they do not have a fixed maturity date. Investment in perpetual bonds will be subject to the above risks associated with debt securities for a perpetual period such as interest rates risk and credit risk. Notwithstanding perpetual securities do not have a maturity date, perpetual securities may be callable after a specified period of time. Investing in such perpetual securities may be subject to the risk of the perpetual securities being recalled by the issuers in order to reduce the interest cost, possibly in times of the interest rates falling sharply. As a result, the Sub-Fund will not be able to continue receiving the expected coupon, and need to reinvest the proceeds from securities recalled at potentially lower coupon rate. Also, some perpetual securities are structured to allow the coupon payments to be deferred, hence there is no guarantee that coupon payments will be received by the Sub-Fund on a regular and steady basis.

Emerging market risk

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.

Volatility and liquidity risk

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

Cash and deposits

The 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.

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 Sub-Fund's Net Asset Value may be affected unfavorably by fluctuations in the exchanges rates between these currencies and the base currency and by changes in exchange rate controls. Investors should refer to the risk factor headed "Currency risk" in the main part of the Explanatory Memorandum.

RMB currency risk

The Sub-Fund may invest in fixed income securities denominated in RMB and hence subject to the RMB currency risk.

Starting from 2005, the RMB has moved into a managed floating exchange rate regime which is based on market supply and demand with reference to a basket of foreign currencies. The daily trading price of the RMB 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 RMB against other currencies, including USD and HKD, are susceptible to movements based on external factors (including but not limited to different market and regulatory conditions).

The possibility that revaluation of RMB will be accelerated cannot be excluded. On the other hand, there can be no assurance that the RMB will not be subject to devaluation. Any devaluation of the RMB could adversely affect the value of the Sub-Fund's investments denominated in RMB. Subject to the applicable investment restrictions, the Sub-Fund may invest in securities that are denominated in RMB but settled in other currencies (such as USD or HKD) to the extent permitted under its investment objective. Accordingly, the Sub-Fund's performance may be adversely affected by the movements in the exchange rates between RMB and other currencies (such as USD or HKD).

It should be noted that RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies and restrictions of the Chinese government. Trading in the RMB may be subject to possible delay in the settlement process.

Further, the Chinese government's imposition of restrictions on the repatriation of RMB out of China may limit the depth of the RMB market in Hong Kong and reduce the liquidity of the 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.

Risks associated with RMB classes of Units

RMB is currently not freely convertible and is subject to exchange controls and restrictions.

Non RMB-based investors (e.g. Hong Kong investors) are exposed to foreign exchange risk. If non RMB-based investors convert other currencies into RMB so as to invest in the RMB class and subsequently convert the RMB redemption proceeds back into other currencies, they may incur currency conversion costs and suffer losses as a result of foreign exchange risk. 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 RMB class.

When calculating the value of the RMB class, reference to the CNH rate (i.e. the exchange rate for the offshore RMB market in Hong Kong) rather than the CNY rate (i.e. the exchange rate for the onshore RMB market) will be made and the value of the RMB class thus calculated will be affected by fluctuations in the CNH rate. This is because the CNH rate may be at a premium or discount to the CNY rate and there may be significant bid and offer spreads. Although CNH and CNY represent the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

Due to the exchange controls and restrictions applicable to RMB, the Sub-Fund may not be able to get sufficient amounts of RMB in a timely manner to meet redemption requests of or pay dividend to investors of the RMB class as a substantial portion of the Sub-Fund's underlying investments are non-RMB denominated.

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

Currency conversion risk

RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies and repatriation restrictions imposed by the Chinese government.

Where an investor subscribes for Units denominated in a non-RMB currency, the Manager may convert part of such subscriptions into RMB prior to investment at the applicable exchange rate. As RMB is not freely convertible, currency conversion is subject to availability of RMB at the relevant time (i.e. it is possible there is not sufficient RMB for currency conversion in case of sizeable subscriptions).

Where an investor redeems Units denominated in a non-RMB currency, the Manager may have to sell the Sub-Fund's investments denominated in RMB and convert such proceeds into non-RMB currency at the applicable exchange rate. Currency conversion is also subject to the Sub-Fund's ability to convert the proceeds denominated in RMB into non-RMB currency which, in turn, might affect the Sub-Fund's ability to meet redemption requests from the Unitholders in case of sizeable redemptions.

Certain investments acquired by the Sub-Fund may be denominated in RMB whereas Units are denominated in a non-RMB currency. This may expose Unitholders to movements of the exchange rate between the currency of the class of Units they invest in and the RMB. For example, any devaluation of the RMB could adversely affect the value of investors' investments in the Sub-Fund.

Currently, the RMB is traded in the PRC, and outside the PRC (primarily in Hong Kong). The

RMB traded in the PRC is not freely convertible. The RMB traded outside the PRC, on the other hand, is freely tradable. As the Sub-Fund may invest in RMB-denominated securities traded outside the PRC, the Sub-Fund will accordingly be subject to greater foreign exchange risks.

In calculating the value of RMB denominated assets, the Manager will normally apply the CNH exchange rate for the offshore RMB market in Hong Kong. The CNH rate may be at a premium or discount to the exchange rate for the onshore RMB market in China (i.e. the CNY exchange rate) and there may be significant bid and offer spreads. The value of the Sub-Fund will thus be subject to fluctuation.

Risk of investing in dim sum bonds (i.e. bonds issued outside of the PRC but denominated in RMB)

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

Risks associated with securities financing transactions

A Sub-Fund which engages in securities financing transactions will be subject to the following risks:

Risks relating to securities lending transactions

Securities lending transactions may involve the risk that the borrower may fail to return the securities lent out in a timely manner. In this event, the relevant Sub-Fund could experience delays in recovering its securities and may possibly incur a capital loss. The value of the collateral may fall below the value of the securities lent out.

Risks relating to sale and repurchase transactions

A Sub-Fund may enter into sale and repurchase transactions with respect to securities. Sale and repurchase transactions involve credit risk to the extent that the Sub-Fund's counterparties may avoid such obligations in bankruptcy or insolvency proceedings, thereby exposing the relevant Sub-Fund to unanticipated losses. The amount of credit risk incurred by the relevant Sub-Fund with respect to a particular sale and repurchase transaction will depend in part on the extent to which the obligation of the Sub-Fund's counterparty is secured by sufficient collateral. In the event of the failure of the counterparty with which collateral has been placed, the relevant Sub-Fund may suffer loss as there may be delays in recovering collateral placed out or the cash originally received may be less than the collateral placed with the counterparty due to inaccurate pricing of the collateral or market movements.

Risks relating to reverse repurchase transactions

A Sub-Fund may enter into reverse repurchase transactions. If the seller of securities to the Sub-Fund under a reverse repurchase transaction defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the relevant Sub-Fund will seek to dispose of such securities, which action could involve costs or delay. If the seller becomes insolvent and subject to liquidation or reorganisation under applicable bankruptcy or other laws, the relevant Sub-Fund's ability to dispose of the underlying securities may be restricted or the Sub-Fund may have difficulty in realising collateral. It is possible, in a bankruptcy or liquidation scenario, that the relevant Sub-Fund may not be able to substantiate its interest in the underlying securities.

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

In addition, if a seller defaults on its obligation to repurchase securities under a reverse repurchase transaction, the relevant Sub-Fund may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities may be less than the cash placed with the counterparty due to inaccurate pricing of the collateral or market movements.

Risks associated with collateral management and re-investment of cash collateral

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

Notwithstanding that a Sub-Fund may only accept non-cash collateral which is highly liquid, the relevant Sub-Fund is subject to the risk that it will be unable to liquidate collateral provided to it to cover a counterparty default. The relevant Sub-Fund is also subject to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Where cash collateral received by a Sub-Fund is re-invested, the relevant Sub- Fund will be exposed to the risk of a failure or default of the issuer of the relevant security in which the cash collateral has been invested.

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.

Finance charges received by a Sub-Fund under a securities lending transaction may be reinvested in order to generate additional income. Similarly cash collateral received by a Sub-Fund may also be reinvested in order to generate additional income. In both circumstances, the relevant Sub-Fund will be exposed to market risk in respect of any such investments and may incur a loss in reinvesting the financing charges and cash collateral it receives. Such a loss may arise due to a decline in the value of the investment made. A decline in the value of investment of the cash collateral would reduce the amount of collateral available to be returned by the relevant Sub-Fund to the securities lending counterparty at the conclusion of the securities lending contract. The relevant Sub-Fund would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the relevant Sub-Fund.

Under a sale and repurchase transaction, the relevant Sub-Fund retains the economic risks and rewards of the securities which it has sold to the counterparty and therefore is exposed to market risk in the event that it must repurchase such securities from the counterparty at the pre-determined price if that pre-determined price is higher than the value of the securities at the time of repurchase. If the Sub-Fund chooses to reinvest the cash collateral received under the sale and repurchase transaction, it is also subject to market risk arising in respect of such investment.

If the additional income which is generated through finance charges imposed by a Sub-Fund on the counterparty of a reverse repurchase transaction is reinvested, the relevant Sub-Fund will assume market risk in respect of such investments."

Risk of using financial derivative instruments

The use of financial derivative instruments may expose the Sub-Fund to risks including market volatility risk, credit risk, counterparty risk, liquidity risk, valuation risk, over-the-counter transaction risk, non-redeemable risk and issuer's default risk. The leverage element/component of financial derivative instruments can result in a loss significantly greater than the amount invested in such instruments by the Sub-Fund. Exposure to financial derivative instruments may lead to a high risk of significant loss by the Sub-Fund.

In adverse situations, the use of financial derivative instruments for hedging purposes may become ineffective and the Sub-Fund may suffer significant losses.

Distribution out of capital

It is the current intention of the Manager that dividends may be paid or effectively paid out of the capital of the Sub-Fund. Please refer to the risk factor headed "***Distribution out of capital***" in the section headed "**RISK FACTORS**" for details of the risks associated with distribution of dividends out of capital.

Available Classes

The following classes of Units are available for sale in Hong Kong:-

Class	**Class currency**	**Investors to whom this Class is available**
Class A	HKD and USD	Public in Hong Kong
Class I	HKD, RMB and USD	Institutional investors / professional investors or such other investors as determined by the Manager

References to Class A Units include Class A USD (Accumulating) Units, Class A USD (Distributing) Units and Class A HKD (Distributing) Units; references to Class I Units refer to Class I HKD Units, Class I RMB Units and Class I USD Units.

Investment Minima

Minimum Initial Subscription Amount	**Class A HKD (Distributing) Units**: HKD10,000 **Class A USD (Accumulating) Units**: USD1,000 **Class A USD (Distributing) Units**: USD1,000 **Class I HKD Units**: HKD10,000,000 **Class I RMB Units**: RMB10,000,000 **Class I USD Units**:

	USD1,000,000
Minimum Subsequent Subscription Amount	**Class A HKD (Distributing) Units**: HKD10,000 **Class A USD (Accumulating) Units**: USD1,000 **Class A USD (Distributing) Units**: USD1,000 **Class I HKD Units**: HKD1,000,000 **Class I RMB Units**: RMB1,000,000 **Class I USD Units**: USD100,000
Minimum Holding	**Class A HKD (Distributing) Units**: Units with aggregate minimum value of HKD10,000 **Class A USD (Accumulating) Units**: Units with aggregate minimum value of USD1,000 **Class A USD (Distributing) Units**: Units with aggregate minimum value of USD1,000 **Class I HKD Units**: Units with aggregate minimum value of HKD1,000,000 **Class I RMB Units**: Units with aggregate minimum value of RMB1,000,000 **Class I USD Units**: Units with aggregate minimum value of USD100,000
Minimum Redemption Amount	**Class A HKD (Distributing) Units**: Units with aggregate minimum value of HKD10,000 **Class A USD (Accumulating) Units**: Units with aggregate minimum value of USD1,000

	Class A USD (Distributing) Units: Units with aggregate minimum value of USD1,000 **Class I HKD Units**: Units with aggregate minimum value of HKD1,000,000 **Class I RMB Units**: Units with aggregate minimum value of RMB1,000,000 **Class I USD Units**: Units with aggregate minimum value of USD100,000

Fees

Fees payable by investors

Preliminary Charge (% of total subscription amount received (i.e. before deducting preliminary charge))	**All classes of Units**: up to 5%
Switching Charge (% of total amount being switched into)	**All classes of Units**: nil
Redemption Charge (% of total redemption proceeds)	**All classes of Units**: nil

Fees payable by the Sub-Fund

Management Fee (% Net Asset Value of the Sub-Fund)	**Class A:** 1.00% p.a. on the Net Asset Value **Class I**: 1.00% p.a. on the Net Asset Value in the region of USD0.1 million and USD10 million 0.27% p.a. on the Net Asset Value of above USD10 million

Performance Fee	**All classes of Units**: not applicable
Trustee Fee (% Net Asset Value of the Sub-Fund)	**All classes of Units**: up to 0.125% p.a.
Custody Fee (% of month-end market value (if unavailable, the nominal value) of the investments in custody of the Sub-Fund)	**All classes of Units**: up to 0.1% p.a. plus transaction fees at customary rates

The Trustee may charge a minimum monthly fee of USD3,000 if the monthly aggregate of the Trustee Fee and Custody Fee is less than USD3,000.

Establishment Costs

The costs of establishment of the China Everbright Fortune Fund Series and the Everbright Income Focus Fund have been described in the main part of the Explanatory Memorandum.

Dealing Day

Dealings in Units of the Sub-Fund will be on a daily basis, with the Dealing Day being each Business Day.

Dealing Deadline

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

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

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”.

Distributions

The Sub-Fund offers classes of Unit that (i) accumulate net income and net realized profits or (ii) provide regular dividends out of net current income or out of capital.

Accumulation Classes

The Manager currently does not intend to pay dividends with respect to Class A USD (Accumulating) Unit (the "**Accumulation Class**"). Therefore, any net income and net realized profits attributable to the Units of the Accumulation Class will be reflected in the Net Asset Value of the Sub-Fund.

Distribution Classes

For Class A HKD (Distributing), Class A USD (Distributing) and Class I Units, the Manager may declare dividends on a monthly basis each year (or at more frequent intervals at the discretion of the Manager) in respect of the Sub-Fund. There is no guarantee of regular distribution and, if distribution is made, the amount being distributed. The dividend, if declared, will be paid or reinvested, in accordance with the instruction given by the investor at the time of subscription.

Investors should note that dividends, if any, may be paid from income and/or out of capital of the Sub-Fund. The Manager may also at its discretion pay dividend out of gross income while charging/paying all or part of the Sub-Fund's fees and expenses to/out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital. The approval of the SFC will be sought (where necessary) and at least one month's prior notice will be given to Unitholders should there be a change in distribution policy.

Compositions of the latest dividend distributions (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months are available from the Manager on request and on the website of the Manager at http://www.ebshk.com. 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**" for details of the risks associated with distribution of dividends out of capital.

Valuation

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

APPENDIX II – EVERBRIGHT RQFII BOND FUND (Withdrawn with effect from 20 November 2018)

APPENDIX III – EVERBRIGHT HONG KONG BOND FUND

This Appendix comprises information in relation to Everbright Hong Kong Bond Fund, a Sub-Fund of the Fund. As of the date of this Explanatory Memorandum, Everbright Hong Kong Bond Fund has not yet been launched.

For this Appendix III, "Sub-Fund" shall mean Everbright Hong Kong Bond Fund.

Initial Offer

Units of Everbright Hong Kong Bond Fund will be available for subscription during the period commencing 9 a.m. (Hong Kong time) on 30 December 2016 to a future date to be determined by the Manager (the "initial offer period"). It is expected that the first Dealing Day will be the day immediately following the close of the initial offer period. If any such day is not a Business Day, the following Business Day will become the first Dealing Day.

The initial offer period will close without any prior or further notice once the subscription amount reaches HKD50,000,000.

The classes which will be offered in the initial offer period and their respective initial offer prices (exclusive of preliminary charge) are set out below:-

Class	**Initial offer price per Unit (exclusive of preliminary charge)**
Class A HKD Units	HKD10.00
Class I HKD Units	HKD10.00

The Manager or its authorised distributor(s)/intermediary(ies) is/are entitled to charge a preliminary charge of up to 5% of the total subscription amount received (i.e. before deducting preliminary charge) in relation to an application.

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

The Manager has set a minimum total subscriptions amounting to HKD30,000,000 to be received during the initial offer period failing which the Manager may either extend the initial offer period or decide that the Sub-Fund shall not launch. If the Manager decides not to launch the Sub-Fund, application moneys paid by applicants will be returned without interest and net of expenses ancillary to returning payment within 30 Business Days 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.

Base Currency

The base currency of the Sub-Fund is HKD.

Investment Objective

The investment objective of the Sub-Fund is to aim to provide investors with a return consisting of income and capital growth over medium to long term by investing in debt securities (i.e. at least 70% of the Sub-Fund's non-cash assets). The Manager intends that at least 70% of the Sub-Fund's assets will be denominated in Hong Kong Dollars.

Investment Policy

In order to achieve the investment objective, the Sub-Fund mainly invests in debt securities issued by issuers including but not limited to governments, quasi-governmental organisations, supranational, multilateral international agencies, blue chip companies, substantial financial institutions and corporate entities. The debt securities in which the Sub-Fund may invest include but are not limited to long-term bonds, medium-term notes, bills, convertible bonds, subordinated debt, certificates of deposits, high yield bonds and commercial papers. In particular, debt securities that the Sub-Fund invests in will mainly consist of bonds which (a) are denominated in Hong Kong dollars; and/or (b) are listed on the Hong Kong Stock Exchange or quoted on Hong Kong's over-the-counter markets on which bonds are regularly traded. The Sub-Fund may invest not more than 20% of the Sub-Fund's Net Asset Value in convertible bonds.

The Manager intends the Sub-Fund to invest in fixed income securities which are of investment grade (i.e. rated as Baa3 or above by Moody's or equivalent ratings by other credit rating agencies of similar standing) or below investment grade as well as unrated fixed income securities (which in the opinion of the Manager are suitable for achieving the investment objective of the Sub-Fund).

The Sub-Fund may invest less than 20% of its Net Asset Value in debt instruments with loss-absorption features (e.g. total loss-absorbing capacity eligible instruments, contingent convertible bonds, senior non-preferred debt, Additional Tier 1 and Tier 2 capital instruments (i.e. debt instruments with write-down features which are triggered when the issuers' regulatory capital ratio falls to a certain level)). These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

The Sub-Fund will not invest in equity securities. However, depending on the market conditions, there may be possibility that the Manager may convert the convertible bonds held by the Sub-Fund into equity securities to realize the profits. In this case, the equity securities will be sold as soon as possible upon considering the prevailing market conditions.

Subject to the investment policy and restrictions of the Sub-Fund, the Sub-Fund may invest not more than 30% of its assets in debt securities denominated in currencies other than Hong Kong dollars such as USD and/or RMB. For the avoidance of doubt, the Sub-Fund may only invest in RMB denominated debt securities issued or distributed outside the PRC.

While the Sub-Fund will not invest directly in debt securities issued within the PRC, the Sub-Fund may invest indirectly in such securities through investing in funds which are authorised by the SFC and are eligible to invest directly in securities issued within the PRC through the Renminbi qualified foreign institutional investor (the "**RQFII funds**") up to 30% of the Sub-Fund's Net Asset Value subject to the investment restrictions of the Sub-Fund in paragraph (e) under the headed "Investment and Borrowing Restrictions" in the main part of the Explanatory Memorandum. The Sub-Fund may invest in RQFII funds managed by the Manager. Where the Sub-Fund invests in the RQFII funds which are managed by the Manager or its connected persons (the "underlying funds"), the Manager will procure that either the Sub-Fund or the underlying fund(s) will not charge any initial charge in order to ensure no double-charging of initial charges. The Manager may not obtain a rebate on any fees or charges levied by the underlying scheme or its management company.

Use of Derivatives

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

<u>Indicative Investment Allocation</u>

The following is an indicative investment allocation of the Sub-Fund. Investors should note that the Manager may at any time adjust the allocation (within the prescribed limit as shown in the below table) having regard to prevailing market conditions in future without further notice.

Type of debt securities	Indicative percentage (of Sub-Fund's Net Asset Value)
Debts issued by governments and quasi-government organisations	Up to 100%
Debts issued by supranational, multilateral international agencies, blue chip companies, substantial financial institutions and corporate entities	Up to 100%
Convertible bonds	Up to 20%
RQFII funds	Up to 30%

To the extent permitted by the applicable investment restrictions, the Sub-Fund may invest in collective investment schemes including fixed income funds.

The Sub-Fund may employ futures contracts or forward contracts for hedging purposes only and will not invest in financial derivative instruments for investment purposes.

The Sub-Fund will not engage in securities lending transactions or repurchase / reverse repurchase transactions. The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to Unitholders before the Manager enters into any such transactions.

The Sub-Fund will not invest in any structured deposits or structured products or asset backed securities for hedging or non-hedging purposes.

It is expected that the Sub-Fund may hold a significant amount of cash or cash equivalents in times of extreme market conditions such as in times of a prolonged bearish market or extremely severe and rapid economic downturn.

Additional Investment Restriction

The Sub-Fund will not invest more than 10% of the its Net Asset Value in securities issued by or guaranteed by any single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade.

The Manager may borrow up to 10% of the latest available Net Asset Value of the Sub-Fund for investment purposes.

Investment Strategy

In determining the asset allocation of the Sub-Fund, the Manager will adopt both "top-down" and "bottom-up" approaches in combination of quantitative and qualitative analysis to determine the investment allocations of the Sub-Fund in different type of assets, including debt securities. The top-down analysis is based on the Manager's proprietary assessment of macroeconomic factors, state policies, corporate earnings outlook, market valuation, and liquidity. The bottom-up analysis may include meetings with company executives and employees, suppliers, customers and competitors as well as proprietary financial projection and valuation of individual issuers.

Debt securities investment strategies

<u>Ordinary bonds</u>

In relation to investments in fixed income securities other than convertible bonds, the Sub-Fund will apply the duration strategy, yield curve term structure strategy, relative value strategy, riding strategy and credit bonds investment strategy in order to try to achieve a higher yield within reasonable risks exposure.

Duration strategy

Duration measures the sensitivity of bond prices to the change of interest rates (or yield). The Manager decides on a duration target based on a comprehensive analysis of Hong Kong and global macroeconomic factors as well as the general political environment. The Sub-Fund will adjust the duration risk of the investment portfolio based on expectations of Hong Kong and global macroeconomic cycle and monetary policy. If the interest rates are expected to drop, the Sub-Fund will increase the average duration of the investment portfolio to better benefit from the capital gains from lower yield, and vice versa.

Yield curve term structure strategy

Yield curve term structure represents the market's expectation of interest rates (or yields) with different maturities. The Manager closely monitors shifts in the yield curve, since the relationship between short, intermediate, and long maturity securities may change over time and impact the portfolio value. The Manager determines the implications of the relevant yield curve's shape, along with projections of central bank policy and market expectations, and formulates a yield curve strategy to be implemented. The Sub-Fund will adjust dynamically the allocation of short-term, medium-term, and long-term securities in the portfolio of the Sub-Fund based on the expected changes in the shape of the yield curve so that, for example,

the maturities of securities in the portfolio are highly concentrated at one point on the yield curve (bullet strategy); or
the portfolio includes securities with maturities at the two extreme ends (barbell strategy); or
the portfolio has approximately equal amounts of each maturity (ladder strategy).

Relative value strategy

The relative value strategy involves conducting a research on the credit spread between the government bonds and the financial bond; and the spread between the exchanges and inter-bank markets. If it is expected that the spread will be narrowed, then the Sub-Fund may sell the lower yielding bonds and purchase the higher yielding bonds, and vice versa.

Riding strategy

By analyzing the spread of the yield curve in different periods, the Sub-Fund may purchase the fixed-maturity bonds with the steepest yield curve. After holding the bonds for a period of time, the yield to maturity will decrease rapidly while the residual maturity is getting shorter. Thus, the Sub-Fund may obtain a higher capital gain and income.

Credit bonds investment strategy

The Sub-Fund may conduct a comprehensive analysis on various factors, which include the growth prospects and condition of the industries in which the issuers (such as the issuers of the corporate bonds, enterprise bonds and commercial paper) locate; the market position of such issuers, and their financial situation and management level. Such analysis would be conducted on the basis of the macroeconomics cycle research, and such analysis (with the specific issuing deed) would be used to give the bonds internal credit ratings. The differences between the internal and external ratings, the changes of the economic cycle and the credit ratings fluctuation may lead to spread changes. The manager may use the spread investment strategy actively by analyzing the internal and external ratings, the spread curve research and the economic cycles.

<u>Convertible bonds</u>

The Sub-Fund will invest in the primary market of convertible bonds. The Sub-Fund will select convertible bonds of high maturity yield and good terms of issue and issuers of bonds with good fundamentals. The Managers will decide upon listing of the underlying companies, either to retain or to sell the convertible bonds after taking into account the conversion price. The Sub-Fund will also integrate different strategies to invest in the secondary market of convertible bonds, in order to try to achieve a higher yield within reasonable risk exposure.

Specific Risk Factors

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

Investment risk

The Sub-Fund is an investment fund and mainly invests in debt securities. There can be no assurance that the Sub-Fund will achieve its investment objective. The instruments invested by the Sub-Fund may fall in value and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of dividend or distribution payments during the period an investor holds Units in the Sub-Fund.

Single country investment

The Sub-Fund will focus its investments on debt securities listed in Hong Kong and will be particularly dependent on the development of Hong Kong, of companies based or operating in Hong Kong, and of companies which are listed in Hong Kong but may not have any operations in Hong Kong. The Sub-Fund is therefore subject to concentration risks. In particular, the Sub-Fund is likely to be more volatile than a broad-based fund, such as a global bond fund, as the Sub-Fund is more susceptible to fluctuations in value resulting from its holdings or from adverse conditions in Hong Kong. Under such circumstances, the Sub-Fund's performance will likely be adversely affected. Please refer to the risk factor headed "Concentration risk" in the main part of the Explanatory Memorandum.

Debt securities

Investments in debt securities will be subject to the following risks associated with debt securities. If the debt securities held by the Sub-Fund fall in value, the Sub-Fund's value will also be adversely affected.

<u>Interest rates risk</u> - 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 the Sub-Fund fall in value, the Sub-Fund's value will also be adversely affected.

Credit rating downgrading risk - The credit ratings of fixed-income securities by credit rating agencies are a generally accepted barometer of credit risk. They are, however, subject to certain limitations. For example, the rating of an issuer is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is often a time lag in updating the credit ratings in response to recent credit events. Investment grade securities may be subject to the risk of being downgraded to below investment grade securities. In the event of downgrading in the credit ratings of a security or an issuer relating to a security, the Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not dispose of the securities, subject to the investment objectives of the 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.

Below investment grade and unrated securities risk - The 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 investment grade debt securities. If the issuer of securities defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. The market for these securities may be less active, making it more difficult to sell the securities. Valuation of these securities is more difficult and thus the Sub-Fund's prices may be more volatile.

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

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. The 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.

Liquidity risk - The Sub-Fund may invest in debt securities that are not listed. Such securities may be less liquid and more volatile than listed debt securities; this may result in the fluctuation in the price of such securities and hence adversely affect the Net Asset Value of the Sub-Fund.

Counterparty risk - Counterparty risk involves the risk that a counterparty or third party will not fulfil its obligations to the Sub-Fund. The 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 the Sub-Fund is prevented from exercising its rights with respect to the investment in its portfolio, the 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.

Risk of default - 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 Sub-Fund.

Risk of investing in convertible bonds - Convertible bonds are bonds which give an investor an option to exchange the bond for a pre-determined number of shares at a given price and a specified future date. Convertible bonds are subject to risks which typically apply to bonds and equity securities. On one hand, convertible bonds are subject to interest rate risk and credit risk. The value of convertible bonds tends to decline as interest rates increase and increase as interest rates decline. If the credit quality of the convertible bonds deteriorates or the issuer of the convertible bonds defaults, the performance of the Sub-Fund will be adversely affected. On the other hand, the prices of convertible bonds will be affected by the changes in the price of the underlying equity securities which in turn, may have an unfavourable impact on the Net Asset Value of the Sub-Fund.

Risk of investing in subordinated debt securities – The Sub-Fund may invest in subordinated debt securities. Such investments will have a lower priority of claim in the event of the relevant issuer’s liquidation or bankruptcy as they rank behind holders of unsubordinated debt securities but before holders of equity securities. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer’s assets will be paid to holders of subordinated debt securities only after all claims by holders of unsubordinated debt securities have been satisfied in full. The Sub-Fund is therefore exposed to higher credit / insolvency risk of its counterparties as a holder of subordinated debt securities than as a holder of unsubordinated debt securities. If the relevant issuer defaults, the performance of the Sub-Fund will be adversely affected.

Cash and deposits

The 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.

RMB currency risk

The Sub-Fund may invest in fixed income securities denominated in RMB and hence subject to the RMB currency risk.

Starting from 2005, the RMB has moved into a managed floating exchange rate regime which is based on market supply and demand with reference to a basket of foreign currencies. The daily trading price of the RMB 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 RMB against other currencies, including USD and HKD, are susceptible to movements based on external factors (including but not limited to different market and regulatory conditions).

The possibility that revaluation of RMB will be accelerated cannot be excluded. On the other hand, there can be no assurance that the RMB will not be subject to devaluation. Any devaluation of the RMB could adversely affect the value of the Sub-Fund's investments denominated in RMB. Subject to the applicable investment restrictions, the Sub-Fund may invest in securities that are denominated in RMB but settled in other currencies (such as USD or HKD) to the extent permitted under its investment objective. Accordingly, the Sub-Fund's performance may be adversely affected by the movements in the exchange rates between RMB and other currencies (such as USD or HKD).

It should be noted that RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies and restrictions of the Chinese government. Trading in the RMB may be subject to possible delay in the settlement process.

Further, the Chinese government's imposition of restrictions on the repatriation of RMB out of China may limit the depth of the RMB market in Hong Kong and reduce the liquidity of the 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.

Currency conversion risk

RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies and repatriation restrictions imposed by the Chinese government.

Where an investor subscribes for Units denominated in a non-RMB currency, the Manager may convert part of such subscriptions into RMB prior to investment at the applicable exchange rate. As RMB is not freely convertible, currency conversion is subject to availability of RMB at the relevant time (i.e. it is possible there is not sufficient RMB for currency conversion in case of sizeable subscriptions).

Where an investor redeems Units denominated in a non-RMB currency, the Manager may have to sell the Sub-Fund's investments denominated in RMB and convert such proceeds into non-RMB currency at the applicable exchange rate. Currency conversion is also subject to the Sub-Fund's ability to convert the proceeds denominated in RMB into non-RMB currency which, in turn, might affect the Sub-Fund's ability to meet redemption requests from the Unitholders in case of sizeable redemptions.

Certain investments acquired by the Sub-Fund may be denominated in RMB whereas Units are denominated in a non-RMB currency. This may expose Unitholders to movements of the exchange rate between the currency of the class of Units they invest in and the RMB. For example, any devaluation of the RMB could adversely affect the value of investors' investments in the Sub-Fund.

Currently, the RMB is traded in the PRC, and outside the PRC (primarily in Hong Kong). The RMB traded in the PRC is not freely convertible. The RMB traded outside the PRC, on the other hand, is freely tradable. As the Sub-Fund may invest in RMB-denominated securities traded outside the PRC, the Sub-Fund will accordingly be subject to greater foreign exchange risks.

In calculating the value of RMB denominated assets, the Manager will normally apply the CNH exchange rate for the offshore RMB market in Hong Kong. The CNH rate may be at a premium or discount to the exchange rate for the onshore RMB market in China (i.e. the CNY exchange rate) and there may be significant bid and offer spreads. The value of the Sub-Fund will thus be subject to fluctuation.

Risks of investing in RQFII funds

The Sub-Fund may invest in RQFII funds which are denominated in RMB, the Sub-Fund will therefore be subject to the RMB currency risk. Please refer to the risk factor headed "RMB currency risk" for details. Investment through the RQFII regime is subject to the availability of RQFII quota. Therefore the Sub-Fund's ability to obtain exposure to the PRC domestic securities market may be limited by the availability of RQFII quota where there are no RQFII funds which, in the opinion of the Manager, are suitable for investment having regard the investment objective and policy of the Sub-Fund. Repatriations of capital out of China by RQFII funds that are open-ended funds are currently not subject to repatriation restrictions or prior approval, but there is no guarantee that restrictions will not be imposed in future. The rules to which the RQFIIs are subject have only been recently announced. Any changes to the relevant rules, which may take retrospective effect, may have an adverse impact on investments made by the RQFII funds and hence the Sub-Fund's performance. Please also refer to the risk factor headed "Risks of investing in other funds" in the main part of the Explanatory Memorandum.

RQFII funds' investment in the PRC market is subject to PRC tax liabilities. It is a common practice for RQFII funds to make provisions for such potential tax liabilities which may be excessive or inadequate to meet the actual tax liabilities. Even if tax provisions are made, any shortfall between the provisions and actual tax liabilities will be debited from the RQFII funds' assets and hence the RQFII funds' value may be adversely affected. As a result, the value of the Sub-Fund may be unfavourably affected.

Investment in RQFII funds may involve another layer of fees charged at the RQFII 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 RQFII funds, or will incur charges in subscribing for or redeeming units in the RQFII funds. The Manager will consider various factors in selecting the RQFII funds, for example, the investment objective and strategy, level of fees and charges, the redemption frequency and liquidity of such funds. However, there is no assurance that the investment objective or strategy of a RQFII fund will be successfully achieved.

If the Sub-Fund invests in a RQFII fund managed by the Manager or a connected person of the Manager, all initial charges on such RQFII fund will be waived. The Manager may not obtain a rebate on any fees or charges levied by such RQFII 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.

Risk of using financial derivatives instruments

The use of financial derivatives instruments may expose the Sub-Fund to risks including market volatility risk, credit risk, counterparty risk, liquidity risk, non-redeemable risk and issuer's defaults risk. In adverse situation, the Sub-Fund's use of financial derivatives instruments for hedging purposes may become ineffective and the Sub-Fund may suffer significant losses. Please refer to the risk factor headed "Derivative and structured product risk" in the main part of the Explanatory Memorandum.

Available Classes

Class	Class currency	Investors to whom this Class is available
Class A	HKD	Public in Hong Kong
Class I	HKD	Institutional investors, professional investors or other investors as determined by the Manager

Investment Minima

Minimum Subscription Amount	**Class A HKD Units**: HKD5,000 **Class I HKD Units**: HKD1,000,000
Minimum Subsequent Subscription Amount	**Class A HKD Units**: HKD5,000 **Class I HKD Units**: HKD500,000
Minimum Holding	**Class A HKD Units**: Units with aggregate minimum value of HKD5,000 **Class I HKD Units**: Units with aggregate minimum value of HKD1,000,000
Minimum Redemption Amount	**Class A HKD Units**: Units with aggregate minimum value of HKD5,000 **Class I HKD Units**: Units with aggregate minimum value of HKD500,000

Fees

Fees payable by investors

Preliminary Charge (% of total subscription amount received (i.e. before deducting preliminary charge))	**Class A and Class I** : up to 5%
Switching Charge (% of total amount being switched into)	**Class A and Class I**: nil
Redemption Charge (% of total redemption proceeds)	**Class A and Class I**: nil

Fees payable by the Sub-Fund

Management Fee (% Net Asset Value of the Sub-Fund)	**Class A**: 1.00% p.a. **Class I**: 0.50% p.a.
Performance Fee	**Class A and Class I**: not applicable
Trustee Fee (% Net Asset Value of the Sub-Fund)	**Class A and Class I**: up to 0.10% p.a.
Custody Fee (% of month-end market value (if unavailable, the nominal value) of the investments in custody of the Sub-Fund)	**Class A and Class I**: up to 0.03% p.a. plus transaction fees at customary rates.
Registrar Fee	**Class A and Class I**: the Registrar is entitled to receive a transaction-based fee

The Trustee may charge a minimum monthly fee of HKD24,000 if the monthly aggregate of the Trustee Fee and Custody Fee is less than HKD24,000, which will be waived for the first 3 months upon launch of the Sub-Fund.

Establishment Costs

The establishment costs of the Everbright Hong Kong Bond Fund amount to approximately HKD1,000,000.

Dealing Day

Dealings in Units of the Sub-Fund will be on a daily basis, with the Dealing Day being each Business Day.

Dealing Deadline

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

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

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".

Distributions

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

The Manager may declare dividends on a semi-annual basis in June and December each year (or at more frequent intervals at the discretion of the Manager) in respect of the Sub-Fund. There is no guarantee of regular distribution and, if distribution is made, the amount being distributed. The dividend, if declared, will be paid or reinvested, in accordance with the instruction given by the investor at the time of subscription. It is the current intention of the

Manager that only the net income (the income net of expenses) for the Unit may be distributed. No distribution will be paid out of the Sub-Fund's capital. The approval of the SFC will be sought and at least one month's prior notice will be given to Unitholders should there be a change in distribution policy.

Valuation

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

APPENDIX IV – EVERBRIGHT GREATER CHINA OPPORTUNITIES FUND

This Appendix comprises information in relation to Everbright Greater China Opportunities Fund, a Sub-Fund of the Fund.

For this Appendix IV, "Sub-Fund" shall mean Everbright Greater China Opportunities Fund.

Initial Offer

Class A HKD Units and Class I HKD Units have already been launched and their initial offer periods have been closed. Their respective initial offer prices (exclusive of preliminary charge) were as follows:-

Class	Initial offer price per Unit (exclusive of preliminary charge)
Class A HKD Units	HKD10.00
Class I HKD Units	HKD10.00

The Manager or its Authorised Distributor(s)/intermediary(ies) is/are entitled to charge a preliminary charge of up to 5% of the total subscription amount received (i.e. before deducting preliminary charge) in relation to an application.

Investors may now subscribe for Class A and Class I Units at their prevailing Issue Prices in accordance with the section headed "Purchase of Units" above.

Base Currency

The base currency of the Sub-Fund is HKD.

Investment Objective

The investment objective of the Sub-Fund is to aim to provide investors with medium to long term capital appreciation in the value of assets by investing primarily in Hong Kong, China and Taiwan (the "Greater China").

Investment Policy

In order to achieve the investment objective, the Manager intends to make investments (at least 70% of the Sub-Fund's assets) through a portfolio consisting of listed securities or securities quoted on the over-the-counter markets of companies that derive or are expected to derive a significant portion of their revenues from goods produced or sold and/or investments made or services performed in the Greater China region. The Manager believes that the value of these companies should increase through their participation in the economic growth of the Greater China region. Such securities include but are not limited to equity securities, IPO securities, exchange-traded funds ("ETFs"), debt securities including convertible bonds.

The Sub-Fund may invest:

(a) up to 100% of its assets in listed securities or securities quoted on the over-the-counter markets of companies, of which up to 70% of the Sub-Fund's Net Asset Value may be invested in ETFs which are (i) authorised by the SFC and (ii) listed and regularly traded on internationally recognised stock exchanges open to the public and the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable SFC requirements under the Code; and

(b) up to 70% of its assets in debt securities of issuers in the Greater China region being governments, quasi-governmental organisations, multilateral international agencies and companies. Such debt securities may include but are not limited to treasury bills or short-term money market instruments, commercial paper and certificates of deposit and can be fixed or floating rate. To the extent permitted by the investment policy of the Sub-Fund, up to 30% of the Sub-Fund's net asset value may be invested in debt securities of issuers worldwide. The Manager intends the Sub-Fund to invest in debt securities which are of investment grade (i.e. rated as Baa3 or above by Moody's or equivalent ratings by other credit rating agencies of similar standing) or below investment grade as well as unrated debt securities (which in the opinion of the Manager are of comparable quality).

Up to 20% of the Sub-Fund's assets may be invested in convertible bonds.

The Sub-Fund may invest directly or indirectly in China A-Shares and China B-Shares. Direct investment in eligible China A-Shares will be made via the Shanghai-Hong Kong Stock Connect. Exposure to China A-Shares and/or China B-Shares will not be more than 20% of the Sub-Fund's Net Asset Value.

The Sub-Fund may invest less than 20% of its Net Asset Value in debt instruments with loss-absorption features (e.g. total loss-absorbing capacity eligible instruments, contingent convertible bonds, senior non-preferred debt, Additional Tier 1 and Tier 2 capital instruments (i.e. debt instruments with write-down features which are triggered when the issuers' regulatory capital ratio falls to a certain level)). These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

The Sub-Fund may also invest indirectly in debt and equity securities through investing up to 30% of the Sub-Fund's Net Asset Value in collective investment schemes which are eligible schemes (as permitted under the Code) or SFC-authorised schemes, of which up to 20% of the Sub-Fund's Net Asset Value may be invested in funds which are authorised by the SFC and are eligible to invest directly in securities issued within the PRC through the qualified foreign institutional investor (the "QFII funds") and/or Renminbi qualified foreign institutional investor (the "RQFII funds"). Up to 10% of the Sub-Fund's Net Asset Value may be invested in collective investment schemes which are non-eligible schemes and not authorised by the SFC.

The Sub-Fund may invest in collective investment schemes, if any, managed by the Manager. Where the Sub-Fund invests in the collective investment schemes, if any, which are managed by the Manager or its connected persons (the "underlying funds"), the Manager will procure that either the Sub-Fund or the underlying fund(s) will not charge any initial charge in order to ensure no double-charging of initial charges. The Manager may not obtain a rebate on any fees or charges levied by the underlying scheme or its management company.

The Manager may acquire financial futures contracts, warrants and options contracts for the account of the Sub-Fund for hedging and investment purposes in order to try to protect and enhance asset value.

The Sub-Fund will not engage in securities lending transactions or repurchase / reverse repurchase transactions. The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to Unitholders before the Manager enters into any such transactions.

The Sub-Fund will not invest in any structured deposits or structured products or asset backed securities for hedging or non-hedging purposes.

It is expected that the Sub-Fund may hold a significant amount of cash or cash equivalents in times of extreme market conditions such as in times of a prolonged bearish market or extremely severe and rapid economic downturn.

Use of Derivatives

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

Investment Strategy

The Sub-Fund will be managed based on a value-oriented investment strategy, which means that the Manager will invest in assets which the Manager considers to be undervalued, compared to their intrinsic value.

Indicative Asset Allocation

An indicative asset allocation of the Sub-Fund is as follows:

Type of securities	**Exposure in terms of percentage of the Sub-Fund's Net Asset Value (indicative only)**
Equities (including ETFs)	Up to 100% (up to 70% may be invested in ETFs)
Debt securities	Up to 70%
Convertible bonds	Up to 20%
QFII funds and/or RQFII funds	Up to 20%

Additional Investment Restriction

The Sub-Fund will not invest more than 10% of the its Net Asset Value in securities issued by or guaranteed by any single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade.

Shanghai-Hong Kong Stock Connect ("Stock Connect")

The Stock Connect is a securities trading and clearing linked programme developed by Hong Kong Exchanges and Clearing Limited ("HKEx"), Shanghai Stock Exchange ("SSE") and China Securities Depository and Clearing Corporation Limited ("CSDCCL"), with an aim to achieve mutual stock market access between mainland China and Hong Kong.

The Stock Connect comprises a Northbound Trading Link and a Southbound Trading Link. Under the Northbound Trading Link, Hong Kong and overseas investors (including the Sub-Fund), through their Hong Kong brokers and a securities trading service company as established by The Stock Exchange of Hong Kong Limited ("SEHK"), may be able to trade eligible China A-Shares listed on SSE by routing orders to SSE.

Eligible securities

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

- SSE-listed shares which are not traded in RMB; and
- SSE-listed shares which are included in the "risk alert board".

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

Trading Days

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

Trading quota

Trading under Stock Connect will be subject to a daily quota ("Daily Quota"). Northbound trading will be subject to a separate Daily Quota.

The Daily Quota limits the maximum net buy value of cross-boundary trades under the Stock Connect each day. The Northbound Daily Quota is currently set at RMB52 billion.

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 Stock Connect 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 through Northbound trading should maintain the SSE Securities with their brokers' or custodians' stock accounts with CCASS (the Central Clearing and Settlement System operated by HKSCC for the clearing 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 held in its omnibus stock account in CSDCCL, CSDCCL as the share registrar for SSE listed companies will still treat HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE Securities.

HKSCC will monitor the corporate actions affecting SSE 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-listed companies usually announce their annual general meeting / extraordinary general meeting information 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 CSRC stipulates that, when holding China A-Shares through the Stock Connect, Hong Kong and overseas investors are subject to the following shareholding restrictions:

- shares held by a single foreign investor (such as the 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.

If the shareholding of a single investor in a China A-Share listed company exceeds the above restrictions, the investor would be required to unwind his position on the excessive shareholding according to a last-in-first-out basis within a specific period. The SSE and the SEHK will issue warnings or restrict the buy orders for the related China A-Shares if the percentage of total shareholding is approaching the upper limit.

Currency

Hong Kong and overseas investors will trade and settle SSE Securities in RMB only. Hence, the Sub-Fund will need to use RMB to trade and settle SSE Securities.

Trading fees

Under the Stock Connect, Hong Kong and overseas investors will be subject to the fees and levies imposed by SSE, CSDCCL, HKSCC or the relevant Mainland Chinese authority when they trade and settle China A-Shares via the Stock Connect. Further information about the trading fees and levies is available online at the website:
http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm

Investor compensation

The Sub-Fund's investments through Northbound trading under Stock Connect will not be covered by Hong Kong's Investor Compensation Fund.

Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong.

Since default matters in Northbound trading via Stock Connect do not involve products listed or traded in SEHK or Hong Kong Futures Exchange Limited, they will not be covered by the Investor Compensation Fund.

On the other hand, since the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not PRC brokers, therefore they are not protected by the China Securities Investor Protection Fund (中國投資者保護基金) in the PRC.

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

Specific Risk Factors

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

Investment risk

The Sub-Fund is an investment fund and mainly invests in equity and debt securities. There can be no assurance that the Sub-Fund will achieve its investment objective. Investment in equity securities is generally subject to market risks and may lead to greater volatility in price whereas investment in debt securities is not the same as deposits with a bank. Such investment may fall in value. Since the Sub-Fund is not principal guaranteed, your investment in the Sub-Fund may suffer losses as a result. There is also no guarantee of dividend or distribution payments during the period an investor holds Units in the Sub-Fund.

Asset allocation risk

The types of assets that the Sub-Fund invests in may be periodically re-balanced subject to the investment policy of the Sub-Fund. There is no assurance that the investment objective of the Sub-Fund will be achieved by adopting such re-balancing strategy. Further, such re-balancing strategy may incur greater transaction costs than a fund with static allocation strategy.

Emerging market investment risk

The Sub-Fund invests in emerging (or frontier) markets, investors should be aware that this is likely to entail a higher risk level than developed markets. Issues can include less stability, lack of transparency and interference in political and bureaucratic processes and high levels of state intervention in society and the economy. Currency conversion and repatriation of investment income, capital and proceeds of sale by the Sub-Fund may be limited or require governmental consents. The Sub-Fund could be adversely affected by delays in, or refusal to grant, any such approval for the repatriation of funds or by any official intervention affecting the process of settlement of transactions. Stock exchanges and other such clearing infrastructure may lack liquidity and robust procedures and may be susceptible to interference. Such risks could affect adversely the economies of emerging markets or the value of the Sub-Fund's investments and the Net Asset Value of the Sub-Fund.

Risk associated with investment in specific countries

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

Risk associated with investment in China

Investing in the Chinese securities markets (including markets on which China A-Shares and China B-Shares are traded) is subject to both emerging market risks as well as country specific risks. Political changes, restrictions on currency exchange, exchange monitoring, taxes, limitations on foreign capital investments and capital repatriation can also affect investment performance. Please also refer to the specific risk factor headed "RMB currency risk".

Investment in Chinese securities may involve certain custodial risks. For example, the evidence of title of exchange traded securities in the PRC consists only of electronic book-entries in the depository and/or registry associated with the relevant exchange. These arrangements of the depositories and registries are new and not fully tested with regard to their efficiency, accuracy and security.

The PRC markets on which China A-Shares and China B-Shares are traded have in the past experienced substantial price volatility and there can be no assurance that such volatility will not occur in the future. These markets may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention) than markets in more developed countries. Market volatility and potential lack of liquidity (for example, low liquidity in respect of China B-Shares due to low trading volume) may result in prices of securities traded on the PRC markets to fluctuate significantly. This may result in substantial changes to the prices of Units of the Sub-Fund which invests in China A-Shares and/or China B-Shares.

Investment in mainland China remains sensitive to any major change in economic, social and political policy in the PRC. The capital growth and thus the performance of these investments may be adversely affected due to such sensitivity. The PRC government's control of future movements in exchange rates and currency conversion may have an adverse impact on the operations and financial results of the companies in which the Sub-Fund invests.

With the potential uncertainty concerning the tax treatment of investments in Chinese securities, the possibility of tax rules being changed and the possibility of taxes or tax liabilities being applied retroactively, any provisions for taxation made by the Sub-Fund at any time may prove to be excessive or inadequate to meet any eventual tax liabilities. Consequently, investors may be advantaged or disadvantaged depending on the position of the Chinese tax authorities in the future and the level of tax provisions proving to be either excessive or inadequate either when they subscribed or redeemed their Units in the Sub-Fund.

Risks associated with Stock Connect

The Sub-Fund may invest through the Stock Connect. In addition to the risk factors "Risk associated with investment in China" and "RMB currency risk", the Sub-Fund is also subject to the following additional risks:

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

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

Differences in trading day - Stock Connect will only operate on days when both the PRC and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. 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 Sub-Fund) cannot carry out any China A-Shares trading. Due to the differences in trading days, the Sub-Fund may be subject to a risk of price fluctuations in China A-Shares during the time when the Stock Connect is not operating as a result.

Operational risk - The Stock Connect provides a new channel for investors from Hong Kong and overseas to access the China stock market directly.

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

Market participants generally have configured and adapted their operational and technical systems for the purpose of trading China A-Shares through the Stock Connect. It should be appreciated that the securities regimes and legal systems of the two markets differ significantly and in order for the trial 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 Connect requires routing of orders across the border. This requires the development of new information technology systems on the part of the SEHK and exchange participants (i.e. a new order routing system ("China Stock Connect System") set up by SEHK to which exchange participants need to connect). There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through the program could be disrupted. The Sub-Fund's ability to access the China A-Share 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 an investor sells any share, there should be sufficient shares in the account; otherwise SSE will reject the sell order concerned. SEHK will carry out pre-trade checking on China A-Shares sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

Generally, if the Sub-Fund desires to sell certain China A-Shares it holds, it will be required to transfer those China A-Shares 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 shares on the trading day. Because of this requirement, the Sub-Fund may not be able to dispose of holdings of China A-Shares in a timely manner.

Alternatively, if the Sub-Fund maintains its China A-Shares with a custodian which is a custodian participant or general clearing participant participating in CCASS. In such circumstance, the Sub-Fund may request such custodian to open a special segregated account ("SPSA") in CCASS to maintain its holdings in China A-Shares 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 Sub-Fund. Provided that there is sufficient holding in the SPSA when a broker inputs the Sub-Fund's sell order, the Sub-Fund will only need to transfer China A-Shares from its SPSA to its broker's account after execution and not before placing the sell order and the Sub-Fund will not be subject to the risk of being unable to dispose of its holdings of China A-Shares in a timely manner due to failure to transfer China A-Shares to its brokers in a timely manner.

Recalling of eligible stocks - When a stock is recalled from the scope of eligible stocks for trading via the Stock Connect, the stock can only be sold but restricted from being bought.

This may affect the investment portfolio or strategies of the Sub-Fund, for example, when the Manager wishes to purchase a stock which is recalled from the scope of eligible stocks.

Clearing and settlement risk - The Hong Kong Securities Clearing Company Limited ("HKSCC") and China Securities Depository and Clearing Corporation Limited ("CSDCCL") 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.

Should the remote event of CSDCCL default occur and CSDCCL 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 CSDCCL. HKSCC will in good faith, seek recovery of the outstanding stocks and monies from CSDCCL through available legal channels or through CSDCCL's liquidation. In that event, the Sub-Fund may suffer delay in the recovery process or may not be able to fully recover its losses from CSDCCL.

Participation in corporate actions and shareholders' meetings - The HKSCC will keep CCASS participants informed of corporate actions of SSE Securities (as defined in the above section headed "Shanghai-Hong Kong Stock Connect"). 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. Hong Kong and overseas investors (including the Sub-Fund) are holding SSE Securities traded via the Stock Connect through their brokers or custodians, and they will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of SSE Securities may be very short. Therefore, it is possible that the Sub-Fund may not be able to participate in some corporate actions in a timely manner.

Currency risk - As the Sub-Fund is denominated in Hong Kong dollars, the performance of the Sub-Fund may be affected by movements in the exchange rate between RMB (i.e. the currency in which SSE Securities are traded and settled) and Hong Kong dollars. The 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 the Sub-Fund suffering from exchange rate fluctuations. For further details on exchange risk, please see risk factor headed "Currency risk" in the main part of the Explanatory Memorandum.

No Protection by Investor Compensation Fund - Investment through Stock Connect is conducted through broker(s), and is subject to the risks of default by such brokers' in their obligations. As disclosed under the section headed "Shanghai-Hong Kong Stock Connect", the Sub-Fund's investments through Northbound trading under the Stock Connect is not covered by the Hong Kong's Investor Compensation Fund. Therefore the Sub-Fund is exposed to the risks of default of the broker(s) it engages in its trading in China A-Shares through the program. Further, since the 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 Connect is novel in nature, and will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under Stock Connect. It should be noted that the regulations are untested and there is no certainty as to how they will be applied. Moreover, the current regulations are subject to change. There can be no assurance that the Stock Connect will not be abolished. The Sub-Fund, which may invest in the PRC markets through Stock Connect, may be adversely affected as a result of such changes.

Taxation risk - The Manager intends to manage and operate the Fund and the Sub-Funds in such a manner that the Fund and the Sub-Funds should not be treated as tax resident enterprises of the PRC or non-tax resident enterprises with a permanent establishment ("PE") in the PRC for CIT purposes, although this outcome cannot be guaranteed. If the Manager is successful, the Fund or the Sub-Funds should generally be subject to a withholding of PRC corporate income tax on the income derived by it from the investment in PRC securities at the rate of 10% rather than the 25% rate of CIT that would be applicable to a tax resident enterprise of the PRC or the profits and gains attributable to the PRC PE of a non-tax resident enterprise.

On 14 November 2014, the Ministry of Finance, the State of Administration of Taxation and the China Securities Regulatory Commission jointly issued a notice in relation to the taxation rule on the Stock Connect under Caishui [2014] No.81 ("Notice No.81"). Under Notice No.81, PRC Corporate income tax, individual income tax and business tax will be temporarily exempted on gains derived by Hong Kong and overseas investors (including the Sub-Fund) on the trading of China A-Shares through the Stock Connect with effect from 17 November 2014. However, Hong Kong and overseas investors are required to pay withholding income tax on dividends and/or bonus shares at the rate of 10% which will be withheld and paid to the relevant authority by the listed companies distributing the dividend. For investors who are tax residents of a country which has entered into a tax treaty with China for a lower withholding income tax rate on dividend, such investors may apply to the tax authority in-charge of the payer for a refund of the differences. The Sub-Fund will also be subject to PRC stamp duty on the contract for the sales of A-Shares and B-Shares traded on the PRC stock exchanges. Such stamp duty is currently imposed on the seller but not the purchaser, at the rate of 0.1%. 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 Sub-Fund. Any changes in tax policies may reduce the after-tax profits of the companies in the PRC which the Sub-Fund invests in, thereby reducing the income from, and/or value of the Units.

Equity securities

The Sub-Fund will invest in equity securities (including ETFs) and will be subject to risks that apply to equity securities in particular. The risks associated with investments in equity securities may be high, because the investment performance of equity securities depends upon a number of factors which are difficult to predict. Investors should note that the Sub-Fund may experience a fall in value. Please refer to the risk factors headed "Equity risk" and "Risks of investing in IPO securities" in the main part of the Explanatory Memorandum.

Debt securities

Investments in debt securities will be subject to the following risks associated with debt securities. If the debt securities held by the Sub-Fund fall in value, the Sub-Fund's value will also be adversely affected.

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 the Sub-Fund fall in value, the Sub-Fund's value will also be adversely affected.

Credit rating downgrading risk - The credit ratings of fixed-income securities by credit rating agencies are a generally accepted barometer of credit risk. They are, however, subject to certain limitations. For example, the rating of an issuer is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is often a time lag in updating the credit ratings in response to recent credit events. Investment grade securities may be subject to the risk of being downgraded to below investment grade securities. In the event of downgrading in the credit ratings of a security or an issuer relating to a security, the Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not dispose of the securities, subject to the investment objectives of the 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.

Below investment grade and unrated securities risk - The 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 investment grade debt securities. If the issuer of securities defaults, or such securities cannot be realised, or perform badly, investors may suffer substantial losses. The market for these securities may be less active, making it more difficult to sell the securities. Valuation of these securities is more difficult and thus the Sub-Fund's prices may be more volatile.

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

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. The 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.

Liquidity risk - The Sub-Fund may invest in debt securities that are not listed. Such securities may be less liquid and more volatile than listed debt securities; this may result in the fluctuation in the price of such securities and hence adversely affect the Net Asset Value of the Sub-Fund.

Counterparty risk - Counterparty risk involves the risk that a counterparty or third party will not fulfil its obligations to the Sub-Fund. The 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 the Sub-Fund is prevented from exercising its rights with respect to the investment in its portfolio, the 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.

Risk of default - 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 Sub-Fund.

Risk of investing in convertible bonds - Convertible bonds are bonds which give an investor an option to exchange the bond for a pre-determined number of shares at a given price and a specified future date. Convertible bonds are subject to risks which typically apply to bonds and equity securities. On one hand, convertible bonds are subject to interest rate risk and credit risk. The value of convertible bonds tends to decline as interest rates increase and increase as interest rates decline. If the credit quality of the convertible bonds deteriorates or the issuer of the convertible bonds defaults, the performance of the Sub-Fund will be adversely affected. On the other hand, the prices of convertible bonds will be affected by the changes in the price of the underlying equity securities which in turn, may have an unfavourable impact on the Net Asset Value of the Sub-Fund.

Risk of investing in subordinated debt securities – The Sub-Fund may invest in subordinated debt securities. Such investments will have a lower priority of claim in the event of the relevant issuer’s liquidation or bankruptcy as they rank behind holders of unsubordinated debt securities but before holders of equity securities. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer’s assets will be paid to holders of subordinated debt securities only after all claims by holders of unsubordinated debt securities have been satisfied in full. The Sub-Fund is therefore exposed to higher credit / insolvency risk of its counterparties as a holder of subordinated debt securities than as a holder of unsubordinated debt securities. If the relevant issuer defaults, the performance of the Sub-Fund will be adversely affected.

Cash and deposits

The 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.

Currency risk

The Sub-Fund may invest in assets quoted in currencies other than its base currency. Investors should refer to the risk factor headed "Currency risk" in the main part of the Explanatory Memorandum.

RMB currency risk

The Sub-Fund may invest in collective investment schemes and/or securities denominated in RMB and hence subject to the RMB currency risk.

Starting from 2005, the RMB has moved into a managed floating exchange rate regime which is based on market supply and demand with reference to a basket of foreign currencies. The daily trading price of the RMB 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 RMB against other currencies, including HKD, are susceptible to movements based on external factors (including but not limited to different market and regulatory conditions).

The possibility that revaluation of RMB will be accelerated cannot be excluded. On the other hand, there can be no assurance that the RMB will not be subject to devaluation. Any devaluation of the RMB could adversely affect the value of the Sub-Fund's investments denominated in RMB. Subject to the applicable investment restrictions, the Sub-Fund may invest in collective investment schemes and/or securities that are denominated in RMB but settled in other currencies (such as HKD) to the extent permitted under its investment objective. Accordingly, the Sub-Fund's performance may be adversely affected by the movements in the exchange rates between RMB and other currencies (such as HKD).

It should be noted that RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies and restrictions of the Chinese government. Trading in the RMB may be subject to possible delay in the settlement process.

Further, the Chinese government's imposition of restrictions on the repatriation of RMB out of China may limit the depth of the RMB market in Hong Kong and reduce the liquidity of the 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.

Risks of investing in QFII funds / RQFII funds

The Sub-Fund may invest in RQFII funds which are denominated in RMB, the Sub-Fund will therefore be subject to the RMB currency risk. Please refer to the specific risk factor headed "RMB currency risk" for details.

Investment through the QFII / RQFII regime is subject to the availability of QFII / RQFII quota. Therefore the Sub-Fund's ability to obtain exposure to the PRC domestic securities market may be limited by the availability of QFII / RQFII quota where there are no QFII funds / RQFII funds which, in the opinion of the Manager, are suitable for investment having regard the investment objective and policy of the Sub-Fund.

The QFII regime is currently subject to repatriation restrictions. Repatriations of capital out of China by RQFII funds that are open-ended funds are currently not subject to repatriation restrictions or prior approval, but there is no guarantee that restrictions will not be imposed in future. Any restrictions on repatriation of the invested capital and net profits out of China may impact on a QFII fund's / RQFII fund's ability to meet redemption requests from the Sub-Fund.

Any changes to the relevant rules applicable to QFIIs / RQFIIs, which may take retrospective effect, may have an adverse impact on investments made by the QFII funds / RQFII funds and hence the Sub-Fund's performance. Please also refer to the risk factor headed "Risks of investing in other funds" in the main part of the Explanatory Memorandum.

QFII funds' / RQFII funds' investment in the PRC market is subject to PRC tax liabilities. According to Caishui [2014] No. 79 ("Notice No.79") dated 14 November 2014 jointly issued by the Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission, corporate income tax on capital gains for the QFII/RQFII investing in the stocks (including China A-shares) and other equity instruments of PRC enterprises will be temporarily exempted effective from 17 November 2014. The specific capital gains tax exemption granted under Notice No. 79 is stated to be temporary. If and when the temporary exemption expires, PRC withholding tax on capital gains derived from stocks (including China A-Shares) and other equity instruments of PRC enterprises may resume to apply. Further, there is an additional capital gain tax protection/ exemption that could be sought by qualified tax treaty applicants (including Hong Kong residents and also Hong Kong resident funds as specifically defined) under the fourth protocol to the double tax arrangement between Hong Kong and the PRC which was signed on 1 April 2015 (but which is currently still pending ratification). As and when the PRC authorities announce the expiry date of the above tax exemption or treaty relief is not otherwise available, the QFII/RQFII may in future need to make additional provisions to reflect the PRC taxes payable with respect to capital gains, which may have a substantial negative impact on the value of the Sub-Fund. For capital gains derived from the transfer of debt investments, dividends from China A-Shares and interest paid to the QFII funds and RQFII funds (other than interest derived from state treasury bonds), it would be subject to 10% withholding income tax.

It is a common practice for QFII funds and RQFII funds to make provisions for such potential tax liabilities which may be excessive or inadequate to meet the actual tax liabilities. Even if tax provisions are made, any shortfall between the provisions and actual tax liabilities will be debited from the QFII funds' / RQFII funds' assets and hence the QFII funds' / RQFII funds' value may be adversely affected. As a result, the value of the Sub-Fund may be unfavourably affected.

Investment in QFII funds / RQFII funds may involve another layer of fees charged at the QFII fund / RQFII 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 QFII funds / RQFII funds, or will incur charges in subscribing for or redeeming units in the QFII funds / RQFII funds. The Manager will consider various factors in selecting the QFII funds and/or RQFII funds, for example, the investment objective and strategy, level of fees and charges, the redemption frequency and liquidity of such funds. However, there is no assurance that the investment objective or strategy of a QFII fund / RQFII fund will be successfully achieved.

If the Sub-Fund invests in a QFII fund / RQFII fund managed by the Manager or a connected person of the Manager, all initial charges on such QFII fund / RQFII fund will be waived. The Manager may not obtain a rebate on any fees or charges levied by such QFII fund / RQFII 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 of investing in other funds

The Sub-Fund may invest in collective investment schemes other than QFII funds and RQFII funds. Investors should refer to the risk factor headed "Risks of investing in other funds" in the main part of the Explanatory Memorandum.

Risks relating to investment in ETFs generally

The 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 does not attempt to select securities individually or to 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. Where the underlying index is rebalanced, any transaction costs arising from the ETF corresponding rebalancing will be borne by the ETF.

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. As a result, your investment in the Sub-Fund may suffer losses.

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.

Risk of using derivatives

Derivatives may be used for hedging and investment purposes in order to try to protect and enhance asset value of the Sub-Fund. In adverse situations, the Sub-Fund’s use of derivatives may become ineffective and the Sub-Fund may suffer significant losses. Please refer to the risk factor headed “Derivative and structured product risk” in the main part of the Explanatory Memorandum.

Available Classes in Hong Kong

Class	**Class currency**	**Investors to whom this Class is available**
Class A	HKD	Public in Hong Kong
Class I	HKD	Institutional investors, professional investors or other investors as determined by the Manager

Investment Minima

Minimum Subscription Amount	**Class A HKD Units**: HKD10,000 **Class I HKD Units**: HKD1,000,000
Minimum Subsequent Subscription Amount	**Class A HKD Units**: HKD10,000 **Class I HKD Units**: HKD1,000,000
Minimum Holding	**Class A HKD Units**: Units with aggregate minimum value of HKD10,000 **Class I HKD Units**: Units with aggregate minimum value of HKD1,000,000
Minimum Redemption Amount	**Class A HKD Units**: Units with aggregate minimum value of HKD5,000 **Class I HKD Units**: Units with aggregate minimum value of HKD500,000

Fees

Fees payable by investors

Preliminary Charge (% of total subscription amount received (i.e. before deducting preliminary charge))	**Class A and Class I**: up to 5%
Switching Charge (% of total amount being switched into)	**Class A and Class I**: nil
Redemption Charge (% of total redemption proceeds)	**Class A and Class I**: nil

Fees payable by the Sub-Fund

Management Fee (% Net Asset Value of the Sub-Fund)	**Class A:** 1.50% p.a. **Class I**: 1.25% p.a.

Performance Fee	**Class A and Class I**: not applicable
Trustee Fee (% Net Asset Value of the Sub-Fund)	**Class A and Class I**: up to 0.10% p.a.
Custody Fee (% month-end market value (if unavailable, the nominal value) of the investments in custody of the Sub-Fund)	**Class A and Class I**: up to 0.08% p.a. plus transaction fees at customary rates.

The Trustee may charge a minimum monthly fee of HKD24,000 if the monthly aggregate of the Trustee Fee and Custody Fee is less than HKD24,000.

Establishment Costs

The establishment costs of the Everbright Greater China Opportunities Fund amount to approximately HKD1,000,000.

Dealing Day

Dealings in Units of the Sub-Fund will be on a daily basis, with the Dealing Day being each Business Day.

Dealing Deadline

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

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

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”.

Distributions

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

The Manager may declare dividends on a semi-annual basis in June and December each year (or at more frequent intervals at the discretion of the Manager) in respect of the Sub-Fund. There is no guarantee of regular distribution and, if distribution is made, the amount being distributed. The dividend, if declared, will be paid or reinvested, in accordance with the instruction given by the investor at the time of subscription. It is the current intention of the Manager that only the net income (the income net of expenses) for the Unit may be distributed. No distribution will be paid out of the Sub-Fund's capital. The approval of the SFC will be sought and at least one month's prior notice will be given to Unitholders should there be a change in distribution policy.

Valuation

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

APPENDIX V – EVERBRIGHT GLOBAL BRANDS FUND

This Appendix comprises information in relation to Everbright Global Brands Fund, a Sub-Fund of the Fund. As of the date of this Explanatory Memorandum, Everbright Global Brands Fund has not yet been launched.

For this Appendix V, "Sub-Fund" shall mean Everbright Global Brands Fund.

Initial Offer

Units of Everbright Global Brands Fund will be available for subscription during the period commencing 9 a.m. (Hong Kong time) on 21 April 2016 to a future date to be determined by the Manager (the "initial offer period"). It is expected that the first Dealing Day will be the day immediately following the close of the initial offer period. If any such day is not a Business Day, the following Business Day will become the first Dealing Day.

The initial offer period will close without any prior or further notice once the subscription amount reaches USD30,000,000.

The classes which will be offered in the initial offer period and their respective initial offer prices (exclusive of preliminary charge) are set out below:-

Class	**Initial offer price per Unit (exclusive of preliminary charge)**
Class A HKD Units	HKD10.00
Class A RMB Units	RMB10.00
Class A USD Units	USD10.00
Class I HKD Units	HKD10.00
Class I RMB Units	RMB10.00
Class I USD Units	USD10.00

The Manager or its Authorised Distributor(s)/intermediary(ies) is/are entitled to charge a preliminary charge of up to 5% of the total subscription amount received (i.e. before deducting preliminary charge) in relation to an application.

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

The Manager has set a minimum total subscriptions amounting to USD3,000,000 to be received during the initial offer period failing which the Manager may either extend the initial offer period or decide that the Sub-Fund shall not launch. If the Manager decides not to launch the Sub-Fund, application moneys paid by applicants will be returned without interest and net of expenses ancillary to returning payment within 30 Business Days 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.

Base Currency

The base currency of the Sub-Fund is USD.

Investment Objective

The investment objective of the Sub-Fund is to aim to provide investors with medium to long term capital appreciation through investing primarily in equity securities issued by companies in global markets. In particular, the Sub-Fund will seek to invest in companies which, in the opinion of the Manager, are deemed to be market leaders operating strong and highly regarded global brands or franchises and have demonstrated that they can generate a relatively consistent and steady return on capital employed over business cycles.

Investment Strategy

In order to achieve the investment objective, the Manager intends to make investments (not less than 70% of the Sub-Fund's Net Asset Value) through a portfolio consisting of equity securities listed or quoted on the over-the-counter markets of companies throughout the world in industry sectors including but not limited to energy, information technology, healthcare, consumer discretionary, consumer staples, industrials, materials, financials, telecommunication services and utilities.

The Manager will conduct an analysis of equities of companies in developed countries which are included in the MSCI World Index. Such companies are expected to be large companies which, at the time of purchase, have a market capitalization of at least USD25 billion (or equivalent). Also, such companies will likely be headquartered and listed in developed markets and operate globally. The Manager may modify the required minimum thresholds for market capitalization in the future.

The Sub-Fund may not invest more than 50% of its Net Asset Value in the securities of companies operating in any one sector, as defined and categorized under the MSCI's Global Industry Classification Standard.

The Manager may acquire financial derivatives such as futures contracts, warrants and options contracts for the account of the Sub-Fund for hedging and investment purposes in order to try to protect and enhance asset value.

The Sub-Fund will not engage in securities lending transactions or repurchase/reverse repurchase transactions. Prior to changing the investment policy on such transactions, the Manager will seek the prior approval of the SFC and provide at least one month's prior notice to Unitholders before the Manager enters into any such transactions.

The Sub-Fund will not invest in any structured deposits or structured products or asset backed securities for hedging or non-hedging purposes.

The Sub-Fund will have no exposure to investments denominated in RMB.

It is expected that the Sub-Fund may hold up to 30% of the Net Asset Value of the Sub-Fund in cash, cash equivalents and short term fixed income instruments for the purpose of cash management and/or dynamic equity exposure management (which is to reduce the portfolio risk by reducing equity exposure of the Sub-Fund when the Manager deems prudent to do so). In times of extreme market conditions such as in times of a prolonged bearish market or extremely severe and rapid global economic downturn, the Sub-Fund may temporarily hold up to 100% of its Net Asset Value in liquid assets such as bank deposits, certificates of deposit and treasury bills.

The Sub-Fund will be managed based on a capital gain oriented investment strategy focused on return on capital employed ("ROCE"), which means that the Manager will invest in companies generating a ROCE higher than the average ROCE for companies included in the MSCI World Index.

The Sub-Fund may invest less than 20% of its Net Asset Value in debt instruments with loss-absorption features (e.g. total loss-absorbing capacity eligible instruments, contingent convertible bonds, senior non-preferred debt, Additional Tier 1 and Tier 2 capital instruments (i.e. debt instruments with write-down features which are triggered when the issuers' regulatory capital ratio falls to a certain level)). These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

Use of Derivatives

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

Indicative Asset Allocation

An indicative asset allocation of the Sub-Fund is as follows:

Type of securities	**Exposure in terms of percentage of the Sub-Fund's Net Asset Value (indicative only)**
Equities	70% - 100%
Cash, cash equivalents and short term fixed income instruments	0% - 30%

Specific Risk Factors

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

Investment risk

The Sub-Fund is an investment fund and mainly invests in equity. There can be no assurance that the Sub-Fund will achieve its investment objective. Investment in equity securities is generally subject to market risks and may lead to greater volatility in price. Such investment may fall in value. Since the Sub-Fund is not principal guaranteed, there is no guarantee of the repayment of principal and your investment in the Sub-Fund may suffer losses as a result. There is also no guarantee of dividend or distribution payments during the period an investor holds Units in the Sub-Fund.

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 Sub-Fund's Net Asset Value may be affected unfavorably by fluctuations in the exchanges rates between these currencies and the base currency and by changes in exchange rate controls. Investors should refer to the risk factor headed "Currency risk" in the main part of the Explanatory Memorandum.

Equity market risk

The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors. Please refer to the risk factors headed "Equity risk" in the main part of the Explanatory Memorandum.

Concentration risk

The Sub-Fund's investments may be concentrated in specific industries/sectors as the Sub-Fund may invest up to 50% of its Net Asset Value in securities of certain industries/sectors including energy, information technology, healthcare, consumer discretionary, consumer staples, industrials, materials, financials, telecommunication services and utilities.

- *Energy sector* – Investing in securities of the energy sector may subject the Sub-Fund to higher price volatility due to demand and supply for energy, operational disruptions, environmental events, government regulations, political risks, macroeconomic policies, etc.

  The energy sector may also be affected by commodities prices, and the market values of companies in the energy sector are strongly affected by the levels and volatility of global energy prices, capital expenditures on exploration and production, energy conservation efforts, obsolescence of production techniques, accidents and disasters.

- *Information technology sector* – Investing in securities of the information technology sector may subject the Sub-Fund to higher price volatility than a more widely invested fund due to a relatively short operating history of the information technology companies, obsolescence arising from rapid technological advancement and development and competitions, changes in customer requirements and preferences etc.

  Value of investments in securities of the information technology sector can be adversely affected by the failure and delays in obtaining financing or regulatory approval and research and development of new products.

- *Healthcare sector* – Companies in the healthcare sector may allocate greater than usual financial resources to research and product development. The securities of such companies may experience fluctuations in price movements associated with the perceived prospects of success of the research and development programmes. The market value of securities of companies in the healthcare sector will be adversely affected by factors such as government policies and regulations, costs in obtaining and protecting patents, product liability and other claims, changes in technologies and other market developments, lack of commercial acceptance of new product. As such, the Sub-Fund may be subject to higher price volatility.

- *Consumer discretionary sector* – The Sub-Fund may invest in securities of companies in the consumer sector such as automotive, household durable goods, leisure equipment and textiles & apparel and hotels. The performance of companies in the consumer discretionary sector is generally correlated to the growth rate of the consumer market and individual income levels and are dependent on worldwide economic conditions. By investing in such companies, the Sub-Fund may be more vulnerable to price fluctuations of shares of companies in the consumer industry and other factors such as economic cycles that particularly affect the consumer industry as compared to an investment in a more broadly diversified fund.

- *Consumer staples sector* – The Sub-Fund may invest in securities of companies in the consumer sector such as manufacturers and distributors of food, beverages and personal products. Companies in the consumer staples sector are subject to government regulation affecting the permissibility of using various food additives and production methods, which regulations could affect their profitability. The success of food, beverages and personal products companies may be strongly affected by marketing campaigns, competition and consumer confidence and spending. By investing in such companies, the Sub-Fund may be more vulnerable to price fluctuations of shares of companies in the consumer industry and other factors such as economic cycles that particularly affect the consumer industry as compared to an investment in a more broadly diversified fund.

- *Industrials and Materials sector* – Companies in the industrials and materials sector such as building products, electrical equipment, engineering, machineries and other capital goods, transportation, construction materials, metals and minerals will be adversely affected by imposition of import controls and tariffs, increased competition, falling demand, depletion of resources, strained labor relations, changes in government regulations, environmental damage claims, commodity price volatility, changes in interest and exchange rates, occurrence of world events and economic conditions.

- *Financials sector* – The Sub-Fund may invest in securities of companies in the financials sector such as banks, finance companies, securities companies and insurance companies. By investing in such companies, the Sub-Fund may be more vulnerable to price fluctuations of shares of companies in the financials sector as a result of unfavourable factors such as economic cycles and disruptive events in financial markets that particularly affect financials sector as compared to an investment in a more broadly diversified fund. Companies in the financials sector may also be adversely affected by increases in interest rates and loan defaults, decrease in liquidity of financial market, change in government regulations, and unstable or adverse economic conditions.

- *Telecommunications industry* – The telecommunications industry is subject to extensive regulations and the costs of complying with such regulations, delays or failures to receive required regulatory approvals or the enactment of new, adverse regulatory requirements may negatively affect the business of telecommunications companies. This industry is also subject to changes in customer requirements and preferences, obsolescence arising from rapid technological advancement and development, research and development of new products and competitions. Any adverse fluctuations in value arising from adverse conditions in the telecommunications industry will unfavourably affect the Sub-Fund's investment in the telecommunications industry.

- *Utilities sector* – The Sub-Fund may invest in securities in the utilities sector such as electric, gas and water utilities. By investing in such securities, the Sub-Fund may be more vulnerable to price fluctuations than funds which comprise broad-based investments. The Sub-Fund's investment in the utilities sector may be more susceptible to adverse fluctuations in value resulting from adverse conditions in the utilities sector such as tax, demand and supply for utilities, operational disruptions, environmental events and government regulations and the Sub-Fund's value may be adversely affected.

  Companies in the utilities sector are also subject to greater competition due to deregulation which may adversely affect profitability of such companies. The Sub-Fund's value may be adversely affected.

As a result, the Sub-Fund's value may be adversely affected by unfavourable conditions in any of such industry/sector. The value of the Sub-Fund may be more volatile than that of a sub-fund having a more diverse portfolio of investments.

Risks associated with investment in financial derivative instruments ("FDI")

Risks associated with FDI 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 the Sub-Fund. Exposure to FDI may lead to a high risk of significant loss by the Sub-Fund. Please refer to the risk factor headed "Derivative and structured product risk" in the main part of the Explanatory Memorandum.

Risks associated with RMB classes of Units

The Sub-Fund will have no exposure to investments denominated in RMB. However, investors may invest in Class A RMB Units and Class I RMB Units ("RMB classes").

Starting from 2005, the RMB has moved into a managed floating exchange rate regime which is based on market supply and demand with reference to a basket of foreign currencies. The daily trading price of the RMB 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 RMB against other currencies, including USD and HKD, are susceptible to movements based on external factors (including but not limited to different market and regulatory conditions).

RMB is currently not a freely convertible currency and is subject to exchange control policies and restrictions of the Chinese government. Trading in the RMB may be subject to possible delay in the settlement process. Further, 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.

Non RMB-based investors (e.g. Hong Kong investors) are exposed to foreign exchange risk. If non RMB-based investors convert other currencies into RMB so as to invest in the RMB classes and subsequently convert the RMB redemption proceeds back into other currencies, they may incur currency conversion costs and suffer losses as a result of foreign exchange risk. 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 RMB classes.

When calculating the value of the RMB classes, reference to the CNH rate (i.e. the exchange rate for the offshore RMB market in Hong Kong) rather than the CNY rate (i.e. the exchange rate for the onshore RMB market) will be made and the value of the RMB classes thus calculated will be affected by fluctuations in the CNH rate. This is because the CNH rate may be at a premium or discount to the CNY rate and there may be significant bid and offer spreads.

Although CNH and CNY represent the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

Due to the exchange controls and restrictions applicable to RMB, the Sub-Fund may not be able to get sufficient amounts of RMB in a timely manner to meet redemption requests of or pay dividend to investors of the RMB classes as a substantial portion of the Sub-Fund's underlying investments are non-RMB denominated.

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

Available Classes in Hong Kong

Class	**Class currency**	**Investors to whom this Class is available**
Class A	USD, HKD and RMB	Public in Hong Kong
Class I	USD, HKD and RMB	Institutional investors, professional investors or other investors as determined by the Manager

Investment Minima

Minimum Subscription Amount	**Class A USD Units**: USD1,000 **Class A HKD Units**: HKD10,000 **Class A RMB Units**: RMB10,000 **Class I USD Units**: USD1,000,000 **Class I HKD Units**: HKD10,000,000 **Class I RMB Units**: RMB10,000,000
Minimum Subsequent Subscription Amount	**Class A USD Units**: USD1,000 **Class A HKD Units**: HKD10,000 **Class A RMB Units**: RMB10,000 **Class I USD Units**: USD50,000 **Class I HKD Units**: HKD400,000 **Class I RMB Units**: RMB400,000
Minimum Holding	**Class A USD Units**: Units with aggregate minimum value of USD1,000 **Class A HKD Units**: Units with aggregate minimum value of HKD10,000 **Class A RMB Units**: Units with aggregate

	minimum value of RMB10,000 **Class I USD Units**: Units with aggregate minimum value of USD500,000 **Class I HKD Units**: Units with aggregate minimum value of HKD4,000,000 **Class I RMB Units**: Units with aggregate minimum value of RMB4,000,000
Minimum Redemption Amount	**Class A USD Units**: Units with aggregate minimum value of USD1,000 **Class A HKD Units**: Units with aggregate minimum value of HKD10,000 **Class A RMB Units**: Units with aggregate minimum value of RMB10,000 **Class I USD Units**: Units with aggregate minimum value of USD50,000 **Class I HKD Units**: Units with aggregate minimum value of HKD400,000 **Class I RMB Units**: Units with aggregate minimum value of RMB400,000

Fees

Fees payable by investors

Preliminary Charge (% of total subscription amount received (i.e. before deducting preliminary charge))	**Class A and Class I** : up to 5%
Switching Charge (% of total amount being switched into)	**Class A and Class I**: up to 2%
Redemption Charge (% of total redemption proceeds)	**Class A and Class I**: up to 1%

Fees payable by the Sub-Fund

Management Fee (% Net Asset Value of the Sub-Fund)	**Class A**: 1.75% p.a. **Class I**: 1.00% p.a.

Performance Fee	**Class A and Class I**: not applicable
Trustee Fee (% Net Asset Value of the Sub-Fund)	**Class A and Class I**: up to 0.10% p.a.
Custody Fee (% month-end market value (if unavailable, the nominal value) of the investments in custody of the Sub-Fund)	**Class A and Class I**: up to 0.07% p.a. plus transaction fees at customary rates.
Registrar Fee	**Class A and Class I**: the Registrar is entitled to receive a transaction-based fee

The Trustee may charge a minimum monthly fee of USD3,000 if the monthly aggregate of the Trustee Fee and Custody Fee is less than USD3,000, which will be waived for the first 3 months upon launch of the Sub-Fund.

Establishment Costs

The establishment costs of the Everbright Global Brands Fund amount to approximately USD100,000.

Dealing Day

Dealings in Units of the Sub-Fund will be on a daily basis, with the Dealing Day being each Business Day.

Dealing Deadline

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

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

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".

Distributions

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

The Manager may declare dividends on a semi-annual basis in June and December each year (or at more frequent intervals at the discretion of the Manager) in respect of the Sub-Fund. There is no guarantee of regular distribution and, if distribution is made, the amount being distributed. The dividend, if declared, will be paid or reinvested, in accordance with the instruction given by the investor at the time of subscription. It is the current intention of the Manager that only the net income (the income net of expenses) for the Unit may be distributed. No distribution will be paid out of the Sub-Fund's capital. The approval of the SFC will be sought and at least one month's prior notice will be given to Unitholders should there be a change in distribution policy.
Distributions will be paid in the class currency of the relevant Units.

Valuation

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

ANNEX A

Overview of the Fixed Income Securities Market

Market characteristics

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

The China Central Depository & Clearing Co., Ltd ("CCDC") acts as the central custodian of all marketable RMB bonds. For the exchange traded 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 Traded Bond Market**
Size	In 2021, 88.13% of all bond transactions (Data source: www.chinabond.com.cn; www.sse.com.cn; www.szse.com.cn)	In 2021, 11.87% of all bond transactions (Data source: www.chinabond.com.cn; www.sse.com.cn; www.szse.com.cn)
Major types of products being traded	Government bonds (including municipal 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 (including municipal bonds), listed company bonds, enterprise bonds, convertible bonds, asset backed securities
Key market participants	Institutional investors (such as commercial banks, securities firms,	Individuals and non-bank institutions (such as insurance

	funds and trust investment companies), RQFIIs	companies and funds), qualified foreign institutional investors (QFIIs), RQFIIs
Trading and settlement mechanism	Trades through bilateral negotiation and settle trade-for-trade; settlement cycle: T+0 or T+1	Centralised trade matching with netting settlement; settlement cycle: T+1
Regulator(s)	People's Bank of China	CSRC
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 QFIIs and RQFIIs; no minimum rating requirement for the electronic trading platform

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

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

The yield of the major RMB denominated instruments issued in the PRC was in the range of 1.73% to 3.42% for government bonds and 2.2171% to 43.9108% for corporate bonds including convertible bonds, as at 30 January 2022 (Source: www.chinabond.com.cn). 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.

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