AIFMD DISCLOSURE DOCUMENT

Information disclosure for the purposes of Article 23 AIFMD by

VALUE PARTNERS HONG KONG LIMITED

(the "Manager")

(a private limited company formed under the laws of Hong Kong)

in respect of

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND

(the "Fund")

(a unit trust originally formed under the laws of the Cayman Islands which has since redomiciled to Hong Kong)

December 2017

DEFINITIONS AND INTERPRETATION

This section of the Document sets out the meaning of certain defined terms used in the Document and makes provisions regarding the interpretation of certain references in the Document.

1. **Definitions**

In this Document, the following capitalised terms shall have the following meanings:

(A) "AIF" means an alternative investment fund (or AIF) for the purposes of and as defined in AIFMD.

(B) "AIFM" means an alternative investment fund manager (or AIFM) for the purposes of and as defined in AIFMD.

(C) "AIFMD" means Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers.

(D) "Document" means this AIFMD Disclosure Document.

(E) "EEA" means the European Economic Area.

(F) "EU" means the European Union.

(G) "EU AIF" means either: (i) an AIF which is authorised or registered in an EEA member state under applicable national law; or (ii) an AIF which is not authorised or registered in an EEA member state, but has its registered office and/or head office in an EEA member state.

(H) "EU AIFM" means an AIFM which has its registered office in an EEA member state.

(I) "Explanatory Memorandum" or "EM" means the Explanatory Memorandum of the Fund dated 22 April 2016 (as may be amended and supplemented from time-to-time).

(J) "Fund" means Value Partners High-Dividend Stocks Fund.

(K) "Manager" means Value Partners Hong Kong Limited.

(L) "Non-EU AIF" means an AIF which is not an EU AIF.

(M) "Non-EU AIFM" means an AIFM which is not an EU AIFM.

(N) "SFC" means the Securities and Futures Commission of Hong Kong.

Certain other terms are defined in the Document.

2. **Interpretation**

References to statutory provisions, regulations, notices or AIFMD shall include those provisions, regulations, notices or AIFMD as amended, extended, consolidated, substituted, re-issued or re-enacted from time to time.

Unless the context otherwise requires and except as varied or otherwise specified in this Document, words and expressions contained in this Document shall bear the same meaning as in the EM provided that, if there is any conflict between words defined in this Document and the EM, this Document shall prevail.

GENERAL

This section of the Document sets out introductory information about AIFMD and the purpose of this Document in relation to AIFMD.

1. AIFMD

AIFMD is a European Union directive which regulates (amongst other things) the management and marketing of an AIF by an AIFM within the EEA.

AIFMD distinguishes between (i) EU AIFs and Non-EU AIFs, and (ii) EU AIFMs and Non-EU AIFMs. In particular, different regulatory obligations apply under AIFMD depending on whether the AIFM and the AIF are EU or Non-EU.

The Fund is a Non-EU AIF and the Manager is its AIFM. The Manager is a Non-EU AIFM.

2. Marketing of the Fund in the EEA

AIFMD permits EEA member states to allow a Non-EU AIFM to market to investors, in their territory only, units or shares of AIFs managed by the Non-EU AIFM, subject to complying with certain minimum transparency requirements under AIFMD. An EEA member state which permits a Non-EU AIFM actively to market AIFs in its territory may be said to maintain a national private placement regime ("NPPR").

The Manager may, in its sole discretion, and subject to complying with the requirements of the particular NPPR, market the Fund in any EEA member state which maintains a NPPR.

Under AIFMD, for each AIF marketed in the EEA under a NPPR, the Non-EU AIFM must make available to each prospective investor in the AIF in the relevant EEA member state certain prescribed information before the investor may invest in the AIF ("Article 23 Disclosure").

3. Purpose of this Document

This Document (and the contents of any materials referred to herein), when read together with the Explanatory Memorandum, is intended by the Manager (in its capacity as AIFM) to satisfy the Article 23 Disclosure requirements in respect of the Fund (an AIF).

As such, the Manager will make this Document available to each prospective investor in the Fund, in each EEA member state where the Fund is marketed under an applicable NPPR, before that investor invests in the Fund.

The Manager may, in its sole discretion, make this Document available to other investors on request.

4. Status of the Explanatory Memorandum

This Document cross-refers to, and must at all times be read in conjunction with, the EM.

In the event of a conflict between the information contained in this Document and the information in the EM (and unless otherwise noted in this Document) the information set out in this Document shall (for the purposes of Article 23 Disclosure only) prevail.

5. Material Changes

The Manager shall inform investors of any material changes to the information contained in this Document in accordance with AIFMD.

The latest version of this Document is available upon request from the Manager.

Existing investors in the Fund who are making further investments in the Fund should ensure that they obtain and review the latest version of this Document prior to making such further investments.

6. Further Information

Further information is available from the Manager at: 9th Floor, Nexxus Building, 41 Connaught

Road Central, Hong Kong (telephone (852) 2880 9263 or email at vpl@vp.com.hk or visit our website at www.valuepartners-group.com (the "Manager's website")).

DISCLOSURES

This section of the Document sets out the AIFM's Article 23 Disclosure and cross-refers to provisions of the Explanatory Memorandum of the Fund and to certain documents on the Manager's website to which also provide Article 23 Disclosure.

1. The Fund

1.1 The Fund is an open-ended unit trust constituted by a Trust Deed under the laws of Hong Kong.[1] The Fund is not part of a master-feeder structure.

2. Investments by the Fund

2.1 The Fund's investment strategy and objectives are described in the section of the EM headed "Investment Objective and Policy".[2]

2.2 The types of assets in which the Fund may invest, the techniques it may employ and all material associated risks are each described in the sections of the EM headed "Investment Objective and Policy" and "Risk Factors".[3]

2.3 A description of the Manager's discretion when managing the Fund's portfolio, and of the investment restrictions to which it is subject in the management of the Fund's portfolio, is set out in the section of the EM headed "Investment Restrictions and Prohibitions".[4]

2.4 The Fund intends for the foreseeable future to adhere to the investment strategy and objectives noted at paragraph 2.1. Any material changes to the investment strategy and objectives may be made only with the prior approval of the SFC, and it is normally expected that one-month's prior notice will be provided to investors in respect of the changes. [5]

2.5 The current risk profile of the Fund, and the risk management systems employed by the Manager to manage those risks, will be available at the Manager's website.[6]

3. Leverage and collateral and asset re-use arrangements

3.1 As an introductory matter, AIFMD defines "leverage" as any method by which an AIFM increases the exposure of an AIF it manages whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means. The term "leverage" is used in that manner in this section of the Document.

3.2 The Fund may use leverage to acquire investments or for liquidity purposes to meet redemptions and other expenses, as may be determined by the Manager and in line with the restrictions set out in the sections of the EM headed "Investment Objective and Policy" and "Investment Restrictions and Prohibitions". [7]

3.3 The types and sources of leverage which are permitted to be used by the Manager in managing the Fund's portfolio, and certain material risks associated with such use of leverage, are set out in the sections of the EM headed "Risk Management Policy", "Risk Factors – Borrowing Risks" and "Risk Factors – Derivative Instruments".[8]

3.4 The restrictions on the Fund's use of leverage or borrowing, other than those which may be imposed by applicable statutes and regulations, are set out in the sections of the EM headed "Risk

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[1] *23(1)(a): information on where any master AIF is established.*

[2] *23(1)(a): a description of the investment strategy and objectives of the AIF.*

[3] *23(1)(a): a description of the types of assets in which the AIF may invest, the techniques it may employ and all associated risks.*

[4] *23(1)(a): any applicable investment restrictions.*

[5] *23(1)(b): a description of the procedures by which the AIF may change its investment strategy or investment policy, or both.*

[6] *23(4)(c): AIFMs shall, for each of the AIFs that they market in the Union, periodically disclose to investors…the current risk profile of the AIF and the risk management systems employed by the AIFM to manage those risks.*

[7] *23(1)(a): the circumstances in which the AIF may use leverage.*

[8] *23(1)(a): the types and sources of leverage permitted and the associated risks.*

Management Policy", "Investment Restrictions and Prohibitions", "Borrowing Policy", "Security Lending" and "Other provisions relating to Investment, Borrowing and Security Lending". [9]

3.5 The maximum permitted level of leverage which the Manager may employ in its management of the Fund's portfolio is 25% of the Fund's net asset value.[10]

3.6 As at 30 June 2017, the total amount of leverage employed by the Fund was 2.9% of the Fund's net asset value.[11]

3.7 The applicable restrictions on arrangements relating to collateral and asset re-use are described in the section of the EM headed "Security Lending".[12]

4. Overview of service providers to the Fund

4.1 AIFM

The Manager is the AIFM to the Fund. As a Non-EU AIFM, the Manager is not currently required to be (and is not) authorised as an AIFM in any EEA member state.

A general description of the Manager and its duties is set out in the section of the EM headed "Manager".[13]

4.2 Auditors

PricewaterhouseCoopers, Hong Kong, are the auditors of the Fund. The duty of the auditors is to conduct an audit of the Fund in accordance with International Financial Reporting Standards.[14]

4.3 Other service providers

Details of other service providers to the Fund and the Manager are as follows:[15]

(A) **Trustee, Registrar and Administrator**: HSBC Institutional Trust Services (Asia) Limited is the trustee, registrar and administrator to the Fund. In summary, the duties of the Trustee, Registrar and Administrator are as follows:

- ensure that the Fund is managed by the Manager in accordance with the Trust Deed dated 7 August 2002 (as may be amended from time to time including without limitation by the Second Supplemental Trust Deeed dated 10 April 2003, the Deed of Retirement and Appointment of the Trustee dated 31 March 2016) and that the investment and borrowing powers are complied with;
- safeguard the property of the Fund and rights attaching thereto; and
- report to the Unitholders for each annual accounting period on the conduct of the Manager in the management of the Fund.

(B) **Legal Counsel**: Deacons acts as legal counsel to the Manager as to matters of Hong Kong law. In summary, the duties of the legal counsel are to provide local law advice to the Fund as whenever necessary.

(C) **Custodian**: HSBC Institutional Trust Services (Asia) Limited is the custodian to the Fund. In summary, the duties of the Custodian are to hold and safeguard assets of the Fund.

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[9] *23(1)(a): any restrictions on the use of leverage.*

[10] *23(1)(a): the maximum level of leverage which the AIFM is entitled to employ on behalf of the AIF. For reference purposes only, it is noted that EU AIFMs are required to set a maximum level of leverage which they may employ on behalf of each AIF they manage - article 15(4) of AIFMD. Non-EU AIFMs are not subject to this compliance requirement, but must still make a disclosure in respect of this concept.*

[11] *23(5)(b): AIFMs… marketing in the Union AIFs employing leverage shall, for each such AIF, disclose on a regular basis… the total amount of leverage employed by that AIF.*

[12] *23(1)(a): any restrictions on any collateral and asset reuse arrangements.*

[13] *23(1)(d): the identity of the AIFM and a description of its duties and the investors' rights.*

[14] *23(1)(d): the identity of the auditor and a description of its duties and the investors' rights.*

[15] *23(1)(d): the identity of any other service providers and a description of their duties and the investors' rights.*

4.4 In respect of each of the service providers mentioned above in this section 4, investors in the Fund have no direct rights of action against the service provider, as a matter of contract law, or under the constitutional documents of the Fund. The proper plaintiff in an action in respect of which a wrongdoing is alleged to have been committed against the Fund is, prima facie, the Fund itself. Accordingly, investors would have no direct contractual right against the relevant service provider for breach of the agreement governing its appointment by the Fund. The foregoing disclosure is without prejudice to such other rights of action (for example, under tort law or in respect of breach of fiduciary duty) which might in certain situations be separately available to investors.

5. **The Manager**

5.1 In order to cover potential liability risks resulting from its management of the Fund, the Manager maintains professional indemnity insurance against liability arising from professional negligence in the amount of US$10,000,000 and US$10,000,000 in respect of directors and officers liability insurance.[16]

5.2 The Manager currently has not delegated any of its management activities. As such, the Manager does not have any conflicts of interest to disclose in connection with such delegation.[17]

6. **Prime Brokers to the Fund**

6.1 The Fund has not appointed a prime broker and does not, therefore, have any material arrangements with a prime broker to disclose.[18]

6.2 On the basis (as noted in paragraph 6.1) that the Fund has not appointed a prime broker, the Fund does not have a process for managing conflicts of interest between a prime broker and the Fund to disclose.[19]

7. **The depositary under AIFMD**

7.1 The Manager is not required to ensure that the Fund appoints, and the Fund has not appointed, a depositary for the purposes of AIFMD. As such, no person acts as depositary of the Fund and investors in the Fund have no rights as against any person in respect of the duties or liabilities of a depositary under AIFMD.[20]

As a consequence of a depositary not having been appointed:

(A) there are no delegation arrangements in connection with a depositary and therefore there are no delegates of a depositary and no applicable conflicts of interest in connection with depositary delegation;[21]

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[16] *23(1)(e): a description of how the AIFM is complying with the requirements of Article 9(7). For reference purposes only, it is noted that EU AIFMs are required to cover potential professional liability risks either by (a) having appropriate additional own funds or (b) holding appropriate professional indemnity insurance - article 9(7) of AIFMD. Non-EU AIFMs are not subject to this compliance requirement, but must still make a disclosure in respect of this concept.*

[17] *23(1)(f): a description of any delegated management function delegated by the AIFM, the identification of the delegate and any conflicts of interest that may arise from such delegations. For reference purposes only, it is noted that EU AIFMs are subject to requirements relating to permitted delegation, and to the management and disclosure of conflicts of interest - article 20 and article 14 of AIFMD, respectively. Non-EU AIFMs are not subject to this compliance requirement, but must still make a disclosure in respect of this concept.*

[18] *23(1)(o): the identity of the prime broker.*

[19] *23(1)(o): the way the conflicts of interest in relation thereto are managed. For reference purposes only, it is noted that EU AIFMs are subject to requirements relating to the terms of the contract with a prime broker - article 14(3) of AIFMD. Non-EU AIFMs are not subject to this compliance requirement, but must still make a disclosure in respect of this concept.*

[20] *23(1)(d): the identity of the AIF's depositary and a description of its duties and the investors' rights. For reference purposes only, it is noted that, under AIFMD, an EU AIFM is required to ensure that a depositary is appointed in relation to each EU AIF that it manages – article 21 of AIFMD. The depositary is responsible under AIFMD for a number of matters in relation to the AIF, including (but not limited to) cashflow monitoring, safekeeping of assets, and certain procedural duties in relation to the issue and redemption of units or shares in the AIF. There are rules under AIFMD relating to (amongst other things) which persons may act as a depositary, the contract with the depositary, and the liability of the depositary. In addition, an EU AIFM is required to ensure that one or more persons is appointed to perform a sub-set of the depositary functions in respect of a Non-EU AIF that it manages – article 36(1) of AIFMD. Non-EU AIFMs are not subject to any of the depositary requirements of AIFMD, but must still make a disclosure in respect of this concept.*

[21] *23(1)(f): a description of any delegated management function of any safe-keeping function delegated by the depositary, the identification of the delegate and any conflicts of interest that may arise from such delegations.*

(B) there is no depositary contract and therefore there are no applicable provisions relating to transfer and re-use of AIF assets by a depositary;[22]

(C) there is no transfer of liability from a depositary to any prime broker;[23] and

(D) there are no arrangements made by a depositary to contractually discharge itself of liability.[24]

8. **Fund investors**

8.1 The procedure and conditions for the issue and sale of units in the Fund are set out in the sections of the EM headed "Subscription and Redemption of Units", "Restrictions on Unitholders" and "Procedure for Application".[25]

8.2 The main legal implications of the contractual relationship entered into for the purpose of investment in the Fund are as follows:[26]

(A) By subscribing for units, the investor agrees to enter into an investment contract with the Fund, the terms of which are governed by the Trust Deed, the EM and the relevant subscription form (the "Investment Contract"). Where an intermediary is involved, an investor may also be subject to the terms of any applicable contract with that intermediary.

(B) Upon the issue of units, the investor becomes a member of the Fund and is a beneficiary under the Trust Deed. The Trust Deed is binding upon each investor as if he had been a party to it and investors are bound by its provisions. The Trust Deed authorises and requires the Trustee and the Manager to do the things required of them or permitted by its terms.

(C) As a matter of contract law, the Trust Deed represents a binding contract between the Manager, the Trustee and the investors.

(D) As a matter of trust law, the Trust Deed constitutes a trust arrangement between the investors, the Manager and the Trustee, pursuant to which the scheme property of the Fund is held on trust by the Trustee for the benefit of investors and managed by the Manager.

(E) Unless otherwise permitted under the Trust Deed and subject to the prior approval of the SFC, the Trust Deed may only be changed by the Manager and Trustee jointly with the approval of an extraordinary resolution.

(F) An investor's liability to the Fund in relation to its investment will, subject to the terms of the subscription form and any other terms agreed separately, generally be limited to the value of that investment.

(G) The Investment Contract will be governed by and construed in accordance with the laws of Hong Kong.

(H) Certain terms of the Investment Contract set out in the EM and the subscription form may be modified and/or additional terms agreed by way of side letters (although such terms will remain subject to the Trust Deed). In certain cases these side letters may be governed by the laws of a different jurisdiction. However such side letters may not override the terms of the Trust Deed.

(I) The laws of Hong Kong make the following provisions relating to the enforceability of

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[22] *23(1)(o): the provision in the contract with the depositary on the possibility of transfer and reuse of AIF assets.*

[23] *23(1)(o): information about any transfer of liability to the prime broker that may exist.*

[24] *23(2): any arrangement made by the depositary to contractually discharge itself of liability in accordance with Article 21(13).*

[25] *23(1)(l): the procedure and conditions for the issue and sale of units or shares.*

[26] *23(1)(c): a description of the main legal implications of the contractual relationship entered into for the purpose of investment, including information: (i) on jurisdiction, (ii) on the applicable law, and (iii) on the existence or not of any legal instruments providing for the recognition and enforcement of judgments in the territory where the AIF is established.*

foreign judgments: Where a foreign judgment is obtained in a jurisdiction designated under the Foreign Judgments (Reciprocal Enforcement) Ordinance (Cap. 319) ("FJREO"), which in Europe presently includes Austria, Belgium, France, Germany, Italy and The Netherlands, the judgment creditor may apply to the Hong Kong courts for the registration of the judgment. Provided that the requirements set out in the FJREO are met, the judgment will be registered and, subject to any setting aside application, the registered judgment can be enforced in the same way as a Hong Kong judgment. Where a foreign judgment cannot be registered under the FJREO, it may still be enforced under common law by commencing an action in Hong Kong. The grounds for refusal of enforcement under the FJREO and under common law include, among others, the original judgment court's lack of jurisdiction, fraud, and public policy.

8.3 The rights of investors to redeem their investment in the Fund (both in normal and in exceptional circumstances) and the existing redemption arrangements with investors is set out in the section of the EM headed "Redemption of Units".[27]

8.4 The Manager does not maintain a formal liquidity risk management procedure in respect of redemptions and there are no formal requirements to maintain a specific proportion of the Fund's assets in cash or near-cash instruments. However, the Manager conducts liquidity tests on a monthly basis or whenever the market situation demands closer scrutiny of the risk profile of the Fund's portfolios. Based on the monthly average daily turnover information, the liquidity tests would reveal the percentage of the Fund's portfolio that could be liquidated into cash within 1, 5, 10, 15 and 20 days.[28]

8.5 As at the date of this Document, the Fund's assets are not subject to any special arrangements arising from their illiquid nature. [29]

8.6 There are no fees, charges or expenses paid directly by investors in the Fund, with the exception that an investor may be required to pay preliminary and redemption charges in the specific circumstances described in the EM – please see the section of the EM headed "Preliminary and Redemption Charges" .[30]

8.7 The fees, charges and expenses which are indirectly borne by investors (i.e. which are paid by the Fund or deducted from the assets of the Fund) are summarised in the EM in the section headed "Fees and Expenses".[31]

8.8 There are no maximum amounts in respect of expenses and the performance fee.

8.9 Subject to paragraph 8.10, the Manager takes the following general steps to ensure the fair treatment of investors.[32]

(A) it maintains policies and procedures for the timely dissemination of material information to all investors;

(B) it monitors closely those matters which require notification to investors; and

(C) it provides a queries and complaints handling system.

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[27] *23(1)(h): …the redemption rights both in normal and in exceptional circumstances, and the existing redemption arrangements with investors.*

[28] *23(1)(h): a description of the AIF's liquidity risk management... For reference purposes only, it is noted that an EU AIFM is required to implement liquidity management arrangements – article 16 of AIFMD. Non-EU AIFMs are not subject to this compliance requirement, but must still make a disclosure in respect of this concept.*

[29] *23(4)(a): AIFMs shall, for each of the AIFs that they market in the Union, periodically disclose to investors… the percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature.*

[30] *23(1)(i): a description of all fees, charges and expenses and of the maximum amounts thereof which are directly… borne by investors.*

[31] *23(1)(i): a description of all fees, charges and expenses and of the maximum amounts thereof which are… indirectly borne by investors.*

[32] *23(1)(j): a description of how the AIFM ensures a fair treatment of investors. For reference purposes only, it is noted that an EU AIFM is required to take certain active steps to ensure the fair treatment of investors in the Fund – article 12(1) of AIFMD. Non-EU AIFMs are not subject to this compliance requirement, but must still make a disclosure in respect of this concept.*

8.10 The types of investors who obtain such preferential treatment are as follows: [33]

Type of preferential treatment	Types of investor who obtain treatment
The Manager has the discretion to offer different fee rebates to distributors depending on the business relationship.	Distributors

8.11 Each of the Distributors that have obtained the right to receive preferential treatment have a distribution agreement in place with the Manager, and such agreement constitutes a legal link with the Manager.[34]

9. **Valuation procedures in respect of the Fund**

9.1 The Fund's valuation procedure and the pricing methodology for valuing assets, including the methods used in valuing hard-to-value assets, is set out in the part of the sections of the EM headed "Dealing Periods" and "Calculation and Publication of Net Asset Value".[35]

10. **Annual report of the Fund**

10.1 Under AIFMD, the Manager (as AIFM) is required to make available the annual report of each AIF that it markets in the EEA.[36] This must be prepared by no later than 6 months following the end of the financial year.

10.2 The Fund's financial year ends as at 31 December. The Fund's annual report will be made available to investors no later than 30 June each year.

11. **Net asset value and historic performance of the Fund**

11.1 The latest net asset value of the Fund, and the latest net asset value per unit of each class of units of the Fund, are available at the Manager's website.[37]

11.2 The historical performance of the Fund is available at the Manager's website.[38]

12. **Periodic and regular disclosure of information**

12.1 The following information will be disclosed to existing EEA investors by way of an update to this Document:[39]

(A) the percentage of the Fund's assets which are subject to special arrangements arising from their illiquid nature (and disclosure of such percentage as at the date of this Document is set out at paragraph 8.5);

(B) any new arrangements for managing the liquidity of the Fund;

(C) the current risk profile of the Fund and the risk management systems employed by the Manager to manage those risks (and disclosure of such risk profile and systems as at the date of this Document is set out at paragraph 2.5);

(D) the total amount of leverage employed by the Fund (and disclosure of such amount as at

[33] *23(1)(j): whenever an investor obtains preferential treatment or the right to obtain preferential treatment, a description of that preferential treatment…*

[34] *23(1)(j): whenever an investor obtains preferential treatment or the right to obtain preferential treatment, … the type of investors who obtain such preferential treatment and, where relevant, their legal or economic links with the AIF or AIFM.*

[35] *23(1)(g): a description of the AIF's valuation procedure and of the pricing methodology for valuing assets, including the methods used in valuing hard-to-value assets in accordance with Article 19. For reference purposes only, it is noted that an EU AIFM is required to carry out valuations in accordance with the requirements of article 19 of AIFMD. Non-EU AIFMs are not subject to this compliance requirement, but must still make a disclosure in respect of this concept.*

[36] *23(1)(k): the latest annual report referred to in Article 22.*

[37] *23(1)(m): the latest net asset value of the AIF or the latest market price of the unit or share of the AIF, in accordance with Article 19.*

[38] *23(1)(n): where available, the historical performance of the AIF.*

[39] *23(1)(p): a description of how and when the information required under paragraphs 4 and 5 will be disclosed.*

the date of this Document is set out at paragraph 3.6);

(E) any changes to the maximum level of leverage which the Manager may employ on behalf of the Fund;

(F) any changes to the right of reuse of collateral; and

(G) any changes to any guarantee granted under any leveraging arrangement.

IMPORTANT INFORMATION

Important: **If you are in any doubt about the contents of this Document, you should seek independent professional financial or legal advice.**

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

The distribution of this Document is restricted by law. The information contained in the Document is confidential. Recipients of this Document must not copy this Document or pass it to anyone else without the prior consent of the Manager.

There can be no assurance that the investment objectives and strategies of the Fund will be realised, nor that the Fund will avoid losses. Certain documents on the Manager's website, as referred to in this Document, contain historical performance information in relation to the Fund. Recipients of this Document are warned that past performance is not a reliable indicator of future results.

This Document is for information purposes only. This Document does not constitute an offer to sell, or the solicitation of an offer to purchase units in the Fund, in any jurisdiction. Any such offer or solicitation would be made only by way of the explanatory memorandum for the Fund and only in jurisdictions in which such an offer or solicitation would be lawful. Persons interested in acquiring units in the Fund should inform themselves as to: (i) the legal requirements within the countries of their nationality, residence, ordinary residence or domicile for such acquisition; (ii) any foreign exchange restrictions or exchange control requirements which they might encounter on the acquisition or sale of units; and (iii) any taxation consequences which might be relevant to the acquisition, holding or disposal of units.

The units in the Fund are offered only on the basis of the information and representations contained in the explanatory memorandum for the Fund and any accompanying financial information. Any further information given or representations made by any dealer, salesman or other person must not be relied upon as being authorised by the Manager. No person has been authorised to give any information or to make any representation other than those contained in this Document, the explanatory memorandum for the Fund and in the documents mentioned in them. Neither the delivery of this Document nor the issue of units will under any circumstances create any implication that there has been no change in the affairs of the Fund since the date of this Document.

By making this Document available to an investor in the Fund, the Manager does not thereby act for or provide services to any such person (including, without limitation, the provision of investment advice). This Document is not, and must not be treated as, investment advice, an investment recommendation, or investment research in relation to the Fund.

It should be appreciated that the value of the units and the income, if any, from them may fall as well as rise and that, accordingly, the amount redeemed by an investor on the redemption of units may be less than the original investment made. It should also be appreciated that changes in the rates of exchange between currencies may cause the value of the units to diminish or increase in terms of the currencies of the countries in which an investor in the units may be located.

Notice to recipients of this document in the United Kingdom

The Manager, and any person acting on its behalf, is required to comply with the regime under Article 42 of AIFMD (the "AIFMD Marketing Regime") when "marketing" (as defined in Article 4(1)(x) of AIFMD) the Fund in the United Kingdom. In this section, all references to Articles of AIFMD are references to those Articles as implemented in the laws of the United Kingdom.

This Document is being issued in the United Kingdom by the Manager only to, and directed only at, persons who are "professional investors" for the purposes of Article 4(1)(ag) of AIFMD. The units in the Fund are only available to such persons in the United Kingdom and this Document must not be relied or acted upon by any other persons in the United Kingdom.

The distribution of this Document is exempt from the financial promotion restriction in Section 21 of the

Financial Services and Markets Act 2000 of the United Kingdom (the "FSMA"), in accordance with regulation 19(3) of the FSMA 2000 (Financial Promotion) Order 2005, on the basis that the distribution of this Document complies with the conditions of the AIFMD Marketing Regime.

Product Key Facts

Value Partners High-Dividend Stocks Fund

Issuer: Value Partners Hong Kong Limited **October 2017**

- **This statement provides you with key information about the Value Partners High-Dividend Stocks Fund (the "Fund").**
- **This statement is a part of the offering document.**
- **You should not invest in this product based on this statement alone.**

Quick facts

Manager: Value Partners Hong Kong Limited

Trustee and Custodian: HSBC Institutional Trust Services (Asia) Limited

Dealing frequency: Daily (Hong Kong business days)

Base currency: US dollars (US$)

Ongoing charges over a year[#]:

	Exclusive of performance fees	Inclusive of performance fees
Class A1	1.45% [γ]	3.72% [γ]
Class A2 MDis	1.45% [γ]	4.22% [γ]
Class A2 MDis HKD	1.45% [γ]	3.65% [γ]
Class A2 MDis AUD Hedged	1.45% [γ]	4.05% [γ]
Class A2 MDis CAD Hedged	1.45% [γ]	3.89% [γ]
Class A2 MDis GBP Hedged	1.43% [γ]	1.98% [γ]
Class A2 MDis NZD Hedged	1.46% [γ]	4.85% [γ]
Class A Acc RMB Unhedged	1.45% [γ]	3.90% [γ]
Class A Acc RMB Hedged	1.46% [γ]	4.76% [γ]
Class A2 MDis RMB Unhedged	1.45% [γ]	3.45% [γ]
Class A2 MDis RMB Hedged	1.44% [γ]	3.37% [γ]
Class A2 MDis SGD Hedged	1.44% [γ]	3.43% [γ]

Dividend policy:

Class A Acc HKD Hedged, Class A Acc SGD Hedged, Class A Acc RMB Unhedged, Class A Acc RMB Hedged, and Class A Acc JPY Hedged:

It is the current intention of the Manager that distributions of income will not be made from the Fund

Class A1:

Manager to review dividend distribution at its discretion once a year. Last dividend payout date: 21 November 2005

Class A2 MDis, Class A2 MDis HKD, Class A2 MDis AUD Hedged, Class A2 MDis CAD Hedged, Class A2 MDis GBP Hedged, Class A2 MDis NZD Hedged, Class A2 MDis HKD Hedged, Class A2 MDis SGD Hedged, Class A2 MDis RMB Unhedged, Class A2 MDis RMB Hedged, Class A2 MDis JPY Hedged:

	At its discretion, the Manager currently intends to make monthly dividend distribution. In respect of the above classes, dividends may be paid out of the capital of the relevant class and may result in an immediate reduction of the net asset value ("NAV") per unit of the Fund.
Minimum investment:	US$10,000 initial, and US$5,000 subsequent (for Class A1 and Class A2 MDis) HKD80,000 initial, and HKD40,000 subsequent (for Class A Acc HKD Hedged, Class A2 MDis HKD and Class A2 MDis HKD Hedged) AUD10,000 initial and AUD5,000 subsequent (for Class A2 MDis AUD Hedged) CAD10,000 initial and CAD5,000 subsequent (for Class A2 MDis CAD Hedged) GBP10,000 initial and GBP5,000 subsequent (for Class A2 MDis GBP Hedged) NZD10,000 initial and NZD5,000 subsequent (for Class A2 MDis NZD Hedged) SGD10,000 initial and SGD5,000 subsequent (for Class A Acc SGD Hedged and Class A2 MDis SGD Hedged) RMB60,000 initial, and RMB30,000 subsequent (for Class A Acc RMB Unhedged, Class A Acc RMB Hedged, Class A2 MDis RMB Unhedged and Class A2 MDis RMB Hedged) JPY1,000,000 initial and JPY500,000 subsequent (for Class A Acc JPY Hedged and Class A2 MDis JPY Hedged)
Financial year-end of this Fund:	31 December

The ongoing charges figure is expressed as a percentage of the sum of expenses over the average net asset value of the class of units for the corresponding period as described below. This figure may vary from year to year. The performance fees to be paid as at year end, where applicable, may vary subject to market conditions. Information is updated as at 07 September 2017.

γ *This figure is an annualized figure based on the expenses for the interim period ended 30 June 2017. The actual ongoing charges figure may be different and may vary from year to year.*

What is this product?

The Fund was originally a unit trust constituted under the laws of the Cayman Islands. With effect on and from 22 April 2016, the jurisdiction of the Fund was changed from the Cayman Islands to Hong Kong.

Objectives and Investment Strategy

Objectives

The Fund aims to provide capital appreciation to unitholders by investing primarily in a portfolio of relatively higher yielding debt and equity securities in the Asian region. The Fund will concentrate on investing in interest-bearing or dividend-distributing debt and equity securities of companies or issuers in the Asian markets. There are no fixed geographical or sectoral weightings in the allocation of assets and the Manager does not intend to follow benchmark indices in determining the geographical or sectoral weightings of the Fund.

Strategy

The Manager may invest in debt and equity securities that are below investment grade and investors should be aware of the greater risks which may be involved in investing in these securities. The Manager may invest not more than 30% of the Fund's latest available NAV in debt securities that are below investment grade. In addition, the Fund's assets may from time to time include cash, deposits, short-term papers, such as treasury bills, certificates of deposit, banker's acceptances, short-term commercial paper and other fixed income instruments. The Manager may also place a substantial portion of the portfolio in cash or cash equivalents.

The Fund may have direct exposure to certain eligible China A Shares via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively the "Stock Connects"). The Stock Connects are securities trading and clearing links programmes with an aim to achieve mutual stock market access between the People's Republic of China ("PRC") and Hong Kong.

The Fund may also seek indirect exposure to China A Shares in the PRC through:

- China A Shares Access Products ("CAAPs"), such as participatory notes, being listed or unlisted derivative instruments issued by a third party ("CAAP Issuer") which represents an obligation of the CAAP Issuer to pay to the Fund an economic return equivalent to holding the underlying China A Shares; and/ or
- Collective investment schemes (including those managed or offered by the Manager or its Connected Persons (as defined in the section headed "Conflicts of Interest" of the Explanatory Memorandum) and those that are listed, unlisted, SFC authorised* or SFC unauthorized) directly investing in China A Shares through qualified foreign institutional investors ("QFIIs") or Renminbi qualified foreign institutional investors ("RQFIIs") ("A Shares CIS").

The investment in China A Shares through the Stock Connects, CAAPs and A Shares CIS is subject to a maximum exposure of 20% of the Fund's latest available NAV and not more than 10% of the Fund's latest available NAV may be invested in CAAPs issued by any single CAAP Issuer.

The Fund does not currently have direct access to China A Shares through QFIIs or RQFIIs.

The Fund intends to invest between 0% and 20% of the Fund's latest available NAV in China B Shares.

The aggregate exposure to China A Shares and China B Shares will not exceed 20% of the Fund's latest available NAV.

The Fund will have limited exposure to investments denominated in RMB. Assets of the Fund denominated in RMB are valued with reference to the CNH rate. Under the current regulations, the rate at which RMB may be exchanged outside the PRC (in the case of Hong Kong, the "CNH" rate) may be different from the exchange rate within the PRC (the "CNY" rate). Please refer to the offering document for details.

The Fund may also, on an ancillary basis, invest in commodities, futures contracts, options, depository receipts, warrants, convertible bonds and units in any unit trust or shares in any mutual fund corporation or any other collective investment scheme. For the purposes of hedging market and currency risks, the Fund may invest in index and currency swaps and currency forwards.

The Fund will not invest in any asset backed securities (including asset backed commercial papers) for hedging or non-hedging purposes.

* *The SFC's authorisation is not a recommendation or endorsement of a collective investment scheme nor does it guarantee the commercial merits of such collective investment scheme or its performance. It does not mean the collective investment scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or classes of investors.*

What are the key risks?

Investment involves risks. Please refer to the offering document for details including the risk factors.

1. **Investment risk**
   - The Fund is an investment fund. There is no guarantee of the repayment of principal. The Fund's investment portfolio may fall in value and you may lose a substantial proportion or all of your investment in the Fund.

2. **Dividend risk and risk relating to dividends paid out of capital**
   - Payment of dividends out of capital represents a return or withdrawal of part of an investor's original investment or from any capital gains attributable to the original investment. Such distributions may result in an immediate reduction of the NAV per unit of the Fund.

3. **Risk of investing in the PRC and other emerging markets**
   - Investing in China-related companies and emerging markets involves certain risks and special considerations not typically associated with investment in more developed economies or markets, such as greater political, tax, economic, foreign exchange, liquidity and regulatory risk. The concentration of the Fund's investments in Asian markets particularly China-related companies may result in greater volatility than portfolios which comprise broad-based global investments.

4. **Risks relating to China A Shares market**
   - The China A Shares market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention).
   - Market volatility and potential lack of liquidity due to low trading volume in the China A Shares markets may result in prices of securities traded on such markets fluctuating significantly resulting in substantial changes in the net asset value of the Fund.

5. **Risks associated with Stock Connects**
   - The relevant rules and regulations of the Stock Connects are subject to change which may have potential retrospective effect. The Stock Connects are subject to quota limitations. Where a suspension in the trading through the Stock Connects is effected, the Fund's ability to invest in China A Shares or access the PRC market through the Stock Connects will be adversely affected. In such event, the Fund's ability to achieve its investment objective could be negatively affected.
   - When investing in eligible China A Shares through the Shenzhen-Hong Kong Stock Connect, the Fund will also be subject to the risks associated with the Small and Medium Enterprise Board of the Shenzhen Stock Exchange ("SZSE") and/or ChiNext Board of the SZSE.

6. **Risks associated with CAAPs**
   - The current policy and regulations imposed by the PRC government on the access into the China A Shares by foreign institutional investors via investment quota are subject to change. If any CAAP Issuer has insufficient investment quota, the CAAP Issuer may cease to extend the duration of any CAAPs or to issue further CAAPs and the Fund may be required to dispose of its existing CAAPs. Investors should note that there can be no assurance that the Fund may be able to maintain or obtain a sufficient investment in CAAPs. This may have an impact on investors' investment in the Fund.
   - Further, the Fund will be exposed to the counterparty risk associated with each CAAP Issuer. The Fund may suffer losses potentially equal to the full value of the CAAP if the CAAP Issuer were to become insolvent or fails to perform its payment obligations under the CAAPs.

7. **Risks of investing in other collective investment schemes**
   - The underlying investment schemes including A Shares CIS in which the Fund may invest may not be regulated by the SFC. There may be additional costs involved when investing into these underlying investment schemes. The Fund does not have control of the investments of the underlying schemes. There can be no assurance that the investment objective and strategy of the underlying schemes will be successfully achieved. There is also no guarantee that the underlying schemes will always have sufficient liquidity to meet the Fund's redemption requests as and when made. As a result, the foregoing may have a negative impact on the net asset value of the Fund.
   - Investments in A Shares CIS may be subject to additional risks such as risks related to QFII/RQFII policy, custodial risks and other risks such as RMB depreciation, restriction or delay in RMB currency conversion, QFII/RQFII investment restriction, illiquidity of the China A Shares markets, and delay or disruption in execution of trades or in settlement of trades. Consequently, the Fund investing in such A Shares CIS may be adversely affected by such risks and may be exposed to potential losses.

8. **PRC tax risk**
   - There are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of capital gains realised via the Stock Connects or CAAPs on the Fund's investments in the PRC (which may have retrospective effect). Any increased tax liabilities on the Fund may adversely affect the Fund's value.
   - Having consulted professional and independent tax advisor, (i) the Manager will not make any tax provision on realized and unrealized capital gains derived from indirect China A Shares investments through CAAPs from 17 November 2014 onwards; (ii) the Manager will not make provisions for any withholding income tax payable by the Fund on PRC sourced capital gains from China B Shares, H Shares and RMB-denominated debt securities issued or listed offshore by PRC issuers; (iii) no provision for gross realised or unrealised capital gains derived from trading of China A Shares via the Stock Connects is made by the Manager on behalf of the Fund.
   - If no tax provision is made or if the tax provisions made are excessive or inadequate, unitholders may be advantaged or disadvantaged. Any shortfall between the provision and the actual tax liabilities, which will be debited from the Fund's assets, will adversely affect the Fund's net asset value. The actual tax liabilities may be lower than the tax provision made. Depending on the timing of their subscriptions and/or redemptions, investors may be disadvantaged as a result of any shortfall of tax provision and will not have the right to claim any part of the overprovision (as the case may be).

9. **Credit /Counterparty risk**
   - The Fund may be subject to the risk that an issuer will fail to make principal and interest payments when due, which may lead to a default and, ultimately, a fall in the value of the Fund.

10. **Interest rate risk**
    - The Fund may invest in fixed income securities which are subject to interest rate risk. A fixed income security's value will decrease in value when interest rates rise.

11. **Liquidity risk**
    - It is possible that there may be no liquidity for certain securities that the Fund may invest in, in particular debt securities and securities that are not listed on a recognised stock exchange. The Fund's ability to sell or liquidate investments at favourable times or for favourable prices may be restricted. As a result, the Fund's value will be adversely affected.

12. **Credit rating downgrading risk**
    - Credit ratings assigned by credit agencies do not guarantee the creditworthiness of the issuers. Investment grade securities may be subject to the risk of being downgraded to below investment grade securities and the 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 Fund.

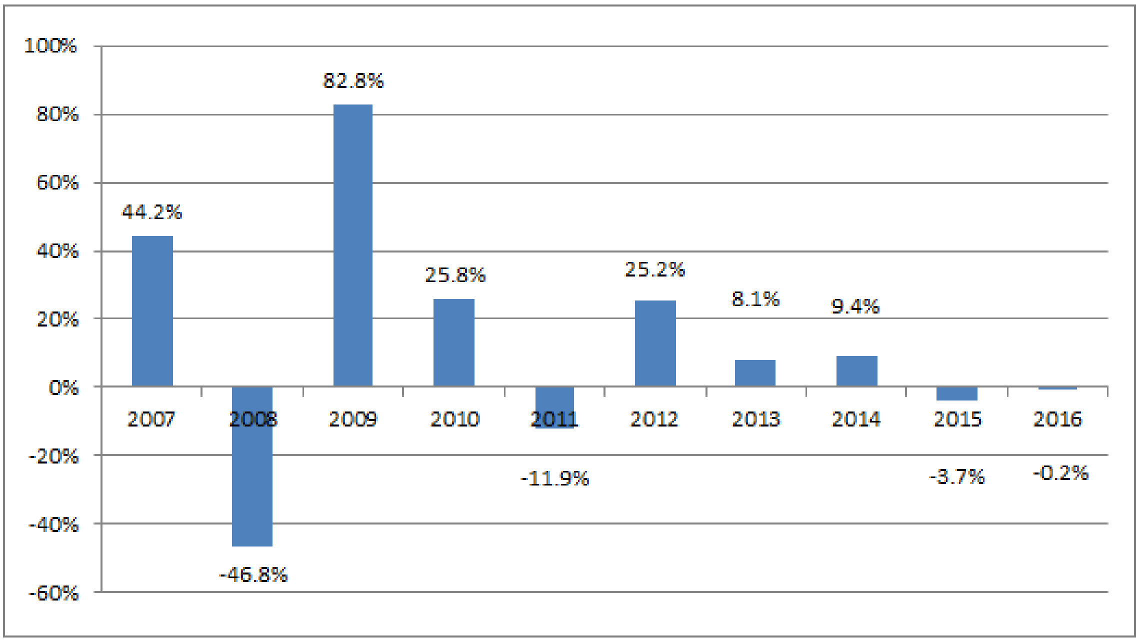
13. **Unrated or below investment grade and high yielding debt securities risk**
    - The Fund may invest in high yielding securities which may be unrated or rated below investment grade. Such investments are considered to have a higher credit risk, lower liquidity and greater possibility of default than securities which are investment grade with respect to payment of interest and the return of principal.

14. **Risks relating to currency hedging and the currency hedged classes ("Currency Hedged Classes")**
    - The Manager may (but is not obliged to) enter into certain currency related transactions in order to hedge the currency exposure of the assets of the Fund attributable to a particular class into the class currency of the relevant class. Investors in the Currency Hedged Classes may have exposure to currencies other than the currency of that Currency Hedged Class. Investors should also be aware that the hedging strategy may substantially limit the benefits of any potential increase in value of a Currency Hedged Class expressed in the class currency, if the Currency Hedged Class' denominating currency falls against the base currency of the Fund.
    - The precise hedging strategy applied to a particular Currency Hedged Class may vary. In addition, there is no guarantee that the desired hedging instruments will be available or hedging strategy will achieve its desired result. In such circumstances, investors of the Currency Hedged Class may still be subject to the currency exchange risk on an unhedged basis.
    - If the counterparties of the instruments used for hedging purposes default, investors of the Currency Hedged Classes may be exposed to the currency exchange risk on an unhedged basis and may therefore suffer further losses.

15. **Performance fee risk**
    - The performance fee payable to the Manager may create an incentive for the Manager to make investments that are riskier or more speculative than would be the case in the absence of a performance fee.
    - There is no adjustment of equalisation credit or equalisation losses on an individual unitholder basis. A unitholder redeeming units may still incur performance fee in respect of the units, even though a loss in investment capital has been suffered by the redeeming unitholder.
    - In addition, performance fees may be paid on unrealised gains which may never be realised by the Fund.

16. **Risks associated with RMB Classes of Units**
    - Investors may invest in Class A Acc RMB Unhedged, Class A Acc RMB Hedged, Class A2 MDis RMB Unhedged, Class A2 MDis RMB Hedged ("RMB classes"). It should be noted that the RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of the Chinese government.
    - There is also no assurance that the RMB will not be subject to devaluation. Any devaluation of the RMB could adversely affect the value of investors' investments in the RMB classes of units. Non RMB-based (e.g. Hong Kong) investors are exposed to foreign exchange risk and may suffer a loss if RMB depreciates against the investors' base currencies.
    - When calculating the value of the RMB classes of units, 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. While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently. Any divergence between CNH and CNY may adversely impact investors.
    - In respect of the hedged RMB classes of units, the Manager may attempt to hedge the base currency of the Fund and/or other currencies of non-RMB-denominated underlying investments of the Fund back to RMB. The costs of the hedging transactions will be reflected in the NAV of the hedged RMB classes of units and therefore, an investor of such hedged RMB classes of units will have to bear the associated hedging costs. If the counterparties of the instruments used for hedging purpose default or the hedging strategy is not effective, you may still be subject to the RMB currency exchange risk which may apply to the non-hedged RMB classes.
    - Whilst the hedging strategy may protect investors against a decline in the value of the Fund's base currency and/or other currencies of non-RMB-denominated underlying investments relative to RMB, investors will not benefit from any potential gain in the value of the hedged RMB classes of units if the Fund's base currency and/or other currencies of non-RMB-denominated underlying investments of the Fund rise against RMB.
    - Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

How has the Fund performed?



- Past performance information is not indicative of future performance. Investors may not get back the full amount invested.
- The computation basis of the performance is based on the calendar year end, NAV-to-NAV, with dividend reinvested.
- These figures show by how much Class A1 increased or decreased in value during the calendar year being shown. Performance data has been calculated in US$ including ongoing charges and excluding subscription fee and redemption fee you might have to pay.
- Fund launch date: 2 September 2002
- Class A1 launch date: 2 September 2002
- Class A1 has the longest history and is broadly indicative of the Fund's performance characteristics.

Is there any guarantee?

This Fund does not have any guarantees. You may not get back the full amount of money you invest.

What are the fees and charges?

Charges which may be payable by you

You may have to pay the following fees when dealing in the units of the Fund.

Fee	**What you pay**
Subscription fee (Preliminary Charge)	Up to 5% of the amount you buy
Switching fee	Nil*
Redemption fee	Nil

* *Certain distributors may impose a charge for each switching of units acquired through it for units in another class, which will be deducted at the time of the switching and paid to the relevant distributor. Unitholders who intend to switch their units from one class to units in another class should check with their respective distributors for the charge on switching.*

Ongoing fees payable by the Fund

The following expenses will be paid out of the Fund. They affect you because they reduce the return you get on your investments.

	Annual rate (as a % of the Fund's NAV)
Management fee	1.25%*
Trustee fees (Including fees of the Custodian and Registrar's Agent)	First US$400 million of the Fund's NAV .... 0.17%* Next US$400 million of the Fund's NAV .... 0.15% Thereafter .... 0.13% The trustee fees are subject to a monthly minimum of US$4,000. Under the terms of the Trust Deed, the Trustee is also entitled to a fixed annual fee of US$3,000.
Performance fee	15% of the appreciation in the NAV per unit in the relevant class in the relevant performance period calculated annually on a high-on-high basis. • Each performance period corresponds to the financial year of the Fund. • Where a performance fee is payable to the Manager for a performance period, the NAV per unit on the last valuation day of that performance period will be set as the high watermark for the next performance period. • For details please refer to the section headed "Performance Fee" in the Fund's offering document.
Other fees	You may have to pay other fees when dealing in the units of the Fund.

***** *Please note that some fees may be increased up to a specified permitted maximum on giving unitholders at least one month's prior notice. Please refer to the section of the offering document entitled "Fees and Expenses" for further details of the fees and charges payable and the permitted maximum of such fees, as well as other ongoing expenses that may be borne by the Fund.*

Additional Information

- You generally buy and redeem units at the Fund's next-determined NAV after the Registrar's Agent receives your request, directly or via a distributor, in good order at or before 5:00 p.m. (Hong Kong time), being the Fund's dealing cut-off time on each dealing day of the Fund. Before placing your subscription or redemption orders, please check with your distributor for the distributor's internal dealing cut-off time (which may be earlier than the Fund's dealing cut-off time).
- The NAV of the Fund is calculated and the price of units of each of the classes which are offered to the retail public of Hong Kong is published on each business day in the *South China Morning Post*, the *Hong Kong Economic Times* and the *Hong Kong Economic Journal*. Unit prices are available online at www.valuepartners.com.hk. This website has not been reviewed or authorized by the SFC.
- Investors may obtain the past performance information of other unit classes offered to Hong Kong investors from www.valuepartners.com.hk. This website has not been reviewed or authorized by the SFC.
- Investors may obtain information on the distributor(s) appointed in respect of the Fund by making a telephone enquiry with the Manager on (852) 2143 0688.
- Where dividends comprise amounts from both income and capital, the composition of the dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) (if any) for the last 12 months is available by the Manager on request and also on the Manager's website www.valuepartners.com.hk. This website has not been reviewed or authorized by the SFC.

Important

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.

Value Partners
Investing through discipline

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND
EXPLANATORY MEMORANDUM

CONTENTS

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

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

Value Partners High-Dividend Stocks Fund (the "**Trust**") is an open-ended unit trust originally constituted under the laws of the Cayman Islands by a Trust Deed dated 7 August 2002, as amended from time to time (the "**Trust Deed**") and was regulated by the Cayman Islands Monetary Authority in the Cayman Islands. Pursuant to a Deed of Retirement and Appointment of the Trustee dated 31 March 2016, the Trust changed its domicile from the Cayman Islands to Hong Kong and HSBC Institutional Trust Services (Asia) Limited was appointed as trustee in place of Bank of Bermuda (Cayman) Limited with effect from 31 March 2016. Pursuant to a Deed of Retirement and Appointment of the Manager dated 31 March 2016, Value Partners Hong Kong Limited was appointed as manager in place of Value Partners Limited with effect from 31 March 2016.

The Trust is authorised by the Securities and Futures Commission, whose current address is at 35th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong (the "**SFC**") under Section 104 of the Hong Kong Securities and Futures Ordinance. SFC authorisation is not a recommendation or endorsement of the Trust nor does it guarantee the commercial merits of the Trust or its performance. It does not mean the Trust is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. In giving such authorisation the SFC does not take responsibility for the financial soundness of the Trust or for the correctness of any statements made or opinions expressed in this regard.

This Explanatory Memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Persons interested in acquiring Units in the Trust should inform themselves as to:

(i) the legal requirements within the countries of their nationality, residence, ordinary residence or domicile for such acquisition;

(ii) any foreign exchange restrictions or exchange control requirements which they might encounter on the acquisition or sale of Units; and

(iii) any taxation consequences which might be relevant to the acquisition, holding or disposal of Units.

Distribution of this Explanatory Memorandum is not authorised unless it is accompanied by a copy of the latest annual report and accounts of the Trust and, if later, a copy of its most recent semi-annual report, each of which will be deemed to form part of this Explanatory Memorandum.

The Units of the Trust ("**Units**") are offered on the basis of the information and representations contained in this Explanatory Memorandum and any accompanying financial information. Any further information given or representations made by any dealer, salesman or other person must not be relied upon as being authorised by the Trustee or the Manager. No person has been authorised to give any information or to make any representation other than those contained in this Explanatory Memorandum and in the documents mentioned in it. Neither the delivery of this Explanatory Memorandum nor the issue of Units will under any circumstances create any implication that there has been no change in the affairs of the Trust since the date of this Explanatory Memorandum.

The Trust is not registered as an investment company with the U.S. Securities and Exchange Commission. Units in the Trust have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or any other U.S. federal or state law, and Units in the Trust are not offered or sold to, and may not be transferred to or acquired by, U.S. persons (including, without limitation, U.S. citizens and residents, as well as business entities organised under U.S. law), except pursuant to an exemption available under the Securities Act.

The Manager is exempt from registration with the U.S. Commodity Futures Trading Commission ("**CFTC**") and is not registered with the CFTC as a Commodity Pool Operator ("**CPO**"), in respect of the Trust pursuant to an exemption under CFTC Rule 4.13(a)(3) and as a Commodity Trading Adviser pursuant to Rule 4.14(a)(8) for pools (a) whose interests are exempt from registration under the Securities Act and are offered and sold without marketing to the public in the United States and (b) whose participants are limited to certain qualified eligible persons and accredited investors. To comply with Rule 4.13(a)(3), the Manager will not commit more than 5% of the Trust's liquidation value, taking into account unrealized profits or loss on such positions to establishing commodity interest positions or have commodity interest positions with an aggregate net notional value that exceed 100% of the Trust's liquidation value, taking into account unrealized profits or loss on such positions. Therefore, unlike a registered CPO, the Manager is not required to deliver a Disclosure Document (as defined in the CFTC Rules) or a certified annual report to investors. The CFTC does not pass upon the merits of participating in a pool or upon the adequacy or accuracy of an offering memorandum. Consequently, the CFTC has not reviewed or approved this offering or this Explanatory Memorandum.

It should be appreciated that the value of the Units and the income, if any, from them may fall as well as rise and that, accordingly, the amount redeemed by an investor on the redemption of Units may be less than the original investment made. It should also be appreciated that changes in the rates of exchange between currencies may cause the value of Units to diminish or increase in terms of the currencies of the countries in which the Unitholder may be located.

22 April 2016

For Singapore Prospective Investors

This Explanatory Memorandum has not and will not be registered as a prospectus with the Monetary Authority of Singapore ("**MAS**") as the Trust will be invoking the exemptions from compliance with prospectus requirements pursuant to the exemptions under Section 304 and Section 305 of the Securities and Futures Act (Cap. 289) of Singapore ("**SFA**"). The MAS assumes no responsibility for the contents of this Explanatory Memorandum.

The offer which is the subject of this Explanatory Memorandum does not relate to a collective investment scheme which is authorised under Section 286 of the SFA or recognised under Section 287 of the SFA. The Trust is not authorised or recognised by the MAS and the Trust's Units are not allowed to be made to the retail public. Each of this Explanatory Memorandum and any other document or material issued in connection with the offer or sale is not a prospectus as defined in the SFA. Accordingly statutory liability under that Act in relation to the content of prospectuses would not apply. You should consider carefully whether the investment is suitable for you.

Recipients of this Explanatory Memorandum in Singapore should note that the offering of the Units is subject to the terms of this Explanatory Memorandum and the SFA. Accordingly the Units may not be offered or sold, nor may this Explanatory Memorandum or any other document or material in connection with the offer or sale of such Units be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A(1)(c) of the SFA) (each an "**Institutional Investor**"), (ii) to a relevant person as defined in Section 305 of the SFA or any person pursuant to an offer referred to in Section 305(2) of the SFA (each a "**Relevant Investor**") and in accordance with the conditions specified in Section 305 of the SFA, or (iii) pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Subject to all other restrictions on transferability imposed by the Trust, recipients of this Explanatory Memorandum represent and warrant that where the Units are initially acquired pursuant to an offer made in reliance on an exemption under:

(a) Section 304 of the SFA by an Institutional Investor, subsequent sales of the Units may only be made to another Institutional Investor; and

(b) Section 305 of the SFA by a Relevant Investor, subsequent sales of the Units may only be made to an Institutional Investor or another Relevant Investor, In addition, it should be noted that where the Units are initially acquired pursuant to an offer made in reliance on an exemption under Section 305 of the SFA by:

(1) a corporation referred to in Section 305A(2) of the SFA (a "**Relevant Corporation**"), the securities of the Relevant Corporation shall not be transferred within 6 months after the Relevant Corporation has acquired any Units unless the transfer is in accordance with the conditions of Section 305A(2) of the SFA; and

(2) a trust referred to in Section 305A(3) of the SFA (a "**Relevant Trust**"), the rights and interest (howsoever described) of the beneficiaries thereof in the Relevant Trust shall not be transferred within 6 months after any Units have been acquired for the Relevant Trust unless the transfer is in accordance with the conditions of Section 305A(3) of the SFA.

Investors should therefore ensure that their own transfer arrangements comply with the restrictions. Investors should seek legal advice to ensure compliance with the above arrangement.

This Explanatory Memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

Enquiries or complaints

Investors may contact the Manager for any queries or complaints in relation to the Trust. To contact the Manager, investors may either write to the Manager's address at 9th Floor, Nexxus Building, 41 Connaught Road Central, Hong Kong, or contact the Fund Investor Services team of the Manager by telephone at (852) 2143 0688. The Manager will respond to the enquiry or complaint as soon as practicable.

1. MANAGEMENT AND ADMINISTRATION

Manager

Value Partners Hong Kong Limited
9th Floor
Nexxus Building
41 Connaught Road Central
Hong Kong
Telephone: (852) 2880 9263
Fax: (852) 2565 7975
Email: vpl@vp.com.hk
Website: www.valuepartners.com.hk
Fund Investor Services hotline: (852) 2143 0688
Fund Investor Services email: fis@vp.com.hk

Trustee, Registrar, Administrator, Custodian

HSBC Institutional Trust Services (Asia) Limited
1 Queen's Road Central
Hong Kong.

Auditor

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central
Hong Kong

Legal Advisers

Deacons
5/F, Alexandra House
18 Chater Road
Central
Hong Kong

1. MANAGEMENT AND ADMINISTRATION (Continued)

1.1 Manager

Value Partners Hong Kong Limited (the "**Manager**") was incorporated in Hong Kong on 10 May 1999 and commenced its current operations in January 2008. It is licensed by the SFC for type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities under the Hong Kong Securities and Futures Ordinance.

The Manager may, at its discretion and subject to the prior approval of the SFC, appoint sub-investment managers, investment advisers and other agents to provide it with assistance in its management of the investments of the Trust.

The Directors of the Manager are:

CHEAH Cheng Hye

Dato' CHEAH Cheng Hye is Chairman and Co-Chief Investment Officer ("**Co-CIO**") of Value Partners Group Limited ("**Value Partners**"). He is in charge of Value Partners' operations and is actively engaged in all aspects of the Value Partners' activities, including investment research, fund management, business and product development and corporate management. He sets Value Partners' overall business and portfolio strategy (Note: In July 2010, Mr. Louis SO was promoted to become Co-CIO of Value Partners, working alongside Dato' CHEAH).

Dato' CHEAH has been in charge of Value Partners since he co-founded the firm in February 1993 with his partner, Mr. V-Nee YEH. Throughout the 1990s, he held the position of Chief Investment Officer and Managing Director of Value Partners, responsible for managing both the firm's funds and business operation. He led Value Partners to a successful listing on the Main Board of The Hong Kong Stock Exchange Limited in 2007, the first and only asset management company listed in Hong Kong. Dato' CHEAH has more than 30 years of investment experience, and is considered one of the leading practitioners of value-investing in Asia and beyond. Value Partners and he personally have received numerous awards – a total of more than 80 professional awards and prizes since the firm's inception in 1993.

1. MANAGEMENT AND ADMINISTRATION (Continued)

1.1 Manager (Continued)

CHEAH Cheng Hye (Continued)

In 2013, Mr. CHEAH was conferred the title of "Dato'" – an honorary title that recognises exceptional individuals – by the government in his home state of Penang, Malaysia. (The title comes with the award of an honorary "Darjah Setia Pangkuan Negeri".) In April 2013, he was appointed as a member of the New Business Committee of the Financial Services Development Council by the Hong Kong Special Administrative Region government. He was also named an Honorary Fellow of The Hong Kong University of Science and Technology in June 2013 for outstanding achievements.

Dato' CHEAH was the co-winner of "CIO of the Year in Asia" along with Mr. Louis SO in the 2011 Best of the Best Awards by Asia Asset Management. In October 2010, he was named by AsianInvestor as one of the Top-25 Most Influential People in Asian Hedge Funds. In 2009, he was named by AsianInvestor as one of the 25 Most Influential People in Asian Asset Management. He was also named "Capital Markets Person of the Year" by FinanceAsia in 2007, and in 2003, he was voted the "Most Astute Investor" in the Asset Benchmark Survey.

Prior to starting Value Partners, Dato' CHEAH worked at Morgan Grenfell Group in Hong Kong, where, in 1989, he founded the company's Hong Kong/China equities research department as the Head of Research and proprietary trader for the firm. Prior to this, he was a financial journalist with the Asian Wall Street Journal and Far Eastern Economic Review, where he reported on business and financial news across East and Southeast Asia markets. Dato' CHEAH served for nine years (1993 to 2002) as an independent non-executive director of Hong Kong-listed JCG Holdings, a leading microfinance company (renamed from 2006 as Public Financial Holdings).

1. MANAGEMENT AND ADMINISTRATION (Continued)

1.1 Manager (Continued)

HO Man Kei, Norman

Mr. Norman HO is Senior Investment Director of Value Partners, where he holds a leadership role in Value Partners' investment process, including a high degree of responsibility for portfolio management.

Mr. HO has extensive experience in the fund management and investment industry, with a focus on research and portfolio management. Mr. HO was promoted to Senior Investment Director in January 2014. He became an Investment Director in July 2010, and has since been participating in the Value Partners' investment management and leading the investment management team's development. He joined Value Partners in November 1995. Prior to that, he was an executive with Dao Heng Securities Limited and had started his career with Ernst & Young.

Mr. HO graduated with a Bachelor's degree in Social Sciences (majoring in Management Studies) from The University of Hong Kong. He is a CFA charterholder.

SO Chun Ki Louis

Mr. Louis SO is Deputy Chairman and Co-CIO of Value Partners, responsible for assisting Dato' CHEAH Cheng Hye, Chairman of the Board, for Value Partners' affairs and activities, daily operations and overall management of the firm's investment management team. He holds a leadership role in the Value Partners' investment process, including a high degree of responsibility for portfolio management.

1. MANAGEMENT AND ADMINISTRATION (Continued)

1.1 Manager (Continued)

SO Chun Ki Louis (Continued)

Mr. SO has extensive experience in the investment industry, with a solid track record in research and portfolio management. He joined Value Partners in May 1999 as an Analyst and was promoted to the role of Fund Manager, Senior Fund Manager, and Deputy Chief Investment Officer in 2004, 2005 and 2009, respectively. He was promoted to the role of Co-CIO in July 2010 and most recently promoted to the role of Deputy Chairman in June 2012. Mr. SO was the co-winner of "CIO of the Year in Asia" along with Dato' CHEAH Cheng Hye in the 2011 Best of the Best Awards by Asia Asset Management.

Mr. SO obtained a degree in Commerce from the University of Auckland and a Master's degree in Commerce from the University of New South Wales.

1.2 Trustee, Registrar, Administrator and Custodian

HSBC Institutional Trust Services (Asia) Limited (the "**Trustee**", the "**Registrar**", the "**Administrator**" or the "**Custodian**") was incorporated in Hong Kong in 1974 and is registered as a trust company under the Trustee Ordinance in Hong Kong. The Trustee is indirectly a wholly owned subsidiary of HSBC Holdings plc, a public company incorporated in England and Wales. The HSBC Group is one of the largest banking and financial services organisation in the world with well-established businesses in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

1.3 Auditor

PricewaterhouseCoopers has been retained as the independent auditors of the Trust. The terms of engagement of the auditors provide that, except where finally determined to have resulted from the wilful or intentional neglect or misconduct or fraudulent behaviour of the auditors, the auditors' maximum liability to the Trust for any reason relating to their services is limited to three times the fees paid by the Trust to the auditors for the services or work product giving rise to liability.

2. INFORMATION ON THE TRUST

Units of the relevant Class are available for subscription at their prevailing Issue Price, subject to a Preliminary Charge of up to 5.0 per cent. of the Issue Price. Details are set out in section 3.3 of this Explanatory Memorandum.

2.1 Trust Structure

The Trust is an open-ended unit trust originally established under the laws of the Cayman Islands in the name of Value Partners Asian High Yield Fund pursuant to a Trust Deed dated 7 August 2002, as amended from time to time (collectively the "**Trust Deed**"). Pursuant to the Second Supplemental Trust Deed dated 10 April 2003, its name was changed to Value Partners High-Dividend Stocks Fund. Pursuant to a Deed of Retirement and Appointment of the Trustee dated 31 March 2016, the Trust changed its domicile from the Cayman Islands to Hong Kong and HSBC Institutional Trust Services (Asia) Limited was appointed as trustee in place of Bank of Bermuda (Cayman) Limited with effect from 31 March 2016. Pursuant to a Deed of Retirement and Appointment of the Manager dated 31 March 2016, Value Partners Hong Kong Limited was appointed as manager in place of Value Partners Limited with effect from 31 March 2016. The Trust may offer units ("**Units**") to investors ("**Unitholders**") on a continuing basis at the Issue Price of the relevant class ("**Class**") of Units of the Trust. Units may be issued in different Classes. Each Class of Units may be subject to different terms, including but not limited to, the amount of minimum subscription, the minimum holding, the charges payable on subscription, redemption or conversion of Units, the fees payable to the various service providers of the Trust, and the distributions and other benefits (if any) payable to Unitholders. Except as otherwise provided for in this Explanatory Memorandum or in the Trust Deed, Unitholders have the right to have their Units redeemed at the Redemption Price of the relevant Class of Units.

2. INFORMATION ON THE TRUST (Continued)

2.1 Trust Structure (Continued)

The Trust currently offers the following Classes of Units for subscription at their prevailing Issue Prices (which will not necessarily be the same as the Issue Price of Units in other Classes of Units):

- Class A1
- Class A2 MDis
- Class Z
- Class A2 MDis HKD
- Class A2 MDis AUD Hedged
- Class A2 MDis CAD Hedged
- Class A2 MDis GBP Hedged
- Class A2 MDis NZD Hedged
- Class A Acc HKD Hedged
- Class A Acc SGD Hedged
- Class A2 MDis HKD Hedged
- Class A2 MDis SGD Hedged

- Class A Acc RMB Unhedged
- Class A Acc RMB Hedged
- Class A2 MDis RMB Unhedged
- Class A2 MDis RMB Hedged

In addition to the above, the Manager intends to create and establish the following new Classes of Units and will offer such Classes of Units for subscription to investors in the People's Republic of China ("**PRC**") only:

- Class P Acc RMB
- Class P MDis RMB

Units in Class P Acc RMB and Class P MDis RMB will be offered to investors in the PRC only after the Trust obtains the approval of the China Securities Regulatory Commission ("**CSRC**") for distribution in the PRC under the Mainland-Hong Kong Mutual Recognition of Funds initiative and will not be offered in Hong Kong.

2. INFORMATION ON THE TRUST (Continued)

2.1 Trust Structure (Continued)

Investors in the PRC should refer to the supplementary offering document of the Trust distributed in the PRC (the "**PRC Supplement**") for details in relation to Class P Acc RMB Units and Class P MDis RMB Units.

Units in new Classes may be offered for investment during the relevant initial offer periods of the new Classes as agreed between the Manager and the Trustee and thereafter, as determined by the Manager with the prior approval of the Trustee and set out in the Explanatory Memorandum as amended or supplemented from time to time. Prospective investors should check with the Manager as to which Classes are currently available for investment.

Details are set out in section 5.1 of this Explanatory Memorandum.

2.2 Investment Objective and Policy

The investment objective of the Trust is to provide capital appreciation to Unitholders by investing primarily in a portfolio of relatively higher yielding debt and equity securities in the Asian region.

The Trust will concentrate on investing in interest-bearing or dividend distributing debt and equity securities of companies or issuers listed in Asian markets, established in or operating principally in the Asian region or which, in the opinion of the Manager, derive a significant proportion of their earnings or revenues from Asia. There are no fixed geographical or sectoral weightings in the allocation of assets and the Manager does not intend to follow benchmark indices in determining the geographical or sectoral weightings of the Trust.

The Manager will use value investing strategies and a bottom-up research approach to select high income investments consistent with the Trust's investment objective. The Manager will aim to follow a buy-and-hold strategy to lower portfolio turnover to maximise the yield from investments.

2. INFORMATION ON THE TRUST (Continued)

2.2 Investment Objective and Policy (Continued)

The Manager may invest in debt and equity securities that are below investment grade and investors should be aware of the greater risks which may be involved in investing in these securities. The Manager may invest not more than 30 per cent. of the Trust's latest available Net Asset Value in debt securities that are below investment grade. In addition, the Trust's assets may from time to time include cash, deposits, short-term papers, such as treasury bills, certificates of deposit, banker's acceptances, short-term commercial paper and other fixed income instruments. The Manager may also place a substantial portion of the portfolio in cash or cash equivalents.

The Trust may have direct exposure to certain eligible China A Shares via the Shanghai-Hong Kong Stock Connect ("**Stock Connect**"). The Stock Connect is a securities trading and clearing links programme with an aim to achieve mutual stock market access between the PRC and Hong Kong. In the initial phase, the Shanghai Stock Exchange ("**SSE**")-listed China A Shares eligible for trading by Hong Kong and overseas investors under the Stock Connect 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 The Stock Exchange of Hong Kong Limited ("**SEHK**"), except the following:

(a) SSE-listed shares which are not traded in RMB; and

(b) SSE-listed shares which are included in the "risk alert board".

The term "China A Shares" means domestic shares in the PRC incorporated companies listed on either the SSE or the Shenzhen Stock Exchange, the prices of which are quoted in Renminbi and which are available to such investors as approved by the CSRC.

2. INFORMATION ON THE TRUST (Continued)

2.2 Investment Objective and Policy (Continued)

The Trust may also seek indirect exposure to China A Shares in the PRC through:

- China A Shares Access Products ("**CAAPs**"), such as participatory notes, being listed or unlisted derivative instruments issued by a third party ("**CAAP Issuer**") which represents an obligation of the CAAP Issuer to pay to the Trust an economic return equivalent to holding the underlying China A Shares; and/or

- Collective investment schemes (including those managed or offered by the Manager or its Connected Persons (as defined in the section headed "Conflicts of Interest" of the Explanatory Memorandum) and those that are listed, unlisted, SFC authorised* or SFC unauthorized) directly investing in China A Shares through qualified foreign institutional investors ("**QFIIs**") or Renminbi qualified foreign institutional investors ("**RQFIIs**") ("**A Shares CIS**").

The investment in China A Shares through the Stock Connect, CAAPs and A Shares CIS is subject to a maximum exposure of 20 per cent. of the Trust's latest available Net Asset Value and not more than 10 per cent. of the Trust's latest available Net Asset Value may be invested in CAAPs issued by any single CAAP Issuer.

The Trust does not currently have direct access to China A Shares through QFIIs or RQFIIs.

The Trust will not invest in any asset backed securities (including asset backed commercial papers) for hedging or non-hedging purposes.

2. INFORMATION ON THE TRUST (Continued)

2.2 Investment Objective and Policy (Continued)

The Trust intends to invest between 0 per cent. and 20 per cent. of the Trust's latest available Net Asset Value in China B Shares, although this may change after the date of this Explanatory Memorandum from time to time. China B Shares are domestic shares in PRC incorporated companies listed on either the Shanghai Stock Exchange or the Shenzhen Stock Exchange, the prices of which are quoted in foreign currencies (US dollars on the Shanghai Stock Exchange and HK dollars on the Shenzhen Stock Exchange) and which are available to domestic and foreign investors. Unitholders will be notified in advance if the investment limits on China B Shares are to be changed.

The aggregate exposure to China A Shares and China B Shares will not exceed 20 per cent. of the Trust's latest available Net Asset Value.

The Trust will have limited exposure to investments denominated in Renminbi ("**RMB**"). Assets of the Trust denominated in RMB are valued with reference to the CNH rate. Under the current regulations, the rate at which RMB may be exchanged outside the PRC (in the case of Hong Kong, the "**CNH**" rate) may be different from the exchange rate within the PRC (the "**CNY**" rate). While the CNH rate and the CNY rate represent the same currency, they are traded in different and separate markets which operate independently. As such, the CNH rate does not necessarily have the same exchange rate and may not move in the same direction as the CNY rate.

The Trust may also, on an ancillary basis, invest in commodities, futures contracts, options, depository receipts, warrants, convertible bonds and units in any unit trust or shares in any mutual fund corporation or any other collective investment scheme (including those offered by the Manager or its Connected Persons). For the purposes of hedging market and currency risks, the Trust may invest in index and currency swaps and currency forwards. All investments of the Trust are subject to the investment restrictions under the Trust Deed. Please refer to section 2.6 of this Explanatory Memorandum for details of the investment restrictions under the Trust Deed.

2. INFORMATION ON THE TRUST (Continued)

2.2 Investment Objective and Policy (Continued)

The Manager believes that the investment policy will be effective but there is no guarantee that the Trust's investment objective will be achieved. Investors should understand that all investment carries risk. The value of Units and the income from them, if any, may fall as well as rise and investors might not get back the amount originally invested. Investors are also reminded that in certain circumstances described in section 3.8 of this Explanatory Memorandum, dealing in the Units may be temporarily suspended.

* The SFC's authorisation is not a recommendation or endorsement of a collective investment scheme nor does it guarantee the commercial merits of such collective investment scheme or its performance. It does not mean the collective investment scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or classes of investors.

2.3 Shanghai-Hong Kong 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 ("**ChinaClear**"), 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 Trust), 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.

2. INFORMATION ON THE TRUST (Continued)

2.3 Shanghai-Hong Kong Stock Connect (Continued)

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 Trust) 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 maximum cross-boundary investment quota ("**Aggregate Quota**") together with a daily quota ("**Daily Quota**"). Northbound trading will be subject to a separate set of Aggregate and Daily Quota.

The Aggregate Quota caps the absolute amount of fund inflow into the PRC under Northbound trading. The Northbound Aggregate Quota is currently set at RMB300 billion.

2. INFORMATION ON THE TRUST (Continued)

2.3 Shanghai-Hong Kong Stock Connect (Continued)

Trading quota (Continued)

The Daily Quota limits the maximum net buy value of cross-boundary trades under Shanghai-Hong Kong Stock Connect each day. The Northbound Daily Quota is currently set at RMB13 billion.

SEHK will monitor the quota and publish the remaining balance of the Northbound Aggregate Quota and 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 ChinaClear, ChinaClear 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.

2. INFORMATION ON THE TRUST (Continued)

2.3 Shanghai-Hong Kong Stock Connect (Continued)

Corporate actions and shareholders' meetings (Continued)

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 one month 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 Trust) 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.

2. INFORMATION ON THE TRUST (Continued)

2.3 Shanghai-Hong Kong Stock Connect (Continued)

Currency

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

Trading fees

In addition to paying trading fees and stamp duties in connection with China A Share trading, the Trust may be subject to new fees arising from trading of China A Shares via the Stock Connect which are yet to be determined and announced by the relevant authorities.

Investor compensation

The Trust'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 Trust is carrying out Northbound trading through securities brokers in Hong Kong but not PRC brokers, therefore 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.

Further information about the Stock Connect is available online at the website: http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm.

2. INFORMATION ON THE TRUST (Continued)

2.4 Risk Management Policy

To manage the risks arising from the use of derivative instruments, the Manager intends to monitor participation and positions in such derivative instruments closely and will ensure that a suitable risk management process is employed which is commensurate with the Trust's risk profile.

Investments in derivative instruments would normally be monitored and controlled by the Manager with regular marked-to-market valuations, careful research prior to investment and compliance monitoring. A risk management team of the Manager will undertake risk management control functions.

2.5 Risk Factors

This "RISK FACTORS" section sets out the risks associated with investment in the Trust. Investors should also pay attention to the applicable fees, charges and expenses. Investors should consult their own financial, tax, accounting, legal and other appropriate advisors before investing into the Trust.

Equity Risk

Investing in equity securities may offer a higher rate of return than those investing in short term and longer term debt securities. However, the risks associated with investments in equity securities may also be higher, because the investment performance of equity securities depends upon factors which are difficult to predict. Such factors include the possibility of sudden or prolonged market declines and risks associated with individual companies. The fundamental risk associated with any equity portfolio is the risk that the value of the investments it holds might suddenly and substantially decrease in value.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Investment Risk

There is no guarantee that in any time period, particularly in the short term, the Trust's portfolio will achieve any capital growth or even to maintain its current value. Investors should be aware that the value of Units may fall as well as rise.

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

The Trust may invest in companies which are less well-established or in their early stages of development. These companies may often experience significant price volatility and potential lack of liquidity due to low trading volume of their securities.

In addition, the Trust may invest in the securities of small and medium sized companies. This can involve greater risk than is customarily associated with investments in larger and more established companies. In particular, smaller companies often have limited product lines, markets and/or financial resources and management may be dependent on a few key individuals. As a result, price movements in those companies may be more volatile. Transaction costs on dealing with securities of smaller capitalisation companies can be higher than those of larger capitalisation companies and there may be less liquidity which may constrain the Manager's ability to realise some or all of the Trust's portfolio.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Effect of redemptions

If significant redemptions of Units are requested, it may not be possible to liquidate the Trust's investments at the time such redemptions are requested or the Trust may be able to do so only at prices which the Trust believes does not reflect the true value of such investments, resulting in an adverse effect on the return to the investors. Where significant redemptions of Units are requested, the Trust may limit the number of Units that are redeemed on any Valuation Day, suspend the right of Unitholders to require redemption, or may extend the period for the payment of redemption moneys. Please see section 3.8 of this Explanatory Memorandum for further details.

In addition, the Trust may also in certain circumstances suspend the determination the Net Asset Value of the Trust for the whole or any part of any period. Please see section 3.8 of this Explanatory Memorandum for further details.

Dividend Risk and Risk Relating to Dividends Paid Out of Capital

There is no guarantee that the underlying securities in the Trust will pay out dividends. Therefore, there is no guarantee that the Trust's investment strategies will succeed. There is also neither guarantee of dividend or distribution payments during the period an investor holds Units in the Trust nor will there be a target level of dividend payout. High distribution yield does not imply a positive or high return.

To the extent that the net distributable income generated by the Trust is insufficient to pay a distribution which is declared, the Manager may at its discretion determine such dividends may be paid from capital of the Trust. This would require the Manager to sell assets of the Trust to make such distributions as opposed to paying out net distributable income received by the Trust.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Dividend Risk and Risk Relating to Dividends Paid Out of Capital (Continued)

Investors should note that the payment of dividends out of capital represents a return or withdrawal of part of an investor's original investment or from any capital gains attributable to the original investment. Such distributions may result in an immediate reduction of the Net Asset Value per Unit in the relevant Class of the Trust.

The Manager may amend this policy subject to the SFC's prior approval and by giving not less than one month's prior notice to investors.

Possible Business Failure

In the current economic environment, global markets are experiencing very high level of volatility and an increased risk of corporate failures. The insolvency or other corporate failures of any one or more of the Trust's investments may have an adverse effect on the Trust's performance and ability to achieve its objectives. The Trust intends to diversify its investments to minimise such adverse impact but there is no guarantee that such diversification strategy can mitigate any such adverse impact. Investors may lose money by investing in the Trust.

No Right to Control the Trust's Operation

Investors will have no right to control the daily operations, including investment and redemption decisions, of the Trust.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Active Investment Management

The Trust will rely upon the Manager in formulating the investment strategies and its performance is largely dependent on the continuation of an agreement with the Manager and the services and skills of their respective officers and employees. The Trust's investments will not track a particular share index or other predetermined benchmarks. Instead, the Trust's assets will be actively managed by the Manager, based on the expertise of individual fund managers, who will have discretion (subject to the Trust's investment restrictions) to invest the Trust's assets in investments that it considers will enable the Trust to achieve its investment objective. There is no guarantee that the Trust's investment objective will be achieved based on the investments selected. In the case of loss of service of the Manager or any of its key personnel, as well as any significant interruption of the Manager's business operations or in the extreme case the insolvency of the Manager, the Trust may not find successor managers quickly and the new appointment may not be on equivalent terms or of similar quality. Therefore, the occurrence of those events could cause a deterioration in the Trust's performance and investors may lose money in those circumstances.

Market Risk

The investments of the Trust are subject to risks inherent in all securities (including settlement and counterparty risks). The value of holdings may fall as well as rise. The global markets are currently experiencing very high levels of volatility and instability, resulting in higher levels of risk than is customary (including settlement and counterparty risks).

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Emerging Markets Risk

Investments may be made by the Trust in the emerging markets and may be subject to additional risks due to less developed (and in some instances, a lack of) legal, political, business and social frameworks to support their securities markets. Some of the significant additional risks in investing in emerging markets include:

– delays in settling securities transactions and registering transfers of securities

– risk of loss arising out of systems of share registration and custody

– lesser investor protection due to low levels of monitoring of the activities in securities markets

– higher risk of political and social uncertainty

– volatility of emerging market currencies against developed market currencies

– higher volatility and lesser liquidity compared to developed markets

– unforeseen development of new laws which have a negative impact on the value of investments

– shortage of qualified judicial and legal professionals to interpret or advise upon recently enacted and future laws

– difficulties in enforcement actions

These factors make investments in emerging markets generally more volatile than investments in developed markets, which may result in a declining Net Asset Value and may impair the Trust's liquidity.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Geographical Concentration Risk

The Trust may likely be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value resulting from adverse conditions in the countries in which it invests.

Foreign Exchange Risk

The Trust may issue Classes denominated in a currency other than its base currency. In addition, the Trust may invest in assets that are denominated in a currency other than its base currency or the relevant Class Currency (as defined on page 70). Accordingly, the value of a Unitholder's investment may be affected favourably or unfavourably by fluctuations in the rates of exchange of the different currencies.

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

Any changes in exchange control regulations may cause difficulties in the repatriation of funds. Dealings in the Trust may be suspended if the Trust is unable to repatriate funds for the purpose of making payments on the redemption of Units.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Liquidity Risk

It is possible that there may be no liquidity or no bid or offer prices or no reliable bid or offer prices quoted for certain securities that the Trust may invest in, in particular debt securities and securities that are not listed on a recognised stock exchange. It may be difficult to determine the appropriate valuation of such investments and the Trust's ability to sell or liquidate investments at favourable times or for favourable prices may be restricted.

Repatriation Limitations

Some countries may impose restrictions on foreign exchange, especially in relation to the repatriation of foreign funds. Such markets may prohibit the repatriation of foreign funds for a fixed time horizon and limit the percentage of invested funds to be repatriated at each time. As a result, the Trust can incur loss from any prohibition or delay in its ability to repatriate funds from those countries and therefore cause a decline in the Net Asset Value. Investors may lose money or may be unable to redeem the full amount of their Units or may experience some delay, please see section 3.8 of this Explanatory Memorandum for further details.

Counterparty Risk

Financial institutions, such as brokerage firms, broker-dealers and banks, may enter into transactions with the Manager on account of the Trust in relation to the Trust's investments. These financial institutions, being a counterparty to the transactions, may also be issuers of securities or other financial instruments in which the Trust invests. This exposes the Trust to the risk that a counterparty may not settle a transaction in accordance with market practice due to a credit or liquidity problem of the counterparty, or due to the insolvency, fraud or regulatory sanction of the counterparty, thus causing the Trust to suffer a loss.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Counterparty Risk (Continued)

Deposits of securities or cash with a custodian, bank or financial institution ("**custodian or depository**") will also carry counterparty risk as the custodian or depository may be unable to perform their obligations due to credit-related and other events like insolvency of or default by them. In these circumstances, the Trust may be required to unwind certain transactions and may encounter delays of some years and difficulties with respect to court procedures in seeking recovery of the Trust's assets. In most cases, the Trust's assets will be maintained by the custodian or depository in segregated accounts and would be protected in the event of the insolvency of the custodian or depository. However, for instance, in stock lending arrangements, the Trust may not have a right to have specific assets returned to it, but rather, the Trust may only have an unsecured claim against the custodian or counterparty, in which case it may lose all or the greater part of the value of the relevant assets.

Credit Risk

The Trust may invest in securities which are rated below investment grade. The Trust may be subject to additional risks due to the speculative nature of investing in securities with a rating below investment grade. Accordingly, an investment in these securities may be accompanied by a higher degree of credit risk (as defined below) and a greater possibility of default than is present with investment in higher rated, lower yielding securities. Below investment grade securities such as, for example, high yield debt securities, may be considered speculative and can include securities that are unrated and/or in default.

Credit risk, a fundamental risk relating to all fixed income securities as well as money market instruments, is the chance that an issuer will fail to make principal and interest payments when due, which may lead to a default and, ultimately, a fall in the value of the Trust.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Credit Risk (Continued)

Even in the absence of the issuer's default, if the mark-to-market value is lower than the cost of the investment, the Trust may suffer immediate diminution in the Net Asset Value. There is no guarantee that investors will receive the principal amount invested when they redeem their investment in the Trust.

In times of market turmoil if redemption pressure is huge, the Trust may be forced to realise a substantial portion of its investments at a value which may result in significant losses to the Trust and investors may lose money in such circumstances.

Issuers with higher credit risk typically offer higher yields for this added risk. Conversely, issuers with lower credit risk typically offer lower yields.

Changes in the financial conditions of an issuer, changes in economic and political conditions in general, or changes in economic and political conditions specific to an issuer, are all factors that may have an adverse impact on an issuer's credit quality and security values.

Interest Rate Risk

The Trust may invest in fixed income securities which are subject to interest rate risk. A fixed income security's value will generally increase in value when interest rates fall and decrease in value when interest rates rise. Certain fixed income securities give an issuer the right to call its securities, before their maturity date, in periods of declining interest rates. The possibility of such "pre-payment risk" may force the Trust to reinvest the proceeds of such investments in securities offering lower yields, thereby reducing the Trust's interest income.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Credit Rating Downgrading Risk

Investment grade securities may be subject to the risk of being downgraded to below investment grade securities. Credit ratings assigned by credit agencies do not guarantee the creditworthiness of the issuers. In the event of downgrading in the credit ratings of a security or an issuer relating to a security, the Trust'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 Trust. If the Trust continues to hold such securities, it will be subject to additional risk of loss. In the event of investment grade securities being downgraded to below investment grade securities, the Trust will also be subject to the below investment grade securities risk outlined in the following paragraph.

Unrated or Below Investment Grade and High Yielding Debt Securities Risk

The Trust may invest in high yielding debt securities which may be unrated or rated below investment grade. Investments in securities which are unrated or below investment grade are considered to have a higher credit risk and greater possibility of default than securities which are investment grade with respect to payment of interest and the return of principal. Unrated or lower rated debt securities generally offer a higher current yield than higher grade issues. However, unrated or lower rated debt securities involve higher risks and are more susceptible and sensitive to adverse changes in general economic conditions, changes in interest rates and in the industries in which the issuers are engaged, as well as to changes in the financial condition of the issuers. Valuation of these securities is more difficult and thus the Trust's prices may be more volatile. Additionally, the market for unrated or lower rated debt securities generally is less active than that for higher rated securities and the Trust's ability to liquidate its holdings in response to changes in the economy or the financial markets may be further limited by such factors as adverse publicity and investor perceptions. As a result, it may be more difficult for the Trust to sell such debt securities or the Trust may be able to sell such debt securities only at prices lower than if such debt securities were widely traded. The Trust will suffer losses if such debt securities have to be sold at prices which are substantially lower than the amount invested by the Trust.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Unrated or Below Investment Grade and High Yielding Debt Securities Risk (Continued)

The value of lower rated or unrated debt securities is also affected by investors' perceptions. When economic conditions appear to be deteriorating, lower rated or unrated debt securities may decline in market value more than investment grade debt securities due to investors' heightened concerns and perceptions over credit quality and increase in the default risk of such lower or unrated debt securities. As a result, the value of the Trust's investments may be adversely affected and investors may suffer substantial losses of their investments.

Borrowing Risks

The Trust may borrow for the account of the Trust (up to 25 per cent. of the Net Asset Value of the Trust) for various reasons, such as facilitating redemptions or to acquire investments for the account of the Trust. Borrowing involves an increased degree of financial risk and may increase the exposure of the Trust to factors such as rising interest rates, downturns in the economy or deterioration in the conditions of the assets underlying its investments. There can be no assurance that the Trust will be able to borrow on favourable terms, or that the Trust's indebtedness will be accessible or be able to be refinanced by the Trust at any time.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Political, Economic and Social Risks

Uncertainty in any change to social conditions, government policies or legislation in the countries in which the Trust may invest may adversely affect the political or economic stability of such countries. The value of the assets of the Trust may be affected by uncertainties such as domestic and international political developments, changes in social conditions, changes in government policies, taxation, restrictions on foreign investments and currency repatriation, the level of interest rates, currency fluctuations, fluctuations in both debt and equity capital markets, sovereign defaults, inflation and money supply deflation, and other developments in the legal, regulatory and political climate in the countries in which investments may be made, which may or may not occur without prior notice. Any such changes or developments may affect the value and marketability of the Trust's investments. Furthermore, the legal infrastructure and accounting, auditing and reporting standards in certain countries in which investment may be made do not provide the same degree of investor protection or information to investors as would generally apply in more developed countries.

Derivative Instruments

The Trust may invest in the investment targets of the Trust through derivative instruments ("**Derivative Instruments**"). The Trust may also use Derivative Instruments for hedging purposes. Derivative Instruments may not be listed and are subject to the terms and conditions imposed by their issuer. There is no active market in Derivative Instruments and therefore investment in Derivative Instruments can be illiquid. In order to meet redemption requests, the Trust relies upon the issuer of the Derivative Instruments to quote a price to unwind any part of the Derivative Instruments that will reflect the market liquidity conditions and the size of the transaction. There is a risk that the issuer of the Derivative Instruments will not settle a transaction due to a credit or liquidity problem and the Trust may suffer a total loss of the Trust's interest in the Derivative Instruments.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Derivative Instruments (Continued)

An investment in the Derivative Instruments does not entitle the Derivative Instruments holder to the beneficial interest in the shares nor to make any claim against the company issuing the shares. There can be no assurance that the price of the Derivative Instruments will equal the underlying value of the company or securities market that it may seek to replicate.

Compared to conventional securities, such as shares and debt securities, Derivative Instruments with leveraging effect (such as futures and warrants) can be more sensitive to changes in interest rates or to sudden fluctuations in market prices. As a result, a relatively small price movement in the value of the underlying asset of such Derivative Instrument may result in immediate and substantial loss (or gain) to the Trust. Therefore, the Trust's losses may be greater if it invests in such Derivative Instruments than if it invests only in conventional securities such as shares and debt securities. The exposure of the Trust to Derivative Instruments is subject to the applicable investment restrictions set out in this Explanatory Memorandum.

Hedging Risk

The Manager is permitted, but not obliged, to use hedging techniques to attempt to offset market and currency risks. The Trust may use financial derivatives such as index and currency swaps and currency forwards for hedging purposes. There is no guarantee that hedging techniques will achieve their desired result.

While the Trust may enter into such transactions to seek to reduce currency, exchange rate, interest rate and other market risks, unanticipated changes in currency, interest rates and the relevant markets may result in a poorer overall performance of the Trust. For a variety of reasons, the Trust may not obtain a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the intended hedge or expose the Trust to risk of loss.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Risks of Investing in Other Collective Investment Schemes

The Trust may invest in other collective investment schemes. The underlying investment schemes in which the Trust may invest may not be regulated by the SFC. The Trust does not have control of the investments of the underlying schemes. Investment decisions of the underlying schemes are made at the level of such schemes. There can be no assurance that (i) the selection of the managers of the underlying schemes will result in an effective diversification of investment styles and that positions taken by the underlying schemes will always be consistent; and (ii) the investment objective and strategy of the underlying schemes will be successfully achieved. There is also no guarantee that the underlying schemes will always have sufficient liquidity to meet the Trust's redemption requests as and when made. As a result, the foregoing may have a negative impact on the Net Asset Value of the Trust.

There may be additional costs involved when investing into the underlying schemes. The Trust bears the fees payable to the Manager and its other service providers, as well as, indirectly, a proportionate share of the fees paid by the underlying schemes to their managers and the service providers of the underlying schemes (such as subscription fee, redemption fee, management fee and other costs and charges payable to the managers and service providers of the underlying schemes). For the avoidance of doubt, where the Trust invests into an underlying scheme managed by the Manager or any of its Connected Persons, all initial charges on such underlying scheme will be waived. Further, the Manager will not obtain a rebate on any fees or charges levied by the underlying scheme or its management company.

The Trust may invest in shares or units of a collective investment scheme managed by the Manager, its delegates, or any Connected Persons. It is possible that any of the Manager or their Connected Persons may, in the course of business, have potential conflicts of interest with the Trust. In the event of such conflicts, the Manager will endeavour to ensure that such conflicts are resolved fairly and all transactions between the Trust and any of them are on an arm's length basis. Please refer to the section headed "Conflicts of Interest" for further details.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Country Risk and Legal Infrastructure

Countries in the Asian region have diverse legal, banking and exchange control systems with which prospective investors may not be accustomed. Company laws in some targeted countries are in their early stage. In the development of these, certain new laws might have a negative impact on the value of an investment which cannot be foreseen at the time the investment is made. As the efficacy of such laws is as yet uncertain, there can be no assurance as to the extent to which rights of foreign Unitholders can be protected. In addition, there may also be a shortage of qualified judicial and legal professionals to interpret or advise upon recently enacted and future laws in some jurisdictions. It may also be difficult for the Trust to obtain effective enforcement of its rights by legal or arbitral proceedings in Asian region than in countries with more mature legal systems. The value of the Trust's portfolio can be affected negatively by changes in those legal, banking or exchange control systems. Investors may lose money in those circumstances.

Performance Fee

The performance fee payable to the Manager may create an incentive for the Manager to make investments that are riskier or more speculative than would be the case in the absence of a performance fee. Prospective investors should note that the management fee and performance fee payable to the Manager are based in part upon unrealised gains (as well as unrealised losses), and that such unrealised gains and losses may never be realised by the Trust.

There is no equalisation arrangement in respect of the calculation of the performance fees. As there is no adjustment of equalisation credit or equalisation losses on an individual Unitholder basis, a Unitholder may incur a performance fee notwithstanding the Unitholder may have suffered a loss in investment in the Units. On the other hand, a Unitholder may not be subject to any performance fee notwithstanding the Unitholder concerned may have realised a gain in investment in the Units.

In addition, performance fees may be paid on unrealised gains which may never be realised by the Trust.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Accounting and Reporting Standards

The accounting standards and regulatory requirements of financial reporting and information disclosure in some markets in which the Trust may invest may not follow international standards as there are differences between international standards and reporting practices in such markets. These differences may lie in areas such as different valuation methods of the properties or the assets, and the requirements for disclosure of information to investors. Therefore, the Trust may be forced to make investment decisions based on incomplete or incorrect data. If those data turn out to be incomplete or incorrect, the security in which the Trust has invested into could decline in value or become valueless. Investors may lose money in those circumstances.

Valuation and Accounting

In some instances where there may be no liquidity or no bid or offer prices or no reliable bid or offer prices quoted for certain securities that the Trust may invest in, in particular debt securities and securities that are not listed or quoted on a recognised market, it may be difficult to determine the appropriate valuation of such investments and the Manager may have a conflict of interest in striking such valuation since its management and performance fees will be affected by the value of assets under management. The Manager may in such instances request for a revaluation to be made by a professional person approved by the Trustee.

Further, under current market conditions, it may be the case that the bid-offer spread will be very wide for financial instruments held by the Trust, particularly in the case of debt securities that are not listed on a recognised stock exchange, although such spread may be expected to narrow over time. One consequence of this is that to the extent the Trust values its portfolio by reference to bid prices, it will incur an immediate diminution in net asset value on the purchase of such debt instruments.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Valuation and Accounting (Continued)

The Manager intends to adopt International Financial Reporting Standards ("**IFRS**") in drawing up the annual accounts of the Trust. However, the calculation of the Net Asset Value in the manner described below in section 3.9 of this Explanatory Memorandum (which the Manager intends to adopt for the purpose of the calculation of various fees as described in this Explanatory Memorandum) may not necessarily be in compliance with generally accepted accounting principles, that is, IFRS. Accordingly, the Net Asset Value as described in this Explanatory Memorandum may not necessarily be the same as the net asset value to be reported in the annual accounts as the Manager may make necessary adjustments in the annual accounts to comply with IFRS.

Foreign Account Tax Compliance Act

Subject to the discussion regarding the IGA below, sections 1471 – 1474 (referred to as "**FATCA**") of the U.S. Internal Revenue Code of 1986, as amended ("**IRS Code**") impose rules with respect to certain payments to non-United States persons, such as the Trust, including interest and dividends from securities of U.S. issuers and gross proceeds from the sale of such securities. All such payments (referred to as "**withholdable payments**") may be subject to withholding at a 30% rate (currently applicable to payments of U.S. source dividends and interest, and beginning on or after 1 January 2019 with respect to gross proceeds), unless the recipient of the payment satisfies certain requirements intended to enable the U.S. 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, a foreign financial institution (an "**FFI**"), such as the Trust (and, generally, other investment funds organised outside the US), generally will be required to enter into an agreement (an "**FFI Agreement**") with the IRS and/or comply with the requirements imposed under an applicable intergovernmental agreement for the implementation of FATCA (an "**IGA**"), under which it will agree to identify its direct or indirect owners who are United States persons and report certain information concerning such United States persons to the IRS.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Foreign Account Tax Compliance Act (Continued)

The FFI Agreement will also generally require that an FFI withhold U.S. tax at a rate of 30% on certain payments to investors who fail to cooperate with certain information requests made by the FFI or on such payments made to investors that are FFIs that have not entered into an FFI Agreement with the IRS. On 13 November 2014, Hong Kong entered into an IGA for the implementation of FATCA, adopting a "Model 2" IGA arrangement. Under this "Model 2" IGA arrangement, FFIs in Hong Kong (such as the Trust) would be required to register with the IRS and comply with the terms of an FFI Agreement. Otherwise they will be subject to a 30% withholding tax on relevant U.S.-sourced payments they receive.

As an IGA has been entered into between Hong Kong and the U.S., FFIs in Hong Kong (such as the Trust) complying with the FFI Agreement (i) will generally not be subject to the above described 30% withholding tax on payments they receive; and (ii) will not be required to withhold tax on withholdable payments to recalcitrant accounts (i.e. accounts of which the holders do not consent to FATCA reporting and disclosure to the IRS) or close those recalcitrant accounts (provided that information regarding such recalcitrant account is reported to the IRS pursuant to the provisions of the IGA), but may be required to withhold tax on withholdable payments made to non-compliant FFIs. Withholding may be required with respect to withholdable payments made to recalcitrant accounts if, pursuant to certain exchange of information provisions contained in the IGA, the IRS has not obtained information regarding such recalcitrant account holders within a time period specified in the IGA.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Foreign Account Tax Compliance Act (Continued)

The Trust has registered with the IRS and agreed to comply with the requirements of the FFI Agreement. The Manager will endeavour to satisfy the requirements imposed under FATCA, the IGA and the FFI Agreement to avoid any withholding tax. In the event that the Trust is not able to comply with the requirements imposed by FATCA or the IGA, or the FFI Agreement and the Trust does suffer U.S. withholding tax on its investments as a result of non-compliance, the net asset value of the Trust may be adversely affected and the Trust may suffer significant loss as a result. In addition, prospective investors should note that underlying collective investment schemes in which the Trust invests may be required to satisfy their own FATCA compliance obligations, and failure by any underlying collective investment scheme to fully comply with its FATCA obligations may have an adverse impact on the net asset value of the Trust.

To the extent that the Trust suffers withholding tax on its investments as a result of FATCA, the Trust may, after completing due process to ascertain and confirm that a unitholder has failed to cooperate and provide the required information, bring legal action against such unitholder for losses suffered by the Trust as a result of such withholding tax.

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

PRC Political, Economic and Social Risks

Political changes, social instability and unfavourable diplomatic developments in the PRC could result in the imposition of additional governmental restrictions including expropriation of assets, confiscatory taxes or nationalisation of some or all of the investments held by the Trust in the PRC.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

PRC Political, Economic and Social Risks (Continued)

Investors should also note that any change in the policies of the PRC may impose an adverse impact on the securities market in the PRC as well as the underlying securities of the Trust. Furthermore, the PRC government may from time to time adopt corrective measures to control the growth of the PRC economy which may have an adverse impact on the performance of the Trust.

The economy in the PRC has experienced rapid growth in recent years. However, such growth may or may not continue nor apply evenly across different sectors of the PRC economy. The PRC government has also implemented various measures from time to time to prevent overheating of the economy. Furthermore, the transformation of the PRC from a socialist economy to a more market-oriented economy has led to various economic and social disruptions in the PRC and there can be no assurance that such a transformation will be continued or be successful. All these may have an adverse impact upon the performance of the investments of the Trust which are related to the PRC.

Legal System of the PRC

The legal system of the PRC is based on written laws and regulations. The PRC government is continuously making improvements on its commercial laws and regulations. However, many of these laws and regulations are still untested and the enforceability of such laws and regulations remains unclear. In particular, the PRC regulations which govern currency exchange in the PRC and the investments of the Trust as a foreign investor are relatively new and their application is uncertain. Such regulations also empower the CSRC and the State Administration of Foreign Exchange ("**SAFE**") to exercise discretion in their respective interpretation of the regulations, which may result in uncertainties in their application.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

RMB Depreciation

The Trust may invest in RMB-denominated investments which are related to the PRC and investments whose value the Manager believes would be boosted by a RMB appreciation. Conversely, the value of the Trust may be adversely affected in the event of RMB depreciation. Investors may lose money in such circumstances.

Risks associated with RMB Classes of Units

Starting from 2005, the exchange rate of the RMB is no longer pegged to the US dollar. The RMB has now moved to a managed floating exchange rate based on market supply and demand with reference to a basket of foreign currencies. The daily trading price of the 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 US dollars and Hong Kong dollars, are susceptible to movements based on external factors.

The possibility that the appreciation of RMB will be accelerated cannot be excluded. On the other hand, there is no assurance that the RMB will not be subject to devaluation. Any devaluation of the RMB could adversely affect the value of investors' investments in the RMB Classes of Units. If investors are non RMB-based (e.g. Hong Kong) investors and convert other currencies into RMB so as to invest in the RMB Classes of Units and subsequently convert the RMB redemption proceeds back into other currencies, they may incur currency conversion costs and may suffer a loss if RMB depreciates against such other currencies.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Risks associated with RMB Classes of Units (Continued)

In addition, under the current regulations, the rate at which RMB may be exchanged outside the PRC (in the case of Hong Kong, the "**CNH**" rate) may be different from the exchange rate within the PRC (the "**CNY**" rate) and such divergence may increase due to supply and demand. When calculating the value of the RMB Classes of Units, namely Class A Acc RMB Unhedged, Class A Acc RMB Hedged, Class A2 MDis RMB Unhedged, and Class A2 MDis RMB Hedged, reference to the CNH rate rather than the CNY rate will be made and the value of the RMB Classes of Units thus calculated will be affected by fluctuations in the CNH rate. While CNH and CNY represent the same currency, they are traded in different and separate markets which operate independently. As such, CNH does not necessarily have the same exchange rate and may not move in the same direction as CNY.

In respect of the hedged RMB Classes of Units, the Manager may attempt to hedge the base currency of the Trust and/or other currencies of non-RMB-denominated underlying investments of the Trust back to RMB. The costs of the hedging transactions will be reflected in the net asset value of the hedged RMB Classes of Units and therefore, an investor of such hedged RMB Classes of Units will have to bear the associated hedging costs, which may be significant depending on prevailing market conditions. If the counterparties of the instruments used for hedging purpose default, investors of the hedged RMB Classes of Units may be exposed to RMB currency exchange risk on an unhedged basis and may therefore suffer further losses.

Furthermore, there is no guarantee that the hedging strategy will be effective and you may still be subject to the RMB currency exchange risk which may apply to the non-hedged RMB Class. For instance, where RMB depreciates against currencies of the non-RMB denominated underlying investments of the Trust, (i) investors may still suffer losses even if there are gains or no losses in the value of the non-RMB-denominated underlying investments; or (ii) investors may suffer additional losses if the non-RMB-denominated underlying investments of the Trust fall in value.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Risks associated with RMB Classes of Units (Continued)

Whilst the hedging strategy may protect investors against a decline in the value of the Trust's base currency and/or other currencies of non-RMB-denominated underlying investments relative to RMB, investors will not benefit from any potential gain in the value of the hedged RMB Classes of Units if the Trust's base currency and/or other currencies of non-RMB-denominated underlying investments of the Trust rise against RMB. Please also refer to the above risk factor "Hedging Risk".

It should be noted that the RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of the Chinese government. The Chinese government's policies on exchange control and repatriation restrictions are subject to change and the investors' investment in the RMB Classes of Units may be adversely affected.

The PRC government's imposition of restrictions on the repatriation of RMB out of China may limit the depth of the RMB market outside the PRC and make it impossible for the Trust to hold sufficient amounts of RMB outside the PRC to meet redemption requests in RMB. Due to the exchange controls and restrictions applicable to RMB, the Trust may not be able to get sufficient amounts of RMB in a timely manner to meet redemption requests of the RMB Classes of Units as a substantial portion of its underlying investments are non-RMB denominated.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Risks associated with RMB Classes of Units (Continued)

Even if the Trust aims to pay redemption proceeds and/or dividends to investors of the RMB Classes of Units in RMB, investors may not receive RMB upon redemption of their investments or receive dividend payments in RMB under extreme market conditions when there is not sufficient RMB for currency conversion. Under such circumstances, the Manager may pay redemption proceeds and/or dividends in USD. There is also a risk that payment of investors' redemption proceeds and/or dividends in RMB may be delayed when there is not sufficient RMB for currency conversion for settlement of the redemption proceeds and dividends as a result of the exchange controls and restrictions applicable to RMB. Assuming no delay in submitting completed documentation by the redeeming unitholder and the Manager not exercising any of the powers described below under the section headed "Suspension of the Determination of Net Asset Value", the maximum period for paying the redemption proceeds which should elapse between the receipt of a valid redemption request and the date of despatch of redemption moneys is 30 days.

Risks relating to China A Shares Market

Investing in China A Shares market may be subject to greater political, economic, legal and regulatory risks. For further details, please see the risk factors "PRC Political, Economic and Social Risks" and "Legal System of the PRC' above.

The stock exchanges in the PRC on which China A Shares are traded are at a developing stage. The China A Shares market may be more volatile and unstable (for example, due to the risk of suspension of a particular stock or government intervention. For further details, please see risk factor "Liquidity Risk of Investing in China A Shares and China B Shares" below). Market volatility and instability in the China A Shares markets may result in prices of securities traded on such markets fluctuating significantly resulting in substantial changes in the Net Asset Value of the Trust.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Liquidity Risk of Investing in China A Shares and China B Shares

China A Shares and China B Shares may be subject to trading bands which restrict increases and decreases in the trading price. The Trust if investing through the Stock Connect, CAAP Issuers and A Shares CIS will be prevented from trading China A Shares when they hit the "trading band limit". If this happens on a particular trading day, the Trust, CAAP Issuers and A Shares CIS may be unable to trade China A Shares. When the Manager trades China B Shares for the account of the Trust, the Manager may also be unable to trade China B Shares due to the "trading band limit". As a result, the liquidity of the CAAPs, A Shares CIS, China A Shares and China B Shares may be adversely affected which in turn may affect the value of the Trust's investments.

Risks associated with Stock Connect

The Trust may invest through the Stock Connect. In addition to the risk factors headed "PRC Political, Economic and Social Risks", "Legal System of the PRC", "Risk relating to China A Shares Market", "Liquidity Risk of Investing in China A Shares and China B Shares", "PRC Tax Risk" and "Renminbi Depreciation", it 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 Trust's ability to invest in China A Shares through the Stock Connect on a timely basis, and the Trust may not be able to effectively pursue its investment strategies.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Risks associated with Stock Connect (Continued)

Suspension risk – It is contemplated that both SEHK and 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 the Stock Connect is effected, the Trust's ability to invest in China A Shares or access the PRC market through the Stock Connect will be adversely affected.

Differences in trading days – Stock Connect will only operate on days when both the PRC and Hong Kong stock 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 stock market but Hong Kong investors (such as the Trust) cannot carry out any China A Shares trading. Due to the differences in trading days, the Trust may be subject to a risk of price fluctuations in China A Shares on a day that the PRC stock market is open for trading but the Hong Kong stock market is closed.

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 programme subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.

Market participants generally have configured and adapted their operational and technical systems for the purpose of trading China A Shares through the Stock Connect. However, it should be appreciated that the securities regimes and legal systems of the two markets differ significantly and in order for the programme to operate, market participants may need to address issues arising from the differences on an on-going basis.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Risks associated with Stock Connect (Continued)

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 programme could be disrupted. The Trust's ability to access the China A Shares 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 Share sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

Generally, if the Trust desires to sell certain China A Shares it holds, it must 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 Trust may not be able to dispose of holdings of China A Shares in a timely manner.

However, the Trust may request a 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 Trust. Provided that there is sufficient holding in the SPSA when a broker inputs the Trust's sell order, the Trust will be able to dispose of its holdings of China A Shares (as opposed to the practice of transferring China A Shares to the broker's account under the current pre-trade checking model for non-SPSA accounts). Opening of the SPSA accounts for the Trust will enable it to dispose of its holdings of China A Shares in a timely manner.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Risks associated with Stock Connect (Continued)

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 Trust, for example, when the Manager wishes to purchase a stock which is recalled from the scope of eligible stocks.

Clearing and settlement risk – The HKSCC and ChinaClear have established the clearing links and each is 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 ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against ChinaClear. HKSCC will in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the Trust may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Risks associated with Stock Connect (Continued)

Participation in corporate actions and shareholders' meetings – The HKSCC will keep CCASS participants informed of corporate actions of SSE Securities (as defined in the section headed "Shanghai-Hong Kong Stock Connect" in this Explanatory Memorandum). 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 Trust) 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 Trust may not be able to participate in some corporate actions in a timely manner.

Currency risk – As the Trust is denominated in US dollars, the performance of the Trust may be affected by movements in the exchange rate between RMB (i.e. the currency in which SSE Securities are traded and settled) and US dollars. The Trust 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 Trust suffering from exchange rate fluctuations. For further details on exchange risk, please see risk factor "Foreign Exchange Risk" above).

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Risks associated with Stock Connect (Continued)

No Protection by Investor Compensation Fund – Investment through the Stock Connect is conducted through broker(s), and is subject to the risks of default by such brokers' in their obligations.

As disclosed in the section under the heading "**Shanghai-Hong Kong Stock Connect**", the Trust's investments through Northbound trading under the Stock Connect is not covered by the Hong Kong's Investor Compensation Fund. Therefore the Trust is exposed to the risks of default of the broker(s) it engages in its trading in China A Shares through the programme. Further, since the Trust 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 the 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 which may have potential retrospective effect. There can be no assurance that the Stock Connect will not be abolished. The Trust, which may invest in the PRC markets through the Stock Connect, may be adversely affected as a result of such changes.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Risks Associated with CAAPs

The policy and regulations imposed by the PRC government on the access into the China A Shares markets are subject to change and any such change may adversely impact the issuance of CAAPs invested by the Trust. Under the PRC regulations, investment in China A Shares markets by foreign institutional investors is subject to an investment quota. Unitholders should note that there can be no assurance that the Trust may be able to maintain or obtain a sufficient investment in CAAPs. This may have an impact on the Unitholders' investment in the Trust. If any CAAP Issuer has insufficient investment quota, the CAAP Issuer may cease to extend the duration of any CAAPs or to issue further CAAPs and the Trust may be required to dispose of its existing CAAPs.

Further, the Trust will be exposed to the counterparty risk associated with each CAAP Issuer. Because a CAAP is a payment obligation of the CAAP Issuer, rather than a direct investment in China A Shares, the Trust may suffer losses potentially equal to the full value of the CAAP if the CAAP Issuer were to become insolvent or fails to perform its payment obligations under the CAAPs.

Risks associated with A Shares CIS

Risk related to QFII/RQFII Policy – The current QFII/RQFII policy and regulations are subject to change, which may take retrospective effect. In addition, there can be no assurance that the QFII/RQFII regulations will not be abolished. The Trust, which indirectly invests in the China A Shares markets through A Shares CIS, may be adversely affected as a result of such changes.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Risks associated with A Shares CIS (Continued)

Further, the QFII/RQFII licence of the QFII/RQFII holder of A Shares CIS may be revoked or terminated or otherwise invalidated, or the investment quota granted by PRC government to the QFII/RQFII holder of A Shares CIS may be reduced or withdrawn, at any time by reason of a change in applicable law, regulations, policy, practice or other circumstances, an act or omission of the QFII/RQFII holder or for any other reasons. In such event, all or part of the assets held by the PRC QFII/RQFII custodian for the account of the A Shares CIS will be liquidated and repatriated to a bank account maintained for and on behalf of the A Shares CIS outside of the PRC in accordance with applicable laws and regulations. The A Shares CIS may suffer significant loss as a result of such liquidation and repatriation, and consequently, the Trust investing in such A Shares CIS may also suffer losses.

Under the relevant PRC law, regulations or measures, there are restrictions on repatriation of funds out of the PRC. Thus, the Trust may be exposed, indirectly, to risks associated with remittance and repatriation of monies, through its investment in A Shares CIS. The Trust may be adversely affected and may be exposed to potential losses by the ability of the underlying A Shares CIS to meet redemption requests and may therefore be subject to reduced liquidity.

Custodial risk – Custodians or sub-custodians may be appointed in local market for purpose of safekeeping assets of the A Shares CIS. Lack of adequate custodial systems in the PRC may subject the A Shares CIS to greater custodial risks. The A Shares CIS may also incur losses due to a default, act or omission of the PRC custodian in the execution or settlement of any transaction or in the transfer of any funds or securities. If the PRC custodian defaults, the A Shares CIS may suffer substantial losses. In the event of liquidation of the PRC custodian, the assets contained in cash account(s) with the PRC custodian may form part of the liquidation assets of the PRC custodian, and the A Shares CIS may become an unsecured creditor of the PRC custodian. This may affect the value of the Trust's investments.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

Risks associated with A Shares CIS (Continued)

Other risks – Other factors such as RMB depreciation, restriction or delay in RMB currency conversion, QFII/RQFII investment restriction, illiquidity of the China A Shares market, and delay or disruption in execution of trades or in settlement of trades may also have negative impacts on A Shares CIS and in turn, the Trust investing in A Shares CIS under such circumstances may also incur losses.

PRC Tax Risk

a) Equity and debt securities except China A Shares via Stock Connect

By investing in i) China A Shares via CAAPs and A Shares CIS, ii) RMB-denominated debt securities issued by non-PRC issuers and iii) China B Shares, H Shares and RMB-denominated debt securities issued or listed offshore by PRC issuers, the Trust may be subject to PRC taxes.

i) China A Shares via CAAPs and A Shares CIS

Dividends

Under the PRC Corporate Income Tax Law of the PRC ("**CITL**") and its detailed implementation rules, dividends derived from indirect China A Shares investments by the Trust are subject to PRC withholding income tax ("**WIT**") at a rate of 10 per cent., unless a specific exemption or reduction is available.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

PRC Tax Risk (Continued)

a) *Equity and debt securities except China A Shares via Stock Connect (Continued)*

i) China A Shares via CAAPs and A Shares CIS (Continued)

Capital gains

Ministry of Finance of the PRC (the "**MoF**"), the State Administration of Taxation of the PRC ("**SAT**") and the CSRC issued the "Notice on the temporary exemption of Corporate Income Tax on capital gains derived from the transfer of PRC equity investment assets such as PRC domestic stocks by QFII and RQFII" Caishui [2014] No. 79 on 14 November 2014 (the "Notice No. 79"). Notice No. 79 states that (a) PRC Corporate Income Tax ("**CIT**") will be imposed on gains obtained by QFIIs and RQFIIs from the transfer of PRC equity investment assets (including PRC domestic stocks) realised prior to 17 November 2014 in accordance with laws, and (b) QFIIs and RQFIIs (without an establishment or place in the PRC or having an establishment in the PRC but the income so derived in China is not effectively connected with such establishment) will be temporarily exempt from PRC CIT on gains derived from the trading of PRC equity investment (including China A Shares) effective from 17 November 2014.

Any such tax payable by the relevant QFII and/or RQFII may be passed on to the Trust to the extent that the tax is attributable to the QFII's and/or RQFII's trading gains on the China A Shares.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

PRC Tax Risk (Continued)

a) *Equity and debt securities except China A Shares via Stock Connect (Continued)*

i) China A Shares via CAAPs and A Shares CIS (Continued)

Capital gains (Continued)

No withholding is made by the CAAP Issuers in respect of any realized gains on the actual sale of the underlying China A Shares linked to the CAAPs issued to the Trust effective from 17 November 2014. Similarly, for direct investments in China A Shares by certain A Shares CIS, managers of such A Shares CIS may not accrue any provision for the 10 per cent. withholding tax from 17 November 2014 onwards.

Having consulted professional and independent tax advisor, the Manager will not make any tax provision for realized and unrealized capital gains derived from indirect China A Shares investments through CAAPs from 17 November 2014 onwards.

The tax laws, regulations and practice in the PRC are constantly changing, and they may be changed with retrospective effect. As such, any provision for taxation made by the Manager may be excessive or inadequate to meet final PRC tax liabilities on capital gains derived from indirect China A Shares investments. Any excessive provision or inadequate provision for such taxation may impact on the performance and hence the Net Asset Value of the Trust during the period of such excessive or inadequate provision. Any shortfall between the provision and the actual tax liabilities, which will be debited from the Trust's assets, will adversely affect the Trust's Net Asset Value. The actual tax liabilities may be lower than the tax provision made. Depending on the timing of their subscriptions and/or redemptions, investors may be disadvantaged as a result of any shortfall of tax provision and will not have the right to claim any part of the overprovision (as the case may be). Any increased tax liabilities on the Trust may adversely affect the Trust's value.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

PRC Tax Risk (Continued)

a) *Equity and debt securities except China A Shares via Stock Connect (Continued)*

i) China A Shares via CAAPs and A Shares CIS (Continued)

Capital gains (Continued)

If no provision for potential withholding income tax is made and in the event that the PRC tax authorities enforce the imposition of such withholding income tax in respect of the Trust's investment in the China A Shares via CAAPs, the Net Asset Value of the Trust may be adversely affected. As a result, redemption proceeds or distributions may be paid to the relevant Unitholders without taking full account of the tax that may be suffered by the Trust, which tax will subsequently be borne by the Trust and affect the Net Asset Value of the Trust and the remaining Units in the Trust.

If no tax provision is made or if the tax provisions made are excessive or inadequate, Unitholders may be advantaged or disadvantaged depending upon the final outcome of how capital gains from direct China A Shares investments and indirect China A Shares investments through CAAPs will be taxed, the level of tax provision and when the Unitholders subscribed and/or redeemed their Units in/from the Trust.

Unitholders should refer to the latest financial report of the Trust for details of the amounts currently withheld as provision for taxation liabilities (if any) by the Manager and CAAP Issuers with respect to the taxes on capital gains.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

PRC Tax Risk (Continued)

a) *Equity and debt securities except China A Shares via Stock Connect (Continued)*

ii) RMB-denominated debt securities issued by non-PRC issuers

The income (including interest income and capital gains) derived from the Trust's investments in RMB denominated debt securities issued by non-PRC issuers outside China should not be subject to PRC taxes.

iii) China B Shares, H Shares and RMB-denominated debt securities issued or listed offshore by PRC issuers

For dividends, bonuses and interest paid to investors, 10 per cent. PRC WIT should be withheld at source under current PRC laws and regulations. For capital gains derived by an investor on the disposal of these securities, there are currently no specific rules or regulations under the CITL. As a result, such gains are technically subject to the 10 per cent. PRC WIT under the CITL. However, as a matter of practice, such 10 per cent. PRC WIT on capital gains realised by non-PRC tax resident enterprises from the trading of these securities has not been strictly enforced by the PRC tax authorities.

Having consulted professional and independent tax advisor, the Manager will not make provisions for any WIT payable by the Trust on PRC sourced capital gains from China B Shares, H Shares and RMB-denominated debt securities issued or listed offshore by PRC issuers. The implication of this is that if the Trust is liable to pay such withholding and other taxes, this may result in an unfavourable impact on the Net Asset Value of the Trust.

For further details on the effects of PRC taxation on the Trust, please refer to the section titled "The PRC" under the heading "Taxation" in the Explanatory Memorandum.

2. INFORMATION ON THE TRUST (Continued)

2.5 Risk Factors (Continued)

PRC Tax Risk (Continued)

b) China A Shares via Stock Connect

Dividends

Pursuant to the "Notice about the tax policies related to the Shanghai-Hong Kong Stock Connect" (Caishui [2014] No. 81) ("**Notice No. 81**") promulgated by the MoF, the SAT and the CSRC on 14 November 2014, dividends received by Hong Kong and overseas investors (including the Trust) from China A Share investment via Stock Connect will be subject to 10 per cent. WIT and the company distributing the dividend has the withholding obligation. If the recipient of the dividend is entitled to a lower treaty rate, it can apply to the tax bureau in-charge of the payer for a refund.

Capital gains

Pursuant to Notice No. 81, PRC CIT will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including the Trust) on the trading of China A Shares through the Stock Connect. **Based on Notice No. 81 and having consulted professional and independent tax advisor, no provision for gross realised or unrealised capital gains derived from trading of China A Shares via Stock Connect is made by the Manager on behalf of the Trust.**

2. INFORMATION ON THE TRUST (Continued)

2.6 Investment Restrictions and Prohibitions

The Trust Deed sets out certain restrictions on the investment of the assets of the Trust which are summarised below. In particular, the Manager shall ensure that no investment shall be purchased or made for the account of the Trust if it results in:

(a) the value of the Trust's holding of securities issued by any single issuer (other than government and other public securities) exceeding 10 per cent. of the latest available Net Asset Value of the Trust; or

(b) the Trust's holding of ordinary shares issued by any single issuer exceeding 10 per cent. of any ordinary shares issued by that issuer; or

(c) the value of the Trust's total holding of securities, which are neither listed, quoted nor dealt on a stock exchange, over-the-counter market or other organised securities market which is open to the international public and on which such securities are regularly traded, exceeding 15 per cent. of the latest available Net Asset Value of the Trust; or

(d) the value of the Trust's total holding of government and other public securities of the same issue exceeding 30 per cent. of the latest available Net Asset Value of the Trust (save that the Trust may invest all of its assets in government and other public securities in at least six different issues); or

(e) the value of the Trust's total holding of options and warrants in terms of the total amount of premium paid (other than for hedging purposes) exceeding 15 per cent. of the latest available Net Asset Value of the Trust; or

2. INFORMATION ON THE TRUST (Continued)

2.6 Investment Restrictions and Prohibitions (Continued)

(f) the value of the Trust's total holding of units in any unit trust or shares in any mutual fund corporation or any other collective investment scheme which are not authorised in jurisdictions identified by the SFC for the purposes of 7.11A of the Code on Unit Trusts and Mutual Funds issued by the SFC ("**recognised jurisdiction schemes**") and not authorised by the SFC would in aggregate exceed 10 per cent. of the latest available Net Asset Value of the Trust, or the value of the Trust's holding of any units or shares in other collective investment scheme which are either recognised jurisdiction schemes or schemes authorised by the SFC would exceed 30 per cent. of the latest available Net Asset Value of the Trust, unless the scheme is authorised by the SFC and the name and key investment information of the scheme are disclosed in this Explanatory Memorandum. In addition, the objective of the underlying collective investment scheme may not be to invest primarily in any investment prohibited by the other investment restrictions, and where that underlying collective investment scheme's objective is to invest primarily in investments restricted by the other investment restrictions, such holdings may not be in contravention of the relevant limitation; or

(g) the value of the Trust's total holding of:

(1) commodities and commodity-based investments (other than shares in companies engaged in producing, processing or trading in commodities); and

(2) futures contracts on an unhedged basis (by reference to the net aggregate value of contract prices, whether payable to or by the Trust),

exceeding 20 per cent. of the latest available Net Asset Value of the Trust (without prejudice to the Manager's right to take positions in futures contracts in order to protect the assets of the Trust against adverse or unusual currency or market fluctuations).

2. INFORMATION ON THE TRUST (Continued)

2.6 Investment Restrictions and Prohibitions (Continued)

In addition, the Manager shall not (amongst other things), on behalf of the Trust:

(a) invest in any type of real estate (including buildings) or interests in real estate (including options or rights but excluding shares/interests or derivative interests thereon in real estate companies, or SFC authorised/permitted real estate investment trusts); or

(b) make short sales unless (i) the liability of the Trust to deliver securities does not exceed 10 per cent. of the latest available Net Asset Value of the Trust and (ii) the security which is to be sold short is actively traded on a market where short selling activity is permitted; or

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

(d) invest in any security or other property which involves the assumption of any liability by the Trust which is unlimited; or

(e) invest in a security of any class in any company or body if directors and officers of the Manager individually own more than 0.5 per cent. of the total nominal amount of all the issued securities of that class or collectively own more than 5.0 per cent. of those securities; or

(f) invest in any security where a call may be made for any sum unpaid on that security unless that call could be met in full out of cash or near cash held by the Trust throughout the period from the acquisition of the relevant security up to the date on which the call is made or expires, whichever is earlier; or

(g) grant options over or in respect of any security except, in the case of call options, where the option is covered by securities and, in the case of put options, where the option is covered by cash or near cash in each case held by the Trust throughout the period from the grant of the option to the exercise of the option; or

2. INFORMATION ON THE TRUST (Continued)

2.6 Investment Restrictions and Prohibitions (Continued)

(h) grant call options over securities held by the Trust in excess of 25 per cent. of the latest available Net Asset Value of the Trust in terms of the prices at which all such options may be exercised; or

(i) invest in any unit trust, mutual fund corporation or other collective investment scheme which, in turn, invests primarily in any investment prohibited by the Trust Deed or this Explanatory Memorandum or by relevant laws or regulations; or

(j) invest into a unit trust, mutual fund corporation or other collective investment scheme which is managed by the Manager or any of its Connected Persons which would result in any rebate on fees or charges levied by the unit trust, mutual fund corporation or other collective investment scheme to the Manager or an increase in the overall total of initial charges, management fees or any other costs and charges payable by the Trust or by Unitholders to the Manager or any of its Connected Persons; or

(k) invest less than 70 per cent. of its non-cash assets in securities and other investments that reflect the particular objective or geographic region or market which the name of the Trust represents; or

(l) make a loan out of the Trust without the prior written consent of the Trustee except to the extent that the acquisition of an investment or the making of a deposit might constitute a loan (save that the Trustee may make a loan to an entity beneficially owned by the Trust, if any).

2. INFORMATION ON THE TRUST (Continued)

2.7 Borrowing Policy

The Trustee may, at the request of the Manager, borrow for the account of the Trust for the purposes of:

(a) facilitating the redemption of Units or defraying operating expenses; or

(b) enabling the Manager to acquire investments for the account of the Trust; or

(c) for any proper purpose as may be agreed by the Manager and the Trustee.

No borrowing shall be made in respect of the Trust if it would result in the principal amount for the time being of all borrowings made for the account of the Trust exceeding 25 per cent. of the latest available Net Asset Value of the Trust at the time of the borrowing provided that back-to-back borrowings shall not be taken into account when determining whether or not these limits have been breached.

2.8 Security Lending

The Trustee may, at the request of the Manager, engage in security lending, in respect of any securities on such terms as may be acceptable to the Trustee through the agency of or directly with any person acceptable to the Trustee (including the Manager or the Trustee or any Connected Person of either of them), and such person shall be entitled to retain for its own use and benefit any fee it receives on a commercial basis in connection with such arrangement provided always that:

2. INFORMATION ON THE TRUST (Continued)

2.8 Security Lending (Continued)

(a) any security lending agreement is entered into only if (i) the relevant securities lent are fully paid-up securities listed on 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; (ii) the amount of the consideration (including the value of any collateral) given for the relevant securities exceeds the value of such securities at any one time based on daily marked to market values; (iii) any incremental income earned from such an agreement will be accrued to the Trust; (iv) the counterparts' financial standings are equivalent to at least A2/P2 (either based upon reputable credit rating agencies or in the reasonable opinion of the Manager); and (v) the Trust is entitled at any time to terminate the agreement and demand the immediate return of all securities lent;

(b) any security lending agreement is entered into only if collateral in such amount and in such form as prescribed by the Manager from time to time has been provided. Unless otherwise agreed to by the Manager, collateral for securities lent may take the form of government stock, government treasury bills, banker's acceptances, certificates of deposit, bonds, equities, letters of credit or cash collateral. Collateral for securities provided by a counterparty may be enforced by the Trust in the event of default specified under the relevant security lending agreement, such as in the event of the counterparty's insolvency;

(c) the value of the securities to be loaned, together with the value of all other securities which are the subject of a loan by the Trust does not exceed 10 per cent. of the latest available Net Asset Value of the Trust; and

(d) no more than 50 per cent. of securities of the same issue, or of the same kind (by value), held in respect of the Trust is the subject of security lending agreements at any one time.

2. INFORMATION ON THE TRUST (Continued)

2.8 Security Lending (Continued)

Any incremental income earned from any security lending agreement may be split between the Trust and any security lending agent in such proportion as the Manager may determine in each case, provided that the amount payable to any security lending agent should not exceed 30 per cent. of such incremental income.

The amount of any securities lending fees paid to the Manager, Trustee or any Connected Person will be disclosed in the annual reports of the Trust.

2.9 Other Provisions relating to Investment, Borrowing and Security Lending

The Manager may also (although it will not be under any obligation to do so), from time to time, formulate such other investment, borrowing and security lending limitations and prohibitions in accordance with the provisions of the Trust Deed.

Any limitation on investment, borrowing or security lending to be measured by reference to the latest available Net Asset Value of the Trust shall be measured by reference to the latest available Net Asset Value of the Trust before the time the relevant investment, borrowing or security lending is made.

If any of the above investment and security lending restrictions or borrowing limits are exceeded or prohibitions breached, the Manager shall, taking due account of the interests of Unitholders, take all steps as are necessary to restore the position within a reasonable period of time so that the limits exceeded will not persist.

3. SUBSCRIPTION AND REDEMPTION OF UNITS

3.1 Summary of Features

As at the date of this Explanatory Memorandum, the Trust comprise the following Classes of Units:

- Class A1
- Class A2 MDis
- Class Z
- Class A2 MDis HKD
- Class A2 MDis AUD Hedged
- Class A2 MDis CAD Hedged
- Class A2 MDis GBP Hedged
- Class A2 MDis NZD Hedged
- Class A Acc HKD Hedged
- Class A Acc SGD Hedged
- Class A2 MDis HKD Hedged
- Class A2 MDis SGD Hedged
- Class A Acc RMB Unhedged
- Class A Acc RMB Hedged
- Class A2 MDis RMB Unhedged
- Class A2 MDis RMB Hedged

3. SUBSCRIPTION AND REDEMPTION OF UNITS (Continued)

3.1 Summary of Features (Continued)

The key features of the Classes of Units are summarised below:

Classes currently available for subscription					
	Class A1 and Class A2 MDis	**Class Z**	**Class A Acc HKD Hedged, Class A2 MDis HKD and Class A2 MDis HKD Hedged**	**Class A2 MDis AUD Hedged**	**Class A2 MDis CAD Hedged**
Currency of Issue of a Class (the "Class Currency")	US$ Dollars ("US$")	US$	Hong Kong Dollars ("HKD")	Australian Dollars ("AUD")	Canadian Dollars ("CAD")
Minimum Initial Subscription	US$10,000 (inclusive of any Preliminary Charge)	US$10,000,000 (inclusive of any Preliminary Charge)	HKD80,000 (inclusive of any Preliminary Charge)	AUD10,000 (inclusive of any Preliminary Charge)	CAD10,000 (inclusive of any Preliminary Charge)
Minimum Subsequent Subscription	US$5,000 (inclusive of any Preliminary Charge)	US$100,000 (inclusive of any Preliminary Charge)	HKD40,000 (inclusive of any Preliminary Charge)	AUD5,000 (inclusive of any Preliminary Charge)	CAD5,000 (inclusive of any Preliminary Charge)
Minimum Redemption	Not applicable	US$100,000 (inclusive of the Redemption Charge)	Not applicable	Not applicable	Not applicable
Minimum Holding for Each Class of the Trust Applicable to Partial Redemption, Transfers and Switching	US$10,000	US$5,000,000	HKD80,000	AUD10,000	CAD10,000
Preliminary Charge on Subscription	Up to 5.0 per cent. of the Issue Price	Up to 5.0 per cent. of the Issue Price	Up to 5.0 per cent. of the Issue Price	Up to 5.0 per cent. of the Issue Price	Up to 5.0 per cent. of the Issue Price
Switching Fee	Currently Nil*	Currently Nil*	Currently Nil*	Currently Nil*	Currently Nil*
Redemption Charge	Currently Nil (Max. 5.0 per cent.)	Currently Nil (Max. 5.0 per cent.)	Currently Nil (Max. 5.0 per cent.)	Currently Nil (Max. 5.0 per cent.)	Currently Nil (Max. 5.0 per cent.)
Annual Management Fee	1.25 per cent. per annum (Max. 2.0 per cent.)	0.75 per cent. per annum (Max. 2.0 per cent.)	1.25 per cent. per annum (Max. 2.0 per cent.)	1.25 per cent. per annum (Max. 2.0 per cent.)	1.25 per cent. per annum (Max. 2.0 per cent.)
Performance Fee	15.0 per cent. of the increase in Net Asset Value per Unit in the relevant Class in the relevant performance period calculated annually on a high-on-high basis	15.0 per cent. of the increase in Net Asset Value per Unit in the relevant Class in the relevant performance period calculated annually on a high-on-high basis	15.0 per cent. of the increase in Net Asset Value per Unit in the relevant Class in the relevant performance period calculated annually on a high-on- high basis	15.0 per cent. of the increase in Net Asset Value per Unit in the relevant Class in the relevant performance period calculated annually on a high-on- high basis	15.0 per cent. of the increase in Net Asset Value per Unit in the relevant Class in the relevant performance period calculated annually on a high-on- high basis

3. SUBSCRIPTION AND REDEMPTION OF UNITS (Continued)

3.1 Summary of Features (Continued)

	Class A2 MDis GBP Hedged	**Class A2 MDis NZD Hedged**	**Class A Acc SGD Hedged and Class A2 MDis SGD Hedged**	**Class A Acc RMB Unhedged, Class A Acc RMB Hedged, Class A2 MDis RMB Unhedged and Class A2 MDis RMB Hedged**
Currency of Issue of a Class (the "**Class Currency**")	Pounds Sterling ("**GBP**")	New Zealand Dollars ("**NZD**")	Singapore Dollars ("**SGD**")	Renminbi ("**RMB**")
Minimum Initial Subscription	GBP10,000 (inclusive of any Preliminary Charge)	NZD10,000 (inclusive of any Preliminary Charge)	SGD10,000 (inclusive of any Preliminary Charge)	RMB60,000 (inclusive of any Preliminary Charge)
Minimum Subsequent Subscription	GBP5,000 (inclusive of any Preliminary Charge)	NZD5,000 (inclusive of any Preliminary Charge)	SGD5,000 (inclusive of any Preliminary Charge)	RMB30,000 (inclusive of any Preliminary Charge)
Minimum Redemption	Not applicable	Not applicable	Not applicable	Not applicable
Minimum Holding for Each Class of the Trust Applicable to Partial Redemption, Transfers and Switching	GBP10,000	NZD10,000	SGD10,000	RMB60,000
Preliminary Charge on Subscription	Up to 5.0 per cent. of the Issue Price	Up to 5.0 per cent. of the Issue Price	Up to 5.0 per cent. of the Issue Price	Up to 5.0 per cent. of the Issue Price
Switching Fee	Currently Nil*	Currently Nil*	Currently Nil*	Currently Nil*
Redemption Charge	Currently Nil (Max. 5.0 per cent.)	Currently Nil (Max. 5.0 per cent.)	Currently Nil (Max. 5.0 per cent.)	Currently Nil (Max. 5.0 per cent.)
Annual Management Fee	1.25 per cent. per annum (Max. 2.0 per cent.)	1.25 per cent. per annum (Max. 2.0 per cent.)	1.25 per cent. per annum (Max. 2.0 per cent.)	1.25 per cent. per annum (Max. 2.0 per cent.)
Performance Fee	15.0 per cent. of the increase in Net Asset Value per Unit in the relevant Class in the relevant performance period calculated annually on a high-on-high basis	15.0 per cent. of the increase in Net Asset Value per Unit in the relevant Class in the relevant performance period calculated annually on a high-on-high basis	15.0 per cent. of the increase in Net Asset Value per Unit in the relevant Class in the relevant performance period calculated annually on a high-on-high basis	15.0 per cent. of the increase in Net Asset Value per Unit in the relevant Class in the relevant performance period calculated annually on a high-on-high basis

* Certain distributors may impose a charge for each switching of Units acquired through it for Units in another Class, which will be deducted at the time of the switching and paid to the relevant distributor. Unitholders who intend to switch their Units from one Class to Units in another Class should check with their respective distributors for the charge on switching.

3. SUBSCRIPTION AND REDEMPTION OF UNITS (Continued)

3.2 Dealing Periods

The Trust is valued as at the close of business in the last market to close of all relevant markets in which the Trust is invested (or at such other time as the Manager may, with the consent of the Trustee, determine) on each Valuation Day. Valuation Day is currently each Business Day and/or such other day or days as the Manager may, in consultation with the Trustee and upon reasonable prior written notice to the Unitholders, determine from time to time. A Business Day is a day when banks in Hong Kong are open for general business except for: (i) a Saturday or Sunday; (ii) a day on which banks in Hong Kong are open for a shorter time as a result of a Typhoon Signal, a Rainstorm Warning or similar event, unless the Manager, with the consent of the Trustee, determines otherwise.

Investors may subscribe for, or redeem, Units of the relevant Class at the Issue Price and Redemption Price respectively, denominated in the Class Currency of the relevant Class and based on the Net Asset Value per Unit in the relevant Class as determined on a Valuation Day in the manner described under section 3.9 of this Explanatory Memorandum. Please refer to section 5.1 of this Memorandum for details of any applicable Preliminary and Redemption Charges.

At present, Dealing Periods are periods which commence at the end of the preceding Dealing Period and end in Hong Kong at 5:00 p.m. (Hong Kong time) on each Valuation Day.

Dealing Periods for other jurisdictions may be determined as the need arises but, in all cases, the principle will be maintained that the Dealing Period must end at or prior to 5:00 p.m. (Hong Kong time) on each relevant Valuation Day, as determined by the Manager.

3. SUBSCRIPTION AND REDEMPTION OF UNITS (Continued)

3.2 Dealing Periods (Continued)

The Manager has power to alter the Dealing Periods in any jurisdiction, to determine that Dealing Periods should be referable to a different Valuation Day, and to change the time at which the Trust is valued on each Valuation Day provided that any permanent alterations will be made with one month's prior written notice (or such shorter notice period as approved by the SFC) to Unitholders. The Manager may, at its discretion, make one or more of these alterations on a temporary basis but does not intend to do so unless under the circumstances (including, but not limited to, future operational requirements or the acquisition of investments on different markets) make it desirable.

3.3 Subscription for Units

All applications to subscribe for Units are subject to the terms, conditions and restrictions of this Explanatory Memorandum and the Trust Deed.

The Manager may, at its discretion, waive the minimum initial subscription and minimum subsequent subscription amounts in respect of Class A1 Units, Class A2 MDis Units, Class Z Units, Class A Acc HKD Hedged Units, Class A Acc SGD Hedged Units, Class A2 MDis HKD Units, Class A2 MDis HKD Hedged Units, Class A2 MDis AUD Hedged Units, Class A2 MDis CAD Hedged Units, Class A2 MDis GBP Hedged Units, Class A2 MDis NZD Hedged Units, Class A2 MDis SGD Hedged Units, Class A Acc RMB Unhedged Units, Class A Acc RMB Hedged Units, Class A2 MDis RMB Unhedged Units and Class A2 MDis RMB Hedged Units, whether generally or in a particular case. The Manager may on any Valuation Day differentiate between applicants as to the amount of the Preliminary Charge to be added to the Issue Price of Units in each Class to be issued to them respectively on that day. For further details of the Preliminary Charge, please refer to section 5.1 of this Explanatory Memorandum.

3. SUBSCRIPTION AND REDEMPTION OF UNITS (Continued)

3.3 Subscription for Units (Continued)

Applications for subscription of Units of the relevant Class must be sent to the Registrar by post to the business address or, if the applicant has provided the Manager with an original fax indemnity in the form prescribed by the Manager from time to time (with the consent of the Trustee), by fax to the fax number shown on the Subscription Form or other written or electronic means specified by the Manager, unless an original fax indemnity was previously provided to the Manager. All initial applications for subscription of Units of the relevant Class must be made on the Subscription Form which accompanies this Explanatory Memorandum and if sent by fax or other written or electronic means, must be followed by duly signed original applications for subscription. The Manager may, in its absolute discretion, determine whether or not duly signed original applications are also required in respect of subsequent applications for subscription sent by fax or other written or electronic means.

Applications for subscription (whether by post, fax or other written or electronic forms specified by the Manager) must be received by the Registrar by 5:00 p.m. (Hong Kong time) on the Valuation Day of any Dealing Period in order to be dealt with by reference to that Valuation Day. However, the Manager may in the future stipulate that such an application shall be subject to the expiration of a period of notice.

Where such minimum notice period is stipulated by the Manager, any application for subscription of Units of the relevant Class shall be treated as having been received in the Dealing Period in which the minimum notice period expires. The Issue Price per Unit of the relevant Class will be the Net Asset Value per Unit of the relevant Class calculated as at that Valuation Day. Valid applications for subscription received (whether by post, fax or other written or electronic forms specified by the Manager) by the Registrar after 5:00 p.m. (Hong Kong time) on a Valuation Day will be deemed to have been received, and will be dealt with, in the next Dealing Period and with reference to the Valuation Day coinciding with the close of such succeeding Dealing Period.

3. SUBSCRIPTION AND REDEMPTION OF UNITS (Continued)

3.4 Redemption of Units

All applications to redeem Units are subject to the terms, conditions and restrictions of this Explanatory Memorandum and the Trust Deed.

The minimum redemption for Class Z Units (inclusive of the Redemption Charge) will be US$100,000. The Manager may on any Valuation Day differentiate between applicants as to the amount of the Redemption Charge to be added to the Redemption Price of Units to be redeemed by them respectively on that day. For further details of the Redemption Charge, please refer to section 5.1 of this Explanatory Memorandum.

Requests to redeem Units may be made to the Registrar during any Dealing Period in writing and sent by post to the business address or, if the relevant Unitholder has provided the Manager with an original fax indemnity in the form prescribed by the Manager from time to time (with the consent of the Trustee), by fax to the fax number shown on page 8 of this Explanatory Memorandum or other written or electronic means specified by the Manager, unless an original fax indemnity was previously provided to the Manager. Redemption requests should specify the number of Units to be redeemed, the name in which such Units are registered and details of the bank account (if any) to which the redemption monies are to be transferred. All initial requests for redemption of Units sent by fax or other written or electronic means must be followed by duly signed original requests for redemption. The Manager may, in its absolute discretion, determine whether or not duly signed original requests are also required in respect of subsequent requests for redemption sent by fax or other written or electronic means.

All redemption requests must be signed by the Unitholder or, in the case of joint Unitholders, such one or more joint Unitholders who have been authorised to sign such requests on behalf of the other joint Unitholders (where such authorisation has been notified in writing to the Registrar) or, in the absence of such notification, by all joint Unitholders.

3. SUBSCRIPTION AND REDEMPTION OF UNITS (Continued)

3.4 Redemption of Units (Continued)

Applications for redemption (whether by post, fax or other written or electronic forms specified by the Manager) must be received by the Registrar by 5:00 p.m. (Hong Kong time) on the Valuation Day of any Dealing Period in order to be dealt with by reference to that Valuation Day. The Redemption Price per Unit of the relevant Class will be the Net Asset Value per Unit of the relevant Class calculated as at that Valuation Day.

Valid applications for redemption received (whether by post, fax or other written or electronic forms specified by the Manager) by the Registrar after 5:00 p.m. (Hong Kong time) on a Valuation Day will be deemed to have been received, and will be dealt with, in the next Dealing Period and with reference to the Valuation Day coinciding with the close of such succeeding Dealing Period.

Unitholders should note that redemption monies will not be paid to any Unitholder until (a) the duly signed original written redemption request (if such original is required by the Manager) and all other supporting documents (if any are required) have been received by the Registrar; and (b) if the redemption proceeds are to be paid by telegraphic transfer to a bank account in the state of New York in the United States, in Hong Kong, in Australia, in Canada, in the United Kingdom, in New Zealand or in Singapore, the signature of the Unitholder (or the relevant joint Unitholder or Unitholders) on the redemption request form must be verified by a banker or some other person acceptable to the Registrar. No redemption proceeds will be paid to third parties.

Redemption proceeds will normally be paid in the Class Currency of the relevant Class by telegraphic transfer according to instructions given by the relevant Unitholder(s) to the Manager or by cheque made in favour of, and sent at the risk of the person(s) entitled to such proceeds to the registered address of the Unitholder or (in the case of joint Unitholders) the first named joint Unitholder appearing on the register of Unitholders or to the registered address of such other of the joint Unitholders as may be authorized in writing by all of them. If there is no delay in submitting all duly completed redemption documentation and the Manager is not exercising any of its powers described in section 3.8 of this Explanatory Memorandum below, the maximum interval between the receipt of a properly documented request for redemption of Units and payment of redemption proceeds to the Unitholders may not exceed one calendar month.

3. SUBSCRIPTION AND REDEMPTION OF UNITS (Continued)

3.4 Redemption of Units (Continued)

In respect of Class A Acc RMB Unhedged Units, Class A Acc RMB Hedged Units, Class A2 MDis RMB Unhedged Units and Class A2 MDis RMB Hedged Units, redemption moneys will also be paid in RMB under normal circumstances. However, where the Trust is not able to get sufficient amounts of RMB under extreme market conditions to meet redemption requests of such RMB Classes of Units, the Manager may pay redemption moneys in USD or delay the payment of redemption moneys. For further details relating to the associated risks, please refer to the risk factor titled "Risks associated with RMB Classes of Units" under the "Risk Factors" section.

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

All bank charges and administrative costs incurred in settling redemption proceeds to the Unitholder(s) will be borne by the relevant Unitholder(s) and deducted from the redemption proceeds. Any risks arising from delay in clearance of funds by banks or from sending out the cheque by post will be borne by the relevant Unitholders. A Redemption Charge of up to 5.0 per cent. of the Redemption Price per Unit of the relevant Class may also be deducted. Currently, the Manager has waived the Redemption Charge applicable to the redemption of Units of the relevant Class. However, the Manager may re-introduce a Redemption Charge in respect of a Class of Units at any time up to the maximum level of 5.0 per cent. with 1 month's prior notice (or such shorter notice period as approved by the SFC) to Unitholders.

3. SUBSCRIPTION AND REDEMPTION OF UNITS (Continued)

3.4 Redemption of Units (Continued)

With the prior consent of the Manager, arrangements can be made for redemption proceeds to be paid in any major currency other than the Class Currency of the relevant Class of Units being redeemed. Such alternative settlement instructions should be specified in the redemption request. The costs of any currency conversion (to be effected at such rates as the Manager may, in its discretion, deem appropriate) and other administrative expenses will be borne by the relevant Unitholder(s). Such currency conversion will be carried out at arm's length and executed on the best available terms.

With a view to protecting the interests of Unitholders, the Manager may limit the number of Units redeemed during any Dealing Period to 10 per cent. of the total number of Units in issue on the Valuation Day for that Dealing Period. Such limitation will be applied pro rata to all Unitholders who have requested such redemption. Redemption requests for Units which are not redeemed will be carried forward to the next Dealing Period to be redeemed by reference to the next Valuation Day (subject to being further deferred if the carried forward requests themselves exceed 10 per cent. of the Units in issue) provided that redemption requests carried forward from an earlier Valuation Day shall be dealt with in priority to later requests.

Partial redemptions may be effected. However, if a redemption request will result in a Unitholder having a residual holding of less than a value of (i) US$10,000 in the case of Class A1 Units and Class A2 MDis Units; (ii) US$5,000,000 in the case of Class Z Units; (iii) HKD80,000 in the case of Class A Acc HKD Hedged Units, Class A2 MDis HKD Units and Class A2 MDis HKD Hedged Units; (iv) AUD10,000 in the case of Class A2 MDis AUD Hedged Units; (v) CAD10,000 in the case of Class A2 MDis CAD Hedged Units; (vi) GBP10,000 in the case of Class A2 MDis GBP Hedged Units; (vii) NZD10,000 in the case of Class A2 MDis NZD Hedged Units; (viii) SGD10,000 in the case of Class A Acc SGD Hedged Units and Class A2 MDis SGD Hedged Units; (ix) RMB60,000 in the case of Class A Acc RMB Unhedged Units, Class A Acc RMB Hedged Units, Class A2 MDis RMB Unhedged Units and Class A2 MDis RMB Hedged Units, or (x) such other minimum holding for each Class of the Trust prescribed by the Manager from time to time, by reference to the Valuation Day on which the relevant redemption request is effected, the Manager may deem such redemption request to have been made in respect of all the Units held by that Unitholder. The Manager may, at its discretion, waive the requirement for a minimum holding and/or minimum redemption amount of Units (in whole or in part), whether generally or in a particular case.

3. SUBSCRIPTION AND REDEMPTION OF UNITS (Continued)

3.5 Transfers

Unitholders are entitled to transfer Units by an instrument in writing in such form as the Manager may from time to time prescribe signed by both the transferor and the transferee and left with the Registrar for registration. All forms for the transfer of Units sent by fax or other written or electronic means specified by the Manager to the Registrar must be followed by the duly signed original forms and the transfer of Units will only be effected upon receipt of the original executed transfer forms.

No transfer will be accepted if, as a result of such transfer, the value of Units held by either the transferor or the transferee is less than (i) US$10,000 in the case of Class A1 and Class A2 MDis Units; (ii) US$5,000,000 in the case of Class Z Units; (iii) HKD80,000 in the case of Class A Acc HKD Hedged Units, Class A2 MDis HKD Units and Class A2 MDis HKD Hedged Units; (iv) AUD10,000 in the case of Class A2 MDis AUD Hedged Units; (v) CAD10,000 in the case of Class A2 MDis CAD Hedged Units; (vi) GBP10,000 in the case of Class A2 MDis GBP Hedged Units; (vii) NZD10,000 in the case of Class A2 MDis NZD Hedged Units; (viii) SGD10,000 in the case of Class A Acc SGD Hedged Units and Class A2 MDis SGD Hedged Units; (ix) RMB60,000 in the case of Class A Acc RMB Unhedged Units, Class A Acc RMB Hedged Units, Class A2 MDis RMB Unhedged Units and Class A2 MDis RMB Hedged Units or (x) such other minimum holding specified by the Manager from time to time; or (xi) Units are acquired or held by a non- qualified person as described under section 6.6 of this Explanatory Memorandum.

3. SUBSCRIPTION AND REDEMPTION OF UNITS (Continued)

3.6 Switching of Units between different Classes

Unitholders will be able to switch, during any Dealing Period, all or part of their holdings of any Class of Units into Units of any other Class.

Applications for switching of Units may be made to the Registrar during any Dealing Period in writing and sent by post to the business address or by fax to the fax number shown on page 8 of the Explanatory Memorandum or other written or electronic means specified by the Manager. In respect of any faxed instructions or other written or electronic means, the duly signed original applications must follow such instructions, unless an original fax indemnity was already previously provided to the Manager.

All applications for switching received will be dealt with in the same manner as applications for subscriptions and redemptions. Switches will be calculated on a redemption to subscription price basis by reference to the prices of the relevant Classes of Units. Switches may be combined with partial redemptions. Currently, no switching fee will apply to the switching of Units between different Classes.*

* Certain distributors may impose a charge for each switching of Units acquired through it for Units in another Class, which will be deducted at the time of the switching and paid to the relevant distributor.

Partial switches must not result in the Unitholder's holding in each Class of Units being less than any minimum holding for the relevant Class of the Trust prescribed by the Manager from time to time. If a request for partial switching will result in either of these holdings being less than any such prescribed minimum holding, the switching request will be deemed to be in respect of the Unitholder's entire holding in the first Class of Units and the Units will be switched accordingly in their entirety.

3. SUBSCRIPTION AND REDEMPTION OF UNITS (Continued)

3.7 Fax or Electronic Instructions

All instructions received by fax or any electronic means from investors or Unitholders in respect of the subscription or redemption of Units (whether or not the duly signed original applications or requests are also required by the Manager to follow such faxed or electronic instructions) will generally be acted upon by the Manager subject to its absolute discretion not to, and instructing the Trustee not to, do so until the original written instructions are received. All initial applications for subscriptions of Units sent by fax or any electronic means must be followed by duly signed original applications for subscription.

All Unitholders who wish to give instructions relating to subscription or redemption of Units by fax or any electronic means must provide to the Manager an original fax indemnity in the form prescribed by the Manager from time to time (with the consent of the Trustee), unless an original fax indemnity was already previously provided to the Manager.

Neither the Manager nor the Trustee nor any of their agents, employees or delegates will be liable for any loss which the relevant investor or Unitholder may suffer arising from (a) either the Manager or the Trustee or any of their agents, employees or delegates acting on any faxed or electronic instructions which they believe in good faith to have originated from properly authorised persons; or (b) the Manager exercising its absolute discretion not to, and instructing the Trustee or any of their agents, employees or delegates not to, act on such faxed or electronic instructions; or (c) any faxed or electronic instructions which are illegible or not received by the Manager or the Trustee. Moreover, without written confirmation of receipt by the Manager or the Trustee, a transmission report produced by the originator of the facsimile or electronic transmission disclosing the transmission was sent shall not be sufficient proof of receipt thereof by the Manager or the Trustee.

3. SUBSCRIPTION AND REDEMPTION OF UNITS (Continued)

3.8 Suspension of the Determination of Net Asset Value

The Manager may, after giving prior notice to the Trustee, declare a suspension of the determination of the Net Asset Value of the Trust if:

(a) there is in existence any state of affairs prohibiting the normal disposal of the investments of the Trust; or

(b) (other than ordinary holiday or customary weekend closings) there is a closure of or the suspension or restriction of trading on any market to which a material part of the investments of the Trust is exposed; or

(c) there is a breakdown in any of the means normally employed in determining the Net Asset Value of the Trust or the Net Asset Value per Unit of the relevant Class of the Trust or when for any other reason the value of any securities or other property for the time being comprised in the Trust cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained; or

(d) for any other reason the prices of investments comprised in the Trust or which the Manager shall have agreed to acquire for the account of the Trust cannot, in the opinion of the Manager, be ascertained promptly and accurately; or

(e) circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to realise any securities held or contracted for the account of the Trust or it is not possible to do so without seriously prejudicing the interest of the Unitholders; or

(f) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, the securities of the Trust or the subscription or redemption of Units is delayed or cannot, in the opinion of the Manager, be carried out promptly or at normal rates of exchange.

3. SUBSCRIPTION AND REDEMPTION OF UNITS (Continued)

3.8 Suspension of the Determination of Net Asset Value (Continued)

A suspension of the determination of the Net Asset Value shall take effect immediately upon the declaration by the Manager, following which there shall be no determination of the Net Asset Value or Net Asset Value per Unit or the Issue Price or the Redemption Price of the relevant Class until the suspension shall have terminated. No Units will be issued or redeemed during any period of suspension.

The Manager shall give notice of its decision to suspend to Unitholders and to all those whose applications to subscribe for or redeem Units have been affected by the suspension through publication in the newspapers in which the Trust's prices are normally published.

3.9 Calculation and Publication of Net Asset Value

The Net Asset Value of the Trust will be determined as at the close of business in the last market to close of all relevant markets in which the Trust is invested (or at such other time as the Manager, with the consent of the Trustee, may determine) on each Valuation Day by valuing the assets of the Trust and deducting the liabilities of the Trust in accordance with the terms of the Trust Deed.

The Manager shall determine the Net Asset Value of each Class by:

(i) (prior to the accrual of fees pursuant to sub-paragraph (ii) below) apportioning the Net Asset Value of the Trust between the Classes in accordance with the previous Net Asset Value (before accrual for any performance fees) of each Class; and

(ii) then, deducting the fees, costs, expenses or other liabilities attributable to that Class in order to arrive at the actual Net Asset Value of each Class.

3. SUBSCRIPTION AND REDEMPTION OF UNITS (Continued)

3.9 Calculation and Publication of Net Asset Value (Continued)

The Net Asset Value per Unit in a Class is calculated by dividing the Net Asset Value of the relevant Class by the number of Units in issue under the relevant Class. All such calculations are carried out with the intention to properly reflect the comparative differences in fees, costs, expenses or other liabilities which are borne differently between the Classes.

The Net Asset Value per Unit of each Class will be rounded to the nearest two decimal places and any smaller fraction of a Unit will be retained for the benefit of the Trust.

The Net Asset Value per Unit of each Class will be available from the Manager on request and Net Asset Value per Unit of each Class is published daily in the South China Morning Post, Hong Kong Economic Journal and the Hong Kong Economic Times or such other newspaper as notified to the investors. The Net Asset Value per Unit of each Class are also available online at www.valuepartners.com.hk. This website has not been reviewed or authorized by the SFC. Investors are advised that such published prices are for information only. None of the Trustee, the Registrar, the Administrator, the Custodian, the Registrar or the Manager accepts any responsibility for any error in publication or for omission of publication of the Net Asset Value per Unit of any particular Class.

3.10 Form of Units

A contract note will normally be issued by the Registrar as soon as practicable after the relevant Valuation Day upon acceptance of an application for subscription or switching of Units. Certificates for Units will, however, not normally be issued. The number of Units to be issued pursuant to any application for subscription or switching will be rounded down to two decimal places and any monies representing any lesser fraction of a Unit shall be retained for the benefit of the Trust.

4 TAXATION

The following comments are based on advice received by the Manager regarding current law and practice and are intended to assist investors. Investors should appreciate that as a result of changing law or practice, or unfulfilled expectations as to how the Trust or Unitholders will be regarded by revenue authorities in different jurisdictions, the taxation consequences for Unitholders may be otherwise than as stated below.

Investors should consult their professional advisers on the possible tax consequences of their subscribing for, purchasing, holding, selling or redeeming Units under the laws of their countries of citizenship, residence, ordinary residence or domicile.

4.1 Hong Kong

The Trust

Profits Tax

The Trust has been authorised by the SFC pursuant to Section 104 of the Securities and Futures Ordinance. Accordingly, profits of the Trust arising from the sale or disposal of securities, net investment income received by or accruing to the Trust and other profits of the Trust are exempted from Hong Kong profits tax for so long as the Trust is so authorised.

Stamp Duty

The sale or purchase of Hong Kong stocks by the Trust will be subject to stamp duty in Hong Kong at the current rate of HK$1 per HK$1,000 or part thereof of the price or market value of the stocks, whichever is higher, unless specific exemptions apply.

4 TAXATION (Continued)

4.1 Hong Kong (Continued)

The Unitholders

Profits Tax

No tax will be payable by Unitholders in Hong Kong in respect of income distributions from the Trust or in respect of any gains arising on a sale, redemption or other disposal of Units, except that Hong Kong profits tax may arise where such transactions form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty

If the register of Unitholders of the Trust is maintained in Hong Kong, no Hong Kong stamp duty will be payable by the Unitholders on the issue and/or redemption of Units of the relevant Class in the Trust. However, the transfer by Unitholders of Units in the Trust may be subject to stamp duty in Hong Kong, depending on the mode and circumstances of the transfer. Under present law in Hong Kong, each of the transferor and the transferee is liable to pay a fixed rate stamp duty at the applicable rate (currently HK$5 on every transfer of a Unit in the Trust). Each of the transferor and the transferee may also be liable to pay ad valorem stamp duty on such transfers (calculated by reference to the value of the units transferred at the applicable rate, currently HK$1 per HK$1,000 or part thereof of the price or market value of the Units, whichever is higher).

4.2 The PRC

a) Equity and debt securities except China A Shares via Stock Connect

By investing in i) China A Shares via CAAPs and A Shares CIS, ii) RMB-denominated debt securities issued by non-PRC issuers and iii) China B Shares, H Shares and RMB-denominated debt securities issued or listed offshore by PRC issuers, the Trust may be subject to PRC taxes.

4 TAXATION (Continued)

4.2 The PRC (Continued)

a) Equity and debt securities except China A Shares via Stock Connect (Continued)

RMB-denominated debt securities issued by non-PRC issuers

The income (including interest income and capital gains) derived from the Trust's investments in RMB denominated debt securities issued by non-PRC issuers outside China should not be subject to PRC taxes.

PRC Corporate Income Tax ("CIT")

If the Trust is considered as a tax resident enterprise of the PRC, it should be subject to CIT at 25 per cent. on its worldwide taxable income. If the Trust is considered a non-tax resident enterprise with a PE in the PRC, the profits and gains attributable to that PE should also be subject to CIT at 25 per cent..

The Manager intends to manage and operate the Trust in such a manner that the Trust should not be treated as a tax resident enterprise of the PRC or a non-tax resident enterprise with a PE in the PRC for CIT purposes, although this cannot be guaranteed.

Dividend income or interest income

Interests derived from government bonds issued by the in-charge Finance Bureau of the State Council and/or local government bonds approved by the State Council are exempt from PRC income tax under the CIT Law.

4 TAXATION (Continued)

4.2 The PRC (Continued)

a) *Equity and debt securities except China A Shares via Stock Connect (Continued)*

PRC Corporate Income Tax ("CIT") (Continued)

Dividend income or interest income (Continued)

China B Shares, H Shares and RMB-denominated debt securities issued or listed offshore by PRC issuers

Unless a specific exemption or reduction is available under current PRC CIT law and regulations or relevant tax treaties, non-tax resident enterprises without PE in the PRC are subject to WIT, generally at a rate of 10 per cent., on dividend income or interest income arising from investments in the PRC securities including China B Shares, H Shares and RMB-denominated debt securities issued or listed offshore by PRC issuers. The entity distributing such dividends or interest is required to withhold such tax on behalf of the recipients.

China A Shares via CAAPs and A Shares CIS

Under current regulations in the PRC, foreign investors (such as the Trust) may invest in China A Shares, generally, only through a **QFII** or a **RQFII** and Stock Connect. Since only the relevant QFII's or RQFII's interests in China A Shares are recognised under PRC laws, any tax liability would, if it arises, be payable by the relevant QFII or RQFII, subject to further interpretations and rules that may be issued in the future. However under the terms of the arrangement between the relevant RQFII or QFII (i.e. the CAAP Issuers or in respect of the underlying A Shares CIS, generally, managers of A Shares CIS) and the Trust or the relevant underlying A Shares CIS, as the case may be, the relevant QFII or RQFII will pass on any tax liability to the Trust or the relevant underlying A Shares CIS. As such, the Trust or the relevant underlying A Shares CIS is the ultimate party which bears the risks relating to any PRC taxes which are so levied by the relevant PRC tax authority. Any tax liability of the underlying A Shares CIS into which the Trust invests will be reflected in their respective net asset value and thus, may impact the Trust's investment. Under current PRC tax laws and regulations, the relevant QFII or RQFII (if without a PE in China) is subject to WIT of 10 per cent. on dividends from China A Shares unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties.

4 TAXATION (Continued)

4.2 The PRC (Continued)

a) Equity and debt securities except China A Shares via Stock Connect (Continued)

PRC Corporate Income Tax ("CIT") (Continued)

Capital gains

China B Shares, H Shares and RMB-denominated debt securities issued or listed offshore by PRC issuers

For capital gains derived by an investor on the disposal of these securities, there are currently no specific rules or regulations under PRC CITL. As a result, such gains are technically subject to the 10 per cent. PRC WIT under the CITL. However, as a matter of practice, such 10 per cent. PRC WIT on capital gains realised by non-PRC tax resident enterprises from the trading of these securities has not been strictly enforced by the PRC tax authorities.

Having consulted professional and independent tax advisor, the Manager will not make provisions for any WIT payable by the Trust on PRC sourced capital gains from China B Shares, H Shares and RMB-denominated debt securities issued or listed offshore by PRC issuers. The implication of this is that if the Trust is liable to pay such withholding and other taxes, this may result in an unfavourable impact on the Net Asset Value of the Trust.

4 TAXATION (Continued)

4.2 The PRC (Continued)

a) Equity and debt securities except China A Shares via Stock Connect (Continued)

PRC Corporate Income Tax ("CIT") (Continued)

Capital gains (Continued)

China A Shares via CAAPs and A Shares CIS

The MoF, SAT and CSRC issued the Notice No. 79 on 14 November 2014. Notice No. 79 states that (a) PRC CIT will be imposed on gains obtained by QFIIs and RQFIIs from the transfer of PRC equity investment assets (including PRC domestic stocks) realised prior to 17 November 2014 in accordance with laws, and (b) QFIIs and RQFIIs (without an establishment or place in the PRC or having an establishment in the PRC but the income so derived in China is not effectively connected with such establishment) will be temporarily exempt from PRC CIT on gains derived from the trading of PRC equity investment (including China A Shares) effective from 17 November 2014.

Any such tax payable by the relevant QFII may be passed on to the Trust to the extent that the tax is attributable to the QFII's trading gains on the China A Shares.

No withholding is made by the CAAP Issuers in respect of any realized gains on the actual sale of the underlying China A Shares linked to the CAAPs issued to the Trust effective from 17 November 2014. Similarly, for direct investments in China A Shares by certain A Shares CIS, managers of such A Shares CIS may not accrue any provision for the 10 per cent. withholding tax from 17 November 2014 onwards.

Having consulted professional and independent tax advisor, the Manager will not make any tax provision for realized and unrealized capital gains derived from indirect China A Shares investments through CAAPs from 17 November 2014 onwards.

4 TAXATION (Continued)

4.2 The PRC (Continued)

a) Equity and debt securities except China A Shares via Stock Connect (Continued)

PRC Corporate Income Tax ("CIT") (Continued)

Capital gains (Continued)

China A Shares via CAAPs and A Shares CIS (Continued)

The tax laws, regulations and practice in the PRC are constantly changing, and they may be changed with retrospective effect. As such, any provision for taxation made by the Manager may be excessive or inadequate to meet final PRC tax liabilities on capital gains derived from indirect China A Shares investments through CAAPs. Any excessive provision or inadequate provision for such taxation may impact on the performance and hence the Net Asset Value of the Trust during the period of such excessive or inadequate provision. Any shortfall between the provision and the actual tax liabilities, which will be debited from the Trust's assets, will adversely affect the Trust's Net Asset Value. The actual tax liabilities may be lower than the tax provision made. Depending on the timing of their subscriptions and/or redemptions, investors may be disadvantaged as a result of any shortfall of tax provision and will not have the right to claim any part of the overprovision (as the case may be).

If no provision for potential withholding income tax is made and in the event that the PRC tax authorities enforce the imposition of such withholding income tax in respect of the Trust's investment in the China A Shares via CAAPs, the Net Asset Value of the Trust may be adversely affected. As a result, redemption proceeds or distributions may be paid to the relevant Unitholders without taking full account of the tax that may be suffered by the Trust, which tax will subsequently be borne by the Trust and affect the Net Asset Value of the Trust and the remaining Units in the Trust.

4 TAXATION (Continued)

4.2 The PRC (Continued)

a) *Equity and debt securities except China A Shares via Stock Connect (Continued)*

PRC Corporate Income Tax ("CIT") (Continued)

Capital gains (Continued)

China A Shares via CAAPs and A Shares CIS (Continued)

If no tax provision is made or if the tax provisions made are excessive or inadequate, Unitholders may be advantaged or disadvantaged depending upon the final outcome of how capital gains from direct China A Shares investments and indirect China A Shares investments through CAAPs will be taxed, the level of tax provision and when the Unitholders subscribed and/or redeemed their Units in/from the Trust.

Unitholders should refer to the latest financial report of the Trust for details of the amounts currently withheld as provision for taxation liabilities (if any) by the Manager and CAAP Issuers with respect to the taxes on capital gains.

Business Tax ("BT") and other surtaxes

Dividend income or interest income

The BT Law does not specifically exempt BT on interest earned by non-financial institutions. Hence, interest on both government and corporate bonds in theory should be subject to 5 per cent. BT.

Dividends income on China A Shares, China B Shares and H Shares will not be subject to BT in China.

4 TAXATION (Continued)

4.2 The PRC (Continued)

a) Equity and debt securities except China A Shares via Stock Connect (Continued)

Business Tax ("BT") and other surtaxes (Continued)

Capital gains

China A Shares

Caishui [2005] No. 155 states that gains derived by QFIIs from the trading of China A Shares are exempt from BT. The BT law has not changed this exemption treatment at the time of this Explanatory Memorandum.

China B Shares, H Shares and RMB-denominated debt securities issued or listed offshore by PRC issuers

According to the BT law with effect from 1 January 2009, the capital gains derived by non-individual investors from trading of China B Shares may be subject to BT at 5 per cent.. As a matter of practice the BT has not been strictly enforced by local tax bureau on capital gains derived by non-PRC tax resident enterprises from the trading of China B Shares.

Where capital gains are derived from trading of offshore PRC securities (i.e. H Shares and RMB-denominated debt securities issued or listed offshore by PRC issuers) by the Trust, BT in general should not be imposed as the purchase and disposal are often concluded and completed outside China.

If BT is applicable, there are also other surtaxes (which include Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) that would also be charged at an amount as high as 12 per cent. of the 5 per cent. BT payable (or an additional 0.6 per cent.). In addition, there may also be other local levies such as flood prevention fee, commodity reconciliation fund and water conservancy fund, depending on the location of the PRC companies.

4 TAXATION (Continued)

4.2 The PRC (Continued)

a) Equity and debt securities except China A Shares via Stock Connect (Continued)

Business Tax ("BT") and other surtaxes (Continued)

Stamp duty

Stamp duty under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC's Provisional Rules on Stamp Duty. In the case of contracts for sale of China A Shares and China B Shares, such stamp duty is currently imposed on the seller but not the purchaser, at the rate of 0.1 per cent.

For transfer of H Shares by non-PRC tax resident outside the PRC, PRC stamp duty is not generally applicable.

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

4 TAXATION (Continued)

4.2 The PRC (Continued)

a) Equity and debt securities except China A Shares via Stock Connect (Continued)

Business Tax ("BT") and other surtaxes (Continued)

Stamp duty (Continued)

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

Non-PRC tax resident Unitholders will not be subject to PRC tax on distributions received from the Trust (through the Trust), or on gains derived from the disposal of Units. PRC tax resident Unitholders should seek their own tax advice on their tax position with regard to their investment in the Trust (through the Trust).

It is possible that the current tax laws, regulations and practice in the PRC will change, including the possibility of taxes being applied retrospectively, and that such changes may result in higher taxation on PRC investments than currently contemplated. Any increased tax liabilities on the Trust may adversely affect the Trust's value.

4 TAXATION (Continued)

4.2 The PRC (Continued)

b) China A Shares via Stock Connect

i) CIT

Dividends

Pursuant to the "Notice about the tax policies related to the Shanghai-Hong Kong Stock Connect" (Caishui [2014] No. 81) ("**Notice No. 81**") promulgated by the MoF, the SAT and the CSRC on 14 November 2014, dividends received by Hong Kong and overseas investors (including the Trust) from China A Share investment via Stock Connect will be subject to 10 per cent. WIT and the company distributing the dividend has the withholding obligation. If the recipient of the dividend is entitled to a lower treaty rate, it can apply to the tax bureau in-charge of the payer for a refund.

Capital gains

Pursuant to Notice No. 81, PRC CIT will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including the Trust) on the trading of China A Shares through the Stock Connect. **Based on Notice No. 81 and having consulted professional and independent tax advisor, no provision for gross realised or unrealised capital gains derived from trading of China A Shares via Stock Connect is made by the Manager on behalf of the Trust.**

4 TAXATION (Continued)

4.2 The PRC (Continued)

b) China A Shares via Stock Connect (Continued)

ii) BT

The Notice No. 81 stipulates that BT will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including the Trust) on the trading of China A Shares through the Stock Connect.

iii) Stamp Duty

Stamp duty under the PRC laws generally applies to the execution and receipt of all taxable documents listed in the PRC's Provisional Rules on Stamp Duty. Stamp duty is levied on the execution or receipt in China of certain documents, including contracts for the sale of China A Shares traded on the PRC stock exchanges, at the rate of 0.1 per cent.. In the case of contracts for sale of China A Shares, such stamp duty is currently imposed on the seller but not on the purchaser. Accordingly, the Trust investing in China A Shares will be subject to stamp duty at 0.1 per cent. on its disposal of China A Shares.

5. FEES AND EXPENSES

5.1 Preliminary and Redemption Charges

A Preliminary Charge of up to 5.0 per cent. of the Issue Price of Units of the relevant Class of the Trust may be made by the Manager on issue of Units of the relevant Class subscribed for and retained for its own use and benefit.

A Redemption Charge of up to 5.0 per cent. of the Redemption Price of Units of the relevant Class of the Trust may also be made by the Manager on redemption of Units and retained for its own use and benefit.

Currently the Manager has waived the Redemption Charge applicable to the redemption of Units of the relevant Class. However, the Manager may re-introduce a Redemption Charge in respect of a Class of Units at any time up to the permitted maximum of 5.0 per cent. with one month's prior written notice (or such shorter notice period as approved by the SFC) to Unitholders.

For the purposes of calculating the amount of Redemption Charge in respect of a Class of Units, if any, payable by a redeeming Unitholder redeeming all or some of his Units of such Class, (a) a Unitholder effecting a partial redemption of Units will be deemed to be redeeming those Units subscribed for earlier in time prior to redeeming Units which were subsequently subscribed for; and (b) where a Unitholder is redeeming Units which had been transferred to him, the relevant date to determine any such charge will be the date of transfer, and not of subscription, of such Units.

5.2 Trustee Fees

The Trustee is entitled to receive a Trustee fee out of the assets of the Trust calculated as a percentage of the Net Asset Value as at each Valuation Day. The current rates of the Trustee fee are as follows:

- 0.17 per cent. per annum on the first US$400 million of the Net Asset Value of the Trust;

- 0.15 per cent. per annum on the next US$400 million of the Net Asset Value of the Trust; and

5. FEES AND EXPENSES (Continued)

5.2 Trustee Fees (Continued)

- 0.13 per cent. per annum of the Net Asset Value of the Trust in excess of US$800 million.

The Trustee fee may be increased up to a permitted maximum of 1.0 per cent. per annum of the Net Asset Value of the Trust on giving the Manager and the Unitholders one month's prior written notice (or such shorter notice period as approved by the SFC). The Trustee fee accrues daily and is calculated as at each Valuation Day and payable monthly in arrears, out of the Trust, provided that the aggregate Trustee fee payable to the Trustee for any month shall be no less than US$4,000.

The Trustee is also entitled to be paid out of the Trust a fixed annual fee of US$3,000 payable quarterly in arrears, as well as transaction fees and distribution handling fee at such rates within the Trustee's usual range of fees for similar transactions as agreed on a commercial arm's length basis with the Manager from time to time.

The Trustee performs the duties and functions of the Custodian and Registrar. All other fees of co-custodians and/or sub-custodians will be paid out of the Trust at such commercial rates prevailing in the relevant market as may be agreed by the relevant sub-custodian and the Trustee and/or its custodian at the relevant time when such future appointment(s), if any, are made.

5.3 Management Fee

The Manager is entitled to receive a management fee of up to 2.0 per cent. per annum of the Net Asset Value of the relevant Class of Units of the Trust and may also be entitled (under certain circumstances) to a performance fee as set out below.

5. FEES AND EXPENSES (Continued)

5.3 Management Fee (Continued)

The current management fee is (i) 1.25 per cent. per annum based on the Net Asset Value of the relevant Class as at each Valuation Day in the case of Class A1 Units, Class A Acc HKD Hedged Units, Class A Acc SGD Hedged Units, Class A2 MDis Units, Class A2 MDis HKD Units, Class A2 MDis HKD Hedged Units, Class A2 MDis AUD Hedged Units, Class A2 MDis CAD Hedged Units, Class A2 MDis GBP Hedged Units, Class A2 MDis NZD Hedged Units, Class A2 MDis SGD Hedged Units, Class A Acc RMB Unhedged Units, Class A Acc RMB Hedged Units, Class A2 MDis RMB Unhedged Units and Class A2 MDis RMB Hedged Units; and (ii) 0.75 per cent. per annum based on the Net Asset Value of the Class as at each Valuation Day in the case of Class Z Units. This fee accrues daily and will be calculated as at each Valuation Day and is payable monthly in arrears out of the Trust. The management fee payable may be increased up to a maximum of 2.0 per cent. per annum of the Net Asset Value of the relevant Class by the Manager giving not less than one month's prior written notice (or such shorter notice period as approved by the SFC) of such proposed increase to the Trustee and the Unitholders.

The Manager may appoint sub-investment managers and investment advisers, on terms and conditions determined by the Manager and subject to the prior approval of the SFC, to provide sub-investment management services or investment advice in respect of all or part of the Trust. The Manager will be responsible for the fees of such appointed persons.

5. FEES AND EXPENSES (Continued)

5.4 Performance Fee

The Manager is also entitled to receive in respect of each Class an annual performance fee, calculated on a high-on-high basis, if the Net Asset Value per Unit of a particular Class as at the Performance Fee Valuation Day which is the last Valuation Day of each calendar year (prior to the deduction of any provision for any performance fee and any distribution declared or paid in respect of that performance period) exceeds the higher of (a) the Net Asset Value per Unit of that Class on the date of the initial issue of Units; and (b) the Net Asset Value per Unit of that Class as at the Performance Fee Valuation Day of the preceding performance period in respect of which a performance fee was last paid to the Manager for that Class (after deduction of all fees including any performance fee and any distribution declared or paid in respect of that preceding performance period). The rate of performance fee payable is 15.0 per cent. and is calculated by multiplying this fee rate by the product of such excess of the Net Asset Value per Unit of a particular Class and the average of the number of Units of that Class in issue on each Valuation Day in the relevant performance period.

The relevant performance period shall be the period commencing on the date immediately following each Performance Fee Valuation Day and ending on the next following Performance Fee Valuation Day.

Any performance fee payable shall be paid as soon as practicable after the end of the relevant performance period. The performance fee shall be accrued on each Valuation Day throughout the relevant performance period. The accrual is made based on the Net Asset Value per Unit on each Valuation Day. If it exceeds that higher of (a) the Net Asset Value per Unit of that Class on the date of the initial issue of Units; and (b) the Net Asset Value per Unit of that Class as at the Performance Fee Valuation Day of the preceding performance period in respect of which a performance fee was last paid, a performance fee accrual will be made. If not, no performance fee accrual will be made. On each Valuation Day, the accrual made on the previous Valuation Day will be reversed and a new performance fee accrual will be calculated and made in accordance with the above.

5. FEES AND EXPENSES (Continued)

5.4 Performance Fee (Continued)

For Units subscribing or redeeming during the relevant performance period, they will be based on the Net Asset Value per Unit (after accrual of performance fee as calculated in accordance with the above) and there is no adjustment. Depending upon the performance of the Trust during the year, the price at which Unitholders subscribe or redeem Units at different times will be affected by performance of the Trust and this could have a positive or negative effect on the performance fee borne by them.

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

A charge of performance fee may have been borne by a Unitholder notwithstanding the Unitholder concerned may have suffered a loss in investment in the Units. On the other hand, a Unitholder may not be subject to any performance fee notwithstanding the Unitholder concerned may have realised a gain in investment in the Units.

The Manager may, in its absolute discretion, waive or reduce, or share with or rebate to any person(s) including those by or through whom the Units are offered for subscription, the payment of all or any portion of the Preliminary Charge and/or Redemption Charge in respect of the relevant Class of Units received by the Manager for its own use and benefit, and may share with or rebate to any person(s) including those by or through whom the Units are offered for subscription, the payment of all or any portion of the management fee and/or performance fee in respect of the relevant Class of Units received by the Manager for its own use and benefit subject to applicable regulation. Such persons may retain such charges for their own use and benefit by agreement between the Manager and such persons.

5. FEES AND EXPENSES (Continued)

5.5 Other Expenses

The Trust will not be responsible for any advertising or promotional expenses of the Trust nor any commission, remuneration or other sums payable by the Manager to any agent or other person in respect of the issue or sale of any Units.

The Trust will bear all costs and expenses relating to the Trust including but not limited to stamp and other duties, governmental charges, brokerages, commissions, exchange costs and commissions, bank charges and other costs and expenses payable in respect of the acquisition, holding and realisation of any investment or any monies, deposit or loan, other transaction-related expenses, charges and expenses of its legal counsel and auditors, any disbursements or out-of-pocket expenses properly incurred on behalf of the Trust by any of its service providers, the expenses incurred in convening and holding meetings of Unitholders, printing and distributing annual and half-yearly reports, accounts and other circulars relating to the Trust and the expenses of publishing Unit prices, the costs incurred in the preparation, printing and updating of any offering document, the costs incurred in the preparation of supplemental deeds, the costs charged by the Trustee in terminating the Trust and all other costs, charges and expenses properly incurred in the administration and investment activities of the Trust following the termination of the Trust.

The preliminary costs of the Trust have been fully amortised.

6. GENERAL INFORMATION

6.1 Distribution Policy

The Manager may, in accordance with the Trust Deed, determine to make a distribution out of income and/or capital (including unrealised capital gains or other unrealised profits during the relevant financial year and undistributed net income and undistributed net realised capital gains or profits brought forward from previous financial years) of the Trust to Unitholders. Investors should note that the payment of dividends out of capital represents a return or withdrawal of part of an investor's original investment or from any capital gains attributable to the original investment. Such distributions may result in an immediate reduction of the Net Asset Value per Unit in the relevant Class of the Trust.

The Manager may make distribution at its discretion for Class A1 Units of the Trust. The Manager will review the amount for dividend distribution once a year before determining whether dividends will be made. There is no guarantee that dividends will be made once a year. The last dividend payout date was 21 November 2005. In respect of Class A2 MDis Units, Class A2 MDis HKD Units, Class A2 MDis HKD Hedged Units, Class A2 MDis AUD Hedged Units, Class A2 MDis CAD Hedged Units, Class A2 MDis GBP Hedged Units, Class A2 MDis NZD Hedged Units, Class A2 MDis SGD Hedged Units, Class A2 MDis RMB Unhedged Units and Class A2 MDis RMB Hedged Units, the Manager currently intends to make monthly dividends distribution to Unitholders at its discretion. In respect of Class A Acc HKD Hedged Units, Class A Acc SGD Hedged Units, Class A Acc RMB Unhedged Units, Class A Acc RMB Hedged Units and and Class Z Units, the Manager currently does not intend to pay dividends to Unitholders. Therefore, any net income and net realized profits attributable to the Class A Acc HKD Hedged Units, Class A Acc SGD Hedged Units, Class A Acc RMB Unhedged Units, Class A Acc RMB Hedged Units and Class Z Units will be reinvested and reflected in their respective Net Asset Values.

6. GENERAL INFORMATION (Continued)

6.1 Distribution Policy (Continued)

Dividends will generally be paid in the Class Currency of the relevant Class of Units. With the prior consent of the Manager, arrangements can be made for dividends to be paid in any major currency other than the Class Currency of the relevant Class of Units. Any bank charges incurred from payment will be for the account of the investor. The cost of any currency conversion and other related administrative expenses will also be borne by the investor.

In respect of Class A2 MDis RMB Unhedged Units and Class A2 MDis RMB Hedged Units, dividends will also be paid in RMB under normal circumstances. However, where the Trust is not able to get sufficient amounts of RMB under extreme market conditions for payment of dividends in RMB, the Manager may pay dividends in USD or delay the payment of redemption moneys. For further details relating to the associated risks, please refer to the risk factor titled "Risks associated with RMB Classes of Units" under the "Risk Factors" section.

Conversion of currencies may involve some delay. None of the Trustee, the Manager, the Administrator, the Custodian or the Registrar will be liable to any Unitholder for any loss suffered by such Unitholder arising from the said currency conversion.

However, the Manager may consider not making distributions in any financial year, in its absolute discretion, taking into account factors such as fund size, fund history, income for the year, capital growth, administration costs, etc. Where distributions are made, the amount available for distribution in respect of each financial year will be determined and declared at such date(s) the Manager may, with the prior consent of the Trustee, determine. Following declaration, the relevant distribution shall be paid on a Valuation Day as soon as practicable after the date on which the distribution is declared ("**Distribution Date**") to persons who were Unitholders on the Valuation Day immediately preceding the date on which the distribution is declared.

6. GENERAL INFORMATION (Continued)

6.1 Distribution Policy (Continued)

In respect of Class A1 Units, Class A2 MDis Units, Class A2 MDis HKD Units, Class A2 MDis HKD Hedged Units, Class A2 MDis AUD Hedged Units, Class A2 MDis CAD Hedged Units, Class A2 MDis GBP Hedged Units, Class A2 MDis NZD Hedged Units, Class A2 MDis SGD Hedged Units, Class A2 MDis RMB Unhedged Units and Class A2 MDis RMB Hedged Units, unless Unitholders have indicated otherwise to the Manager on the subscription of Units of the relevant Class, any distributions payable will automatically be reinvested in the subscription of further Units of such Class of the Trust on the Distribution Date at the prevailing Issue Price of such Class applicable on the Distribution Date. The Manager may determine to make no distributions or make fewer distributions in a financial year at its absolute discretion.

In respect of Class A1 Units, Class A2 MDis Units, Class A2 MDis HKD Units, Class A2 MDis HKD Hedged Units, Class A2 MDis AUD Hedged Units, Class A2 MDis CAD Hedged Units, Class A2 MDis GBP Hedged Units, Class A2 MDis NZD Hedged Units, Class A2 MDis SGD Hedged Units, Class A2 MDis RMB Unhedged Units and Class A2 MDis RMB Hedged Units, Unitholders may specify on subscription that they wish to receive a cash distribution if a distribution is declared by the Manager. Provided, however, that distributions will not be paid in cash if the amount of the distribution for the relevant Unitholder amounts to less than US$100 (or its equivalent in HKD, AUD, CAD, GBP, NZD, SGD or RMB as the case may be) or such other amount determined by the Manager from time to time. If Unitholders do not request cash distributions or if the amount of the distribution payable to the relevant Unitholder is less than the minimum amount specified as aforesaid, the distribution to which the Unitholder is entitled will be reinvested in further Units to be issued at the prevailing Issue Price of the relevant Class applicable on the Distribution Date.

6. GENERAL INFORMATION (Continued)

6.1 Distribution Policy (Continued)

In the event that the net distributable income attributable to Class A1 Units, Class A2 MDis Units, Class A2 MDis HKD Units, Class A2 MDis HKD Hedged Units, Class A2 MDis AUD Hedged Units, Class A2 MDis CAD Hedged Units, Class A2 MDis GBP Hedged Units, Class A2 MDis NZD Hedged Units, Class A2 MDis SGD Hedged Units, Class A2 MDis RMB Unhedged Units and Class A2 MDis RMB Hedged Units during the relevant period is insufficient to pay dividends as declared, the Manager may in its discretion determine such dividends be paid from capital (including unrealised capital gains or other unrealised profits during the relevant financial year and undistributed net income and undistributed net realised capital gains or profits brought forward from previous financial years). Payment of dividends out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment.

Any distributions involving payment of dividends out of the Trust's capital may result in an immediate reduction in the Net Asset Value per Unit of Class A1 Units, Class A2 MDis Units, Class A2 MDis HKD Units, Class A2 MDis HKD Hedged Units, Class A2 MDis AUD Hedged Units, Class A2 MDis CAD Hedged Units, Class A2 MDis GBP Hedged Units, Class A2 MDis NZD Hedged Units, Class A2 MDis SGD Hedged Units, Class A2 MDis RMB Unhedged Units and Class A2 MDis RMB Hedged Units and will reduce any capital appreciation for the Unitholders of the relevant classes. Any such payments out of capital will only be made to seek to maintain, so far as is reasonable, a stable payment per Unit of the relevant Class but the payment per Unit of the relevant Class is not fixed or guaranteed and will vary according to economic and other circumstances and the ability of the Trust to support stable monthly payments without a long-term negative impact on capital.

Under the current distribution policy, the level of dividend does not necessarily indicate the total return of the Trust. In order to assess the total return of the Trust, both the Net Asset Value movement (including dividend) and the dividend distribution should be considered. The Net Asset Value of relevant Classes will be adjusted by such amount of dividend on the ex-date.

6. GENERAL INFORMATION (Continued)

6.1 Distribution Policy (Continued)

Where dividends comprise amounts from both income and capital, the composition of the dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) (if any) for the last 12 months is available by the Manager on request and also on the Manager's website www.valuepartners.com.hk. Investors should note that the aforesaid website is not reviewed or authorised by the SFC.

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

6.2 Trust Deed

The Trust was constituted by a trust deed dated 7 August 2002, as amended from time to time, (the "**Trust Deed**"). Pursuant to a Deed of Retirement and Appointment of the trustee dated 31 March 2016, the Trust changed its domicile from the Cayman Islands to Hong Kong and HSBC Institutional Trust Services (Asia) Limited was appointed as trustee in place of Bank of Bermuda (Cayman) Limited with effect from 31 March 2016. Pursuant to a Deed of Retirement and Appointment of the manager dated 31 March 2016, Value Partners Hong Kong Limited was appointed as manager in place of Value Partners Limited with effect from 31 March 2016. Unitholders and prospective investors are advised to review the terms of the Trust Deed which govern their investment in the Trust. Please refer to section 6.10 of this Explanatory Memorandum for details on how you can inspect or purchase a copy of the Trust Deed from the Manager.

6. GENERAL INFORMATION (Continued)

6.3 Report, Accounts and Statements

The financial year end of the Trust is 31 December in each year. Audited accounts of the Trust, prepared according to International Financial Reporting Standards (save that the establishment costs of the Trust may be amortised), will normally be sent to Unitholders within four months of the financial year-end. The Manager will also prepare unaudited semi-annual reports for the first six calendar months ending on 30 June in each financial year, to be sent to Unitholders within two months after the end of such period. The English and Chinese reports provide details of the assets of the Trust and the Manager's statement on transactions during the period under review and will be posted on the Manager's website, www.valuepartners.com.hk.

At the end of each calendar month, each Unitholder will be sent an account statement containing details of his transactions during the relevant period and the market value of his Units.

6.4 Duration and Termination of the Trust

Unless terminated earlier as provided in the Trust Deed, the Trust will continue until the date falling 80 years from the date of its establishment (i.e. 7 August 2002 to 6 August 2082).

The Trust may be terminated by the Trustee if any of the following events shall occur, namely:

(a) the Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or a receiver is appointed over any of its assets and is not discharged within 60 days; or

(b) in the opinion of the Trustee, the Manager has failed to perform or is incapable of performing its duties under the Trust Deed satisfactorily or the Manager has done such thing which, in the opinion of the Trustee, is calculated to bring the Trust into disrepute or is harmful to the interests of the Unitholders; or

6. GENERAL INFORMATION (Continued)

6.4 Duration and Termination of the Trust (Continued)

(c) any law is passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue the Trust; or

(d) the Trustee is unable to find a person acceptable to the Trustee to act as the new Manager within 30 days after the removal of the Manager; or

(e) the Trustee has decided to retire but within 30 days of the Trustee giving notice to the Manager of its desire to retire the Manager is unable to find a suitable person who is willing to act as trustee.

The Trust may be terminated by the Manager in its absolute discretion by three months' notice in writing to the Trustee and three months' written notice in writing to Unitholders if:

(a) after 5 years from the date of the Trust Deed, the aggregate Net Asset Value of all the Units outstanding is less than US$2,500,000; or

(b) any law is passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable to continue the Trust.

The Trust may be terminated at any time in the event that an Extraordinary Resolution to that effect is passed at a duly convened meeting of Unitholders.

6. GENERAL INFORMATION (Continued)

6.5 Conflicts of Interest

The Manager and the Trustee may, from time to time, act as manager, sub-investment manager, investment adviser, trustee or such other capacity in connection with any collective investment scheme separate and distinct from the Trust and retain any profit or benefit made in connection therewith.

In addition:

(a) The Manager or any Connected Person (as defined below) may purchase and sell investments for the account of the Trust as agent for the Trustee.

(b) The Trustee, the Manager and any of their Connected Persons may contract or enter into any financial, banking or other transaction with one another or with any Unitholder or any company or body any of whose shares or securities form part of the Trust.

(c) The Trustee or the Manager may become the owner of Units and hold, dispose or otherwise deal with them with the same rights which it would have had if it had not been the Trustee or the Manager.

(d) The Trustee, the Manager and any of their Connected Persons may buy, hold and deal in any securities, commodities or other property for their own account or for the account of their other customers notwithstanding that similar securities, commodities or other property may be held as part of the Trust.

(e) Any arrangements for the borrowing or deposit of any monies for the account of the Trust may be made with any of the Trustee, the Manager, any investment adviser or any Connected Person of any of them being a banker or other financial institution provided that such person shall charge or pay (as the case may be) interest or fees at a rate or amount no higher (in the case of a borrowing) or lower (in the case of a deposit) than the prevailing rates or amounts for transactions of a similar size and duration, in the same currency and with institutions of similar standing.

6. GENERAL INFORMATION (Continued)

6.5 Conflicts of Interest (Continued)

(f) Subject to restrictions and requirements applicable from time to time, the Manager or any of its Connected Persons may enter into investments for the Trust as agent for the Trust and may deal with the Trust as principal provided that, in both cases, dealings are carried out as if effected on normal commercial terms negotiated on an arm's length basis. Any transactions between the Trust and the Manager, investment adviser or any of their Connected Persons as principal may only be made with the prior written consent of the Trustee. All such transactions must be disclosed in the Trust's annual report.

(g) In transacting with brokers or dealers connected to the Manager, any investment adviser or any Connected Person of any of them, the Manager must ensure that:

(i) such transactions are on an arm's length terms;

(ii) the Manager has used due care in the selection of such persons and has ensured that they are suitably qualified in the circumstances;

(iii) transaction execution is consistent with applicable best execution standards;

(iv) the fee or commission paid to any such persons in respect of a transaction is not greater than that which is payable at the prevailing market rate for a transaction of that size and nature;

(v) the Manager must monitor such transactions to ensure compliance with its obligations; and

(vi) the nature of such transactions and the total commissions and other quantifiable benefits received by such persons shall be disclosed in the Trust's annual reports.

6. GENERAL INFORMATION (Continued)

6.5 Conflicts of Interest (Continued)

(h) Neither the Trustee nor the Manager nor their respective Connected Persons shall be liable to account to each other or to the Trust or to the Unitholders for any profits or benefits made or derived from or in connection with any such transaction mentioned above.

It is, therefore, possible that any of the Trustee, the Manager or their Connected Persons may, in the course of business, have potential conflicts of interest with the Trust. Each will, at all times, have regard in such event to its obligations to the Trust and the Unitholders and will endeavour to ensure that such conflicts are resolved fairly.

For the purposes of this section, Connected Persons shall have the meaning defined in the Trust Deed and include any subsidiary or holding company or associate of the Manager or the Trustee, or subsidiary of such holding company as the case may be.

Where the Manager invests in shares or units of a collective investment scheme managed by the Manager, its delegates, or any Connected Persons, the manager of the scheme in which the investment is being made must waive any initial charge which it is entitled to charge for its own account in relation to the acquisition of shares or units and there must be no increase in the overall total of annual management fees (or other costs and charges payable to the Manager or any Connected Person) borne by the Trust.

None of the Manager, its delegates or any Connected Persons shall retain any cash commission rebates or other payment or benefit (except as otherwise provided for in this Explanatory Memorandum or in the Trust Deed) received from a third party (either directly or indirectly) in consideration of directing transactions in the Trust's assets to such persons, and any such rebates or payments or benefits which are received shall be credited to the account of the Trust.

6. GENERAL INFORMATION (Continued)

6.5 Conflicts of Interest (Continued)

Subject to paragraphs (g)(i)-(vi) above, the Manager, its delegates or Connected Person of the Manager may receive, and are entitled to retain, research products and services (known as soft dollar benefits) which are of demonstrable benefit to the Unitholders (as may be permitted under applicable rules and regulations) from brokers and other persons through whom investment transactions are carried out ("**brokers**") provided that the quality of transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates.

The services of the Trustee provided to the Trust 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 fees and other moneys payable thereby and the Trustee shall not be deemed to be affected with notice of or to be under any duty to disclose to the Trust any fact or thing which comes to the notice of the Trustee in the course of the Trustee rendering similar services to others or in the course of its business in any other capacity or in any manner whatsoever, otherwise than in the course of carrying out its duties under the Trust Deed.

6.6 Restrictions on Unitholders

The Manager has power to impose such restrictions as the Manager may think necessary for the purpose of ensuring that no Units in the Trust are acquired or held by a non-qualified person. A non-qualified person includes:–

(a) a US Person (as defined in the Trust Deed), unless accepted by the Manager; or

(b) any individual under the age of 18; or

(c) any person whose holding of Units would be a breach of the law or requirements of any country or governmental authority in circumstances which, in the Manager's opinion, might result in the Trust suffering any adverse effect which the Trust might not otherwise have suffered; or

6. GENERAL INFORMATION (Continued)

6.6 Restrictions on Unitholders (Continued)

(d) any person or persons, in circumstances which, in the Manager's opinion, may result in the Trust incurring any tax liability or suffering any other pecuniary disadvantage which the Trust might not otherwise have incurred or suffered; or

(e) such other non-qualified persons as determined by the Manager from time to time.

If it comes to the notice of the Manager that any Units are so held by such a person, the Manager may give notice to such person requiring the redemption or transfer of such Units in accordance with the provisions of the Trust Deed. A person who becomes aware that he is holding or owning Units in breach of any such restriction is required either to deliver to the Trust a written request for redemption of his Units in accordance with the Trust Deed or to transfer his Units to a person who would not thereby be a non-qualified person. If any unitholder upon whom such a notice is served pursuant to the Trust Deed does not, within 30 days of such notice, transfer or redeem such units as aforesaid or establish to the satisfaction of the Trustee or the Manager (whose judgment shall be final and binding) that such units are not held in contravention of any such restrictions he shall be deemed upon the expiry of the 30-day period to have given a request in writing for the redemption of all such units.

6.7 Voting Rights

Meetings of all Unitholders or Unitholders of a particular Class may be convened by the Manager or the Trustee. The Manager must convene a meeting of Unitholders of a particular Class if the Unitholders of one-tenth or more in value of the Units in issue in that Class require such a meeting to be convened, or a meeting of all Unitholders if the Unitholders of one-tenth or more in value of all Units in issue require such a meeting to be convened. Unitholders will be given not less than 21 days' notice of any meeting.

6. GENERAL INFORMATION (Continued)

6.7 Voting Rights (Continued)

The quorum for the transaction of business, except for the purpose of passing an Extraordinary Resolution, will be

(a) in the case of a meeting of Unitholders of a particular Class, Unitholders present in person or by proxy registered as holding not less than 10 per cent. of the Units in that Class for the time being in issue; and.

(b) in the case of a meeting of all Unitholders, Unitholders present in person or by proxy registered as holding not less than 10 per cent. of all Units for the time being in issue.

The quorum for passing an Extraordinary Resolution will be Unitholders present in person or by proxy registered as holding not less than 25 per cent. of the Units for the time being in issue in a particular Class or (as the case may be) of all Units for the time being in issue.

Meetings of Unitholders may be used to modify the terms of the Trust Deed, including to increase the maximum fees payable to the service providers, to remove the Trustee or to terminate the Trust at any time. Such amendments to the Trust Deed must be considered by Unitholders holding at least 25 per cent. of the Units in issue of each Class affected by such amendment, or where Unitholders of all Classes will be affected, by Unitholders holding at least 25 per cent. of all Units in issue, and passed by way of an Extraordinary Resolution where there is a 75 per cent. majority of the votes cast.

Unless a poll is demanded by the Chairman or one or more Unitholders present in person or by proxy registered as holding 5.0 per cent. of:

(a) in the case of a meeting of Unitholders of a particular Class, the Units in that Class for the time being in issue; or

(b) in the case of a meeting of Unitholders of all Classes, all Units for the time being in issue,

6. GENERAL INFORMATION (Continued)

6.7 Voting Rights (Continued)

voting at a meeting shall be decided on a show of hands. In the case of joint Unitholders, the senior of those who tenders a vote (in person or by proxy) will be accepted to the exclusion of the other joint Unitholders and seniority is determined by the order in which the names appear on the register of Unitholders.

Voting at meetings of Unitholders shall be conducted in accordance with the relevant provisions of the Code and in particular so that votes shall be proportionate to the number of Units held.

6.8 Anti-Money Laundering Regulations

Hong Kong

The Trust, the Trustee, the Manager, the Administrator, the Custodian, the Registrar, their agents, affiliates, subsidiaries or associates (as the case may be) will also require verification of identity and the source of funds according to Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, Cap. 615 ("**AMLO**"), the SFC's Guideline on Anti-Money Laundering and Counter-Terrorist Financing (as amended) and the Prevention of Money Laundering and Terrorist Financing Guideline issued by the Securities and Futures Commission for Associated Entities (as amended).

In Hong Kong, there are also obligations to report suspicious transactions to the Joint Financial Intelligence Unit jointly run by staff of the Hong Kong Police Force and the Hong Kong Customs & Excise Department under the Drug Trafficking (Recovery of Proceeds) Ordinance, the Organised and Serious Crimes Ordinance, the United Nations (Anti-Terrorism Measures) Ordinance. Reporting of suspicious transactions by the Trustee, the Manager, the Administrator, the Custodian, the Registrar, their agents, affiliates, subsidiaries or associates (as the case may be) shall not be communicated with the Unitholder, as such action may constitute an offence in Hong Kong.

6. GENERAL INFORMATION (Continued)

6.9 Material Agreements

Copies of the Trust Deed are available for inspection at the office of the Manager during normal business hours free of charge and copies may be purchased at a reasonable charge.

Once published, copies of the annual reports and semi-annual reports of the Trust will also be available for inspection at the office of the Manager during normal business hours.

6.10 Certification for Compliance with FATCA or Other Applicable Laws

Each investor (i) will be required to, upon demand by the Trustee or the Manager, provide any form, certification or other information reasonably requested by and acceptable to the Trustee or the Manager that is necessary for the Trust (A) to prevent withholding (including, without limitation, any withholding tax required under FATCA) or qualify for a reduced rate of withholding or backup withholding in any jurisdiction from or through which the Trust 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 obligation 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 obligation imposed by the United States, Hong Kong or any other jurisdiction, including reporting obligations that may be imposed by future legislation.

6.11 Power to Disclose Information to Tax Authorities

Subject to applicable laws and regulations in Hong Kong, the Trustee or the Manager or any of their authorised person (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 jurisdiction (including but not limited to the U.S. IRS), certain information in relation to a Unitholder, including but not limited to the Unitholder's name, address, tax identification number (if any), social security number (if any) and certain information relating to the Unitholder 's holdings in the Trust, to enable the Trust 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).

7. PROCEDURE FOR APPLICATION

7.1 Method of Application

Initial applications for subscription of Units of the relevant Class must be made on the Subscription Form which accompanies this Explanatory Memorandum (also available from the Manager). Subsequent applications for subscription of Units of the relevant Class must be made on the Subsequent Subscription Form available from the Manager. Applications should be sent by post or by fax to the Registrar at the business address or fax number set out in the Subscription Form. The Manager may also, in its discretion, allow any application for subscription to be made by other written or electronic forms. Please refer to section 3.7 of this Explanatory Memorandum for details relating to subscriptions made by fax or electronic instructions.

The Manager reserves the right to reject any application in whole or in part in which case the subscription monies will be returned (without interest) by cheque or telegraphic transfer at the cost and risk of the investor.

7.2 Payment Procedure

No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry on the regulated activity of dealing in securities under Part V of the Hong Kong Securities and Futures Ordinance. Third party cheques and cash are not accepted.

Units will not usually be issued unless and until the signed application for subscription or switching of Units in the relevant Class has been received (whether by fax, post or other written or electronic forms specified by the Manager), and subscription monies have been received in full in cleared funds by or on behalf of the Trustee, in which case the relevant Units will be issued by reference to the Issue Price of Units of that Class determined as at the close of the Dealing Period during which monies are actually received.

Payment will normally be made in the Class Currency of the relevant Class of Units as set out in section 7.2 of this Explanatory Memorandum unless the applicant has made arrangements with the Manager to make payment in some other currency. Payment details are set out in the Subscription Form.

7. PROCEDURE FOR APPLICATION (Continued)

7.2 Payment Procedure (Continued)

Payment in other freely convertible currencies other than the Class Currency may be accepted subject to the prior consent of the Trustee and/or the Manager. If such applications in other freely convertible currencies are accepted, the number of Units to be issued in such circumstances will be determined by the Manager calculating the equivalent of the subscription amount in the Class Currency at an exchange rate which the Manager deems appropriate and after deducting the cost of foreign exchange. Any bank charges incurred from payment will be for the account of the investor. The cost of any currency conversion and other related administrative expenses will also be borne by the investor. Conversion of currencies may involve some delay. None of the Trustee, the Manager, the Administrator, the Custodian or the Registrar will be liable to any Unitholder for any loss suffered by such Unitholder arising from the said currency conversion.

The Manager may, however, exercise its discretion to accept late payment of subscription monies, provisionally allot Units by reference to the Issue Price of Units of the relevant Class at the close of the relevant Dealing Period and charge interest for the benefit of the Trust on such overdue monies until payment is received in full, at such rate as the Manager thinks appropriate. However, if payment of subscription monies is not received within such period as determined by the Manager (which shall not be more than 3 Business Days after the close of the relevant Dealing Period), the Manager may, or the Trustee may require the Manager to, cancel such issue of Units of the relevant Class. Upon such cancellation, the relevant Units shall be deemed never to have been issued and the applicant shall have no right to claim in respect thereof against the Manager or the Trustee. The Manager shall be entitled to claim from the applicant and retain for its own account a cancellation fee of up to HK$500, representing any administrative, foreign exchange or other costs involved in processing and cancelling such application.

Units issued by the Trust will be held for investors in registered form. Certificates will not be issued. A contract note will normally be issued by the Registrar as soon as practicable after the relevant Valuation Day upon acceptance of an application for subscription or switching and will be forwarded by ordinary post (at the risk of the person(s) entitled to such contract note).

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VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND (the "TRUST")

ADDENDUM

Important

*If you are in doubt about the contents of this Addendum, you should seek independent professional advice. This Addendum supplements, forms part of and should be read in conjunction with the Explanatory Memorandum of the Trust dated 22 April 2016 ("**Explanatory Memorandum**"). The changes made to the Explanatory Memorandum by this Addendum shall take effect immediately. All capitalized terms used in this Addendum have the same meaning as in the Explanatory Memorandum, unless otherwise defined herein. Value Partners Hong Kong Limited, the Manager of the Trust, accepts full responsibility for the accuracy of the information contained in this 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 in this Addendum misleading as at the date of publication.*

Introduction

The Explanatory Memorandum is hereby amended to reflect the following changes to the Trust:

(a) change of means for the publication of suspension notice and clarification on the publication of the Net Asset Value per Unit;

(b) offer of new Classes of Units; and

(c) rectification of typographical errors in the Explanatory Memorandum.

(A) Change of Means for the Publication of Suspension Notice and Clarification on the Publication of the Net Asset Value per Unit

1. The third paragraph under the heading "Suspension of the Determination of Net Asset Value" in Section 3.8 on page 84 of the Explanatory Memorandum is revised as bold and underlined:

   "The Manager shall give notice of its decision to suspend to Unitholders and to all those whose applications to subscribe for or redeem Units have been affected by the suspension through publication ~~**in the newspapers in which the Trust's prices are normally published**~~ **in the South China Morning Post, the Hong Kong Economic Journal and the Hong Kong Economic Times or such other newspaper as notified to the investors. The notice will also be made available on the Manager's website www.valuepartners.com.hk. This website has not been reviewed or authorized by the SFC.**"

2. The fifth paragraph under the heading "Calculation and Publication of Net Asset Value" in Section 3.9 on page 85 of the Explanatory Memorandum is revised as bold and underlined:

   "The Net Asset Value per Unit of each Class will be available from the Manager on request and Net Asset Value per Unit of each **of the** Class**es which are offered to the retail public of Hong Kong** is published **on** ~~**daily**~~ **each Business Day** in the South China Morning Post, **the** Hong Kong Economic Journal and the Hong Kong Economic Times or such other newspaper as notified to the investors. The Net Asset Value per Unit of each **of the said** Class**es** ~~**are**~~ **is** also available online at www.valuepartners.com.hk. This website has not been reviewed or authorized by the SFC. Investors are advised that such published prices are for information only. None of the Trustee, the Registrar, the Administrator, the Custodian, the Registrar or the Manager accepts any responsibility for any error in publication or for omission of publication of the Net Asset Value per Unit of any particular Class."

Value Partners
Investing through discipline

(B) Offer of New Classes of Units

3. The following paragraphs are inserted after the fifth paragraph under the heading "Trust Structure" in Section 2.1 on page 15 of the Explanatory Memorandum:

   "As from 15 July 2016, the Manager has determined to create and establish the following new Classes of Units known as Class A Acc JPY Hedged and Class A2 MDis JPY Hedged.

   Units in Class A Acc JPY Hedged and Class A2 MDis JPY Hedged are available to the public of Hong Kong for subscription from 15 July 2016 at an Issue Price of JPY1,000, thereafter, Units in such Classes will be available at their prevailing Issue Prices (which will not necessarily be the same as the Issue Price of Units in other Classes of Units)."

4. The following paragraph is inserted after the first paragraph under the heading "Summary of Features" in Section 3.1 on page 70 of the Explanatory Memorandum:

   "Class A Acc JPY Hedged Units and Class A2 MDis JPY Hedged Units are offered from 15 July 2016."

5. The second table in the second paragraph under the heading "Summary of Features" in Section 3.1 on page 72 of the Explanatory Memorandum is deleted in its entirely and replaced with the following:

	Class A2 MDis GBP Hedged	**Class A2 MDis NZD Hedged**	**Class A Acc SGD Hedged and Class A2 MDis SGD Hedged**	**Class A Acc RMB Unhedged, Class A Acc RMB Hedged, Class A2 MDis RMB Unhedged and Class A2 MDis RMB Hedged**	**Class A Acc JPY Hedged and Class A2 MDis JPY Hedged**
Currency of Issue of a Class (the "**Class Currency**")	Pounds Sterling ("**GBP**")	New Zealand Dollars ("**NZD**")	Singapore Dollars ("**SGD**")	Renminbi ("**RMB**")	Japanese Yen ("**JPY**")
Minimum Initial Subscription	GBP10,000 (inclusive of any Preliminary Charge)	NZD10,000 (inclusive of any Preliminary Charge)	SGD10,000 (inclusive of any Preliminary Charge)	RMB60,000 (inclusive of any Preliminary Charge)	JPY1,000,000 (inclusive of any Preliminary Charge)
Minimum Subsequent Subscription	GBP5,000 (inclusive of any Preliminary Charge)	NZD5,000 (inclusive of any Preliminary Charge)	SGD5,000 (inclusive of any Preliminary Charge)	RMB30,000 (inclusive of any Preliminary Charge)	JPY500,000 (inclusive of any Preliminary Charge)
Minimum Redemption	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Minimum Holding for Each Class of the Trust Applicable to Partial Redemption, Transfers and Switching	GBP10,000	NZD10,000	SGD10,000	RMB60,000	JPY1,000,000

Preliminary Charge on Subscription	Up to 5.0 per cent. of the Issue Price	Up to 5.0 per cent. of the Issue Price	Up to 5.0 per cent. of the Issue Price	Up to 5.0 per cent. of the Issue Price	Up to 5.0 per cent. of the Issue Price
Switching Fee	Currently Nil*	Currently Nil*	Currently Nil*	Currently Nil*	Currently Nil*
Redemption Charge	Currently Nil (Max. 5.0 per cent.)	Currently Nil (Max. 5.0 per cent.)	Currently Nil (Max. 5.0 per cent.)	Currently Nil (Max. 5.0 per cent.)	Currently Nil (Max. 5.0 per cent.)
Annual Management Fee	1.25 per cent. per annum (Max. 2.0 per cent.)	1.25 per cent. per annum (Max. 2.0 per cent.)	1.25 per cent. per annum (Max. 2.0 per cent.)	1.25 per cent. per annum (Max. 2.0 per cent.)	1.25 per cent. per annum (Max. 2.0 per cent.)
Performance Fee	15.0 per cent. of the increase in Net Asset Value per Unit in the relevant Class in the relevant performance period calculated annually on a high-on-high basis	15.0 per cent. of the increase in Net Asset Value per Unit in the relevant Class in the relevant performance period calculated annually on a high-on-high basis	15.0 per cent. of the increase in Net Asset Value per Unit in the relevant Class in the relevant performance period calculated annually on a high-on-high basis	15.0 per cent. of the increase in Net Asset Value per Unit in the relevant Class in the relevant performance period calculated annually on a high-on-high basis	15.0 per cent. of the increase in Net Asset Value per Unit in the relevant Class in the relevant performance period calculated annually on a high-on-high basis

6. The second paragraph under the heading “Subscription for Units” in Section 3.3 on page 74 of the Explanatory Memorandum is revised as bold and underlined:

   “The Manager may, at its discretion, waive the minimum initial subscription and minimum subsequent subscription amounts in respect of Class A1 Units, Class A2 MDis Units, Class Z Units, Class A Acc HKD Hedged Units, Class A Acc SGD Hedged Units, Class A2 MDis HKD Units, Class A2 MDis HKD Hedged Units, Class A2 MDis AUD Hedged Units, Class A2 MDis CAD Hedged Units, Class A2 MDis GBP Hedged Units, Class A2 MDis NZD Hedged Units, Class A2 MDis SGD Hedged Units, Class A Acc RMB Unhedged Units, Class A Acc RMB Hedged Units, Class A2 MDis RMB Unhedged Units**,** ~~and~~ Class A2 MDis RMB Hedged Units, **Class A Acc JPY Hedged Units and Class A2 MDis JPY Hedged Units,** whether generally or in a particular case. The Manager may on any Valuation Day differentiate between applicants as to the amount of the Preliminary Charge to be added to the Issue Price of Units in each Class to be issued to them respectively on that day. For further details of the Preliminary Charge, please refer to section 5.1 of this Explanatory Memorandum.”

7. The fourteenth paragraph under the heading “Redemption for Units” in Section 3.4 on page 79 of the Explanatory Memorandum is revised as bold and underlined:

   “Partial redemptions may be effected. However, if a redemption request will result in a Unitholder having a residual holding of less than a value of (i) US$10,000 in the case of Class A1 Units and Class A2 MDis Units; (ii) US$5,000,000 in the case of Class Z Units; (iii) HKD80,000 in the case of Class A Acc HKD Hedged Units, Class A2 MDis HKD Units and Class A2 MDis HKD Hedged Units; (iv) AUD10,000 in the case of Class A2 MDis AUD Hedged Units; (v) CAD10,000 in the case of Class A2 MDis CAD Hedged Units; (vi) GBP10,000 in the case of Class A2 MDis GBP Hedged Units; (vii) NZD10,000 in the case of Class A2 MDis NZD Hedged Units; (viii) SGD10,000 in the case of Class A Acc SGD Hedged Units and Class A2 MDis SGD Hedged Units; (ix) RMB60,000 in the case of Class A Acc RMB Unhedged Units, Class A Acc RMB Hedged Units, Class A2 MDis RMB Unhedged Units and Class A2 MDis RMB Hedged Units, **(x) JPY1,000,000 in the case of Class A Acc JPY Hedged Units and Class A2 MDis JPY Hedged Units,** or (x**i**) such other minimum holding for each Class of the Trust prescribed by the Manager from time to time, by reference to the

Valuation Day on which the relevant redemption request is effected, the Manager may deem such redemption request to have been made in respect of all the Units held by that Unitholder. The Manager may, at its discretion, waive the requirement for a minimum holding and/or minimum redemption amount of Units (in whole or in part), whether generally or in a particular case."

8. The second paragraph under the heading "Transfers" in Section 3.5 on page 80 of the Explanatory Memorandum is revised as bold and underlined:

   "No transfer will be accepted if, as a result of such transfer, the value of Units held by either the transferor or the transferee is less than (i) US$10,000 in the case of Class A1 and Class A2 MDis Units; (ii) US$5,000,000 in the case of Class Z Units; (iii) HKD80,000 in the case of Class A Acc HKD Hedged Units, Class A2 MDis HKD Units and Class A2 MDis HKD Hedged Units; (iv) AUD10,000 in the case of Class A2 MDis AUD Hedged Units; (v) CAD10,000 in the case of Class A2 MDis CAD Hedged Units; (vi) GBP10,000 in the case of Class A2 MDis GBP Hedged Units; (vii) NZD10,000 in the case of Class A2 MDis NZD Hedged Units; (viii) SGD10,000 in the case of Class A Acc SGD Hedged Units and Class A2 MDis SGD Hedged Units; (ix) RMB60,000 in the case of Class A Acc RMB Unhedged Units, Class A Acc RMB Hedged Units, Class A2 MDis RMB Unhedged Units and Class A2 MDis RMB Hedged Units**, (x) JPY1,000,000 in the case of Class A Acc JPY Hedged Units and Class A2 MDis JPY Hedged Units,** or (x**i**) such other minimum holding specified by the Manager from time to time; or (xi**i**) Units are acquired or held by a non-qualified person as described under section 6.6 of this Explanatory Memorandum."

9. The second paragraph under the heading "Management Fee" in Section 5.3 on page 101 of the Explanatory Memorandum is revised as bold and underlined:

   "The current management fee is (i) 1.25 per cent. per annum based on the Net Asset Value of the relevant Class as at each Valuation Day in the case of Class A1 Units, Class A Acc HKD Hedged Units, Class A Acc SGD Hedged Units, Class A2 MDis Units, Class A2 MDis HKD Units, Class A2 MDis HKD Hedged Units, Class A2 MDis AUD Hedged Units, Class A2 MDis CAD Hedged Units, Class A2 MDis GBP Hedged Units, Class A2 MDis NZD Hedged Units Class A2 MDis SGD Hedged Units, Class A Acc RMB Unhedged Units, Class A Acc RMB Hedged Units, Class A2 MDis RMB Unhedged Units**,** ~~and~~ Class A2 MDis RMB Hedged Units**, Class A Acc JPY Hedged Units and Class A2 MDis JPY Hedged Units**; and (ii) 0.75 per cent. per annum based on the Net Asset Value of the Class as at each Valuation Day in the case of Class Z Units. This fee accrues daily and will be calculated as at each Valuation Day and is payable monthly in arrears out of the Trust. The management fee payable may be increased up to a maximum of 2.0 per cent. per annum of the Net Asset Value of the relevant Class by the Manager giving not less than one month's prior written notice (or such shorter notice period as approved by the SFC) of such proposed increase to the Trustee and the Unitholders."

10. The second paragraph under the heading "Distribution Policy" in Section 6.1 on page 105 of the Explanatory Memorandum is revised as bold and underlined:

    "The Manager may make distribution at its discretion for Class A1 Units of the Trust. The Manager will review the amount for dividend distribution once a year before determining whether dividends will be made. There is no guarantee that dividends will be made once a year. The last dividend payout date was 21 November 2005. In respect of Class A2 MDis Units, Class A2 MDis HKD Units, Class A2 MDis HKD Hedged Units, Class A2 MDis AUD Hedged Units, Class A2 MDis CAD Hedged Units, Class A2 MDis GBP Hedged Units, Class A2 MDis NZD Hedged Units, Class A2 MDis SGD Hedged Units, Class A2 MDis RMB Unhedged Units**,** ~~and~~ Class A2 MDis RMB Hedged Units **and Class A2 MDis JPY Hedged Units,** the Manager currently intends to make monthly dividends distribution to Unitholders at its discretion. In respect of Class A Acc HKD Hedged Units, Class A Acc SGD Hedged Units, Class A Acc RMB Unhedged Units, Class A Acc RMB Hedged Units**, Class A Acc JPY Hedged Units** and Class Z Units, the Manager currently does not intend to pay dividends to

Unitholders. Therefore, any net income and net realized profits attributable to the Class A Acc HKD Hedged Units, Class A Acc SGD Hedged Units, Class A Acc RMB Unhedged Units, Class A Acc RMB Hedged Units**, Class A Acc JPY Hedged Units** and Class Z Units will be reinvested and reflected in their respective Net Asset Values."

11. The seventh paragraph under the heading "Distribution Policy" in Section 6.1 on page 107 of the Explanatory Memorandum is revised as bold and underlined:

    "In respect of Class A1 Units, Class A2 MDis Units, Class A2 MDis HKD Units, Class A2 MDis HKD Hedged Units, Class A2 MDis AUD Hedged Units, Class A2 MDis CAD Hedged Units, Class A2 MDis GBP Hedged Units, Class A2 MDis NZD Hedged Units, Class A2 MDis SGD Hedged Units, Class A2 MDis RMB Unhedged Units**,** ~~and~~ Class A2 MDis RMB Hedged Units, **and Class A2 MDis JPY Hedged Units,** unless Unitholders have indicated otherwise to the Manager on the subscription of Units of the relevant Class, any distributions payable will automatically be reinvested in the subscription of further Units of such Class of the Trust on the Distribution Date at the prevailing Issue Price of such Class applicable on the Distribution Date. The Manager may determine to make no distributions or make fewer distributions in a financial year at its absolute discretion."

12. The eighth paragraph under the heading "Distribution Policy" in Section 6.1 on page 107 of the Explanatory Memorandum is revised as bold and underlined:

    "In respect of Class A1 Units, Class A2 MDis Units, Class A2 MDis HKD Units, Class A2 MDis HKD Hedged Units, Class A2 MDis AUD Hedged Units, Class A2 MDis CAD Hedged Units, Class A2 MDis GBP Hedged Units, Class A2 MDis NZD Hedged Units, Class A2 MDis SGD Hedged Units, Class A2 MDis RMB Unhedged Units**,** ~~and~~ Class A2 MDis RMB Hedged Units, **and Class A2 MDis JPY Hedged Units,** Unitholders may specify on subscription that they wish to receive a cash distribution if a distribution is declared by the Manager. Provided, however, that distributions will not be paid in cash if the amount of the distribution for the relevant Unitholder amounts to less than US$100 (or its equivalent in HKD, AUD, CAD, GBP, NZD, SGD**,** ~~or~~ RMB **or JPY** as the case may be) or such other amount determined by the Manager from time to time. If Unitholders do not request cash distributions or if the amount of the distribution payable to the relevant Unitholder is less than the minimum amount specified as aforesaid, the distribution to which the Unitholder is entitled will be reinvested in further Units to be issued at the prevailing Issue Price of the relevant Class applicable on the Distribution Date."

13. The ninth paragraph under the heading "Distribution Policy" in Section 6.1 on page 108 of the Explanatory Memorandum is revised as bold and underlined:

    "In the event that the net distributable income attributable to Class A1 Units, Class A2 MDis Units, Class A2 MDis HKD Units, Class A2 MDis HKD Hedged Units, Class A2 MDis AUD Hedged Units, Class A2 MDis CAD Hedged Units, Class A2 MDis GBP Hedged Units, Class A2 MDis NZD Hedged Units, Class A2 MDis SGD Hedged Units, Class A2 MDis RMB Unhedged Units**,** ~~and~~ Class A2 MDis RMB Hedged Units**, Class A2 MDis JPY Hedged Units,** during the relevant period is insufficient to pay dividends as declared, the Manager may in its discretion determine such dividends be paid from capital (including unrealised capital gains or other unrealised profits during the relevant financial year and undistributed net income and undistributed net realised capital gains or profits brought forward from previous financial years). Payment of dividends out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment."

14. The tenth paragraph under the heading "Distribution Policy" in Section 6.1 on page 108 of the Explanatory Memorandum is revised as bold and underlined:

    "Any distributions involving payment of dividends out of the Trust's capital may result in an immediate reduction in the Net Asset Value per Unit of Class A1 Units, Class A2 MDis Units, Class A2 MDis HKD Units, Class A2 MDis HKD Hedged Units, Class A2 MDis AUD Hedged Units, Class A2 MDis CAD Hedged Units, Class A2 MDis GBP Hedged Units, Class A2 MDis NZD Hedged Units, Class A2 MDis SGD Hedged Units, Class A2 MDis RMB Unhedged Units**,** ~~and~~ Class A2 MDis RMB Hedged Units **and Class A2 MDis JPY Hedged Units,** and will reduce any capital appreciation for the Unitholders of the relevant classes. Any such payments out of capital will only be made to seek to maintain, so far as is reasonable, a stable payment per Unit of the relevant Class but the payment per Unit of the relevant Class is not fixed or guaranteed and will vary according to economic and other circumstances and the ability of the Trust to support stable monthly payments without a long-term negative impact on capital."

(C) Rectification of Typographical Errors

15. The third paragraph on page 3 of the Explanatory Memorandum is revised as bold and underlined:

    "**Value Partners High-Dividend Stocks Fund** (the "**Trust"**) is an open-ended unit trust originally constituted under the laws of the Cayman Islands by a Trust Deed dated 7 August 2002, as amended from time to time (the "**Trust Deed**") and was regulated by the Cayman Islands Monetary Authority in the Cayman Islands. Pursuant to a Deed of Retirement and Appointment of the Trustee dated 31 March 2016, the Trust changed its domicile from the Cayman Islands to Hong Kong and HSBC Institutional Trust Services (Asia) Limited was appointed as trustee in place of Bank of Bermuda (Cayman) Limited with effect from ~~31 March 2016~~**22 April 2016**. Pursuant to a Deed of Retirement and Appointment of the Manager dated 31 March 2016, Value Partners Hong Kong Limited was appointed as manager in place of Value Partners Limited with effect from ~~31 March 2016~~**22 April 2016**."

16. The first paragraph under the heading "Trust Structure" in Section 2.1 of the Explanatory Memorandum on page 13 is revised as bold and underlined:

    "The Trust is an open-ended unit trust originally established under the laws of the Cayman Islands in the name of Value Partners Asian High Yield Fund pursuant to a Trust Deed dated 7 August 2002, as amended from time to time (collectively the "**Trust Deed**"). Pursuant to the Second Supplemental Trust Deed dated 10 April 2003, its name was changed to Value Partners High-Dividend Stocks Fund. Pursuant to a Deed of Retirement and Appointment of the Trustee dated 31 March 2016, the Trust changed its domicile from the Cayman Islands to Hong Kong and HSBC Institutional Trust Services (Asia) Limited was appointed as trustee in place of Bank of Bermuda (Cayman) Limited with effect from ~~31 March 2016~~**22 April 2016**. Pursuant to a Deed of Retirement and Appointment of the Manager dated 31 March 2016, Value Partners Hong Kong Limited was appointed as manager in place of Value Partners Limited with effect from ~~31 March 2016~~**22 April 2016**. The Trust may offer units ("**Units**") to investors ("**Unitholders**") on a continuing basis at the Issue Price of the relevant class ("**Class**") of Units of the Trust. Units may be issued in different Classes. Each Class of Units may be subject to different terms, including but not limited to, the amount of minimum subscription, the minimum holding, the charges payable on subscription, redemption or conversion of Units, the fees payable to the various service providers of the Trust, and the distributions and other benefits (if any) payable to Unitholders. Except as otherwise provided for in this Explanatory Memorandum or in the Trust Deed, Unitholders have the right to have their Units redeemed at the Redemption Price of the relevant Class of Units."

17. The paragraph under the heading "Trust Deed" in Section 6.2 of the Explanatory Memorandum on page 109 is revised as bold and underlined:

    "The Trust was constituted by a trust deed dated 7 August 2002, as amended from time to time, (the "Trust Deed"). Pursuant to a Deed of Retirement and Appointment of the trustee dated 31 March 2016, the Trust changed its domicile from the Cayman Islands to Hong Kong and HSBC Institutional Trust Services (Asia) Limited was appointed as trustee in place of Bank of Bermuda (Cayman) Limited with effect from ~~**31 March 2016**~~**22 April 2016**. Pursuant to a Deed of Retirement and Appointment of the manager dated 31 March 2016, Value Partners Hong Kong Limited was appointed as manager in place of Value Partners Limited with effect from ~~**31 March 2016**~~**22 April 2016**. Unitholders and prospective investors are advised to review the terms of the Trust Deed which govern their investment in the Trust. Please refer to section 6.10 of this Explanatory Memorandum for details on how you can inspect or purchase a copy of the Trust Deed from the Manager."

Dated 15 July 2016

Value Partners
Investing through discipline

VALUE PARTNERS HIGH-DIVIDEND STOCKS FUND (the "TRUST")
SECOND ADDENDUM

Important

*If you are in doubt about the contents of this Addendum, you should seek independent professional advice. This Addendum supplements, forms part of and should be read in conjunction with the Explanatory Memorandum of the Trust dated 22 April 2016, as amended by the Addendum dated 15 July 2016 ("**Explanatory Memorandum**"). The changes made to the Explanatory Memorandum by this Addendum shall take effect on 5 December 2016, unless otherwise stated herein.*

All capitalized terms used in this Addendum have the same meaning as in the Explanatory Memorandum, unless otherwise defined herein. Value Partners Hong Kong Limited, the Manager of the Trust, accepts full responsibility for the accuracy of the information contained in this 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 in this Addendum misleading as at the date of publication.

The Explanatory Memorandum will hereby be amended as follows:

(A) Change in Investment Policy

1. The second and third paragraphs under the sub-section headed "**2.2 Investment Objective and Policy (Continued)**" of the section headed "**2. INFORMATION ON THE TRUST (Continued)**" on page 16 shall be deleted in its entirety and replaced with the following:-

   "The Trust may have direct exposure to certain eligible China A Shares via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively the "**Stock Connects**") (as further described in the section under the heading "**2.3 Stock Connects**" below).

   The term "China A Shares" means domestic shares in the PRC incorporated companies listed on either the Shanghai Stock Exchange ("**SSE**") or the Shenzhen Stock Exchange ("**SZSE**"), the prices of which are quoted in Renminbi and which are available to such investors as approved by the CSRC."

2. The second paragraph under the sub-section "**2.2 Investment Objective and Policy (Continued)**" of the section headed "**2. INFORMATION ON THE TRUST (Continued)**" on page 17 shall be deleted in its entirety and replaced with the following:-

   "The investment in China A Shares through the Stock Connects, CAAPs and A Shares CIS is subject to a maximum exposure of 20 per cent. of the Trust's latest available Net Asset Value and not more than 10 per cent. of the Trust's latest available Net Asset Value may be invested in CAAPs issued by any single CAAP Issuer."

3. The heading of the sub-section headed "**2.3 Shanghai-Hong Kong Stock Connect**" of the section headed "**2. INFORMATION ON THE TRUST (Continued)**" and the paragraphs under such heading on pages 19 – 23 shall be deleted in their entirety and replaced with the following:-

   "**2.3 Stock Connects**

   The Shanghai-Hong Kong Stock Connect is a securities trading and clearing links programme developed by Hong Kong Exchanges and Clearing Limited ("**HKEX**"), SSE and China Securities Depository and Clearing Corporation Limited ("**ChinaClear**") and the Shenzhen-Hong Kong Stock Connect is a securities trading and clearing links programme developed by HKEX, the SZSE and ChinaClear. The aim of the Stock Connects is to achieve mutual stock market access between the PRC and Hong Kong.

The Shanghai-Hong Kong Stock Connect comprises a Northbound Shanghai Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shanghai Trading Link, Hong Kong and overseas investors (including the Trust), 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.

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

Eligible Securities

(i) Shanghai-Hong Kong Stock Connect

Under the Shanghai-Hong Kong Stock Connect, Hong Kong and overseas investors (including the Trust) are 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.

(ii) Shenzhen-Hong Kong Stock Connect

Under the Shenzhen-Hong Kong Stock Connect, Hong Kong and overseas investors (including the Trust) are able to trade certain eligible shares listed on the SZSE market (i.e. "**SZSE Securities**"). These include all the constituent stocks of the SZSE Component Index and SZSE Small/Mid Cap Innovation Index which has a market capitalisation of not less than RMB 6 billion, and all the SZSE-listed China A Shares which have corresponding H Shares listed on SEHK, except the following:

- SZSE-listed shares which are not traded in RMB; and
- SZSE-listed shares which are included in the "risk alert board" or under delisting arrangement.

At the initial stage of the Shenzhen-Hong Kong Stock Connect, investors eligible to trade shares that are listed on the ChiNext Board under Northbound trading will be limited to institutional professional investors (which the Trust will qualify as such) as defined in the relevant Hong Kong rules and regulations.

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

Trading Days

Investors (including the Trust) will only be allowed to trade on the SSE market and the SZSE market on days where both the 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 the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect will be subject to a daily quota ("**Daily Quota**"). Northbound Shanghai Trading Link under the Shanghai-Hong Kong Stock Connect, Northbound Shenzhen Trading Link under the Shenzhen-Hong Kong Stock Connect, Southbound Hong Kong Trading Link under the Shanghai-Hong Kong Stock Connect and Southbound Hong Kong Trading Link under the Shenzhen-Hong Kong Stock Connect will be respectively subject to a separate set of Daily Quota.

The Daily Quota limits the maximum net buy value of cross-boundary trades under each of the Stock Connects each day. The Northbound Daily Quota is currently set at RMB13 billion for each of the Stock Connects.

SEHK will monitor the quota and publish the remaining balance of the Northbound Daily Quota at scheduled times on the HKEX's website.

Settlement and Custody

The Hong Kong Securities Clearing Company Limited ("**HKSCC**"), a wholly-owned subsidiary of HKEX, will be responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by Hong Kong market participants and investors.

The China A Shares traded through Stock Connects are issued in scripless form, so investors will not hold any physical China A Shares. Hong Kong and overseas investors who have acquired SSE Securities or SZSE Securities through Northbound trading should maintain the SSE Securities or SZSE Securities with their brokers' or custodians' stock accounts with CCASS (the Central Clearing and Settlement System operated by HKSCC for the clearing 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 ChinaClear, ChinaClear 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.

It is expected that the same arrangement will apply to the Shenzhen-Hong Kong Stock Connect notwithstanding the relevant rules and regulations relating to SZSE Securities are not available yet.

HKSCC will monitor the corporate actions affecting SSE Securities and SZSE Securities and keep the relevant brokers or custodians participating in CCASS ("**CCASS participants**") informed of all such corporate actions that require CCASS participants to take steps in order to participate in them.

SSE-/SZSE-listed companies usually announce information regarding their annual general meetings/extraordinary general meetings about two to three weeks before the meeting date. A poll is called on all resolutions for all votes. HKSCC will advise CCASS participants of all general meeting details such as meeting date, time, venue and the number of resolutions.

Foreign Shareholding Restrictions

The China Securities Regulatory Commission (the "**CSRC**") stipulates that, when holding China A Shares through the Stock Connects, Hong Kong and overseas investors are subject to the following shareholding restrictions:

- shares held by a single foreign investor (such as the Trust) investing in a listed company must not exceed 10% of the total issued shares of such listed company; and

- total shares held by all foreign investors (i.e. Hong Kong and overseas investors) who make investment in a listed company must not exceed 30% of the total issued shares of such listed company.

When the aggregate foreign shareholding of an individual China A Share reaches 26%, SSE or SZSE, as the case may be, will publish a notice on its website (http://www.sse.com.cn/disclosure/diclosure/qfii for SSE and http://www.szse.cn/main/disclosure/news/qfii/ for SZSE). If the aggregate foreign shareholding exceeds the 30% threshold, the foreign investors concerned will be requested to sell the shares on a last-in-first-out basis within five trading days.

Currency

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

Trading Fees

Under the Stock Connects, Hong Kong and overseas investors will be subject to the fees and levies imposed by SSE, SZSE, ChinaClear, HKSCC or the relevant PRC authority when they trade and settle SSE Securities and SZSE Securities. 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 Trust's investments through Northbound trading under the Stock Connects 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 the Stock Connects 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 Trust is carrying out Northbound trading through securities brokers in Hong Kong but not PRC brokers, therefore 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.

Further information about the Stock Connects is available online at the website: http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm"

4. The risk factor headed "***Liquidity Risk of Investing in China A Shares and China B Shares***" under the sub-section "**2.5 Risk Factors (Continued)**" of the section headed "**2. INFORMATION ON THE TRUST (Continued)**" on page 49 shall be deleted in its entirety and replaced with the following:-

"China A Shares may be subject to trading bands which restrict increases and decreases in the trading price. If the trading price of any China A Shares has increased or decreased to the extent beyond the trading band limit during the day, trading in the China A Shares on the relevant stock exchange may be suspended. The Trust if investing through the Stock Connects, CAAP Issuers and A Shares CIS will be prevented from trading China A Shares when they hit the "trading band limit". If this happens on a particular trading day, the Trust, CAAP Issuers and A Shares CIS may be unable to trade China A Shares. When the Manager trades China B Shares for the account of the Trust, the Manager may also be unable to trade China B Shares due to the "trading band limit". As a result, the liquidity of the CAAPs, A Shares CIS, China A Shares and China B Shares may be adversely affected which in turn may affect the value of the Trust's investments."

5. The risk factor headed "***Risks associated with Stock Connect***" under the sub-section headed "**2.5 Risk Factors (Continued)**" of the section "**2.INFORMATION ON THE TRUST (Continued)**" on pages 49 – 54 shall be deleted in its entirety and replaced with the following:-

"***Risks associated with Stock Connects***

The Trust may invest through the Stock Connects. In addition to the risk factors headed "PRC Political, Economic and Social Risks", "Legal System of the PRC", "Risk relating to China A Shares Market", "Liquidity Risk of Investing in China A Shares and China B Shares", "PRC Tax Risk" and "Renminbi Depreciation", it is also subject to the following additional risks:

Quota limitations – The Stock Connects are 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 Trust's ability to invest in China A Shares through the Stock Connects on a timely basis, and the Trust may not be able to effectively pursue its investment strategies.

Suspension risk – Each of the SEHK, SSE and SZSE reserves 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 the Stock Connects is effected, the Trust's ability to access the PRC market will be adversely affected.

Differences in trading days – The Stock Connects only operate on days when both the PRC and Hong Kong stock 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 stock markets but Hong Kong investors (such as the Trust) cannot carry out any China A Shares trading. Due to the differences in trading days, the Trust may be subject to a risk of price fluctuations in China A Shares on a day that the PRC stock markets are open for trading but the Hong Kong stock market is closed.

Operational risk – The Stock Connects provide a channel for investors from Hong Kong and overseas to access the PRC stock markets directly.

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

Market participants generally have configured and adapted their operational and technical systems for the purpose of trading China A Shares through the Stock Connects. However, it should be appreciated that the securities regimes and legal systems of the two markets differ significantly and in order for the programme to operate, market participants may need to address issues arising from the differences on an on-going basis.

Further, the "connectivity" in the Stock Connects requires routing of orders across the border.

SEHK has set up an order routing system ("**China Stock Connect System**") to capture, consolidate and route the cross-boundary orders input by exchange participants. There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through the programme could be disrupted. The Trust's ability to access the China A Shares 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 or SZSE will reject the sell order concerned. SEHK will carry out pre-trade checking on China A Share sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

Generally, if the Trust desires to sell certain China A Shares it holds, it must 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 Trust may not be able to dispose of holdings of China A Shares in a timely manner.

However, the Trust may request a 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 Trust. Provided that there is sufficient holding in the SPSA when a broker inputs the Trust's sell order, the Trust will be able to dispose of its holdings of China A Shares (as opposed to the practice of transferring China A Shares to the broker's account under the current pre-trade checking model for non-SPSA accounts). Opening of the SPSA accounts for the Trust will enable it to dispose of its holdings of China A Shares in a timely manner.

Recalling of eligible stocks – When a stock is recalled from the scope of eligible stocks for trading via the Stock Connects, the stock can only be sold but restricted from being bought. This may affect the investment portfolio or strategies of the Trust, for example, when the Manager wishes to purchase a stock which is recalled from the scope of eligible stocks.

Clearing and settlement risk – The HKSCC and ChinaClear have established the clearing links and each is 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 ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against ChinaClear. HKSCC will in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the Trust may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

Participation in corporate actions and shareholders' meetings – The HKSCC will keep CCASS participants informed of corporate actions of SSE Securities and SZSE Securities (as defined in the section headed "**2.3 Stock Connects**" in this Explanatory Memorandum). 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 Trust) are holding SSE Securities and SZSE Securities traded via the Stock Connects 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 and SZSE Securities may be very short. Therefore, it is possible that the Trust may not be able to participate in some corporate actions in a timely manner.

Currency risk – As the Trust is denominated in US dollars, the performance of the Trust may be affected by movements in the exchange rate between RMB (i.e. the currency in which SSE Securities and SZSE Securities are traded and settled) and US dollars. The Trust 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 Trust suffering from exchange rate fluctuations. For further details on exchange risk, please see risk factor "Foreign Exchange Risk" above).

No Protection by Investor Compensation Fund – Investments through the Stock Connects are conducted through brokers, and are subject to the risks of default by such brokers' in their obligations.

As disclosed in the section under the heading "**2.3 Stock Connects**", the Trust's investments through Northbound trading under the Stock Connects are not covered by the Hong Kong's Investor Compensation Fund. Therefore the Trust is exposed to the risks of default of the broker(s) it engages in its trading in China A Shares through the Stock Connects. Further, since the Trust is carrying out Northbound trading through securities brokers in Hong Kong but not PRC brokers, it is not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金) in the PRC.

Regulatory risk – The Stock Connects are novel in nature, and the Stock Connects will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connects.

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 Connects will not be abolished. The Trust, which may invest in the PRC stock markets through the Stock Connects, may be adversely affected as a result of such changes."

6. The following risk factor shall be inserted after the risk factor headed "***Risks associated with Stock Connect (Continued)***" under the sub-section headed "**2.5 Risk Factors (Continued)**" of the section headed "**2. INFORMATION ON THE TRUST (Continued)**" on page 54:-

"***Risks associated with the Small and Medium Enterprise Board of the SZSE ("SME Board") and/or ChiNext Board of the SZSE ("ChiNext Board")***

The Trust may have exposure to stocks listed on SME Board and/or ChiNext Board.

Higher fluctuation on stock prices - Listed companies on the SME Board and/or ChiNext Board are usually of emerging nature with smaller operating scale. Hence, they are subject to higher fluctuation in stock prices and liquidity and have higher risks and turnover ratios than companies listed on the Main Board of the SZSE ("**Main Board**").

Over-valuation risk - Stocks listed on SME Board and/or ChiNext Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

Differences in regulation - The rules and regulations regarding companies listed on ChiNext Board are less stringent in terms of profitability and share capital than those in the Main Board and SME Board.

Delisting risk - It may be more common and faster for companies listed on the SME Board and/or ChiNext Board to delist. This may have an adverse impact on the Trust if the companies that it invests in are delisted.

Investments in the SME Board and/or ChiNext Board may result in significant losses for the Trust and its investors."

7. The heading entitled "*a) Equity and debt securities except China A Shares via Stock Connect*" under the risk factor headed "***PRC Tax Risk***" under the sub-section headed "**2.5 Risk Factor (Continued)**" of the section headed "**2. INFORMATION ON THE TRUST (Continued)**" on page 57 shall be deleted in its entirety and replaced with "*a) Equity and debt securities except China A Shares via Stock Connects*".

8. The headings entitled "*a) Equity and debt securities except China A Shares via Stock Connect (Continued)*" under the risk factor headed "***PRC Tax Risk (Continued)***" under the sub-section headed "**2.5 Risk Factor (Continued)**" of the section headed "**2. INFORMATION ON THE TRUST (Continued)**" on pages 58 - 61 shall be deleted in its entirety and replaced with "*a) Equity and debt securities except China A Shares via Stock Connects (Continued)*".

9. The heading entitled "*b) China A Shares via Stock Connect*" under the risk factor headed "***PRC Tax Risk (Continued)***" under the sub-section headed "**2.5 Risk Factor (Continued)**" of the section headed "**2. INFORMATION ON THE TRUST (Continued)**" and the paragraphs under such heading on page 62 shall be deleted in its entirety and replaced with the following:-

   "*b) China A Shares via Stock Connects*

   Dividends

   Pursuant to the "Notice about the tax policies related to the Shanghai-Hong Kong Stock Connect" (Caishui [2014] No. 81) ("**Notice No. 81**") promulgated by the MoF, the SAT and the CSRC on 14 November 2014, the Trust is subject to WIT at 10 per cent on dividends received from China A Shares traded via Shanghai-Hong Kong Stock Connect.

   The specific tax regulation in relation to Shenzhen-Hong Kong Stock Connect has not yet been issued. Subject to the formal confirmation by the PRC tax authorities and/ or other regulatory authorities, the same treatments are expected to be applied to Shenzhen-Hong Kong Stock Connect.

   Capital gains

   Pursuant to Notice No. 81, PRC CIT will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including the Trust) on the trading of China A Shares through the Shanghai-Hong Kong Stock Connect. **Based on Notice No. 81 and having consulted professional and independent tax advisor, no provision for gross realised or unrealised capital gains derived from trading of China A Shares via the Shanghai-Hong Kong Stock Connect is made by the Manager on behalf of the Trust**.

   The specific tax regulation in relation to Shenzhen-Hong Kong Stock Connect has not yet been issued. Subject to the formal confirmation by the PRC tax authorities and/ or other regulatory authorities, the same treatments are expected to be applied to Shenzhen-Hong Kong Stock Connect."

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(B) Changes to PRC Tax Disclosures

1. The heading entitled "***a) Equity and debt securities except China A Shares via Stock Connect***" under the sub-section entitled "**4.2 The PRC**" under the section headed "**4. TAXATION (Continued)**" on page 87 shall be deleted in its entirety and replaced with "***a) Equity and debt securities except China A Shares via Stock Connects***".

2. The headings entitled "***a) Equity and debt securities except China A Shares via Stock Connect (Continued)***" under the sub-section entitled "**4.2 The PRC (Continued)**" under the section headed "**4. TAXATION (Continued)**" on pages 88-96 shall be deleted in its entirety and replaced with "***a) Equity and debt securities except China A Shares via Stock Connects (Continued)***".

3. The paragraph under the sub-heading entitled "China A Shares via CAAPs and A Shares CIS" under the heading entitled "***a) Equity and debt securities except China A Shares via Stock Connect (Continued)***" under the sub-section entitled "**4.2 The PRC (Continued)**" under the section headed "**4. TAXATION (Continued)**" on page 89 shall be deleted in its entirety and replaced with the following:-

   "Under current regulations in the PRC, foreign investors (such as the Trust) may invest in China A Shares, generally, only through a QFII or a RQFII and Stock Connects. Since only the relevant QFII's or RQFII's interests in China A Shares are recognised under PRC laws, any tax liability would, if it arises, be payable by the relevant QFII or RQFII, subject to further interpretations and rules that may be issued in the future. However under the terms of the arrangement between the relevant RQFII or QFII (i.e. the CAAP Issuers or in respect of the underlying A Shares CIS, generally, managers of A Shares CIS) and the Trust or the relevant underlying A Shares CIS, as the case may be, the relevant QFII or RQFII will pass on any tax liability to the Trust or the relevant underlying A Shares CIS. As such, the Trust or the relevant underlying A Shares CIS is the ultimate party which bears the risks relating to any PRC taxes which are so levied by the relevant PRC tax authority. Any tax liability of the underlying A Shares CIS into which the Trust invests will be reflected in their respective net asset value and thus, may impact the Trust's investment. Under current PRC tax laws and regulations, the relevant QFII or RQFII (if without a PE in China) is subject to WIT of 10 per cent. on dividends from China A Shares unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties."

4. The heading entitled "***b) China A Shares via Stock Connect***" under the sub-section entitled "**4.2 The PRC (Continued)**" under the section headed "**4. TAXATION (Continued)**" and the paragraphs under such heading on page 97 shall be deleted in its entirety and replaced with the following:-

   "***b) China A Shares via Stock Connects***

   i) CIT

   Dividends

   Pursuant to the Notice No. 81, the Trust is subject to WIT at 10 per cent on dividends received from China A Shares traded via Shanghai-Hong Kong Stock Connect.

   The specific tax regulation in relation to Shenzhen-Hong Kong Stock Connect has not yet been issued. Subject to the formal confirmation by the PRC tax authorities and/ or other regulatory authorities, the same treatments are expected to be applied to Shenzhen-Hong Kong Stock Connect.

   Capital gains

   Pursuant to Notice No. 81, PRC CIT will be temporarily exempted on capital gains derived by Hong Kong and overseas investors (including the Trust) on the trading of

China A Shares through the Shanghai-Hong Kong Stock Connect. **Based on Notice No. 81 and having consulted professional and independent tax advisor, no provision for gross realised or unrealised capital gains derived from trading of China A Shares via the Shanghai-Hong Kong Stock Connect is made by the Manager on behalf of the Trust.**

The specific tax regulation in relation to Shenzhen-Hong Kong Stock Connect has not yet been issued. Subject to the formal confirmation by the PRC tax authorities and/ or other regulatory authorities, the same treatments are expected to be applied to Shenzhen-Hong Kong Stock Connect."

5. The heading entitled "***b) China A Shares via Stock Connect (Continued)***" under the sub-section entitled "**4.2 The PRC (Continued)**" under the section headed "**4. TAXATION (Continued)**" on page 98 shall be deleted in its entirety and replaced with "***b) China A Shares via Stock Connects (Continued)***".

6. The heading "*Business Tax ("BT") and other surtaxes*" and the paragraphs under such heading under the sub-heading entitled "***a) Equity and debt securities except China A Shares via Stock Connect (Continued)***" under the sub-section entitled "**4.2 The PRC (Continued)**" under the section headed "**4. TAXATION (Continued)**" on pages 93-94 shall be deleted in its entirety and replaced with the following:-

"*Value Added Tax ("VAT") and other surtaxes*

The MoF and SAT issued the "Notice on the Comprehensive Roll-out of the B2V Transformation Pilot Program (the "B2V Pilot Program")" (Caishui [2016] No. 36) (the "**Notice No. 36**") on 23 March 2016. The Notice No. 36 sets out that the B2V Pilot Program covers all the remaining industries of the program, including financial services. The Notice No. 36 has taken effect from 1 May 2016, unless otherwise stipulated therein.

The Notice No. 36 provides that VAT at 6% shall be levied on the difference between the selling and buying prices of those marketable securities, e.g. China A Shares. The Notice No. 36 also provides that gains derived by QFIIs from trading of marketable securities are exempt from VAT. Pursuant to the "Supplementary Notice on the VAT Policy on Interbank Transactions and Other Financial Institutions" (Caishui [2016] No. 70) jointly issued by MoF and SAT on 30 June 2016 and which took effect retrospectively on 1 May 2016, income derived by RQFIIs from the purchase and sale of marketable securities are also exempt from VAT. In addition, deposit interest income and interest received from government bonds and local government bonds are also exempt from VAT.

Based on the prevailing VAT regulations, capital gains derived by QFIIs / RQFIIs on trading of marketable securities are exempted from VAT. Therefore, to the extent that the Trust's key investments (such as China A Shares through CAAPs, A Share CIS) are conducted through these channels via CAAP / CIS issuers, the capital gains should be exempted from VAT.

The current VAT regulations do not provide VAT exemption on capital gains derived from trading of China B Shares. Having said that, the PRC tax authorities have not actively collected VAT from non-PRC tax resident enterprises on gains realized from China B Shares in practice. Where capital gains are derived from trading of H Shares, VAT in general is not imposed as the purchase and disposal are often concluded and completed outside the PRC.

The prevailing VAT regulations do not specifically exempt VAT on interest received by QFIIs and RQFIIs. Interest income on non-government bonds (including corporate bonds) should be subject to 6% VAT.

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

In addition, urban maintenance and construction tax (currently at the rate ranging from 1% to 7%), educational surcharge (currently at the rate of 3%) and local educational surcharge (currently at the rate of 2%) are imposed based on the VAT liabilities. The applicable levies depend on the location where VAT filing (if required) is done. For example, Shanghai imposes river maintenance levy at 1% on VAT payable; while Beijing does not currently impose any local levy."

7. The heading "*Business Tax ("BT") and other surtaxes (Continued)*" under the sub-heading entitled "***a) Equity and debt securities except China A Shares via Stock Connect (Continued)***" under the sub-section entitled "**4.2 The PRC (Continued)**" under the section headed "**4. TAXATION (Continued)**" on pages 95-96 shall be deleted in its entirety. Consequently, the heading "Stamp duty" and "Stamp duty (Continued)" on pages 95-96 shall be printed in italics.

8. The heading "*ii) BT*" and the paragraphs under such heading under the sub-heading entitled "***b) China A Shares via Stock Connect (Continued)***" under the sub-section entitled "**4.2 The PRC (Continued)**" under the section headed "**4. TAXATION (Continued)**" on page 98 shall be deleted in its entirety and replaced with the following:-

   "*ii) VAT*

   Based on the prevailing VAT regulations, capital gains derived by investors via the Shanghai-Hong Kong Stock Connect are exempted from VAT. Therefore, to the extent that the Trust's key investments (such as China A Shares through the Shanghai-Hong Kong Stock Connect) are conducted by the Trust directly, the capital gains should be exempted from VAT. The specific tax regulation in relation to Shenzhen-Hong Kong Stock Connect has not yet been issued. Subject to the formal confirmation by the PRC tax authorities and / or other regulatory authorities, the same treatments are expected to be applied to Shenzhen-Hong Kong Stock Connect."

(C) Liquidity Risk Management

1. The following sub-section headed "**2.10 Liquidity Risk Management**" shall be inserted immediately after the sub-section headed "**2.9 Other Provisions relating to Investment, Borrowing and Security Lending**" on page 69:-

   "**2.10 Liquidity Risk Management**

   The Manager has established a liquidity management policy which enables it to identify, monitor and manage the liquidity risks of the Trust and to ensure that the liquidity profile of the investments of the Trust will facilitate compliance with the Trust's 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 Trust. 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 Trust on an on-going basis to ensure that such investments are appropriate to the redemption policy as stated under the section headed "**3. SUBSCRIPTION AND REDEMPTION OF UNITS**", and will facilitate compliance with the Trust's 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 Trust under normal and exceptional market conditions.

The following tool(s) may be employed by the Manager to manage liquidity risks:

- the Manager may limit the number of Units redeemed during any Dealing Period to 10 per cent. of the total number of Units in issue on the Valuation Day for that Dealing Period (subject to the conditions under the heading entitled "**3.4 Redemption of Units**" in the section headed "**3. SUBSCRIPTION AND REDEMPTION OF UNITS**")."

(D) AEOI Disclosures

1. The following sub-section headed "**4.3 Automatic Exchange of Financial Account Information**" shall be inserted immediately after the sub-section headed "**4.2 The PRC (Continued)**" of the section headed "**4. TAXATION (Continued)**" on page 98:-

"**4.3 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 AEOI requires financial institutions ("**FIs**") in Hong Kong to collect certain required information relating to non-Hong Kong tax residents holding financial accounts with FIs, and report such information to the Hong Kong Inland Revenue Department ("IRD") for the purpose of AEOI exchange. Generally, the information will be reported and automatically exchanged in respect of account holders that are tax resident in an AEOI partner jurisdiction(s) with which Hong Kong has a Competent Authority Agreement ("**CAA**") in force; however, the Trust and/or its agents may further collect information relating to residents of other jurisdictions.

The Trust is required to comply with the requirements of the Ordinance, which means that the Trust and/or its agents shall collect and provide to the IRD the required information relating to Unitholders and prospective investors.

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

By investing in the Trust and/or continuing to invest in the Trust, Unitholders acknowledge that they may be required to provide additional information to the Trust, the Manager and/or the Trust's agents in order for the Trust to comply with the Ordinance. The Unitholder's information (and information on controlling persons including beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such Unitholders that are passive non-financial entities), may be transmitted by the IRD to authorities in other jurisdictions.

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

2. The paragraph under the sub-section entitled "**6.10 Certification for Compliance with FATCA or Other Applicable Laws**" of the section headed "**6. GENERAL INFORMATION (Continued)**" on page 119 shall be deleted and replaced with the following:-

   "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 Trust (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 Trust receives payments and/or (B) to satisfy reporting or other obligations under the IRS Code and the United States Treasury Regulations promulgated under the IRS Code, or to satisfy any obligations relating to any applicable law, regulation or any agreement with any tax or fiscal authority in any jurisdiction, (ii) will update or replace such form, certification or other information in accordance with its terms or subsequent amendments or when such form, certificate or other information is no longer accurate, and (iii) will otherwise comply with any reporting obligations imposed by the United States, Hong Kong or any other jurisdiction (including any law, rule and requirement relating to AEOI) and reporting obligations that may be imposed by future legislation."

3. The sub-section entitled "**6.11 Power to Disclose Information to Tax Authorities**" of the section headed "**6. GENERAL INFORMATION (Continued)**" on page 119 shall be deleted and replaced with the following:-

   "**6.11 Power to Disclose Information to Authorities**

   Subject to applicable laws and regulations in Hong Kong, the Trustee or the Manager or any of their authorised person (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the U.S. IRS and the IRD), certain information in relation to a Unitholder, including but not limited to the Unitholder's name, address, jurisdiction of birth, tax residence, tax identification number (if any), social security number (if any) and certain information relating to the Unitholder's holdings, account balance/value, and income or sale or redemption proceeds, to enable the Trust to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law (including any law, rule and requirement relating to AEOI), regulation or agreement under FATCA)."

(E) Risks relating to Currency Hedging and the Currency Hedged Classes

1. The following risk factor headed "***Risks relating to Currency Hedging and the Currency Hedged Classes***" shall be inserted immediately after the risk factor headed "***Hedging Risk***" under the sub-section headed "**2.5 Risk Factor (Continued)**" of the section headed "**2. INFORMATION ON THE TRUST (Continued)**" on page 37:-

   "***Risks relating to Currency Hedging and the Currency Hedged Classes***

   The Manager may (but is not obliged to) enter into certain currency related transactions in order to hedge the currency exposure of the assets of the Trust attributable to a particular class into the class currency of the relevant class. Any financial instruments used to implement such strategies with respect to one or more classes shall be assets/liabilities of the Trust as a whole but will be attributable to the relevant class(es) and the gains/losses on and the costs of the relevant financial instruments will accrue solely to the relevant class. Where a class of Units is to be hedged ("**Currency Hedged Class**") this will be disclosed in this Explanatory Memorandum. Any currency exposure of a class may not be combined with, or offset against, that of any other class of the Trust. The currency exposure of the assets attributable to a class may not be allocated to other classes.

   Where the Manager seeks to hedge against currency fluctuations, while not intended, this could result in over-hedged or under-hedged positions due to external factors outside the control of the Manager. Investors in the Currency Hedged Classes may have exposure to currencies other than the currency of that Currency Hedged Class. Investors should also be aware that the hedging strategy may substantially limit the benefits of any potential increase in value of a Currency Hedged Class expressed in the class currency, if the Currency Hedged Class' denominating currency falls against the base currency of the Trust.

The Manager may also, at its absolute discretion, seek to fully or partially hedge currency exposures arising from some or all of the Trust's underlying assets to the base currency of the Trust. Investors whose base currency is different (or not in a currency linked to the Trust's base currency or the currency of that Currency Hedged Class) may be exposed to additional currency risk.

The precise hedging strategy applied to a particular Currency Hedged Class may vary. In addition, there is no guarantee that the desired hedging instruments will be available or hedging strategy will achieve its desired result. In such circumstances, investors of the Currency Hedged Class may still be subject to the currency exchange risk on an unhedged basis (which means that, for example, if the hedging strategy in respect of the hedged RMB Classes of Units is ineffective, depending on the exchange rate movements of RMB relative to the base currency of the Trust, and/or other currency(ies) of the non-RMB denominated underlying investment of the Trust, (i) investors may still suffer losses even if there are gains or no losses in the value of the non-RMB denominated underlying investments; or (ii) investors may suffer additional losses if the non-RMB denominated underlying investments of the Trust fall in value).

If the counterparties of the instruments used for hedging purposes default, investors of the Currency Hedged Classes may be exposed to the currency exchange risk on an unhedged basis and may therefore suffer further losses.

The Trust currently offers different Currency Hedged Classes as disclosed in this Explanatory Memorandum which are primarily targeted for investors whose base currencies of investment are the currencies of the Currency Hedged Classes.

Each Currency Hedged Class may hedge the Trust's denominated currency back to its currency of denomination, with an aim to provide a return on investment which correlates with the return of the class which is denominated in the base currency of the Trust by reducing the effect of exchange rate fluctuations between the base currency of the Trust and the Currency Hedged Classes whilst taking into account practical considerations such as transaction costs. However, the return of the Currency Hedged Classes will never correlate perfectly to the class which is denominated in the base currency of the Trust due to various factors, including but not limited to short-term interest rate differentials, unrealized gains/losses on currency forward positions not being invested until the gains/losses are realised and transaction costs attributable to the hedging activity. Investors should also note that the distribution amount and/or rate of the Currency Hedged Classes may be more than or less than such amount and/or rate of the class which is denominated in the base currency of the Trust due to various factors, including but not limited to short-term interest rate differentials. Where the Currency Hedged Class is subject to a performance fee, it should be noted that any divergence in the performance of different classes (for the reasons stated above), or different launch dates of different classes, could result in any such performance fees becoming chargeable at different points in time, as different classes reach their high watermark at different points in time. Accordingly the performance fee may adversely impact the correlation between different classes.

Consequently, a Currency Hedged Class is not recommended for investors whose base currency of investment is not in the same currency of such Currency Hedge Class. Investors who choose to convert other currencies into such base currency to invest in such Currency Hedge Class should understand that they may be exposed to higher currency risks and may suffer a higher loss as a result of exchange rate fluctuations than an investor whose base currency of investment is in the same currency of the Currency Hedged Class.

To the extent that hedging is successful for a particular Currency Hedged Class, the performance of the Currency Hedged Class is likely to move in line with the performance of the underlying assets with the result that investors in that Currency Hedged Class will not gain if the class currency falls against the base currency of the Trust.

It is intended that the currency hedging strategy which will be employed will be based on the most up-to-date information in relation to the Net Asset Value of the Trust, and will also take into account future transactions relating to Unitholder activity that will be processed through each class of Units in the Trust as at the relevant valuation point. The currency hedging strategy will be monitored and adjusted in line with the valuation cycle at which investors are able to subscribe to and redeem from the Trust.

Futures, forwards, options and contracts for difference may be used to hedge against downward movements in the value of the Trust's portfolio, either by reference to specific securities or markets to which the Trust may be exposed.

Forward foreign exchange contracts are also used more specifically to hedge the value of certain classes of Units in the Trust against changes in the exchange rate between the currency of denomination of the class of Units and the base currency of the Trust."

5 December 2016