博时基金
BOSERA FUNDS

BOSERA HONG KONG EQUITY PLUS FUND
BOSERA GRATER CHINA ENHANCED RETURN BOND FUND
BOSERA USD MONEY MARKET FUND
BOSERA GLOBAL SHORT DURATION INVESTMENT GRADE BOND FUND

sub-funds of

Bosera Global Public Funds Series
Open-ended Fund Company

EXPLANATORY MEMORANDUM

March 2026

Bosera Hong Kong Equity Plus Fund

Bosera Greater China Enhanced Return Bond Fund

Bosera USD Money Market Fund

Bosera Global Short Duration Investment Grade Bond Fund

sub-funds of

Bosera Global Public Funds Series Open-ended Fund Company

博時全球公眾基金開放式基金型公司

(An open-ended fund company with variable capital and segregated liability between sub-funds)

EXPLANATORY MEMORANDUM

March 2026

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IMPORTANT INFORMATION FOR INVESTORS

Important – If you are in any doubt about the contents of this Explanatory Memorandum, you should consult your stockbroker, bank manager, accountant, solicitor or other independent financial adviser. While section 112S of the SFO provides for segregated liability between sub-funds, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known how those foreign courts will react to section 112S of the SFO.

Bosera Global Public Funds Series Open-ended Fund Company 博時全球公眾基金開放式基金型公司 (the "Company") is a public umbrella open-ended fund company incorporated in Hong Kong on 17 September 2021 with variable capital and limited liability. The Company can have a number of sub-funds (each a "Sub-Fund") with segregated liability among them. Bosera Asset Management (International) Co., Limited (the "Manager") has been appointed as the manager of the Company and each Sub-Fund. The Custodian of each Sub-Fund is set out in the relevant Appendix. Bosera Hong Kong Equity Plus Fund, Bosera Greater China Enhanced Return Bond Fund, Bosera USD Money Market Fund, Bosera Stable Income 18-Month Interval Offering Bond Fund – Ⅰ and Bosera Global Short Duration Investment Grade Bond Fund are Sub-Funds of the Company. This Explanatory Memorandum relates to Bosera Hong Kong Equity Plus Fund, Bosera Greater China Enhanced Return Bond Fund, Bosera USD Money Market Fund and Bosera Global Short Duration Investment Grade Bond Fund only. For information relating to the other Sub-Funds, please refer to the explanatory memorandum of the relevant Sub-Funds.

The Manager and the Directors accept full responsibility for the information contained in this Explanatory Memorandum including the Product Key Facts Statement of each Sub-Fund (together, the "Offering Documents") as being accurate and confirm, having made all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make such information misleading. However, neither the delivery of the Offering Documents nor the offer or issue of Shares shall under any circumstances constitute a representation that the information contained in the Offering Documents is correct as of any time subsequent to the date of its publication. This Explanatory Memorandum including the Product Key Facts Statement of each Sub-Fund may from time to time be updated. Investors should check the Manager's website at www.bosera.com.hk (this website has not been reviewed by the SFC) for the latest version of the Offering Documents.

The Manager also confirms that this Explanatory Memorandum includes particulars given in compliance with the Code on Unit Trusts and Mutual Funds (the "UT Code"), the Code on Open Ended Fund Companies and the "Overarching Principles" of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products for the purposes of giving information with regard to the Shares in each Sub-Fund.

The Company has been registered with the Securities and Futures Commission in Hong Kong (the "SFC") as an open-ended fund company under Section 112D of the Securities and Futures Ordinance of Hong Kong (the "SFO"). The Company and each Sub-Fund are authorised by the SFC in Hong Kong under Section 104 of the SFO. SFC authorisation or registration is not a recommendation or endorsement of the Company or any Sub-Fund nor does it guarantee the commercial merits of the Company or any Sub-Fund or its performance. It does not mean the Company a Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

You should consult your financial adviser or your tax advisers and take legal advice as appropriate as to whether any governmental or other consents are required, or other formalities need to be observed, to enable you to acquire Shares as to whether any taxation effects, foreign exchange restrictions or exchange control requirements are applicable and to determine whether any investment in a Sub-Fund is appropriate for you.

This Explanatory Memorandum may refer to information and materials included in websites (http://www.bosera.com.hk). The contents of the website have not been reviewed by the SFC.

No action has been taken in any jurisdiction (other than Hong Kong or as otherwise specified below) that would permit an offering of the Shares or the possession, circulation or distribution of this Explanatory Memorandum or any other offering or publicity material relating to the offering of Shares in any other country or jurisdiction where action for the purpose is required. This Explanatory Memorandum does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it would be unlawful to make such offer or solicitation.

United States: The Shares have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), or under the securities law of any state or political sub-division of the United States of America or any of its territories, possessions or other areas subject to its jurisdiction including the Commonwealth of Puerto Rico (collectively, the "United States"). No person has registered nor will register as a commodity pool operator of the Company or any Sub-Fund under the Commodity Exchange Act of 1936, as amended (the "CEA") and the rules thereunder (the "CFTC Rules") of the Commodity Futures Trading Commission (the "CFTC"), and the Company and the Sub-Funds have not been and will not be registered under the United States Investment Company Act of 1940, as amended, nor under any other United States federal laws. The Shares are being offered and sold in reliance on an exemption from the registration requirements of the Securities Act pursuant to Regulation S thereunder ("Regulation S").

Accordingly, the Shares may not be offered, sold, pledged or otherwise transferred except (i) in an "Offshore Transaction" (as such term is defined under Regulation S) and (ii) to or for the account or benefit of a Permitted Transferee.

A "Permitted Transferee" means any person who is not any of:

(a) a U.S. person as defined in Rule 902(k)(1) of Regulation S;
(b) a person who comes within any definition of U.S. person for the purposes of the CEA or any CFTC rule, guidance or order proposed or issued under the CEA (for the avoidance of doubt, any person who is not a "Non-United States person" as such term is defined under CFTC Rule 4.7(a)(1)(iv), but excluding, for purposes of subsection (D) thereof, the exception for qualified eligible persons who are not "Non-United States persons", shall be considered a U.S. person); or
(c) a "resident of the United States" for purposes of, and as defined in implementing regulations proposed or issued under, Section 13 of the Bank Holding Company Act of 1956, as amended ("BHC Act").

Transfers of Shares within the United States or to any person other than a Permitted Transferee are prohibited. Any transfer of Shares to a person other than a Permitted Transferee (a "Non-Permitted Transferee") will be void *ab initio* and of no legal effect whatsoever. Accordingly, any purported transferee of any legal or beneficial ownership interest in a Share in such a transaction will not be entitled to any rights as a legal or beneficial owner of such interest in such Share.

The foregoing restrictions on the offer, sale, pledge or other transfer of Shares to a Non-Permitted Transferee may adversely affect the ability of an investor in the Shares to dispose of the Shares in the secondary market, if any, and significantly reduce the liquidity of the Shares. As a result, the value of the Shares may be materially adversely affected.

As defined in Rule 902(k)(1) of Regulation S, "US person" means:

(a) Any natural person resident in the United States;
(b) Any partnership or corporation organized or incorporated under the laws of the United States;
(c) Any estate of which any executor or administrator is a U.S. person;
(d) Any trust of which any trustee is a U.S. person;
(e) Any agency or branch of a non-U.S. entity located in the United States;
(f) Any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person;
(g) Any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and
(h) Any partnership or corporation if:
    (i) organized or incorporated under the laws of any non-U.S. jurisdiction; and
    (ii) formed by a U.S. person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organized or incorporated, and owned, by accredited investors (as defined in Rule 501(a) of Regulation D under the Securities Act) who are not natural persons, estates or trusts.

As defined in CFTC Rule 4.7, modified as indicated above, “Non-United States person” means:

(a) A natural person who is not a resident of the United States;
(b) A partnership, corporation or other entity, other than an entity organized principally for passive investment, organized under the laws of a non-U.S. jurisdiction and which has its principal place of business in a non-U.S. jurisdiction;
(c) An estate or trust, the income of which is not subject to United States income tax regardless of source;
(d) An entity organized principally for passive investment such as a pool, investment company or other similar entity; provided, that units of participation in the entity held by persons who do not qualify as Non-United States persons represent in the aggregate less than 10% of the beneficial interest in the entity, and that such entity was not formed principally for the purpose of facilitating investment by persons who do not qualify as Non-United States persons in a pool with respect to which the operator is exempt from certain requirements of part 4 of the Commodity Futures Trading Commission’s regulations by virtue of its participants being Non-United States persons; and
(e) A pension plan for the employees, officers or principals of an entity organized and with its principal place of business outside the United States.

As defined in the CFTC's proposed interpretive guidance and policy statement regarding cross-border application of certain swaps provisions of the CEA, 78 Fed. Reg. 45292 (Jul. 26, 2013).), “U.S. person” means:

(a) A natural person who is a resident of the United States;
(b) Any estate of a decedent who was a resident of the United States at the time of death;
(c) Any corporation, partnership, limited liability company, business or other trust, association, joint-stock company, fund or any form of enterprise similar to any of the foregoing (other than an entity described in prongs (d) or (e), below) (a ``legal entity''), in each case that is organized or incorporated under the laws of a state or other jurisdiction in the United States or having its principal place of business in the United States;

(d) Any pension plan for the employees, officers or principals of a legal entity described in prong (c), unless the pension plan is primarily for foreign employees of such entity;

(e) Any trust governed by the laws of a state or other jurisdiction in the United States, if a court within the United States is able to exercise primary supervision over the administration of the trust;

(f) any commodity pool, pooled account, investment fund, or other collective investment vehicle that is not described in prong (c) and that is majority-owned by one or more persons described in prong (a), (b), (c), (d), or (e), except any commodity pool, pooled account, investment fund, or other collective investment vehicle that is publicly offered only to non-U.S. persons and not offered to U.S. persons;

(g) Any legal entity (other than a limited liability company, limited liability partnership or similar entity where all of the owners of the entity have limited liability) that is directly or indirectly majority-owned by one or more persons described in prong (a), (b), (c), (d), or (e) and in which such person(s) bears unlimited responsibility for the obligations and liabilities of the legal entity; and

(h) Any individual account or joint account (discretionary or not) where the beneficial owner (or one of the beneficial owners in the case of a joint account) is a person described in prong (a), (b), (c), (d), (e), (f), or (g).

As defined in the implementing regulations issued under Section 13 of the BHC Act, SEC Release No. BHCA-1; File No. S7-41-11, "resident of the United States" means a person that is a "U.S. person" as defined in rule 902(k) of the SEC's Regulation S.

Each person who offers, sells, pledges or otherwise transfers Shares has exclusive responsibility for ensuring that its offer, sale, pledge or other transfer is not to or for the account or benefit of any person other than a Permitted Transferee as such term is defined as of the date of such offer, sale, pledge or other transfer.

The Shares have not been approved or disapproved by the United States Securities and Exchange Commission ("**SEC**") or any other regulatory agency in the United States, nor has the SEC or any other regulatory agency in the United States passed upon the accuracy or adequacy of this document or the merits of the Shares. Any representation to the contrary is a criminal offence. Furthermore, the Shares do not constitute, and have not been marketed as, contracts for the sale of a commodity for future delivery (or options thereon) subject to the CEA, and neither trading in the Shares nor this document has been approved by the CFTC under the CEA, and no person other than a Permitted Transferee may at any time trade or maintain a position in the Shares.

Prospective applicants for the Shares should inform themselves as to the relevant legal requirements of applying and any applicable exchange control regulations and applicable taxes in the countries or regions of their respective citizenship, residence or domicile which might be relevant to the subscription, holding or disposal of Shares.

Questions and Complaints

Any investor enquiries or complaints should be submitted in writing to the Manager's office (Suite 4109, 41/F Jardine House, 1 Connaught Place, Central, Hong Kong) and the Manager will issue a response within 10 Business Days of receipt of the enquiry or complaint.

DIRECTORY

Manager	**Bosera Asset Management (International) Co., Limited** Suite 4109, Jardine House One Connaught Place Central Hong Kong Telephone No.: +852 2537 6658 Fax No.: +852 2537 1249
Custodian	**CMB Wing Lung (Trustee) Limited** 6/F, CMB Wing Lung Bank Building 45 Des Voeux Road Central Hong Kong
Administrator	**CMB Wing Lung (Trustee) Limited** 6/F, CMB Wing Lung Bank Building 45 Des Voeux Road Central Hong Kong
Registrar	**CMB Wing Lung (Trustee) Limited** 6/F, CMB Wing Lung Bank Building 45 Des Voeux Road Central Hong Kong
Auditors	**KPMG** 8th Floor, Prince's Building 10 Chater Road Central, Hong Kong

DEFINITIONS

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

"A-Shares"	means shares issued by companies incorporated in Mainland China and listed on the SSE, the SZSE or the BSE, traded in RMB and available for investment by domestic investors through Stock Connect (where applicable), QFIIs and RQFIIs.
"Access Products"	means an access product, being a security (such as a note, warrant, option or participation certificate) or a swap agreement linked to a share or portfolios of shares which aims to synthetically replicate the economic performance of the underlying share or portfolios of shares.
"Administrator"	means CMB Wing Lung (Trustee) Limited, or such other person or persons for the time being duly appointed as administrator(s) hereof in succession thereto, acting in its capacity as administrator of the Company and each Sub-Fund.
"Appendix"	means an appendix to this Explanatory Memorandum containing information in respect of a particular Sub-Fund.
"Base Currency"	in relation to a Sub-Fund, means the currency of account of the Sub-Fund as specified in the relevant Appendix.
"BSE"	means the Beijing Stock Exchange.
"Business Day"	means, unless otherwise specified in the relevant Appendix in respect of a particular sub-fund, a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for normal banking business or such other day or days as the Manager and the Custodian may agree from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day will not be a Business Day unless the Manager and the Custodian determine otherwise.
"China" or "PRC"	means the People's Republic of China.
"Class"	means a class of Shares of the Sub-Fund.
"Class Currency"	means the currency of denomination of a Class.
"Company"	means Bosera Global Public Funds Series Open-ended Fund Company 博時全球公眾基金開放式基金型公司.
"Connected Person"	has the meaning as set out in the Code on Unit Trusts and Mutual Funds issued by the SFC which at the date of the Explanatory Memorandum means, in relation to a company: (a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise directly or indirectly, 20% or more of the total votes in that company; or

(b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or

(c) any member of the group of which that company forms part; or

(d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c).

"Custodian"	means CMB Wing Lung (Trustee) Limited or such other person or persons for the time being duly appointed as Custodian hereof in succession thereto, acting in its capacity as Custodian of the Scheme Property (including investments and uninvested cash) of the Company and each Sub-Fund.
"CSDCC"	means the China Securities Depository and Clearing Co., Ltd.
"CSRC"	means the China Securities Regulatory Commission.
"Dealing Day"	each Business Day or such other day or days as the Directors may from time to time determine either generally or in respect of a particular Class or Classes of Shares provided that a Dealing Day for the issue of a Class of Shares may be a different day or days from the Dealing Day for the redemption of such Class of Shares.
"Dealing Deadline"	means 4:00 pm (Hong Kong time) on the relevant Dealing Day.
"Directors"	means the directors of the Company for the time being or the directors of the Company present at a meeting of directors at which a quorum is present and includes any committee of the Directors duly constituted for the purposes relevant in the context in which any reference to the Directors appears or the members of such committee present at a meeting of such committee at which a quorum is present, and "Director" shall be construed accordingly.
"Entities within the Same Group"	means entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognised accounting standards.
"FMCC"	means the Fund Manager Code of Conduct issued by the SFC, as amended from time to time and supplemented by published guidelines or other guidance issued by the SFC
"Government and other Public Securities"	has the meaning as set out in the UT Code which as at the date of the main body of this Explanatory Memorandum means any investment issued by, or the payment of principal and interest on, which is guaranteed by a government, or any fixed-interest investment issued by its public or local authorities or other multilateral agencies.
"Hong Kong"	means the Hong Kong Special Administrative Region of the People's Republic of China.
"Hong Kong Dollars" or "HKD"	means the currency of Hong Kong.

"Hong Kong Stock Exchange"	means The Stock Exchange of Hong Kong Limited.
"IFRS"	means International Financial Reporting Standards issued by the International Accounting Standards Board.
"Initial Offer Period"	in respect of each Class, means the period during which Shares of that Class are offered for subscription at a fixed price, details of which are set out in the section headed "Subscription of Shares" below.
"Instrument"	means the instrument of incorporation of the Company filed to the Companies Registry of Hong Kong on, and effective as of, 17 September 2021, including its Schedules and Appendices, as amended from time to time.
"Laws and Regulations"	means all applicable laws and regulations including the SFO, OFC Rules, the OFC Code, the Products Handbook (including the UT Code) and the FMCC
"Mainland China" or "Mainland"	all customs territories of the PRC, excluding for the purposes of interpretation of this Explanatory Memorandum only, Hong Kong, the Macau Special Administrative Region and Taiwan.
"Manager"	means Bosera Asset Management (International) Co., Limited.
"Net Asset Value"	means the net asset value of the Sub-Fund, of a Class or of a Share, as the context may require, calculated in accordance with the provisions of the Instrument as summarised below under the section headed "Valuation" below.
"OFC Code"	means the Code on Open Ended Fund Companies issued by the SFC (as amended, or replaced, from time to time).
"OFC Rules"	means Securities and Futures (Open-ended Fund Companies) Rules (Cap. 571AQ), as amended from time to time
"PBOC"	means the People's Bank of China.
"Product Handbook"	means the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products issued by the SFC, as amended from time to time and supplemented by published guidelines or other guidance issued by the SFC.
"Redemption Price"	means the price at which Shares will be redeemed as described in the section headed "Payment of Redemption Proceeds" below.
"RMB" or "Renminbi"	means the Renminbi Yuan, the currency of the PRC.
"Registrar"	means CMB Wing Lung (Trustee) Limited or such person as may from time to time be appointed by the Company (and acceptable to the Manager) as registrar in respect of each Sub-Fund to keep the register of the Shareholders of the Sub-Fund.
"SAFE"	means the State Administration of Foreign Exchange of the PRC.

"SAT"	means the State Administration of Taxation of the PRC.
"Scheme Property"	means scheme property of the Company.
"SEHK"	Means The Stock Exchange of Hong Kong Limited or its successors.
"SFC"	means the Securities and Futures Commission of Hong Kong.
"SFO"	means the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong.
"Securities Market"	means any stock exchange, over-the-counter market or other organised securities market that is open to the international public and on which such securities are regularly traded.
"Shanghai-Hong Kong Stock Connect"	means the securities trading and clearing links programme developed by the Hong Kong Exchanges and Clearing Limited, Shanghai Stock Exchange and China Securities Depository and Clearing Corporation Limited, for mutual market access between Mainland China and Hong Kong.
"Share"	means a share in the Company of such number of undivided shares or such fraction of an undivided share of a Sub-Fund of the Company to which a Share relates as is represented by a Share of the relevant class and, except where used in relation to a particular class of Share, a reference to Shares means and includes Shares of all classes.
"Shareholder"	means a holder for the time being Shares of the Company.
"Shenzhen-Hong Kong Stock Connect"	means the securities trading and clearing links programme developed by the Hong Kong Exchanges and Clearing Limited, Shenzhen Stock Exchange and China Securities Depository and Clearing Corporation Limited, for mutual market access between Mainland China and Hong Kong.
"SSE"	means the Shanghai Stock Exchange.
"Stock Connect"	means the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.
"Sub-Fund"	means a separate part of the Scheme Property of the Company which is established pursuant to the Instrument;
"Subscription Price"	means the price at which Shares are issued as described in the section headed "Subscription of Shares" below.
"substantial financial institution"	has the meaning as set out in the UT Code.
"SZSE"	means the Shenzhen Stock Exchange.
"UT Code"	means the Code on Unit Trusts and Mutual Funds issued by the SFC, as amended from time to time and supplemented by published guidelines or other guidance issued by the SFC;

“US dollars” or “USD”	means the currency of the United States of America;
“Valuation Day”	means each Business Day on which the Net Asset Value of a Sub-Fund and/or the Net Asset Value of a Share or a Class falls to be calculated and in relation to each Dealing Day of any class or classes of Shares means either such Dealing Day or such Business Day or day as the Manager may from time to time determine either generally or in relation to a particular Sub-Fund or Class;
“Valuation Point”	means the close of business in the last relevant market to close on a relevant Valuation Day or such other time on that day or such other day as the Manager may from time to time determine either generally or in relation to a particular Sub-Fund or Class.

INTRODUCTION

The Company

The Company is a public umbrella open-ended fund company with variable capital with limited liability, which was incorporated in Hong Kong under the SFO on 17 September 2021 with the company number OF0000025. It is constituted by way of its Instrument filed to the Companies Registry of Hong Kong on, and effective as of 17 September 2021.

The Company is registered with the SFC under Section 112D of the SFO. The Company and each Sub-Fund is authorised as a collective investment scheme by the SFC under Section 104 of the SFO. SFC registration or authorisation is not a recommendation or endorsement of the Company or a Sub-Fund nor does it guarantee the commercial merits of the Company, any Sub-Fund or their performance. It does not mean that the Company or a Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

The Sub-Fund(s)

The Company may issue different classes of Shares and the Company shall establish a separate pool of assets in respect of each Sub-Fund (each such separate pool of assets a “Sub-Fund”) to which one or more class of Shares shall be attributable. The assets of a Sub-Fund will be invested and administered separately from the other assets of the Company. All assets and liabilities attributable to each Sub-Fund shall be segregated from the assets and liabilities of any other Sub-Funds, and shall not be used for the purpose of, or borne by the assets of, any other Sub-Fund. Each Sub-Fund will have its own Appendix of this Explanatory Memorandum.

The Company reserves the right to establish other Sub-Funds and/or issue further classes of Shares relating to a Sub-Fund or Sub-Funds in the future in accordance with the provisions of the Instrument.

THE MANAGEMENT OF THE COMPANY AND SUB-FUNDS

The Directors

The Directors of the Company are as follows:

LIAN Shaodong

Ms. Lian is the Chairman of the Board of Directors, Chief Executive Officer and Responsible Officer of the Manager. Ms. Lian joined Bosera Asset Management Co., Ltd in May 2012 as head of product department and head of marketing and sales division. Effective from 2016, Ms. Lian was appointed as Deputy CEO, RO and director of the Manager.

Prior to joining Bosera Asset Management Co., Ltd, Ms. Lian was Chief Executive Officer of Da Cheng International Asset Management from 2008 to 2012. She also worked for DBS Vickers (Hong Kong) as China Business director from 2004 to 2008. Prior to that, Ms. Lian joined Dacheng Fund Management Co. as first batch of employee in 2000. Lastly, she started her career as trader and chief representative in ABN AMRO Bank (Asia) since 1993.

Ms. Lian is the Chairperson of Chinese Asset Management Associate of Hong Kong and Election Committee Member of Hong Kong SAR currently.

Ms. Lian achieved a master degree in Economics from Guangdong Provincial Community Party College.

ZENG Peng

Mr. Zeng is a director and Chief Investment Officer of the Manager. He joined Bosera Fund Management Co., Ltd in 2012 and currently serves as the Chief Investment Officer, Integrated Director of Equity Research and Investment, General Manager of Equity Investment Department IV, General Manager of the Overseas Investment Department, Social Security Investment Manager, and Fund Manager. Prior to this, from March 2005 to March 2009, he worked at China International Fund Management Co., as a researcher and industry expert. From March 2009 to September 2012, he worked at Harvest Fund Management as an investment manager.

Mr. Zeng studied Management of Investment Economics at Shanghai University of Finance and Economics from September 1998 to July 2002, earning a bachelor's degree. He then pursued a master's degree in National Economics at the same university from September 2002 to January 2005, obtaining a master's degree.

The Manager

The Manager of the Company is Bosera Asset Management (International) Co., Limited.

The Manager was established in Hong Kong in March 2010 and is being directly held by Bosera Asset Management Co., Limited and China Merchants Fund Management Co., Limited as to 55% and 45% ordinary shares of the Manager.

The Manager is licensed by the SFC for type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO with CE number AVR135. The Manager’s licence is subject to the condition that, in respect of type 1 regulated activity, the Manager shall only carry on the business of dealing in collective investment schemes.

Under the Instrument, the Manager is responsible for the management of the assets of the Company and each Sub-Fund. The Manager is also responsible, in conjunction with the Custodian, for the maintenance of the financial reports and records of the Company and each Sub-Fund as well as certain other administrative matters relating to the Company and each Sub-Fund.

The Manager may appoint investment managers or investment delegates in relation to specific Sub-Funds (details of any such appointments are set out in the relevant Appendix), subject to the approval of the SFC and at least one month's prior notice to Shareholders (where applicable). Where the investment management functions in respect of a Sub-Fund are delegated to third party investment managers or investment delegates, the Manager will conduct on-going supervision and regular monitoring of the competence of such delegates to ensure that the Manager's accountability to investors is not diminished, and although the investment management role of the Manager may be sub-contracted to third parties, the responsibilities and obligations of the Manager may not be delegated.

The directors of the Manager

The directors of the Manager are as follows:

WU Huifeng

Mr. Wu is a director of the Manager. From 1996 to 2023, he had worked at China Nanshan Development Group Inc, Shanghai Chengnan Real Estate Development Co., Ltd., China Merchants Finance Holdings Company Limited and China Merchants Securities Co., Ltd., being a senior management and overseeing finance functions. Mr. Wu joined Bosera Asset Management Co., Ltd. in 2023 and is currently its Deputy General Manager, Chief Financial Officer, and Secretary of its Board.

Mr. Wu holds a Master's Degree in Economics from Peking University and a Bachelor's Degree in Economics from Shanghai University of Finance and Economics.

LIAN Shaodong

Ms. Lian is the Chairman of the Board of Directors, Chief Executive Officer and Responsible Officer of the Manager. Ms. Lian joined Bosera Asset Management Co., Ltd in May 2012 as head of product department and head of marketing and sales division. Effective from 2016, Ms. Lian was appointed as Deputy CEO, RO and director of the Manager.

Prior to joining Bosera Asset Management Co., Ltd, Ms. Lian was Chief Executive Officer of Da Cheng International Asset Management from 2008 to 2012. She also worked for DBS Vickers (Hong Kong) as China Business director from 2004 to 2008. Prior to that, Ms. Lian joined Dacheng Fund Management Co. as first batch of employee in 2000. Lastly, she started her career as trader and chief representative in ABN AMRO Bank (Asia) since 1993.

Ms. Lian is the Chairperson of Chinese Asset Management Associate of Hong Kong and Election Committee Member of Hong Kong SAR currently.

Ms. Lian achieved a master degree in Economics from Guangdong Provincial Community Party College.

ZENG Peng

Mr. Zeng is a director and Chief Investment Officer of the Manager. He joined Bosera Fund Management Co., Ltd in 2012 and currently serves as the Chief Investment Officer, Integrated Director of Equity Research and Investment, General Manager of Equity Investment Department IV, General Manager of the Overseas Investment Department, Social Security Investment Manager, and Fund Manager. Prior to this, from March 2005 to March 2009, he worked at China International Fund Management Co., as a researcher and industry expert. From March 2009 to September 2012, he worked at Harvest Fund Management as an investment manager.

Mr. Zeng studied Management of Investment Economics at Shanghai University of Finance and Economics from September 1998 to July 2002, earning a bachelor's degree. He then pursued a master's degree in National Economics at the same university from September 2002 to January 2005, obtaining a master's degree.

OU Zhiming

Mr. Ou is a director of the Manager. Since 2002, Mr. Ou joined GF Securities in its Shenzhen business headquarters as an Institutional Client Account Manager. From April 2003 to July 2004, he was engaged in risk management at the headquarters of GF Securities. He joined China Merchants Fund Management Co., Ltd. ("CMFM") in July 2004 and consecutively served as the Legal Compliance Department's Senior Manager, Deputy Director, Director, and CMFM's Chief Inspector. He is currently the Deputy General Manager, Chief Information Officer, Secretary of the Board of Directors of CMFM, and concurrently serves as a Director of the China Merchants Wealth Asset Management Co., Ltd.

Mr. Ou holds a Master's degree in Investment Economics and double undergraduate degrees in Economics and Law from the Huazhong University of Science and Technology.

ZHOU Yi

Ms. Zhou is a director of the Manager Since July 2010, she joined the China Merchants Bank's Headquarters and served as the Risk Control Manager of the Financial Market Department and the Head of the Foreign Currency Wealth Management Team of the Asset Management Department. In 2018, she joined E Fund Management Co., Ltd., and was responsible for the investment management of USD Short-Term Bond Strategy, USD and HKD Money Market Funds. Ms, Zhou joined China Merchants Fund Management Co., Ltd. in 2021 as a Senior Fund Manager.

She holds a Master of Science degree from Oxford University. Ms. Zhou received a Master of Engineering and double undergraduate degrees in Engineering and Management from the Huazhong University of Science and Technology. Ms. Zhou is a Chartered Financial Analyst (CFA).

The Custodian, Administrator and the Registrar

The Custodian of the Company is CMB Wing Lung (Trustee) Limited. The Custodian also acts as the Administrator and Registrar of the Company and (unless otherwise stated in the relevant Appendix) each Sub-Fund.

CMB Wing Lung (Trustee) Limited was incorporated with limited liability in Hong Kong in 1972 and is registered as a trust company under the Trustee Ordinance (Cap. 29 of the Laws of Hong Kong), and a licensed trust or company service provider (TCSP Licence No. TC004338). CMB Wing Lung (Trustee) Limited is a wholly-owned subsidiary of CMB Wing Lung Bank Limited, a licensed bank (CE No. AAF294) under the Banking Ordinance (Cap. 155 of the Laws of Hong Kong).

Under the Custodian Agreement, the Custodian is responsible for the safekeeping of the assets of the Company and each Sub-Fund, subject to the provisions of the Instrument and the SFO.

The Custodian may appoint a person or persons (including a Connected Person of the Custodian) to be agent, nominee, custodian, joint custodian, co-custodian and/or sub-custodian to hold certain assets of any Sub-Fund and may empower its appointed sub-custodian to further appoint nominees, agents and/or delegates provided that such appointment is made with no objection in writing by the Custodian.

The Custodian must be liable for the acts and omissions of nominees, agents and delegates in relation to assets forming part of the Scheme Property of the Company, provided that the Custodian is not generally expected to be liable for any act, omission, insolvency, liquidation or bankruptcy of any central securities depositary or clearing system. The Custodian shall be liable for the acts and omissions of its nominees, agents and delegates which are Connected Persons of the Custodian as if the same were the acts or omissions of the Custodian. For the purpose of satisfying these obligations in respect of a nominee, agent or delegate that is not a Connected Person of the Custodian, the Custodian shall (i) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of its nominees, agents and delegates; and (ii) be satisfied

that the nominees, agents and delegates retained remain suitably qualified and competent to provide the relevant service.

The Custodian will remain as the primary custodian of the Company until it retires or is removed. The circumstances under which the Custodian may retire or be removed are set out in the Custodian Agreement. Where any Sub-Fund is authorised pursuant to section 104 of the Securities and Future Ordinance, any change in the Custodian is subject to the SFC's prior approval and the Custodian will remain as the custodian of the Company until a new primary custodian is appointed. Shareholders will be duly notified of any such changes in accordance with the requirements prescribed by the SFC.

The Auditors

The Directors have appointed KPMG to act as the auditor of the Company and each Sub-Fund (the "Auditor"). The Auditor is independent of the Manager and the Custodian.

Conflicts of Interest and Soft Dollars

The Manager and the Custodian may, from time to time, act as manager, sub-investment manager, investment delegate, custodian or in such other capacity in connection with any collective investment scheme separate and distinct from the Company and each Sub-Fund and retain any profit or benefit made in connection therewith.

In addition:

(a) The Manager or any of its Connected Persons may purchase and sell investments for the account of a Sub-Fund as agent for the Sub-Fund or deal with any Sub-Fund as principal with the prior written consent of the Custodian.

(b) The Custodian, 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 Shareholder or any company or body any of whose shares or securities form part of the relevant Sub-Fund's assets.

(c) The Custodian or the Manager or any of their Connected Persons may become the owner of Shares and hold, dispose or otherwise deal with them with the same rights which it would have had if it had not been the Custodian or the Manager or any of their Connected Persons.

(d) The Custodian, 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 by a Sub-Fund.

(e) Any arrangements for the borrowing or deposit of any monies for the account of a Sub-Fund may be made with any of the Custodian, the Manager, any investment delegate or any of their Connected Persons 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 type, size and term, in the same currency and with institutions of similar standing, negotiated at arm's length in accordance with ordinary and normal course of business. Any such deposits shall be maintained in a manner that is in the best interests of Shareholders.

(f) Neither the Custodian nor the Manager nor any of their Connected Persons shall be liable to account to each other or to any Sub-Fund or to the Shareholders 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 Custodian, the Manager or any of their Connected Persons may, in the course of business, have potential conflicts of interest with a Sub-Fund. Each will, at all times, have regard in such event to its obligations to the Sub-Fund and the Shareholders and will endeavour to ensure that such conflicts are resolved fairly.

Subject to the Laws and Regulations and the Instrument, the Manager, its delegate or any of its Connected Persons may enter into portfolio transactions for or with a Sub-Fund as agent in accordance with normal market practice, provided that commissions charged to the Sub-Fund in these circumstances do not exceed customary full service brokerage rates. If a broker does not provide research or other lawful services in addition to brokerage execution, such broker will generally charge a brokerage commission that is discounted from customary full service brokerage rates. Where the Manager invests a Sub-Fund in units or shares of a collective investment scheme managed by the Manager, its delegates or any of its Connected Persons, the manager of the scheme in which the investment is being made by the Sub-Fund must waive any preliminary or initial charge which it is entitled to charge for its own account in relation to the acquisition of units or shares 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 of its Connected Persons) borne by the Sub-Fund.

None of the Manager, its delegates (including investment delegates if any) or any of their 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 Instrument) received from a third party (either directly or indirectly) arising out of the sale or purchase or loan of investments for a Sub-Fund, and any such rebates or payments or benefits which are received shall be credited to the account of the Sub-Fund.

The Manager, its delegates (including investment delegates, if any) or any of their Connected Persons may receive, and are entitled to retain, goods, services or other benefits, such as research and advisory services, economic and political analysis, portfolio analysis (including valuation and performance measurement), market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment related publication (known as soft dollar benefits) which are of demonstrable benefit to a Sub-Fund as a whole and may contribute to an improvement in the performance of the relevant Sub-Fund or of the Manager and/or any of its Connected Persons in providing services to the relevant Sub-Fund (as may be permitted under the UT Code, 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, brokerage rates are not in excess of customary institutional full-service brokerage rates and the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer. For the avoidance of doubt, such goods and services do not include travel accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments. Details of soft commission arrangements will be disclosed in the relevant Sub-Fund's annual report.

The services of the Custodian provided to the Company and each Sub-Fund are not deemed to be exclusive and the Custodian 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 monies payable thereby and the Custodian shall not be deemed to be affected with notice of or to be under any duty to disclose to any Sub-Fund any fact or thing which comes to the notice of the Custodian in the course of the Custodian 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 Custodian Agreement.

Conflicts of interest may also arise due to the widespread business operations of the Custodian, the Manager, the Registrar, the Conversion Agent or the Service Agent (as the case may be) and their respective holding companies, subsidiaries and affiliates. The foregoing parties may effect transactions where those conflicts arise and shall not, subject to the terms of the Instrument and

the relevant agreement(s), be liable to account for any profit, commission or other remuneration arising. However, all transactions carried out by or on behalf of a Sub-Fund will be on arm's length terms and in the best interests of Shareholders. For so long as a Sub-Fund is authorised by the SFC and it is an applicable requirement of the UT Code, the Manager, if transacting with brokers or dealers connected to the Manager, investment delegates, the Custodian or any of their respective Connected Persons, must ensure it complies with the following obligations:

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

(b) it must use due care in the selection of brokers or dealers and ensure that they are suitably qualified in the circumstances;

(c) transaction execution must be consistent with applicable best execution standards;

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

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

(f) the nature of such transactions and the total commissions and other quantifiable benefits received by such broker or dealer shall be disclosed in the annual financial statements of the Sub-Fund.

INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTIONS

Investment objective

The investment objective of each Sub-Fund is set out in the relevant Appendix.

Investment strategy

The investment strategy of each Sub-Fund is set out in the relevant Appendix.

Investment restrictions

Unless otherwise approved by the SFC, the following principal investment restrictions apply to each Sub-Fund under the Company authorised by the SFC:

(a) the aggregate value of the Sub-Fund's investments in, or exposure to, any single entity (other than Government or other Public Securities) through the following may not exceed 10% of the total Net Asset Value of the Sub-Fund, save as permitted by Chapter 8.6(h) and as varied by Chapter 8.6(h)(a) of the UT Code;

(1) investments in securities issued by such entity;

(2) exposure to such entity through underlying assets of FDIs; and

(3) net counterparty exposure to such entity arising from transactions of over the-counter FDIs,

for the avoidance of doubt, the restrictions and limitations on counterparty as set out in sub-paragraphs (a) and (b) and Chapter 7.28(c) of the UT Code will not apply to FDIs that are: (i) transacted on an exchange where the clearing house performs a central counterparty role; and (ii) marked-to-market daily in the valuation of their FDI positions and subject to margining requirements at least on a daily basis;

(b) subject to (a) above and Chapter 7.28(c) of the UT Code, the aggregate value of the Sub-Fund's investments in, or exposure to Entities within the Same Group through the following may not exceed 20% of the total Net Asset Value of the Sub-Fund;

(1) investments in Securities issued by such entities;

(2) exposure to such entities through underlying assets of FDIs; and

(3) net counterparty exposure to such entities arising from transactions of over-the-counter FDIs;

(c) the value of the Sub-Fund's cash deposits made with the same entity or Entities within the Same Group may not exceed 20% of the total Net Asset Value of the Sub-Fund, unless:

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

(2) the cash is proceeds from liquidation of investments prior to the merger or termination of a Sub-Fund, whereby the placing of cash deposits with various financial institutions may not be in the best interest of investors; or

(3) the cash is proceeds received from subscriptions pending investments and held for the settlement of redemption and other payment obligations, whereby the placing of

cash deposits with various financial institutions is unduly burdensome and the cash deposits arrangement would not compromise investors' interests.

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

(d) ordinary shares issued by a single entity (other than Government and other Public Securities) held for the account of the Sub-Fund, when aggregated with other holdings of ordinary shares issued by the same entity held for the account of all other Sub-Funds under the Company collectively may not exceed 10% of the nominal amount of the ordinary shares issued by the entity;

(e) not more than 15% of the total Net Asset Value of the Sub-Fund may be invested in Securities and other financial products or instruments that are neither listed, quoted nor dealt in 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;

(f) notwithstanding (a), (b), (d) and (e) above, where direct investment by a Sub-Fund in a market is not in the best interests of investors, a Sub-Fund may invest through a wholly-owned subsidiary company established solely for the purpose of making direct investments in such market. In this case:

(1) the underlying investments of the subsidiary, together with the direct investments made by the Sub-Fund, must in aggregate comply with the requirements of Chapter 7 of the UT Code;

(2) any increase in the overall fees and charges directly or indirectly borne by the Shareholders or the Sub-Fund as a result must be clearly disclosed in the Explanatory Memorandum; and

(3) the Sub-Fund must produce the reports required by Chapter 5.10(b) of the UT Code in a consolidated form to include the assets (including investment portfolio) and liabilities of the subsidiary company as part of those of the Sub-Fund.

(g) notwithstanding (a), (b) and (d) above, not more than 30% of the total Net Asset Value of a Sub-Fund may be invested in Government and other Public Securities of the same issue, except for a Sub-Fund which has been authorised by the SFC as an index fund, this limit may be exceeded with the approval of the SFC;

(h) subject to (g) above, a Sub-Fund may fully invest in Government and other Public Securities in at least six different issues, and subject to the approval of the SFC, a Sub-Fund which has been authorised by the SFC as an index fund may invest all of its assets in Government and other Public Securities in any number of different issues;

(i) unless otherwise approved by the SFC, the Sub-Fund may not invest in physical commodities;

(j) for the avoidance of doubt, exchange traded funds that are:

(1) authorised by the SFC under Chapter 8.6 or 8.10 of the UT Code; or

(2) listed and regularly traded on internationally recognized stock exchanges open to the public (nominal listing not accepted) and (a) the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under Chapter 8.6 of the UT Code; or (b) the investment

objective, policy, underlying investments and product features of which are substantially in line with or comparable with those set out under Chapter 8.10 of the UT Code,

may either be considered and treated as (i) listed Securities for the purposes of and subject to the requirements in (a), (b) and (d) above; or (ii) collective investment schemes for the purposes of and subject to the requirements in (k) below. However, the investments in exchange traded funds shall be subject to (e) above and the relevant investment limits in exchange traded funds by a Sub-Fund should be consistently applied and clearly disclosed in the Explanatory Memorandum of a Sub-Fund;

(k) where the Sub-Fund invests in units or shares of other collective investment schemes ("underlying schemes"),

(1) the value of the Sub-Fund's investment in units or shares in underlying schemes which are non-eligible schemes (as determined by the SFC) and not authorised by the SFC may not in aggregate exceed 10% of the total Net Asset Value of the Sub-Fund; and

(2) the Sub-Fund may invest in one or more underlying schemes which are either schemes authorised by the SFC or eligible schemes (as determined by the SFC), but the value of the Sub-Fund's investment in units or shares in each such underlying scheme may not exceed 30% of the total Net Asset Value of the Sub-Fund, unless the underlying scheme is authorised by the SFC and its name and key investment information are disclosed in the Explanatory Memorandum of the Sub-Fund,

provided that in respect of (1) and (2) above:

(A) the objective of each underlying scheme may not be to invest primarily in any investment prohibited by Chapter 7 of the UT Code, and where that underlying scheme's objective is to invest primarily in investments restricted by Chapter 7 of the UT Code, such investments may not be in contravention of the relevant limitation prescribed by Chapter 7 of the UT Code. For the avoidance of doubt, a Sub-Fund may invest in scheme(s) authorised by the SFC under Chapter 8 of the UT Code (except for hedge funds under Chapter 8.7 of the UT Code), eligible scheme(s) (as determined by the SFC) of which the net derivative exposure does not exceed 100% of its total Net Asset Value, and exchange traded funds satisfying the requirements in (j) above in compliance with (1) and (2) above;

(B) where the underlying schemes are managed by the Manager, or by other companies within the same group that the Manager belongs to, then (a), (b), (d) and (e) are also applicable to the investments of the underlying scheme; and

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

(3) where an investment is made in any underlying scheme(s) managed by the Manager or any of its Connected Persons, all initial charges and redemption charges on the underlying scheme(s) must be waived; and

(4) the Manager or any person acting on behalf of the Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by an underlying scheme or the manager of an underlying scheme or any quantifiable monetary benefits in connection with investments in any underlying scheme;

(l) a Sub-Fund may invest 90% or more of its total Net Asset Value in a single collective investment scheme and will be authorised as a feeder fund by the SFC. In this case,

(1) the underlying scheme ("master fund") must be authorised by the SFC;

(2) the Explanatory Memorandum must state that:

i. the Sub-Fund is a feeder fund into the master fund;

ii. for the purpose of complying with the investment restrictions, the Sub-Fund (i.e. feeder fund) and its master fund will be deemed a single entity;

iii. the Sub-Fund (i.e. feeder fund)'s annual report must include the investment portfolio of the master fund as at the financial year-end date; and

iv. the aggregate amount of all the fees and charges of the Sub-Fund (i.e. feeder fund) and its master fund must be clearly disclosed;

(3) unless otherwise approved by the SFC, no increase in the overall total of initial charges, redemption charges, Manager's annual fee, or any other costs and charges payable to the Manager or any of its Connected Persons borne by the Shareholders or by the Sub-Fund (i.e. feeder fund) may result, if the master fund in which the Sub-Fund (i.e. feeder fund) invests is managed by the same Manager or by its Connected Person;

(4) notwithstanding paragraph (k)(2)(c) above, the master fund may invest in other collective investment scheme(s) subject to the investment restrictions as set out in paragraph (k); and

(m) if the name of the Sub-Fund indicates a particular objective, investment strategy, geographic region or market, the Sub-Fund should, under normal market circumstances, invest at least 70% of its total Net Asset Value in securities and other investments to reflect the particular objective, investment strategy or geographic region or market which the Sub-Fund represents.

Money market funds

For each Sub-Fund which is authorised by the SFC as "money market funds" under Chapter 8.2 of the UT Code, the relevant Sub-Fund required to comply with the following investment restrictions:

(1) subject to the provisions below, the Sub-Fund may only invest in short-term deposits and high quality money market instruments, and up to 10% in money market funds authorised by the SFC under Chapter 8.2 of the UT Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC;

(2) the Sub-Fund must maintain a portfolio with weighted average maturity of not exceeding 60 days and a weighted average life not exceeding 120 days and must not purchase an instrument with a remaining maturity of more than 397 days, or two years in the case of Government and other Public Securities;

For the purposes herein:

a. "weighted average maturity" is a measure of the average length of time to maturity of all the underlying securities in the Sub-Fund weighted to reflect the relative holdings in each instrument; and is used to measure the sensitivity of the Sub-Fund to changing money market interest rates; and

b. "weighted average life" is the weighted average of the remaining life of each security held in the Sub-Fund; and is used to measure the credit risk, as well as the liquidity risk,

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

(3) notwithstanding the above, the aggregate value of the Sub-Fund's holding of instruments and deposits issued by a single entity may not exceed 10% of the Net Asset Value of the Sub-Fund except:

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

b. in the case of Government and other Public Securities, up to 30% may be invested in the same issue; or

c. in respect of any deposit of less than USD1,000,000 or its equivalent in the base currency of the Sub-Fund, where the Sub-Fund cannot otherwise diversify as a result of its size.

(4) notwithstanding paragraphs (b) and (c) under the section "Investment restrictions" above, the aggregate value of the Sub-Fund's investments in Entities within the Same Group through instruments and deposits may not exceed 20% of its total Net Asset Value except:

a. in respect of any cash deposit of less than USD1,000,000 or its equivalent in the base currency of the Sub-Fund, where the Sub-Fund cannot otherwise diversify as a result of its size; and

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

(5) notwithstanding the borrowing limit as set out below, the Sub-Fund may borrow up to 10% of its total Net Asset Value but only on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses;

(6) the value of the Sub-Fund's holding of investments in the form of asset-backed securities may not exceed 15% of its total Net Asset Value;

(7) subject to Chapter 7.32 to 7.38 of the UT Code, the Sub-Fund may engage in sale and repurchase transactions and reverse repurchase transactions in compliance with the following requirements:

(1) the amount of cash received by the Sub-Fund under sale and repurchase transactions may not in aggregate exceed 10% of its total Net Asset Value;

(2) the aggregate amount of cash provided to the same counterparty in reverse repurchase agreements may not exceed 15% of the Net Asset Value of the Sub-Fund;

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

(4) the holding of collateral, together with other investments of the Sub-Fund, must not contravene the investment limitations and requirements set out under this sub-section "Money market funds";

(8) the Sub-Fund may use FDIs for hedging purposes only;

(9) the currency risk of the Sub-Fund shall be appropriately managed and any material currency risk that arises from investments that are not denominated in the base currency shall be appropriately hedged;

(10) the Sub-Fund must hold at least 7.5% of its total Net Asset Value in daily liquid assets and at least 15% of its total Net Asset Value in weekly liquid assets.

For the purposes herein:

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

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

a Sub-Fund that offers a stable or constant net asset value or which adopts an amortised cost accounting for valuation of its assets may only be considered by the SFC on a case-by-case basis.

Investment prohibitions

Each Sub-Fund shall not:

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

(2) invest in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in real estate investment trusts (REITs)). In the case of investments in such shares and REITs, they shall comply with the investment restrictions and limitations set out in paragraphs (a), (b), (d), (e) and (k) above, where applicable. For the avoidance of doubt, where investments are made in listed REITS, paragraphs (a), (b) and (d) apply and where investments are made in unlisted REITS, which are either companies or collective investment schemes, then paragraphs (e) and (k) apply respectively;

(3) make short sales if as a result the Sub-Fund would be required to deliver securities exceeding 10% of the total Net Asset Value of the Sub-Fund (and for this purpose securities sold short must be actively traded on a market where short selling is permitted). For the avoidance of doubt, a Sub-Fund is prohibited to carry out any naked or uncovered short sale of securities and short selling should be carried out in accordance with all applicable laws and regulations;

(4) subject to paragraph (e) above, lend or make a loan out of the assets of the Sub-Fund except to the extent that the acquisition of bonds or the making of a deposit (within the applicable investment restrictions) might constitute a loan, or assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person, save and except for reverse repurchase transactions in compliance with the UT Code;

(5) enter into any obligation on behalf of the Sub-Fund or acquire any asset or engage in any transaction for the account of the Sub-Fund which involves the assumption of any liability which is unlimited; or

(6) apply any part of the Sub-Fund in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call is due to be made for any sum unpaid on such investments unless such call could be met in full out of cash or near cash forming part of the Sub-Fund whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transaction in FDIs for the purposes of the Chapter 7.29 and 7.30 of the UT Code.

Borrowing restrictions

The Manager may cause to borrow up to 10% of the total Net Asset Value of a Sub-Fund unless otherwise stated in the relevant Appendix, provided always that back to back borrowings shall not be taken into account when determining whether or not these limits have been breached by the relevant Sub-Fund. For the avoidance of doubt, securities lending transactions and sale and repurchase transactions in compliance with the requirements as set out in Chapters 7.32 to 7.35 of the UT Code are not subject to the limitations in this paragraph.

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

Financial derivative instruments

Subject to the UT Code and the provisions of the Instrument, the Manager shall have the power on behalf of each Sub-Fund to agree and to enter into any FDI, for hedging or non-hedging (investment) purposes, provided that the exposure to the underlying assets of the FDIs, together with other investments of the relevant Sub-Fund, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets as set out in Chapters 7.1, 7.1A, 7.1B, 7.4, 7.5, 7.11, 7.11A, 7.11B and 7.14 of the UT Code.

Hedging Purposes

A Sub-Fund may acquire FDIs for hedging purpose provided that such FDIs shall meet all of the following criteria:

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

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

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

(d) they should exhibit price movements with high negative correlation with the investments being hedged under normal market conditions. Hedging arrangement should be adjusted or re-positioned, where necessary and with due consideration on the fees, expenses and costs, to enable the Sub-Fund to meet its hedging objective in stressed or extreme market conditions.

Non-hedging (investment) purposes

A Sub-Fund may acquire FDIs for non-hedging purposes ("investment purposes"), subject to the limit that the Sub-Fund's net exposure relating to these FDIs ("net derivative exposure") does not exceed 50% of its total Net Asset Value, except this limit may be exceeded for Sub-Funds approved by the SFC under Chapter 8.8 (structured funds) or 8.9 (funds that invest extensively in financial derivative instruments) of the UT Code. For the avoidance of doubt:

(a) for the purpose of calculating net derivative exposure, the positions of FDIs acquired by a Sub-Fund for investment purposes are converted into the equivalent position in the underlying assets of the FDIs, taking into account the prevailing market value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions;

(b) the net derivative exposure should be calculated in accordance with the requirements and guidance issued by the SFC which may be updated from time to time; and

(c) FDIs acquired for hedging purposes will not be counted towards the 50% limit referred to in this paragraph so long as there is no residual derivative exposure arising from such hedging arrangement.

Restrictions applicable to FDIs

The FDIs invested by a Sub-Fund should be either listed or quoted on a stock exchange, or dealt in over-the-counter market and comply with the following provisions:

(a) the underlying assets consist solely of shares in companies, debt Securities, money market instruments, units/shares of collective investment schemes, deposits with substantial financial institutions, Government and other Public Securities, highly-liquid physical commodities (including gold, silver, platinum and crude oil), financial indices, interest rates, foreign exchange rates or currencies or other asset classes acceptable to the SFC, in which the Sub-Fund may invest according to its investment objectives and policies. Where a Sub-Fund invests in Index-based FDIs, the underlying assets of such FDIs are not required to be aggregated for the purposes of the investment restrictions or limitations set out in paragraphs (a), (b), (c) and (g) under the section headed "Investment and borrowing restrictions" above provided that the relevant Index is in compliance with Chapter 8.6(e) of the UT Code;

(b) the counterparties to over-the-counter FDI transactions or their guarantors are substantial financial institutions or such other entity acceptable to the SFC on a case-by-case basis;

(c) subject to paragraphs (a) and (b) under the section headed "Investment and borrowing restrictions" above, the Sub-Fund's net counterparty exposure to a single entity arising from transactions of the over-the-counter FDIs may not exceed 10% of the total Net Asset Value of the Sub-Fund. The exposure of the Sub-Fund to a counterparty of over-the-counter FDIs may be lowered by the collateral received (if applicable) by the Sub-Fund and shall be calculated with reference to the value of collateral and positive mark to market value of the over-the-counter financial derivative instruments with that counterparty, if applicable; and

(d) the valuation of the FDIs is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager or the Custodian or their nominee(s), agent(s) or delegate(s) independent of the issuer of the FDIs through measures such as the establishment of a valuation committee or engagement of third party services. The FDIs can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the initiative of the Sub-Fund. Further, the calculation agent/fund administrator should be adequately equipped with the necessary resources to conduct independent marked-to-market valuation and to verify the valuation of the FDIs on a regular basis.

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

A transaction in FDIs which gives rise to a future commitment or contingent commitment of a Sub-Fund shall be covered as follows:

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

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

Where a financial instrument embeds a FDI, the requirements under "Financial Derivative Instruments" above will also apply to the embedded financial derivative. For such purposes, an "embedded financial derivative" is a FDI that is embedded in another security, namely the host contract.

Securities Financing Transactions

Where indicated in the relevant Appendix, a Sub-Fund may enter into enter into securities financing transactions in respect of a Sub-Fund, provided that:

(a) they are in the best interests of the Shareholders;

(b) the associated risks have been properly mitigated and addressed; and

(c) the counterparties to the securities financing transactions are financial institutions which are subject to ongoing prudential regulation and supervision.

Please refer to the "Investment Strategy" section in each relevant Appendix for the policy regarding such arrangements for each Sub-Fund.

A Sub-Fund which engages in securities financing transactions is subject to the following requirements:

- it shall have at least 100% collateralisation in respect of the securities financing transactions into which it enters to ensure there is no uncollateralised counterparty risk exposure arising from these transactions;

- all the revenues arising from securities financing transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the securities financing transactions to the extent permitted by applicable legal and regulatory requirements, shall be returned to the Sub-Fund;

- it shall ensure that it is able to at any time to recall the securities or the full amount of cash / collateral (as the case may be) subject to the securities financing transactions or terminate the securities financing transactions into which it has entered.

Please refer to each Appendix for the use of securities financing transactions for each Sub-Fund. If a Sub-Fund enters into such transactions, the details of the Manager's policy in relation to securities financing transactions will be disclosed in this Explanatory Memorandum in accordance with the UT Code.

Collateral

A Sub-Fund may receive collateral from a counterparty to over-the-counter FDI transactions and securities financing transactions. A Sub-Fund may receive collateral from each counterparty provided that the collateral complies with the requirements set out below:

- Liquidity – collateral must be sufficiently liquid and tradable that it can be sold quickly at a robust price that is close to pre-sale valuation. Collateral should normally trade in a deep and liquid marketplace with transparent pricing;
- Valuation – collateral should be marked-to-market daily by using independent pricing source;
- Credit quality – asset used as collateral must be of high credit quality and should be replaced immediately as soon as the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that it would undermine the effectiveness of the collateral;
- Haircut – collateral should be subject to prudent haircut policy which should be based on the market risks of the assets used as collateral in order to cover potential maximum expected decline in collateral values during liquidation before a transaction can be closed out with due consideration on stress period and volatile markets. The price volatility of the asset used as collateral should be taken into account when devising the haircut policy;
- Diversification – collateral must be appropriately diversified to avoid concentrated exposure to any single entity and/or Entities within the Same Group and the Sub-Fund's exposure to issuer(s) of the collateral should be taken into account in compliance with the investment restrictions and limitations set out in Chapters 7.1, 7.1A, 7.1B, 7.4, 7.5, 7.11, 7.11A, 7.11B and 7.14 of the UT Code;
- Correlation – the value of the collateral should not have any significant correlation with the creditworthiness of the counterparty or the issuer of the FDIs, or the counterparty of securities financing transactions to the extent that it would undermine the effectiveness of the collateral. Securities issued by the counterparty or the issuer of the financial derivative instruments, or the counterparty of securities financing transactions or any of their related entities should not be used as collateral;
- Management of operational and legal risks – the Manager shall have appropriate systems, operational capabilities and legal expertise for proper collateral management;
- Independent custody – collateral must be held by the Custodian of the relevant Sub-Fund;
- Enforceability – collateral must be readily accessible/enforceable by the Custodian of the Sub-Fund without further recourse to the issuer of the FDIs, or the counterparty of the securities financing transactions;
- Re-investment of collateral – unless otherwise specified in the relevant Appendix and subject to prior consultation with the SFC, and in compliance with the Laws and Regulations, cash collateral received may only be reinvested in short-term deposits, high quality money market instruments and money market funds authorised under Chapter 8.2 of the UT Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC, and subject to corresponding investment restrictions or limitations

applicable to such investments or exposure as set out in Chapter 7 of the UT Code. Non-cash collateral received may not be sold, re-invested or pledged;

For the purpose herein, “money market instruments” refer to securities normally dealt in on the money markets, including government bills, certificates of deposit, commercial papers, short-term notes and bankers’ acceptances, etc. In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the money market instruments must be taken into account. Any re-investment of cash collateral shall be subject to the following further restrictions and limitations and all other restrictions and limitations as may be imposed from time to time by the SFC:

(i) the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in Clauses 18.3(B) and 18.3(I);

(ii) cash collateral received is not allowed to be further engaged in any securities financing transactions; and

(iii) when the cash collateral received is reinvested into other investment(s), such investment(s) is/are not allowed to be engaged in any securities financing transactions.

- Collateral should be free of prior encumbrances; and
- Collateral generally should not include (i) structured products whose payouts rely on embedded FDIs or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitized products; or (iv) unlisted collective investment schemes.

Where a Sub-Fund intends to receive collateral, details of the Manager’s policy in relation to the collateral and criteria will be disclosed in this Explanatory Memorandum in accordance with the UT Code, and a description of holdings of collateral (including but not limited to a description of the nature of collateral, identity of the counterparty providing the collateral, value of the Sub-Fund (by percentage) secured/ covered by collateral with breakdown by asset class/nature and credit rating (if applicable)) will be disclosed in the Sub-Fund’s annual and interim reports for the relevant period as required under Appendix E of the UT Code.

Stock Connect

The Stock Connect is a securities trading and clearing linked programme developed by the HKEX, the SSE, the SZSE and the CSDCC, with an aim to achieve mutual stock market access between Mainland China and Hong Kong. It comprises the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.

Each of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect comprises a Northbound Trading Link and a Southbound Trading Link. Under the Northbound Trading Link, Hong Kong and overseas investors (including the Sub-Fund), through their Hong Kong brokers and securities trading service companies (in Shanghai and Qianhai Shenzhen respectively) established by the Stock Exchange and the HKSCC, are able to trade eligible shares listed on the SSE or the SZSE by routing orders to the SSE or the SZSE (as the case may be). Under the Southbound Trading Link, eligible investors, through Mainland Chinese securities firms and securities trading service companies established by the SSE and the SZSE, are able to trade eligible shares listed on the Stock Exchange by routing orders to the Stock Exchange.
Eligible securities

Initially, Hong Kong and overseas investors are only able to trade certain stocks listed on the SSE market (the "SSE Securities") and the SZSE market (the "SZSE Securities"). SSE Securities include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed A-Shares that are not included as constituent stocks of the relevant indices but which have corresponding H Shares listed on the Stock Exchange, 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".

SZSE Securities will include all the constituent stocks of the SZSE Component Index and the SZSE Small/Mid Cap Innovation Index which have a market capitalisation of not less than RMB 6 billion, and all the SZSE-listed A-Shares which have corresponding H shares listed on Stock Exchange, except the following:

a) SZSE-listed shares which are not traded in RMB; and
b) SZSE-listed shares which are included in the "risk alert board".

At the initial stage of Shenzhen-Hong Kong Stock Connect, shares listed on the ChiNext Board of SZSE under Northbound Trading Link will be limited to institutional professional investors. Subject to resolution of related regulatory issues, other investors may subsequently be allowed to trade such shares.

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

Trading day

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

Trading quota

Trading under the Stock Connect will be subject to a daily quota ("Daily Quota"), which will be separate for Northbound and Southbound trading, for each of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect. The Daily Quota limits the maximum net buy value of cross-boundary trades under the Stock Connect each day. The quotas do not belong to any Sub-Fund and are utilised on a first-come-first-serve basis. The Stock Exchange monitors the quota and publishes the remaining balance of the Northbound Daily Quota at scheduled times on the HKEX's website. The Daily Quota may change in future. The Manager will not notify investors in case of a change of quota.

Settlement and Custody

The HKSCC 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.

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 the CSDCC, the CSDCC as the share registrar for SSE listed companies will still treat the HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE Securities. The HKSCC will monitor the corporate actions affecting SSE Securities and keep the relevant HKSCC participants informed of all such corporate actions that require HKSCC participants to take steps in order to participate in them. The same arrangement is applicable to SZSE Securities under the Shenzhen-Hong Kong Stock Connect.

Currency

Hong Kong and overseas investors (including the Sub-Fund) will trade and settle SSE Securities and SZSE Securities in RMB only.

Trading fees and taxes

In addition to paying trading fees and stamp duties in connection with A-Share trading, the Sub-Fund may be subject to other fees and taxes concerned with income arising from stock transfers which are yet to be determined by the relevant authorities.

Coverage of 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. Examples of default are insolvency, in bankruptcy or winding up, breach of trust, defalcation, fraud, or misfeasance.

For defaults occurring on or after 1 January 2020, the Investor Compensation Fund also covers investors' losses in relation to securities traded on a stock market operated by the Shanghai Stock Exchange or the Shenzhen Stock Exchange and in respect of which an order for sale or purchase is permitted to be routed through the northbound link of a Stock Connect arrangement.

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

Further information about the Stock Connect is available at the website:

http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm

RQFII regime

Under current regulations in the PRC, foreign investors can invest in the domestic securities market through certain qualified foreign institutional investors that have obtained status as a QFII or a RQFII from the CSRC for the purpose of investing in the PRC's domestic securities markets, or via Bond Connect.

On 25 September 2020, the CSRC issued the Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors (in Chinese《合格境外機構投資者和人民幣合格境外機構投資者境內證券期貨投資管理辦法》) and its implementing rules (collectively, the "New QFI Measures"), which, with effect from 1 November 2020, consolidated the current QFII and RQFII programs into one. As of the date of this Appendix, the RQFII regime is governed by (i) the "Regulations on Capital Management of Domestic Securities and Futures Investments by Foreign Institutional Investors" jointly issued by the PBOC and the SAFE and effective from 6 June 2020 (in Chinese《境外機構投資者境內證券期貨投資資金管理規定》); (ii) the New QFI Measures; and (iii) any other applicable regulations promulgated by the relevant authorities (collectively, the "RQFII Regulations").

The Manager has obtained RQFII status pursuant to the RQFII Regulations. Starting from 1 November 2020 when the New QFI Measures took effect, the Manager is able to select whether to use foreign convertible currencies or RMB to make investment under the RQFII regime.

Investment in the Mainland Inter-bank Bond Market via Foreign Access Regime

Pursuant to the "Announcement (2016) No 3" issued by the PBOC (中國人民銀行公告 [2016] 第 3 號) on 24 February 2016, foreign institutional investors can invest in the Mainland inter-bank bond market ("Foreign Access Regime") subject to other rules and regulations as promulgated by the Mainland Chinese authorities, i.e., PBOC and the SAFE. Such rules and regulations may be amended from time to time and include (but are not limited to):

- the "Implementation Rules for Filing by Foreign Institutional Investors for Investment in Interbank Bond Markets" (境外機構投資者投資銀行間債券市場備案管理實施細則) issued by the Shanghai Head Office of PBOC on 27 May 2016;

- the "Circular concerning the Foreign Institutional Investors' Investment in Interbank bond market in relation to foreign currency control" (國家外匯管理局關於境外機構投資者投資銀行間債券市場有關外匯管理問題的通知) issued by SAFE on 27 May 2016; and

- any other applicable regulations promulgated by the relevant authorities.

Under the prevailing regulations in Mainland China, foreign institutional investors who wish to invest directly in the Mainland inter-bank bond market may do so via an onshore settlement agent, who will be responsible for making the relevant filings and account opening with the relevant authorities. There is no quota limitation.

In terms of fund remittance, foreign investors (such as a Sub-Fund) may remit investment principal in RMB or foreign currency into Mainland China for investing in the Mainland inter-bank bond market. An investor will need to remit investment principal matching at least 50% of its anticipated investment size within nine months after the completion of the filing with the Shanghai Head Office of PBOC, or else an updated filing will need to be made through the onshore settlement agent. For repatriation, where a Sub-Fund repatriates funds out of Mainland China, the ratio of RMB to foreign currency ("Currency Ratio") should generally match the original Currency Ratio when the investment principal was remitted into Mainland China, with a maximum permissible deviation of 10%.

Investment in the Mainland Inter-bank Bond Market via Northbound Trading Link under Bond Connect

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

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

- the "Interim Measures for the Administration of Mutual Bond Market Access between Mainland China and Hong Kong (Decree No.1 [2017])" (內地與香港債券市場互聯互通合作管理暫行辦法(中國人民銀行令[2017]第 1 號)) issued by the PBOC on 21 June 2017;

- the "Guide on Registration of Overseas Investors for Northbound Trading in Bond Connect" (中國人民銀行上海總部"債券通"北向通境外投資者准入備案業務指引) issued by the Shanghai Head Office of PBOC on 22 June 2017; and

- any other applicable regulations promulgated by the relevant authorities.

Under the prevailing regulations in Mainland China, eligible foreign investors will be allowed to invest in the bonds circulated in the Mainland inter-bank bond market through the northbound trading of Bond Connect ("Northbound Trading Link"). There will be no investment quota for Northbound Trading Link.

Under the Northbound Trading Link, eligible foreign investors are required to appoint the CFETS or other institutions recognised by the PBOC as registration agents to apply for registration with the PBOC Shanghai Head Office.

Pursuant to the prevailing regulations in Mainland China, an offshore custody agent recognised by the Hong Kong Monetary Authority (currently, the Central Moneymarkets Unit) shall open omnibus nominee accounts with the onshore custody agent recognised by the PBOC (currently, the China Central Depository & Clearing Co., Ltd. ("CCDC") and Shanghai Clearing House ("SHCH")). All bonds traded by eligible foreign investors will be registered in the name of Central Moneymarkets Unit, which will hold such bonds as a nominee owner.

SUBSCRIPTION OF SHARES

Initial issue of Shares

During an Initial Offer Period, Shares in a Sub-Fund will be offered to investors at an initial Subscription Price of a fixed price per Share as specified in the relevant Appendix.

If at any time during an Initial Offer Period, the total amount received by the Custodian from the subscription of the Shares reaches a maximum amount for aggregate subscriptions (as specified in the relevant Appendix), the Manager is entitled (but not obliged) to close the Sub-Fund to further subscriptions before the end of the relevant Initial Offer Period.

The Manager may decide not to issue any Shares in the event that less than a minimum amount for aggregate subscriptions (as specified in the relevant Appendix), is raised during the relevant Initial Offer Period or if the Manager is of the opinion that it is not commercially viable to proceed. In such event subscription monies paid by an applicant will be returned by cheque by post or by telegraphic transfer or such other means as the Manager considers appropriate at the applicant's risk (without interest) promptly after the expiry of the Initial Offer Period.

Shares will be issued on the Business Day following the close of the Initial Offer Period or such other Business Day as the Manager may determine. Subject to as disclosed in the relevant Appendix, dealing of the Shares will commence on the Dealing Day immediately following the closure of the relevant Initial Offer Period.

Subsequent issue of Shares

Following the close of the relevant Initial Offer Period, Shares will be available for issue on each Dealing Day at the relevant Subscription Price, unless otherwise specified in the relevant Appendix.

Unless otherwise specified in the relevant Appendix, the Subscription Price on any Dealing Day will be the price per Share ascertained by dividing the Net Asset Value of the relevant class as at the Valuation Point in respect of the relevant Dealing Day by the number of Shares of that class then in issue and rounded to 4 decimal places (0.00005 and above being rounded up; below 0.00005 being rounded down) or in such manner and to such other number of decimal places as may from time to time be determined by the Manager. Any rounding adjustment will be retained by the relevant class. The Subscription Price will be calculated and quoted in the reference currency of the relevant class.

Where specified in the relevant Appendix, the price at which the Shares may be issued may, at the discretion of the Manager, include as an addition to the Subscription Price a further amount it considers represents an appropriate allowance for extraordinary transactional fees or expenses, including stamp duty, other taxes, brokerage, bank charges, transfer fees and registration fees, which would be incurred by the relevant Sub-Fund in investing a sum equal to the application monies and issuing the relevant Shares or the remittance of money to the Custodian. Any such additional amount will be paid to the Custodian and will form part of the assets of the relevant Sub-Fund. Please also refer to the section "Adjustment of Prices" in this Explanatory Memorandum and the relevant Appendix for details.

The Manager is entitled to impose a subscription fee on the Subscription Price of each Share. The Manager may retain the benefit of such subscription fee or may pay all or part of the subscription fee (and any other fees received) to recognised intermediaries or such other persons as the Manager may at its absolute discretion determine. Details of the subscription fee are set out in the section headed "Expenses and Charges" below.

Application procedure

To subscribe for Shares, an applicant should complete the application form supplied with this Explanatory Memorandum and return the original form, together with the required supporting documents, to the Administrator.

Applications for Shares during the relevant Initial Offer Period, together with cleared funds, must be received by no later than 4:00 pm (Hong Kong time) on the last day of the relevant Initial Offer Period. After the Initial Offer Period, applications must be received by the relevant Dealing Deadline, unless otherwise specified in the relevant Appendix. Unless otherwise specified in the relevant Appendix, if any application is received after the relevant Dealing Deadline in respect of a Dealing Day, then the application will be deemed to have been received on the following Dealing Day.

Applications for subscription may be made in writing by post or sent via fax or other electronic means accepted by the Directors. Unless otherwise agreed by the Administrator, application forms that are sent via fax or other electronic means accepted by the Directors to the Administrator must always be followed by their original. Applicants who choose to send an application form by fax or other electronic means accepted by the Directors bear the risk of the form being illegible or not being received by the Administrator. Applicants should therefore, for their own benefit, confirm with the Administrator safe receipt of an application form. Neither the Manager nor the Administrator (nor any of their respective officers, employees, agents or delegates) will be responsible to an applicant for any loss resulting from non-receipt or illegibility of any application form sent by fax or other electronic means accepted by the Manager or for any loss caused in respect of any action taken as a consequence of such application believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a transmission report produced by the originator of such transmission discloses that such transmission was sent.

Unless the Directors otherwise determines, payment for Shares shall be due in cleared funds in the relevant currency within 3 Business Days following the relevant Dealing Day on which an application was received by the Dealing Deadline. If payment in cleared funds is not received prior to such time as aforesaid, the application may, at the discretion of the Directors be considered void and cancelled. In such event the Manager may require the applicant to pay to the Custodian, for the account of the relevant Sub-Fund, in respect of each Share cancelled, the amount (if any) by which the Subscription Price on the relevant Dealing Day exceeds the applicable Redemption Price on the date of cancellation and the Administrator shall be entitled to charge the applicant a cancellation fee for the administrative costs involved in processing the application and subsequent cancellation.

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

Applicants may apply for Shares through a distributor appointed by the Manager. Distributors may have different dealing procedures, including earlier cut-off times for receipt of applications and/or cleared funds. Applicants who intend to apply for Shares through a distributor should therefore consult the distributor for details of the relevant dealing procedures.

Where an applicant applies for Shares through a distributor, the Manager and the Administrator will treat the distributor (or its nominee) as the applicant. The distributor (or its nominee) will be registered as Shareholder of the relevant Shares. The Manager and the Administrator will treat the distributor (or its nominee) as the Shareholder and shall not be responsible for any arrangements between the relevant applicant and the distributor regarding the subscription, holding and redemption of Shares and any related matters, as well as any costs or losses that may arise therefrom. The Manager will, however, take all reasonable care in the selection and appointment of distributors.

No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry on Type 1 (dealing in securities) regulated activity under Part V of the Securities and Futures Ordinance.

The Manager may reject in whole or in part any application for Shares without giving any reason for doing so. In the event that an application is rejected in whole or in part, the subscription monies received, or the balance thereof, shall be returned to the applicant (without interest and after deduction of any expenses incurred in returning all or any part of such subscription monies) by such means as the Manager considers appropriate.

No applications for Shares will be dealt with during any periods in which the determination of the Net Asset Value of the relevant Sub-Fund is suspended (for details see "Suspension of Calculation of Net Asset Value" below).

Payment procedure

Subscription monies should be paid in the currency in which the relevant class of Shares is denominated. Payment details are set out in the application form.

Subscription monies paid by any person other than the applicant will not be accepted.

General

All holdings of Shares will be in registered form and certificates will not be issued. Evidence of title of Shares will be the entry on the register of Shareholders in respect of each Sub-Fund. Shareholders should therefore be aware of the importance of ensuring that the Registrar is informed of any change to the registered details. Fractions of Shares may be issued calculated to 2 decimal places. Subscription monies representing smaller fractions of a Share will be retained by the Company for the relevant Sub-Fund. A maximum of 4 persons may be registered as joint Shareholders.

REDEMPTION OF SHARES

Redemption procedure

Shareholders who wish to redeem their Shares in a Sub-Fund may do so on any Dealing Day by submitting a redemption request to the Administrator.

Any redemption request must be received by the Administrator before the Dealing Deadline. Investors redeeming Shares through a distributor or a nominee should submit their redemption requests to the distributor or nominee in such manner as directed by the distributor or nominee. Distributors and nominees may have different dealing procedures, including earlier cut-off times for receipt of redemption requests. Where an investor holds its investment in Shares through a nominee, the investor wishing to redeem Shares must ensure that the nominee, as the registered Shareholder, submits the relevant redemption request by the Dealing Deadline. Redemption requests submitted after the applicable Dealing Deadline in respect of any Dealing Day will be dealt with on the next Dealing Day.

Redemption requests may be made in writing by post or sent via fax or other electronic means accepted by the Directors and must specify the name of the Sub-Fund, the class (if applicable) and the value or number of Shares to be redeemed, the name(s) of the registered Shareholder(s) and give payment instructions for the redemption proceeds.

Unless otherwise agreed by the Administrator, redemption requests that are sent via fax or other electronic means accepted by the Directors must always be promptly followed by their original. A Shareholder who chooses to send the redemption request by fax or other electronic means accepted by the Directors bears the risk of the request being illegible or not being received by the Administrator. Shareholders should therefore, for their own benefit, confirm with the Administrator safe receipt of a redemption request. Neither the Manager nor the Administrator (nor any of their respective officers, employees, agents or delegates) will be responsible to a Shareholder for any loss resulting from non-receipt or illegibility of any redemption request sent by fax or other electronic means accepted by the Directors or for any loss caused in respect of any action taken as a consequence of such redemption request believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a transmission report produced by the originator of such transmission discloses that such transmission was sent.

Partial redemption of a holding of Shares in a Sub-Fund by a Shareholder may be effected, provided that such redemption will not result in the Shareholder holding less than the minimum holding specified in the relevant Appendix. In the event that, for whatever reason, a Shareholder's holding of Shares is less than such minimum holding, the Manager may give notice requiring such Shareholder to submit a redemption request in respect of such Shares. A request for a partial redemption of Shares with an aggregate value of less than the minimum amount specified in the relevant Appendix (if any) will not be accepted.

Payment of redemption proceeds

Unless otherwise specified in the relevant Appendix, the Redemption Price on any Dealing Day will be the price per Share ascertained by dividing the Net Asset Value of the relevant class as at the Valuation Point in respect of the relevant Dealing Day by the number of Shares of that class then in issue and rounded to 4 decimal places (0.00005 and above being rounded up; below 0.00005 being rounded down) or in such manner and to such other number of decimal places as may from time to time be determined by the Manager. Any rounding adjustment will be retained by the relevant class. The Redemption Price will be calculated and quoted in the reference currency of the relevant class.

Where specified in the relevant Appendix, the Manager may deduct from the Redemption Price an amount which it considers represents an appropriate allowance for extraordinary transactional fees or expenses, including stamp duty, other taxes, brokerage, bank charges, transfer fees and

registration fees, which would be incurred by the relevant Sub-Fund in realising assets to provide funds to meet any redemption request. Any such deducted amount will be retained by and form part of the assets of the relevant Sub-Fund. Please also refer to the section "Adjustment of Prices" in this Explanatory Memorandum and the relevant Appendix for details.

The Manager may at its option impose a redemption fee in respect of the Shares to be redeemed as described in the section headed "Expenses and Charges" below. The Manager may on any day in its sole and absolute discretion differentiate between Shareholders as to the amount of the redemption fee to be imposed (within the permitted limit provided in the Instrument) on each Shareholder.

The amount due to a Shareholder on the redemption of a Share will be the Redemption Price, less any redemption fee. The redemption fee will be retained by the Manager.

Redemption proceeds will not be paid to any redeeming Shareholder until (a) unless otherwise agreed in writing by the Administrator, the written original of the redemption request duly signed by the Shareholder has been received by the Administrator and (b) the signature of the Shareholder (or each joint Shareholder) has been verified to the satisfaction of the Company or its duly authorised agents. In accordance with the Sub-Fund's anti-money laundering (AML) obligations, requests for transfer or payment of redemption proceeds will not be effected until receipt of all outstanding information and identification documents. None of the Sub-Fund, the Manager or the Custodian accepts any responsibility for any loss caused as a result of any such delay for refusal to process transfer requests or effect payment of redemption proceeds (as the case may be) and claims for payment of interest due to such delays are not accepted.

Subject as mentioned above, and save as determined by the Directors at the request or with the agreement of the redeeming Shareholder, and so long as relevant account details have been provided, redemption proceeds will normally be paid in the currency of denomination of the relevant class of Shares by telegraphic transfer, within 5 Business Days after the relevant Dealing Day and in any event within one calendar month of the relevant Dealing Day or (if later) receipt of a properly documented redemption request, unless the markets in which a substantial portion of the relevant Sub-Fund's investments is made is subject to legal or regulatory requirements (such as foreign currency controls) thus rendering the payment of redemption proceeds within the aforesaid time period not practicable, but in such a case the details of such legal or regulatory requirements will be set out in the relevant Appendix and the extended time frame for payment should reflect the additional time needed in light of the specific circumstances in the relevant markets. Any bank charges associated with the payment of such redemption proceeds will be borne by the redeeming Shareholder.

Payment will only be made to a bank account in the name of the Shareholder. No third party payments will be made.

The Instrument provides that redemptions may be, in whole or in part, made *in specie* at the discretion of the Manager. However, the Manager does not intend to exercise this discretion in respect of any Sub-Fund unless otherwise specified in the relevant Appendix. In any event, redemptions may only be made *in specie*, in whole or in part, with the consent of the Shareholder requesting the redemption.

Restrictions on redemption

With a view to protecting the interests of Shareholders and unless otherwise specified in the relevant Appendix, the Manager in consultation with the Custodian may limit the number of Shares of a Sub-Fund redeemed on any Dealing Day (whether by sale to the Manager or by cancellation by the Custodian) to 10% of the total Net Asset Value of Shares of the relevant Sub-Fund in issue. In this event, the limitation will apply pro rata so that all Shareholders of the relevant Sub-Fund wishing to redeem Shares of that Sub-Fund on that Dealing Day will redeem the same proportion of such Shares, and Shares not redeemed (but which would otherwise have been redeemed) will

be carried forward for redemption on the next Dealing Day based on the Redemption Price as at that Dealing Day, subject to the same limitation, and will have priority on the next Dealing Day over subsequent redemption requests received in respect of such subsequent Dealing Day. If requests for redemption are so carried forward, the Manager will promptly inform the Shareholders concerned.

The Manager may suspend the redemption of Shares of any Sub-Fund, or delay the payment of redemption proceeds in respect of any redemption request received, during any period in which the determination of the Net Asset Value of the relevant Sub-Fund is suspended (for details please see the section headed “Suspension of determination of Net Asset Value”).

Compulsory redemption

If the Directors reasonably suspect that any Shares are owned directly, indirectly or beneficially (i) by a U.S. Person; (ii) in circumstances (whether directly or indirectly affecting such person or persons and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager to be relevant) which, in the opinion of the Manager, might result in the Company, the Manager, the Custodian or the relevant Sub-Fund incurring or suffering any liability to taxation or suffering any other potential or actual pecuniary disadvantage or would subject the Manager, the Custodian or the relevant Sub-Fund to any additional regulation to which the Company, the Manager, the Custodian or the relevant Sub-Fund might not otherwise have incurred or suffered or been subject; or (iii) in breach of any applicable law or applicable requirements of any country/region or governmental authority, the Directors may give notice to the relevant Shareholder requiring him to transfer such Shares to a person who would not thereby be in contravention of any such restrictions as aforesaid or may give a request in writing for the redemption of such Shares in accordance with the terms of the Instrument. If any Shareholder upon whom such a notice is served pursuant to the Instrument does not, within 30 days of such notice, transfer or redeem such Shares as aforesaid or establish to the satisfaction of the Manager (whose judgment shall be final and binding) that such Shares 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 Shares.

SWITCHING

The Manager may from time to time permit Shareholders to switch some or all of their Shares of any class of a Sub-Fund (the "Existing Class") into Shares of another class of the same Sub-Fund or of another Sub-Fund which has been authorised by the SFC (the "New Class"), as specified in the relevant Appendix. Where permitted, Shareholders may request switching by giving notice in writing by post or via fax or other electronic means accepted by the Directors. A Shareholder who chooses to send the notice by fax or other electronic means accepted by the Directors bears the risk of the request being illegible or not being received by the Administrator. Shareholders should therefore, for their own benefit, confirm with the Administrator safe receipt of a switching notice. Neither the Company, the Directors, the Manager, the Registrar, the Administrator or their respective delegates or agents shall be responsible to any Shareholder for any loss resulting from the non-receipt or illegibility of a request for switching transmitted by fax or other electronic means accepted by the Directors, or for any loss caused in respect of any action taken as a consequence of instructions believed in good faith to have originated from the Shareholder. This is notwithstanding the fact that a transmission report produced by the originator of such transmission discloses that such transmission was sent. Unless otherwise determined by the Manager, a request for the switching of part of a holding of Shares will not be effected if, as a result, the Shareholder would hold less than the minimum holding specified for the New Class (if any).

Under the Instrument, the Manager is entitled to impose a switching fee on the switching of Shares of up to 5% of the redemption proceeds payable in respect of the Shares of the Existing Class being switched. The switching fee will be deducted from the amount reinvested in the New Class and will be paid to the Manager.

Any switching request must be received by the Company before the Dealing Deadline, unless otherwise agreed by the Manager. Where a request for switching is received by the Company in respect of a Dealing Day, switching will be effected as follows:

- redemption of the Shares of the Existing Class will be dealt with by reference to the Redemption Price on that Dealing Day (the "Switching Redemption Day");

- where the Existing Class and the New Class have different currencies of denomination, the redemption proceeds of Shares of the Existing Class, after deduction of any switching fee, shall be converted into the currency of denomination of the New Class; and

- the resulting amount will be used to subscribe for Shares of the New Class at the relevant Subscription Price on the Dealing Day on which the Custodian receives cleared funds in the relevant currency by the Dealing Deadline of the New Class (the "Switching Subscription Day").

Subject to the time required to remit redemption proceeds in respect of the Shares of the Existing Class, the Switching Subscription Day may be later than the Switching Redemption Day.

The Manager may suspend the switching of Shares during any period in which the determination of the Net Asset Value of the relevant class or Shares of the relevant Sub-Fund is suspended (for details see "Suspension of Calculation of Net Asset Value" below).

No partial switching shall be effected if it would result in the Shareholder holding Shares of less than the minimum investment amount in relation to either the Existing Class or the New Class. The Manager may, in its absolute discretion, waive the requirements of such minimum investment or holding amount.

Details of the switching policy and switching fee (if any) relating to each class of Shares are set out in the relevant Appendix.

VALUATION

Valuation rules

The Net Asset Value of each Sub-Fund will be calculated by valuing the assets of the Sub-Fund and deducting the liabilities attributable to the Sub-Fund. These liabilities include, without limitation, any management fee, performance fee, custodian fee, any taxes, any borrowings and the amount of any interest and expenses thereon, any other costs or expenses expressly authorised by the Instrument, and an appropriate allowance for any contingent liabilities.

Where a Sub-Fund has more than one class of Shares, to ascertain the Net Asset Value of a class of Shares, a separate class account (a "Class Account") will be established in the books of the Sub-Fund. An amount equal to the proceeds of issue of each Share will be credited to the relevant Class Account. Any increase or decrease in the Net Asset Value of the Sub-Fund (disregarding for these purposes any increase in the Net Asset Value due to new subscriptions or decreases due to redemptions or any designated Class Adjustments (as defined below)) will be allocated to the relevant Class Account on a pro-rata basis based on the previous Net Asset Value of each such Class Account. There will then be allocated to each Class Account the "designated Class Adjustments" being those costs, pre-paid expenses, losses, dividends, profits, gains and income which the Manager determines relate to a single class.

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

(a) investments (other than a commodity, futures contract or an interest in a collective investment scheme) that are quoted, listed, traded or dealt in on any securities market will be valued by reference to the last traded price or "exchange close" price as calculated and published by the relevant exchange of that market in accordance with its local rules and customs, provided that: (i) if an investment is quoted, listed, traded or dealt in on more than one such market, the price adopted shall be the last traded price or the exchange close price as published by the market which, in the opinion of the Manager, provides the principal market for such investment, provided that if the Manager considers that the prices published on a securities market other than the principal market for such investment provides, in all circumstances, a fairer criterion of value in relation to any such investment, such prices may be adopted; (ii) if prices on such market are not available at the relevant time, the value of the investment shall be certified by such firm or institution making a market in such investment or by the Manager after consultation with the Custodian; (iii) interest accrued on any interest-bearing investments shall be taken into account, unless such interest is included in the quoted or listed price; and (iv) the Manager or the Administrator shall be entitled to use and rely on electronically transmitted data from such source or sources or pricing systems as they may from time to time think fit and the prices provided by any such source or pricing system shall be deemed to be the last traded prices for the purposes of valuation;

(b) the value of any investment (other than a commodity or an interest in a collective investment scheme) which is not quoted, listed, traded or ordinarily dealt in on any securities market shall initially be the value equal to the amount expended out of the assets of the Sub-Fund in the acquisition of such investment (including, in each case the amount of stamp duties, commissions and other acquisition expenses). Thereafter the Manager may at any time in consultation with the Custodian (and shall at such times or at such intervals as the Custodian shall request) cause a revaluation to be made by reference to the latest bid price, asked price or mean thereof, as the Manager considers appropriate, quoted by a person, firm or institution making a market in such investment or otherwise approved by the Custodian as qualified to value such investment (which may, if the Custodian agrees, be the Manager);

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

(d) the value of any commodity shall be ascertained in accordance with the following:

(i) if a commodity is dealt in any recognised commodities market, then regard shall be had to the latest ascertainable price ruling or officially fixed on such recognised commodities market or (if there shall be more than one such recognised commodities market) on such recognised commodities market as the Manager, in consultation with the Custodian, shall consider appropriate;

(ii) if any such price as referred to in (i) is not, in the opinion of the Manager, ascertainable at any relevant time, then regard shall be had to any certificate as to the value of such commodity provided by a firm or institution making a market in such commodity;

(iii) the value of any futures contract (the "relevant Contract"), to the extent that it is not determined in accordance with (i) or (ii), shall be valued (1) where the relevant Contract is for the sale of a commodity, by subtracting, from the contract value of the relevant Contract, the sum of the amount determined by the Manager (based on the latest available price) to be the contract value of such futures contract as would be required to be entered into by the Manager for the account of the Sub-Fund in order to close the relevant Contract and the amount expended out of the Sub-Fund in entering into the relevant Contract (including the amount of all stamp duties, commissions and other expenses but excluding any deposit or margin provided in connection therewith); and (2) where the relevant Contract is for the purchase of a commodity, by subtracting, from the amount determined by the Manager (based on the latest available price) to be the contract value of such futures contract as would be required to be entered into by the Manager for the account of the Sub-Fund in order to close the relevant Contract, the sum of the contract value of the relevant Contract and the amount expended out of the Sub-Fund in entering into the relevant Contract (including the amount of all stamp duties, commissions and other expenses but excluding any deposit or margin provided in connection therewith); and

(iv) if the provisions of (i) and (ii) do not apply to the relevant commodity, then the value shall be determined in accordance with (b) above as if such commodity were an unquoted investment;

(e) the value of each unit, share or interest in any collective investment scheme which is valued as at the same day as the Sub-Fund shall be the net asset value per unit, share or other interest in such collective investment scheme calculated as at that day or, if the Manager so determines, if such collective investment scheme is not valued as at the same day as the Sub-Fund, shall be the last published net asset value per unit, share or other interest in such collective investment scheme, provided that if no net asset value and bid prices are available, the value thereof shall be determined from time to time in such manner as the Manager shall determine in consultation with the Custodian;

(f) notwithstanding paragraphs (a) to (e) above, the Manager may, upon consultation with the Custodian, adjust the value of any investment or permit some other method of valuation to be used if such adjustment is required to reflect the fair value of the investment provided that such adjustment may only be made in compliance with the Laws and Regulations; and

(g) the value of any investment (whether of a borrowing or other liability or an investment or cash) in a currency other than the Base Currency of the Sub-Fund or the currency of denomination of the relevant class will be converted into the Base Currency or the currency of denomination of such class (as the case may be) at the rate (whether official or otherwise) which the Custodian or its delegates or the Manager (after consultation with the Custodian

where the Manager in its good faith opinion considers appropriate to consult the Custodian) shall deem appropriate in the circumstances having regard to any premium or discount which may be relevant and to costs of exchange.

Suspension of calculation of Net Asset Value

Subject to the Laws and Regulations and the Instrument, the Manager may, in consultation with the Custodian, suspend the determination of the Net Asset Value of the Company or of any Sub-Fund or of any Class of Shares, the allotment or the issuance of Shares of any Class and/or the right of Shareholders to redeem or switch Shares of any Class and/or the payment of the Redemption Price for the whole or any part of any period:

(a) during which there is a closure (other than customary weekend and holiday closing) of or the restriction or suspension of trading on any Securities Market on which a substantial part of the investments of the Company or a Sub-Fund is normally traded;

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

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

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

(e) when a breakdown in the systems and/or means of communication usually employed in ascertaining the value of investments or the Net Asset Value or the Subscription Price or Redemption Price per Share of any Class or when for any other reason the value of any of the investments or the Net Asset Value of the Company or a Sub-Fund or the Subscription Price or the Redemption Price per Share of any Class cannot in the opinion of the Manager reasonably or fairly be ascertained or cannot be ascertained in a prompt or accurate manner;

(f) when in the opinion of the Manager such suspension, delay or extension is required by law or applicable legal process or the issue, redemption or transfer of Shares would result in the violation of any applicable law;

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

(h) during which the business operations of the Manager, the Administrator, the Custodian or their delegates in respect of the Company are substantially interrupted or closed as a result of or arising from sabotage, storm, tempest, typhoon, earthquake, accident, fire, flood, explosion, toxicity, radioactivity, acts of God, act of any government or other competent authority, hostilities (whether war be declared or not), act of terrorism, riot, civil commotion, strikes or industrial action of any kind, insurrection, rebellion or other cause, which is beyond the reasonable control of the relevant party.

During a period of suspension—

(a) where the suspension is in respect of the determination of the Net Asset Value, there shall be no determination of the Net Asset Value of the Company or the relevant Sub-Fund or the relevant Class (as applicable) (although an estimated Net Asset Value may be calculated and published) and any application for issue or request for redemption of Shares of the Company or the relevant Sub-Fund or the relevant Class (as applicable) shall be similarly suspended; and

(b) where the suspension is in respect of the allotment or issue and/or the redemption of Shares of a Class, there shall be no allotment, issue and/or redemption of Shares of that Class. For the avoidance of doubt, the allotment, issue or redemption of Shares of a Class may be suspended without suspending the determination of the Net Asset Value.

Any such suspension shall take effect at such time as the Manager shall declare but not later than the close of business on the Business Day next following the declaration, and there shall be no determination of the Net Asset Value of the Company or of the relevant Sub-Fund or of the relevant Class and/or the issuance of Shares of the relevant Class and/or the redemption of Shares of the relevant Class by Shareholders (as the case may be) until the Manager shall declare the suspension at an end, except that such suspension shall terminate in any event on the first Business Day on which:

(a) the condition giving rise to the suspension shall have ceased to exist; and

(b) no other condition under which suspension is authorised under this Clause shall exist.

Each declaration by the Manager shall be consistent with the Laws and Regulations. Whenever the Manager shall declare a suspension, the Manager (i) shall, immediately after any such declaration notify the SFC of such suspension; and (ii) shall, immediately after any such declaration and at least once a month during the period of such suspension, publish a notice on the Manager's website www.bosera.com.hk (this website has not been reviewed by the SFC) that such declaration has been made.

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

Publication of Net Asset Value

The latest Subscription Price and Redemption Price in respect of Shares or the Net Asset Value per Share of each Sub-Fund are available on the Manager's website www.bosera.com.hk (this website has not been reviewed by the SFC).

Adjustment of Prices

Where specified in the relevant Appendix, in calculating the Subscription Price, the Manager may add an additional amount (see the section headed "Subsequent issue of Shares" above) and in calculating the Redemption Price, the Manager may deduct an amount (see the section headed "Payment of Redemption Proceeds" above).

The Manager will only make such adjustment to the Subscription Price and Redemption Price with a view to protecting the interests of Shareholders under exceptional circumstances as determined by the Manager from time to time. Where necessary the Manager will seek the view of the Administrator prior to any adjustment in the Subscription Price or Redemption Price and such adjustment would only be made where the Administrator has no objection to it.

Exceptional circumstances for pricing adjustment may include (a) the aggregate net transactions (either net subscriptions or net redemptions) in Shares having exceeded a pre-determined threshold set by the Manager from time to time; and/or (b) extreme market conditions which may have an unfavourable impact on the interests of existing Shareholders. In such circumstances the Net Asset Value per Share of the relevant Sub-Fund or the relevant Class may be adjusted by an

amount, not exceeding 1 % of that Net Asset Value. Such adjustment (commonly referred to as "swing pricing") reflects the dealing costs that may be incurred by the relevant Sub-Fund including, but not limited to, brokerage, taxes, government charges, and the estimated bid/offer spread of the assets in which the relevant Sub-Fund invests. The rate of adjustment may be temporarily increased beyond the aforesaid percentage during periods of exceptional market circumstances where it is in the best interests of investors. All transactions on that Dealing Day will adopt the adjusted Net Asset Value. Adjusting the Net Asset Value upward (downward) results in investors paying more (receiving less) for each Share.

As swing pricing can only be applied in one direction on any given Dealing Day, to recover the material dilution for the relevant Sub-Fund, the adjustment made to the Subscription Price or Redemption Price may also benefit certain investors relative to other Shareholders in the relevant Sub-Fund as a whole. For instance, investors subscribing into the Sub-Fund on a Dealing Day on which the Subscription Price is adjusted downwards as a result of net redemption from the relevant Sub-Fund may benefit from paying a lower Subscription Price in respect of their subscriptions than they would otherwise have been charged.

For the avoidance of doubt,

(a) the Subscription Price and Redemption Price, prior to any adjustment, will be determined with reference to the same Net Asset Value per Share of the relevant Class; and

(b) it is not the intention of the Manager to adjust the Subscription Price upwards and the Redemption Price downwards for the same Dealing Day; and

(c) any adjustment in the Subscription Price or Redemption Price must be made on a fair and equitable basis.

EXPENSES AND CHARGES

There are different levels of fees and expenses applicable to investing in each Sub-Fund as set out below. For information concerning actual fees payable in respect of each Sub-Fund, please refer to the relevant Appendix.

Fees payable by Shareholders

The following fees and charges are payable by Shareholders:

Subscription Fee

Under the Instrument, the Manager is entitled to impose a subscription fee on the issue of Shares of any Sub-Fund of up to a maximum of 5% of the subscription amount.

The subscription fee is payable in addition to the Subscription Price per Share. The Manager may, in its absolute discretion, waive or reduce the payment of all or any portion of the subscription fee (either generally or in any particular case) of a Sub-Fund.

Redemption fee

Under the Instrument, the Manager is entitled to impose a redemption fee on the redemption of Shares of any Sub-Fund of up to a maximum of 5% of the redemption price of such Shares.

The redemption fee is deducted from the redemption proceeds payable to a Shareholder in respect of each Share redeemed. The Manager may, in its absolute discretion, waive or reduce the payment of all or any portion of the redemption fee (either generally or in any particular case) of a Sub-Fund.

Switching fee

Under the Instrument, the Manager is entitled to impose a switching fee on the switching of Shares of up to 5% of the redemption proceeds payable in respect of the Shares of the Existing Sub-Fund being switched.

The switching fee is deducted from the amount realised from redemption of the Existing Sub-Fund and reinvested in the New Sub-Fund. The Manager may, in its absolute discretion, waive or reduce the payment of all or any portion of the switching fee (either generally or in any particular case) of a Sub-Fund.

Fees payable by the Sub-Fund

The following fees and charges are payable out of the assets of each Sub-Fund:

Management fee

The Instrument provides that the Manager is entitled to a management fee in respect of each Sub-Fund it manages, the maximum amount of which is equal to 3% per annum of the Net Asset Value of the relevant Sub-Fund. Any increase in the management fee in respect of a Sub-Fund (i) up to this maximum level, will only be implemented after giving one month's notice (or such period of notice as the SFC may require) to the affected Shareholders; and (ii) beyond this maximum level, is subject to approval by Special Resolution (as defined in the Instrument) of the affected Shareholders. The management fee will be accrued as at each Valuation Day and will be payable monthly in arrears.

The Manager may share any fees, charges or amounts it is entitled to receive as Manager of the Sub-Fund with any persons who distribute or otherwise procure subscriptions to the Sub-Fund.

Performance fee

The Manager may also charge a performance fee in respect of any Sub-Fund. Details of any performance fee are set out in the relevant Appendix.

Custodian fee

The Instrument provides that the Custodian is entitled to a custodian fee in respect of each Sub-Fund, the maximum amount of which is equal to 1% per annum of the Net Asset Value of the Sub-Fund. Any monthly minimum referred to in the Appendix is subject to and does not override the maximum level of Custodian fee stated above. Any increase in the custodian fee in respect of a Sub-Fund (i) up to this maximum level, will only be implemented after giving one month's notice (or such period of notice as the SFC may require) to the affected Shareholders; and (ii) beyond this maximum level, is subject to approval by Special Resolution (as defined in the Instrument) of the affected Shareholders. The custodian fee will be accrued as at each Valuation Day and will be payable monthly in arrears.

Directors' remuneration and expenses

Under the Instrument, the Directors shall be entitled to remuneration for their services as Directors up to an amount per annum equivalent to US$30,000 per Director and, where payable, such remuneration shall be allocated fairly as between Sub-Funds by reference to their respective Net Asset Values.

The Company may pay any travelling, accommodation and other expenses properly incurred by Directors in connection with their attendance at meetings of Directors, general meetings, separate meetings of the Shareholders or any Sub-Fund or Class of Shareholders or the exercise of their powers and the discharge of their responsibilities in relation to the Company.

Other charges and expenses

Each Sub-Fund will bear the costs set out in the Instrument which are directly attributable to it. Where such costs are not directly attributable to a Sub-Fund, such costs will be allocated between all Sub-Funds pro-rata to the Net Asset Value of each Sub-Fund, unless otherwise determined by the Manager after consultation with the Custodian and/or the Auditor. Such costs include but are not limited to the costs of investing and realising the investments of a Sub-Fund, the fees and expenses of safekeeping of the assets of the Company and each Sub-Fund, any fees, charges or expenses (including without limitation, stamp duty) incurred in connection with counterparty risk management procedures, the fees and expenses of any administrators, auditors, valuation costs, legal fees, the costs incurred in connection with any listing or regulatory approval, the costs of holding meetings of Shareholders and the costs incurred in the preparation and printing of any explanatory memorandum and preparation and printing of any financial statements. The Manager may in its discretion bear part of or all of the costs attributable to a Sub-Fund set out in this section.

Expenses arising out of any advertising or promotional activities in connection with any Sub-Fund authorised by the SFC will not be charged to the Company or that Sub-Fund.

Establishment costs

The costs of establishing the Company and the first Sub-Fund were charged to and amortised over the first 5 accounting periods of the first Sub-Fund (or such other period as determined by the Manager after consultation with the auditors of the Sub-Fund). Where subsequent Sub-Funds under the Company are established, the Manager may determine that the unamortised establishment costs of the Company (if any) or a part thereof may be re-allocated to such subsequent Sub-Funds.

Unless otherwise specified in the relevant Appendix, the costs of establishing a subsequent Sub-Fund will be charged to the relevant Sub-Fund and amortised over such period as the Manager may determine after consultation with the auditors, and details are set out in the relevant Appendix.

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

Cash rebates and soft commissions

None of the Manager, the investment delegate (if any) or any of its Connected Persons receives any cash commissions or other rebates from brokers or dealers in respect of transactions for the account of any Sub-Fund. However, the Manager, the investment delegate (if any) and/or any of the Connected Persons with either of them reserve the right to effect transactions by or through the agency of another person (the “Agent”) with whom the Manager, the investment delegate (if any) and/or any of their respective Connected Persons has such an arrangement.

The Manager, the investment delegate (if any) and/or any of their respective Connected Persons may receive, and are entitled to retain, goods, services or other benefits, such as research and advisory services, economic and political analysis, portfolio analysis (including valuation and performance measurement), market analysis, data and quotation services, computer hardware and software incidental to the above goods and services, clearing and custodian services and investment-related publication (known as soft dollar benefits) which are of demonstrable benefit to a Sub-Fund as a whole and may contribute to an improvement in the performance of the relevant Sub-Fund or of the Manager and/or any of its Connected Persons in providing services to the relevant Sub-Fund (as may be permitted under the UT Code, 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, brokerage rates are not in excess of customary institutional full-service brokerage rates and the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer. For the avoidance of doubt, such goods and services do not include travel accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments. Details of soft commission arrangements will be disclosed in the relevant Sub-Fund’s annual report.

RISK FACTORS

The nature of each Sub-Fund's investments involves certain risks and uncertainties, including those inherent in any investment. There can be no assurance that the investment objective of any Sub-Fund will be achieved. This section sets out what the Manager believes are the general risks associated with investments in the Sub-Funds, but investors should note that the relevant Appendix may include additional risk factors which are specific or particular to a particular Sub-Fund. The risk factors below do not offer advice on the suitability of investing in any Sub-Fund. Prospective investors should carefully evaluate the merits and risks of an investment in a Sub-Fund in the context of their overall financial circumstances, knowledge and experience as an investor and should consult their independent professional or financial advisers before making any investment in a Sub-Fund.

General risks

Investment risk

Investors should be aware that investment in any Sub-Fund is subject to normal market fluctuations and other risks inherent in the underlying assets into which the Sub-Fund may invest. There can be no assurance that any appreciation in value of investments will occur. There is no assurance that the investment objectives of a Sub-Fund will actually be achieved, notwithstanding the efforts of the Manager since changes in political, financial, economic, social and/or legal conditions are not within the control of the Manager. Accordingly, there is a risk that investors may not recoup the original amount invested in a Sub-Fund or may lose a substantial part or all of their initial investment.

Market risk

The Net Asset Value of a Sub-Fund will change with changes in the market value of the investments of such Sub-Fund. The value of such investments, and consequently the price of Shares of the relevant Sub-Fund, may go down as well as up.

Concentration risk

Certain Sub-Funds may invest only in a specific country, region, sector or type of investment with a particular focus. Although there are various investment restrictions with which the Manager has to comply when managing the investments of any Sub-Fund, the concentration of a Sub-Fund's investments may subject it to greater volatility than portfolios which comprise broad-based global investments.

Emerging market risk

Certain Sub-Funds may invest in emerging markets (including the Mainland), which subjects Sub-Funds to a higher level of market risk than investments in a developed country/region. This is due to, among other things, greater market volatility, lower trading volume, political and economic instability, settlement risk (including risks arising from settlement procedures), greater risk of market shut down and more governmental limitations on foreign investment than those typically found in developed markets.

Counterparty risk

A Sub-Fund will be subject to the risk of the inability of any counterparty to perform with respect to any investments or contracts purchased by the Sub-Fund. If a counterparty becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, the Sub-Fund may experience significant delays in obtaining any recovery in bankruptcy or other reorganisation proceeding. Such Sub-Fund is likely to be an unsecured creditor in any such proceeding and may obtain only a limited recovery or may obtain no recovery in such circumstances.

A Sub-Fund may be exposed to the counterparty risk of the Custodian with which the Scheme Property is deposited. The Custodian may be unable to perform their obligations due to credit-related and other events like insolvency of or default of them. In these circumstances the relevant Sub-Fund 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 relevant Sub-Fund's assets.

Liquidity risk

A Sub-Fund may invest in instruments where the volume of transactions may fluctuate significantly depending on market sentiment. There is a risk that investments made by a Sub-Fund may become less liquid in response to market developments or adverse investor perceptions. In extreme market situations, there may be no willing buyer and the investments cannot be readily sold at the desired time or price, and the relevant Sub-Fund may have to accept a lower price to sell the investments or may not be able to sell the investments at all. An inability to sell a portfolio position can adversely affect the Net Asset Value of a Sub-Fund or prevent a Sub-Fund from being able to take advantage of other investment opportunities. .

Liquidity risk also includes the risk that a Sub-Fund will not be able to pay redemption proceeds within the allowable time period because of unusual market conditions, an unusually high volume of redemption requests, or other uncontrollable factors. To meet redemption requests, a Sub-Fund may be forced to sell investments, at an unfavourable time and/or conditions.

Exchange rate risk

Assets of certain Sub-Funds may be denominated in currencies other than the base currencies of such Sub-Funds and the currency of some assets may not be freely convertible. These Sub-Funds may be adversely affected by changes in exchange rates between the currencies in which the assets of the relevant Sub-Fund are held and the base currency of such Sub-Fund.

Restricted markets risk

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

Legal and compliance risk

Domestic and/or international laws or regulations may change in a way that adversely affects a Sub-Fund. Differences in laws between countries/regions or jurisdictions may make it difficult for the Custodian or Manager to enforce legal agreements entered into in respect of a Sub-Fund. The Custodian and the Manager reserve the right to take steps to limit or prevent any adverse effects from changes to laws or their interpretation, including altering investments of or restructuring the relevant Sub-Fund.

Suspension risk

Under the terms of the Instrument in certain circumstances, the Manager may suspend the calculation of the Net Asset Value of Shares in a Sub-Fund as well as suspend subscriptions and redemptions for Shares in a Sub-Fund. Investors may not be able to subscribe or redeem when such a suspension is invoked. Investors may not be able to obtain a market value of their investment if the share price is suspended.

Please refer to the section headed "Suspension of calculation of Net Asset Value" for further information in this regard.

Pricing adjustments risk

Subscriptions or redemptions may have a dilution effect on a Sub-Fund's assets due to dealing and other costs associated with the trading of underlying securities. In order to mitigate this impact, where specified in the relevant Appendix, adjustment of prices may be adopted to protect the interests of existing Shareholders.

Where an adjustment is made, investors will subscribe (redeem) at a higher Subscription Price (lower Redemption Price). Investors should note that the occurrence of events which may trigger an adjustment of prices is not predictable. It is not possible to accurately predict how frequently such adjustments of prices will need to be made. Adjustments may be greater than or less than the actual charges incurred. If the adjustments made are less than the actual charges incurred, the difference will be borne by the relevant Sub-Fund. Investors should also be aware that adjustment of prices may not always, or fully, prevent the dilution effect on the relevant Sub-Fund's assets.

Please refer to the section headed "Adjustment of Prices" and the relevant Appendix for further information.

Early termination risk

Under the Instrument, a Sub-Fund may be terminated by the Manager or the Custodian in certain conditions and in the manner as described in "Termination (otherwise than by winding up)" in the section entitled "General" in this Explanatory Memorandum. It is possible that, in the event of such termination, a Sub-Fund will not be able to achieve its investment objective and investors will have to realise any investment loss and will receive an amount less than the capital they originally invested.

Cross class liability risk

The Instrument allows the Custodian and the Manager to issue Shares in separate classes. The Instrument provides for the manner in which liabilities are to be attributed across the various classes within a Sub-Fund under the Company (liabilities are to be attributed to the specific class of a Sub-Fund in respect of which the liability was incurred). A person to whom such a liability is owed has no direct recourse against the assets of the relevant class (in the absence of the Custodian granting that person a security interest). However, the Custodian will have a right of reimbursement and indemnity out of the assets of the Company which may result in Shareholders of one class of Shares of a Sub-Fund being compelled to bear the liabilities incurred in respect of another class of the Sub-Fund which Shares such Shareholders do not themselves own if there are insufficient assets attributable to that other class to satisfy the amount due to the Custodian. Accordingly, there is a risk that liabilities of one class of a Sub-Fund may not be limited to that particular class and may be required to be paid out of one or more other classes of that Sub-Fund.

Cross Sub-Fund liability risk

The assets and liabilities of each Sub-Fund under the Company will be tracked, for bookkeeping purposes, separately from the assets and liabilities of any other Sub-Funds, and the Instrument provides that the assets of each Sub-Fund should be segregated from each other. There is no guarantee that the courts of any jurisdiction will respect the limitations on liability and that the assets of any particular Sub-Fund will not be used to satisfy the liabilities of any other Sub-Fund.

Valuation and accounting risk

Investors should note that, under IFRS, establishment costs should be expensed as incurred. However for the purpose of calculating of net asset value for subscription and redemption purposes, establishment costs are to be amortised over a period of 5 years (or such other period as

determined by the Manager after consultation with the auditors of the relevant Sub-Fund), which may lead to a different valuation had the accounting been in accordance with IFRS. The Manager has considered the impact of such non-compliance and does not expect this issue to affect the results and the calculation of Net Asset Value of the Sub-Funds materially. To the extent that the valuation or accounting basis adopted by any Sub-Fund deviates from IFRS, the Manager may make necessary adjustments in the annual financial statements to comply with IFRS.

Reliance on the Manager risk

Shareholders must rely on the Manager in formulating the investment strategies and the performance of each Sub-Fund is largely dependent on the services and skills of its officers and employees. 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 of the insolvency of the Manager, the Company may not find successor managers with the requisite skills, qualifications quickly and the new appointment may not be on equivalent terms or of similar quality.

Investment risks

Risk of investing in equity securities

Sub-funds which invest directly or indirectly in equity securities are exposed to the risk that the market value of such equity securities may go down as well as up. Equity markets may fluctuate significantly with prices rising and falling sharply, and this will have a direct impact on such Sub-Funds. When equity markets are extremely volatile, such Sub-Fund's Net Asset Value may fluctuate substantially.

Risk of investing in fixed income instruments:

Interest rate risk: Sub-funds which invest in fixed income instruments are subject to interest rate risk. Generally, the value of fixed income instruments will change inversely with changes in interest rates. As interest rates rise, market value of fixed income instruments tends to fall. Long-term fixed income instruments in general are subject to higher interest rate risk than short-term fixed income instruments.

Credit risk: Investment in fixed income instruments is subject to the credit risk of the issuers which may be unable or unwilling to make timely payments of principal and/or interest. In general, debt instruments that have a lower credit rating or that are unrated will be more susceptible to the credit risk of the issuers. In the event of a default or credit rating downgrading of the issuers of the fixed income instruments held by a Sub-Fund, that Sub-Fund's Net Asset Value will be adversely affected and investors may suffer a substantial loss as a result.

Fixed income instruments are offered on an unsecured basis without collateral, and will rank equally with other unsecured debts of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer's assets will be paid to holders of fixed income instruments only after all secured claims have been satisfied in full. Each Sub-Fund holding such investments is therefore fully exposed to the credit risk of its counterparties as an unsecured creditor.

Risks of investing in lower graded or unrated fixed income instruments: A Sub-Fund may invest in fixed income instruments which are rated with a relatively lower grade or which are non-rated. As mentioned above, such instruments are generally more susceptible to the credit risk of the issuers, and as a result such investments assume greater risks because of generally reduced liquidity and greater fluctuation in value. The valuation of these instruments may also be more difficult and thus the relevant Sub-Fund's prices may be more volatile.

Risks of credit rating downgrades: Credit rating of fixed income instruments and/or issuers of fixed income instruments may be downgraded, thus adversely affecting the value and performance of a Sub-Fund holding such investments.

Risks of fixed income instruments from the Mainland: Certain Sub-Funds may invest in fixed income instruments issued or distributed within the Mainland. The financial market of the Mainland is at an early stage of development, and many of such Mainland Chinese fixed income instruments may be unrated, which exposes such Sub-Funds to greater risks because of generally reduced liquidity, greater price volatility and greater credit risk. Such a Sub-Fund may also encounter difficulties or delays in enforcing its rights against the issuers who will generally be incorporated in the Mainland and therefore not subject to the laws of Hong Kong.

Limited availability of offshore RMB fixed income instruments: Certain Sub-Funds may invest in RMB fixed income instruments issued or distributed outside the Mainland. However, the quantity of RMB fixed income instruments issued or distributed outside the Mainland that are available is currently limited, and the remaining duration of such instruments may be short. In the absence of available fixed income instruments, or when such instruments held are at maturity, a Sub-Fund holding such investments may have to allocate a significant portion of its portfolio in RMB negotiated term deposits with authorised financial institutions until suitable fixed income instruments are available in the market. This may adversely affect the relevant Sub-Fund's return and performance.

Risk of investing in financial derivative instruments

Certain Sub-Funds may from time to time utilise financial derivative instruments for investment and/or hedging purposes. The use of derivatives exposes a Sub-Fund to additional risks, including: (1) volatility risk (derivatives can be highly volatile and expose investors to a high risk of loss); (2) leverage risk (as the low initial margin deposits normally required to establish a position in derivatives permits a high degree of leverage, there is risk that a relatively small movement in the price of a contract could result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin); (3) liquidity risk (daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of derivatives and transactions in over-the-counter derivatives may involve additional risk as there is no exchange market on which to close out an open position); (4) correlation risk (when used for hedging purposes there may be an imperfect correlation between the derivatives and the investments or market sectors being hedged); (5) counterparty risk (the Sub-Fund is exposed to the risk of loss resulting from a counterparty's failure to meet its financial obligations); (6) legal risks (the characterisation of a transaction or a party's legal capacity to enter into it could render the derivative contract unenforceable, and the insolvency or bankruptcy of a counterparty could pre-empt otherwise enforceable contract rights); and (7) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty).

The eventuation of any of the above risks could have an adverse effect on the Net Asset Value of a Sub-Fund which uses financial derivative instruments.

Risk of investing in structured debt instruments (including mortgage-backed securities)

Certain Sub-Funds may invest in securitised or structured debt instruments (collectively, "structured debt instruments"). Such structured debt instruments include asset-backed securities, mortgage-backed securities, collateralised debt instruments and collateralised loan obligations. provide exposure, synthetically or otherwise, to underlying assets and the risk/return profile is determined by the cash flows derived from such assets. Some of such instruments involve multiple instruments and cash flow profiles such that it is not possible to predict with certainty the outcome from all market scenarios. Also, the price of such an investment could be contingent on, or highly sensitive to, changes in the underlying components of the structured debt instrument. The underlying assets can take many forms including, but not limited to, credit card receivables, residential mortgages, corporate loans, manufactured housing loans or any type of receivables from a company or structured vehicle that has regular cash flows from its customers. Some structured debt instruments

may employ leverage which can cause the price of the instruments to be more volatile than if they had not employed leverage. In addition, investments in structured debt instruments may be less liquid than other securities. The lack of liquidity may cause the current market price of assets to become disconnected from the underlying assets' value and consequently Sub-Funds investing in structured debt instruments may be more susceptible to liquidity risk. The liquidity of a structured debt instrument can be less than a regular bond or debt instrument and this may adversely affect either the ability to sell the position or the price at which such a sale is transacted.

Over-the-counter markets risk

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

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

Risks associated with Stock Connect

If a Sub-Fund invests through the Stock Connect, it may be subject to the following risks. In the event that the Sub-Fund's ability to invest in A-Shares through the Stock Connect on a timely basis is adversely affected, the Manager will seek to rely on RQFII investments to achieve the Sub-Fund's investment objective.

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). The Sub-Fund's ability to invest in A-Shares through the Stock Connect may be affected.

Suspension risk: It is contemplated that both the SEHK and the 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 is effected, the Sub-Fund's ability to access the PRC market through the Stock Connect will be adversely affected.

Operational risk: The Stock Connect provides a new channel for investors from Hong Kong and overseas to access the China stock market directly. 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 may need to address issues arising from the differences on an on-going basis.

Further, the "connectivity" in the Stock Connect requires routing of orders across the border. This requires the development of new information technology systems on the part of the SEHK and exchange participants. 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.

Recalling of eligible stocks: If a stock is recalled from the scope of eligible stocks for trading via the Stock Connect, the stock can only be sold and cannot be bought. This may affect the Sub-Fund's

tracking of the Index if, for example, a constituent of the Index is recalled from the scope of eligible stocks.

Clearing and settlement risk: The HKSCC and CSDCC will establish clearing links and each will become a participant of each other to facilitate clearing and settlement of cross boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house. Should the remote event of CSDCC default occur and the CSDCC 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 the CSDCC. HKSCC will in good faith seek recovery of the outstanding stocks and monies from the CSDCC through available legal channels or through the CSDCC's liquidation. In that event, the Sub-Fund may suffer delay in the recovery process or may not be able to fully recover its losses from the CSDCC.

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. The regulations are untested and there is no certainty as to how they will be applied, and are subject to change. There can be no assurance that the Stock Connect will not be abolished.

No Protection by 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. For defaults occurring on or after 1 January 2020, the Investor Compensation Fund also covers investors' losses in relation to securities traded on a stock market operated by the Shanghai Stock Exchange or the Shenzhen Stock Exchange and in respect of which an order for sale or purchase is permitted to be routed through the northbound link of a Stock Connect arrangement. On the other hand, since the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not Mainland Chinese brokers, it is not protected by the China Securities Investor Protection Fund (中國證券投資者保護基金) in Mainland China. Therefore the Sub-Fund is exposed to the risks of default of the broker(s) it engages in its trading in A-Shares through the programme.

<u>Hedging risk</u>

The Manager is permitted, but not obliged, to use hedging techniques to attempt to offset market risks. There is no guarantee that the desired hedging instruments will be available or hedging techniques will achieve their desired result.

TAXATION

The following summary of taxation is of a general nature, and for information purposes only, and is not intended to be an exhaustive list of all the tax considerations that may be relevant to a decision to purchase, own, realise or otherwise dispose of Shares. The summary does not constitute legal or tax advice and does not purport to deal with the tax consequences applicable to all categories of Shareholders. Prospective Shareholders should consult their professional advisers on the consequences to them of acquiring, holding, redeeming, transferring or selling Shares under the relevant laws of Hong Kong as well as the relevant jurisdiction(s) to which they are subject, including the tax consequences and any exchange control requirements. These consequences, including the availability of, and the value of, tax relief to investors, will vary with the law and practice of the investors' country of citizenship, residence, domicile or incorporation and their personal circumstances. The following statements regarding taxation are based on advice received by the Manager regarding the law and practice in force in Hong Kong, Mainland China and also regarding FATCA and related laws at the date of this Explanatory Memorandum. The relevant laws, rules and practice relating to tax are subject to change and amendment (and such changes may be made on a retrospective basis). As such, there can be no guarantee that the summary provided below will continue to be applicable after the date of this Explanatory Memorandum. Furthermore, tax laws can be subject to different interpretations and no assurance can be given that the relevant tax authorities will not take a contrary position to the tax treatment described below.

Hong Kong Taxation

Taxation of the Company and the Sub-Funds

Profits Tax

As the Company and each Sub-Fund have been authorised as a collective investment scheme by the SFC under Section 104 of the SFO, profits of the Company and each Sub-Fund are exempt from Hong Kong profits tax pursuant to Section 26A(1A)(a) of the Inland Revenue Ordinance ("IRO").

Stamp Duty

Hong Kong stamp duty is payable on the transfer of Hong Kong stock. "Hong Kong stock" is defined as "stock" the transfer of which is required to be registered in Hong Kong. The Shares should fall within the definition of "Hong Kong stock" as the register of Shareholders will be kept in Hong Kong.

Pursuant to a remission order issued by the Secretary for the Treasury on 20 October 1999, transfer of Hong Kong stocks to the Company and/or the Sub-Fund in exchange for issue of Shares or transfer of Hong Kong stocks from the Company and/or the Sub-Fund in consideration for redemption of Shares is exempt from Hong Kong Stamp Duty.

No Hong Kong Stamp Duty is payable by the Company and the Sub-Fund on an issue or redemption of Shares.

Taxation of the Shareholders

Profits tax

Where the Shareholders do not carry on a trade, profession or business in Hong Kong or the Shares in the Sub-Fund are held by the Shareholders as capital assets for Hong Kong profits tax purposes, gains arising from the sale or disposal or redemption of the Shares in the Sub-Fund should not be taxable. For Shareholders carrying on a trade, profession or business in Hong Kong, such gains may be subject to Hong Kong profits tax (which is currently charged at the rate of 16.5% in the case of corporations, and 15% in the case of individuals and unincorporated business) if the gains in

questions arise in or are derived from such trade, profession or business and sourced in Hong Kong and the Shares are not capital assets to Shareholders.

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

Distributions made by the Company or the Sub-Fund should generally not be subject to Hong Kong profits tax in the hands of Shareholders according to the practice of the IRD (as at the date of this Explanatory Memorandum).

Stamp duty

No Hong Kong stamp duty is payable in relation to the issue or redemption of Shares if the Shares are extinguished upon redemption.

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

Other types of sales and purchases or transfers of the Shares by the Shareholders should be liable to Hong Kong stamp duty of 0.2% (normally borne in equal share of 0.1% by the buyer and 0.1% by the seller) on the higher of the consideration amount or market value. In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of Shares.

Shareholders should take advice from their own professional advisers as to their particular tax position.

Automatic Exchange of Financial Account Information

The Inland Revenue (Amendment) (No.3) Ordinance (the "Ordinance") came into effect on 30 June 2016. The Ordinance together with the later amendments is the legislative framework for the implementation in Hong Kong of the Standard for Automatic Exchange of Financial Account Information ("AEOI"). The AEOI comprises, among others, the model Competent Authority Agreement ("CAA") and Common Reporting Standard ("CRS"). In addition, the IRD published guidance for financial institutions ("FIs") on 9 September 2016 which is updated and amended from time to time to provide guidance to them for complying with the CRS obligations. The AEOI requires FIs in Hong Kong to obtain certain information and documentation relating to non-Hong Kong tax residents holding financial accounts with the FIs, and report the required information to the IRD for the purpose of automatic exchange. Generally, the information will be reported and automatically exchanged in respect of account holders that are tax residents in a reportable jurisdiction(s) with which Hong Kong has a Multilateral CAA or bilateral agreement in force; however, a Sub-Fund and/or its agents may further obtain information and/or documentation relating to the residents of other jurisdictions that are not resident in a reportable jurisdiction for CRS purposes in Hong Kong.

The Company is required to comply with the requirements of the Ordinance, which means that the Company and/or its agents shall obtain and provide to the IRD the required information relating to Shareholders. The Ordinance requires the Company to, amongst other things, (i) register the Company as a "Reporting Financial Institution" with the IRD to the extent the Company maintains reportable financial accounts; (ii) conduct due diligence on its account holders (i.e. Shareholders) in order to determine whether any of their relevant financial accounts are regarded as "Reportable Accounts" under the Ordinance; and (iii) report to the IRD the required information of such Reportable Accounts. The IRD is expected on an annual basis to exchange the required information reported to it to the competent authorities of the respective reportable jurisdictions. Broadly, AEOI requires that Hong Kong FIs should report on: (i) individuals or entities that are tax residents in a reportable jurisdiction; and (ii) certain entities controlled by individuals who are tax residents in such jurisdictions. Under the Ordinance, details of Shareholders, including but not limited to their name, place of birth, date of birth, address, tax residence, tax identification number(s) (if any), account number, account balance/value regarding their interest in the Company, and income or sale or

redemption proceeds received from the Company, should be reported to the IRD and subsequently exchanged with competent authorities in the relevant jurisdictions.

By investing in a Sub-Fund and/or continuing to invest in a Sub-Fund, Shareholders acknowledge that they may be required to provide additional information or documents to the Company and/or its agents in order for the Company to comply with the Ordinance. A Shareholder's information (and information on controlling persons including beneficial owners, beneficiaries, direct or indirect shareholders or other persons associated with such Shareholders that are passive non-financial entities as defined under the Ordinance) may be exchanged by the IRD to the competent authorities in the relevant reportable jurisdictions.

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

Mainland China Taxation

The following is based on the Manager's understanding of and certain aspects of the tax laws, regulations and practice currently in force in the PRC. No guarantee can be given that the tax position at the date of this Explanatory Memorandum or at the time of an investment will endure indefinitely.

In the PRC, under the current regulatory environment, foreign investors are allowed to invest in China A-shares, bonds and certain financial instruments through QFII/RQFII, Stock Connect and Bond Connect schemes.

With the implementation of the new QFII/RQFII scheme from 1 November 2020, foreign institutional investors are allowed to invest in more diversified financial instruments, including certain derivatives products, etc. Following that, investments including commodity futures, commodity options and stock options in exchange market are also allowed for QFII/RQFII.

Under the prevailing PRC tax regimes, foreign investment in China A-shares, bonds and other financial instruments would normally be subject to Corporate Income Tax ("CIT"), Withholding Income Tax ("WHT"), Value Added Tax ("VAT") and Stamp Duty ("SD").

<u>General China Taxation</u>

Corporate Income Tax ("CIT")

Under the prevailing PRC CIT Law, a China Tax Resident Enterprise ("TRE") is subject to CIT on its worldwide income. A foreign enterprise with a "place of effective management" within the PRC is also regarded as a China TRE.

The "place of effective management" refers to the place where the exercise, in substance, of the overall management and control of the production and business operation, personnel, accounts and assets is located.

A non-TRE with an establishment or a place of business in China shall pay CIT on income derived by such establishment or place from sources in China as well as income derived from outside China that is effectively connected with such establishment or place.

An "establishment or place" is defined under PRC CIT regulations as an establishment or place in China engaging in production and business operations, including management and business organisations, offices, places where natural resources are exploited, labour services are rendered, contractor projects are undertaken, and other establishments or places where production and business activities are undertaken. Business agents who regularly sign contracts, store and deliver

goods, etc. on behalf of non-TREs would also be regarded as creating an establishment or place of business in China under CIT law/regulations.

Under the CIT law, the standard CIT rate is 25%.

A non-TRE that has no establishment or place in China is taxed only on its China-source income. A unilateral concessionary rate of 10% WHT will be applied on gross income derived from dividends, interest and other China-source passive income unless any specific exemption or reduction is available under current PRC tax laws, tax treaties or tax arrangements.

The Company together with the Manager, do not intend to operate in a way that would cause a Sub-Fund to be treated as a PRC tax resident enterprise or to have an establishment or a place in the PRC, although this cannot be guaranteed. It is possible, however, that the PRC tax authority could disagree with such an assessment or that changes in Mainland China tax law could affect the PRC CIT status of a Sub-Fund.

If a Sub-Fund does not have a place of effective management, an establishment or a place of business in the Mainland China, the Sub-Fund will normally be regarded as a non-TRE.

Generally, QFIIs/RQFIIs would be subject to PRC WHT at 10% on its gross income from dividends, interest and capital gains realised from the disposal of the shares in the PRC investee companies unless reduced/waived under China tax laws and regulations or relevant tax treaties/tax arrangements.

Value-added Tax ("VAT")

In Mainland China, VAT payers are classified into general payers and small scale payers. They are subject to different VAT calculation methods and different VAT rates.

Being an overseas entity, the Company and the Sub-Fund are subject to VAT at 6% which is applicable to general payers on the gains derived from trading financial products in PRC (including trading equity or equity-linked securities) and various interest income from China. According to Circular Caishui [2016] No. 36 ("Circular 36"), deposit interest income is not subject to VAT. Interest income derived from government bonds and local government bonds are exempted from VAT. Other VAT-exempted regulations for different types of income are as follows.

VAT surcharges including Urban Maintenance and Construction Tax ("UMCT"), Educational Surcharge ("ES") and Local Educational Surcharge ("LES")) are no longer applicable for a foreign taxpayer from 1st September 2021.

Stamp Duty ("SD")

The SD law of the PRC took into effect from 1 July 2022. According to SD Law, SD is levied on the execution or receipt in China of certain documents. In the case of contracts for sale of A-shares and B-shares, SD is currently imposed on the seller side only, at the rate of 0.1%. Where there is no transfer price for securities transactions, the SD basis should be calculated based on the closing price of the previous transaction day at the time of completing the transfer registration; where there is no closing price, SD basis should be calculated on the par value of the securities.

The sale or purchase of PRC domestic bonds investments does not fall in the SD taxable scope and are not subject to PRC SD.

<u>A-shares investments via QFII/RQFII</u>

Capital gains

According Circular Caishui [2014] No. 79 ("Circular 79"), effective from 17 November 2014, QFIIs/RQFIIs are temporarily exempt from the PRC WHT on the capital gains derived from trading A-shares and other PRC equity-linked investments, provided that QFIIs/RQFIIs do not have a place or an establishment in the PRC or the relevant capital gains are not connected to their places or establishments in the PRC. However, it is uncertain how long such temporary exemption will last and whether it will be repealed and re-imposed retrospectively.

According to Circular Caishui [2016] No. 36 and Caishui [2016] No. 70, QFII/RQFII are exempt from VAT on their income derived from entrusting PRC domestic companies to conduct securities trading in the PRC.

Dividends

Dividends derived by overseas investors from China A-shares via QFII/RQFII are subject to WHT at 10% unless reduced under a tax treaty or tax arrangement. Under the current China tax regulations, China A-shares listed companies are required to withhold and settle such WHT with China tax authorities.

Dividends from China equity investment is not subject to VAT.

<u>A-shares investment via Stock Connect</u>

Capital gains

According to Circular Caishui [2014] No. 81 ("Circular 81") and Circular Caishui [2016] No. 127 ("Circular 127"), overseas investors are temporarily exempt from PRC WHT on the gains from trading A-shares via Shanghai/HK Stock Connect and Shenzhen/HK Stock Connect schemes. However, it is uncertain how long the temporary exemption will last, and whether it will be repealed and re-imposed retrospectively.

Investors from Hong Kong market are exempt from VAT on gains from trading China A-shares through Shanghai/HK Stock Connect and Shenzhen/HK Stock Connect schemes during the pilot period of VAT reform since 2016. However, it is uncertain how long such VAT exemption will last and whether it will be repealed and re-imposed retrospectively.

Dividends

Dividends derived by overseas investors from China A-shares via Stock Connects are subject to WHT at 10%, which are not subject to VAT.

<u>China Bonds Investment via Bond Connect and QFII/RQFII</u>

Interest

According to Circular Caishui [2021] No.34, interest income derived by overseas investors from the domestic bond market through foreign institute investors (including QFII/RQFII or Bond Connect channels) are temporarily exempt from CIT and VAT during the period from 7 November 2021 to 31 December 2025 provided that such bond interests are not derived by the establishment or place of business of the overseas investors in the PRC or effectively connected with such establishment or place. However, it is uncertain whether this temporary exemption will be further extended after expiration.

Capital gains

In China, there are no specific tax rules granting CIT exemption on capital gains derived from trading debt instruments. In practice, it is more likely than not such gains derived by foreign investors would be regarded as non-PRC sourced income and not subject to PRC CIT.

The above complements with the Operational Procedures for Overseas Institutional Investors to Enter China's Inter-bank Bond Market prescribed by the PBOC in November 2017, which indicated that capital gains derived by overseas investors from trading the domestic bond market investments through Inter-bank Bond Market is temporarily exempt from CIT and VAT during the pilot period of VAT reform since 2016. However, it is uncertain how long the exemption will last and whether it will be repealed and re-imposed retrospectively.

Without the exemption described above, interest or capital gain derived by overseas investors through holding or trading the PRC bonds would be subject to WHT at the rate of 10% unless reduced under a tax treaty or tax arrangement.

Investment in New Assets Classes

In China, new QFII scheme became effective on 1 November 2020 with significant changes, including the consolidation of previous QFII and RQFII schemes and expansion of QFII's investment scope, etc.

However, the prevailing PRC CIT and VAT exemption policies may not cover all the income derived from new permissible asset classes after the implementation of new QFII/RQFII scheme. Therefore, depending on the structure of market access products, income derived from new asset classes and other diversified financial instruments (e.g. swaps, derivatives), might not be fully covered by the prevailing China CIT and VAT exemption treatment. It is subject to clarification of regulatory and tax authorities. New asset classes refer to the expanded investment scope under the new QFII scheme.

It should also be noted that the actual PRC taxes imposed by China tax authorities may be different and may change from time to time. There is a possibility of regulatory changes and PRC taxes being applied retrospectively. There are also risks and uncertainties associated with the current PRC tax laws, regulations and practice. Such changes or uncertainties may result in higher taxation on PRC investments than currently contemplated. As such, any provision for taxation made by the Manager may be excessive or inadequate to meet ultimate PRC tax liabilities. Consequently, investors may be advantaged or disadvantaged depending upon the ultimate PRC tax liabilities, the level of provision and when they subscribed and/or redeemed their shares in the Sub-Fund.

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

FATCA

The United States ("US") Hiring Incentives to Restore Employment Act (the "HIRE Act") was signed into US law in March 2010 and includes provisions commonly referred to as the "Foreign Account Tax Compliance Act" or "FATCA". Broadly, the FATCA provisions are set out in sections 1471 to 1474 of the US Internal Revenue Code of 1986, as amended (the "Revenue Code"), which impose a new reporting regime with respect to certain payments to foreign financial institutions (each an "FFI"), including interests and dividends from securities of US issuers and gross proceeds from the sale of such securities. All such payments may be subject to withholding at a rate of 30%, unless the recipient of the payment satisfies certain requirements intended to enable the US Internal Revenue Service (the "IRS") to identify United States persons (within the meaning of the Revenue Code) ("US persons") with interests in such FFIs. To avoid such withholding on payments made to it, FFIs (including banks, brokers, custodians and investment funds) located in jurisdictions that have not signed an intergovernmental agreement ("IGA") for implementation of FATCA, will be required to enter into a FFI agreement (a "FFI Agreement") with the IRS to be treated as a participating FFI ("Participating FFI"). Participating FFIs are required to identify all investors that are US persons and report certain information concerning such US persons to the IRS. The FFI Agreement will also generally require that a Participating FFI deduct and withhold 30% from certain payments made by the Participating FFI to investors who fail to cooperate with certain information requests made by the Participating FFI. Moreover, Participating FFIs are required to deduct and withhold such payments made to investors that are themselves FFIs but that have not entered into

an FFI Agreement with the IRS or that are not otherwise deemed compliant with FATCA (i.e. a "non-compliant FFI").

FATCA withholding applies to (i) payments of US source income, including US source dividends and interest, made after 30 June 2014; and (ii) payments of gross proceeds of sale or other disposal of property that can produce US source income after 31 December 2016. The 30% withholding could also apply to payments otherwise attributable to US source income (also known as "foreign passthru payments") starting no earlier than 1 January 2017, though the US tax rules on "foreign passthru payments" are currently pending. Withholding agents (which may include Participating FFIs) will generally be required to begin withholding on certain withholdable payments made after 30 June 2014. The first reporting deadline for FFIs that have entered into the FFI Agreement was 31 March 2015 with respect to information relating to the 2014 calendar year.

The US and a number of other jurisdictions have entered into IGAs. The US Department of the Treasury and Hong Kong have on 13 November 2014 signed a Model 2 IGA (the "HK IGA"). The HK IGA modifies the foregoing requirements but generally requires similar information to be disclosed to the IRS. Under the HK IGA, FFIs in Hong Kong would register with the IRS to be subject to the terms of a FFI Agreement with the IRS and comply with the terms of such FFI Agreement. Otherwise they will be subject to a 30% withholding tax on relevant US source payments to them.

Under the HK IGA, it is expected that FFIs in Hong Kong complying with an FFI Agreement will generally not be required to withhold tax on withholdable payments to recalcitrant accounts (i.e. certain accounts of which the holders do not consent to FATCA reporting and disclosure to the IRS) or close such recalcitrant accounts (provided that information regarding the recalcitrant accounts is reported to the IRS according to the terms of the HK IGA), but may be required to withhold tax on payments made to non-compliant FFIs.

Even though the HK IGA has now been signed between Hong Kong and the US, withholding may apply to withholdable payments covered by FATCA if the Company cannot satisfy the applicable requirements and is determined to be non-FATCA compliant or if the Hong Kong government is found in breach of the terms of the HK IGA.

Each Sub-Fund has been registered with the IRS as at the date of this Explanatory Memorandum. In order to protect Shareholders and avoid being subject to withholding under FATCA, it is the Manager's intention to endeavour to satisfy the requirements imposed under FATCA. Hence it is possible that this may require a Sub-Fund (through its agents or service providers) as far as legally permitted, to report information on the holdings or investment returns of any Shareholder to the IRS or the local authorities pursuant to the terms of the HK IGA. It is also possible that a Sub-Fund may be required to compulsorily redeem and/or apply withholdings to payments to Shareholders who fail to provide the information and documents required to identify their status, or who are non-compliant FFIs or who fall within other categories specified in the FATCA provisions and regulations. Any such compulsory redemption and/or withholding will be done in accordance with applicable laws and regulations, and the discretion to do so will be exercised by the Manager acting in good faith and on reasonable grounds. In any event, the Manager shall comply with personal data protection principles, and requirements as set out in the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and all other applicable regulations and rules governing personal data use in Hong Kong from time to time.

Although each Sub-Fund will attempt to satisfy any obligations imposed on them to avoid the imposition of FATCA withholding tax, no assurance can be given that each Sub-Fund will be able to fully satisfy these obligations. If a Sub-Fund becomes subject to a withholding tax as a result of FATCA, the Net Asset Value of the Sub-Fund may be adversely affected and the Sub-Fund and the Shareholders may suffer material loss.

The FATCA provisions are complex and their application is uncertain at this time. The above description is based in part on regulations, official guidance and the HK IGA, all of which are subject to change or may be implemented in a materially different form. Nothing in this section constitutes or purports to constitute tax advice and Shareholders should not rely on any information set out in this section for the purposes of making any investment decision, tax decision or otherwise. All

Shareholders should therefore consult their own tax and professional advisors regarding the FATCA requirements, possible implications and related tax consequences with respect to their own situation. In particular, Shareholders who hold their Shares through intermediaries should confirm the FATCA compliance status of those intermediaries to ensure that they do not suffer the above mentioned withholding tax on their investment returns.

FATCA in Mainland China

On 26 June 2014, the US and China reached an agreement in substance to implement the FATCA through a Model 1 IGA. As China is one of the US largest trading partners, this is a substantial development in achieving overall tax compliance through information sharing agreements. However, an official mutual announcement continues to be absent until now, which means the agreement is still not effective for China. As a result, there is no local implementation rules or guidance to follow at current stage in China regarding FATCA.

GENERAL

Reports

The Company's and each Sub-Fund's financial year end is on 31 December in each year.

Audited annual financial reports drawn up in accordance with IFRS and unaudited interim financial reports will be prepared for each financial year. Financial reports will be available in both English and Chinese.

Once financial reports are issued, Shareholders will be notified of where such reports, in printed and electronic forms, can be obtained. Such notices will be sent to Shareholders on or before the issue date of the relevant financial reports, which will be within four months after the end of the financial year in the case of audited annual financial reports, and within two months after 30 June in each year in the case of unaudited interim financial reports. Once issued the financial reports will be available in softcopy from the website www.bosera.com.hk (this website has not been reviewed by the SFC) and in hardcopy for inspection at the Manager's office free of charge during normal working hours (hardcopies are also available for Shareholders to take away free of charge upon request).

Distribution policy

The Manager has discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends in respect of any Sub-Fund, details of which are set out in the relevant Appendix.

The Instrument

The Company was incorporated in Hong Kong under the SFO on 17 September 2021. Its constitution is set out in the Instrument filed to the Companies Registry of Hong Kong on, and effective as of, 17 September 2021 (and as may be further amended, modified or supplemented from time to time). All Shareholders are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Instrument.

Indemnities of the Manager

Under the Management Agreement, the Manager is not liable in respect of any act or omission of:

(a) any person, firm or company through whom transactions in investments are effected for the account of any Sub-Fund;

(b) the Custodian;

(c) the Administrator (if any);

(d) any party having custody or possession of the Company's assets from time to time; or

(e) any clearance or settlement system.

Nothing in any of the provisions of the Management Agreement and the Instrument (i) exempts the Manager from or against any liability to Shareholders for breach of its obligations through its fraud or negligence or any liability to Shareholders imposed by virtue of any Hong Kong law in relation to its duties nor (ii) indemnifies the Manager against such liability by Shareholders or at the Shareholders' expense.

Subject to the Instrument, the Company agrees to indemnify and keep indemnified the Manager and the directors, officers and employees of the Manager from and against any and all liabilities,

obligations, losses, damages, suits and expenses (each a “Loss”) which may be incurred by or asserted against the Manager in its capacity as Manager of the Company. However, such indemnity excludes Losses resulting from the negligence, wilful default or fraud of the person seeking to rely on this indemnity and excludes expenses incurred by the Manager for which it is responsible under the Management Agreement.

When the Manager appears in, prosecutes or defends any action or suit in respect of the provisions of the Management Agreement or the Instrument or in respect of the Company, any Sub-Fund or any part thereof or any corporate or Shareholders' action which in its opinion would or might involve it in expense or liability, it shall be entitled to be indemnified by the Company out of the relevant Sub-Fund to its satisfaction against any costs or expenses in connection with the Manager appearing, prosecuting or defending such actions or suits.

Nothing in the Management Agreement excludes or restricts the liability to the Company which the Manager may have under the SFO.

No provision of the Instrument or the Management Agreement shall be construed as (i) providing any exemption of any liability of the Manager to the Shareholders under Hong Kong law, nor may the Manager be indemnified against such liability by Shareholders or at the Shareholders’ expense, or (ii) diminishing or exempting the Manager from any of its duties and liabilities under applicable Laws and Regulations, and no provision shall have the effect of providing any of such exemption or indemnity.

Indemnities of the Custodian

Under the Custodian Agreement, the Company agrees to indemnify the Custodian and its officers, employees, agents and sub-custodians against all liabilities suffered or incurred by the Custodian in connection with its duties under the Custodian Agreement, including but not limited to liabilities incurred as a result of the acts or omissions of the Company or any other person in connection with the Custodian Agreement.

No provision of the Instrument or the Custodian Agreement shall be construed as (i) providing any exemption of any liability of the Custodian to the Shareholders under Hong Kong law or for breach of trust through fraud, wilful misconduct or negligence, nor may the Custodian be indemnified against such liability by Shareholders or at the Shareholders’ expense, or (ii) diminishing or exempting the Custodian from any of its duties and liabilities under applicable laws and regulations, and no provision shall have the effect of providing any of such exemption or indemnity.

Nothing in the Custodian Agreement excludes or limits the liability to the Company which the Custodian may have under the SFO.

Modification of Instrument

An amendment to the Instrument may be made to the extent permitted by the Laws and Regulations applicable to the Company and in accordance with the Instrument.

No alteration to this Instrument may be made unless:

(a) the alteration has been approved by Shareholders by a Special Resolution; or

(b) the Custodian certifies in writing that in its opinion the proposed alteration:

  (i) is necessary to make possible compliance with fiscal or other statutory, regulatory or official requirements;

  (ii) does not materially prejudice Shareholders' interests, does not to any material extent release the Directors, the Manager, the Custodian or any other person from any

liability to Shareholders and does not increase the costs and charges payable from the Scheme Property; or

(iii) is necessary to correct a manifest error;

In all other cases involving any material changes, no alteration may be made except by a Special Resolution or Shareholders or the approval of the SFC. The Company shall provide written notice to Shareholders in respect of any alteration to this Instrument and any alteration to the Company generally in accordance with the Laws and Regulations.

Removal and Retirement of the Directors

A person ceases to be a Director if the person:

(a) ceases to be a Director or is prohibited from being a Director under the applicable Laws and Regulations or under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong);

(b) becomes bankrupt or makes any arrangement or composition with the person's creditors generally;

(c) becomes a mentally incapacitated person;

(d) resigns from the office of Director by notice in writing of the resignation of not less than 28 days;

(e) for more than 6 months has been absent without the Directors' permission from Directors' meetings held during that period;

(f) upon the expiry of any period or notice period stated in an agreement for the provision of services between the Company and the Director or if such agreement is summarily terminated in accordance with its terms; or

(g) is removed from the office of Director by an ordinary resolution (as defined in the Instrument).

Special notice (in accordance with the applicable Laws and Regulations) is required of a resolution to remove a Director or appoint a person in place of a Director so removed at the meeting at which the Director is removed on or before the expiry of any period of notice of such removal. In relation to a resolution to remove a Director before the end of the Director's term of office, no Share may, on a poll, carry a greater number of votes than it would carry in relation to the generality of matters to be voted on at a general meeting of the Company.

Removal and Retirement of the Manager

Under the Management Agreement, the Manager must retire in the case of (i) below, and must be subject to removal by notice in writing from the Directors in the case of (ii) or (iii) below:

(i) when it ceases to be eligible to be a Manager or is prohibited from being a Manager under the applicable Laws and Regulations, or when the SFC withdraws its approval of the Manager;

(ii) when it goes into liquidation, becomes bankrupt or has a receiver appointed over its assets;

(iii) when for good and sufficient reason, the Directors state in writing that a change in the Manager is desirable in the interests of the Shareholders.

The Manager shall be entitled to retire in favour of some other person considered by the Company to be suitably qualified and approved by the SFC, upon giving written notice to the Company in accordance with the Management Agreement and subject to such person entering into a management agreement similar to the Management Agreement.

In the event that the Manager shall retire or be removed or its appointment shall otherwise terminate, the Company shall appoint another corporation eligible under the Laws and Regulations (as defined in the Management Agreement) to act as the investment manager of an open-ended fund company which is approved by the SFC to be the investment manager of the Company in place of the Manager so retiring or being removed on or before the expiry of any period of notice of such retirement or removal.

The Manager may not retire except upon the appointment of a new Manager approved by the SFC.

Removal and Retirement of the Custodian

Under the Custodian Agreement, the Custodian must retire in the case of (i) below, and must be subject to removal by notice in writing in the case of (ii) and (iii) below:

(i) when it ceases to be eligible to be a Custodian or is prohibited from being a Custodian under applicable Laws and Regulations, or when the SFC withdraws its approval of the Custodian;

(ii) when it goes into liquidation, becomes bankrupt or has a receiver appointed over its assets; or

(iii) when for good and sufficient reason, the Directors state in writing that a change in the Custodian is desirable in the interests of the Shareholders.

In the event that the Custodian shall retire or be removed or its appointment shall otherwise terminate, the Company shall appoint another corporation eligible under the Laws and Regulations to act as a custodian of an OFC which is approved by the SFC to be the Custodian in place of the Custodian so retiring or being removed on or before the expiry of any period of notice of such retirement or removal. The retirement of the Custodian should take effect at the same time as the new Custodian takes up office.

The Custodian may not retire except upon the appointment of a new Custodian approved by the SFC.

Termination (otherwise than by winding up)

Without prejudice to any provision in the applicable Laws and Regulations by virtue of which the Company, or a Sub-Fund or a class of Shares may be terminated, the Company, a Sub-Fund or a class of Shares may be terminated, subject to and in accordance with the applicable Laws and Regulations, by the Directors in their absolute discretion if:

(a) in the case of a Sub-Fund including classes therein, 1 year from the date of the first issue of Share relating to the relevant Sub-Fund or at any date thereafter the Net Asset Value of the relevant Sub-Fund is less than USD10,000,000 or its equivalent in the base currency of the Sub-Fund;

(b) in the case of a class only, there are no Shareholders of such class in a Sub-Fund;

(c) in the case of the Company, 1 year from the date of the first issue of Shares relating to the first Sub-Fund or at any date thereafter the Net Asset Value of the Company is less than USD10,000,000 or its equivalent in the base currency of the Company;

(d) any law shall be passed which renders it illegal or in the reasonable opinion of the Directors impracticable or inadvisable to continue the relevant Sub-Fund or the Company.

The Directors shall give reasonable notice of termination of the Company, the relevant Sub-Fund, or the class of Shares (as the case may be) to the Shareholders in the Company, the relevant Sub-Fund or the class of Shares (as the case may be) in such manner and with such contents which are compliant with the applicable Laws and Regulations, and by such notice fix the date on which such termination is to take effect, provided that no less than one month's notice will be given to the relevant Shareholders in case of termination of the Company or a Sub-Fund. Shareholders' approval is not required to effect termination of the Company or a Sub-Fund.

With effect on and from the date as at which the Company or any Sub-Fund is to terminate:

(a) no Shares of the relevant class or classes may be issued or sold by the Company;

(b) the Manager shall on the instructions of the Directors realise all the assets then comprised in the relevant Sub-Fund;

(c) distributions shall be made to the Shareholders of the relevant Class or Classes in proportion to their respective interests in the relevant Sub-Fund all net cash proceeds derived from the realisation of the relevant Sub-Fund and available for the purpose of such distribution, provided that the Custodian shall be entitled to retain out of any monies in its hands as part of the relevant Sub-Fund full provision for all costs, charges, expenses, claims and demands reasonably incurred by or on behalf of the Company, Directors, the Manager or the Custodian in connection with or arising out of the termination of the relevant Sub-Fund; and

(d) any unclaimed proceeds or other monies held by the Custodian in the event of a termination may at the expiration of 12 calendar months from the date upon which the same became payable be paid into court, subject to the right of the Custodian to deduct therefrom any expenses it may incur in making such payment.

Every such distribution shall be made in such manner as the Directors shall at their reasonable discretion determine but shall be made only against the production of such evidence relating to the Shares of the relevant class or classes in respect of which the same is made and upon delivery of such form of request for payment as shall be reasonably required.

Winding Up

Subject to any other provisions applicable to the specific Sub-Fund set out in the relevant Appendix to this Explanatory Memorandum, the rights of the Shareholders to participate in the property comprised in a Sub-Fund on a winding up of the Company or a Sub-Fund shall be proportionate to the proportionate interests in the Sub-Fund represented by the Shares which they hold.

If the Company or a Sub-Fund is wound up and a surplus remains after the payment of debts proved in the winding up, the liquidator:

(a) may, with the required sanction of a Special Resolution (as defined in the Instrument) of the Company or Shareholders of the relevant Sub-Fund and any other sanction required by the Laws and Regulations, divide amongst the Shareholders the whole or any part of the assets of the Company or relevant Sub-Fund (whether they consist of property of the same kind or not) and may, for this purpose, set a value the liquidator thinks fair on any property to be so divided; and

(b) may determine how the division is to be carried out between the Shareholders or different classes of Shareholders.

Meetings of Shareholders and voting rights

Meetings of Shareholders may be convened by the Directors. Shareholders representing at least 10% of the total voting rights of all the Shareholders having a right to vote may require a meeting to be convened. A general meeting at which (a) a Special Resolution (as defined in the Instrument) is to be proposed must be called by notice of at least 21 days in writing; and (b) an Ordinary Resolution (as defined in the Instrument) is to be proposed must be called by notice of at least 14 days in writing.

The quorum for all meetings is Shareholders present in person or by proxy representing 10% of the Shares for the time being in issue except for the purpose of passing a Special Resolution. The quorum for passing a Special Resolution is Shareholders present in person or by proxy representing 25% or more of the Shares in issue. In the case of an adjourned meeting of which separate notice will be given, such Shareholders as are present in person or by proxy will form a quorum. Every individual Shareholder present in person, by proxy or by representative has one vote for every Share of which he is the Shareholder. In the case of joint Shareholders the senior of those who tenders a vote (in person or by proxy) will be accepted and seniority is determined by the order in which the names appear on the Register of Shareholders.

The Instrument contains provisions for the holding of separate meetings of Shareholders holding Shares of different classes where only the interests of Shareholders of such class are affected.

Transfer of Shares

Shares may be transferred by an instrument in writing in any usual form or any other form approved by the Directors signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee. The transferor will be deemed to remain the Shareholder of the Shares transferred until the name of the transferee is entered in the Register of Shareholders in respect of such Shares. A reasonable fee may be charged by the Company for registering any instrument of transfer or other document relating to or affecting the title to any Share.

Transfers of Shares are subject to prior consent of the Directors and the Directors may instruct the Custodian not to enter the name of a transferee in the Register or recognise a transfer of any Shares if the Directors believe that such will result in or is likely to result in the contravention of any applicable laws or requirements of any country or region, any governmental authority or any stock exchange (if any) on which such Shares are listed.

Documents available for inspection

Copies of the Instrument of the Company, the Management Agreement, Custodian Agreement and the latest audited annual and unaudited interim financial reports (if any) of the Company and each Sub-Fund are available for inspection free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the offices of the Manager. Copies of the Instrument can be purchased from the Manager at a nominal amount.

Anti-Money Laundering Regulations

As part of the Custodian's and the Manager's responsibility to prevent money laundering, they and/or their respective delegates or agents may require detailed verification of a prospective investor's identity and the source of the payment of application monies. Depending on the circumstances of each application, a detailed verification may not be required where: (a) the prospective investor makes payment from an account in the prospective investor's name at a recognised financial institution; (b) the prospective investor is regulated by a recognised regulatory authority; or (c) the application is made through a recognised financial intermediary. The exceptions will only apply if the financial institution, regulatory authority or intermediary referred to above is within a country or jurisdiction recognised by Hong Kong as having sufficient anti-money laundering regulations.

The Custodian, the Manager and their respective delegates and agents each reserves the right to request such information as is necessary to verify the identity of an applicant and the source of the payment. In the event of delay or failure by the applicant to produce any information required for verification purposes by any of the above parties, the Manager may refuse to accept the application and return the application monies relating to such application.

The Company also reserves the right to refuse to make any redemption payment to a Shareholder if the Manager reasonably suspects or is advised that the payment of redemption proceeds to such Shareholder might result in a breach of applicable anti-money laundering or other laws or regulations by any person in any relevant jurisdiction, or if such refusal is considered necessary to ensure the compliance by the Company or the relevant Sub-Fund(s) or the Custodian or the Manager or other service provider to the Company with any such laws or regulations in any relevant jurisdiction.

None of the Custodian, the Manager or their respective delegates or agents shall be liable to the prospective investor or Shareholder for any loss suffered by such party as a result of the rejection or delay of any subscription application or payment of redemption proceeds.

Liquidity Risk Management

The Manager has put in place measures to effectively manage the liquidity risk of each Sub-Fund. The Manager's risk management function monitors the implementation of liquidity risk management policies on a day-to-day basis. The risk management function regularly communicates with the portfolio managers on each Sub-Fund's liquidity risk issues. 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 each Sub-Fund. The Manager also has in place liquidity risk management tools (such as those described under the "Restrictions on redemption" section) which allow the Manager to process redemptions in an orderly manner and to ensure that all investors are treated fairly.

As a liquidity risk management tool, the Manager may limit the number of Shares of a Sub-Fund redeemed on any Dealing Day to Shares representing 10% of the total Net Asset Value of Shares of the relevant Sub-Fund in issue (subject to the conditions under the heading entitled "Restrictions on Redemption" in the section headed "Redemption of Shares"). Where specified in the relevant Appendix, the Manager may also apply a "swing pricing" mechanism under certain circumstances. Please refer to the section "Adjustment of Prices" and the relevant Appendix for further details.

On an on-going basis, the Manager's risk management function will assess each Sub-Fund's liquidity position against internal liquidity indicators. The Manager may consider a range of quantitative metrics and qualitative factors in arriving at a liquidity assessment. The quantitative metrics that the Manager may consider include, where available, the underlying asset's issue size, bid-ask spreads, transaction cost, the number of market makers, each Sub-Fund's holding as a proportion of the outstanding issuance, time to maturity and time of issuance. The Manager supplements the available quantitative data with its professional judgment and other qualitative factors such as the overall market conditions, the applicable regulatory requirements, the currency denomination, and the credit quality. The Manager classifies each Sub-Fund's assets into different liquidity categories using the generic categories of low, medium and high liquidity, and sets indicators on the minimum and maximum holding of assets that belong to each of these liquidity categories, taking into account the historical liquidity demands and expected future liquidity demands of each Sub-Fund under likely future market conditions. Where a Sub-Fund is unable to meet the targets, the Manager will report the incident to the senior management who perform the oversight role for consideration in a timely manner. Policies will be put in place and documentation will be maintained on the assessments. The Manager will also perform liquidity stress testing on each Sub-Fund on an ongoing basis.

Conflicts of Interest

The Manager and the Custodian (and any of their affiliates) (each a "relevant party") may from time to time act as Custodian, administrator, registrar, manager, custodian, investment manager or investment delegate, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of any Sub-Fund. It is, therefore, possible that any relevant party may, in the course of business, have potential conflicts of interest with the Company or any Sub-Fund. Each relevant party will, at all times, have regard in such event to its obligations to the Company and the relevant Sub-Fund and will endeavour to ensure that such conflicts are resolved fairly. Each relevant party shall be entitled to retain for its own use and benefit all fees and other monies payable thereby and shall not be deemed to be affected with notice of or to be under any duty to disclose to the Company, any Sub-Fund, any Shareholder or any other relevant party any fact or thing which comes to the notice of the relevant party in the course of its rendering 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 Instrument. In any event, the Manager will ensure that all investment opportunities will be fairly allocated.

The Manager has established policies in relation to the identification and monitoring of potential conflicts of interest situations, to ensure that clients' interests are given priority at all times. Key duties and functions must be appropriately segregated and there are strict policies and dealing procedures designed to avoid, monitor and deal with conflicts of interests situations, such as rules and procedures in relation to order allocation, best execution, receipt of gifts or benefits, retention of proper records, prohibition of certain types of transactions and handling of client complaints. The Manager has designated staff to monitor the implementation of such trading policies and dealing procedures with clear reporting lines to and oversight by senior management. In any event, the Manager will ensure that all investment schemes and accounts which it manages, including each Sub-Fund, are treated fairly.

It is expected that transactions for any Sub-Fund may be carried out with or through Connected Persons of the Manager. The Manager will ensure that all transactions carried out by or on behalf of each Sub-Fund will be in compliance with all applicable laws and regulations. The Manager will use due care in the selection of such Connected Persons to ensure that they are suitably qualified in the circumstances, and will ensure that all such transactions are conducted on an arm's length basis and are consistent with best execution standards, and will monitor such transactions to ensure compliance with the Manager's obligations. The fees or commissions payable to any such Connected Persons will not be greater than those which are payable at the prevailing market rate for such transactions of that size and nature. The nature of any such transactions and the total commissions and other quantifiable benefits received by such Connected Persons will be disclosed in the relevant Sub-Fund's annual report.

Notices

All notices and communications to the Company, the Manager and the Custodian should be made in writing and sent to the following addresses:

Company
Bosera Global Public Funds Series Open-ended Fund Company
Suite 4109, Jardine House
One Connaught Place
Central
Hong Kong

Manager
Bosera Asset Management (International) Co., Limited
Suite 4109, Jardine House

One Connaught Place
Central
Hong Kong

Custodian
CMB Wing Lung (Trustee) Limited
6/F, CMB Wing Lung Bank Building
45 Des Voeux Road
Central
Hong Kong

Websites

The offer of the Shares is made solely on the basis of information contained in this Explanatory Memorandum. This Explanatory Memorandum may refer to information and materials included in websites, which may be updated or changed from time to time without any notice. Such information and materials do not form part of this Explanatory Memorandum and they have not been reviewed by the SFC. Investors should exercise an appropriate degree of caution when assessing the value of such information and materials.

APPENDIX 1: BOSERA HONG KONG EQUITY PLUS FUND

This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the Bosera Hong Kong Equity Plus Fund (the "Sub-Fund"), a Sub-Fund of the Company. All references in this Appendix to the Sub-Fund are to Bosera Hong Kong Equity Plus Fund. Terms defined in the main body of this Explanatory Memorandum have the same meaning when used in this Appendix.

Base Currency

The Base Currency of the Sub-Fund is the HKD.

Business Day

The Business Day of the Sub-Fund is a day on which the SEHK is open for normal trading or such other day or days as the Manager and the Custodian may agree from time to time.

Investment Objective

The investment objective of the Sub-fund is to generate long-term capital appreciation by primarily investing in listed equities with a China focus. There can be no assurance that the Sub-Fund will achieve its investment objective.

Investment Strategy

The Sub-Fund seeks to achieve its objective by investing primarily (i.e. not less than 80% of its Net Asset Value) directly or indirectly in companies established in China or, if established outside China, derive a significant portion of their revenue from business activities related to China, or have significant assets, business, production, trading activity or other interests in China. Such investments are based on the professional judgement of the Manager whose reasons for investment may include a favourable outlook on the stock issuer and the expected changes in the value of such investments due to the market circumstances changes. Up to 100% of the Sub-Fund's Net Asset Value may be invested in emerging markets.

At least 70% of the Sub-Fund's Net Asset Value will be invested in securities listed on The Stock Exchange of Hong Kong Limited (the "HKEX"). The Manager may also invest up to 20% of the Sub-Fund's Net Asset Value in A-Shares and/or B-Shares listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange. Exposure to A-Shares and/or B-Shares may be obtained directly, via in the case of A-Shares, the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect (together, the "Stock Connect") or, in the case of A-Shares and B-Shares, the Manager's RQFII status, or indirectly through convertible bonds, exchange traded funds ("ETFs") or other collective investment schemes, financial derivative instruments ("FDIs") such as participation notes, futures and options.

The Sub-Fund may invest up to 30% of its Net Asset Value in other collective investment schemes which are eligible schemes (as defined in the Code) or authorised by the SFC. Up to 10% of the Sub-Fund's Net Asset Value may be invested in non-eligible scheme and not authorised by the SFC. Investments in ETFs are considered and treated as listed securities for the purposes of and subject to the requirements in Chapters 7.1, 7.1A and 7.2 of the Code.

The Sub-Fund may invest in securities being offered in an initial public offering to be listed on the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the HKEX, stock exchanges in the United States and/or other stock exchanges subject to the limit set out above.

The Sub-Fund will make investments into listed companies that, in the Manager's opinion, have been undervalued by the market due to various reasons such as lack of research coverage and misunderstanding of the fundamentals. The Sub-Fund does not attempt to follow any benchmark indices in determining its sector or individual stock weightings and there is no fixed sector weightings in the allocation of assets of the Sub-Fund.

The Sub-Fund may use FDIs for hedging and/or investment purposes to the extent permitted by the Code. The Sub-Fund may take short positions through FDIs for hedging purposes only.

The Sub-Fund may engage in short sales in accordance with the Code and may use assets of the Sub-Fund as collateral in respect of such short sales. No short sale may be made by the Sub-Fund which will result in the Sub-Fund's liability to deliver securities exceeding 10% of its Net Asset Value. For the avoidance of doubt, the Sub-Fund will not carry out any naked or uncovered short sale. Under normal market conditions, the Sub-Fund may hold no more than 20% of Net Asset Value in cash or cash equivalents (including money market funds), for use as collateral or as otherwise considered appropriate to the investment objective. Under exceptional circumstances (e.g. satisfying large redemption request, market crash or major crisis), this percentage may be temporarily increased to up to 50% for cash flow management.

The Sub-Fund currently has no intention to invest in structured deposits, structured products or over-the-counter securities, and the Manager will not enter into any securities lending, sale and repurchase or reverse-repurchase transactions in respect of the Sub-Fund. The Sub-Fund will not invest in collateralised and/or securitised securities (including asset backed commercial papers and mortgage backed securities). If any of this changes in the future, prior approval of the SFC will be sought (if required) and not less than one month's notice will be provided to Shareholders before the Sub-Fund enters into any such transaction.

The Sub-Fund generally seeks to hedge the foreign currency exposure of any hedged share class to the base currency, with the aim of reducing the impact of currency fluctuations of the relevant class currency against the base currency. The effects of hedging will be reflected in the Net Asset Value per Share of the relevant hedged class. Similarly, any expenses arising from such hedging transactions will be borne by the relevant hedged Class.

Investment Restrictions

No waivers from the investment restrictions set out in the main body of the Explanatory Memorandum have been sought or granted by the SFC.

Available classes

The Sub-Fund currently has the following classes of Shares which are available to investors:

- Class A HKD
- Class A RMB
- Class A RMB Hedged
- Class A USD
- Class S USD*

**Class S shares are available for subscription by the following categories of investors:*

i. investors whose underlying investors may otherwise be charged with duplicate fees, including but not limited to fund-of-funds (which may be managed by the Manager or their Connected Persons) and repackaging notes; and

ii. current employees of the Manager or its affiliates at the time of subscription who submit dealing orders directly without going through any distribution channels.

The Manager will determine a person's eligibility to subscribe for Class S Shares and will have the absolute discretion to accept or decline any subscription application for Class S Shares as it sees fit.

The Manager may in future determine to issue additional Classes.

Initial Offer Period

The Initial Offer Period of the Sub-Fund will commence at 9:00 a.m. (Hong Kong time) on 5 November 2021 and end at 4:00 p.m. (Hong Kong time) on 11 November 2021 (or such other dates or times as the Manager may determine).

Initial Subscription Price

The initial Subscription Price for each of Class A HKD, Class A RMB, Class A RMB Hedged and Class A USD and Class S USD is as follows:

- Class A HKD: HKD 10 per Share
- Class A RMB: RMB 10 per Share
- Class A RMB Hedged: RMB 10 per Share
- Class A USD: USD 10 per Share
- Class S USD: USD 10 per Share

The Manager may at any time decide to close the Sub-Fund to further subscriptions before the end of the Initial Offer Period without any prior or further notice.

Dealing procedures

For details of dealing procedures, please refer to the information below and in the sections headed "Subscription of Shares", "Redemption of Shares" and "Switching" in the main body of this Explanatory Memorandum. The following apply to the Sub-Fund:

Dealing Day	each Business Day
Dealing Deadline	4:00 pm (Hong Kong time) on the relevant Dealing Day

Investors should note that subscription monies in respect of the Sub-Fund must be paid in the currency of denomination of the relevant class of Shares. Redemption proceeds will be paid to redeeming Shareholders in the currency of denomination of the relevant class of Shares.

Payment of redemption proceeds

As set out in the main body of this Explanatory Memorandum, save as otherwise agreed by the Manager, and so long as relevant account details have been provided, redemption proceeds will normally be paid in the currency of denomination of the relevant class of Shares by telegraphic transfer, within 5 Business Days after the relevant Dealing Day and in any event within one calendar month of the relevant Dealing Day or (if later) receipt of a properly documented redemption request, unless the market(s) in which a substantial portion of the Sub-Fund's investments is made is subject to legal or regulatory requirements (such as foreign currency controls) which render the payment of the redemption proceeds within the aforesaid time period not practicable, but in such a case the SFC's prior approval will be sought before extending the time frame for payment, and such extended time frame should reflect the additional time needed in light of the specific circumstances in the market(s) in question.

Investment Minima

The following investment minima apply to the Sub-Fund:

	Class A HKD	Class A RMB	Class A RMB Hedged	Class A USD	Class S USD
Minimum initial investment	HKD 500	RMB 500	RMB 500	USD 100	USD 1
Minimum subsequent investment	HKD 500	RMB 500	RMB 500	USD 100	USD 1
Minimum Holding Amount	HKD 500	RMB 500	RMB 500	USD 100	USD 1
Minimum Redemption Amount	HKD 500	RMB 500	RMB 500	USD 100	USD 1

The Manager reserves the right to waive the minimum initial investment, minimum subsequent investment, minimum holding amount and minimum redemption amount requirements for any Class of Shares.

Subscription Price and Redemption Price

The Subscription Price and Redemption Price of the Sub-Fund (in respect of Class A and Class S) on any Dealing Day will be the price per Share ascertained by dividing the Net Asset Value of the relevant class as at the Valuation Point in respect of the relevant Dealing Day by the number of Shares of that class then in issue and rounded to 4 decimal places (0.00005 and above being rounded up; below 0.00005 being rounded down) or in such manner and to such other number of decimal places as may from time to time be determined by the Manager. Any rounding adjustment will be retained by the relevant class.

Publication of Net Asset Value

The latest Subscription Price and Redemption Price in respect of Shares or the Net Asset Value per Share of the Sub-Fund are available on the Manager's website www.bosera.com.hk (this website has not been reviewed by the SFC).

Expenses and Charges

The following are the actual fees and charges payable in respect of the Sub-Fund. Maximum fees permitted to be charged on one months' notice to Shareholders are set out under the section entitled "Expenses and Charges" in the main body of this Explanatory Memorandum. The Manager may in its discretion bear part of or all of the costs attributable to the Sub-Fund.

Fees payable by Shareholders

	Class A	Class S
Subscription fee	Up to 3% of the subscription amount	Nil
Switching fee (i.e. conversion fee)	Up to 1%* of the share redemption price for each share converted	Nil
Redemption fee	Nil	Nil

Fees payable by the Sub-Fund

	Class A	Class S
Management fee	1.75%* per annum of the Net Asset Value of the relevant class of Shares	Nil
Performance fee	In respect of each class of Shares 15% of the increase in Net Asset Value per Share in the relevant performance period calculated annually on a high-on-high basis. Please refer to the sub-section headed "Performance Fee" below for further information.	Nil
Custodian fee	up to 0.10%* of the Net Asset Value of the Sub-Fund, subject to a monthly minimum of HKD 5,000	

* Please note that some fees may be increased up to a permitted maximum amount by providing one month's prior notice to Shareholders. Please refer to the section headed "Expenses and Charges" in the main body of this Explanatory Memorandum for further details on the permitted maximum of such fees allowed.

Performance fee

The Instrument provides that the Manager is entitled to a performance fee in respect of the Sub-Fund. The performance fee will be calculated and accrued on each Valuation Day and will be payable in arrears after the end of each Performance Period (as defined below).

In respect of each Class (except for Class S), the period during which performance fee will be assessed is the "Performance Period". Each Performance Period is the period (of approximately 12 months' duration) from and including the first Valuation Day up to and including the last Valuation Day of each financial year of the Sub-Fund.

Performance fee calculation

Performance fee will be calculated on a high-on-high basis. Performance fee will be accrued on each Valuation Day throughout the relevant Performance Period and the performance fee shall become payable if the Net Asset Value per Share of the relevant Class (prior to the deduction of any provision for any performance fee and any distribution declared or paid in respect of the relevant Performance Period(s) since the last performance fee is crystallised and paid) as at the last Valuation Day of the relevant financial year (the "Performance Fee Valuation Day") exceeds the High Water Mark (as defined below), except where Shares are redeemed or switched part way through a Performance Period, in which case any accrued performance fee will become payable in the manner described in further detail below.

Performance fee is calculated in accordance with the following formula:

(A – B) x C x D

where:

"A" is the Net Asset Value per Share of the relevant Class (prior to the deduction of any provision for any performance fee and any distribution declared or paid in respect of the relevant Performance Period(s) since the last performance fee is crystallised and paid) as at the relevant Performance Fee Valuation Day.

"B" is the "High Water Mark" which is the higher of (a) the initial Subscription Price of the relevant Class; and (b) the Net Asset Value per Share of the relevant Class as at the Performance Fee Valuation Day of the preceding Performance Period in respect of which a performance fee was last crystallized and 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 High Water Mark for a particular Class remains the same throughout the relevant Performance Period, irrespective of the time of subscription, or the subscription price paid, by a particular Shareholder.

Where a performance fee is payable for a Performance Period, the Net Asset Value per Share of the relevant Class on at the Performance Fee Valuation Day of that Performance Period will be set as the High Water Mark for the next Performance Period. Where, however, no performance fee is payable to the Manager for such Performance Period, there will not be any resetting of High Watermark and the High Water Mark currently used will continue to be the High Water Mark to be used for the relevant Class for the next Performance Period.

"(A-B)" means the outperformance of Net Asset Value per Share of the relevant Class, i.e. the amount by which the increase in the Net Asset Value per Share of the relevant Class during the relevant Performance Period exceeds the High Water Mark.

"C" is the rate of performance fee payable. The rate of performance fee payable in respect of any Class of Shares is set out in the sub-section in this Appendix headed "Fees payable by the Sub-Fund".

"D" is the outstanding number of Shares of the relevant Class in issue on Performance Fee Valuation Day.

The amount of performance fee payable is calculated by multiplying the performance fee rate by the product of such excess of the Net Asset Value per Share over and above the High Water Mark and the outstanding number of Shares of the relevant class of Shares in issue on Performance Fee Valuation Day

The first Performance Period shall be the period from the first Business Day following the close of the relevant Initial Offer Period to (a) the Performance Fee Valuation Day in the same year, if the first Performance Period would therefore be 6 calendar months or longer; failing which (b) the Performance Fee Valuation Day in the following year. Thereafter, 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.

Performance fee accrual

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 Share on each Valuation Day and solely for the purposes of calculation of such accrual, each Valuation Day will be a Performance Fee Valuation Day. If the Net Asset Value per Share exceeds the High Water Mark, 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.

If any Shares are redeemed or switched on a Dealing Day part way through a Performance Period, the performance fee accrued in respect of those Shares as at the Valuation Day relating to such redemption or switching shall be crystallised, set aside and payable to the Manager as soon as practicable, irrespective of whether the Net Asset Value per Share of the Class from which the

Shares were redeemed or out of which the Shares were switched exceeds the High Water Mark on the Performance Fee Valuation Day of the relevant Performance Period.

The price of Shares subscribed for or redeemed during the relevant Performance Period will be based on the Net Asset Value per Share (after accrual of performance fee as calculated in accordance with the above). Depending upon the performance of the relevant Sub-Fund during the year, the price at which Shareholders subscribe for or redeem Shares at different times will be affected by performance of such Sub-Fund 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 Shareholder basis based on the timing the relevant Shareholder subscribes or redeems the relevant Shares during the course of a Performance Period. The Shareholder may be advantaged or disadvantaged as a result of this method of calculating the performance fee.

For instance, a Shareholder will be advantaged if he subscribes to the Sub-Fund during a Performance Period when the Net Asset Value per Share is below the High Water Mark, and redeems prior to the end of such Performance Period when the Net Asset Value per Share has increased up to but does not exceed the High Water Mark at the time of his redemption, and thus, no performance fee is payable even though he has made a profit.

Likewise, a Shareholder will be disadvantaged if he subscribes to the fund during a Performance Period when the Net Asset Value per Share is above the High Water Mark and redeems prior to or at the end of such Performance Period when the Net Asset Value per Share at the time of redemption has decreased but remains above High Water Mark. Under such circumstances, he has paid the performance fee despite of a loss as his subscription price of the shares has taken into account a provision for the performance fee.

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

The Manager may, in its absolute discretion, share with, waive, reduce or rebate the payment of all or any portion of the subscription fee, redemption fee, management fee and/or performance fee received by the Manager to any person including intermediaries introducing investors.

Performance fee examples

The examples below are shown for illustration purposes only and may contain simplifications.

Assumptions:

- The initial Subscription Price for the relevant class of Share is $100.
- The performance fee payable is 15% of the appreciation in the Net Asset Value per Share during a Performance Period above the High Water Mark.

First Performance Period (Net Asset Value per Share above High Water Mark at the end of Performance Period – performance fee payable):

- Investor A subscribes for one Share during the Initial Offer Period at the initial Subscription Price.
- Investor B subscribes for one Share during the first half of the first Performance Period, when the Sub-Fund is performing relatively well, at a subscription price of $120.

- High Water Mark is the initial Subscription Price, which is $100.

By the end of the first Performance Period, the Net Asset Value per Share is $110. The appreciation in the Net Asset Value per Share over the High Water Mark is thus $10.

Number of Shares of the relevant class of Shares in issue is 2 Shares.

The total performance fee payable by the relevant class would be calculated as:

15% x $10 x 2 Shares = $3.

At the end of the first Performance Period, the Net Asset Value per Share will be reduced by $1.5 (i.e. $3/2 Shares). In effect, each of Investors A and B will have borne the $1.5 performance fee in respect of the first Performance Period, regardless of the subscription price at which they invested.

Second Performance Period (Net Asset Value per Share below High Water Mark on a particular valuation day – no performance fee accrual; Net Asset Value below High Water Mark at the end of Performance Period – no performance fee payable):

- At the start of the second Performance Period, the High Water Mark is $108.5 (being the Net Asset Value per Share at the end of the last Performance Period in respect of which performance fee was payable (after deduction of performance fee)).

- Mid-way through the second Performance Period, the Sub-Fund is performing relatively poorly with the Net Asset Value per Share being $98.5. Investor A redeems his Share. Investor C subscribes for one Share.

On this Valuation Day, the Net Asset Value per Share is below the High Water Mark. Therefore, no performance fee is crystallized in respect of the Share redeemed by Investor A.

At the end of the second Performance Period, the Net Asset Value per Share becomes $105. There has been no appreciation in the Net Asset Value per Share over the High Water Mark. No performance fee is therefore payable in the second Performance Period. Although Investor C had a gain in this period, no performance fee is charged.

Establishment costs

The costs of establishing the Sub-Fund is approximately HKD 800,000. These costs are charged to the Sub-Fund and are being amortized over the first 5 accounting periods of the Sub-Fund (or such other period as determined by the Manager) using the straight line amortisation method.

Additional Risk Factors

The following risk factors are specific to the Sub-Fund. Investors should also note the risk factors applicable to all Sub-Funds, including the Sub-Fund, which are set out in the section entitled “Risk Factors” in the main body of this Explanatory Memorandum.

Investment risk

The Sub-Fund’s investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of the repayment of principal.

Equity market risk

The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

The stock of small-capitalisation/mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

Concentration risk

The Sub-Fund's investments are concentrated in Mainland China and Hong Kong. This may result in greater volatility than portfolios which comprise broad-based global investments. The value of the fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Mainland China and Hong Kong market.

Emerging market risk

The Sub-Fund will invest in emerging markets, which are subject to increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

Risks associated with the Mainland China

Economic, political and social risks

The economy of Mainland China, which has been in a state of transition from a planned economy to a more market oriented economy, differs from the economies of most developed countries in many respects, including the level of government involvement, its state of development, its growth rate, control of foreign exchange, and allocation of resources.

Although the majority of productive assets in Mainland China are still owned by the Mainland government at various levels, in recent years, the Mainland government has implemented economic reform measures emphasising utilisation of market forces in the development of the economy of Mainland China and a high level of management autonomy. The economy of Mainland China has experienced significant growth in the past 20 years, but growth has been uneven both geographically and among various sectors of the economy. Economic growth has also been accompanied by periods of high inflation. The Mainland government has implemented various measures from time to time to control inflation and restrain the rate of economic growth.

For more than 20 years, the Mainland government has carried out economic reforms to achieve decentralisation and utilisation of market forces to develop the economy of the Mainland. These reforms have resulted in significant economic growth and social progress. There can, however, be no assurance that the Mainland government will continue to pursue such economic policies or, if it does, that those policies will continue to be successful. Any such adjustment and modification of those economic policies may have an adverse impact on the securities market in the Mainland as well as the underlying Securities of the Sub-Fund. Further, the Mainland government may from time to time adopt corrective measures to control the growth of the Mainland economy which may also have an adverse impact on the capital growth and performance of the Sub-Fund.

Political changes, social instability and adverse diplomatic developments in the Mainland could result in the imposition of additional government restrictions including expropriation of assets, confiscatory taxes or nationalisation of some or all of the property held by the underlying issuers of the fixed income instruments in the Sub-Fund's portfolio.

Mainland laws and regulations risk

The regulatory and legal framework for capital markets and joint stock companies in the Mainland may not be as well developed as those of developed countries. Mainland laws and regulations affecting securities markets are relatively new and evolving, and because of the limited volume of published cases and judicial interpretation and their non-binding nature, interpretation and enforcement of these regulations involve significant uncertainties. In addition, as the Mainland legal system develops, no assurance can be given that changes in such laws and regulations, their interpretation or their enforcement will not have a material adverse effect on their business operations.

Accounting and reporting standards risk

Accounting, auditing and financial reporting standards and practices applicable to Mainland companies may be different to those standards and practices applicable to countries that have more developed financial markets. For example, there are differences in the valuation methods of properties and assets and in the requirements for disclosure of information to investors.

Risks associated with investing in Mainland China

High market volatility and potential settlement difficulties in the Mainland China market may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of the fund.

Securities exchanges in Mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the fund.

QFII/RQFII risks

QFII/RQFII system risks: The rules regulating investments by QFII/RQFIIs in Mainland China and the repatriation of capital out of Mainland China are relatively new, and as such their application and interpretation are relatively untested and there is no certainty as to how they will be applied by the relevant PRC authorities in any given situation. Any change to the QFII/RQFII systems may adversely affect the value of the Sub-Fund's investments. In addition, the Sub-Fund is exposed to the credit risk of the relevant onshore Mainland China custodians and brokers, and a default of any such Mainland China custodian or broker may cause significant losses.

QFII/RQFII regulation/status risk: Changes to the foreign investment regulation in the PRC may be made at any time by the CSRC and the SAFE, and such changes may have a detrimental impact on the ability of the Sub-Fund to achieve its investment objective. There can be no assurance that the QFII/RQFII status of the Manager will not be suspended or revoked. Such event may hinder the ability of the Sub-Fund to invest in onshore Mainland China instruments, which may in turn affect the Fund's ability to achieve its investment objective. Changes of the relevant rules may have potential retrospective effect, which may affect the Sub-Fund's ability to acquire securities in Mainland China via the QFII/RQFII regime.

There can be no assurance that the QFII/RQFII status of the Manager will not be suspended, revoked or invalidated. Such event may lead to substantial loss in the Sub-Fund as it may affect the implementation of the investment strategy of the Sub-Fund.

Repatriation risk: There is no assurance that Mainland China rules and regulations in relation to repatriation of funds invested via QFII/RQFII will not change or that repatriation restrictions will not be imposed in the future. Any new restrictions on repatriation of the invested capital and net profits may impact on the Fund's ability to meet redemption requests.

Risk associated with small-capitalisation / mid-capitalisation companies

The stock of small-capitalisation/ mid-capitalisation companies may have lower liquidity and their

prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

Risk associated with investing in other collective investment schemes/funds

The underlying fund in which the fund may invest may not be regulated by the SFC. There will be additional costs involved when investing into these underlying funds. There is also no guarantee that the underlying funds will always have sufficient liquidity to meet the Sub-Fund's redemption requests as and when made. There can also be no assurance that an underlying Sub-Fund's investment strategy will be successful or that its investment objective will be achieved.

Conflicts of interests may arise in a situation where the fund invests in other funds managed by the Manager or its connected persons (despite that all initial charges and, where the underlying fund is managed by the Manager, all management fees and performance fees on the underlying fund will be waived). The Manager will use its best endeavours to avoid and resolve such conflicts fairly.

Risks associated with convertible bonds

Convertible bonds are hybrid securities that may be exchanged for, converted into or exercised to acquire a predetermined number of shares of the issuer, generally at the option of the holder, during a specified time period. Convertible bonds have characteristics of, and hence are subject to the risks associated with, both debt and equity securities. Convertible bonds are similar to fixed income securities because they usually pay a fixed interest rate and are obligated to repay principal on a given date in the future. Similar to debt securities, they are sensitive to changes in interest rates and credit standing of the issuer particularly when their conversion value (which is the security's worth, at market value, if converted into the underlying shares) is lower than their investment value (which is determined by its yield in comparison with the yields of other comparable securities that do not have a conversion privilege). Convertible bonds also have characteristics similar to the equity securities and their prices are particularly sensitive to fluctuations in the price of the underlying shares when their conversion value approximates or exceeds their investment value. It should be noted, however, that some convertible bonds are callable by the issuer, which means that their potential to appreciate along with appreciation of the value of the underlying shares is limited. Investors should refer to the general risk factors relating to both fixed income securities (for example, interest rate risk and credit risk) and equity securities (for example, risks relating to price fluctuations of the underlying shares).

RMB currency risk

The RMB is not a freely convertible currency as it is subject to foreign exchange control policies and repatriation restrictions imposed by the Chinese government. Such government policies and restrictions are subject to change, and there can be no assurance that the RMB exchange rate will not fluctuate widely against the US dollar or any other foreign currency in the future.

The Sub-Fund's portfolio will be primarily denominated in HKD. Where an investor subscribes for shares denominated in RMB, the Manager may convert such subscription monies into HKD or USD prior to investment at the applicable exchange rate and subject to the applicable spread. Where an investor redeems shares denominated in RMB, the Manager may sell the Sub-Fund's portfolio investments and then convert the proceeds of sale into RMB at the applicable exchange rate and subject to the applicable spread. In such case an investor may enjoy a gain in HKD (or USD) terms but suffer a loss when converting currencies between HKD (or USD) and RMB. Any depreciation of RMB could adversely affect the value of the investor's investment in the fund.

In calculating the net asset value of a class of shares denominated in RMB and in effecting any currency conversions involving RMB, the Manager will apply the CNH rate (i.e. the exchange rate for the offshore RMB market in Hong Kong). Whilst the RMB (CNH) and RMB (CNY) represent the same currency, they are traded in different rates and separate markets which operate independently. As such, RMB (CNH) may trade at a premium or discount to RMB (CNY) and they

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

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

Futures risk

The Sub-Fund may enter into futures contracts for hedging and on an unhedged basis. The low margins normally required in entering into futures contracts permit a very high degree of leverage. As a result, a relatively small movement in the price of a futures contract may result in a profit or loss which is high in proportion to the amount of funds actually placed as margin and may result in unquantifiable further loss exceeding any margin deposited.

Futures prices in many contracts on futures exchanges is subject to daily price fluctuation restrictions, commonly referred to as "daily limits", which prohibit the execution of futures trades on any given day outside a prescribed price range based on the previous day's closing prices. Daily limits do not limit ultimate losses but may make it costly or impossible for the Manager to liquidate a futures position against which the market is moving. A series of "limit moves", in which the market price moves the "daily limit" with little or no trading taking place, could subject the Sub-Fund to major losses.

Hedged class risk

The Manager generally seeks to hedge the foreign currency exposure of any hedged share class to the base currency, with the aim of reducing the impact of currency fluctuations of the relevant class currency against the base currency. Investors in hedged classes bear the associated costs and may also be exposed to the risks associated with the instruments used in the hedging process. There is no guarantee that the desired hedging instruments will be available or that the hedging techniques employed by the Manager will be effective in achieving their desired result. Hedging can also limit potential gains of a hedged share class. Whilst hedging may protect investors against a decrease in the value of the base currency relative to the relevant class currency, it may also preclude investors from benefitting from any increase in value of the base currency. Investors should also be aware that the volatility of a hedged class may be higher than that of the equivalent class denominated in the Sub-Fund's base currency.

Performance fee risk

Performance fees may encourage the Manager to make riskier investments than would be the case in the absence of a performance-based incentive system.

The method of calculating performance fee gives rise to the risk that a Shareholder redeeming shares may still incur performance fee in respect of the shares, even though a loss in investment capital has been suffered by the redeeming Shareholder.

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

Derivatives risk

Risks associated with derivatives include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element / component of a derivative instrument can result in a loss significantly greater than the amount invested in the

derivative instrument by the Sub-Fund. Exposure to derivatives may lead to a high risk of significant loss by the fund.

Operational and settlement risks

The Sub-Fund is subject to operational risks that may arise from any breaches by the Manager's investment management staff of operational policies or technical failures of the Manager's communication and trading systems. Whilst the Manager has in place internal control systems, operational guidelines and contingency procedures to reduce the chances of such operational risks, there is no guarantee events beyond the Manager's control (such as unauthorised trading, trading errors or system errors) will not occur. The occurrence of any such events may adversely affect the value of the Sub-Fund.

As the Sub-Fund may invest in emerging markets (such as Mainland China), it may also be exposed to risks associated with settlement procedures. Any significant delays in the settlement of transactions or the registration of a transfer may affect the ability to ascertain the value of the Sub-Fund's portfolio and adversely affect the Sub-Fund.

Mainland taxation risk

It should be noted that there is a possibility of the Mainland tax rules, regulations and practice being changed and taxes being applied retrospectively. As discussed in the section "Taxation" above, no provision will be made by the Sub-Fund on the gross unrealised and realised capital gains derived from disposal of equity or debt instruments issued by Mainland Chinese government or corporations. In the event that actual tax is collected by the SAT to make payments reflecting tax liabilities for which no provisions has been made, the Net Asset Value of the Sub-Fund may be adversely affected, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Shares in issue at the relevant time, and the then existing Shareholders and subsequent Shareholders will be disadvantaged as such Shareholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund. As a result, investors may be disadvantaged depending on the final rules of the relevant Mainland China tax authorities and when they subscribed and/or redeemed their Shares. Upon any future resolution of the above-mentioned tax exemption or further changes to tax law or policies, the Manager will, as soon as practicable, make relevant adjustments to the tax provision policy as it considers necessary.

Dividends risk

There is no assurance that the Sub-Fund will declare to pay dividends or distributions. The ability of the Sub-Fund to pay distributions also depends on interest payments made by issuers of the fixed income instruments net of any dividend withholding tax or provision for withholding tax and the level of fees and expenses payable by the Sub-Fund. Investors will not receive any interest payments, dividends or other distributions directly from the issuers of the fixed income instruments within the Sub-Fund's portfolio.

The ability of the issuers of fixed income instruments to make interest payments is based on numerous factors, including their current financial condition and general economic conditions. There can be no assurance that such companies will be able to honour payment obligations.

Investors may not therefore receive any distributions.

Distributions out of capital risk

The Manager may at its discretion pay dividends out of income or capital (or effectively out of capital) (or partly one and partly the other), and furthermore any applicable charges, fees and expenses of the Sub-Fund may be paid out of the assets of the Sub-Fund. Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original

investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of the Sub-Fund's capital or effectively out of capital may result in an immediate reduction of the Net Asset Value per Share of the relevant class. The Manager may amend its distribution policy with respect to distributions out of capital (and/or effectively out of capital) of the Sub-Fund subject to the SFC's prior approval and by giving not less than one month's prior notice to Shareholders.

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

Risks relating to FATCA

FATCA provides that a 30% withholding tax will be imposed on certain payments to FFIs, such as the Sub-Fund, including interests and dividends from securities of US issuers and gross proceeds from the sale of such securities, unless the Sub-Fund discloses the name, address and taxpayer identification number of certain US persons that own, directly or indirectly, an interest in the Sub-Fund, as well as certain other information relating to any such interest. The US IRS has released regulations and other guidance that provide for the phased implementation of the foregoing withholding and reporting requirements. The United States Department of the Treasury and Hong Kong have on 13 November 2014 signed a Model 2 IGA (the "HK IGA"). The HK IGA modifies the foregoing requirements but generally requires similar information to be disclosed to the US IRS. Under the HK IGA arrangements, FFIs in Hong Kong (such as the Sub-Fund) would register with the US IRS to be subject to the terms of a FFI with the US IRS and comply with the terms of such FFI Agreement.

Otherwise, they will be subject to a 30% withholding tax on relevant US source payments to them. The Sub-Fund has registered with the US IRS with Global Intermediary Identification Number 38ZUUF.99999.SL.344, agreeing to be subject to and comply with the terms of a FFI Agreement and be treated as a Reporting Financial Institution under the HK IGA. Although the Sub-Fund will attempt to satisfy any obligations imposed on it to avoid the imposition of FATCA withholding tax, no assurance can be given that the Sub-Fund will be able to fully satisfy these obligations. If the Sub-Fund becomes subject to a withholding tax as a result of FATCA, the Net Asset Value of the Sub-Fund may be adversely affected and the Sub-Fund and its Shareholders may suffer material loss.

The Sub-Fund's ability to comply with FATCA will depend on each Shareholder providing the Sub-Fund with information that the Sub-Fund requests concerning the Shareholder or its direct and indirect owners. If a Shareholder fails to provide the Sub-Fund with any information requested, the Sub-Fund may exercise its right to compulsorily redeem such Shareholder and/or apply withholdings to payments to such Shareholder. Any such compulsory redemption and/or withholding will be done in accordance with applicable laws and regulations, and the discretion to do so will be exercised by the Manager in consultation with the Custodian acting in good faith and on reasonable grounds.

Please also refer to the sub-section entitled "FATCA and compliance with US withholding requirements" under the section headed "TAXATION" in the main body of this Explanatory Memorandum for further details on FATCA and related risks.

All prospective investors and Shareholders should consult with their own tax advisers regarding the possible implications of FATCA and the tax consequences on their investments in the Sub-Fund. Shareholders who hold their Shares through intermediaries should also confirm the FATCA compliance status of those intermediaries.

Reports and accounts

The first accounts for the Sub-Fund covered the period to 31 December 2022.

Distribution policy

In respect of each Class, the Manager has discretion as to whether or not to make any distribution and as to the frequency and amount of distributions. Any payment of the distributions will be made in the relevant currency of the relevant Class.

Investors should note that there is no guarantee of regular distribution nor, where distribution is made, the amount being distributed. Distributions declared (if any) will be paid to Shareholders at their own risk and expense by telegraphic transfer in the relevant class currency.

The Manager may at its discretion pay dividends out of the capital of the Sub-Fund. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital.

Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of the Sub-Fund's capital or effectively out of capital may result in an immediate reduction of the Net Asset Value per Share of the relevant class.

The composition of dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the Manager's website www.bosera.com.hk (this website has not been reviewed by the SFC). Any changes regarding the policy on paying dividend out of capital or effectively out of capital will be subject to the SFC's prior approval and not less than one month's advance notice to Shareholders.

APPENDIX 2: Bosera Greater China Enhanced Return Bond Fund

This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the Bosera Greater China Enhanced Return Bond Fund (the "Sub-Fund"), a Sub-Fund of the Company. All references in this Appendix to the Sub-Fund are to Bosera Greater China Enhanced Return Bond Fund. Terms defined in the main body of this Explanatory Memorandum have the same meaning when used in this Appendix.

Base Currency

The Base Currency of the Sub-Fund is the USD.

Business Day

The Business Day in respect of the Sub-Fund is a day (other than a Saturday or Sunday) on which banks in Hong Kong and the Mainland are open for normal banking business or such other day or days as the Manager and the Custodian may agree from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks in Hong Kong and Mainland are open on any day is reduced, such day will not be a Business Day unless the Manager and the Custodian determine otherwise.

Investment Objective

The Sub-Fund aims to achieve income and capital appreciation through primarily investing in fixed income securities and seeks to enhance the return through partially investing in equity securities with a Greater China focus.

There can be no assurance that the Sub-Fund will achieve its investment objective.

Investment Strategy

The Sub-Fund seeks to achieve its investment objective by (a) investing at least 70% of its Net Asset Value in fixed income securities and at most 20% of its Net Asset Value in equity securities and (b) investing at least 70% of its Net Asset Value in fixed income securities or equity securities issued or guaranteed by (i) listed or unlisted corporations which have their main operations (or majority of assets) in, or have majority of their income or revenue derived from Greater China (comprising Mainland China, Hong Kong, Macau and Taiwan), and (ii) governments and/or government related entities in Greater China. For the avoidance of doubt, the issuers of the securities who have a majority of their income or revenue derived from Greater China as mentioned in (i) above may be based in or outside Greater China.

The Sub-Fund may invest in aggregate up to 100% in Mainland China as detailed below. However, the Sub-Fund will invest in aggregate (comprising fixed income securities and equity securities) no more than 70% of its Net Asset Value in Mainland China via the Manager's RQFII status or in mainland inter-bank bond market via Foreign Access Regime (as defined in the main body of the Explanatory Memorandum).

<u>Fixed income investments</u>

The Sub-Fund will invest at least 50% of its Net Asset Value in Greater China fixed income securities that are traded both in Mainland China and globally. The Sub-Fund may invest up to 50% of its Net Asset Value in fixed income securities which are rated below investment grade or unrated. For the purpose of the Sub-Fund:

- A fixed income security which is rated below investment grade is defined as a fixed income security which (or the issuer or guarantor of which) is rated below BBB-/Baa3 by an internationally recognised credit rating agency (such as Standard & Poor's, Moody's and/or

Fitch) or rated AA or below as rated by a Mainland credit rating agency. For split credit ratings, the highest rating shall apply; and

- An “unrated” fixed income security is defined as a fixed income security which neither the security itself, its issuer nor its guarantor has a credit rating.

If a fixed income security is unrated, then reference will be made to the credit rating of the issuer or guarantor of the fixed income security. For both rated and unrated (for either the security, its issuer or guarantor) fixed income securities, the Manager will assess the credit risks of the fixed income security based on quantitative and qualitative fundamentals, including but not limited to the issuer's leverage, operating margin, return on capital, interest coverage, operating cash flows, industry outlook, the firm's competitive position and corporate governance etc. to ensure that the fixed income security is of sound credit quality.

The fixed income securities which the Sub-Fund may invest in include, but are not limited to, certificate of deposits, bonds, convertible bonds, “Dim Sum” bonds and debt securities with loss-absorption features (“LAPs”). The Sub-Fund may invest up to 20% of its Net Asset Value in each of convertible bonds and “Dim Sum” bonds.

Up to 30% of the Sub-Fund’s Net Asset Value may be invested in LAPs (including contingent convertible bonds (“CoCos”) (Additional Tier 1 and Tier 2 Capital Instruments), senior non-preferred debt securities, instruments issued under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules and other similar instruments that may be issued by banks or other financial institutions). These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

Up to 30% of the Sub-Fund’s Net Asset Value may be invested in urban investment bonds (城投債), which are debt instruments issued by Mainland local government financing vehicles ("LGFVs"). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects.

Direct exposure to RMB denominated fixed income instruments issued or distributed in Mainland China (“Onshore RMB Securities”), which may constitute up to 100% of the Net Asset Value, may be gained via the Manager’s RQFII status, or in mainland inter-bank bond market under Foreign Access Regime and/or Bond Connect (both defined and further explained in the main body of the Explanatory Memorandum) and/or other means as may be permitted by the relevant regulations from time to time, subject to the limit on investments via RQFII and Foreign Access Regime as disclosed above.

<u>Equity investments</u>

The Sub-Fund will invest no more than 20% of its Net Asset Value in Greater China equity securities that are listed or traded both in Mainland China and globally (including but not limited to, A-Shares, B-Shares, securities listed on the HKEX and American Depositary Receipts (“ADRs”)).

Exposure to A-Shares and/or B-Shares may be obtained directly, via, in the case of A-shares, the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect (together, the “Stock Connect”) or, in the case of A-Shares and B-Shares, the Manager’s RQFII status.

The Sub-Fund may invest in securities being offered in an initial public offering to be listed on the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the HKEX, stock exchanges in the United States and/or other stock exchanges subject to the limit set out above.

There is no restriction on market capitalizations or industries in relation to the equity securities in which the Sub-Fund may invest.

<u>Other investments</u>

Exposure to fixed income securities or equity securities may be obtained indirectly through exchange traded funds ("ETFs") or other collective investment schemes and financial derivative instruments ("FDIs") such as participation notes, futures and options consistent with the Sub-Fund's investment objective and strategy.

The Sub-Fund may invest no more than 20% of its Net Asst Value in ETFs. Investments in ETFs are considered and treated as listed securities for the purposes of and subject to the requirements in Chapters 7.1, 7.1A and 7.2 of the SFC's Code on Unit Trusts and Mutual Funds (the "Code"). Investments in ETFs will be within the respective limits on fixed income investments and equity investments set out above, depending on the nature of the underlying investments of the ETFs.

The Sub-Fund may hold no more than 30% of Net Asset Value in cash or cash equivalents (including money market funds). Investments in money market funds will be subject to the restrictions below on collective investment schemes.

The Sub-Fund may invest no more than 20% of its Net Asset Value in one or more collective investment scheme(s), including but not limited to money market funds. Such collective investment schemes may be managed by the Manager or its Connected Persons or other third parties. Within the foregoing 20% limit on collective investment scheme(s), the Sub-Fund may invest up to 10% of its Net Asset Value in one or more collective investment scheme(s) which are non-eligible schemes and not authorised by the SFC, and any other collective investment scheme(s) that the Sub-Fund may invest in are either eligible schemes or authorised by the SFC.

The Sub-Fund may invest in financial derivative instruments for hedging or investment purposes to the extent permitted by the investment restrictions of the Code and the Explanatory Memorandum (notwithstanding this, derivatives will not be used extensively for investment purposes). All of the Sub-Fund's investments will be subject to the restrictions set out in Chapter 7 of the Code.

The Sub-Fund will not invest in collateralised and/or securitized securities (including asset backed securities, mortgage backed securities and asset backed commercial paper). The Sub-Fund will also not enter into securities lending, repurchase or reverse repurchase transactions or other similar over-the-counter transactions.

RQFII regime

Please refer to the section headed "RQFII regime" in the main body of the Explanatory Memorandum for details relating to the RQFII regime.

All of the Sub-Fund's assets in the PRC (including onshore PRC cash deposits and its onshore A-Shares portfolio and B-Shares portfolio) will be held by the Custodian (through the PRC custodian) in accordance with the terms of the PRC custodian agreement and PRC participation agreement. A Securities account shall be opened with the China Securities Depository and Clearing Co., Ltd. ("CSDCC") in the joint names of the Manager (as the RQFII holder) and the Sub-Fund. An RMB special deposit account shall also be established and maintained with the PRC custodian in the joint names of the Manager (as the RQFII holder) and the Sub-Fund. The PRC custodian shall, in turn, have a cash clearing account with CSDCC for trade settlement according to applicable regulations.

Investment in the Mainland Inter-bank Bond Market via Foreign Access Regime and Northbound Trading Link under Bond Connect

Please refer to the sections headed "Investment in the Mainland Inter-bank Bond Market via Foreign Access Regime" and "Investment in the Mainland Inter-bank Bond Market via Northbound Trading Link under Bond Connect" in the main body of the Explanatory Memorandum.

Investment Restrictions

No waivers from the investment restrictions set out in the main body of the Explanatory Memorandum have been sought or granted by the SFC.

Available classes

The Sub-Fund currently has the following classes of Shares which are available to investors:

- Class A HKD
- Class A HKD - MDis
- Class A RMB
- Class A RMB Hedged
- Class A RMB Hedged - MDis
- Class A USD
- Class A USD - MDis
- Class I HKD
- Class I RMB
- Class I RMB Hedged
- Class I USD
- Class S USD*

**Class S shares are available for subscription by the following categories of investors:*

i. investors whose underlying investors may otherwise be charged with duplicate fees, including but not limited to fund-of-funds (which may be managed by the Manager or their Connected Persons) and repackaging notes; and

ii. current employees of the Manager or its affiliates at the time of subscription who submit dealing orders directly without going through any distribution channels.

The Manager will determine a person's eligibility to subscribe for Class S Shares and will have the absolute discretion to decline any subscription application for Class S Shares as it sees fit.

The Manager may in future determine to issue additional Classes.

Initial Offer Period

The Initial Offer Period of the Sub-Fund will commence at 9:00 a.m. (Hong Kong time) on 9 December 2021 and end at 4:00 p.m. (Hong Kong time) on 28 December 2021 (or such other dates or times as the Manager may determine).

Initial Subscription Price

The initial Subscription Price for each Class is as follows:

- Class A HKD: HKD 10 per Share

- Class A HKD - MDis: HKD 10 per Share
- Class A RMB: RMB 10 per Share
- Class A RMB Hedged: RMB 10 per Share
- Class A RMB Hedged - MDis: RMB 10 per Share
- Class A USD: USD 10 per Share
- Class A USD - MDis: USD 10 per Share
- Class I HKD: HKD 10 per Share
- Class I RMB: RMB 10 per Share
- Class I RMB Hedged: RMB 10 per Share
- Class I USD: USD 10 per Share
- Class S USD: USD 10 per Share

The Manager may at any time decide to close the Sub-Fund to further subscriptions before the end of the Initial Offer Period without any prior or further notice.

Dealing procedures

For details of dealing procedures, please refer to the information below and in the sections headed "Subscription of Shares", "Redemption of Shares" and "Switching" in the main body of this Explanatory Memorandum. The following apply to the Sub-Fund:

Dealing Day	each Business Day
Dealing Deadline	4:00 pm (Hong Kong time) on the relevant Dealing Day

Investors should note that subscription monies in respect of the Sub-Fund must be paid in the currency of denomination of the relevant class of Shares. Redemption proceeds will be paid to redeeming Shareholders in the currency of denomination of the relevant class of Shares.

Payment of redemption proceeds

As set out in the main body of this Explanatory Memorandum, save as otherwise agreed by the Manager, and so long as relevant account details have been provided, redemption proceeds will normally be paid in the currency of denomination of the relevant class of Shares by telegraphic transfer, within 5 Business Days after the relevant Dealing Day and in any event within one calendar month of the relevant Dealing Day or (if later) receipt of a properly documented redemption request, unless the market(s) in which a substantial portion of the Sub-Fund's investments is made is subject to legal or regulatory requirements (such as foreign currency controls) which render the payment of the redemption proceeds within the aforesaid time period not practicable, but in such a case the SFC's prior approval will be sought before extending the time frame for payment, and such extended time frame should reflect the additional time needed in light of the specific circumstances in the market(s) in question.

Investment Minima

The following investment minima apply to the Sub-Fund:

Class	Minimum initial investment	Minimum subsequent investment	Minimum Holding Amount	Minimum Redemption Amount
Class A HKD	HKD 500	HKD 50	HKD 500	HKD 50
Class A HKD - MDis	HKD 500	HKD 50	HKD 500	HKD 50
Class A RMB	RMB 500	RMB 50	RMB 500	RMB 50
Class A RMB Hedged	RMB 500	RMB 50	RMB 500	RMB 50
Class A RMB Hedged - MDis	RMB 500	RMB 50	RMB 500	RMB 50
Class A USD	USD 100	USD 10	USD 100	USD 10
Class A USD - MDis	USD 100	USD 10	USD 100	USD 10
Class I HKD	HKD 5,000,000	HKD 50,000	HKD 5,000,000	HKD 50,000
Class I RMB	RMB 5,000,000	RMB 50,000	RMB 5,000,000	RMB 50,000
Class I RMB Hedged	RMB 5,000,000	RMB 50,000	RMB 5,000,000	RMB 50,000
Class I USD	USD 1,000,000	USD 10,000	USD 1,000,000	USD 10,000
Class S USD	USD 1	USD 1	USD 1	USD 1

The Manager reserves the right to waive the minimum initial investment, minimum subsequent investment, minimum holding amount and minimum redemption amount requirements for any Class of Shares.

Subscription Price and Redemption Price

The Subscription Price and Redemption Price of the Sub-Fund (in respect of Class A and Class S) on any Dealing Day will be the price per Share ascertained by dividing the Net Asset Value of the relevant class as at the Valuation Point in respect of the relevant Dealing Day by the number of Shares of that class then in issue and rounded to 4 decimal places (0.00005 and above being rounded up; below 0.00005 being rounded down) or in such manner and to such other number of decimal places as may from time to time be determined by the Manager. Any rounding adjustment will be retained by the relevant class.

Publication of Net Asset Value

The latest Subscription Price and Redemption Price in respect of Shares or the Net Asset Value per Share of the Sub-Fund are available on the Manager's website www.bosera.com.hk (this website has not been reviewed by the SFC).

Expenses and Charges

The following are the actual fees and charges payable in respect of the Sub-Fund. Maximum fees permitted to be charged on one months' notice to Shareholders are set out under the section entitled "Expenses and Charges" in the main body of this Explanatory Memorandum. The Manager may in its discretion bear part of or all of the costs attributable to the Sub-Fund.

Fees payable by Shareholders

	Class A and Class I	Class S
Subscription fee	Up to 3% of the subscription amount	Nil
Switching fee (i.e. conversion fee)	Up to 1%* of the share redemption price for each share converted	Nil
Redemption fee	Nil	Nil

Fees payable by the Sub-Fund

	Class A	Class I	Class S
Management fee	1.50%* per annum of the Net Asset Value of the relevant class of Shares	1%* per annum of the Net Asset Value of the relevant class of Shares	Nil
Performance fee		Nil	
Custodian fee	up to 0.10%* of the Net Asset Value of the Sub-Fund, subject to a monthly minimum of HKD 5,000		

* Please note that some fees may be increased up to a permitted maximum amount by providing one month's prior notice to Shareholders. Please refer to the section headed "Expenses and Charges" in the main body of this Explanatory Memorandum for further details on the permitted maximum of such fees allowed.

Establishment costs

The costs of establishing the Sub-Fund is approximately HKD 500,000. These costs are charged to the Sub-Fund and are being amortized over the first 5 accounting periods of the Sub-Fund (or such other period as determined by the Manager) on a straight-line basis.

Additional Risk Factors

The following risk factors are specific to the Sub-Fund. Investors should also note the risk factors applicable to all Sub-Funds, including the Sub-Fund, which are set out in the section entitled "Risk Factors" in the main body of this Explanatory Memorandum.

Investment risk

The Sub-Fund's investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of the repayment of principal.

Concentration risk

The Sub-Fund's investments are concentrated in Greater China (comprising Mainland China, Hong Kong, Macau and Taiwan). This may result in greater volatility than portfolios which comprise broad-based global investments. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Greater China market.

Risk of investing in debt instruments

Interest rate risk

The Sub-Fund's investments in debt instruments are subject to interest rate risk. Generally, the value of debt instruments is expected to be inversely correlated with changes in interest rates. As interest rates rise, the market value of debt instruments tends to decrease. Long-term debt instruments in general are subject to higher sensitivity to interest rate changes than short-term debt instruments. Any increase in interest rates may adversely impact the value of the Sub-Fund's portfolio.

As the Sub-Fund may invests in emerging market debt (for example, the Mainland China markets), the Sub-Fund is additionally subject to policy risk as changes in macro-economic policies an emerging market country/region (including monetary policy and fiscal policy) may have an influence over such country/region's capital markets and affect the pricing of the bonds in the Sub-Fund's portfolio, which may in turn adversely affect the return of the Sub-Fund.

Credit risk and risk of credit rating downgrades

Investment in debt instruments is subject to the credit risk of the issuers and the guarantors (if applicable) which may be unable or unwilling to make timely payments of principal and/or interest, and the value of the Sub-Fund is affected by the credit worthiness of its underlying investments. In the event of a default or credit rating downgrading of the debt instruments (or the issuers or guarantors thereof) held by the Sub-Fund, valuation of the Sub-Fund's portfolio may become more difficult, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against the issuers or guarantors who may be incorporated in countries/regions other than Hong Kong and therefore not subject to the laws of Hong Kong.

Debt instruments are offered on an unsecured basis without collateral, and will rank equally with other unsecured debts of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer's assets will be paid to holders of debt instruments only after all secured claims have been satisfied in full. The Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

Changing market conditions or other significant events, such as credit rating downgrades affecting issuers or guarantors or major financial institutions, may also subject the Sub-Fund to increased liquidity risk as it may become more difficult for the Sub-Fund to dispose of its holdings of bonds at a reasonable price or at all.

Volatility risk

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

Valuation risk

Valuation of the Sub-Fund's investments may involve uncertainties and judgemental determinations, and independent pricing information may not at all times be available. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may need to be adjusted and may be adversely affected. The value of debt securities may be affected by changing market conditions or other significant events affecting valuation. For example, in the event of the credit rating downgrade of an issuer, the value of the relevant debt instrument may decline rapidly, and the value of the Sub-Fund may be adversely affected.

Risks of investing in unrated or below investment grade debt instruments

Debt instruments that are below investment grade (i.e. BB+ or below as rated by Standard and Poor's, Fitch Ratings, Moody's or any other internationally recognized rating agencies, or rated AA or below as rated by a Mainland credit rating agency) or unrated are generally subject to a higher degree of credit risk and a lower degree of liquidity, which may result in greater fluctuations in value. The value of these instruments may also be more difficult to ascertain and thus the Net Asset Value of the Sub-Fund may be more volatile.

Debt securities rated below investment grade or which are unrated are considered to be subject to greater risk of loss of principal and interest than higher-rated debt securities. Such instruments are

generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal, which may in any case decline during sustained periods of deteriorating economic conditions or rising interest rates. In addition, non-investment grade securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than investment grade securities, although the market values of lower-rated securities tend to react less to fluctuations in interest rate levels than do those of higher-rated securities. The market for non-investment grade securities may be thinner and less active than that for investment grade securities, which can adversely affect the prices at which these securities can be sold. To the extent that there is no regular secondary market trading for certain non-investment grade securities, difficulties may be experienced in valuing such securities and, in turn, determining the value of the Sub-Fund's portfolio. In addition, adverse publicity and investor perceptions about non-investment grade securities, whether or not based on fundamental analysis, may tend to decrease the market value and liquidity of such non-investment grade securities. Transaction costs with respect to non-investment grade securities may be higher, and in some cases information may be less available, than is the case with investment grade securities.

Credit rating agency risk

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

In respect of investments in Mainland onshore debt securities, the credit appraisal system in the Mainland and the rating methodologies employed in the Mainland may be different from those employed in other markets. Credit ratings given by Mainland rating agencies may therefore not be directly comparable with those given by other international rating agencies.

Prepayment

Many fixed-income securities, especially those issued at high interest rates, provide that the issuer may repay them early. Issuers often exercise this right when interest rates decline. Accordingly, holders of securities that may be called or prepaid may not benefit fully from the increase in value that other fixed-income securities experience when rates decline. Furthermore, in such a scenario the Sub-Fund may reinvest the proceeds of the payoff at then-current yields, which would be lower than those paid by the security that was paid off. Prepayments may cause losses on securities purchased at a premium, and unscheduled prepayments, which will be made at par, will cause the Sub-Fund to experience a loss equal to its pro rata share of any unamortized premium.

Sovereign debt obligations

By investing in debt obligations of governmental entities, the Sub-Fund will be exposed to the direct or indirect consequences of political, social and economic changes in various countries and regions. Political changes in a particular country/region may affect the willingness of a particular government to make or provide for timely payments of its debt obligations. The country/region's economic status, as reflected, among other things, in its inflation rate, the amount of its external debt and its gross domestic product, will also affect the government's ability to honour its obligations.

The ability of governments to make timely payments on their debt obligations is likely to be influenced strongly by the issuer's balance of payments, including export performance, and its access to international credits and investments. To the extent that a particular country/region receives payment for its exports in currencies other than the currency of the relevant debt obligation, such country/region's ability to make debt payments in the currency of the relevant debt obligation could be adversely affected. To the extent that a particular country/region develops a trade deficit, such country/region will need to depend on continuing loans from foreign governments, supranational entities or private commercial banks, aid payments from foreign governments and on inflows of foreign investment. The access of a particular country/region to these forms of external funding may not be certain, and a withdrawal of external funding could adversely affect the capacity of such country/region to make payments on its debt obligations. In addition, the cost of servicing

debt obligations can be affected by a change in global interest rates since the majority of these debt obligations carry interest rates that are adjusted periodically based upon global rates.

The Sub-Fund's portfolio may comprise debt obligations of governmental entities and supranational entities, for which a limited or no established secondary market exists. Reduced secondary market liquidity may have an adverse effect on the market price and the Sub-Fund's ability to dispose of particular instruments when necessary to meet liquidity requirements or in response to specific economic events such as deterioration in the creditworthiness of the issuer. Reduced secondary market liquidity for such debt obligations may also make it more difficult to obtain accurate market quotations for the purpose of determining the Net Asset Value of the Sub-Fund. Market quotations are generally available on many sovereign debt obligations only from a limited number of dealers and may not necessarily represent firm bids of those dealers or prices for actual sales.

The holder of certain sovereign debt obligations may have limited legal recourse in the event of a default with respect to such obligations. For example, remedies from defaults on certain debt obligations of governmental entities, unlike those on private debt, must, in some cases, be pursued in the courts of the defaulting party itself. Legal recourse therefore may be significantly diminished. Bankruptcy, moratorium and other similar laws applicable to issuers of sovereign debt obligations may be substantially different from those applicable to issuers of private debt obligations. The political context, expressed as the willingness of an issuer of sovereign debt obligations to meet the terms of the debt obligation, for example, is of considerable importance.

In addition, investment in debt obligations of supranational entities is subject to the additional risk that one or more member governments may fail to make required capital contributions to a particular supranational entity and, as a result, such supranational entity may be unable to meet its obligations with respect to its debt obligations.

Corporate debt obligations

Investment in debt obligations issued by companies and other entities, is subject to the risk that a particular issuer may not fulfil its payment or other obligations in respect of such debt obligations. Additionally, an issuer may experience an adverse change in its financial condition which may in turn result in a decrease in the credit rating assigned to such issuer and its debt obligations, possibly below investment grade. Such adverse change in financial condition or decrease in credit rating(s) may result in increased volatility in the price of an issuer's debt obligations and negatively affect liquidity, making any such debt obligation more difficult to sell.

Risks associated with convertible bonds

Convertible bonds are hybrid securities that may be exchanged for, converted into or exercised to acquire a predetermined number of shares of the issuer, generally at the option of the holder, during a specified time period. Convertible bonds have characteristics of, and hence are subject to the risks associated with, both debt and equity securities. Convertible bonds are similar to fixed income securities because they usually pay a fixed interest rate and are obligated to repay principal on a given date in the future. Similar to debt securities, they are sensitive to changes in interest rates and credit standing of the issuer particularly when their conversion value (which is the security's worth, at market value, if converted into the underlying shares) is lower than their investment value (which is determined by its yield in comparison with the yields of other comparable securities that do not have a conversion privilege). Convertible bonds also have characteristics similar to the equity securities and their prices are particularly sensitive to fluctuations in the price of the underlying shares when their conversion value approximates or exceeds their investment value. It should be noted, however, that some convertible bonds are callable by the issuer, which means that their potential to appreciate along with appreciation of the value of the underlying shares is limited. Investors should refer to the general risk factors relating to both fixed income securities (for example, interest rate risk and credit risk) and equity securities (for example, risks relating to price fluctuations of the underlying shares).

Risk associated with investment in contingent convertible bonds

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

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

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

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

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

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

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

Valuation and write-down risk: Contingent convertible bonds often offer attractive yield which may be viewed as a complexity premium. The value of contingent convertible bonds may need to be

reduced due to a higher risk of overvaluation of such asset class on the relevant eligible markets. Therefore, the Sub-Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment.

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

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

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

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

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

<u>"Dim Sum" bond market risks</u>

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

<u>Risks associated with investments in debt instruments with loss-absorption features</u>

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

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

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

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

Risks relating to urban investment bonds

Urban investment bonds are issued by local government financing vehicles ("LGFVs"), such bonds are typically not guaranteed by local governments or the central government of Mainland China. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the Sub-Fund could suffer substantial loss and the Net Asset Value of the Sub-Fund could be adversely affected.

Risks associated with Mainland Inter-bank Bond Market

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

The Sub-Fund is also exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

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

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

In addition, there is no specific guidance by the Mainland tax authorities on the treatment of income tax and other tax categories payable in respect of trading in Mainland inter-bank bond market by foreign institutional investors via the Foreign Access Regime or Bond Connect. By investing in the Mainland inter-bank bond market, the Sub-Fund may be at risk of being subject to Mainland Chinese taxes. There is a possibility that the current tax laws, rules, regulations and practice in Mainland China and/or the current interpretation or understanding thereof may change in the future and such change(s) may have retrospective effect. The Sub-Fund could become subject to additional taxation that is not anticipated as at the date hereof or when the relevant investments are made, valued or disposed of. Any of those changes may reduce the income from, and/or the value of, the relevant investments in the Sub-Fund.

Liquidity risk

The Sub-Fund may invest in instruments where the volume of transactions may fluctuate significantly depending on market sentiment. There is a risk that investments made by the SubFund may become less liquid in response to market developments or adverse investor perceptions. In extreme market situations, there may be no willing buyer and the investments cannot be readily sold at the desired time or price, and the Sub-Fund may have to accept a lower price to sell the investments or may not be able to sell the investments at all. An inability to sell a portfolio position can adversely affect the Sub-Fund's value or prevent the Sub-Fund from being able to take advantage of other investment opportunities.

Liquidity risk also includes the risk that the Sub-Fund will not be able to pay redemption proceeds within the allowable time period because of unusual market conditions, an unusually high volume of redemption requests, or other uncontrollable factors. To meet redemption requests, the SubFund may be forced to sell investments, at an unfavourable time and/or conditions.

Investment in fixed income securities, small and mid-capitalization stocks and Mainland issuers will be especially subject to the risk that during certain periods, the liquidity of particular issuers or industries, or all securities within a particular investment category, will shrink or disappear suddenly and without warning as a result of adverse economic, market or political events, or adverse investor perceptions whether or not accurate.

To the extent that Sub-Fund transacts in the bond market in China, China's bond market is are generally still in a stage of development and the bid and offer spread of their debt instruments may be high and the Sub-Fund may therefore incur significant trading costs and may even suffer losses when selling such investments. In the absence of regular and active secondary markets in these countries/regions, the Sub-Fund may not be able to sell its bond holdings at prices which are considered advantageous and may need to hold the bonds until their maturity date. If sizeable redemption requests are received, the Sub-Fund may need to liquidate its bonds at a discount in order to satisfy such requests and the Sub-Fund may suffer losses. The Sub-Fund's strategy seeks to control the liquidity risk of the Sub-Fund's bond portfolio by a series of internal management measures in order to meet Shareholders' redemption requests.

Equity market risk

The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

Risks associated with the Mainland China

Economic, political and social risks

The economy of Mainland China, which has been in a state of transition from a planned economy to a more market oriented economy, differs from the economies of most developed countries in many respects, including the level of government involvement, its state of development, its growth rate, control of foreign exchange, and allocation of resources.

Although the majority of productive assets in Mainland China are still owned by the Mainland government at various levels, in recent years, the Mainland government has implemented economic reform measures emphasising utilisation of market forces in the development of the economy of Mainland China and a high level of management autonomy. The economy of Mainland China has experienced significant growth in the past 20 years, but growth has been uneven both geographically and among various sectors of the economy. Economic growth has also been accompanied by periods of high inflation. The Mainland government has implemented various measures from time to time to control inflation and restrain the rate of economic growth.

For more than 20 years, the Mainland government has carried out economic reforms to achieve decentralisation and utilisation of market forces to develop the economy of the Mainland. These

reforms have resulted in significant economic growth and social progress. There can, however, be no assurance that the Mainland government will continue to pursue such economic policies or, if it does, that those policies will continue to be successful. Any such adjustment and modification of those economic policies may have an adverse impact on the securities market in the Mainland as well as the underlying Securities of the Sub-Fund. Further, the Mainland government may from time to time adopt corrective measures to control the growth of the Mainland economy which may also have an adverse impact on the capital growth and performance of the Sub-Fund.

Political changes, social instability and adverse diplomatic developments in the Mainland could result in the imposition of additional government restrictions including expropriation of assets, confiscatory taxes or nationalisation of some or all of the property held by the underlying issuers of the fixed income instruments in the Sub-Fund's portfolio.

Mainland laws and regulations risk

The regulatory and legal framework for capital markets and joint stock companies in the Mainland may not be as well developed as those of developed countries. Mainland laws and regulations affecting securities markets are relatively new and evolving, and because of the limited volume of published cases and judicial interpretation and their non-binding nature, interpretation and enforcement of these regulations involve significant uncertainties. In addition, as the Mainland legal system develops, no assurance can be given that changes in such laws and regulations, their interpretation or their enforcement will not have a material adverse effect on their business operations.

Accounting and reporting standards risk

Accounting, auditing and financial reporting standards and practices applicable to Mainland companies may be different to those standards and practices applicable to countries that have more developed financial markets. For example, there are differences in the valuation methods of properties and assets and in the requirements for disclosure of information to investors.

Risks associated with investing in Mainland China

High market volatility and potential settlement difficulties in the Mainland China market may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of the Sub-Fund.

Securities exchanges in Mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the Sub-Fund.

QFII/RQFII risks

QFII/RQFII system risks

The rules regulating investments by QFII/RQFIIs in Mainland China and the repatriation of capital out of Mainland China are relatively new, and as such their application and interpretation are relatively untested and there is no certainty as to how they will be applied by the relevant PRC authorities in any given situation. Any change to the QFII/RQFII systems may adversely affect the value of the Sub-Fund's investments. In addition, the Sub-Fund is exposed to the credit risk of the relevant onshore Mainland China custodians and brokers, and a default of any such Mainland China custodian or broker may cause significant losses.

QFII/RQFII regulation/status risk

Changes to the foreign investment regulation in the PRC may be made at any time by the CSRC and the SAFE, and such changes may have a detrimental impact on the ability of the Sub-Fund to achieve its investment objective. There can be no assurance that the QFII/RQFII status of the Manager will not be suspended or revoked. Such event may hinder the ability of the Sub-Fund to invest in onshore Mainland China instruments, which may in turn affect the Sub-Fund's ability to achieve its investment objective. Changes of the relevant rules may have potential retrospective effect, which may affect the Sub-Fund's ability to acquire securities in Mainland China via the QFII/RQFII regime.

There can be no assurance that the QFII/RQFII status of the Manager will not be suspended, revoked or invalidated. Such event may lead to substantial loss in the Sub-Fund as it may affect the implementation of the investment strategy of the Sub-Fund.

Repatriation risk

There is no assurance that Mainland China rules and regulations in relation to repatriation of funds invested via QFII/RQFII will not change or that repatriation restrictions will not be imposed in the future. Any new restrictions on repatriation of the invested capital and net profits may impact on the Sub-Fund's ability to meet redemption requests.

Risk associated with small-capitalisation / mid-capitalisation companies

The stock of small-capitalisation/ mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

<u>Risk associated with PRC onshore bonds</u>

PRC sovereign debt risk

The Sub-Fund's investments may include sovereign debt Securities and such investments involve special risks. The Chinese governmental entity that controls the repayment of sovereign debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. A Chinese governmental entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the Chinese governmental entity's policy towards the International Monetary Fund and the political constraints to which a governmental entity may be subject. Chinese governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearage on their debt. The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a Chinese governmental entity's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the Chinese governmental entity, which may further impair such debtor's ability or willingness to service its debt on a timely basis. Consequently, governmental entities may default on their sovereign debt. Holders of PRC sovereign debt, including the Sub-Fund, may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. As at the date of this Explanatory Memorandum, there is no bankruptcy proceeding by which sovereign debt on which a Chinese governmental entity has defaulted may be collected in whole or in part. The Sub-Fund's recourse against a defaulting sovereign is limited.

In addition, a lowering of the credit rating of the Chinese government may also affect the liquidity of its sovereign debt Securities, making it more difficult to sell. In general, debt instruments that have a lower credit rating or that are non-rated will be more susceptible to the credit risk of the

issuers. In the event of a credit rating downgrade of the Chinese government, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result.

Settlement risks

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

To the extent the Sub-Fund transacts in the inter-bank bond market in China, the Sub-Fund may also be exposed to risks associated with settlement procedures and default of counterparties. All trades settled through CSDCC are on delivery versus payment basis. If a counterparty defaults in delivering the securities, the trade may be cancelled and this may adversely affect the value of the Sub-Fund.

The Sub-Fund may invest in the Chinese bond market via the exchange market and all bond trades will be settled through the CSDCC. If a counterparty defaults in payment or delivery obligation, a trade may be delayed and this may adversely affect the value of the Sub-Fund.

Risk associated with investing in other collective investment schemes/funds

The underlying fund in which the Sub-Fund may invest may not be regulated by the SFC. There will be additional costs involved when investing into these underlying funds. There is also no guarantee that the underlying funds will always have sufficient liquidity to meet the Sub-Fund's redemption requests as and when made. There can also be no assurance that an underlying Sub-Fund's investment strategy will be successful or that its investment objective will be achieved.

Conflicts of interests may arise in a situation where the Sub-Fund invests in other funds managed by the Manager or its connected persons (despite that all initial charges and, where the underlying fund is managed by the Manager, all management fees and performance fees on the underlying fund will be waived). The Manager will use its best endeavours to avoid and resolve such conflicts fairly.

RMB currency risk

The RMB is not a freely convertible currency as it is subject to foreign exchange control policies and repatriation restrictions imposed by the Chinese government. Such government policies and restrictions are subject to change, and there can be no assurance that the RMB exchange rate will not fluctuate widely against the US dollar or any other foreign currency in the future.

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

Any depreciation of RMB could adversely affect the value of investor's investment in the Sub-Fund. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

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

Futures risk

The Sub-Fund may enter into futures contracts for hedging and on an unhedged basis. The low margins normally required in entering into futures contracts permit a very high degree of leverage. As a result, a relatively small movement in the price of a futures contract may result in a profit or loss which is high in proportion to the amount of funds actually placed as margin and may result in unquantifiable further loss exceeding any margin deposited.

Futures prices in many contracts on futures exchanges is subject to daily price fluctuation restrictions, commonly referred to as “daily limits”, which prohibit the execution of futures trades on any given day outside a prescribed price range based on the previous day’s closing prices. Daily limits do not limit ultimate losses but may make it costly or impossible for the Manager to liquidate a futures position against which the market is moving. A series of “limit moves”, in which the market price moves the “daily limit” with little or no trading taking place, could subject the Sub-Fund to major losses.

Hedged class risk

The Manager generally seeks to hedge the foreign currency exposure of any hedged share class to the base currency, with the aim of reducing the impact of currency fluctuations of the relevant class currency against the base currency. Investors in hedged classes bear the associated costs and may also be exposed to the risks associated with the instruments used in the hedging process. There is no guarantee that the desired hedging instruments will be available or that the hedging techniques employed by the Manager will be effective in achieving their desired result. Hedging can also limit potential gains of a hedged share class. Whilst hedging may protect investors against a decrease in the value of the base currency relative to the relevant class currency, it may also preclude investors from benefitting from any increase in value of the base currency. Investors should also be aware that the volatility of a hedged class may be higher than that of the equivalent class denominated in the Sub-Fund’s base currency.

Derivatives risk

Risks associated with derivatives include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element / component of a derivative instrument can result in a loss significantly greater than the amount invested in the derivative instrument by the Sub-Fund. Exposure to derivatives may lead to a high risk of significant loss by the Sub-Fund.

Operational and settlement risks

The Sub-Fund is subject to operational risks that may arise from any breaches by the Manager’s investment management staff of operational policies or technical failures of the Manager’s communication and trading systems. Whilst the Manager has in place internal control systems, operational guidelines and contingency procedures to reduce the chances of such operational risks, there is no guarantee events beyond the Manager’s control (such as unauthorised trading, trading errors or system errors) will not occur. The occurrence of any such events may adversely affect the value of the Sub-Fund.

As the Sub-Fund may invest in emerging markets (such as Mainland China), it may also be exposed to risks associated with settlement procedures. Any significant delays in the settlement of transactions or the registration of a transfer may affect the ability to ascertain the value of the Sub-Fund’s portfolio and adversely affect the Sub-Fund.

Mainland taxation risk

It should be noted that there is a possibility of the Mainland tax rules, regulations and practice being changed and taxes being applied retrospectively. In view of the prevailing tax treatment as discussed in the section headed “Mainland China taxation” in the main body of the Explanatory Memorandum, based on professional and independent tax advice, the Sub-Fund (i) will make

relevant provision of 10% on dividend and interest from Mainland Chinese securities if withholding income tax ("WHT") is not withheld at source at the time when such income is received (where WHT is already held at source, no provision will be made) and (ii) will not make tax provision on the gross unrealised and realised capital gains derived from disposal of equity or debt instruments that may be subject to PRC tax. In the event that actual tax is collected by the SAT to make payments reflecting tax liabilities for which no provisions has been made or that there is any shortfall between any provision made and the actual tax liabilities, the Net Asset Value of the Sub-Fund may be adversely affected, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities or the amount of such shortfall (as the case may be). In this case, the additional tax liabilities will only impact Shares in issue at the relevant time, and the then existing Shareholders and subsequent Shareholders will be disadvantaged as such Shareholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund. On the other hand, if the actual tax liabilities are lower than any provision made so that that there is an excess in the tax provision amount, investors who have redeemed their Shares before the 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 Shareholders and subsequent Shareholders may benefit if the difference between the tax provision and the actual tax liabilities can be returned to the account of the Sub-Fund as assets thereof. Notwithstanding the above provisions, Shareholders who have already redeemed their Shares in the Sub-Fund before the return of any overprovision to the account of the Sub-Fund will not be entitled or have any right to claim any part of such overprovision. As a result, investors may be advantaged or disadvantaged depending on the final rules of the relevant Mainland China tax authorities and when they subscribed and/or redeemed their Shares. Upon any future resolution of the above-mentioned tax exemption or further changes to tax law or policies, the Manager will, as soon as practicable, make relevant adjustments to the tax provision policy as it considers necessary.

Dividends risk

There is no assurance that the Sub-Fund will declare to pay dividends or distributions. The ability of the Sub-Fund to pay distributions also depends on interest payments made by issuers of the fixed income instruments net of any dividend withholding tax or provision for withholding tax and the level of fees and expenses payable by the Sub-Fund. Investors will not receive any interest payments, dividends or other distributions directly from the issuers of the fixed income instruments within the Sub-Fund's portfolio.

The ability of the issuers of fixed income instruments to make interest payments is based on numerous factors, including their current financial condition and general economic conditions. There can be no assurance that such companies will be able to honour payment obligations.

Investors may not therefore receive any distributions.

Distributions out of capital risk

The Manager may at its discretion pay dividends out of income or capital (or effectively out of capital) (or partly one and partly the other), and furthermore any applicable charges, fees and expenses of the Sub-Fund may be paid out of the assets of the Sub-Fund. Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of the Sub-Fund's capital or effectively out of capital may result in an immediate reduction of the Net Asset Value per Share of the relevant class. The Manager may amend its distribution policy with respect to distributions out of capital (and/or effectively out of capital) of the Sub-Fund subject to the SFC's prior approval and by giving not less than one month's prior notice to Shareholders.

The distribution amount and Net Asset Value of the hedged Share classes may be adversely affected by differences in the interest rates of the reference currency of the relevant hedged Share

class and the Sub-Fund's base currency, resulting in an increase in the amount of distribution that is paid out of capital and hence a greater erosion of capital than other non-hedged Share classes.

Risks relating to FATCA

FATCA provides that a 30% withholding tax will be imposed on certain payments to FFIs, such as the Sub-Fund, including interests and dividends from securities of US issuers and gross proceeds from the sale of such securities, unless the Sub-Fund discloses the name, address and taxpayer identification number of certain US persons that own, directly or indirectly, an interest in the Sub-Fund, as well as certain other information relating to any such interest. The US IRS has released regulations and other guidance that provide for the phased implementation of the foregoing withholding and reporting requirements. The United States Department of the Treasury and Hong Kong have on 13 November 2014 signed a Model 2 IGA (the "HK IGA"). The HK IGA modifies the foregoing requirements but generally requires similar information to be disclosed to the US IRS. Under the HK IGA arrangements, FFIs in Hong Kong (such as the Sub-Fund) would register with the US IRS to be subject to the terms of a FFI with the US IRS and comply with the terms of such FFI Agreement.

Otherwise, they will be subject to a 30% withholding tax on relevant US source payments to them. The Sub-Fund has registered with the US IRS with Global Intermediary Identification Number PPXZYS.99999.SL.344, agreeing to be subject to and comply with the terms of a FFI Agreement and be treated as a Reporting Financial Institution under the HK IGA. Although the Sub-Fund will attempt to satisfy any obligations imposed on it to avoid the imposition of FATCA withholding tax, no assurance can be given that the Sub-Fund will be able to fully satisfy these obligations. If the Sub-Fund becomes subject to a withholding tax as a result of FATCA, the Net Asset Value of the Sub-Fund may be adversely affected and the Sub-Fund and its Shareholders may suffer material loss.

The Sub-Fund's ability to comply with FATCA will depend on each Shareholder providing the Sub-Fund with information that the Sub-Fund requests concerning the Shareholder or its direct and indirect owners. If a Shareholder fails to provide the Sub-Fund with any information requested, the Sub-Fund may exercise its right to compulsorily redeem such Shareholder and/or apply withholdings to payments to such Shareholder. Any such compulsory redemption and/or withholding will be done in accordance with applicable laws and regulations, and the discretion to do so will be exercised by the Manager in consultation with the Custodian acting in good faith and on reasonable grounds.

Please also refer to the sub-section entitled "FATCA and compliance with US withholding requirements" under the section headed "TAXATION" in the main body of this Explanatory Memorandum for further details on FATCA and related risks.

All prospective investors and Shareholders should consult with their own tax advisers regarding the possible implications of FATCA and the tax consequences on their investments in the Sub-Fund. Shareholders who hold their Shares through intermediaries should also confirm the FATCA compliance status of those intermediaries.

Reports and accounts

The first accounts for the Sub-Fund covered the period to 31 December 2022.

Distribution policy

In relation to Class A USD - MDis Shares, Class A HKD - MDis Shares and Class A RMB Hedged - MDis, the Manager currently intends to make monthly dividend distributions at its discretion. Any payment of such distributions will be made in the relevant currency of the relevant Class (i.e. USD or HKD or RMB, as the case may be).

In relation to all other Classes, the Manager has discretion as to whether or not to make any distribution and as to the frequency and amount of distributions.

Investors should note that there is no guarantee of regular distribution nor, where distribution is made, the amount being distributed. Distributions declared (if any) will be paid to Shareholders at their own risk and expense by telegraphic transfer in the relevant class currency.

The Manager may at its discretion pay dividends out of the capital of the Sub-Fund. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital.

Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of the Sub-Fund's capital or effectively out of capital may result in an immediate reduction of the Net Asset Value per Share of the relevant class. Please refer to the "Distributions out of capital risk" and "Dividends risk" sub-section in the section headed "Additional Risk Factors" for details of the foregoing risks.

The composition of dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the Manager's website www.bosera.com.hk (this website has not been reviewed by the SFC). Any changes regarding the policy on paying dividend out of capital or effectively out of capital will be subject to the SFC's prior approval and not less than one month's advance notice to Shareholders.

APPENDIX 3: BOSERA USD MONEY MARKET FUND

This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the Bosera USD Money Market Fund (the "Sub-Fund"), a Sub-Fund of the Company. All references in this Appendix to the Sub-Fund are to Bosera USD Money Market Fund. Terms defined in the main body of this Explanatory Memorandum have the same meaning when used in this Appendix.

Base Currency

The Base Currency of the Sub-Fund is the USD.

Investment Objective

The Sub-Fund's objective is to invest in short term deposits and high quality money market investments. The Sub-Fund seeks to achieve a return in USD in line with prevailing money market rate.

Investment Strategy

The Sub-Fund seeks to achieve its investment objective by investing primarily (i.e. not less than 70% of its Net Asset Value) in USD-denominated short-term deposits and high quality money market instruments issued by governments, quasi-governments, international organisations, financial institutions and corporations. The Sub-Fund may invest up to 30% of its Net Asset Value in non USD-denominated short-term deposits and high quality money market instruments. The Manager will hedge non USD-denominated investments into USD in order to manage any material currency risk.

Short-term Deposits and High Quality Money Market Instruments

In assessing whether a money market instrument is of high quality, at a minimum, the credit quality and the liquidity profile of the instrument must be taken into account. High quality money market instruments include fixed income securities, commercial papers, certificates of deposits, short-term notes and commercial bills. The Sub-Fund may invest up to 100% of its Net Asset Value in fixed income securities, which may include but are not limited to government bonds, fixed and floating rate bonds.

The Sub-Fund will only invest in fixed income securities rated investment grade or above. For the purposes of the Sub-Fund, investment grade is defined as below based on the original maturity of a fixed income security:

- A long-term fixed income security which (or the issuer or the guarantor of which) is rated BBB- / Baa3 or above by an internationally recognised credit rating agency (such as Fitch's, Moody's and Standard & Poor's) or rated AA+ or above by a Mainland China credit rating agency. For split credit ratings, the highest rating shall apply. For the avoidance of doubt, the Sub-Fund does not intend to invest in fixed income securities with a long term to maturity remaining at the time of investment. The long-term credit ratings will be considered where the Sub-Fund invests in fixed income securities which have been rated long-term credit ratings, but have a shorter term to maturity remaining (subject to the restrictions on remaining maturity, weighted average maturity and weighted average life of the portfolio of the Sub-Fund as set out below) at the time of purchase by the Sub-Fund; and
- A short-term fixed income security which (or the issuer or the guarantor of which) is rated F3 / P-3 / A-3 or above by an internationally recognised credit rating agency (such as Fitch's, Moody's and Standard & Poor's) or rated A-1 or above by a Mainland China credit rating agency. For split credit ratings, the highest rating shall apply.

For investment grade (either the security, its issuer or guarantor) fixed income securities, the Manager will assess the credit risks of the fixed income security on an ongoing basis based on quantitative and qualitative fundamentals, including but not limited to the issuer's leverage, operating margin, return on capital, interest coverage, operating cash flows, industry outlook, the firm's competitive position and corporate governance etc. to ensure that the fixed income security that the Sub-Fund invests in is of sound credit quality.

The Manager will assess the liquidity profile of instruments based on, amongst other factors, time to cash, external liquidity classification, liquidation horizon, daily trading volume, price volatility and bid-ask spread of such instruments. Only instruments with sufficient liquidity will be included in the portfolio of the Sub-Fund.

There is no specific geographical allocation of the country of issue of the high quality money market instruments or short-term deposits. Countries or regions in which the Sub-Fund may invest in include the United States, Singapore, the European Union and Greater China (comprising Mainland China, Hong Kong, Macau and Taiwan). The Sub-Fund may invest in aggregate up to 100% of its Net Asset Value in Greater China. The Sub-Fund will invest less than 20% of its Net Asset Value in emerging markets other than Mainland China.

The Sub-Fund may invest in aggregate no more than 15% of its Net Asset Value in onshore China fixed income securities, such as government bonds, policy bank bonds, negotiable certificates of deposits, via the Manager's RQFII status or in the Mainland Inter-bank Bond Market via Foreign Access Regime (as defined in the main body of the Explanatory Memorandum).

The aggregate value of the Sub-Fund's holding of instruments and deposits issued by a single entity will not exceed 10% of the total Net Asset Value of the Sub-Fund except: (i) where the entity is a substantial financial institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%; or (ii) in the case of Government and other Public Securities (as defined in the main body of the Explanatory Memorandum), up to 30% may be invested in the same issue; or (iii) in respect of any deposit of less than USD1,000,000, where the Sub-Fund cannot otherwise diversify as a result of its size.

The Sub-Fund will maintain a portfolio with weighted average maturity not exceeding 60 days and a weighted average life not exceeding 120 days and must not purchase an instrument with a remaining maturity of more than 397 days, or two years in the case of Government and other Public Securities.

The Sub-Fund will not invest in any convertible bonds or instruments with loss absorption features, or any urban investment bonds.

<u>Sale and repurchase transactions, reverse repurchase transactions and borrowing</u>

The Sub-Fund may borrow up to 10% of its latest available Net Asset Value but only on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses.

The Sub-Fund may enter into sale and repurchase transactions for up to 10% of its Net Asset Value but only on a temporary basis for the purpose of meeting redemption requests or defraying operating expenses. The amount of cash received by the Sub-Fund under such transactions may not in aggregate exceed 10% of its Net Asset Value. Sale and repurchase transactions are transactions where the Sub-Fund sells securities such as bonds for cash and simultaneously agrees to repurchase the securities from the counterparty at a pre-determined future date for a pre-determined price. A sale and repurchase transaction is economically similar to secured borrowing, with the counterparty of the Sub-Fund receiving securities as collateral for the cash that it lends to the Sub-Fund.

For sale and repurchase transactions, the Manager will select independent counterparties approved by the Manager with credit rating of BBB- or above (by Moody's or Standard & Poor's, or

any other equivalent ratings by internationally recognised credit rating agencies) or which are SFC-licensed corporations or are registered institutions with the Hong Kong Monetary Authority. Any incremental income generated will be credited to the account of the Sub-Fund after deducting any fees charged by parties operating such transactions.

It is the intention of the Manager to sell the securities for cash equal to the market value of the securities provided to the counterparty, subject to appropriate haircut. Cash obtained in sale and repurchase transactions will be used for meeting redemption requests or defraying operating expenses, but will not be re-invested.

The Sub-Fund may engage in reverse repurchase transactions (i.e. a transaction whereby the Sub-Fund purchases securities from a counterparty of sale and repurchase transactions and agrees to sell such securities back at an pre-determined price in the future) provided that the aggregate amount of cash provided to the same counterparty in reverse repurchase agreements may not exceed 15% of the Net Asset Value of the Sub-Fund.

Other Investments

The Sub-Fund may invest up to 10% of its Net Asset Value in money market funds authorised in Hong Kong by the SFC under Chapter 8.2 of the Code or regulated in other jurisdictions in a manner generally comparable with the requirements of the SFC and acceptable to the SFC.

The Sub-Fund may invest up to 15% of its Net Asset Value in asset backed securities, such as mortgage backed securities. Such asset backed securities will be issued in regions such as Mainland China, Hong Kong, Singapore or the United States, and will be rated investment grade or above.

The Sub-Fund will enter into financial derivative instruments ("FDIs") (including interest rate swaps and currency swaps) for hedging purposes only.

Investment Restrictions

No waivers from the investment restrictions set out in the main body of the Explanatory Memorandum have been sought or granted by the SFC.

In particular, the Sub-Fund is subject to the restrictions pursuant to Chapter 8.2 of the Code which are applicable to a money market fund.

Available Classes

The Sub-Fund currently has the following classes of Shares which are available to investors:

- Class A USD
- Class C USD
- Class N USD
- Class I USD
- Class S USD*

**Class S Shares are available for subscription by the following categories of investors:*

i. investors whose underlying investors may otherwise be charged with duplicate fees, including but not limited to fund-of-funds (which may be managed by the Manager or its Connected Persons) or repackaging notes; and

ii. current employees of the Manager or its affiliates at the time of subscription who submit dealing orders directly without going through any distribution channels.

The Manager will determine a person's eligibility to subscribe for Class S Shares and will have the absolute discretion to decline any subscription application for Class S Shares as it sees fit.

The Manager may in future determine to issue additional Classes.

Initial Offer Period

The Initial Offer Period of the Sub-Fund will commence at 9:00 a.m. (Hong Kong time) on 20 June 2022 and end at 1:00 p.m. (Hong Kong time) on 21 June 2022 (or such other dates or times as the Manager may determine).

Initial Subscription Price

The initial Subscription Price for each of Class A USD, Class C USD, Class N USD, Class I USD and Class S USD is as follows:

- Class A USD: USD 10 per Share
- Class C USD: USD 10 per Share
- Class N USD: USD 10 per Share
- Class I USD: USD 10 per Share
- Class S USD: USD 10 per Share

The Manager may at any time decide to close the Sub-Fund to further subscriptions before the end of the Initial Offer Period without any prior or further notice.

Dealing procedures

For details of dealing procedures, please refer to the information below and in the sections headed "Subscription of Shares", "Redemption of Shares" and "Switching" in the main body of this Explanatory Memorandum. The following apply to the Sub-Fund:

Dealing Day	each Business Day
Dealing Deadline	1:00 pm (Hong Kong time) on the relevant Dealing Day

Investors should note that subscription monies in respect of the Sub-Fund must be paid in the currency of denomination of the relevant class of Shares. Redemption proceeds will be paid to redeeming Shareholders in the currency of denomination of the relevant class of Shares.

Payment of redemption proceeds

As set out in the main body of this Explanatory Memorandum, save as otherwise agreed by the Manager, and so long as relevant account details have been provided, redemption proceeds will normally be paid in the currency of denomination of the relevant class of Shares by telegraphic transfer, within 3 Business Days after the relevant Dealing Day and in any event within one calendar month of the relevant Dealing Day or (if later) receipt of a properly documented redemption request, unless the market(s) in which a substantial portion of the Sub-Fund's investments is made is subject to legal or regulatory requirements (such as foreign currency controls) which render the payment of the redemption proceeds within the aforesaid time period not practicable, but in such a case the

SFC's prior approval will be sought before extending the time frame for payment, and such extended time frame should reflect the additional time needed in light of the specific circumstances in the market(s) in question.

Investment Minima

The following investment minima apply to the Sub-Fund:

	Class A USD	**Class C USD**	**Class N USD**	**Class I USD**	**Class S USD**
Minimum initial investment	USD 1	USD 0.1	USD 0.1	USD 100,000	USD 1
Minimum subsequent investment	USD 0.1	USD 0.1	USD 0.1	USD 0.1	USD 0.1
Minimum Holding Amount	USD 1	USD 0.1	USD 0.1	USD 10,000	USD 1
Minimum Redemption Amount	USD 1	USD 0.1	USD 0.1	USD 10,000	USD 1

The Manager reserves the right to waive the minimum initial investment, minimum subsequent investment, minimum holding amount and minimum redemption amount requirements for any Class of Shares.

Subscription Price and Redemption Price

The Subscription Price and Redemption Price of the Sub-Fund (in respect of Class A, Class C, Class N, Class I and Class S) on any Dealing Day will be the price per Share ascertained by dividing the Net Asset Value of the relevant class as at the Valuation Point in respect of the relevant Dealing Day by the number of Shares of that class then in issue and rounded down to 4 decimal places. Any rounding adjustment will be retained by the relevant class.

Valuation

The Valuation Day will be each Dealing Day and the Valuation Point is 1:00 p.m. (Hong Kong time) on each Valuation Day, the first Valuation Day being the first Dealing Day following the initial offer period.

Publication of Net Asset Value

The latest Subscription Price and Redemption Price in respect of Shares or the Net Asset Value per Share of the Sub-Fund are available on the Manager's website www.bosera.com.hk (this website has not been reviewed by the SFC).

Expenses and Charges

The following are the actual fees and charges payable in respect of the Sub-Fund. Maximum fees permitted to be charged on one months' notice to Shareholders are set out under the section entitled "Expenses and Charges" in the main body of this Explanatory Memorandum. The Manager may in its discretion bear part of or all of the costs attributable to the Sub-Fund.

Fees payable by Shareholders

Fee	**What you pay**

	Class A, Class C, and Class I	Class N	Class S
Subscription fee^	Up to 1% of the subscription amount	Up to 0.60% of the subscription amount	Nil
Switching fee^ (i.e. conversion fee)	Up to 1%* of the redemption price for each Share converted	Up to 1%* of the redemption price for each Share converted	Nil
Redemption fee^	Nil		

* The switching fee will be deducted from the redemption proceeds and retained by the Manager. This is payable in addition to the applicable redemption fee (if any).

Fees payable by the Sub-Fund

Fee	**Annual rate (as a % of the Sub-Fund's value)**				
	Class A USD	Class C USD	Class N USD	Class I USD	Class S USD
Management fee^	0.15% per annum	0.45% per annum	0.60% per annum	0.10% per annum	Nil
Performance fee	Nil				
Custodian fee^	0.05% per annum, subject to a minimum monthly fee of HKD5,000				

^ Please note that some fees may be increased up to a permitted maximum amount by providing one month's prior notice to Shareholders. Please refer to the section headed "Expenses and Charges" in the main body of this Explanatory Memorandum for further details on the permitted maximum of such fees allowed.

Establishment costs

The costs of establishing the Sub-Fund is approximately HKD 500,000. These costs are charged to the Sub-Fund and are being amortized over the first 5 accounting periods of the Sub-Fund (or such other period as determined by the Manager) on a straight-line basis.

Additional Risk Factors

The following risk factors are specific to the Sub-Fund. Investors should also note the risk factors applicable to all Sub-Funds, including the Sub-Fund, which are set out in the section entitled "Risk Factors" in the main body of this Explanatory Memorandum.

Investment risk

The Sub-Fund's investment portfolio may fall in value due to any of the risk factors relevant to the Sub-Fund. Investors may suffer losses as a result.

The purchase of a share in the Sub-Fund is not the same as placing funds on deposit with a bank or deposit-taking company. The Sub-Fund does not guarantee repayment of principal and the Manager has no obligation to redeem the Units at the offer value. The Sub-Fund does not have a constant Net Asset Value. The Sub-Fund is not subject to the supervision of the Hong Kong Monetary Authority.

Investors should be aware that investment in the Sub-Fund is subject to normal market fluctuations and other risks inherent in the underlying assets into which the Sub-Fund may invest. There can be no assurance that any appreciation in value of investments will occur. There is no guarantee of repayment of principal.

Risk of not achieving investment objective

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

Concentration risk

The Sub-Fund will invest primarily in the USD-denominated short-term deposits and high quality money market instruments (which may include fixed income securities). The Sub-Fund may also be concentrated in a particular market or region, including Greater China. The Sub-Fund is therefore likely to be more volatile than a broad-based fund that adopts a more diversified strategy. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the USD money markets, or the market or region in which its investments are focused.

Emerging market risk

The Sub-Fund will invest in emerging markets such as Mainland China, which are subject to higher risks (for example, liquidity risk, currency risk, political risk, regulatory risk, legal and taxation risks, settlement risk, custody risk and economic risk) and higher volatility than more developed markets. Some emerging markets securities may be subject to brokerage or stock transfer taxes levied by governments, which would have the effect of increasing the cost of investment and which may reduce the realised gain or increase the loss on such securities at the time of sale. Please refer to "emerging market risk" under the section entitled "Risk Factors" in the main body of the Explanatory Memorandum for further details.

Risks relating to bank deposits

Bank deposits are subject to the credit risks of the relevant financial institutions. The Sub-Fund may also place deposits in non-resident accounts (NRA) and offshore accounts (OSA), which are offshore deposits with offshore branches of Mainland Chinese banks. The Sub-Fund's deposit may not be protected by any deposit protection schemes, or the value of the protection under the deposit protection schemes may not cover the full amount deposited by the Sub-Fund. Therefore, if the relevant financial institution defaults, the Sub-Fund may suffer losses as a result.

Risks relating to fixed income securities

Short-term fixed income instruments risk

As the Sub-Fund invests substantially in short-term fixed income instruments with short maturities, the turnover rates of the Sub-Fund's investments may be relatively high and the transaction costs incurred as a result of the purchase or sale of short-term fixed income instruments may also increase which in turn may have a negative impact on the Net Asset Value of the Sub-Fund. The Sub-Fund's underlying fixed income securities may become more illiquid when nearing maturity. It therefore may be more difficult to achieve fair valuation in the market.

Credit / counterparty risk

Investment in fixed income instruments is subject to the credit risk of the issuers and the guarantors (if applicable) which may be unable or unwilling to make timely payments of principal and/or interest, and the value of the Sub-Fund is affected by the credit worthiness of its underlying investments. In the event of a default or credit rating downgrading of the fixed income instruments (or the issuers or the guarantors thereof) held by the Sub-Fund, valuation of the Sub-Fund's portfolio may become

more difficult, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against the issuers or guarantors who may be incorporated in countries/regions other than Hong Kong and therefore not subject to the laws of Hong Kong.

Fixed income instruments are offered on an unsecured basis without collateral, and will rank equally with other unsecured debts of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer's assets will be paid to holders of fixed income instruments only after all secured claims have been satisfied in full. The Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

Volatility and liquidity risk

The fixed income securities in the Greater China markets (in particular Mainland China and Taiwan) and other emerging markets may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may incur significant trading costs.

Interest rate risk

The Sub-Fund's investments in fixed income instruments are subject to interest rate risk. Generally, the value of fixed income instruments is expected to be inversely correlated with changes in interest rates. As interest rates rise, the market value of fixed income instruments tends to decrease. Long-term fixed income instruments in general are subject to higher sensitivity to interest rate changes than short-term fixed income instruments. Any increase in interest rates may adversely impact the value of the Sub-Fund's portfolio.

As the Sub-Fund may invests in emerging market debt (for example, the Mainland China markets), the Sub-Fund is additionally subject to policy risk as changes in macro-economic policies an emerging market country/region (including monetary policy and fiscal policy) may have an influence over such country/region's capital markets and affect the pricing of the bonds in the Sub-Fund's portfolio, which may in turn adversely affect the return of the Sub-Fund.

Credit rating risk

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

Credit rating agency risk

In respect of investments in onshore China fixed income securities, the credit appraisal system in Mainland China and the rating methodologies employed in Mainland China may be different from those employed in other markets. Credit ratings given by Mainland China rating agencies may therefore not be directly comparable with those given by other international rating agencies.

Risk of credit rating downgrades

Changing market conditions or other significant events, such as credit rating downgrades affecting issuers or guarantors or major financial institutions, may also subject the Sub-Fund to increased liquidity risk as it may become more difficult for the Sub-Fund to dispose of its holdings of bonds at a reasonable price or at all, which would have an adverse impact on the value and performance of the Sub-Fund. The Manager may or may not be able to dispose of the fixed income instruments that are being downgraded.

Valuation risk

Valuation of the Sub-Fund's investments may involve uncertainties and judgemental determinations, and independent pricing information may not at all times be available. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may need to be adjusted and may be adversely affected. The value of fixed income securities may be affected by changing market conditions or other significant events affecting valuation. For example, in the event of the credit rating downgrade of an issuer, the value of the relevant fixed income instrument may decline rapidly, and the value of the Sub-Fund may be adversely affected.

Settlement risk

To the extent that the Sub-Fund transacts in the inter-bank bond market in Mainland China, the Sub-Fund may also be exposed to risks associated with settlement procedures and default of counterparties. If counterparty defaults in delivering the securities, the trade may be cancelled and this may adversely affect the value of the Sub-Fund. Any transaction via exchange markets may also be subject to settlement delays. Please also refer to "Risks associated with onshore China bonds – Settlement risks" below for further details.

Sovereign debt obligations

By investing in debt obligations issued or guaranteed by governmental entities, the Sub-Fund will be exposed to the direct or indirect consequences of political, social and economic changes in various countries and regions. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the Sub-Fund to participate in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

Political changes in a particular country/region may affect the willingness of a particular government to make or provide for timely payments of its debt obligations. The country/region's economic status, as reflected, among other things, in its inflation rate, the amount of its external debt and its gross domestic product, will also affect the government's ability to honour its obligations.

The ability of governments to make timely payments on their debt obligations is likely to be influenced strongly by the issuer's balance of payments, including export performance, and its access to international credits and investments. To the extent that a particular country/region receives payment for its exports in currencies other than the currency of the relevant debt obligation, such country/region's ability to make debt payments in the currency of the relevant debt obligation could be adversely affected. To the extent that a particular country/region develops a trade deficit, such country/region will need to depend on continuing loans from foreign governments, supranational entities or private commercial banks, aid payments from foreign governments and on inflows of foreign investment. The access of a particular country/region to these forms of external funding may not be certain, and a withdrawal of external funding could adversely affect the capacity of such country/region to make payments on its debt obligations. In addition, the cost of servicing debt obligations can be affected by a change in global interest rates since the majority of these debt obligations carry interest rates that are adjusted periodically based upon global rates.

The Sub-Fund's portfolio may comprise debt obligations of governmental entities and supranational entities, for which a limited or no established secondary market exists. Reduced secondary market liquidity may have an adverse effect on the market price and the Sub-Fund's ability to dispose of particular instruments when necessary to meet liquidity requirements or in response to specific economic events such as deterioration in the creditworthiness of the issuer. Reduced secondary market liquidity for such debt obligations may also make it more difficult to obtain accurate market quotations for the purpose of determining the Net Asset Value of the Sub-Fund. Market quotations are generally available on many sovereign debt obligations only from a limited number of dealers and may not necessarily represent firm bids of those dealers or prices for actual sales.

The holder of certain sovereign debt obligations may have limited legal recourse in the event of a default with respect to such obligations. For example, remedies from defaults on certain debt

obligations of governmental entities, unlike those on private debt, must, in some cases, be pursued in the courts of the defaulting party itself. Legal recourse therefore may be significantly diminished. Bankruptcy, moratorium and other similar laws applicable to issuers of sovereign debt obligations may be substantially different from those applicable to issuers of private debt obligations. The political context, expressed as the willingness of an issuer of sovereign debt obligations to meet the terms of the debt obligation, for example, is of considerable importance.

In addition, investment in debt obligations of supranational entities is subject to the additional risk that one or more member governments may fail to make required capital contributions to a particular supranational entity and, as a result, such supranational entity may be unable to meet its obligations with respect to its debt obligations.

Corporate debt obligations

Investment in debt obligations issued by companies and other entities, is subject to the risk that a particular issuer may not fulfil its payment or other obligations in respect of such debt obligations. Additionally, an issuer may experience an adverse change in its financial condition which may in turn result in a decrease in the credit rating assigned to such issuer and its debt obligations, possibly below investment grade. Such adverse change in financial condition or decrease in credit rating(s) may result in increased volatility in the price of an issuer's debt obligations and negatively affect liquidity, making any such debt obligation more difficult to sell.

Risks associated with onshore China bonds

Mainland China sovereign debt risk

The Sub-Fund's investments may include sovereign debt securities and such investments involve special risks. The Chinese governmental entity that controls the repayment of sovereign debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. A Chinese governmental entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the Chinese governmental entity's policy towards the International Monetary Fund and the political constraints to which a governmental entity may be subject. Chinese governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearage on their debt. The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a Chinese governmental entity's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the Chinese governmental entity, which may further impair such debtor's ability or willingness to service its debt on a timely basis. Consequently, governmental entities may default on their sovereign debt. Holders of Mainland China sovereign debt, including the Sub-Fund, may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. As at the date of this Explanatory Memorandum, there is no bankruptcy proceeding by which sovereign debt on which a Chinese governmental entity has defaulted may be collected in whole or in part. The Sub-Fund's recourse against a defaulting sovereign is limited.

In addition, a lowering of the credit rating of the Chinese government may also affect the liquidity of its sovereign debt securities, making it more difficult to sell. In general, fixed income instruments that have a lower credit rating or that are non-rated will be more susceptible to the credit risk of the issuers. In the event of a credit rating downgrade of the Chinese government, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result.

Settlement risks

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

To the extent that the Sub-Fund transacts in the inter-bank bond market in Mainland China, the Sub-Fund may also be exposed to risks associated with settlement procedures and default of counterparties. All trades settled through CSDCC are on delivery versus payment basis. If a counterparty defaults in delivering the securities, the trade may be cancelled and this may adversely affect the value of the Sub-Fund.

The Sub-Fund may invest in the Chinese bond market via the exchange market and all bond trades will be settled through the CSDCC. If a counterparty defaults in payment or delivery obligation, a trade may be delayed and this may adversely affect the value of the Sub-Fund.

Risks associated with Mainland Inter-bank Bond Market

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

The Sub-Fund is also exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

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

Investing in the Mainland inter-bank bond market via Foreign Access Regime is also subject to regulatory risks. The relevant rules and regulations on these regimes are subject to change which may have potential retrospective effect. In the event that the relevant Mainland Chinese authorities suspend account opening or trading on the Mainland inter-bank bond market, the Sub-Fund's ability to invest in the Mainland inter-bank bond market will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective will be negatively affected.

In addition, there is no specific guidance by the Mainland tax authorities on the treatment of income tax and other tax categories payable in respect of trading in Mainland inter-bank bond market by foreign institutional investors via the Foreign Access Regime. By investing in the Mainland inter-bank bond market, the Sub-Fund may be at risk of being subject to Mainland Chinese taxes. There is a possibility that the current tax laws, rules, regulations and practice in Mainland China and/or the current interpretation or understanding thereof may change in the future and such change(s) may have retrospective effect. The Sub-Fund could become subject to additional taxation that is not anticipated as at the date hereof or when the relevant investments are made, valued or disposed

of. Any of those changes may reduce the income from, and/or the value of, the relevant investments in the Sub-Fund.

RMB currency risk

The RMB is not a freely convertible currency as it is subject to foreign exchange control policies and repatriation restrictions imposed by the Chinese government. Such government policies and restrictions are subject to change, and there can be no assurance that the RMB exchange rate will not fluctuate widely against the USD or any other foreign currency in the future.

Any depreciation of RMB could adversely affect the value of investor's investment in the Sub-Fund. In calculating the Net Asset Value per Share of a Class denominated in RMB (if applicable) and in effecting any currency conversions involving RMB, the Manager may apply the CNH rate (i.e. the exchange rate for the offshore RMB market in Hong Kong). Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

Under exceptional circumstances, payment of redemptions in RMB (if applicable) may be delayed due to the exchange controls and restrictions applicable to RMB.

RQFII risks

RQFII system risks

The rules regulating investments by RQFIIs in Mainland China and the repatriation of capital out of Mainland China are relatively new, and as such their application and interpretation are relatively untested and there is no certainty as to how they will be applied by the relevant Mainland China authorities in any given situation. Any change to the RQFII systems may adversely affect the value of the Sub-Fund's investments. In addition, the Sub-Fund is exposed to the credit risk of the relevant onshore Mainland China custodians and brokers, and a default of any such Mainland China custodian or broker may cause significant losses.

RQFII regulation/status risk

Changes to the foreign investment regulation in Mainland China may be made at any time by the CSRC and the SAFE, and such changes may have a detrimental impact on the ability of the Sub-Fund to achieve its investment objective. There can be no assurance that the RQFII status of the Manager will not be suspended or revoked. Such event may hinder the ability of the Sub-Fund to invest in onshore Mainland China instruments, which may in turn affect the Sub-Fund's ability to achieve its investment objective. Changes of the relevant rules may have potential retrospective effect, which may affect the Sub-Fund's ability to acquire securities in Mainland China via the RQFII regime.

There can be no assurance that the RQFII status of the Manager will not be suspended, revoked or invalidated. Such event may lead to substantial loss in the Sub-Fund as it may affect the implementation of the investment strategy of the Sub-Fund.

Repatriation risk

There is no assurance that Mainland China rules and regulations in relation to repatriation of funds invested via QFII/RQFII will not change or that repatriation restrictions will not be imposed in the future. Any new restrictions on repatriation of the invested capital and net profits may impact on the Sub-Fund's ability to meet redemption requests.

Eurozone risk

In light of ongoing concerns on the sovereign debt risk of certain countries within the Eurozone, the Sub-Fund's investments in the region may be subject to higher volatility, liquidity, currency and default risks. Any adverse events, such as credit downgrade of a sovereign or exit of members of the European Union from the Eurozone, may have a negative impact on the value of the Sub-Fund.

Currency risks

Underlying investments of the Sub-Fund may be denominated in currencies other than its base currency. The Net Asset Value of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls. Please also refer to "exchange rate risk" under the section entitled "Risk Factors" in the main body of the Explanatory Memorandum.

Borrowing Risks

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

Derivatives risk

The Sub-Fund may invest in FDIs for hedging purposes and in adverse situations its use of FDIs may become ineffective and/or cause the Sub-Fund to suffer significant loss. Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element / component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund. Exposure to FDIs may lead to a high risk of significant loss by the Sub-Fund. Please refer to "risk of investing in financial derivative instruments" under the section entitled "Risk Factors" in the main body of the Explanatory Memorandum for further details.

Risks relating to sale and repurchase transactions

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

Risks relating to reverse repurchase transactions

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

Risk associated with investing in other collective investment schemes/funds

The underlying fund in which the Sub-Fund may invest may not be regulated by the SFC. There will be additional costs involved when investing into these underlying funds. There is also no guarantee that the underlying funds will always have sufficient liquidity to meet the Sub-Fund's redemption requests as and when made. There can also be no assurance that an underlying Sub-Fund's investment strategy will be successful or that its investment objective will be achieved.

Conflicts of interests may arise in a situation where the Sub-Fund invests in other funds managed by the Manager or its connected persons (despite that all initial charges and, where the underlying fund is managed by the Manager, all management fees and performance fees on the underlying fund will be waived). The Manager will use its best endeavours to avoid and resolve such conflicts fairly.

Operational and settlement risks

The Sub-Fund is subject to operational risks that may arise from any breaches by the Manager's investment management staff of operational policies or technical failures of the Manager's communication and trading systems. Whilst the Manager has in place internal control systems, operational guidelines and contingency procedures to reduce the chances of such operational risks, there is no guarantee events beyond the Manager's control (such as unauthorised trading, trading errors or system errors) will not occur. The occurrence of any such events may adversely affect the value of the Sub-Fund.

As the Sub-Fund may invest in emerging markets (such as Mainland China), it may also be exposed to risks associated with settlement procedures. Any significant delays in the settlement of transactions or the registration of a transfer may affect the ability to ascertain the value of the Sub-Fund's portfolio and adversely affect the Sub-Fund.

Dividends risk

There is no assurance that the Sub-Fund will declare to pay dividends or distributions. The ability of the Sub-Fund to pay distributions also depends on interest payments made by issuers of the fixed income instruments net of any dividend withholding tax or provision for withholding tax and the level of fees and expenses payable by the Sub-Fund. Investors will not receive any interest payments, dividends or other distributions directly from the issuers of the fixed income instruments within the Sub-Fund's portfolio.

The ability of the issuers of fixed income instruments to make interest payments is based on numerous factors, including their current financial condition and general economic conditions. There can be no assurance that such companies will be able to honour payment obligations.

Investors may not therefore receive any distributions.

Distributions out of capital risk

The Manager may at its discretion pay dividends out of income or capital (or effectively out of capital) (or partly one and partly the other), and furthermore any applicable charges, fees and expenses of the Sub-Fund may be paid out of the assets of the Sub-Fund. Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of the Sub-Fund's capital or effectively out of capital may result in an immediate reduction of the Net Asset Value per Share of the relevant class. The Manager may amend its distribution policy with respect to distributions out of capital (and/or effectively out of capital) of the Sub-Fund subject to the SFC's prior approval and by giving not less than one month's prior notice to Shareholders.

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

Risks relating to FATCA

FATCA provides that a 30% withholding tax will be imposed on certain payments to FFIs, such as the Sub-Fund, including interests and dividends from securities of US issuers and gross proceeds from the sale of such securities, unless the Sub-Fund discloses the name, address and taxpayer identification number of certain US persons that own, directly or indirectly, an interest in the Sub-Fund, as well as certain other information relating to any such interest. The US IRS has released regulations and other guidance that provide for the phased implementation of the foregoing withholding and reporting requirements. The United States Department of the Treasury and Hong Kong have on 13 November 2014 signed a Model 2 IGA (the "HK IGA"). The HK IGA modifies the foregoing requirements but generally requires similar information to be disclosed to the US IRS. Under the HK IGA arrangements, FFIs in Hong Kong (such as the Sub-Fund) would register with the US IRS to be subject to the terms of a FFI with the US IRS and comply with the terms of such FFI Agreement.

Otherwise, they will be subject to a 30% withholding tax on relevant US source payments to them. The Sub-Fund has registered with the US IRS with Global Intermediary Identification Number 9VGCWE.99999.SL.344, agreeing to be subject to and comply with the terms of a FFI Agreement and be treated as a Reporting Financial Institution under the HK IGA. Although the Sub-Fund will attempt to satisfy any obligations imposed on it to avoid the imposition of FATCA withholding tax, no assurance can be given that the Sub-Fund will be able to fully satisfy these obligations. If the Sub-Fund becomes subject to a withholding tax as a result of FATCA, the Net Asset Value of the Sub-Fund may be adversely affected and the Sub-Fund and its Shareholders may suffer material loss.

The Sub-Fund's ability to comply with FATCA will depend on each Shareholder providing the Sub-Fund with information that the Sub-Fund requests concerning the Shareholder or its direct and indirect owners. If a Shareholder fails to provide the Sub-Fund with any information requested, the Sub-Fund may exercise its right to compulsorily redeem such Shareholder and/or apply withholdings to payments to such Shareholder. Any such compulsory redemption and/or withholding will be done in accordance with applicable laws and regulations, and the discretion to do so will be exercised by the Manager in consultation with the Custodian acting in good faith and on reasonable grounds.

Please also refer to the sub-section entitled "FATCA and compliance with US withholding requirements" under the section headed "TAXATION" in the main body of this Explanatory Memorandum for further details on FATCA and related risks.

All prospective investors and Shareholders should consult with their own tax advisers regarding the possible implications of FATCA and the tax consequences on their investments in the Sub-Fund. Shareholders who hold their Shares through intermediaries should also confirm the FATCA compliance status of those intermediaries.

Reports and accounts

The first accounts for the Sub-Fund covered the period to 31 December 2022.

Distribution policy

In respect of each Class, the Manager has discretion as to whether or not to make any distribution and as to the frequency and amount of distributions. Any payment of the distributions will be made in the relevant currency of the relevant Class.

Investors should note that there is no guarantee of regular distribution nor, where distribution is made, the amount being distributed. Distributions declared (if any) will be paid to Shareholders at their own risk and expense by telegraphic transfer in the relevant class currency.

The Manager may at its discretion pay dividends out of the capital of the Sub-Fund. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and

expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital.

Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of the Sub-Fund's capital or effectively out of capital may result in an immediate reduction of the Net Asset Value per Share of the relevant class. Please refer to the "Distributions out of capital risk" and "Dividends risk" subsection in the section headed "Additional Risk Factors" above for details of the foregoing risks.

The composition of dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the Manager's website www.bosera.com.hk (this website has not been reviewed by the SFC). Any changes regarding the policy on paying dividend out of capital or effectively out of capital will be subject to the SFC's prior approval and not less than one month's advance notice to Shareholders.

APPENDIX 4: BOSERA GLOBAL SHORT DURATION INVESTMENT GRADE BOND FUND

This Appendix (which forms part of, and should be read together with the rest of, the Explanatory Memorandum) relates to the Bosera Global Short Duration Investment Grade Bond Fund (the "Sub-Fund"), a Sub-Fund of the Company. All references in this Appendix to the Sub-Fund are to Bosera Global Short Duration Investment Grade Bond Fund. Terms defined in the main body of this Explanatory Memorandum have the same meaning when used in this Appendix.

Base Currency

The Base Currency of the Sub-Fund is the USD.

Business Day

The Business Day in respect of the Sub-Fund is a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for normal banking business or such other day or days as the Manager and the Custodian may agree from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day will not be a Business Day unless the Manager and the Custodian determine otherwise.

Investment Objective

The Sub-Fund aims to maximise the total return by primarily investing in a portfolio of investment grade short-term fixed income securities issued globally with an average duration across the portfolio of not more than 3 years.

There can be no assurance that the Sub-Fund will achieve its investment objective.

Investment Strategy

Fixed income investments

At least 70% of the Sub-Fund's total assets will be invested in fixed income securities issued or traded in the global debt securities markets (including certificate of deposits, bonds, convertible bonds, debt securities with loss-absorption features ("**LAPs**") and "Dim Sum" bonds, i.e. bonds issued outside China but denominated in RMB), with maturity no longer than 3 years. The average duration of the Sub-Fund's debt investments as a whole will be not more than 3 years. The issuers of such fixed income securities are listed or unlisted corporations domiciled in, or exercising the predominant part of their economic activity in countries or regions including, but not limited to, Mainland China, Hong Kong, Singapore, Japan, Korea, Malaysia, Taiwan, US, UK, the EU countries, and government and/or government related entities globally.

"**Total assets**" means the total market value of all the assets under the Sub-Fund, including but not limited to various securities and bills purchased, the principal and interest of bank deposits, the subscription fund receivables of the Sub-Fund, and other investments, and without taking into account any liabilities.

While the Sub-Fund has no particular focus in terms of geographical region in the selection of such investments, the Manager may invest less than 50% of the total assets in fixed income securities concentrated in any one country or region from time to time. Besides, the Sub-Fund's aggregate exposure to investments (direct or indirect) to onshore Mainland China securities will not exceed 20% of its Net Asset Value via the Manager's RQFII status, Bond Connect and/or Foreign Access Regime (as defined in the main body of the Explanatory Memorandum). Debt securities may be issued or traded in developed markets or emerging markets. There is no set proportion between investments in developed markets and emerging markets, therefore investments in emerging markets may be up to 100% of the Sub-Fund's Net Asset Value.

The Sub-Fund may invest no less than 70% of its total assets in fixed income securities carrying investment grade rating. For the purpose of the Sub-Fund:

- A fixed income security which is rated investment grade is defined as a fixed income security which (or the issuer or guarantor of which) is rated equal or higher than BBB-/Baa3 by an internationally recognised credit rating agency (such as Standard & Poor's, Moody's and/or Fitch) or rated AA+ or above as rated by a Mainland credit rating agency. For split credit ratings, the highest rating shall apply; and

- An "**unrated**" fixed income security is defined as a fixed income security which neither the security itself, its issuer nor its guarantor has a credit rating.

If a fixed income security is unrated, then reference will be made to the credit rating of the issuer or guarantor of the fixed income security. For both rated and unrated fixed income securities, the Manager will assess the credit risks of the fixed income security based on quantitative and qualitative fundamentals, including but not limited to the issuer's leverage, operating margin, return on capital, interest coverage, operating cash flows, industry outlook, the firm's competitive position and corporate governance etc. to ensure that the fixed income security is of sound credit quality.

In a case that the Manager foresees any event of downgrade, removal of rating or default of the issuers of a fixed income or debt instrument, which is the usual case, the Manager will rebalance the Sub-Fund's portfolio prior to the occurrence of such event. If the Manager cannot foresee such event, it will remove the instrument from the Sub-Fund's portfolio as soon as practicable in view of the market circumstances after the occurrence of such event, taking due account of the interests of the Sub-Fund's investors. In any event, the rectification will be carried out within a reasonable period and will be done in a gradual and orderly manner in light of the then prevailing market conditions.

The Sub-Fund may invest up to 30% of its Net Asset Value in each of convertible bonds and perpetual bonds with the perpetual call within 5 years. Perpetual bonds are bonds without a fixed maturity date; perpetual bonds with perpetual call within 5 years refer to those perpetual bonds of which the issuers may exercise their rights to call or redeem within 5 years. In the event convertible bonds are converted into shares, the Manager will arrange for the shares to be sold within 10 Business Days.

Up to 30% of the Sub-Fund's Net Asset Value may be invested in LAPs (including contingent convertible bonds ("**CoCos**") (Additional Tier 1 and Tier 2 Capital Instruments), senior non-preferred debt securities, instruments issued under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules and other similar instruments that may be issued by banks or other financial institutions). These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

Up to 30% of the Sub-Fund's Net Asset Value may be invested in urban investment bonds (城投債), which are debt instruments issued by Mainland local government financing vehicles ("**LGFVs**"). These LGFVs are separate legal entities established by local governments and/or their affiliates to raise financing for public welfare investment or infrastructure projects.

<u>Other investments</u>

Exposure to fixed income securities may be obtained indirectly through exchange traded funds ("**ETFs**") or other collective investment schemes and financial derivative instruments ("**FDIs**") such as participation notes, futures and options consistent with the Sub-Fund's investment objective and strategy.

The Sub-Fund may hold no more than 30% of Net Asset Value in cash or cash equivalents (including money market funds). Investments in money market funds will be subject to the restrictions below on collective investment schemes. Under exceptional circumstance (e.g. where

there is a market crash or major crisis affecting the market), if the Manager deems appropriate or considers it in the best interest of the Sub-Fund, the Sub-Fund may hold up to 100% of its Net Asset Value in cash, cash equivalents, deposits and/or invest directly in money market instruments (such as treasury bills, certificates of deposits, commercial papers and bankers' acceptance etc.) on a temporary basis for liquidity management and/or defensive purpose.

The Sub-Fund may invest no more than 20% of its Net Asset Value in one or more collective investment scheme(s), including but not limited to money market funds and ETFs. Such collective investment schemes may be managed by the Manager or its Connected Persons or other third parties. Within the foregoing 20% limit on collective investment scheme(s), the Sub-Fund may invest up to 10% of its Net Asset Value in one or more collective investment scheme(s) which are non-eligible schemes and not authorised by the SFC, and any other collective investment scheme(s) that the Sub-Fund may invest in are either eligible schemes or authorised by the SFC.

The Sub-Fund may engage in sale and repurchase transactions for up to 50% of its Net Asset Value. In addition, the Sub-Fund may borrow up to 10% of its Net Asset Value for the purpose of investment and meeting redemption requests or defraying operating expenses. Cash collateral obtained in sale and repurchase transactions will only be reinvested in bonds which are of good quality and sufficiently liquid consistent with the Sub-Fund's investment objective and strategy, selected by the Manager at its discretion. The associated risks would be properly mitigated and addressed by the Manager. The reinvestment of cash received by the Sub-Fund under sale and repurchase transactions together with the Sub-Fund's net derivative exposure shall not in aggregate exceed 50% of the Sub-Fund's Net Asset Value.

The Sub-Fund may invest in FDIs for hedging or investment purposes to the extent permitted by the investment restrictions in Chapter 7 of the UT Code and the Explanatory Memorandum (FDIs will not be used extensively for investment purposes).

Sale and Repurchase Transactions and Collateral Policy

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

For sale and repurchase transactions, the Manager will select independent counterparties approved by the Manager with credit rating of BBB- or above (by Moody's or Standard & Poor's, or any other equivalent ratings by internationally recognised credit rating agencies) or which are SFC-licensed corporations or are registered institutions with the Hong Kong Monetary Authority. Counterparties of sale and repurchase transactions may be connected persons of the Manager. The Manager shall ensure that the relevant requirements under the heading entitled "Conflicts of Interest" in the section "General" are complied with.

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

It is the intention of the Manager to sell the securities for cash equal to the market value of the securities provided to the counterparty, subject to appropriate haircut (if applicable). The collateral received by the Sub-Fund under sale and repurchase transactions will only be cash which will be valued at face value. The Sub-Fund will not receive non-cash collateral under sale and repurchase transactions. Cash obtained in sale and repurchase transactions will be used for meeting redemption requests, defraying operating expenses or re-invested.

Notwithstanding the provisions in the section headed "INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTIONS" in the main body of this Explanatory Memorandum, the Sub-Fund may

reinvest the cash collateral received from sale and repurchase transactions in investments other than those set out in 7.36(j) of the Code if the following requirements are met:

1. the re-investment, together with the Sub-Fund's net derivative exposure, do not in aggregate exceed 50% of the Sub-Fund's Net Asset Value;
2. the re-investment is consistent with the Sub-Fund's investment objective and strategies;
3. the re-investment is limited to securities which are sufficiently liquid and of good quality; and
4. the re-investment is subject to the corresponding investment restrictions and limitations applicable to such investments or exposure as set out in Chapter 7 of the Code and complies with Notes (3) and (4) to 7.36(j) of the Code.

Collateral the ownership of which is transferred to a Sub-Fund will be held by the Custodian or a Correspondent. Collateral (subject to any net-off or set-off, if applicable) is capable of being fully enforced by the Manager / Sub-Fund at any time without further recourse to the counterparty.

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

Investment Restrictions

No waivers from the investment restrictions set out in the main body of the Explanatory Memorandum have been sought or granted by the SFC.

Available Classes

The Sub-Fund currently has the following Classes of Shares which are available to investors:

- Class A HKD
- Class A HKD - MDis
- Class A RMB
- Class A RMB - MDis
- Class A USD
- Class A USD - MDis
- Class I HKD
- Class I RMB
- Class I USD
- Class S USD*

**Class S shares are available for subscription by the following categories of investors:*

i. investors whose underlying investors may otherwise be charged with duplicate fees, including but not limited to fund-of-funds (which may be managed by the Manager or their Connected Persons) and repackaging notes; and

ii. current employees of the Manager or its affiliates at the time of subscription who submit dealing orders directly without going through any distribution channels.

The Manager will determine a person's eligibility to subscribe for Class S Shares and will have the absolute discretion to decline or accept any subscription application for Class S Shares as it sees fit.

The Manager may in future determine to issue additional Classes.

Initial Offer Period

The Initial Offer Period of the Sub-Fund will commence at 9:00 a.m. (Hong Kong time) on 20 January 2025 and end at 4:00 p.m. (Hong Kong time) on 21 January 2025 (or such other dates or times as the Manager may determine).

Initial Subscription Price

The initial Subscription Price for each Class is as follows:

- Class A HKD: HKD 10 per Share
- Class A HKD - MDis: HKD 10 per Share
- Class A RMB: RMB 10 per Share
- Class A RMB – MDis: RMB 10 per Share
- Class A USD: USD 10 per Share
- Class A USD - MDis: USD 10 per Share
- Class I HKD: HKD 10 per Share
- Class I RMB: RMB 10 per Share
- Class I USD: USD 10 per Share
- Class S USD: USD 10 per Share

The Manager may at any time decide to close the Sub-Fund to further subscriptions before the end of the Initial Offer Period without any prior or further notice.

Dealing procedures

For details of dealing procedures, please refer to the information below and in the sections headed "Subscription of Shares", "Redemption of Shares" and "Switching" in the main body of this Explanatory Memorandum. The following apply to the Sub-Fund:

Dealing Day	each Business Day
Dealing Deadline	4:00 pm (Hong Kong time) on the relevant Dealing Day

Investors should note that subscription monies in respect of the Sub-Fund must be paid in the currency of denomination of the relevant Class of Shares. Redemption proceeds will be paid to redeeming Shareholders in the currency of denomination of the relevant Class of Shares.

Payment of redemption proceeds

As set out in the main body of this Explanatory Memorandum, save as otherwise agreed by the Manager, and so long as relevant account details have been provided, redemption proceeds will normally be paid in the currency of denomination of the relevant Class of Shares by telegraphic transfer, within 5 Business Days after the relevant Dealing Day and in any event within one calendar month of the relevant Dealing Day or (if later) receipt of a properly documented redemption request, unless the market(s) in which a substantial portion of the Sub-Fund's investments is made is subject to legal or regulatory requirements (such as foreign currency controls) which render the payment of the redemption proceeds within the aforesaid time period not practicable, but in such a case the SFC's prior approval will be sought before extending the time frame for payment, and such extended time frame should reflect the additional time needed in light of the specific circumstances in the market(s) in question.

Investment Minima

The following investment minima apply to the Sub-Fund:

Class	Minimum initial investment	Minimum subsequent investment	Minimum Holding Amount	Minimum Redemption Amount
Class A HKD	HKD 500	HKD 50	HKD 500	HKD 50
Class A HKD - MDis	HKD 500	HKD 50	HKD 500	HKD 50
Class A RMB	RMB 500	RMB 50	RMB 500	RMB 50
Class A RMB - MDis	RMB 500	RMB 50	RMB 500	RMB 50
Class A USD	USD 100	USD 10	USD 100	USD 10
Class A USD - MDis	USD 100	USD 10	USD 100	USD 10
Class I HKD	HKD 5,000,000	HKD 50,000	HKD 5,000,000	HKD 50,000
Class I RMB	RMB 5,000,000	RMB 50,000	RMB 5,000,000	RMB 50,000
Class I USD	USD 1,000,000	USD 10,000	USD 1,000,000	USD 10,000
Class S USD	USD 1	USD 1	USD 1	USD 1

The Manager reserves the right to waive the minimum initial investment, minimum subsequent investment, minimum holding amount and minimum redemption amount requirements for any Class of Shares.

Subscription Price and Redemption Price

The Subscription Price and Redemption Price of the Sub-Fund (in respect of Class A, Class I and Class S) on any Dealing Day will be the price per Share ascertained by dividing the Net Asset Value of the relevant Class as at the Valuation Point in respect of the relevant Dealing Day by the number of Shares of that Class then in issue and rounded to 4 decimal places (0.00005 and above being rounded up; below 0.00005 being rounded down) or in such manner and to such other number of decimal places as may from time to time be determined by the Manager. Any rounding adjustment will be retained by the relevant Class.

Publication of Net Asset Value

The latest Subscription Price and Redemption Price in respect of Shares or the Net Asset Value per Share of the Sub-Fund are available on the Manager's website www.bosera.com.hk (this website has not been reviewed by the SFC).

Expenses and Charges

The following are the actual fees and charges payable in respect of the Sub-Fund. Maximum fees permitted to be charged on one month's notice to Shareholders are set out under the section

entitled “Expenses and Charges” in the main body of this Explanatory Memorandum. The Manager may in its discretion bear part of or all of the costs attributable to the Sub-Fund.

Fees payable by Shareholders

	Class A and Class I	Class S
Subscription fee	Up to 3% of the subscription amount	Nil
Switching fee (i.e. conversion fee)	Up to 1%* of the share redemption price for each share converted	Nil
Redemption fee	Nil	Nil

Fees payable by the Sub-Fund

	Class A	Class I	Class S
Management fee	1.00%* per annum of the Net Asset Value of the relevant Class of Shares	0.50%* per annum of the Net Asset Value of the relevant Class of Shares	Nil
Performance fee	Nil		
Custodian and administration fee	up to 0.10%* of the Net Asset Value of the Sub-Fund, subject to a monthly minimum of USD 2,500		

* Please note that some fees may be increased up to a permitted maximum amount by providing one month’s prior notice to Shareholders. Please refer to the section headed “Expenses and Charges” in the main body of this Explanatory Memorandum for further details on the permitted maximum of such fees allowed.

Establishment costs

The costs of establishing the Sub-Fund are approximately HKD 200,000 or equivalent amount in USD. These costs are charged to the Sub-Fund and are being amortized over the first 5 accounting periods of the Sub-Fund (or such other period as determined by the Manager) on a straight-line basis.

Additional Risk Factors

The following risk factors are specific to the Sub-Fund. Investors should also note the risk factors applicable to all Sub-Funds, including the Sub-Fund, which are set out in the section entitled “Risk Factors” in the main body of this Explanatory Memorandum.

Investment risk

The Sub-Fund’s investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of the repayment of principal.

Concentration risk

Although the Sub-Fund has no particular focus in terms of geographical region and it may invest in global debt securities, the Manager may occasionally invest significantly but less than 50% of the total assets of the Sub-Fund in debt securities concentrated in any one region or country. Therefore,

the value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting those markets and its value may be more volatile than that of a fund having a more diverse portfolio of investments.

Risk of investing in debt instruments

Interest rate risk

The Sub-Fund's investments in debt instruments are subject to interest rate risk. Generally, the value of debt instruments is expected to be inversely correlated with changes in interest rates. As interest rates rise, the market value of debt instruments tends to decrease. Long-term debt instruments in general are subject to higher sensitivity to interest rate changes than short-term debt instruments. Any increase in interest rates may adversely impact the value of the Sub-Fund's portfolio.

As the Sub-Fund may invests in emerging market debt (for example, the Mainland China markets), the Sub-Fund is additionally subject to policy risk as changes in macro-economic policies an emerging market country/region (including monetary policy and fiscal policy) may have an influence over such country/region's capital markets and affect the pricing of the bonds in the Sub-Fund's portfolio, which may in turn adversely affect the return of the Sub-Fund.

Credit risk and risk of credit rating downgrades

Investment in debt instruments is subject to the credit risk of the issuers and the guarantor (if applicable) which may be unable or unwilling to make timely payments of principal and/or interest, and the value of the Sub-Fund is affected by the credit worthiness of its underlying investments. In the event of a default or credit rating downgrading of the debt instruments (or the issuers or the guarantor thereof) held by the Sub-Fund, valuation of the Sub-Fund's portfolio may become more difficult, the Sub-Fund's value will be adversely affected and investors may suffer a substantial loss as a result. The Sub-Fund may also encounter difficulties or delays in enforcing its rights against the issuers who may be incorporated in countries/regions other than Hong Kong and therefore not subject to the laws of Hong Kong.

Debt instruments are offered on an unsecured basis without collateral, and will rank equally with other unsecured debts of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds from the liquidation of the issuer's assets will be paid to holders of debt instruments only after all secured claims have been satisfied in full. The Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

Changing market conditions or other significant events, such as credit rating downgrades affecting issuers or major financial institutions, may also subject the Sub-Fund to increased liquidity risk as it may become more difficult for the Sub-Fund to dispose of its holdings of bonds at a reasonable price or at all.

Volatility and liquidity risk

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

Valuation risk

Valuation of the Sub-Fund's investments may involve uncertainties and judgemental determinations, and independent pricing information may not at all times be available. If such valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may need to be adjusted and may be adversely affected. The value of debt securities may be affected by changing market conditions or

other significant events affecting valuation. For example, in the event of the credit rating downgrade of an issuer, the value of the relevant debt instrument may decline rapidly, and the value of the Sub-Fund may be adversely affected.

Risks of investing in unrated or below investment grade debt instruments

Debt instruments that are below investment grade (i.e. BB+ or below as rated by Standard and Poor's, Fitch Ratings, Moody's or any other internationally recognized rating agencies, or rated AA or below as rated by a Mainland credit rating agency) or unrated are generally subject to a higher degree of credit risk and a lower degree of liquidity, which may result in greater fluctuations in value. The value of these instruments may also be more difficult to ascertain and thus the Net Asset Value of the Sub-Fund may be more volatile.

Debt securities rated below investment grade or which are unrated are considered to be subject to greater risk of loss of principal and interest than higher-rated debt securities. Such instruments are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal, which may in any case decline during sustained periods of deteriorating economic conditions or rising interest rates. In addition, non-investment grade securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than investment grade securities, although the market values of lower-rated securities tend to react less to fluctuations in interest rate levels than do those of higher-rated securities. The market for non-investment grade securities may be thinner and less active than that for investment grade securities, which can adversely affect the prices at which these securities can be sold. To the extent that there is no regular secondary market trading for certain non-investment grade securities, difficulties may be experienced in valuing such securities and, in turn, determining the value of the Sub-Fund's portfolio. In addition, adverse publicity and investor perceptions about non-investment grade securities, whether or not based on fundamental analysis, may tend to decrease the market value and liquidity of such non-investment grade securities. Transaction costs with respect to non-investment grade securities may be higher, and in some cases information may be less available, than is the case with investment grade securities.

Credit rating agency risk

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

In respect of investments in Mainland onshore debt securities, the credit appraisal system in the Mainland and the rating methodologies employed in the Mainland may be different from those employed in other markets. Credit ratings given by Mainland rating agencies may therefore not be directly comparable with those given by other international rating agencies.

Prepayment

Many fixed-income securities, especially those issued at high interest rates, provide that the issuer may repay them early. Issuers often exercise this right when interest rates decline. Accordingly, holders of securities that may be called or prepaid may not benefit fully from the increase in value that other fixed-income securities experience when rates decline. Furthermore, in such a scenario the Sub-Fund may reinvest the proceeds of the payoff at then-current yields, which would be lower than those paid by the security that was paid off. Prepayments may cause losses on securities purchased at a premium, and unscheduled prepayments, which will be made at par, will cause the Sub-Fund to experience a loss equal to its pro rata share of any unamortized premium.

Sovereign debt obligations

By investing in debt obligations of governmental entities, the Sub-Fund will be exposed to the direct or indirect consequences of political, social and economic changes in various countries and regions. Political changes in a particular country/region may affect the willingness of a particular government

to make or provide for timely payments of its debt obligations. The country/region's economic status, as reflected, among other things, in its inflation rate, the amount of its external debt and its gross domestic product, will also affect the government's ability to honour its obligations.

The ability of governments to make timely payments on their debt obligations is likely to be influenced strongly by the issuer's balance of payments, including export performance, and its access to international credits and investments. To the extent that a particular country/region receives payment for its exports in currencies other than the currency of the relevant debt obligation, such country/region's ability to make debt payments in the currency of the relevant debt obligation could be adversely affected. To the extent that a particular country/region develops a trade deficit, such country/region will need to depend on continuing loans from foreign governments, supranational entities or private commercial banks, aid payments from foreign governments and on inflows of foreign investment. The access of a particular country/region to these forms of external funding may not be certain, and a withdrawal of external funding could adversely affect the capacity of such country/region to make payments on its debt obligations. In addition, the cost of servicing debt obligations can be affected by a change in global interest rates since the majority of these debt obligations carry interest rates that are adjusted periodically based upon global rates.

The Sub-Fund's portfolio may comprise debt obligations of governmental entities and supranational entities, for which a limited or no established secondary market exists. Reduced secondary market liquidity may have an adverse effect on the market price and the Sub-Fund's ability to dispose of particular instruments when necessary to meet liquidity requirements or in response to specific economic events such as deterioration in the creditworthiness of the issuer. Reduced secondary market liquidity for such debt obligations may also make it more difficult to obtain accurate market quotations for the purpose of determining the Net Asset Value of the Sub-Fund. Market quotations are generally available on many sovereign debt obligations only from a limited number of dealers and may not necessarily represent firm bids of those dealers or prices for actual sales.

The holder of certain sovereign debt obligations may have limited legal recourse in the event of a default with respect to such obligations. For example, remedies from defaults on certain debt obligations of governmental entities, unlike those on private debt, must, in some cases, be pursued in the courts of the defaulting party itself. Legal recourse therefore may be significantly diminished. Bankruptcy, moratorium and other similar laws applicable to issuers of sovereign debt obligations may be substantially different from those applicable to issuers of private debt obligations. The political context, expressed as the willingness of an issuer of sovereign debt obligations to meet the terms of the debt obligation, for example, is of considerable importance.

In addition, investment in debt obligations of supranational entities is subject to the additional risk that one or more member governments may fail to make required capital contributions to a particular supranational entity and, as a result, such supranational entity may be unable to meet its obligations with respect to its debt obligations.

Corporate debt obligations

Investment in debt obligations issued by companies and other entities, is subject to the risk that a particular issuer may not fulfil its payment or other obligations in respect of such debt obligations. Additionally, an issuer may experience an adverse change in its financial condition which may in turn result in a decrease in the credit rating assigned to such issuer and its debt obligations, possibly below investment grade. Such adverse change in financial condition or decrease in credit rating(s) may result in increased volatility in the price of an issuer's debt obligations and negatively affect liquidity, making any such debt obligation more difficult to sell.

<u>Risks associated with convertible bonds</u>

Convertible bonds are hybrid securities that may be exchanged for, converted into or exercised to acquire a predetermined number of shares of the issuer, generally at the option of the holder, during a specified time period. Convertible bonds have characteristics of, and hence are subject to the

risks associated with, both debt and equity securities. Convertible bonds are similar to fixed income securities because they usually pay a fixed interest rate and are obligated to repay principal on a given date in the future. Similar to debt securities, they are sensitive to changes in interest rates and credit standing of the issuer particularly when their conversion value (which is the security's worth, at market value, if converted into the underlying shares) is lower than their investment value (which is determined by its yield in comparison with the yields of other comparable securities that do not have a conversion privilege). Convertible bonds also have characteristics similar to the equity securities and their prices are particularly sensitive to fluctuations in the price of the underlying shares when their conversion value approximates or exceeds their investment value. It should be noted, however, that some convertible bonds are callable by the issuer, which means that their potential to appreciate along with appreciation of the value of the underlying shares is limited. Investors should refer to the general risk factors relating to both fixed income securities (for example, interest rate risk and credit risk) and equity securities (for example, risks relating to price fluctuations of the underlying shares).

Risk associated with investment in contingent convertible bonds

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Perpetual bond risk</u>

The Sub-Fund is permitted to invest in perpetual bonds. Perpetual bonds (bonds without a maturity date) may be exposed to additional liquidity risk in certain market conditions. The liquidity for such investments in stressed market environments may be limited, negatively impacting the price they may be sold at, which in turn may negatively impact the Sub-Fund's performance.

<u>"Dim Sum" bond market risks</u>

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

Risks associated with investments in debt instruments with loss-absorption features

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

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

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

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

Risks relating to urban investment bonds

Urban investment bonds are issued by local government financing vehicles (“LGFVs”), such bonds are typically not guaranteed by local governments or the central government of Mainland China. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the Sub-Fund could suffer substantial loss and the Net Asset Value of the Sub-Fund could be adversely affected.

Liquidity risk

The Sub-Fund may invest in instruments where the volume of transactions may fluctuate significantly depending on market sentiment. There is a risk that investments made by the Sub-Fund may become less liquid in response to market developments or adverse investor perceptions. In extreme market situations, there may be no willing buyer and the investments cannot be readily sold at the desired time or price, and the Sub-Fund may have to accept a lower price to sell the investments or may not be able to sell the investments at all. An inability to sell a portfolio position can adversely affect the Sub-Fund’s value or prevent the Sub-Fund from being able to take advantage of other investment opportunities.

Liquidity risk also includes the risk that the Sub-Fund will not be able to pay redemption proceeds within the allowable time period because of unusual market conditions, an unusually high volume of redemption requests, or other uncontrollable factors. To meet redemption requests, the Sub-Fund may be forced to sell investments, at an unfavourable time and/or conditions.

Investment in fixed income securities and Mainland issuers will be especially subject to the risk that during certain periods, the liquidity of particular issuers or industries, or all securities within a particular investment category, will shrink or disappear suddenly and without warning as a result of adverse economic, market or political events, or adverse investor perceptions whether or not accurate.

To the extent that Sub-Fund transacts in the bond market in China, China's bond market is are generally still in a stage of development and the bid and offer spread of their debt instruments may be high and the Sub-Fund may therefore incur significant trading costs and may even suffer losses when selling such investments. In the absence of regular and active secondary markets in these countries/regions, the Sub-Fund may not be able to sell its bond holdings at prices which are considered advantageous and may need to hold the bonds until their maturity date. If sizeable redemption requests are received, the Sub-Fund may need to liquidate its bonds at a discount in order to satisfy such requests and the Sub-Fund may suffer losses. The Sub-Fund's strategy seeks to control the liquidity risk of the Sub-Fund's bond portfolio by a series of internal management measures in order to meet Shareholders' redemption requests.

Risks associated with investing in Mainland China

High market volatility and potential settlement difficulties in the Mainland China market may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of the Sub-Fund.

Securities exchanges in Mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the Sub-Fund.

Risk associated with investing in other collective investment schemes/funds

The underlying fund in which the Sub-Fund may invest may not be regulated by the SFC. There will be additional costs involved when investing into these underlying funds. There is also no guarantee that the underlying funds will always have sufficient liquidity to meet the Sub-Fund's redemption requests as and when made. There can also be no assurance that an underlying Sub-Fund's investment strategy will be successful or that its investment objective will be achieved.

Conflicts of interests may arise in a situation where the Sub-Fund invests in other funds managed by the Manager or its connected persons (despite that all initial charges and, where the underlying fund is managed by the Manager, all management fees and performance fees on the underlying fund will be waived). The Manager will use its best endeavours to avoid and resolve such conflicts fairly.

RMB currency and RMB denominated Classes risk

The RMB is not a freely convertible currency as it is subject to foreign exchange control policies and repatriation restrictions imposed by the Chinese government. Such government policies and restrictions are subject to change, and there can be no assurance that the RMB exchange rate will not fluctuate widely against the US dollar or any other foreign currency in the future.

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

Any depreciation of RMB could adversely affect the value of investor's investment in the Sub-Fund. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

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

Futures risk

The Sub-Fund may enter into futures contracts for hedging and on an unhedged basis. The low margins normally required in entering into futures contracts permit a very high degree of leverage. As a result, a relatively small movement in the price of a futures contract may result in a profit or loss which is high in proportion to the amount of funds actually placed as margin and may result in unquantifiable further loss exceeding any margin deposited.

Futures prices in many contracts on futures exchanges is subject to daily price fluctuation restrictions, commonly referred to as “daily limits”, which prohibit the execution of futures trades on any given day outside a prescribed price range based on the previous day’s closing prices. Daily limits do not limit ultimate losses but may make it costly or impossible for the Manager to liquidate a futures position against which the market is moving. A series of “limit moves”, in which the market price moves the “daily limit” with little or no trading taking place, could subject the Sub-Fund to major losses.

Foreign currency risk

Certain underlying investments acquired by the Sub-Fund may be denominated in currencies other than the Base Currency. Also, certain Classes of Shares in the Sub-Fund may be designated in a currency other than the Base Currency. The Net Asset Value of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the Base Currency and by changes in exchange rate controls. Changes in currency exchange rates may influence the value of certain Classes of Shares in the Sub-Fund, certain investments acquired by the Sub-Fund, the dividends or interest earned and the gains and losses realized. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions.

Derivatives risk

Risks associated with derivatives include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element / component of a derivative instrument can result in a loss significantly greater than the amount invested in the derivative instrument by the Sub-Fund. Exposure to derivatives may lead to a high risk of significant loss by the Sub-Fund.

Operational and settlement risks

The Sub-Fund is subject to operational risks that may arise from any breaches by the Manager’s investment management staff of operational policies or technical failures of the Manager’s communication and trading systems. Whilst the Manager has in place internal control systems, operational guidelines and contingency procedures to reduce the chances of such operational risks, there is no guarantee events beyond the Manager’s control (such as unauthorised trading, trading errors or system errors) will not occur. The occurrence of any such events may adversely affect the value of the Sub-Fund.

As the Sub-Fund may invest in emerging markets (such as Mainland China), it may also be exposed to risks associated with settlement procedures. Any significant delays in the settlement of transactions or the registration of a transfer may affect the ability to ascertain the value of the Sub-Fund’s portfolio and adversely affect the Sub-Fund.

Mainland taxation risk

It should be noted that there is a possibility of the Mainland tax rules, regulations and practice being changed and taxes being applied retrospectively. In view of the prevailing tax treatment as discussed in the section headed “Mainland China taxation” in the main body of the Explanatory Memorandum, based on professional and independent tax advice, the Sub-Fund (i) will make relevant provision of 10% on dividend and interest from Mainland Chinese securities if withholding income tax (“WHT”) is not withheld at source at the time when such income is received (where WHT is already held at source, no provision will be made) and (ii) will not make tax provision on the gross unrealised and realised capital gains derived from disposal of equity or debt instruments that may be subject to PRC tax. In the event that actual tax is collected by the SAT to make payments reflecting tax liabilities for which no provisions has been made or that there is any shortfall between any provision made and the actual tax liabilities, the Net Asset Value of the Sub-Fund may be adversely affected, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities or the amount of such shortfall (as the case may be). In this case, the additional tax liabilities will only impact Shares in issue at the relevant time, and the then existing Shareholders and subsequent Shareholders will be disadvantaged as such Shareholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund. On the other hand, if the actual tax liabilities are lower than any provision made so that that there is an excess in the tax provision amount, investors who have redeemed their Shares before the 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 Shareholders and subsequent Shareholders may benefit if the difference between the tax provision and the actual tax liabilities can be returned to the account of the Sub-Fund as assets thereof. Notwithstanding the above provisions, Shareholders who have already redeemed their Shares in the Sub-Fund before the return of any overprovision to the account of the Sub-Fund will not be entitled or have any right to claim any part of such overprovision. As a result, investors may be advantaged or disadvantaged depending on the final rules of the relevant Mainland China tax authorities and when they subscribed and/or redeemed their Shares. Upon any future resolution of the above-mentioned tax exemption or further changes to tax law or policies, the Manager will, as soon as practicable, make relevant adjustments to the tax provision policy as it considers necessary.

Risk relating to sale and repurchase transactions

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

Risk relating to re-investment of cash collateral

Cash collateral received from sale and repurchase transactions may be reinvested. If the Sub-Fund reinvests cash collateral, such re-investment is subject to investment risks including the potential loss of principal.

Dividends risk

There is no assurance that the Sub-Fund will declare to pay dividends or distributions. The ability of the Sub-Fund to pay distributions also depends on interest payments made by issuers of the fixed income instruments net of any dividend withholding tax or provision for withholding tax and the level of fees and expenses payable by the Sub-Fund. Investors will not receive any interest payments, dividends or other distributions directly from the issuers of the fixed income instruments within the Sub-Fund’s portfolio.

The ability of the issuers of fixed income instruments to make interest payments is based on numerous factors, including their current financial condition and general economic conditions. There can be no assurance that such companies will be able to honour payment obligations.

Investors may not therefore receive any distributions.

Distributions out of capital risk

The Manager may at its discretion pay dividends out of income or capital (or effectively out of capital) (or partly one and partly the other), and furthermore any applicable charges, fees and expenses of the Sub-Fund may be paid out of the assets of the Sub-Fund. Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of the Sub-Fund's capital or effectively out of capital may result in an immediate reduction of the Net Asset Value per Share of the relevant class. The Manager may amend its distribution policy with respect to distributions out of capital (and/or effectively out of capital) of the Sub-Fund subject to the SFC's prior approval and by giving not less than one month's prior notice to Shareholders.

Risks relating to FATCA

FATCA provides that a 30% withholding tax will be imposed on certain payments to FFIs, such as the Sub-Fund, including interests and dividends from securities of US issuers and gross proceeds from the sale of such securities, unless the Sub-Fund discloses the name, address and taxpayer identification number of certain US persons that own, directly or indirectly, an interest in the Sub-Fund, as well as certain other information relating to any such interest. The US IRS has released regulations and other guidance that provide for the phased implementation of the foregoing withholding and reporting requirements. The United States Department of the Treasury and Hong Kong have on 13 November 2014 signed a Model 2 IGA (the "HK IGA"). The HK IGA modifies the foregoing requirements but generally requires similar information to be disclosed to the US IRS. Under the HK IGA arrangements, FFIs in Hong Kong (such as the Sub-Fund) would register with the US IRS to be subject to the terms of a FFI with the US IRS and comply with the terms of such FFI Agreement.

Otherwise, they will be subject to a 30% withholding tax on relevant US source payments to them. The Sub-Fund has registered with the US IRS with Global Intermediary Identification Number ZEGHNF.99999.SL.344, agreeing to be subject to and comply with the terms of a FFI Agreement and be treated as a Reporting Financial Institution under the HK IGA. Although the Sub-Fund will attempt to satisfy any obligations imposed on it to avoid the imposition of FATCA withholding tax, no assurance can be given that the Sub-Fund will be able to fully satisfy these obligations. If the Sub-Fund becomes subject to a withholding tax as a result of FATCA, the Net Asset Value of the Sub-Fund may be adversely affected and the Sub-Fund and its Shareholders may suffer material loss.

The Sub-Fund's ability to comply with FATCA will depend on each Shareholder providing the Sub-Fund with information that the Sub-Fund requests concerning the Shareholder or its direct and indirect owners. If a Shareholder fails to provide the Sub-Fund with any information requested, the Sub-Fund may exercise its right to compulsorily redeem such Shareholder and/or apply withholdings to payments to such Shareholder. Any such compulsory redemption and/or withholding will be done in accordance with applicable laws and regulations, and the discretion to do so will be exercised by the Manager in consultation with the Custodian acting in good faith and on reasonable grounds.

Please also refer to the sub-section entitled "FATCA and compliance with US withholding requirements" under the section headed "TAXATION" in the main body of this Explanatory Memorandum for further details on FATCA and related risks.

All prospective investors and Shareholders should consult with their own tax advisers regarding the possible implications of FATCA and the tax consequences on their investments in the Sub-Fund. Shareholders who hold their Shares through intermediaries should also confirm the FATCA compliance status of those intermediaries.

Reports and accounts

The first accounts for the Sub-Fund covered the period to 31 December 2025.

Distribution policy

In relation to Class A USD - MDis Shares, Class A RMB - MDis Shares and Class A HKD - MDis Shares, the Manager currently intends to make monthly dividend distributions at its discretion. Any payment of such distributions will be made in the relevant currency of the relevant Class (i.e. USD, RMB or HKD, as the case may be).

In relation to all other Classes, the Manager has discretion as to whether or not to make any distribution and as to the frequency and amount of distributions.

Investors should note that there is no guarantee of regular distribution nor, where distribution is made, the amount being distributed. Distributions declared (if any) will be paid to Shareholders at their own risk and expense by telegraphic transfer in the relevant class currency.

The Manager may at its discretion pay dividends out of the capital of the Sub-Fund. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Sub-Fund are charged to/paid out of the capital of the Sub-Fund, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund and therefore, the Sub-Fund may effectively pay dividend out of capital.

Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of the Sub-Fund's capital or effectively out of capital may result in an immediate reduction of the Net Asset Value per Share of the relevant class. Please refer to the "Distributions out of capital risk" and "Dividends risk" sub-section in the section headed "Additional Risk Factors" for details of the foregoing risks.

The composition of dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital), if any, for the last 12 months are available from the Manager on request and are also published on the Manager's website www.bosera.com.hk (this website has not been reviewed by the SFC). Any changes regarding the policy on paying dividend out of capital or effectively out of capital will be subject to the SFC's prior approval and not less than one month's advance notice to Shareholders.