## 受託投資未經我國主管機關相關審查程序之信託商品揭露事項

委託人於本行國際金融業務分行投資之本商品為未經我國主管機關相關審查程序之信託商品，委託人已充分了解以下事項：

（一）本商品未經我國主管機關審查或核准，亦不適用備查或申報生效之規定；

（二）本商品僅得於銀行國際金融業務分行對中華民國境外客戶為推介及交易對象；

（三）銀行國際金融業務分行客戶不適用「金融消費者保護法」之規範以及金融消費爭議處理機制；

（四）本商品之商品說明文件可能以中文或英文提供。

以下為發行人提供之公開說明書，本商品詳細資訊請參閱發行人網站(https://www.kgi.com.hk/en/asset-management)

# KGI Global Industry Elite Fund

# KGI Global Credit Income Fund

# KGI Diversified Growth Income Fund

sub-funds of

# KGI Investment Fund Series OFC

# 凱基投資基金系列開放式基金型公司

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

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## EXPLANATORY MEMORANDUM

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15 December 2025

CONTENTS

## 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 advisor. 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.**

KGI Investment Fund Series OFC 凱基投資基金系列開放式基金型公司 (the "**Company**") is a public umbrella open-ended fund company incorporated in Hong Kong on 8 October 2025 with variable capital and limited liability. The Company can have a number of sub-funds (each a "**Sub-Fund**") with segregated liability among them. KGI Asset Management Limited 凱基資產管理有限公司 (the "**Manager**") has been appointed as the manager of the Company and each Sub-Fund. Brown Brothers Harriman Trustee Services (Hong Kong) Limited (the "**Custodian**") has been appointed as the custodian of the Company and each Sub-Fund. As at the date of this Explanatory Memorandum, KGI Global Industry Elite Fund, KGI Global Credit Income Fund and KGI Diversified Growth Income Fund are the Sub-Funds of the Company.

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 (as defined below) 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 https://www.kgi.com.hk/en/asset-management (this website has not been reviewed by the Securities and Futures Commission in Hong Kong (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 SFC as an open-ended fund company under Section 112D of the Securities and Futures Ordinance (Chapter 571 of the Laws 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 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.

You should consult your financial advisor or your tax advisors 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 the Manager's website at https://www.kgi.com.hk/en/asset-management (this website has 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 United States 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 (the "**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 (the "**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**

Investors may raise any questions on or make any complaints about the Company and/or the Sub-Fund(s) by contacting the Manager at its address as set out in the Directory of this Explanatory Memorandum, or by phone at its telephone number: (852) 2878 6888 during normal office hours.

# DIRECTORY

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| **Company** | **KGI Investment Fund Series OFC**<br>凱基投資基金系列開放式基金型公司<br>41/F, Central Plaza<br>18 Harbour Road<br>Wanchai<br>Hong Kong |
| **Directors of the Company** | **WONG Hoe Choon Reddy**<br>**CHEUNG Chi Lok** |
| **Manager** | **KGI Asset Management Limited**<br>凱基資產管理有限公司<br>41/F, Central Plaza<br>18 Harbour Road<br>Wanchai<br>Hong Kong<br><br>Telephone No.: (852) 2878 6888 |
| **Custodian** | **Brown Brothers Harriman Trustee Services (Hong Kong) Limited**<br>13/F, Man Yee Building<br>68 Des Voeux Road Central<br>Hong Kong |
| **Administrator** | **Brown Brothers Harriman & Co.**<br>50 Post Office Square<br>Boston, MA 02110-1548<br>U.S.A. |
| **Registrar** | **Brown Brothers Harriman Trustee Services (Hong Kong) Limited**<br>13/F, Man Yee Building<br>68 Des Voeux Road Central<br>Hong Kong |
| **Legal Advisor** | **Simmons & Simmons**<br>30/F, One Taikoo Place<br>979 King’s Road<br>Hong Kong |
| **Auditors** | **Ernst & Young**<br>27/F, One Taikoo Place<br>979 King’s Road<br>Quarry Bay<br>Hong Kong |

## DEFINITIONS

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

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| **"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 the Stock Connect (where applicable) and QFIs. |
| **"Administrator"** | means Brown Brothers Harriman & Co., 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. |
| **"Administrative Agency Agreement"** | means the administrative agency agreement for the time being subsisting between the Company for itself and each Sub-Fund and the Administrator relating to the appointment and duties of the Administrator in its capacity as the 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"** | means, in relation to the Company, USD, being the base currency of the Company; and in relation to a Sub-Fund, 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 the SEHK and any regulated market(s) in country(ies) or region(s) where the relevant Sub-Fund is materially invested are open for normal trading, or such other day or days as the Directors and the Custodian may agree from time to time. |
| **"China"** or **"PRC"** | means the People's Republic of China. |
| **"Class"** | means a class of Shares of a Sub-Fund. |
| **"Class Currency"** | means the currency of denomination of a Class. |
| **"Company"** | means KGI Investment Fund Series OFC 凱基投資基金系列開放式基金型公司. |
| **"Connected Person"** | has the meaning as set out in the UT Code which as at the date of this Explanatory Memorandum means, in relation to a company:<br><br>(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 |

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| | (B) any person or company controlled by a person who or which meets one or both of the descriptions given in (A); or<br><br>(C) any member of the group of which that company forms part; or<br><br>(D) any director or officer of that company or of any of its connected persons as defined in (A), (B) or (C). |
| **"Custodian"** | means Brown Brothers Harriman Trustee Services (Hong Kong) 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. |
| **"Custodian Agreement"** | means the custodian agreement for the time being subsisting between the Company for itself and each Sub-Fund and the Custodian relating to the appointment and duties of the Custodian in its capacity as the custodian of the Company and each Sub-Fund. |
| **"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 3:00 p.m. (Hong Kong time) on the relevant Dealing Day, or such other time as may be specified in the relevant Appendix. |
| **"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. |
| **"FATCA"** | means the US Foreign Account Tax Compliance Act. |
| **"FDIs"** | means financial derivative instruments. |
| **"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 this Explanatory Memorandum means any investment issued by, or the payment of principal and interest on, which is guaranteed by a |

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| | 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 Hong Kong dollars, the lawful currency of Hong Kong. |
| **"IFRS"** | means International Financial Reporting Standards issued by the International Accounting Standards Board. |
| **"Ineligible Investor"** | means any person, corporation, or other entity who is a US person and for this purpose, a "US person" is defined as (i) an individual who is a United States citizen, a US green card holder, or a resident of the United States for US federal income tax purposes, (ii) a corporation or partnership organised under the laws of the United States or any political subdivision thereof, or (iii) an estate or trust, the income of which is subject to US federal income taxation regardless of its source. |
| **"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, as specified in the relevant Appendix. |
| **"Instrument"** | means the instrument of incorporation of the Company filed to the Companies Registry of Hong Kong on, and effective as of, 8 October 2025, including its Schedules and Appendices, as amended from time to time. |
| **"Laws and Regulations"** | means all applicable laws and regulations including the SFO, the OFC Rules, the OFC Code, the Products Handbook (including the UT Code) and the FMCC. |
| **"Mainland China"** or **"Mainland"** | means 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. |
| **"Management Agreement"** | means the management agreement by which the Manager is appointed to act as manager of the Company and each Sub-Fund, as amended from time to time. |
| **"Manager"** | means KGI Asset Management Limited 凱基資產管理有限公司. |
| **"Net Asset Value" or "NAV"** | 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 from time to time and supplemented by published guidelines or other guidance issued by the SFC. |

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| **"OFC Rules"** | means Securities and Futures (Open-ended Fund Companies) Rules (Chapter 571AQ of the Laws of Hong Kong), as amended from time to time. |
| **"Ordinary Resolution"** | means a resolution of the Company in general meeting or of a Class meeting or Sub-Fund meeting (as the case may be) passed by a simple majority of the votes validly cast for and against the resolution at such meeting in accordance with Rule 88 of the OFC Rules. |
| **"PBOC"** | means the People's Bank of China. |
| **"Products 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. |
| **"QFI"** | means a qualified foreign investor approved pursuant to the relevant Mainland Chinese regulations (as amended from time to time) to invest in domestic securities and futures in Mainland China with funds overseas, or, as the context may require, the QFI regime. |
| **"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 lawful currency of the PRC. |
| **"Registrar"** | means Brown Brothers Harriman Trustee Services (Hong Kong) 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. |
| **"Registrar Agreement"** | means the registrar agreement for the time being subsisting between the Company for itself and each Sub-Fund and the Registrar relating to the appointment and duties of the Registrar in its capacity as the registrar of the Company and each Sub-Fund. |
| **"Scheme Property"** | means the scheme property of the Company. |
| **"SEHK"** | means The Stock Exchange of Hong Kong Limited. |
| **"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), as amended from time to time. |
| **"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 the relevant securities are regularly traded. |
| **"Share"** | means such number of undivided shares or such fraction of an undivided share of a Sub-Fund to which a Share relates as is represented by a Share of the relevant Class and, except where |

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| | 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 of Shares. |
| **"Special Resolution"** | means a resolution of the Company in general meeting or of a Class meeting or Sub-Fund meeting (as the case may be) passed by a majority of at least 75 per cent. of the votes validly cast for and against the resolution at such meeting in accordance with Rule 89 of the OFC Rules. |
| **"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. |
| **"US dollars"** or **"USD"** | means United States dollars, the lawful currency of the United States of America. |
| **"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. |
| **"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 Directors may from time to time determine either generally or in relation to a particular Sub-Fund or Class. |
| **"Valuation Point"** | unless otherwise specified in the relevant Appendix, 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 Directors 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 8 October 2025 with the business registration number 78901600. It is constituted by way of its Instrument filed to the Companies Registry of Hong Kong on, and effective as of 8 October 2025.

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:

### *WONG Hoe Choon Reddy*

Mr. Wong is the Chief Executive Officer of KGI HK Group, responsible for overall strategic direction, planning and execution. He is the member of the Board of Directors, Manager-in-Charge of Overall Management Oversight and Responsible Officer of KGI HK's SFC regulated entities, responsible for directing and overseeing the effective management of the overall operations (including activities of dealing in securities, dealing in futures contracts, margin financing and assets management, etc.). He is also the Executive Vice President of KGI International Finance Limited, which is carrying on business as a money lender in Hong Kong with a money lender's licence. Mr. Wong is a seasoned professional in various products and services, including fund management, fixed income, equity derivatives and securities brokerage.

Mr. Wong has more than thirty (30) years solid financial industry experience from global financial institutions, including Chase Manhattan Bank, Morgan Stanley Asia and Deutsche Bank. He was a Founding Member and Portfolio Manager of Diamond Head Capital before he joined KGI years ago. Mr. Wong holds a Bachelor's degree of Business Administration, majoring in Finance, from the National University of Singapore.

### *CHEUNG Chi Lok*

Mr. Cheung has more than twenty (20) years of extensive investment management experience in asset management industry. Mr. Cheung serves as Portfolio Manager of the Manager, where he leads the development and management of the SFC-authorised funds.

Prior to joining KGI, Mr. Cheung held senior investment management positions at global financial institutions, including HSBC, Mercer, BNP Paribas, Fortis Investments, and ABN AMRO. Mr. Cheung is currently licensed as a responsible officer of the Manager for, among others, Type 9 (asset management) regulated activity with the SFO. Mr Cheung obtained two Master's Degrees from Erasmus University Rotterdam in 2005, an LLB degree from the University of London in 2016 and has been a Chartered Financial Analyst since 2010.

## The Manager

The Manager of the Company and each Sub-Fund is KGI Asset Management Limited 凱基資產管理有限公司.

The Manager was incorporated in Hong Kong with limited liability on 24 September 1997. The Manager is licensed by the SFC for Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO with CE number AEN441.

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 for the maintenance of the financial reports and records of the Company and each Sub-Fund, and in conjunction with the Administrator, certain other administrative matters relating to the Company and each Sub-Fund.

The Manager may appoint investment manager(s) or investment delegate(s) in relation to part or all of the assets of specific Sub-Fund(s) (details of any such appointments are set out in the relevant Appendix), subject to the approval of the SFC and at least one (1) 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 manager(s) or investment delegate(s), the

Manager will conduct ongoing supervision and regular monitoring of the competence of such delegate(s) 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 Manager may also at its discretion, appoint investment advisor(s) to provide investment advice to the Manager in relation to part or all of the assets of specific Sub-Fund(s). However, the Manager will not delegate any discretionary investment management power to such investment advisor(s).

The remuneration of such third party investment manager(s) and investment advisor(s) will be borne by the Manager.

**The directors of the Manager**

The directors of the Manager are as follows:

***WONG Hoe Choon Reddy***

Please refer to Mr. Wong's biography set out in the section headed "The Directors" above.

***LAU Hung Chuen***

Mr. Lau is the Executive Director and Head of Private Client Services department, International Wealth Management, of KGI HK Group, responsible for overseeing the Private Client Services department (PCS) and the development of overall business strategies of investment services and ensure smooth implementation of the strategies. He is the member of the Board of Directors, Manager-in-Charge of PCS, a key business line, and Responsible Officer of KGI Asia Limited, a SFC regulated securities dealing company. Mr. Lau joined KGI in 2006, has extensive knowledge and experience in money services in relation to the financial services provided to clients in Hong Kong and overseas.

Mr. Lau has more than 25 years solid financial industry experience from Hong Kong financial institutions, including as Chief Operating Officer of Christfund Securities Limited before joining KGI. Mr. Lau graduated from Hong Kong Baptist University in 1997 and obtained a master of corporate finance from the Hong Kong Polytechnic University in 2003.

***LIN Yen-Chun***

Ms. Lin is currently Executive Vice President and Regional Head of Legal of KGI Securities Co., Ltd., a KGI group entity in Taiwan. Since re-joining the KGI group in 2009, Ms. Lin has held various positions in the legal department of KGI Securities Co., Ltd. and KGI Securities (Singapore) Pte. Ltd.

Ms. Lin holds a Bachelor of Laws degree from the National Taiwan University and a Master of Laws (Corporate law) degree from New York University. Ms. Lin is a licensed attorney in Taiwan and is admitted to the New York Bar.

**The Custodian and the Registrar**

The Custodian of the Company is Brown Brothers Harriman Trustee Services (Hong Kong) Limited, a Hong Kong registered trust company with a Trust or Company Service Provider Licence (No.TC002136). The Custodian is licensed by the SFC in Hong Kong to carry on Type 13 regulated activity (Providing Depositary Services for Relevant CISs) under the SFO.

The Custodian is a subsidiary of Brown Brothers Harriman & Co., which is a New York limited partnership founded in 1818 and remains one of the oldest continuously operated private partnership banks in the United States. It is a leading global investment fund custodian and administrator supporting in the leading fund centres.

Under the Custodian Agreement, the Custodian is responsible for the safekeeping of the Scheme Property, subject to the provisions of the Custodian Agreement.

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 all or 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 the prior consent in writing of the Custodian, with the Custodian's agreement in writing or 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. Provided that the Custodian has discharged its obligations set out in (i) and (ii) above, the Custodian shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any such person(s) not being the Custodian's Connected Person appointed as agents, nominees, or delegates of the Custodian in relation to certain assets of any Sub-Fund.

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 SFO, 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 Custodian also acts as the Registrar of each Sub-Fund. Under the Registrar Agreement, the Registrar provides services in respect of the establishment and maintenance of the register of Shareholders and is responsible for arranging the administration of the issue and redemption of Shares of each Sub-Fund.

The Custodian and the Registrar are not responsible for the preparation or issue of this Explanatory Memorandum and therefore accepts no responsibility for any information contained in this Explanatory Memorandum other than the descriptions under this section and neither the Custodian, the Registrar nor any of their subsidiaries, affiliates, directors and other officers, shareholders, employees, agents or permitted delegates accept any responsibility or liability for any information contained in this Explanatory Memorandum other than the description under this section.

**The Administrator**

Brown Brothers Harriman & Co. has been appointed as the Administrator of each Sub-Fund.

Under the Administrative Agency Agreement, the Administrator shall carry out certain financial, administrative functions and other services in relation to each Sub-Fund on its behalf and is responsible for, among other things: (i) calculating the Net Asset Value and Net Asset Value per Share of any Class relating to each Sub-Fund, and (ii) the general administration of each Sub-Fund, which includes the proper book keeping of the each Sub-Fund.

The Administrator is not responsible for the preparation or issue of this Explanatory Memorandum other than with respect to the description above in respect of the Administrator.

**The Auditor**

The Directors have appointed Ernst & Young 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 with respect to borrowing, such person shall charge interest or fees at a rate or amount no higher than is in accordance with its normal banking practice, the commercial rate for a loan of the size and nature of the loan in question negotiated at arm's length; and with respect to deposit, such deposit is maintained in a manner that is in the best interests of the Shareholders, having regard to the prevailing commercial rate for a deposit of a similar type, size and term, negotiated at arm's length in accordance with ordinary and normal course of business.

(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 relevant 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 relevant 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 (the "**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 Administrator or the Registrar (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, executed on the best available 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, any investment delegates, the Custodian or any of their respective Connected Persons, must ensure it complies with the following obligations:

(a) 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 relevant 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 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 paragraphs (A) above and (B) below 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 paragraph (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 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 Securities Market;

(F) notwithstanding paragraphs (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 this 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 paragraphs (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 paragraph (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 exceed the 30 per cent. limit in paragraph (G) above and 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 ("**ETFs**") 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 recognised 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 paragraphs (A), (B) and (D) above; or (ii) collective investment schemes for the purposes of and subject to the requirements in paragraph (K) below. However, the investments in ETFs shall be subject to paragraph (E) above and the relevant investment limits in ETFs by a Sub-Fund should be consistently applied and clearly disclosed in the relevant Appendix 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 relevant Appendix of the Sub-Fund,

provided that in respect of paragraphs (K)(1) and (K)(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 ETFs satisfying the requirements in paragraph (J) above in compliance with paragraphs (K)(1) and (K)(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 paragraphs (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) this Explanatory Memorandum must state that:

(a) the Sub-Fund is a feeder fund into the master fund;

(b) 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;

(c) 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

(d) 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.

**Investment prohibitions**

Each Sub-Fund shall not:

(A) 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;

(B) 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) under the section headed "Investment restrictions" above, where applicable.

For the avoidance of doubt, where investments are made in listed REITS, paragraphs (A), (B) and (D) under the section headed “Investment restrictions” above apply and where investments are made in unlisted REITS, which are either companies or collective investment schemes, then paragraphs (E) and (K) under the section headed “Investment restrictions” above apply respectively;

(C) 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;

(D) subject to paragraph (E) under the section headed “Investment restrictions” 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;

(E) 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

(F) 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.

**FDIs**

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:

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

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

(iii) 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

(iv) 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 FDIs) of the UT Code. For the avoidance of doubt:

(i) 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;

(ii) 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

(iii) 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:

(i) the underlying assets consist solely of shares in companies, debt securities, money market instruments, units/shares of collective investment schemes, deposits with substantial financial institutions, government and other public securities, highly-liquid physical commodities (including gold, silver, platinum and crude oil), financial indices, interest rates, foreign exchange rates, currencies or other asset classes acceptable to the SFC, in which the Sub-Fund may invest according to its investment objectives and policies. 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 restrictions" above provided that the relevant index is in compliance with Chapter 8.6(e) of the UT Code;

(ii) 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;

(iii) subject to paragraphs (A) and (B) under the section headed "Investment 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 FDIs with that counterparty, if applicable; and

(iv) the valuation of the FDIs is marked-to-market daily, subject to regular, reliable and verifiable valuation conducted by the Manager or its nominee(s), agent(s) or delegate(s) independent of the issuer of the FDIs (in consultation with the Custodian where applicable) 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 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 the purposes herein, 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.

Subject to the foregoing paragraph, 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 the section headed "FDIs" 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 lending, sale and repurchase and reverse repurchase transactions (collectively, "**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 section headed "Investment strategy" 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:

(i) 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;

(ii) 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; and

(iii) 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.

In addition to the requirements relating to securities financing transactions as set out above, unless otherwise specified under the section headed "Investment strategy" in the relevant Appendix, details of the Manager's policy in relation to securities financing transactions are as follows:

(i) each counterparty for such transactions (including a borrower for a securities lending transaction) will be an independent counterparty approved by the Manager and will be a financial institution which is subject to ongoing prudential regulation and supervision. There are no requirements imposed by the Manager on country of origin or minimum credit rating of counterparties;

(ii) the Custodian, upon the instruction of the Manager, will take collateral, which will be cash or non-cash assets meeting the collateral policies described below;

(iii) except related to borrowing, for sale and repurchase 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. Unless otherwise stated in the relevant Appendix, cash obtained in sale and repurchase transactions will be used for meeting redemption requests or defraying operating expenses, but will not be re-invested;

(iv) the maximum and expected level of a Sub-Fund's assets available for these transactions will be as set out in the relevant Appendix; and

(v) where any securities lending transaction is arranged through the Custodian or a Connected Person of the Custodian or the Manager, such transaction shall be conducted at arm's length and executed on the best available terms, and the relevant entity shall be entitled to retain for its own use and benefit any fee or commission it receives on a commercial basis in connection with such arrangement (the securities lending fee will be disclosed in the connected party transaction section of the relevant Sub-Fund's annual financial reports).

**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:

(A) 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;

(B) Valuation – collateral should be marked-to-market daily by using independent pricing source;

(C) 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;

(D) 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. Other specific characteristics of the collateral should be taken into consideration where appropriate, including, among others, asset types, issuer creditworthiness, residual maturity, price sensitivity, optionality, expected liquidity in stressed period, impact from foreign exchange, and correlation between securities accepted as collateral and the securities involved in the transactions;

(E) Diversification – collateral must be appropriately diversified so as 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;

(F) 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 FDIs, or the counterparty of securities financing transactions or any of their related entities should not be used as collateral;

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

(H) Independent custody – collateral must be held by the Custodian of the relevant Sub-Fund;

(I) 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;

(J) 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:

(1) the portfolio of assets from re-investment of cash collateral shall comply with the requirements as set out in Chapters 8.2(f) and 8.2(n) of the UT Code;

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

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

(K) Collateral should be free of prior encumbrances; and

(L) 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) securitised products; or (iv) unlisted collective investment schemes.

Subject to the requirements above, below is a summary of the collateral policy and criteria adopted by the Manager:

(A) eligible collateral include cash, cash equivalents, government bonds, supranational bonds, corporate bonds, stocks, funds and money market instruments. For a debt security which itself does not have a credit rating, the Manager will assess the debt security by reference to the credit rating of the issuer or the guarantor;

(B) the issuer of collateral must be of high quality, with an investment grade rating. Securities rated with a non-investment grade credit rating is not eligible for collateral purpose. There is no criteria for country of origin of the counterparty;

(C) no maturity constraints will apply to the collateral received;

(D) regular stress tests are carried out under normal and exceptional liquidity conditions to enable an adequate assessment of the liquidity risks attached to the collateral;

(E) the haircut policy takes account of market volatility, the foreign exchange volatility between collateral asset and underlying agreement, liquidity and credit risk of the collateral assets, and the counterparty’s credit risk (for each eligible security type). Haircuts shall be set to cover the maximum expected decline in the market price of the collateral asset (over a conservative liquidation horizon) before a transaction can be closed out. Cash collateral will not be subject to haircut;

(F) the collateral would be sufficiently diversified in terms of country, markets and issuers with a maximum exposure to a given issuer;

(G) the collateral received would be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty;

(H) collateral must be readily enforceable by the Custodian and may be subject to netting or setoff; and

(I) except in relation to borrowing, cash collateral will generally not be used for reinvestment purposes unless otherwise determined by the Manager and notified to investors.

A description of holdings of collateral (if any) (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.

## 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 of a Sub-Fund reaches a maximum amount for aggregate subscriptions (as specified in the relevant Appendix, if any), the Directors are entitled (but not obliged) to close the Sub-Fund for further subscriptions before the close of the relevant Initial Offer Period.

The Directors may decide not to issue any Shares in the event that less than a minimum amount for aggregate subscriptions in respect of a Sub-Fund or any Class of Shares (as specified in the relevant Appendix, if any) is raised during the relevant Initial Offer Period or if the Directors are of the opinion that it is not commercially viable to proceed. In such circumstances, all subscription monies paid by an applicant will be returned by telegraphic transfer or such other means as the Directors consider appropriate at the applicant's risk (without interest and after deduction of any expenses incurred by the Company, the relevant Sub-Fund, the Manager or the Custodian in returning all or any part of such subscription monies) promptly after the close of the relevant Initial Offer Period.

Shares will be issued on the Business Day following the close of the relevant Initial Offer Period or such other Business Day as the Directors may determine. Unless otherwise specified in the relevant Appendix, dealing of the Shares will commence on the Dealing Day immediately following the close of the relevant Initial Offer Period.

Monies received from applicants during the Initial Offer Period will not be invested until after the close of the Initial Offer Period. Interest earned, if any, on these monies will accrue for the benefit of the relevant Sub-Fund.

### 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. Shares will be issued on the Dealing Day on which an application was received by the Dealing Deadline.

Unless otherwise specified in the relevant Appendix, the Subscription Price on any Dealing Day will be the price per Share of the relevant Class ascertained by dividing the Net Asset Value of such 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, and below 0.00005 being rounded down) or such other rounding as the Directors may determine. Any rounding adjustment will be retained by the relevant Class. The Subscription Price will be calculated in the Base Currency of the relevant Sub-Fund and quoted in the Class Currency.

A subscription fee may be payable on the allotment of any Share, which may be, either generally or in any particular case, different as to the amount in respect of different Classes of Shares, different between applicants as to the amount of the subscription fee to be levied, and/or different as to the discount allowed to a person (on such basis or on such scale as the authorised distributors may, acting in good faith, think fit). The subscription fee levied on the issue of any Share shall be payable in addition to the Subscription Price in respect of such Share, meaning that any subscription fee will be deducted from an applicant's subscription proceeds. Currently, the Manager is not retaining the subscription fee, and any subscription fee shall be retained by or paid to the relevant authorised distributors. Details of the subscription fee are set out in the section headed "EXPENSES AND CHARGES" below.

The Directors may require an applicant for Shares to pay, in addition to the Subscription Price or the subscription proceeds and any subscription fee, an additional amount which they consider represents an appropriate provision for extraordinary transactional fees or expenses, including stamp duty, other taxes, brokerage, bank charges, transfer fees and registration fees, which are likely to be incurred by the relevant Sub-Fund in investing a sum equal to the subscription monies and issuing the relevant Shares or the remittance of money to the Custodian. Any such additional amount will be retained by the Company and will form part of the assets of the relevant Sub-Fund.

**Application procedure**

To subscribe for Shares, an applicant should complete the subscription form supplied with this Explanatory Memorandum, which may be obtained from the Manager, and send the subscription form, together with the required supporting documents, to the Registrar.

Unless otherwise specified in the relevant Appendix, applications for Shares during the relevant Initial Offer Period must be received by no later than 4:00 p.m. (Hong Kong time) on the last day of the relevant Initial Offer Period. After the close of 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 next Dealing Day following such receipt or such other day as the Directors may in its absolute discretion determine.

Applications for subscription may be sent via fax or other electronic means accepted by the Directors and the Registrar. The original of any subscription form is not required to be submitted. Applicants who choose to send an subscription form by fax or other electronic means accepted by the Directors and the Registrar bear the risk of the form being illegible, mis-delivered or not being received by the Registrar. Applicants should therefore, for their own benefit, confirm with the Registrar safe receipt of an subscription form. None of the Company, the relevant Sub-Fund, the Directors, the Registrar, the Custodian, the Manager or their respective delegates or agents will be responsible to an applicant for any loss arising as a result of the non-receipt or illegibility of such transmission or any loss caused in respect of any action taken as a consequence of instructions believed in good faith to have originated from the applicant. This is notwithstanding the fact that a transmission report produced by the originator of such transmission discloses that such transmission was sent.

Each applicant whose application is accepted will be sent a contract note by the Registrar 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 Registrar 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 Registrar 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.

**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 SFO.**

The Directors 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 by the Company, the relevant Sub-Fund, the Manager or the Custodian 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 the section headed "Suspension of determination of Net Asset Value" below).

**Payment procedure**

Subscription monies should be paid in the Class Currency in which the relevant Class of Shares is denominated. Payment details are set out in the subscription form. The applicant is responsible for providing the evidence of its source of subscription monies.

All subscription monies must originate from an account held in the name of the applicant. Subscription monies paid by any person other than the applicant will not be accepted.

Unless otherwise determined by the Directors or specified in the relevant Appendix, payment for Shares shall be due in cleared funds in the relevant currency within one (1) Business Day following the relevant Dealing Day on which an application was received by the Dealing Deadline. As Shares will be issued on the Dealing Day on which an application was received by the Dealing Deadline, if payment in full in cleared funds is not received by such time as aforesaid, the Directors may cancel the relevant Shares issued prior to receipt of the payment. Upon such cancellation, the relevant Shares are deemed never to have been issued and the applicant has no right to claim against the Company in respect of any loss, damages, liability, costs or expenses the applicant incurs as a result of such cancellation. The Company may charge the applicant (and retain for the account of the relevant Sub-Fund) a cancellation fee of such amount as the Directors may from time to time determine to represent the administrative costs involved in processing the application for such Shares from such applicant. The Manager may require the applicant to pay, for the account of the relevant Sub-Fund, in respect of each Share so cancelled, the amount (if any) by which the Subscription Price of each such Share exceeds the Redemption Price which would have applied in relation to each cancelled Share on the date on which the Share is cancelled.

Unless the Manager and the Registrar agree to accept payment in another currency or by another method, payment must be made in the Class Currency of the Shares by telegraphic transfer to the account specified in the subscription form. Subscription monies other than in the relevant Class Currency will be converted into the relevant Class Currency (or the Base Currency of the relevant Sub-Fund) and any bank charges and remittance fees will be deducted from the subscription monies before investment in Shares. The currency conversion into the relevant Class Currency (or Base Currency, as the case may be) shall be effected by the Registrar or the Administrator on the instruction of the Manager at the applicant's risk at market rates and expenses. None of the Company, the relevant Sub-Fund, the Manager, the Registrar or the Administrator will be liable to any Shareholder for any loss suffered by such Shareholder arising from such currency conversion.

**Suspension of allotment or issue of Shares**

No Share of a Class shall be allotted or issued during any period when determination of the Net Asset Value of the Company or the relevant Sub-Fund is suspended (please refer to the section headed "Suspension of determination of Net Asset Value" below for details), or when the Directors have suspended the issuance of Shares of the relevant Class. The Directors may, in consultation with the Custodian, suspend the allotment or issue of Shares of any Class 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 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 Directors, reasonably, promptly or fairly be ascertained;

(C) when circumstances exist as a result of which in the opinion of the Directors 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 Directors, be carried out promptly at normal rates of exchange;

(E) during 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 Directors reasonably or fairly be ascertained or cannot be ascertained in a prompt or accurate manner;

(F) when in the opinion of the Directors 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, the Registrar or their delegates in respect of the Company or a Sub-Fund 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, epidemics, pandemics, public health emergencies, 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.

Any suspension in respect of the allotment or issue of Shares of a Class shall take effect at such time as the Directors shall declare but not later than the close of business on the next Business Day following the declaration and provided that suspension should be declared before issuance of any contract note for the relevant Dealing Day. There shall be no allotment or issue of Shares of the relevant Class until the Directors shall declare the suspension at an end, except that such suspension shall terminate in any event on the first (1st) Business Day on which: (i) the condition giving rise to the suspension shall have ceased to exist; and (ii) no other condition under which suspension is authorised shall exist.

**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 and rounded down to 4 decimal places or such other number of decimal places (if any) as specified in the relevant Appendix. Subscription monies representing smaller fractions of a Share will be retained by the Company for the benefit of the relevant Sub-Fund. A maximum of two (2) persons may be registered as joint Shareholders.

# REDEMPTION OF SHARES

## Redemption procedure

Shareholders who wish to redeem their Shares in the relevant Sub-Fund may do so on any Dealing Day by submitting a redemption request, the prescribed form of which may be obtained from the Manager, to the Registrar.

Any redemption request must be received by the Registrar 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. A redemption request received after the applicable Dealing Deadline in respect of any Dealing Day will be treated as a request for the redemption of the relevant Shares on the next Dealing Day following such receipt or such other day as the Directors may in its absolute discretion determine.

Redemption requests may be sent via fax or other electronic means accepted by the Directors and the Registrar. The original of any redemption request is not required to be submitted. Shareholders who choose to send the redemption request by fax or other electronic means accepted by the Directors and the Registrar bear the risk of the request being illegible or not being received by the Registrar. Shareholders should therefore, for their own benefit, confirm with the Registrar safe receipt of a redemption request. None of the Company, the relevant Sub-Fund, the Directors, the Registrar, the Custodian, the Manager or their respective delegates or agents will be responsible to a Shareholder for any loss howsoever arising as a result of the non-receipt, mis-delivery or illegibility of such transmission or 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.

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 amount of Shares of the relevant Class specified in the relevant Appendix (if any). In the event that, for whatever reason, a Shareholder's holding of Shares is less than such minimum holding amount, the Directors 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 of the relevant Class ascertained by dividing the Net Asset Value of such 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, and below 0.00005 being rounded down) or such other rounding as the Directors may determine. Any rounding adjustment will be retained by the relevant Class. The Redemption Price will be calculated in the Base Currency of the relevant Sub-Fund and quoted in the Class Currency.

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 Directors may, either generally or in any particular case, differentiate as to the amount of the redemption fee to be levied in respect of different Classes of Shares and/or allow to persons a discount to the redemption fee on such basis or on such scale as the Directors may, acting in good faith, think fit. The redemption fee shall be retained by or paid to the Manager for its own absolute use and benefit.

The Directors may, at their discretion, deduct from the redemption proceeds an additional amount which they consider represents an appropriate provision for extraordinary transactional fees or expenses, including stamp duty, other taxes, brokerage, bank charges, transfer fees and registration fees, which are likely to be incurred in selling the investments constituting the relevant Sub-Fund or the remittance of money to the Custodian. Any such additional amount will be retained by the Company and will form part of the assets of the relevant Sub-Fund.

The amount due to a Shareholder on the redemption of a Share will be the Redemption Price, less any redemption fee and any additional amount referred to in the foregoing paragraph.

Redemption proceeds will not be paid to any redeeming Shareholder until (a) the redemption request duly signed by the Shareholder and such other documents and information as may be requested from the Shareholder have been received by the Registrar; and (b) the signature of the Shareholder (or each joint Shareholder) has been verified to the satisfaction of the Company, the Registrar or their duly authorised agents. In accordance with the relevant 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 Company, the relevant Sub-Fund, the Directors, the Registrar, the Custodian the Manager or their respective delegates or agents accept any responsibility for any loss caused as a result of any such delay or refusal in processing redemption requests or effecting 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 relevant Class Currency by telegraphic transfer as soon as reasonably practicable but in any event within one (1) calendar month of the relevant Dealing Day or (if later) receipt of a duly completed redemption request and such other documents and information as may be requested from the Shareholder, unless the market(s) 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 extended time frame for payment should reflect the additional time needed in light of the specific circumstances in the relevant market(s). Any bank charges associated with the payment of such redemption proceeds will be borne by the redeeming Shareholder and deducted from the redemption proceeds.

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 Directors. However, the Directors 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.

**Suspension of redemption of Shares**

A Shareholder's right to redeem Shares shall be suspended during any period when determination of the Net Asset Value of the Company or the relevant Sub-Fund or the relevant Class is suspended (please refer to the section headed "Suspension of determination of Net Asset Value" below for details) or when the Directors have determined to suspend the redemption of the relevant Class of Shares.

The Directors may, in consultation with the Custodian, suspend the right of Shareholders to redeem 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 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 Directors, reasonably, promptly or fairly be ascertained;

(C) when circumstances exist as a result of which in the opinion of the Directors 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 Directors, be carried out promptly at normal rates of exchange;

(E) during 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 Directors reasonably or fairly be ascertained or cannot be ascertained in a prompt or accurate manner;

(F) when in the opinion of the Directors 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, the Registrar or their delegates in respect of the Company or a Sub-Fund 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, epidemics, pandemics, public health emergencies, 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.

Any suspension in respect of redemption of Shares of a Class shall take effect at such time as the Directors shall declare but not later than the close of business on the next Business Day following the declaration and provided that suspension should be declared before issuance of any contract note for the relevant Dealing Day. There shall be no redemption of Shares of the relevant Class until the Directors shall declare the suspension at an end, except that such suspension shall terminate in any event on the first (1st) Business Day on which: (i) the condition giving rise to the suspension shall have ceased to exist; and (ii) no other condition under which suspension is authorised shall exist.

**Deferred 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 total number of Shares of a Sub-Fund which Shareholders are entitled to redeem on any Dealing Day to 10% of the total Net Asset Value of the Shares of the relevant Sub-Fund or, subject to the acceptance of the SFC, such other percentage as the Directors may determine either generally or in respect of any particular Dealing Day, of the total Net Asset Value of Shares of the relevant Class in issue on such Dealing Day. In this event, the limitation will be applied pro rata to all Shareholders seeking to redeem Shares on the relevant Dealing Day. Shares that are not redeemed but which would otherwise have been redeemed will be redeemed on the next succeeding Dealing Day for such Shares (subject to any further deferral on any subsequent Dealing Day) in priority to any other Shares in the relevant Sub-Fund for which redemption requests have been received. If requests for redemption are so carried forward, the Manager will give notice to the affected Shareholders.

**Compulsory redemption**

If the Directors reasonably suspect that any Shares are acquired or held directly, indirectly or beneficially by any person or persons (i) who is an Ineligible Investor; (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 or the Custodian to be relevant) which, in the opinion of the Directors or the Custodian, might result in the Company, the Manager, the Custodian, any sub-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 Company, the Manager, the Custodian, any sub-custodian or the relevant Sub-Fund to any additional regulation which the Company, the Manager, the Custodian, any sub-custodian or the relevant Sub-Fund might not otherwise have incurred or suffered or to which the Company, the Manager, the Custodian, the sub-custodian or the relevant Sub-Fund might not otherwise have been subject; or (iii) in breach of any applicable law or applicable requirements of any country / region or governmental authority, the Directors may, acting in good faith and in compliance with any applicable laws and regulations, 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 within thirty (30) days of the date of the notice or take such other actions as they reasonably believe are required by the Laws and Regulations. If any Shareholder upon whom such a notice is served pursuant to the Instrument does not, within thirty (30) days of the date of such notice, transfer such Shares as aforesaid or establish to the reasonable satisfaction of the Directors (whose judgment shall be final and binding) that such Shares are not held in contravention of any such restrictions, he shall be deemed to have given a redemption request in respect of the relevant Shares on the expiry of the notice.

## SWITCHING

The Directors 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 (the "**New Class**"), as specified in the relevant Appendix. Where permitted, Shareholders may request switching by giving notice in writing in the prescribed form (which may be obtained from the Manager) to the Registrar.

Switching requests may be sent via fax or other electronic means accepted by the Directors and the Registrar. The original of any switching request is not required to be submitted. A Shareholder who chooses to send the switching request by fax or other electronic means accepted by the Directors and the Registrar bears the risk of the request being illegible or not being received by the Registrar. Shareholders should therefore, for their own benefit, confirm with the Registrar safe receipt of a switching request. None of the Company, the relevant Sub-Fund, the Directors, the Registrar, the Custodian, the Manager or their respective delegates or agents shall be responsible to any Shareholder for any loss arising as a result of the non-receipt or illegibility of such transmission or 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 Directors, a switching 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 amount specified for the New Class (if any).

A switching fee may be payable in respect of each Share of the Existing Class converted or each share of the New Class subscribed as described in the section headed "EXPENSES AND CHARGES" below, which may be, either generally or in any particular case, different as to the amount in respect of different Classes of Shares, and/or as to discount allowed to a person (on such basis or on such scale as the authorised distributors may, acting in good faith, think fit). Currently, the Manager is not retaining the switching fee, and any switching fee shall be retained by or paid to the relevant authorised distributors.

Any switching request must be received by the Registrar prior to the Dealing Deadline applicable to the Existing Class and the Dealing Deadline applicable to the New Class. Where a request for switching is received by the Registrar in respect of a Dealing Day, switching will be effected as follows:

(A) 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**");

(B) where the Existing Class and the New Class have different Class Currencies, the redemption proceeds of Shares of the Existing Class, after deduction of any switching fee (where applicable), shall be converted into the Class Currency of the New Class; and

(C) the resulting amount will be used to subscribe for Shares of the New Class at the relevant Subscription Price on the Dealing Day in respect of the New Class (the "**Switching Subscription Day**").

The Switching Subscription Day shall be the same day as the Switching Redemption Day (and in the case where the relevant Dealing Day of the Existing Class is not a Dealing Day in respect of the New Class, the Switching Redemption Day will be the following Dealing Day that is a Dealing Day of the New Class).

The Directors 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 the section headed “Suspension of determination of Net Asset Value” below). Shares will not be switched when the Directors have determined that subscriptions for Shares of the New Class or redemptions of Shares of the Existing Class are closed.

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) the value of any investments (other than a commodity, futures contract or an interest in a collective investment scheme) quoted, listed, traded or dealt in on any Securities Market will be valued by reference to the price appearing to the Manager to be the last traded price or the "exchange close" price as calculated and published by the relevant exchange of that market in accordance with its local rules and customs, provided that:

(1) if an investment is quoted, listed, traded or dealt in on more than one such market, the Manager shall adopt the last traded price or the exchange close price as published by the market in accordance with its local rules and customs which, in the opinion of the Manager in consultation with the Custodian, 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;

(2) 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;

(3) interest accrued on any interest-bearing investments shall be taken into account, unless such interest is included in the quoted or listed price; and

(4) 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 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 expenses incurred in the acquisition thereof and the vesting thereof in the Custodian).

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:

(1) if a commodity is dealt in on any recognised commodities market, then the Manager shall have regard 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;

(2) if any such price as referred to in (1) is not, in the opinion of the Manager, reasonably up-to-date or is not ascertainable at any relevant time, then the Manager shall have regard to any certificate as to the value of such commodity provided by a firm or institution making a market in such commodity;

(3) the value of any futures contract (the "**relevant Contract**"), to the extent that it is not determined in accordance with (1) or (2), shall be valued:

(a) 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

(b) 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

(4) if the provisions of (1) and (2) 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 other interest in any collective investment scheme which is valued as at the same day as the relevant 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, or if such collective investment scheme is not valued as at the same day as the relevant Sub-Fund, shall be the last published net asset value per unit, share or other interest in such collective investment scheme (where available) or (if the same is not available) the last published bid price for such a unit, share or other interest, 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 cash, deposits and/or investments 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 (whether of a liability or an investment or cash) and any borrowing in a currency other than the Base Currency of the Sub-Fund or the Class Currency of the relevant Class will be converted into the Base Currency of the relevant Sub-Fund or the Class Currency 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 consider 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 determination 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 issue 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 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 Directors, reasonably, promptly or fairly be ascertained;

(C) when circumstances exist as a result of which in the opinion of the Directors 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 Directors, be carried out promptly at normal rates of exchange;

(E) during 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 Directors reasonably or fairly be ascertained or cannot be ascertained in a prompt or accurate manner;

(F) when in the opinion of the Directors 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 or a Sub-Fund 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, epidemics, pandemics, public health emergencies, 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:

(i) 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

(ii) 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 Directors shall declare but not later than the close of business on the next Business Day following the declaration and provided that suspension should be declared before issuance of any contract note for the relevant Dealing Day, 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 allotment or issue of Shares of the relevant Class and/or redemption of Shares of the relevant Class by Shareholders (as the case may be) until the Directors shall declare the suspension at an end, except that such suspension shall terminate in any event on the first ($1^{st}$) Business Day on which:

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

(ii) no other condition under which suspension is authorised shall exist.

Each declaration of suspension by the Directors shall be consistent with the Laws and Regulations. Whenever the Directors 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 at https://www.kgi.com.hk/en/asset-management (this website has not been reviewed by the SFC) that such declaration has been made.

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

**Publication of Net Asset Value**

The Net Asset Value per Share of each Sub-Fund will be published on each Dealing Day on the Manager's website at https://www.kgi.com.hk/en/asset-management (this website has not been reviewed by the SFC), unless otherwise specified in the relevant Appendix.

## 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, a subscription fee of up to a maximum of 5% of the Subscription Price may be payable on the issue of Shares of any Sub-Fund, and the current rates of subscription fee in respect of a Sub-Fund are described in the relevant Appendix for the relevant Sub-Fund. Currently, the Manager is not retaining the subscription fee, and any subscription fee shall be retained by or paid to the relevant authorised distributors.

The subscription fee is payable in addition to the Subscription Price per Share, meaning that any subscription fee will be deducted from an applicant's subscription proceeds. The authorised distributors may 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, a redemption fee of up to a maximum of 5% of the Redemption Price may be payable on the redemption of Shares of any Sub-Fund, and the current rates of redemption fee in respect of a Sub-Fund are described in the relevant Appendix for the relevant Sub-Fund.

The redemption fee is deducted from the redemption proceeds payable to a Shareholder in respect of the redemption of Shares. The Directors may 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, a switching fee of up to a maximum of 5% of the Redemption Price payable in respect of the Shares of the Existing Class being switched or the Subscription Price payable in respect of the Shares of the New Class subscribed may be payable on the switching of Shares, and the current rates of switching fee in respect of a Sub-Fund are described in the relevant Appendix for the relevant Sub-Fund. Currently, the Manager is not retaining the switching fee, and any switching fee shall be retained by or paid to the relevant authorised distributors.

The switching fee is deducted from the amount realised from redemption of the Existing Class and reinvested in the New Class. The authorised distributors may 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 at least one (1) month's notice (or such period of notice as the SFC may require) to the affected Shareholders; and (ii) beyond this maximum level, will be subject to approval by way of a Special Resolution. The management fee will be accrued as at each Valuation Day and will be payable quarterly in arrears out of each Sub-Fund as a percentage of the Net Asset Value of the relevant Sub-Fund as at each Valuation Day at the rates set out in the relevant Appendix.

The Manager may share any fees, charges or amounts it receives in its capacity as manager of the Sub-Funds with any persons who distribute or otherwise procure subscriptions to the Sub-Fund. A distributor or intermediary may further re-allocate an amount of such fees, charges or amounts to its sub-distributor(s).

Performance fee

The Manager may also charge a performance fee in respect of any Sub-Fund. Details of any performance fee, if any, will be 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 increase in the custodian fee in respect of a Sub-Fund (i) up to the above maximum level, will only be implemented after giving at least one (1) 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 way of a Special Resolution. The custodian fee will be accrued as at each Valuation Day and will be payable monthly in arrears out of each Sub-Fund as a percentage of the Net Asset Value of the relevant Sub-Fund as at each Valuation Day at the rates set out in the Appendix.

The Custodian is also entitled to receive various transaction, custodial, and other applicable fees which will be reimbursed out of the assets of the relevant Sub-Fund including all out-of-pocket expenses properly incurred by it in the performance of its duties.

The current custodian fee percentage in respect of each Sub-Fund is set out in the relevant Appendix.

Administrator and registrar fee

The Administrator and Registrar are entitled to receive valuation, various transaction and processing, and other applicable fees which will be reimbursed out of the assets of the relevant Sub-Fund including all out-of-pocket expenses properly incurred by it in the performance of their duties.

The current administrator and registrar fee percentage in respect of each Sub-Fund is set out in the relevant Appendix.

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$100,000 per Director and, where payable, such remuneration shall be allocated fairly as between Sub-Funds by reference to their respective Net Asset Values.

The Directors currently do not intend to receive remuneration for their services. At least one (1) month's prior written notice will be provided to Shareholders if there is a change in such practice.

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 Directors 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 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 three Sub-Funds, being KGI Global Industry Elite Fund, KGI Global Credit Income Fund and KGI Diversified Growth Income Fund, are estimated to be approximately USD200,000 and will be borne by the Manager.

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 a period of five (5) calendar years from the close of the Initial Offer Period of the relevant Sub-Fund or such period as the Directors may determine after consultation with the auditors and/or the Custodian, 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 Directors have considered the impact of such non-compliance and have 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 Directors 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) and any of their respective Connected Persons receive 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 their respective Connected Persons 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, the investment delegate (if any) and/or any of their respective 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 (the "**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 advisors 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' investment may concentrate 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.

### Borrowing risk

The Company 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 Company will be able to borrow on favourable terms, or that the Company's indebtedness will be accessible or be able to be refinanced at any time.

### Eurozone risk

In light of ongoing concerns on the sovereign debt risk of certain countries within the Eurozone, a 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 the European Union members from the Eurozone, may have a negative impact on the value of the Sub-Fund.

Emerging market risk

Certain countries in which a Sub-Fund may invest are considered as emerging markets (including Mainland China). Investments in emerging markets will be sensitive to any change in political, social or economic development in the region. Many emerging markets have historically been subject to political instability which may affect the value of securities in emerging markets to a significant extent. As emerging markets tend to be more volatile than developed markets, any holdings in emerging markets are exposed to higher levels of risk such as liquidity risk, currency risk, political risk, regulatory risk, legal and taxation risks, economic risk, market risk, custody risk and settlement risk.

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

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

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

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.

Volatility risk

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

Currency hedging risk

Where a Sub-Fund has Classes of Shares hedged to a currency other than the Base Currency of the relevant Sub-Fund (each a "**Currency Hedged Class**"), the relevant Sub-Fund is also subject to currency hedging risk. Please also refer to the risk factor "Hedging risk" under this section.

Where the Sub-Fund enters into hedging transactions, the costs of the hedging transactions will be reflected in the Net Asset Value of the Currency Hedged Class and therefore, an investor of such Currency Hedged Class will have to bear the associated hedging costs, which may be significant depending on prevailing market conditions.

If the counterparties of the instruments used for hedging purpose default, investors of the Currency Hedged Class may be exposed to currency exchange risk on an unhedged basis and may therefore suffer further losses.

While hedging strategies may protect investors in the Currency Hedged Class against a decrease in the value of the Sub-Fund's Base Currency relative to the Class Currency of the Currency Hedged Class of Shares, it may also preclude investors from benefiting from an increase in the value of the Sub-Fund's Base Currency.

Exchange rate risk

Assets of certain Sub-Funds may be denominated in currencies other than the relevant Base Currency 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.

Investments in such assets will be subject to the systemic and systematic risks connected with changes in exchange rates. Changes in exchange rates may result over time from the interaction of many factors that directly or indirectly affect economic and political conditions in the geographic region or market in which the Sub-Fund invests. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

Restricted markets risk

Certain Sub-Funds may invest in securities in jurisdictions (including 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 the 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 Directors may suspend the determination 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 determination of Net Asset Value" for further information in this regard.

Early termination risk

Under the Instrument, a Sub-Fund may be terminated by the Directors in certain conditions and in the manner as described in "Termination (otherwise than by winding up)" in the section headed "GENERAL". 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. Moreover, any organisational expenses (such as establishment costs) with regard to the relevant Sub-Fund that had not yet been fully amortised might be debited against the Sub-Fund's assets at that time.

Risks associated with distribution out of/effectively out of a Sub-Fund's capital

Where a Sub-Fund has Distributing Classes (as defined below), distributions may be made in respect of the Distributing Classes. However, there is no guarantee that such distributions will be made nor will there be a target level of distributions payout. A high distribution yield does not imply a positive or high return.

Subject to the disclosure in the relevant Appendix, distributions may be paid out of the capital of a Sub-Fund or out of gross income while charging all or part of a Sub-Fund's fees and expenses to 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 distributions out of capital. The Manager may distribute out of the capital of a Sub-Fund if the net distributable income attributable to the relevant Distributing Class (as defined below) during the relevant period is insufficient to pay distributions as declared. **Investors should note that the payment of distributions out of capital or effectively out of capital represents a return or a withdrawal of part of the amount they originally invested or capital gain attributable to that amount.**

**Distributions will result in an immediate decrease in the Net Asset Value of the relevant Shares**.

Where a Sub-Fund has Distributing Classes which are Currency Hedged Classes, the distribution amount and Net Asset Value of the Currency Hedged Class may be adversely affected by differences in the interest rates of the Class Currency of the Currency Hedged Classes and the relevant Sub-Fund's Base Currency, resulting in an increase in the amount of distribution that is paid out of capital and hence a greater erosion of capital than other non-hedged Classes of Shares.

Where a Sub-Fund has Accumulating Classes (as defined below), the Manager does not intend to pay distributions for such Accumulating Classes. Accordingly, an investment in the Accumulating Classes may not be suitable for investors seeking income returns for financial or tax planning purposes.

<u>Cross Class liability risk</u>

The Instrument allows the Company 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.

<u>Cross Sub-Fund liability risk</u>

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.

<u>Creation of Sub-Funds or new Classes of Shares risk</u>

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

<u>Valuation and accounting risk</u>

Investors should note that, under IFRS, establishment costs should be expensed as incurred. However for the purpose of determining the Net Asset Value for subscription and redemption purposes, to the extent that establishment costs are borne by a Sub-Fund, the establishment costs are to be amortised over a period of five (5) calendar years (or such other period as determined by the Directors after consultation with the auditors and/or the Custodian of the relevant Sub-Fund), which may lead to a different valuation had the accounting been in accordance with IFRS. The Directors have considered the impact of such non-compliance and does not expect this issue to affect the results and the determination of Net Asset Value of the Sub-Fund(s) materially. To the extent that the valuation or accounting basis adopted by any Sub-Fund deviates from IFRS, the

Directors may make necessary adjustments in the annual financial statements to comply with IFRS. Any such adjustments will be disclosed in the annual financial accounts, including a reconciliation.

Settlement risk

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

Custodial risk

Cash held with the Custodian or a sub-custodian (where appointed) may not be recoverable in case of liquidation, bankruptcy or insolvency of the Custodian and the sub-custodian.

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

Conflicts of interest; other activities of the Manager risk

Various potential and actual conflicts of interest may arise from the overall investment activities of the Manager and its Connected Persons for their own accounts and the accounts of others. The Manager and its Connected Persons may invest for their own accounts and for the accounts of clients in various instruments that have interests different from or adverse to the instruments that are owned by the relevant Sub-Fund. For more information, please refer to the sub-section headed "Conflicts of interest" under the heading "GENERAL".

Effect of substantial redemptions risk

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

Risk relating to an indemnification of the Directors and the Company's service providers

The Directors, the Manager, the Administrator, the Custodian, the Registrar, the Auditor and other service providers of the Company, and their respective affiliates, are entitled to be indemnified in certain circumstances. As a result, there is a risk that the Company's assets will be used to indemnify such persons, companies or their employees or to satisfy their liabilities as a result of their activities in relation to the Company.

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 relating to small- and mid-capitalisation companies

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

Risk of investing in IPO securities

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

Risks of investing in depositary receipts

A Sub-Fund may invest in depository receipts such as American Depositary Receipts and Global Depositary Receipts, and such exposure may generate additional risks compared to a direct exposure to the corresponding underlying stocks, in particular, the risk of non-segregation under applicable law of the depository bank who holds the underlying stock as collateral and its own assets. Depository receipts are instruments that represent shares in companies trading outside the markets in which the depository receipts are traded. Accordingly there is a risk that the underlying shares may be subject to political, inflationary, exchange rate or custody risks. Although segregation is an integral part of the depository agreement regulating the issuance of the depository receipts, there could be a risk that underlying shares would not be attributed to holders of depository receipts in case of bankruptcy of the depository bank. In such case, the likeliest scenario would be the trading suspension and thereafter a freeze of the price of the depository receipts impacted by such bankruptcy event. Bankruptcy events in respect of the depository banks issuing the depository receipts may negatively affect the performance and/or the liquidity of the Sub-Fund.

There are fees related to depository receipts, for example fees charged by banks for the custody of depository receipts, which may impact the performance of the depository receipts. Also, holders of depository receipts are not direct shareholders of the underlying company and generally do not have voting and other shareholder rights as shareholders do. The Sub-Fund may also be subject to liquidity risk as depository receipts are often less liquid than the corresponding underlying stocks.

Risks associated with preference shares

A Sub-Fund may invest in preference shares. Preference shareholders do not have the same ownership rights in a company as common shareholders and typically do not hold any voting rights. The lack of voting rights means the company is not beholden to preferred shareholders the way it is to common shareholders. Although preference shares have a fixed dividend that must be paid before any dividends can be paid to common shareholders, such fixed dividend may become less of a bargain to the Sub-Fund when interest rates rise. Also, even when the earnings of the relevant company are high, a Sub-Fund’s investment in preference shares may not give the relevant Sub-Fund additional return due to the fixed dividend. The value of a Sub-Fund investing in preference shares may therefore be adversely affected.

In certain circumstances, preference shares may be redeemed by their issuer prior to a specified date. Such redemption by the issuer may negatively impact the return of the preference shares held by the Sub-Fund.

Preference shares are subject to greater credit risk than bonds and other debt instruments for reasons that preference shares are subordinated to bonds or other debt instruments in terms of priority to corporate income and payments in the event of liquidation. Also, preference shares may be subject to a higher liquidity risk than other securities such as common shares for reason of their features of limited ownership right and fixed return.

Risks associated with Stock Connect

If a Sub-Fund invests through the Stock Connect, it may be subject to the following risks.

- *Quota limitations*

  The Stock Connect is subject to quota limitations. In particular, once the remaining balance of the Northbound Daily Quota drops to zero or the Northbound Daily Quota is exceeded during the opening call session, new buy orders will be suspended or 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 relevant Sub-Fund’s ability to invest in A-Shares or access the Mainland China market through the Stock Connect will be adversely affected.

- *Differences in trading day*

  Stock Connects will only operate on days when both the Mainland China and Hong Kong markets are open for trading. So it is possible that there are occasions when it is a normal trading day for the Mainland China market but Hong Kong investors (such as the relevant

Sub-Fund) cannot carry out any A-Shares trading. The relevant Sub-Fund may be subject to a risk of price fluctuations in A-Shares during the time when Stock Connect is not trading as a result.

- *Operational risk*

  The Stock Connect provides a new channel for investors from Hong Kong and overseas to access the Mainland 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 investment portfolio or strategies of the Sub-Fund, for example, when the Manager wishes to purchase a stock which is recalled from the scope of eligible stocks.

- *Clearing and settlement risk*

  The Hong Kong Securities Clearing Company Limited (the "**HKSCC**") and the China Securities Depository and Clearing Co., Ltd. (the "**CSDCC**") have established clearing links and each has 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, the 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. The 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 will be subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in Mainland China 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.

- *Limited 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 SSE or the SZSE 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 China 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.

Risks relating to investment in ETFs

A Sub-Fund may invest in ETFs which are subject to the following risks:

- *Passive investment risks*

  The ETFs that the Sub-Fund invests in may not be "actively managed" and the manager of the relevant ETF does not attempt to select securities individually or to take defensive positions in declining markets. Consequently, falls in the underlying index of the ETF are expected to result in a corresponding fall in the value of the Sub-Fund.

- *Tracking error risks*

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

- *Underlying index related risks*

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

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

- *Trading risks*

  The trading prices of units/shares in an ETF on the SEHK or any other securities exchange may differ significantly from the net asset value of the units/shares of such ETF due to, disruptions to creations and redemptions (for example, as a result of imposition of capital controls by a foreign government) and supply and demand forces in the secondary trading market for unit/shares in the ETF.

There can be no assurance that an active trading market will exist or maintain for units/shares of an ETF on any securities exchange on which units/shares of an ETF may trade. The units/shares of the ETFs in which the Sub-Fund invests may be traded at large discounts or premiums to their net asset value, which may in turn affect the Net Asset Value of the Sub-Fund. A Sub-Fund will pay certain charges (e.g. trading fees and brokerage fees) to buy or sell units/shares on the SEHK or any other securities exchange, the Sub-Fund may pay more than the net asset value per unit/share when buying units/shares on the SEHK or other securities exchange, and may receive less than the net asset value per unit/share when selling units/shares on the SEHK or other securities exchange.

- *Regulatory policies risks*

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

- *Trading differences risks*

  As the relevant stock exchanges may be open when units/shares in the ETF that a Sub-Fund invests in are not priced, the value of the securities in the ETF's portfolio may change on days when the relevant Sub-Fund will not be able to purchase or sell the ETF's units/shares. Differences in trading hours between relevant stock exchanges and the SEHK may also increase the level of premium or discount of the unit/share price to its net asset value.

  A-shares are subject to trading bands which restrict increase and decrease in the trading price. Units/shares listed on the SEHK are not. This difference may also increase the level of premium or discount of the unit/share price to its net asset value.

- *Termination risks*

  The ETF that a Sub-Fund invests in may be terminated early under certain circumstances, for example, where the underlying index is no longer available for benchmarking or if the size of the ETF falls below a pre-determined net asset value threshold as set out in the constitutive documents and offering documents of the ETF. The relevant Sub-Fund may not be able to recover its investments and suffer a loss when the ETF is terminated.

- *Underlying index related risks*

  There can be no assurance of exact or identical replication at any time of the performance of the underlying index of an ETF. Market disruptions and regulatory restrictions could have an adverse effect on the ETF's ability to adjust its exposure to the required levels in order to track the underlying index. Errors in index data may occur from time to time and may not be identified and corrected for a period of time, and may have an adverse impact on the ETF and the relevant Sub-Fund.

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

<u>Risk of investing in fixed income instruments (including money market instruments)</u>

A Sub-Fund which invests in fixed income instruments will be subject to the following risks.

- *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.

- *Credit ratings risk*

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

- *Credit rating agency risk*

  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 the Mainland Chinese rating agencies may therefore not be directly comparable with those given by other international rating agencies.

- *Risks of investing in below investment grade or unrated fixed income instruments*

  A Sub-Fund may invest in fixed income instruments which are rated below investment grade (in the case where the credit rating is designated/assigned by an internationally recognised credit rating agency or in the case where the credit rating is designated/assigned by a Mainland Chinese credit rating agency, an appropriate credit rating which fairly reflects the credit risk of the securities as below investment grade as determined by the Manager) or which are unrated. 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, greater fluctuation in value and greater risk of loss of principal and interest that high-rated fixed income instruments. 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*

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

- *Volatility and liquidity risk*

  The fixed income instruments in certain markets (e.g. Mainland China) may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of such fixed income instruments may be subject to fluctuations. The bid and offer spreads of the price of such fixed income instruments may be large and a 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 fixed income instruments 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.

- *Risks of investing in sovereign debt*

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

- *Risks of unlisted fixed income instruments*

  The fixed income instruments in which a Sub-Fund invests may not be listed on a stock exchange or a securities market where trading is conducted on a regular basis. Even if the fixed income instruments are listed, the market for such fixed income instruments may be inactive and the trading volume may be low. The bid and offer spreads of the price of such fixed income instruments may be large and the relevant Sub-Fund may incur significant trading costs. In the absence of an active secondary market, the relevant Sub-Fund may need to hold the fixed income instruments until their maturity date. If sizeable redemption requests are received, the relevant Sub-Fund may need to liquidate its investments at a substantial discount in order to satisfy such requests and the relevant Sub-Fund may suffer losses in trading such fixed income instruments.

- *Risks of investing in short-term fixed income instruments*

  A Sub-Fund may invest substantially in short-term fixed income instruments with short maturities, and 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.

- *Risks of fixed income instruments from Mainland China*

  Certain Sub-Funds may invest in fixed income instruments issued or distributed within Mainland China. The financial market of Mainland China 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 Mainland China 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 Mainland China. However, the quantity of RMB fixed income instruments issued or distributed outside Mainland China 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.

<u>Risks associated with bank deposits</u>

Bank deposits are subject to the credit risks of the relevant financial institutions. A 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 relevant Sub-Fund. Therefore, if the relevant financial institution defaults, the relevant Sub-Fund may suffer losses as a result.

<u>Risks of investing in convertible bonds</u>

A Sub-Fund which invests in convertible bonds will be subject to additional risks. A convertible bond is a hybrid between debt and equity, permitting holders to convert the bond into shares in the company issuing the bond at a specified future date. As such, convertible bonds will be exposed to equity risks, in addition to the risks of fixed income instruments generally, and may be subject to greater volatility than straight bond investments. Investments in convertible bonds are subject to the same interest rate risk, credit risk, liquidity risk and prepayment risk associated with comparable straight bond investments.

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

Certain Sub-Funds may invest in fixed income instruments with loss-absorption features, for example, contingent convertible bonds (the "**CoCos**"), preferred shares, senior non-preferred debt instruments and Additional Tier 1 and Tier 2 capital instruments. These fixed income instruments are subject to greater risks when compared to traditional fixed income instruments as such fixed income instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of a pre-defined trigger event (e.g. when the issuer is near or at the point of non-viability or when the issuer's capital ratio falls to a specified level), which are likely to be outside of the issuer's control.

Such trigger events are complex and difficult to predict and can result in a significant or total reduction in the value of such fixed income instruments.

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

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

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

<u>Risks relating to investment in "Dim Sum" bonds (i.e. bonds issued outside of Mainland China but denominated in RMB)</u>

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 a 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 relating to China Inter Bank Bond Market direct access</u>

A Sub-Fund may directly invest in permissible fixed income instruments traded on the China Interbank Bond Market (the "**CIBM**") via a direct access regime (the "**CIBM Direct Access**").

Under the CIBM Direct Access, an onshore trading and settlement agent shall be engaged by the Manager to make the filing on behalf of the investing Sub-Fund and conduct trading and settlement agency services for such Sub-Fund.

Since the relevant filings and account opening for investment via the CIBM Direct Access have to be carried out via an onshore settlement agent, such Sub-Fund is subject to the risks of default or errors on the part of the onshore settlement agent.

Under the CIBM Direct Access, the rules allow foreign investors to remit investment amounts in RMB or foreign currency into Mainland China for investing in the CIBM. For repatriation of funds out of Mainland China by a Sub-Fund, the ratio of RMB to foreign currency should generally match the original currency ratio when the investment principal was remitted into China, with a maximum permissible deviation of 10%. Such requirements may change in the future which may have an adverse impact on the Sub-Fund's investment in the CIBM.

Market volatility and potential lack of liquidity due to low trading volume of certain fixed income instruments on the CIBM may result in prices of certain fixed income instruments traded on such market fluctuating significantly. A Sub-Fund investing in the CIBM is subject to liquidity, regulatory and volatility risks. A Sub-Fund may also be exposed to risks associated with settlement procedures and default of counterparties.

The relevant rules and regulations on investment in the CIBM are subject to change which may have potential retrospective effect. In the event that the relevant Mainland Chinese authorities suspend trading on the CIBM, a Sub-Fund's ability to invest in the CIBM will be limited and the Sub-Fund may suffer substantial losses as a result.

<u>Risks relating to Bond Connect</u>

A Sub-Fund may directly invest in permissible fixed income instruments traded on the CIBM via Bond Connect. The Bond Connect initiative was launched in July 2017 to facilitate CIBM access between Hong Kong and Mainland China. It was established by China Foreign Exchange Trade System & National Interbank Funding Centre (the "**CFETS**"), China Central Depository & Clearing Co., Ltd (the "**CCDC**"), Shanghai Clearing House (the "**SHCH**") and Hong Kong Exchanges and Clearing Limited and Central Moneymarkets Unit (the "**CMU**").

The Bond Connect scheme is designed to be efficient and more convenient for offshore investors at an operational level, by using familiar trading interfaces of established electronic platforms without requiring investors to engage an onshore settlement agent. Orders are executed electronically with any of the eligible onshore participating dealers who are recognised by CFETS. Cash is exchanged offshore in Hong Kong. The infrastructure contemplates two way access between Hong Kong and Mainland China. Eligible foreign investors can invest through Hong Kong into the CIBM (generally referred to as "**Northbound Trading Link**"). Eligible foreign investors utilising Bond Connect are required to appoint the CFETS or other institutions recognised by the PBOC as registration agents to apply for registration with the PBOC.

The Northbound Trading Link under Bond Connect adopts a multi-layered custody arrangement whereby CCDC/SHCH performs the primary settlement function as the ultimate central securities depository, which handles bond custody and settlement for the CMU in Mainland China. The CMU is the nominee holder of CIBM bonds acquired by overseas investors via the Northbound Trading Link. The CMU handles custody and settlement for the accounts opened with it for the beneficial ownership of those overseas investors.

Under the multi-layered custody arrangement of Bond Connect:

1) the CMU acts as "nominee holder" of CIBM bonds; and

2) overseas investors are the "beneficial owners" of CIBM bonds through CMU members.

Overseas investors invest through offshore electronic trading platforms where trade orders are executed on CFETS, CIBM's centralised electronic trading platform, between investors and onshore participating dealers.

Under the multi-layered custody arrangement, while the distinct concepts of "nominee holder" and "beneficial owner" are generally recognised under relevant Mainland Chinese regulations, the application of such rules is untested, and there is no assurance that courts in Mainland China will recognise such rules, e.g. in liquidation proceedings of Mainland Chinese companies or other legal proceedings.

Under Bond Connect, bond issuers and trading of CIBM bonds are subject to the market rules in Mainland China. Any changes in laws, regulations and policies of the Mainland China bond market or rules in relation to Bond Connect may affect prices and liquidity of the relevant bonds, and a Sub-Fund's investment in the relevant bonds may be adversely affected.

Risks associated with investments made through QFI regime

A Sub-Fund may invest in Mainland Chinese securities via the QFI regime.

A Sub-Fund's ability to make the relevant investments or to fully implement or pursue its investment objective and strategy is subject to the applicable laws, rules and regulations (including restrictions on investments and repatriation of principal and profits) in Mainland, which are subject to change and such change may have potential retrospective effect.

A Sub-Fund may suffer substantial losses if the approval of the QFI status is being revoked/terminated or otherwise invalidated as the Sub-Fund may be prohibited from trading of relevant securities and repatriation of the Sub-Fund's monies, or if any of the key operators or parties (including QFI custodian/brokers) is bankrupt/in default and/or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities).

Risks of investing in urban investment bonds

Urban investment bonds are issued by local government financing vehicles (the "**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 relevant Sub-Fund could suffer substantial loss and the Net Asset Value of the relevant Sub-Fund could be adversely affected.

Risks of investing in other collective investment schemes/funds

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

Risks relating to currency and foreign exchange risk

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

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

Any changes in exchange control regulations may cause difficulties in the repatriation of funds. Dealings in a Sub-Fund may be suspended if the relevant Sub-Fund is unable to repatriate funds for the purpose of making payments on the redemption of Shares. For further details on suspension of dealings in a Sub-Fund, please refer to the sub-section headed "Suspension of determination of Net Asset Value" under the heading "VALUATION" below.

Risks relating to commodities market investments

A Sub-Fund may have indirect exposure to commodities through investment in ETFs whose underlying investments may include commodities. Commodity prices generally may fluctuate widely and may be affected by numerous factors, including:

- global or regional political, economic or financial events and situations, particularly war, terrorism, expropriation and other activities which might lead to disruptions to supply from countries that are major commodity producers;

- investment trading, hedging or other activities conducted by large trading houses, producers, users, hedge funds, commodities funds, governments or other speculators which could impact global supply or demand;

- the weather, which can affect short-term demand or supply for some commodities;

- the future rates of economic activity and inflation, particularly in countries which are major consumers of commodities;

- major discoveries of sources of commodities; and

- disruptions to the infrastructure or means by which commodities are produced, distributed and stored, which are capable of causing substantial price movements in a short period of time.

Risk of investing in FDIs

Certain Sub-Funds may from time to time utilise FDIs 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 FDIs.

Risk of investing in structured debt instruments (including asset backed securities and 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. They 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 (the "**OTC**") markets are subject to less governmental regulation and supervision of transactions (in which many types of FDIs 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 FDIs and structured products) can be illiquid. The market for relatively illiquid investments tends to be more volatile than the market for more liquid investments. These risks may have adverse impact on the relevant Sub-Fund and its investors.

Hedging risk

The Manager is permitted, but not obliged, to use hedging techniques 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. The success of hedging much depends on the Manager's expertise and hedging may become inefficient or ineffective. This may have adverse impact on the relevant Sub-Fund and its investors.

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

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

<u>Securities financing transactions or other similar over-the-counter transactions risk</u>

A Sub-Fund may enter into securities financing transactions or other similar over-the-counter transactions, which is subject to risks including:

- *Risk relating to securities lending transactions*

  Securities lending involves the risk that the borrower may fail to return the securities in a timely manner or at all. As a result, a Sub-Fund engaged in securities lending transactions may suffer a loss and there may be a delay in recovering the lent securities. Any delay in the return of securities on loans may restrict the ability of the Sub-Fund to meet delivery or payment obligations arising from redemption requests and may trigger claims. The value of the collateral received as part of the lending transaction may also fall below the value of the securities lent out. Securities lending also entails operational risks such as settlement failures or delays in the settlement of instructions. Such failures or delays may restrict the ability of the Sub-Fund to meet delivery or payment obligations arising from redemption requests and may trigger claims.

- *Risk relating to 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, adverse market movements in the value of the collateral, intra-day increase in the value of the securities, a deterioration in the credit rating of the collateral issuer, or the illiquidity of the market in which the collateral is traded.

- *Risk 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.

- *Re-investment of cash collateral risk*

  A Sub-Fund may re-invest any cash collateral. Investors should note that there are risks associated with the re-investment of cash collateral. If a Sub-Fund reinvests cash collateral, such re-investment is subject to investment risks including the potential loss of principal.

# 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 advisors 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 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

*(a) 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)(i) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong).

*(b) 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 of the Sub-Fund should fall within the definition of "Hong Kong stock" as the register of Shareholders will be kept in Hong Kong.

Pursuant to the remission order issued by the Secretary for the Treasury on 20 October 1999, any Hong Kong stamp duty payable on the transfer of Hong Kong stock to the Company and/or the Sub-Fund as consideration for an allotment of Shares or transfer of Hong Kong stocks by the Company and/or the Sub-Fund upon redemption of Shares is remitted.

Taxation of the Shareholders

*(a) Profits Tax:*

Where the Shareholders do not carry on a trade, profession or business in Hong Kong, gains arising from the sale or disposal or redemption of the Shares in a Sub-Fund should not be taxable in Hong Kong. For Shareholders carrying on a trade, profession or business in Hong Kong, such gains could be subject to Hong Kong profits tax (which is currently charged at the rate of 16.5% in the case of corporations, and 15% in the case of unincorporated businesses; with the first HKD2 million of assessable profits, subject to certain conditions being met, to be charged at 8.25% for corporations and 7.5% for unincorporated businesses) if the gains in question arise in or are derived from such trade, profession or business and sourced in Hong Kong, unless the Shares in the Sub-Fund are held by the Shareholders as capital assets. Ascertaining the classification of a gain as revenue or capital in nature for Hong Kong profits tax purposes will depend on the particular facts and circumstances of each Shareholder. Shareholders should seek advice from their own professional advisors as to their particular tax position.

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

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

*(b) Stamp Duty:*

No Hong Kong stamp duty is generally payable by a Shareholder in relation to an allotment of Shares of the Sub-Fund or on the redemption of Shares of the Sub-Fund. Also, no Hong Kong stamp duty is payable where a sale or transfer of Shares of the Sub-Fund is effected by extinguishing the Shares or the sale or transfer is to the Manager who subsequently re-sells the Shares within 2 months thereof.

Unless otherwise exempted, other types of sales or purchases or transfers of the Shares in a Sub-Fund by the Shareholders should be liable to Hong Kong stamp duty of 0.1% on the higher of the stated consideration or market value of the Hong Kong stocks bought and sold, i.e. a total of 0.2% for a complete transaction (normally borne by each of the buyer and the seller). In addition, a fixed duty of HKD5 is currently payable on any instrument of transfer of the Shares in a Sub-Fund.

This Hong Kong tax disclosure is general in nature and does not purport to cover all Hong Kong tax consequences of investing in the Company and each Sub-Fund.

**Automatic Exchange of Financial Account Information (“AEOI”)**

The Inland Revenue (Amendment) (No.3) Ordinance (as amended from time to time) (the “**Ordinance**”) came into force on 30 June 2016. The Ordinance with the later amendments made establishes the legislative framework for the implementation in Hong Kong of the Organisation for Economic Co-operation and Development’s Standard for Automatic Exchange of Financial Account Information (“**AEOI**”) (also referred to as the Common Reporting Standard (“**CRS**”)). The Ordinance requires financial institutions (the “**FIs**”) in Hong Kong (such as the Company and the Sub-Funds) to obtain information from the Shareholders, conduct due diligence on the Shareholders and to file such information as it relates to reportable Shareholders who are tax residents in Reportable Jurisdictions (as defined below) with the IRD. The reported information will be further exchanged by the IRD with jurisdiction(s) in which the Shareholder is a tax resident. Generally, tax information will be exchanged only with jurisdictions which Hong Kong has activated an exchange relationship (i.e., the “**Reportable Jurisdictions**”); however, the Company, the Sub-Fund and/or its agents are not restricted from obtaining information relating to residents of jurisdictions other than the Reportable Jurisdictions.

The Company and each Sub-Fund will be required to comply with the requirements of the Ordinance, which means that the Company, each Sub-Fund and/or its agents shall obtain and provide the required information relating to Shareholders (and their Controlling Persons, as defined in the Ordinance) and prospective investors (where required) to the IRD.

The Ordinance as implemented by Hong Kong requires the Company and each Sub-Fund to, amongst other things, (i) register as a “Reporting Financial Institution” with the IRD to the extent the Company and each Sub-Fund maintain any reportable accounts; (ii) conduct due diligence on its accounts (i.e., Shareholders) to identify whether any such accounts are regarded as “Reportable Accounts” under the Ordinance; and (iii) report to the IRD the required information of such

Reportable Accounts on an annual basis. Broadly, the Ordinance requires that Hong Kong FIs should report on: (i) individuals or entities that are tax residents of a Reportable Jurisdiction; and (ii) Controlling Persons (as defined under the Ordinance) of a Shareholder that is not a natural person who are tax residents in a Reportable Jurisdiction.

Under the Ordinance, details of reportable Shareholders or their Controlling Persons (as the case may be), including but not limited to their name, date and place of birth (for individuals only), address, jurisdiction(s) of tax residence, taxpayer identification number(s) (if any), account details, account balance/value, and certain income or sale or redemption proceeds, is required to be reported to the IRD.

The IRD is expected to transmit the required information reported to the competent authorities of the relevant Reportable Jurisdiction(s) on an annual basis.

By investing in the Company and the relevant Sub-Fund(s) and/or continuing to invest in the Company and the relevant Sub-Fund(s), Shareholders acknowledge that they may be required to provide additional information to the Company, the relevant Sub-Fund(s), the Manager and/or its agents in order for the Company and the relevant Sub-Fund(s) to comply with the Ordinance. Each Shareholder will update the relevant information when such information is no longer accurate. The Shareholder's information (and/or information pertaining to Controlling Person(s) including beneficial owners, beneficiaries, direct or indirect Shareholders or other persons associated with such Shareholders as appropriate, as defined in the Ordinance) may be reported to the IRD which will then exchange with the competent authorities in the relevant Reportable Jurisdictions. In the event a Shareholder does not provide the requested information and/or documentation related to the Ordinance, may result in the Company, the Sub-Fund(s), the Manager and/or other agents of the Company taking any action and/or pursue remedies at their disposal including, without limitation, mandatory redemption or withdrawal of the Shareholder concerned in accordance with applicable laws and regulations, exercised by the Manager acting in good faith and on reasonable grounds.

Each Shareholder and prospective investor should consult its own professional tax advisor(s) as to the potential impact of CRS in its own tax situation, as well as the potential impact of CRS on the Company and the relevant Sub-Funds.

**US Foreign Account Tax Compliance Act (FATCA)**

Sections 1471 – 1474 of the US Internal Revenue Code of 1986 (the "**US Code**"), as amended from time to time (commonly referred to as the Foreign Account Tax Compliance Act or FATCA), impose rules with respect to certain payments to non-US persons, such as the Company and the Sub-Funds, including dividends and interest from securities of US issuers and gross proceeds from the sale of such securities at a later date. All such payments (referred to as "**Withholdable Payments**") may be subject to FATCA 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 US persons (within the meaning of the US code) that own, directly or indirectly, Shares in the Company and the Sub-Funds. To avoid the 30% withholding tax under FATCA and in order to be FATCA compliant, a foreign financial institution (an "**FFI**"), such as the Company and each Sub-Fund (and, generally, other investment funds organised outside the US), generally will be required to register with the IRS directly to obtain a Global Intermediary Identification Number and enter into an agreement (an "**FFI Agreement**") (referred to as an agreement that sets forth the requirements of FATCA, for an FFI to be treated as complying with the requirements of FATCA) with the IRS under which it will agree to identify its direct or indirect Shareholders who are US persons and report certain information concerning such US Shareholders to the IRS.

In general, an FFI which does not enter into an FFI Agreement or comply with the relevant FATCA regulations, and is not otherwise exempt may face a 30% withholding tax on Withholdable Payments, including dividends, interest and certain derivative payments derived from US sources.

In addition, gross proceeds such as sales proceeds and returns of principal derived from stocks and debt obligations generating US source dividends or interest and certain non-US source payments attributable to the amounts that would be subject to FATCA withholding may also be subject to FATCA withholding in the future.

The United States and Hong Kong governments have entered into an intergovernmental agreement (the "**IGA**") for the implementation of FATCA, adopting "Model 2" IGA arrangements on 13 November 2014. Under such "Model 2" IGA arrangements, FFIs in Hong Kong (such as the Company and the Sub-Funds) can enter into an FFI Agreement with the IRS, register with the IRS and comply with the terms of an FFI Agreement. Otherwise, each Sub-Fund will be subject to 30% withholding tax on relevant US-sourced payments and other Withholdable Payments.

It is expected that FFIs in Hong Kong (such as the Company and the Sub-Funds) complying with the terms of an FFI Agreement (i) will generally not be subject to the above described 30% withholding tax; and (ii) will generally not be required to withhold tax on Withholdable Payments made to non-consenting US accounts (i.e., certain accounts of which the holders do not consent to FATCA reporting and disclosure to the IRS) or close such accounts (provided that information regarding such account is reported to the IRS pursuant to the provisions of the IGA), but may be required to withhold tax on withholdable payments made to non-participating FFIs.

The Sub-Funds have been registered with the IRS as a reporting Model 2 FFI and obtained a Global Intermediary Identification Number of 91UCSD.99999.SL.344 in respect of KGI Global Industry Elite Fund, RWJNLG.99999.SL.344 in respect of KGI Global Credit Income Fund and 5EQG1A.99999.SL.344 in respect of KGI Diversified Growth Income Fund, respectively. In order to protect Shareholders and avoid any withholding tax, it is the Company's, each Sub-Fund's or the Manager's intention to endeavour to satisfy the requirements imposed under FATCA, the IGA and the terms of an FFI agreement to avoid any withholding tax. Broadly, FATCA requires the Company and/or each Sub-Fund to, amongst other things: (i) register as a "Reporting Financial Institution" with the IRS; (ii) conduct due diligence on its accounts (i.e., Shareholders) to identify whether any such accounts are considered "US Accounts" under FATCA; (iii) with the relevant consent to report obtained from the holders of the US Accounts, report to the IRS the required information on such US Accounts on an annual basis; and (iv) report non-consenting US accounts to the IRS on an annual basis, if any.

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

By investing in the Company and the relevant Sub-Fund(s) and/or continuing to invest in the Company and the relevant Sub-Fund(s), Shareholders acknowledge that they may be required to provide additional information to the Company, the relevant Sub-Fund(s), the Manager and/or its agents in order for the Company and the relevant Sub-Fund(s) to comply with FATCA. Each Shareholder will update the relevant information when such information is no longer accurate. Subject to applicable laws and regulations in Hong Kong and the consent to report from the

Shareholder as required under the IGA, the Company or the Sub-Funds (through its agents or service providers) or any of their authorised person(s) (as permissible under applicable law or regulation) may be required to report or disclose to any government agency, regulatory authority or tax or fiscal authority in any jurisdictions (including but not limited to the IRS), certain information in relation to a Shareholder (and information pertaining to substantial US owners or US Controlling Persons as appropriate), including but not limited to the Shareholder's name, address, date of birth (for individuals only), jurisdiction(s) of tax residence, taxpayer identification number ("TIN") (if any), account balance/value and certain information relating to the Shareholder's holdings, to enable the Company or the relevant Sub-Fund to comply with any applicable law or regulation or any agreement with a tax authority (including, but not limited to, any applicable law, regulation or agreement under FATCA). In any event, the Company shall comply with personal data protection principles, and requirements as set out in the Personal Data (Privacy) Ordinance (Chapter 468 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 the Company, the Sub-Funds and the Manager will endeavour to satisfy any obligations imposed under FATCA, the IGA and the terms of an FFI Agreement to avoid any withholding tax, no assurance can be given that the Company, the Sub-Funds and the Manager will be able to fully satisfy these obligations. In the event that the Company and/or any Sub-Fund is not able to comply with the requirements imposed by FATCA, the IGA and the terms of an FFI Agreement and the Company or such Sub-Fund does suffer 30% FATCA withholding tax on its investments as a result of non-compliance, the Net Asset Value of the Company and/or the relevant Sub-Fund may be adversely affected and the Company and/or the relevant Sub-Fund and its Shareholders may suffer material loss as a result.

In the event a Shareholder does not provide the requested information and/or documentation related to FATCA, whether or not that actually leads to FATCA compliance failures by the Company and/or the relevant Sub-Fund, or a risk of the Company and/or the relevant Sub-Fund being subject to withholding tax under FATCA, the Manager on behalf of the Company and each of such relevant Sub-Fund reserves the right to take any action and/or pursue all remedies at its disposal including, without limitation, (i) reporting the relevant information of such Shareholder to the IRS (subject to applicable laws or regulations in Hong Kong); (ii) withholding or deducting any reasonable amount from such Shareholder's redemption proceeds or other distribution proceeds to the extent permitted by applicable laws and regulations; (iii) deeming such Shareholder to have given notice to redeem all his Shares in the Company and the relevant Sub-Fund; and/or (iv) bringing legal action against such Shareholder for losses suffered by the Company or the relevant Sub-Fund as a result of such withholding tax. The Manager in taking any such action or pursuing any such remedy must act in good faith and on reasonable grounds and in accordance with all applicable laws and regulations.

The FATCA provisions are complex and continue to evolve. As such, the effects which the FATCA provisions may have on the Company and each Sub-Fund may be subject to change. Withholding may apply to Withholdable Payments covered by FATCA if the Company and each Sub-Fund cannot satisfy the applicable requirements and is determined to be non-compliant or if the Hong Kong government is found in breach of the terms of the agreed IGA. The above description is based in part on regulations, official guidance and Model 2 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. Each shareholder and prospective investor should therefore consult their own tax and professional advisors as to the potential impact of FATCA in their own tax situation, in respect of their investment in the Company and a Sub-Fund, as well as the potential impact of FATCA on the Company and on a Sub-Fund. In case where Shareholders invest in the Company and a Sub-Fund through intermediaries, Shareholders are reminded to check whether such intermediary is FATCA compliant and in accordance with all applicable laws and regulations.

# GENERAL

## Reports

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

Audited annual financial reports (in English only) will be published within four (4) months after the end of the financial year, and the unaudited interim financial reports (in English only) will be published within two (2) months after 30 June in each year. Shareholders may obtain the audited annual financial reports and the unaudited interim financial reports in electronic from the Manager's website at https://www.kgi.com.hk/en/asset-management (this website has not been reviewed by the SFC). Once issued, hardcopies of the reports are available upon request of Shareholders free of charge and for inspection at any time during normal business hours on any Business Day at the Manager's office. Copies of the accounts and reports may be posted to investors on request. Please note that, where a number 8 or above typhoon signal or black rainstorm warning is issued or other similar event occurs at any time during a Business Day, the office of the Manager shall not be open for such purposes.

The annual financial reports of the Company will be prepared in accordance with IFRS and the semi-annual financial reports will apply the same accounting policies and method of computation as are applied in the annual financial reports of the Company. Further, and to the extent the Company's valuation policy deviates from IFRS, the Manager may make necessary adjustments in the financial reports of the Company for the financial reports to comply with IFRS and will include in the Company's annual financial reports a reconciliation note to reconcile values arrived at by applying the Company's valuation rules.

## Distribution policy

The distribution policy adopted by a Sub-Fund or a Class thereof is set out in the relevant Appendix of such Sub-Fund. A Sub-Fund may offer Classes of Shares that accumulate income (the "**Accumulating Classes**") or pay regular distributions out of net distributable income or capital or gross income of such Sub-Fund (the "**Distributing Classes**").

(i) Accumulating Classes

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

(ii) Distributing Classes

For Distributing Classes, the Directors will determine the dividend policy including the distribution amount, dividend payment date and frequency at which dividend may be paid as they consider appropriate. However, unless otherwise specified in the relevant Appendix, there is neither a guarantee that such distributions will be made nor will there be a target level of distribution payment.

The Directors will also have the discretion to determine if and to what extent distributions will be paid out of net income and/or capital attributable to the relevant Distributing Class. The Directors may also, in their absolute discretion, distribute gross income and charge all or part of the Sub-Fund's fees and expenses attributable to the relevant Distributing Class to the capital attributable to the relevant Distributing Class as the Directors consider appropriate, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund in respect of the relevant Distributing Class and therefore, the Sub-Fund may effectively pay dividends out of capital.

In the event that the net distributable income attributable to the relevant Distributing Class during the relevant period is insufficient to pay distributions as declared, the Directors may in their discretion determine such dividends be paid from capital. Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of a Sub-Fund's capital or payment of dividends effectively out of a Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Share of the relevant Distributing Class.

The composition of the distributions (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last twelve (12) months are available from the Manager on request and are also published on the Manager's website at https://www.kgi.com.hk/en/asset-management (this website has not been reviewed by the SFC).

Dividends of a Distributing Class declared, if any, shall be distributed among the Shareholders of the relevant Distribution Class rateably in accordance with the number of Shares held by them on the record date as determined by the Directors in respect of the corresponding distribution. For the avoidance of doubt, only Shareholders whose names are on the register of Shareholders on such record date shall be entitled to the dividends declared in respect of the corresponding distribution.

Dividends, if declared, will be paid in cash. The cash distribution (if any) will normally be paid by telegraphic transfer in the Base Currency of the relevant Sub-Fund or the Class Currency of the relevant Class of Shares to the pre-designated bank account of the relevant Shareholder (at the Shareholder's risk and expense). No third party payments will be permitted. Any bank charges associated with the payment of such distributions will be borne by the relevant Shareholder.

The distribution policy for any Sub-Fund may be amended from time to time. Where required by the SFC or the UT Code, the Manager will obtain the SFC's prior approval (if required) and give not less than one (1) month's prior notice to the relevant Shareholders of any such amendment.

**The Instrument**

The Company was incorporated in Hong Kong under the SFO on 8 October 2025. Its constitution is set out in the Instrument filed to the Companies Registry of Hong Kong on, and effective as of, 8 October 2025 (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 depository and clearance or settlement system.

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 in the Instrument or the Management Agreement shall be construed as (i) providing for any exemption of any liability of the Manager to the Shareholders imposed under Hong Kong law or for breaches of obligations through fraud or negligence or indemnifying the Manager 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 and the Instrument, the Company agrees to indemnify the Custodian and its officers, employees, agents and sub-custodians against all liabilities, obligations, loses, damages, suits, action, costs, claims, damages, expenses or demands suffered or incurred by or asserted against such relevant person in connection with the performance of duties under the Custodian Agreement or acting in relevant capacity(ies) for the Company and/or the relevant Sub-Fund, or relating to the Company as a whole, the Scheme Property or any part thereof, including but not limited to liabilities incurred as a result of the acts or omissions of the Company, any Sub-Fund or any other person in connection with the Custodian Agreement.

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

No provision in the Instrument or the Custodian Agreement shall be construed as (i) providing for any exemption of any liability of the Custodian to the Shareholders imposed under Hong Kong law or for breaches of obligations through fraud or negligence or indemnifying the Custodian 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.

**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 the 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 of Shareholders or the approval of the SFC. The Company shall provide written notice to Shareholders in respect of any alteration to the 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:

(i) if the person 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);

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

(iii) if the person becomes a mentally incapacitated person;

(iv) if the person resigns from the office of Director by notice in writing of the resignation of not less than twenty-eight (28) days (or such shorter period as agreed by the Company);

(v) if the person, for more than six (6) months, has been absent without the Directors' permission from Directors' meetings held during that period;

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

(vii) if the person is removed from the office of Director by an Ordinary Resolution.

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. 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 Instrument and 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 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; or

(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.

Under the Instrument, if, for three (3) consecutive financial years, the Net Asset Value per Share of each Sub-Fund in issue as at the last Dealing Day of each such financial year falls by 10% or more as compared to the Net Asset Value per Share of the relevant Sub-Fund on the last Dealing Day of the immediately preceding financial year, the Manager may be subject to removal with the approval of a resolution of the Company passed at a general meeting by a majority of more than 70 per cent. of the votes validly cast for and against the resolution at such meeting (a "**Removal Resolution**"). If the Removal Resolution is passed, the removal of the Manager shall take effect upon the appointment of a new investment manager pursuant to the Instrument. The Management Agreement will be terminated, and the management fee and performance fee (if any) will cease to accrue on and from such date when the removal of the Manager comes into effect.

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 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 Instrument and 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 the 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 open-ended fund company 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 Class of Shares, the relevant Sub-Fund or the Company;

(e) in the case of a Sub-Fund including Classes therein, the Manager is unable to implement the investment strategy of the relevant Sub-Fund;

(f) in the case of the Company, the Company is unable to find another corporation to act as the new investment manager of the Company in place of the Manager so retiring or being removed within 30 days after the notice of such retirement or removal or after the date of passing the Removal Resolution (as the case may be); or

(g) in the case of the Company, the Company is unable to find another corporation to act as the new custodian of the Company in place of the Custodian so retiring or being removed within 30 days after the notice of such retirement or removal (as the case may be).

The Directors shall give reasonable notice of termination of the Company, the relevant Sub-Fund, or the relevant Class of Shares (as the case may be) to the Shareholders in the Company, the relevant Sub-Fund or the relevant 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, the 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 twelve (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, 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 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 the 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 at general meetings may require a meeting to be convened. A general meeting at which (a) a Special Resolution is to be proposed must be called by notice of at least twenty-one (21) days in writing; and (b) an Ordinary Resolution is to be proposed must be called by notice of at least fourteen (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% 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 Registrar not to enter the name of a transferee in the register of Shareholders 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, the Management Agreement, the 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 a Business Day 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 Manager's responsibility to comply with its applicable anti-money laundering laws and regulations, the Manager and/or its delegates or agents may require detailed identification and verification of a prospective investor's identity and the source of the payment of subscription monies and source of wealth (as applicable). Depending on the circumstances of each application, a detailed identification and verification may or may not be required where: (a) the prospective investor is regulated by a recognised regulatory authority; or (b) 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 the Registrar as having sufficient anti-money laundering regulations.

The Manager and its 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 and the source of wealth (as applicable). 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 subscription 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, any sub-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's risk management function has established a liquidity management policy which enables it to identify, monitor and manage the liquidity risks of each Sub-Fund and to ensure that the liquidity profile of the investments of the relevant Sub-Fund will facilitate compliance with such Sub-Fund's obligation to meet redemption requests. Such policy, combined with the liquidity management tools of the Manager, also seeks to achieve fair treatment of Shareholders and safeguard the interests of remaining Shareholders in case of sizeable redemptions.

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

The liquidity management policy involves monitoring the profile of investments held by each Sub-Fund on an on-going basis to ensure that such investments are appropriate to the redemption policy of each Sub-Fund, and will facilitate compliance with each Sub-Fund's obligation to meet redemption requests.

The tools that may be employed by the Manager to manage liquidity risk include (but, not limited to) the following:

(i) the Manager may limit the number or total Net Asset Value of Shares of a Sub-Fund redeemed on any Dealing Day to Shares to 10% (subject to the conditions under the sub-heading "Deferred redemption" in the section headed "REDEMPTION OF SHARES"). If such limitation is imposed, this would restrict the ability of a Shareholder to redeem in full the Shares it intends to redeem on a particular Dealing Day;

(ii) subject to the restrictions under the sub-heading "Borrowing restrictions" in the section headed "INVESTMENT OBJECTIVE, STRATEGY AND RESTRICTIONS", the Manager may borrow in respect of a Sub-Fund to meet redemption requests;

(iii) the Manager may suspend redemption under exceptional circumstances as set out in the sub-section headed "Suspension of redemption of Shares" under the heading "REDEMPTION OF SHARES". During such period of suspension, Shareholders would not be able to redeem their investments in the relevant Sub-Fund.

Investors should note that there is a risk that the tools may be ineffective to manage liquidity and redemption risks.

**Conflicts of interest**

The Manager, the Custodian and the Administrator (and any of their affiliates) (each a "**relevant party**") may from time to time act as 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*
**KGI Investment Fund Series OFC**
凱基投資基金系列開放式基金型公司
41/F, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

*Manager*
**KGI Asset Management Limited**
凱基資產管理有限公司
41/F, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

*Custodian*
**Brown Brothers Harriman Trustee Services (Hong Kong) Limited**
13/F, Man Yee Building
68 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: KGI GLOBAL INDUSTRY ELITE FUND

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

## Investment advisor

KGI Securities Investment Trust Co., Ltd. 凱基證券投資信託股份有限公司 acts as the investment advisor to the Manager in respect of the Sub-Fund (the "**Investment Advisor**"). The Investment Advisor will provide non-binding advice to the Manager on the Sub-Fund's investments and asset allocation. As a non-discretionary investment advisor, the Investment Advisor proposes or suggests investment ideas for the Manager to consider, but the ultimate decision (whether to accept, reject or otherwise) lies with the Manager. The day-to-day investment management activities of the Sub-Fund have not been delegated to the Investment Advisor.

The Investment Advisor is a prominent financial institution in Taiwan, specializing in asset management and investment services. The Investment Advisor manages a diverse portfolio of public and private funds, with a strong focus on sustainable development and client investment performance. The Investment Advisor offers a variety of investment solutions, professional investment advice, and innovative digital services to meet the needs of its customers.

The Investment Advisor will be reimbursed out of the Manager's management fee for the Sub-Fund.

The address of the Investment Advisor is No. 698, Mingshui Rd., Zhongshan Dist., Taipei City, Taiwan (ROC).

## Base Currency

The Base Currency of the Sub-Fund is USD.

## Investment objective

The Sub-Fund aims to provide investors with a total return consisting of income and capital growth over the long term by investing primarily in equity and equity-related securities of "global industry elites", being leading companies across industries in global markets.

## Investment strategy

In order to achieve the investment objective, the Manager intends to invest primarily (not less than 70% of the Sub-Fund's Net Asset Value) in equity and equity-related securities (including but not limited to stocks, preferred stocks and depository receipts) of leading companies in global markets across various industry sectors, including but not limited to energy, information technology, communications, healthcare, consumer staples, consumer discretionary, industrials, materials, financials, real estate and utilities.

In determining whether a company is regarded as a leading company within a particular industry, the Manager will employ both quantitative and qualitative analyses based on evolving criteria such as market capitalisation, liquidity, industry sector representativeness, and financial ratios. The Manager will further refine the selection based on factors such as growth potential, valuation, and management quality. By adopting a disciplined investment approach with thorough quantitative and qualitative analyses, the Manager aims to construct a well-diversified portfolio that aligns with the Sub-Fund's objective of achieving total return.

The Sub-Fund has no particular focus in terms of geographical region or market capitalisation in the selection of any of its investments, provided that investment in onshore Mainland China securities will be under 30% of its Net Asset Value.

The Sub-Fund may also invest up to 30% of its Net Asset Value in one or more collective investment schemes (including ETFs), provided that (i) holding in each scheme which is either authorised by the SFC or an eligible scheme (as defined by the SFC) may not exceed 30% of the Sub-Fund's Net Asset Value, and (ii) not more than 10% of the Sub-Fund's Net Asset Value may be invested in collective investment schemes which are non-eligible schemes and not authorised by the SFC. The underlying collective investment schemes may be managed by the Manager or its connected persons or by a third party. Investments in ETFs will be considered and treated as collective investment schemes for the purposes of and subject to the requirements in 7.11, 7.11A and 7.11B of the UT Code.

The Sub-Fund may invest in FDIs for hedging and/or investment purposes. The major types of FDIs which may be used by the Sub-Fund for such purposes include, but are not limited to, warrants, futures, options, forwards and other derivative instruments or contracts.

The Sub-Fund may hold up to 30% of its Net Asset Value in cash, cash equivalents and/or money market funds for efficient liquidity management, except that under exceptional circumstances (e.g. extreme market conditions such as in times of a prolonged bearish market or extremely severe and rapid economic downturn), the Sub-Fund may temporarily invest up to 100% of its Net Asset Value in liquid assets such as bank deposits, certificates of deposit, commercial paper and treasury bills for cash flow management. Investments in money market funds will be subject to the restrictions above on collective investment schemes.

The Sub-Fund will not invest in any structured deposits, structured products or collateralised and/or securitised products. The Sub-Fund currently has no intention to engage in securities lending transactions, sale and repurchase transactions or reverse repurchase transactions. The Manager will seek the prior approval of the SFC (if required) and provide at least one (1) month's prior notice to Shareholders before the Manager enters into any such transactions.

**Investment restrictions**

No waivers from the investment restrictions set out in the main body of this 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 USD Shares (Accumulating)
- Class B USD Shares (Distributing)

The Directors 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 15 December 2025 and end at 4:00 p.m. (Hong Kong time) on 31 March 2026 (or such other dates or times as the Directors may determine).

**Initial Subscription Price**

The initial Subscription Price for each of Class A USD Shares (Accumulating) and Class B USD Shares (Distributing) is USD100 per Share.

The Directors 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 frequency* | Daily on each Dealing Day |
| *Dealing Day* | each Business Day# |
| *Dealing Deadline* | 3:00 p.m. (Hong Kong time) on the relevant Dealing Day |

*# The Manager will publish information on Dealing Days on the Manager's website https://www.kgi.com.hk/en/asset-management (this website has not been reviewed by the SFC) on a monthly basis, with such information to be made available at least one (1) month in advance of the relevant month. Where any such previously disclosed Dealing Day is no longer a Dealing Day due to any unexpected circumstances, the Manager will inform investors via the Manager's website as soon as practicable.*

If any application is received after the Dealing Deadline in respect of a Dealing Day, then the application will be deemed to have been received on the Dealing Day next following such receipt unless the Directors in its absolute discretion determines that the application is deemed received on the original Dealing Day.

Payment for Shares shall be due in cleared funds in the relevant Class Currency within one (1) Business Day following the relevant Dealing Day on which an application was received by the Dealing Deadline. Investors should note that subscription monies in respect of the Sub-Fund must be paid in the relevant Class Currency. Redemption proceeds will be paid to redeeming Shareholders in the relevant Class Currency.

**Payment of redemption proceeds**

As set out in the main body of this Explanatory Memorandum, save as otherwise agreed by the Directors, and so long as relevant account details have been provided, redemption proceeds will normally be paid in the relevant Class Currency by telegraphic transfer, within seven (7) Business Days after the relevant Dealing Day and in any event within one (1) calendar month of the relevant Dealing Day or (if later) receipt of a properly documented redemption request and such other documents and information as may be requested from the Shareholder, 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) thus rendering the payment of the redemption proceeds within the aforesaid time period not practicable, but in such a case the extended time frame for payment should reflect the additional time needed in light of the specific circumstances in the relevant market(s).

**Investment minima**

The following investment minima apply to the Sub-Fund:

| | **Class A USD Shares (Accumulating)** | **Class B USD Shares (Distributing)** |
|---|---|---|
| *Minimum initial investment amount* | USD1,000 | USD1,000 |
| *Minimum subsequent investment amount* | USD1,000 | USD1,000 |
| *Minimum redemption amount* | USD1,000 | USD1,000 |

The Directors reserve the right to waive the minimum initial investment, minimum subsequent investment 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 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, and below 0.00005 being rounded down). Any rounding adjustment will be retained by the relevant Class.

**Publication of Net Asset Value**

The Net Asset Value per Share of the Sub-Fund will be published on each Dealing Day on the Manager's website at https://www.kgi.com.hk/en/asset-management (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 (1) month's notice to Shareholders are set out under the section headed "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 USD Shares (Accumulating)** | **Class B USD Shares (Distributing)** |
|---|---|---|
| **Subscription fee^**<br>(% of total subscription amount received (i.e. before deducting subscription fee)) | Up to 3% | Up to 3% |
| **Switching fee (i.e. conversion fee)^**<br>(% of total amount being converted) | Nil | Nil |
| **Redemption fee^**<br>(% of total redemption proceeds) | Nil | Nil |

Fees payable by the Sub-Fund

| | **Class A USD Shares (Accumulating)** | **Class B USD Shares (Distributing)** |
|---|---|---|

| | | |
|---|---|---|
| **Management fee^** | 1.50% per annum of the Net Asset Value of the relevant Class | 1.50% per annum of the Net Asset Value of the relevant Class |
| **Performance fee** | Nil | Nil |
| **Custodian fee^** | Up to 0.50% per annum of the Net Asset Value of the Sub-Fund* | |
| **Administrator and registrar fee** | Up to 0.50% per annum of the Net Asset Value of the Sub-Fund* | |

** The aggregate of all fees and expenses charged by the Custodian, Administrator and Registrar in any given month is subject to a monthly minimum fee of USD8,334.*

*^ Please note that some fees may be increased up to a permitted maximum amount by providing one (1) month's prior notice to Shareholders. Please refer to the section headed "EXPENSE AND CHARGES" in the main body of this Explanatory Memorandum for further details on the permitted maximum of such fees allowed.*

**Additional risk factors**

The following risk factors are specific to the Sub-Fund. Investors should also take note of the relevant risk factors set out in the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

Investment risk

The Sub-Fund is subject to investment risk. Please refer to the risk factor "Investment risk" under the heading "RISK FACTORS" in the main body of this Explanatory Memorandum.

Asset allocation risk

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

Risks associated with investing in equity and equity-related securities

The Sub-Fund may invest in equity and equity-related securities. Investment in equity and equity-related securities is subject to general market risk and the prices of such securities may be volatile. Factors affecting the value of such securities are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, issuer-specific factors, regional or global economic instability, currency and interest rate fluctuations.

The fundamental risk associated with any equity portfolio is the risk that the value of the investments it holds might suddenly and substantially decrease in value, due to factors such as the possibility of sudden or prolonged market declines and risks associated with individual companies. Market prices of equity securities as a group have dropped dramatically in a short period of time on several occasions in the past, and they may do so again in the future. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or which are the subject of rumours of accounting irregularities. These factors may adversely affect the Sub-Fund and, consequently, the Net Asset Value per Share.

In addition, high market volatility and potential settlement difficulties in certain markets may also result in significant fluctuations in the prices of the equity securities traded on such markets and may thereby adversely affect the value of the Sub-Fund which invests in such markets.

Securities exchanges in certain regions 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 small-capitalisation/mid-capitalisation companies

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

Risk associated with depository receipts

The Sub-Fund may invest in depository receipts, and such exposure may generate additional risks compared to a direct exposure to the corresponding underlying stocks, in particular, the risk of non-segregation under applicable law of the depository bank who holds the underlying stock as collateral and its own assets. Depository receipts are instruments that represent shares in companies trading outside the markets in which the depository receipts are traded. Accordingly there is a risk that the underlying shares may be subject to political, inflationary, exchange rate or custody risks. Although segregation is an integral part of the depository agreement regulating the issuance of the depository receipts, there could be a risk that underlying shares would not be attributed to holders of depository receipts in case of bankruptcy of the depository bank. In such case, the likeliest scenario would be the trading suspension and thereafter a freeze of the price of the depository receipts impacted by such bankruptcy event. Bankruptcy events in respect of the depository banks issuing the depository receipts may negatively affect the performance and/or the liquidity of the Sub-Fund.

There are fees related to depository receipts, for example fees charged by banks for the custody of depository receipts, which may impact the performance of the depository receipts. Also, holders of depository receipts are not direct shareholders of the underlying company and generally do not have voting and other shareholder rights as shareholders do. The Sub-Fund may also be subject to liquidity risk as depository receipts are often less liquid than the corresponding underlying stocks.

Concentration risks

The Sub-Fund may invest globally without geographical focus, but its investment may from time to time be concentrated in one or more specific regions or industry sectors. 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 relevant regions or sectors. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments.

Mainland China related risks

- *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 PRC government at various levels, in recent years, the PRC 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 PRC government has implemented various measures from time to time to control inflation and restrain the rate of economic growth.

Since 1978, the PRC government has implemented economic reform measures which emphasise decentralisation and the utilisation of market forces in the development of the Mainland Chinese economy, moving from the previous planned economy system. However, many of the economic measures are experimental or unprecedented and may be subject to adjustment and modification. The investments in Mainland China may be affected by the changes in government policies, promulgation of foreign currency and monetary policies and tax regulations.

Political changes, social instability and adverse diplomatic developments in Mainland China 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 debt instruments in the Sub-Fund's portfolio.

Investing in Mainland China subjects the Sub-Fund to a higher level of market risk than investments in a developed country. This is due to, among other things, greater market volatility, lower trading volume, political and economic instability, settlement risk, greater risk of market shut down and more governmental limitations on foreign investment than those typically found in developed markets.

The performance of Mainland Chinese companies are correlated to the growth rate of the economy of Mainland China, which in turn depend on the worldwide economic conditions, which have recently deteriorated significantly in many countries and regions and may remain depressed for the foreseeable future. There are many factors affecting the growth of the economy, including but not limited to interest rates, currency exchange rates, economic growth rate, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment level and general consumer confidence. There can be no assurance that historical growth rates of the economy of Mainland China will continue. Any future slowdowns or declines in the economy of Mainland China may materially and adversely affect the business of Mainland Chinese companies and as a result the performance of the Sub-Fund.

- *Mainland China laws and regulations risk*

The regulatory and legal framework for capital markets and joint stock companies in Mainland China may not be as well developed as those of developed countries. Mainland China 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 legal system in Mainland China 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 Chinese 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.

- *Settlement risks*

As the Sub-Fund may invest in the Mainland China market, 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 China taxation risk*

There can be no guarantee that new tax laws, regulations and practice in Mainland China may be promulgated in the future. The promulgation of such new laws, regulations and practice may operate to the advantage or disadvantage of the Shareholders. Changes in the Mainland China taxation legislation could also affect the amount of income which may be derived, and the amount of capital returned, from the investments of the Sub-Fund.

Various tax reform policies have been implemented by the PRC government in recent years, and existing tax laws and regulations may be revised or amended in the future. There is a possibility that the current tax laws, regulations and practice in Mainland China will be changed with retrospective effect in the future. Moreover, there is no assurance that tax incentives currently offered to foreign companies, if any, will not be abolished and the existing tax laws and regulations will not be revised or amended in the future. Any changes in tax policies may reduce the after-tax profits of the companies in Mainland China which the relevant Sub-Fund invests in, thereby reducing the income from, and/or value of the Shares.

There are also risks and uncertainties associated with the current Mainland China tax laws, regulations and practice.

<u>Currency risks</u>

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 favourably or 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 headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of and repatriation restrictions imposed by the PRC government. If such policies change in future, the Sub-Fund's position may be adversely affected.

<u>Risk associated with investing in other collective investment schemes/funds</u>

The Sub-Fund may invest in other collective investment schemes (including ETFs) and will be subject to the risks associated with the underlying funds. The Sub-Fund does not have control of the investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successful achieved which may have a negative impact to the Net Asset Value of the Sub-Fund.

The underlying funds in which the Sub-Fund may invest may or may not be regulated by the SFC. There may 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.

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 redemption charges on the underlying fund will be waived). The Manager will use its best endeavours to avoid and resolve such conflicts fairly.

Risks associated with investment in FDIs

The Sub-Fund may invest in FDIs for hedging and/or investment purposes. 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 FDIs" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum for further details.

Operational 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.

Dividends risk

There is no assurance that the Sub-Fund will declare to pay dividends or distributions in respect of the Distributing Classes. The ability of the Sub-Fund to pay distributions also depends on dividend payments made by issuers of the equity securities 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 dividends or other distributions directly from the issuers of the equity securities within the Sub-Fund's portfolio.

The ability of the issuers of equity securities to make dividend 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/effectively out of capital risk

The Directors may at their 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 the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Share of the relevant Class. The distribution policy with respect to distributions out of capital (and/or effectively out of capital) of the Sub-Fund can be amended subject to the SFC's prior approval (if required) and by giving not less than one (1) month's prior notice to Shareholders.

Risks relating to FATCA

Please also refer to "FATCA" 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 their own tax advisors 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 audited annual financial report for the Sub-Fund will cover the period from the date of incorporation of the Company (i.e. 8 October 2025) until 31 December 2026, and the first unaudited interim financial report for the Sub-Fund will cover the period from the date of incorporation of the Company of the Sub-Fund (i.e. 8 October 2025) until 30 June 2026.

**Distribution policy**

In respect of Class A USD Shares (Accumulating), no dividends will be declared or distributed. Any net income and net realised capital gains attributable to such Class will be reflected in the Net Asset Value of such Class.

In respect of Class B USD Shares (Distributing), the Directors have discretion as to whether or not the Sub-Fund will make any distribution of dividends, the frequency of distribution and amount of dividends. There is no guarantee of regular distribution nor, where distribution is made, the amount being distributed. Dividends, if declared, will be paid or reinvested, in accordance with the instruction given by the investor.

Distributions declared (if any) will be paid to Shareholders at their own risk and expense by telegraphic transfer in the relevant Class Currency.

The Directors will have the discretion to determine if and to what extent distributions will be paid out of net income and/or capital attributable to the relevant Distributing Class. The Directors may also, in their absolute discretion, distribute gross income and charge all or part of the Sub-Fund's fees and expenses attributable to the relevant Distributing Class to the capital attributable to the relevant Distributing Class as the Directors consider appropriate, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund in respect of the relevant Distributing Class and therefore, the Sub-Fund may effectively pay dividends out of capital.

In the event that the net distributable income attributable to the relevant Distributing Class during the relevant period is insufficient to pay distributions as declared, the Directors may in their discretion determine such dividends be paid from capital. Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of a Sub-Fund's capital or payment of dividends effectively out of a Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Share of the relevant Distributing Class. Please refer to "Distributions out of/effectively out of capital risk" and "Dividends risk" in the section headed "Additional risk factors" in this Appendix 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 twelve (12) months are available from the Manager on request and are also published on the Manager's website at https://www.kgi.com.hk/en/asset-management (this website has not been reviewed by the SFC). Any changes regarding the distribution policy will be subject to the SFC's prior approval (if required) and not less than one (1) month's prior notice to the relevant Shareholders.

# APPENDIX 2: KGI GLOBAL CREDIT INCOME FUND

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

## Investment advisor

KGI Securities Investment Trust Co., Ltd. 凱基證券投資信託股份有限公司 acts as the investment advisor to the Manager in respect of the Sub-Fund (the "**Investment Advisor**"). The Investment Advisor will provide non-binding advice to the Manager on the Sub-Fund's investments and asset allocation. As a non-discretionary investment advisor, the Investment Advisor proposes or suggests investment ideas for the Manager to consider, but the ultimate decision (whether to accept, reject or otherwise) lies with the Manager. The day-to-day investment management activities of the Sub-Fund have not been delegated to the Investment Advisor.

The Investment Advisor is a prominent financial institution in Taiwan, specializing in asset management and investment services. The Investment Advisor manages a diverse portfolio of public and private funds, with a strong focus on sustainable development and client investment performance. The Investment Advisor offers a variety of investment solutions, professional investment advice, and innovative digital services to meet the needs of its customers.

The Investment Advisor will be reimbursed out of the Manager's management fee for the Sub-Fund.

The address of the Investment Advisor is No. 698, Mingshui Rd., Zhongshan Dist., Taipei City, Taiwan (ROC).

## Base Currency

The Base Currency of the Sub-Fund is USD.

## Investment objective

The Sub-Fund aims to achieve medium to long-term total returns with a focus on providing regular income by investing in a diversified portfolio of credit instruments, primarily in investment-grade fixed income instruments.

## Investment strategy

The Sub-Fund focuses on income-oriented investments and enhancing return potential. The strategy focuses on higher-yielding assets within the risk spectrum of investment grade instruments to seek regular income, while maintaining an average credit rating typically of investment grade rating.

<u>Fixed income instruments</u>

At least 70% of the Sub-Fund's Net Asset Value will be invested globally in (i) fixed income instruments with an investment grade rating (i.e. having a credit rating of Baa3 or BBB- or above by Standard & Poor's, Fitch, Moody's or another recognised credit rating agency) and/or (ii) fixed income instruments with issuers or guarantors of investment grade rating (if the instrument does not have a credit rating).

The Sub-Fund may invest less than 30% of Net Asset Value in fixed income instruments (including bonds) which or (if the instruments do not have a credit rating) the issuer or guarantors of which, are below investment grade or unrated. For the purpose of the Sub-Fund, "unrated" refers to where neither the instrument itself nor its issuer or guarantor has a credit rating. For split credit ratings, the highest rating shall apply.

Global fixed income instruments that may be invested in by the Sub-Fund include but are not limited to fixed and floating rate bonds, zero coupon and discount bonds, straight bonds, convertible bonds, preferred securities, hybrid securities, senior debts, subordinated debts. The instruments will be issued by global issuers such as governments, multilateral agencies or corporations. The Sub-Fund's exposure to debt securities that are issued and/or guaranteed by a single sovereign issuer which is below investment grade will not exceed 10% of its Net Asset Value.

The Sub-Fund will not invest in fixed income instruments with loss-absorption features. The Sub-Fund will not invest in onshore Mainland China fixed income instruments.

Other investments

The Sub-Fund may invest up to 30% of its Net Asset Value in one or more collective investment schemes (including ETFs) provided that (i) holding in each scheme which is either authorised by the SFC or an eligible scheme (as defined by the SFC) may not exceed 30% of the Sub-Fund's Net Asset Value, and (ii) not more than 10% of the Sub-Fund's Net Asset Value may be invested in collective investment schemes which are non-eligible schemes and not authorised by the SFC. The underlying collective investment schemes may be managed by the Manager or its connected persons or by a third party. Investments in ETFs will be considered and treated as collective investment schemes for the purposes of and subject to the requirements in 7.11, 7.11A and 7.11B of the UT Code.

The Sub-Fund may invest up to 30% of its Net Asset Value in money market instruments, commercial papers, certificates of deposits, commercial bills which are issued by international issuers (such as financial institutions, corporations, government, quasi-government organizations, agencies, organizations or entities) of investment grade. For the avoidance of doubt, the Sub-Fund does not invest in below investment grade or unrated money market instruments. The Sub-Fund may hold up to 30% of its Net Asset Value in cash and/or cash equivalents for efficient liquidity management, except that under exceptional circumstances (e.g. extreme market conditions such as in times of a prolonged bearish market or extremely severe and rapid economic downturn), the Sub-Fund may be invested temporarily up to 100% of its Net Asset Value in cash and/or cash equivalents.

Financial derivative instruments, collateralised and/or securitised products, securities financing transactions and borrowing

The Sub-Fund may invest in FDIs for hedging and/or investment purposes. The major types of FDIs which may be used by the Sub-Fund for such purposes include, but are not limited to, warrants, futures, options, forwards and other derivative instruments or contracts.

The Sub-Fund will not invest in any structured deposits, structured products or collateralised and/or securitised products. The Sub-Fund currently has no intention to engage in securities lending transactions, sale and repurchase transactions or reverse repurchase transactions. The Manager will seek the prior approval of the SFC (if required) and provide at least one (1) month's prior notice to Shareholders before the Manager enters into any such transactions.

**Investment restrictions**

No waivers from the investment restrictions set out in the main body of this 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 USD Shares (Accumulating)
- Class B USD Shares (Distributing)

The Directors 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 15 December 2025 and end at 4:00 p.m. (Hong Kong time) on 31 March 2026 (or such other dates or times as the Directors may determine).

**Initial Subscription Price**

The initial Subscription Price for each of Class A USD Shares (Accumulating) and Class B USD Shares (Distributing) is USD100 per Share.

The Directors 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 frequency* | Daily on each Dealing Day |
| *Dealing Day* | each Business Day# |
| *Dealing Deadline* | 3:00 p.m. (Hong Kong time) on the relevant Dealing Day |

*# The Manager will publish information on Dealing Days on the Manager's website https://www.kgi.com.hk/en/asset-management (this website has not been reviewed by the SFC) on a monthly basis, with such information to be made available at least one (1) month in advance of the relevant month. Where any such previously disclosed Dealing Day is no longer a Dealing Day due to any unexpected circumstances, the Manager will inform investors via the Manager's website as soon as practicable.*

If any application is received after the Dealing Deadline in respect of a Dealing Day, then the application will be deemed to have been received on the Dealing Day next following such receipt unless the Directors in its absolute discretion determines that the application is deemed received on the original Dealing Day.

Payment for Shares shall be due in cleared funds in the relevant Class Currency within one (1) Business Day following the relevant Dealing Day on which an application was received by the Dealing Deadline. Investors should note that subscription monies in respect of the Sub-Fund must be paid in the relevant Class Currency. Redemption proceeds will be paid to redeeming Shareholders in the relevant Class Currency.

**Payment of redemption proceeds**

As set out in the main body of this Explanatory Memorandum, save as otherwise agreed by the Directors, and so long as relevant account details have been provided, redemption proceeds will normally be paid in the relevant Class Currency by telegraphic transfer, within seven (7) Business Days after the relevant Dealing Day and in any event within one (1) calendar month of the relevant Dealing Day or (if later) receipt of a properly documented redemption request and such other documents and information as may be requested from the Shareholder, 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) thus rendering the payment of the redemption proceeds within the aforesaid time period not practicable, but in such a case the extended time frame for payment should reflect the additional time needed in light of the specific circumstances in the relevant market(s).

**Investment minima**

The following investment minima apply to the Sub-Fund:

| | **Class A USD Shares (Accumulating)** | **Class B USD Shares (Distributing)** |
|---|---|---|
| *Minimum initial investment amount* | USD1,000 | USD1,000 |
| *Minimum subsequent investment amount* | USD1,000 | USD1,000 |
| *Minimum redemption amount* | USD1,000 | USD1,000 |

The Directors reserve the right to waive the minimum initial investment, minimum subsequent investment 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 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, and below 0.00005 being rounded down). Any rounding adjustment will be retained by the relevant Class.

**Publication of Net Asset Value**

The Net Asset Value per Share of the Sub-Fund will be published on each Dealing Day on the Manager's website at https://www.kgi.com.hk/en/asset-management (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 (1) month's notice to Shareholders are set out under the section headed "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 USD Shares (Accumulating)** | **Class B USD Shares (Distributing)** |
|---|---|---|

| | | |
|---|---|---|
| **Subscription fee^**<br>(% of total subscription amount received (i.e. before deducting subscription fee)) | Up to 3% | Up to 3% |
| **Switching fee (i.e. conversion fee)^**<br>(% of total amount being converted) | Nil | Nil |
| **Redemption fee^**<br>(% of total redemption proceeds) | Nil | Nil |

Fees payable by the Sub-Fund

| | **Class A USD Shares (Accumulating)** | **Class B USD Shares (Distributing)** |
|---|---|---|
| **Management fee^** | 1.00% per annum of the Net Asset Value of the relevant Class | 1.00% per annum of the Net Asset Value of the relevant Class |
| **Performance fee** | Nil | Nil |
| **Custodian fee^** | Up to 0.50% per annum of the Net Asset Value of the Sub-Fund* | |
| **Administrator and registrar fee** | Up to 0.50% per annum of the Net Asset Value of the Sub-Fund* | |

** The aggregate of all fees and expenses charged by the Custodian, Administrator and Registrar in any given month is subject to a monthly minimum fee of USD8,334.*

*^ Please note that some fees may be increased up to a permitted maximum amount by providing one (1) month's prior notice to Shareholders. Please refer to the section headed "EXPENSE AND CHARGES" in the main body of this Explanatory Memorandum for further details on the permitted maximum of such fees allowed.*

**Additional risk factors**

The following risk factors are specific to the Sub-Fund. Investors should also take note of the relevant risk factors set out in the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

Investment risk

The Sub-Fund is subject to investment risk. Please refer to the risk factor "Investment risk" under the heading "RISK FACTORS" in the main body of this Explanatory Memorandum.

Risks associated with investing in fixed income instruments

- *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.

- *Credit / counterparty 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, 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 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.

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.

- *Risk of credit rating downgrades*

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 fixed income instruments 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.

- *Credit rating risk*

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

- *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 instruments 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.

- *Volatility and liquidity risk*

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

- *Sovereign debt risk*

By investing in instruments 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.

- *Risk associated with below investment grade or unrated fixed income instruments*

The Sub-Fund may invest in fixed income instruments which are rated below investment grade (in the case where the credit rating is designated/assigned by an internationally recognised credit rating agency, an appropriate credit rating which fairly reflects the credit risk of the securities as below investment grade as determined by the Manager) or which are unrated. Such instruments are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than high-rated fixed income instruments.

- *Liquidity risk*

The Sub-Fund may invest in fixed income instruments that are not listed. Such instruments may be less liquid and more volatile than listed fixed income instruments, resulting in the fluctuation in the price of such instruments and hence adversely affect the Net Asset Value of the Sub-Fund.

Risks of investing in convertible bonds

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

Risks of investing in subordinated debts

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

Concentration risks

The Sub-Fund may invest globally without geographical focus, but its investment may from time to time be concentrated in one or more specific regions or industry sectors. 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 relevant regions or sectors. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments.

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 favourably or 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 headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

Risk associated with investing in other collective investment schemes/funds

The Sub-Fund may invest in other collective investment schemes (including ETFs) and will be subject to the risks associated with the underlying funds. The Sub-Fund does not have control of the investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successful achieved which may have a negative impact to the Net Asset Value of the Sub-Fund.

The underlying funds in which the Sub-Fund may invest may or may not be regulated by the SFC. There may 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.

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 redemption charges on the underlying fund will be waived). The Manager will use its best endeavours to avoid and resolve such conflicts fairly.

Risks associated with investment in FDIs

The Sub-Fund may invest in FDIs for hedging and/or investment purposes. 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 FDIs" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum for further details.

Operational 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.

Dividends risk

There is no assurance that the Sub-Fund will declare to pay dividends or distributions in respect of the Distributing Classes. 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 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 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/effectively out of capital risk

The Directors may at their 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 the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Share of the relevant Class. The distribution policy with respect to distributions out of capital (and/or effectively out of capital) of the Sub-Fund can be amended subject to the SFC's prior approval (if required) and by giving not less than one (1) month's prior notice to Shareholders.

Risks relating to FATCA

Please also refer to "FATCA" 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 their own tax advisors 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 audited annual financial report for the Sub-Fund will cover the period from the date of incorporation of the Company (i.e. 8 October 2025) until 31 December 2026, and the first unaudited interim financial report for the Sub-Fund will cover the period from the date of incorporation of the Company of the Sub-Fund (i.e. 8 October 2025) until 30 June 2026.

**Distribution policy**

In respect of Class A USD Shares (Accumulating), no dividends will be declared or distributed. Any net income and net realised capital gains attributable to such Class will be reflected in the Net Asset Value of such Class.

In respect of Class B USD Shares (Distributing), it is currently intended that distributions of dividends will be declared on a monthly basis, subject to the Directors' discretion. There is no guarantee of regular distribution nor, where distribution is made, the amount being distributed. Dividends, if declared, will be paid or reinvested, in accordance with the instruction given by the investor.

Distributions declared (if any) will be paid to Shareholders at their own risk and expense by telegraphic transfer in the relevant Class Currency.

The Directors will have the discretion to determine if and to what extent distributions will be paid out of net income and/or capital attributable to the relevant Distributing Class. The Directors may also, in their absolute discretion, distribute gross income and charge all or part of the Sub-Fund's fees and expenses attributable to the relevant Distributing Class to the capital attributable to the relevant Distributing Class as the Directors consider appropriate, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund in respect of the relevant Distributing Class and therefore, the Sub-Fund may effectively pay dividends out of capital.

In the event that the net distributable income attributable to the relevant Distributing Class during the relevant period is insufficient to pay distributions as declared, the Directors may in their discretion determine such dividends be paid from capital. Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of a Sub-Fund's capital or payment of dividends effectively out of a Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Share of the relevant

Distributing Class. Please refer to "Distributions out of/effectively out of capital risk" and "Dividends risk" in the section headed "Additional risk factors" in this Appendix 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 twelve (12) months are available from the Manager on request and are also published on the Manager's website at https://www.kgi.com.hk/en/asset-management (this website has not been reviewed by the SFC). Any changes regarding the distribution policy will be subject to the SFC's prior approval (if required) and not less than one (1) month's prior notice to the relevant Shareholders.

# APPENDIX 3: KGI DIVERSIFIED GROWTH INCOME FUND

*This Appendix (which forms part of, and should be read together with the rest of, this Explanatory Memorandum) relates to the KGI Diversified Growth Income Fund (the "**Sub-Fund**"), a Sub-Fund of the Company. All references in this Appendix to the Sub-Fund are to KGI Diversified Growth Income 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 USD.

## Investment objective

The investment objective of the Sub-Fund is to seek medium to long term growth of capital and income.

## Investment strategy

The Sub-Fund pursues an actively managed multi-asset strategy. This is reflected in the Sub-Fund's strategic asset allocation whereby the Manager sets target allocations to various asset classes that support the Sub-Fund in achieving its objective. The Manager utilises macroeconomic research to identify global investment themes and opportunities when determining the asset allocation. The Manager may adjust the strategic asset allocation to adapt to short-term market conditions and opportunities.

The Sub-Fund will invest at least 70% of its Net Asset Value directly and indirectly in global assets including equity and equity-related securities (including but not limited to stocks, preferred stocks and depository receipts) and debt securities. The Sub-Fund's strategic allocation will change from time to time, and there is no set ratio on the allocation.

For Sub-Fund's exposure to equity and equity-related securities, there is no investment restriction in terms of region, country, industry or market capitalisation.

The Sub-Fund may invest in debt securities of fixed and/or floating rate, with varying maturities and are issued by global issuers such as governments, multilateral agencies or corporations. There is no requirement in terms of credit rating and the Sub-Fund may invest in up to 100% of its Net Asset Value in below investment grade or unrated debt securities. "Investment grade" is defined as a credit rating (of the debt security, or if the security does not have a credit rating, its issuer or guarantor) of Baa3 or BBB- or above by Standard & Poor's, Fitch, Moody's or another recognised credit rating agency. For the purpose of the Sub-Fund, "unrated" refers to where neither the instrument itself nor its issuer or guarantor has a credit rating. For split credit ratings, the highest rating shall apply. The debt securities in which the Sub-Fund may invest include but are not limited to long-term bonds, medium-term notes, zero coupon and discount bonds, straight bonds, bills, convertible bonds, high yield bonds, subordinated debts, as well as short-term money market instruments (such as treasury bills, commercial papers, certificates of deposit of variable or fixed interest rates that are listed or quoted on the over-the-counter markets, bank deposits, short term bills and notes). The Sub-Fund's exposure to debt securities that are issued and/or guaranteed by a single sovereign issuer which is below investment grade will not exceed 10% of its Net Asset Value.

The Sub-Fund's aggregate investments in onshore and offshore Mainland China equities and debt securities will be under 30% of its Net Asset Value. The Sub-Fund does not intend to invest in urban investment bonds (城投債).

The Sub-Fund's exposure to the above assets may be achieved by direct investment, or through a range of collective investment schemes. Such underlying schemes include but are not limited to unlisted funds, ETFs and REITs. Underlying schemes may adopt various strategies, for example, multi-asset and absolute return strategies.

Subject to the requirements of the UT Code, the Sub-Fund may invest up to 100% of its Net Asset Value in one or more underlying schemes provided that (i) holding in each scheme which is either authorised by the SFC or an eligible scheme (as defined by the SFC) may not exceed 30% of the Sub-Fund's Net Asset Value, and (ii) not more than 10% of the Sub-Fund's Net Asset Value may be invested in collective investment schemes which are non-eligible schemes and not authorised by the SFC. The underlying collective investment schemes may be managed by the Manager or its connected persons or by a third party. Investments in ETFs will be considered and treated as collective investment schemes for the purposes of and subject to the requirements in 7.11, 7.11A and 7.11B of the UT Code.

The Sub-Fund may invest in FDIs for hedging and/or investment purposes. The major types of FDIs which may be used by the Sub-Fund for such purposes include, but are not limited to, warrants, futures, options, forwards and other derivative instruments or contracts.

The Sub-Fund may hold up to 30% of its Net Asset Value in cash, cash equivalents and/or money market funds for efficient liquidity management, except that under exceptional circumstances (e.g. extreme market conditions such as in times of a prolonged bearish market or extremely severe and rapid economic downturn), the Sub-Fund may temporarily invest up to 100% of its Net Asset Value in liquid assets such as bank deposits, certificates of deposit, commercial paper and treasury bills for cash flow management. Investments in money market funds will be subject to the restrictions above on collective investment schemes.

The Sub-Fund may invest up to 30% of its Net Asset Value in fixed income instruments with loss-absorption features (the "**LAP**"), such as contingent convertible debt securities and senior non-preferred debts. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

The Sub-Fund will not invest in any structured deposits, structured products or collateralised and/or securitised products. The Sub-Fund will not invest directly in physical commodities. The Sub-Fund currently has no intention to engage in securities lending transactions, sale and repurchase transactions or reverse repurchase transactions. The Manager will seek the prior approval of the SFC (if required) and provide at least one (1) month's prior notice to Shareholders before the Manager enters into any such transactions.

**Investment restrictions**

No waivers from the investment restrictions set out in the main body of this 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 USD Shares (Accumulating)
- Class B USD Shares (Distributing)

The Directors 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 15 December 2025 and end at 4:00 p.m. (Hong Kong time) on 31 March 2026 (or such other dates or times as the Directors may determine).

**Initial Subscription Price**

The initial Subscription Price for each of Class A USD Shares (Accumulating) and Class B USD Shares (Distributing) is USD100 per Share.

The Directors 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 frequency* | Daily on each Dealing Day |
| *Dealing Day* | each Business Day# |
| *Dealing Deadline* | 3:00 p.m. (Hong Kong time) on the relevant Dealing Day |

*# The Manager will publish information on Dealing Days on the Manager's website https://www.kgi.com.hk/en/asset-management (this website has not been reviewed by the SFC) on a monthly basis, with such information to be made available at least one (1) month in advance of the relevant month. Where any such previously disclosed Dealing Day is no longer a Dealing Day due to any unexpected circumstances, the Manager will inform investors via the Manager's website as soon as practicable.*

If any application is received after the Dealing Deadline in respect of a Dealing Day, then the application will be deemed to have been received on the Dealing Day next following such receipt unless the Directors in its absolute discretion determines that the application is deemed received on the original Dealing Day.

Payment for Shares shall be due in cleared funds in the relevant Class Currency within one (1) Business Day following the relevant Dealing Day on which an application was received by the Dealing Deadline. Investors should note that subscription monies in respect of the Sub-Fund must be paid in the relevant Class Currency. Redemption proceeds will be paid to redeeming Shareholders in the relevant Class Currency.

**Payment of redemption proceeds**

As set out in the main body of this Explanatory Memorandum, save as otherwise agreed by the Directors, and so long as relevant account details have been provided, redemption proceeds will normally be paid in the relevant Class Currency by telegraphic transfer, within seven (7) Business Days after the relevant Dealing Day and in any event within one (1) calendar month of the relevant Dealing Day or (if later) receipt of a properly documented redemption request and such other documents and information as may be requested from the Shareholder, 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) thus rendering the payment of the redemption proceeds within the aforesaid time period not practicable, but in such a case the extended time frame for payment should reflect the additional time needed in light of the specific circumstances in the relevant market(s).

**Investment minima**

The following investment minima apply to the Sub-Fund:

| | Class A USD Shares (Accumulating) | Class B USD Shares (Distributing) |
|---|---|---|
| *Minimum initial investment amount* | USD1,000 | USD1,000 |
| *Minimum subsequent investment amount* | USD1,000 | USD1,000 |
| *Minimum redemption amount* | USD1,000 | USD1,000 |

The Directors reserve the right to waive the minimum initial investment, minimum subsequent investment 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 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, and below 0.00005 being rounded down). Any rounding adjustment will be retained by the relevant Class.

**Publication of Net Asset Value**

The Net Asset Value per Share of the Sub-Fund will be published on each Dealing Day on the Manager's website at https://www.kgi.com.hk/en/asset-management (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 (1) month's notice to Shareholders are set out under the section headed "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 USD Shares (Accumulating) | Class B USD Shares (Distributing) |
|---|---|---|
| **Subscription fee^**<br>(% of total subscription amount received (i.e. before deducting subscription fee)) | Up to 3% | Up to 3% |
| **Switching fee (i.e. conversion fee)^**<br>(% of total amount being converted) | Nil | Nil |
| **Redemption fee^**<br>(% of total redemption proceeds) | Nil | Nil |

Fees payable by the Sub-Fund

| | **Class A USD Shares (Accumulating)** | **Class B USD Shares (Distributing)** |
|---|---|---|
| **Management fee^** | 1.50% per annum of the Net Asset Value of the relevant Class | 1.50% per annum of the Net Asset Value of the relevant Class |
| **Performance fee** | Nil | Nil |
| **Custodian fee^** | Up to 0.50% per annum of the Net Asset Value of the Sub-Fund* | |
| **Administrator and registrar fee** | Up to 0.50% per annum of the Net Asset Value of the Sub-Fund* | |

** The aggregate of all fees and expenses charged by the Custodian, Administrator and Registrar in any given month is subject to a monthly minimum fee of USD8,334.*

*^ Please note that some fees may be increased up to a permitted maximum amount by providing one (1) month's prior notice to Shareholders. Please refer to the section headed "EXPENSE AND CHARGES" in the main body of this Explanatory Memorandum for further details on the permitted maximum of such fees allowed.*

**Additional risk factors**

The following risk factors are specific to the Sub-Fund. Investors should also take note of the relevant risk factors set out in the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

Investment risk

The Sub-Fund is subject to investment risk. Please refer to the risk factor "Investment risk" under the heading "RISK FACTORS" in the main body of this Explanatory Memorandum.

Asset allocation risk

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

Risks associated with investing in equity and equity-related securities

The Sub-Fund may invest in equity and equity-related securities. Investment in equity and equity-related securities is subject to general market risk and the prices of such securities may be volatile. Factors affecting the value of such securities are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, issuer-specific factors, regional or global economic instability, currency and interest rate fluctuations.

The fundamental risk associated with any equity portfolio is the risk that the value of the investments it holds might suddenly and substantially decrease in value, due to factors such as the possibility of sudden or prolonged market declines and risks associated with individual companies. Market prices of equity securities as a group have dropped dramatically in a short period of time on several occasions in the past, and they may do so again in the future. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or which are the subject of rumours of accounting irregularities. These factors may adversely affect the Sub-Fund and, consequently, the Net Asset Value per Share.

In addition, high market volatility and potential settlement difficulties in certain markets may also result in significant fluctuations in the prices of the equity securities traded on such markets and may thereby adversely affect the value of the Sub-Fund which invests in such markets.

Securities exchanges in certain regions 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 small-capitalisation/mid-capitalisation companies

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

Risk associated with depository receipts

The Sub-Fund may invest in depository receipts, and such exposure may generate additional risks compared to a direct exposure to the corresponding underlying stocks, in particular, the risk of non-segregation under applicable law of the depository bank who holds the underlying stock as collateral and its own assets. Depository receipts are instruments that represent shares in companies trading outside the markets in which the depository receipts are traded. Accordingly there is a risk that the underlying shares may be subject to political, inflationary, exchange rate or custody risks. Although segregation is an integral part of the depository agreement regulating the issuance of the depository receipts, there could be a risk that underlying shares would not be attributed to holders of depository receipts in case of bankruptcy of the depository bank. In such case, the likeliest scenario would be the trading suspension and thereafter a freeze of the price of the depository receipts impacted by such bankruptcy event. Bankruptcy events in respect of the depository banks issuing the depository receipts may negatively affect the performance and/or the liquidity of the Sub-Fund.

There are fees related to depository receipts, for example fees charged by banks for the custody of depository receipts, which may impact the performance of the depository receipts. Also, holders of depository receipts are not direct shareholders of the underlying company and generally do not have voting and other shareholder rights as shareholders do. The Sub-Fund may also be subject to liquidity risk as depository receipts are often less liquid than the corresponding underlying stocks.

Risks associated with investing in debt securities

- *Interest rate risk*

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

- *Credit / counterparty risk*

Investment in debt securities is subject to the credit risk of the issuers 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 securities (or the issuers 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 securities 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 securities 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.

- *Risk of credit rating downgrades*

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 debt securities 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 debt securities that are being downgraded.

- *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*

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 the Mainland Chinese rating agencies may therefore not be directly comparable with those given by other international rating agencies.

- *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 security may decline rapidly, and the value of the Sub-Fund may be adversely affected.

- *Volatility and liquidity risk*

The debt securities in the 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.

- *Sovereign debt risk*

By investing in securities 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 securities 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.

- *Liquidity risk*

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

- *Risk associated with below investment grade or unrated debt securities*

The Sub-Fund may invest in debt securities which are rated below investment grade (in the case where the credit rating is designated/assigned by an internationally recognised credit rating agency or in the case where the credit rating is designated/assigned by a Mainland Chinese credit rating agency, an appropriate credit rating which fairly reflects the credit risk of the securities as below investment grade as determined by the Manager) or which are unrated. Such securities are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than high-rated debt securities.

Risks of investing in convertible bonds

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

Risks of investing in subordinated debts

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

Risk associated with investments in fixed income instruments with LAP

Fixed income instruments with LAP are subject to greater risks when compared to traditional fixed income instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of 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. Fixed income 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, commonly known as CoCos, which are highly complex and are of high risk. Upon the occurrence of the trigger event, CoCos may be converted into shares of the issuer (potentially at a discounted price), or may be subject to the permanent write-down to zero. Coupon payments on CoCos are discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

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

Concentration risks

The Sub-Fund may invest globally without geographical focus, but its investment may from time to time be concentrated in one or more specific regions or industry sectors. 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 relevant regions or sectors. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments.

Mainland China related risks

- *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 PRC government at various levels, in recent years, the PRC 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 PRC government has implemented various measures from time to time to control inflation and restrain the rate of economic growth.

Since 1978, the PRC government has implemented economic reform measures which emphasise decentralisation and the utilisation of market forces in the development of the Mainland Chinese economy, moving from the previous planned economy system. However, many of the economic measures are experimental or unprecedented and may be subject to adjustment and modification. The investments in Mainland China may be affected by the changes in government policies, promulgation of foreign currency and monetary policies and tax regulations.

Political changes, social instability and adverse diplomatic developments in Mainland China 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 debt instruments in the Sub-Fund's portfolio.

Investing in Mainland China subjects the Sub-Fund to a higher level of market risk than investments in a developed country. This is due to, among other things, greater market volatility, lower trading volume, political and economic instability, settlement risk, greater risk of market shut down and more governmental limitations on foreign investment than those typically found in developed markets.

The performance of Mainland Chinese companies are correlated to the growth rate of the economy of Mainland China, which in turn depend on the worldwide economic conditions, which have recently deteriorated significantly in many countries and regions and may remain depressed for the foreseeable future. There are many factors affecting the growth of the economy, including but not limited to interest rates, currency exchange rates, economic growth rate, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment level and general consumer confidence. There can be no assurance that historical growth rates of the economy of Mainland China will continue. Any future slowdowns or declines in the economy of Mainland China may materially and adversely affect the business of Mainland Chinese companies and as a result the performance of the Sub-Fund.

- *Mainland China laws and regulations risk*

The regulatory and legal framework for capital markets and joint stock companies in Mainland China may not be as well developed as those of developed countries. Mainland China 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 legal system in Mainland China 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 Chinese 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.

- *Settlement risks*

As the Sub-Fund may invest in the Mainland China market, 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 China taxation risk*

There can be no guarantee that new tax laws, regulations and practice in Mainland China may be promulgated in the future. The promulgation of such new laws, regulations and practice may operate to the advantage or disadvantage of the Shareholders. Changes in the Mainland China taxation legislation could also affect the amount of income which may be derived, and the amount of capital returned, from the investments of the Sub-Fund.

Various tax reform policies have been implemented by the PRC government in recent years, and existing tax laws and regulations may be revised or amended in the future. There is a possibility that the current tax laws, regulations and practice in Mainland China will be changed with retrospective effect in the future. Moreover, there is no assurance that tax incentives currently offered to foreign companies, if any, will not be abolished and the existing tax laws and regulations will not be revised or amended in the future. Any changes in tax policies may reduce the after-tax profits of the companies in Mainland China which the relevant Sub-Fund invests in, thereby reducing the income from, and/or value of the Shares.

There are also risks and uncertainties associated with the current Mainland China tax laws, regulations and practice.

<u>Currency risks</u>

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 favourably or 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 headed "RISK FACTORS" in the main body of this Explanatory Memorandum.

RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of and repatriation restrictions imposed by the PRC government. If such policies change in future, the Sub-Fund's position may be adversely affected.

Risk associated with investing in other collective investment schemes/funds

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

The underlying funds in which the Sub-Fund may invest may or may not be regulated by the SFC. There may 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.

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 redemption charges on the underlying fund will be waived). The Manager will use its best endeavours to avoid and resolve such conflicts fairly.

Risks relating to investment in ETFs

The Sub-Fund may invest in ETFs which are subject to the following risks:

- *Passive investment risks*

The ETFs that the Sub-Fund invests in may not be "actively managed" and the manager of the relevant ETF does not attempt to select securities individually or to take defensive positions in declining markets. Consequently, falls in the underlying index of the ETF are expected to result in a corresponding fall in the value of the Sub-Fund.

- *Tracking error risks*

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

- *Underlying index related risks*

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

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

- *Trading risks*

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

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

- *Regulatory policies risks*

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

Risk of investing in REITs

The Sub-Fund's investment in REITs is subject to risks associated with real estate, including, without limitation, a decline in real estate values, the possibility that the issuers of real estate related securities as owners of real estate could default on mortgage payments resulting in the loss of their properties, environmental liability, and rise of interest rates. The value of the Sub-Fund may fluctuate in response to movements in real estate markets.

The underlying REITs may not necessarily be authorised by the SFC and the dividend policy / payout policy of the Sub-Fund is not representative of the dividend policy / payout policy of the underlying REITs.

Risks associated with investment in FDIs

The Sub-Fund may invest in FDIs for hedging and/or investment purposes. 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 FDIs" under the section headed "RISK FACTORS" in the main body of this Explanatory Memorandum for further details.

Operational 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.

Dividends risk

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

The ability of the issuers of equity or debt securities to make dividend or 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.

<u>Distributions out of/effectively out of capital risk</u>

The Directors may at their 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 the Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Share of the relevant Class. The distribution policy with respect to distributions out of capital (and/or effectively out of capital) of the Sub-Fund can be amended subject to the SFC's prior approval (if required) and by giving not less than one (1) month's prior notice to Shareholders.

<u>Risks relating to FATCA</u>

Please also refer to "FATCA" 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 their own tax advisors 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 audited annual financial report for the Sub-Fund will cover the period from the date of incorporation of the Company (i.e. 8 October 2025) until 31 December 2026, and the first unaudited interim financial report for the Sub-Fund will cover the period from the date of incorporation of the Company of the Sub-Fund (i.e. 8 October 2025) until 30 June 2026.

**Distribution policy**

In respect of Class A USD Shares (Accumulating), no dividends will be declared or distributed. Any net income and net realised capital gains attributable to such Class will be reflected in the Net Asset Value of such Class.

In respect of Class B USD Shares (Distributing), it is currently intended that distributions of dividends will be declared on a monthly basis, subject to the Directors' discretion. There is no guarantee of regular distribution nor, where distribution is made, the amount being distributed. Dividends, if declared, will be paid or reinvested, in accordance with the instruction given by the investor.

Distributions declared (if any) will be paid to Shareholders at their own risk and expense by telegraphic transfer in the relevant Class Currency.

The Directors will have the discretion to determine if and to what extent distributions will be paid out of net income and/or capital attributable to the relevant Distributing Class. The Directors may also, in their absolute discretion, distribute gross income and charge all or part of the Sub-Fund's fees and expenses attributable to the relevant Distributing Class to the capital attributable to the relevant Distributing Class as the Directors consider appropriate, resulting in an increase in distributable income for the payment of dividends by the Sub-Fund in respect of the relevant Distributing Class and therefore, the Sub-Fund may effectively pay dividends out of capital.

In the event that the net distributable income attributable to the relevant Distributing Class during the relevant period is insufficient to pay distributions as declared, the Directors may in their discretion determine such dividends be paid from capital. Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of a Sub-Fund's capital or payment of dividends effectively out of a Sub-Fund's capital may result in an immediate reduction of the Net Asset Value per Share of the relevant Distributing Class. Please refer to "Distributions out of/effectively out of capital risk" and "Dividends risk" in the section headed "Additional risk factors" in this Appendix 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 twelve (12) months are available from the Manager on request and are also published on the Manager's website at https://www.kgi.com.hk/en/asset-management (this website has not been reviewed by the SFC). Any changes regarding the distribution policy will be subject to the SFC's prior approval (if required) and not less than one (1) month's prior notice to the relevant Shareholders.