

**Important:** This Hong Kong Prospectus (the “Prospectus”) is the offering document for ChinaAMC Fund in Hong Kong and is only addressed to investors in the Hong Kong Special Administrative Region of the People’s Republic of China and shall not be distributed elsewhere. The Prospectus in respect of the ChinaAMC Fund dated *27 June 2022* which may contain information on funds which are not authorised by the SFC is not available for distribution in Hong Kong.

If you are in any doubt about the contents of this Prospectus, you should seek independent professional financial advice.

# **ChinaAMC Fund**

Incorporated in Luxembourg as an open-ended investment company qualifying as a UCITS  
(Undertaking for Collective Investment in Transferable Securities)

## **Hong Kong Prospectus**

**JULY 2022**

## **IMPORTANT INFORMATION**

The Directors, whose names are set out in the Section 'Directors, Management and Administration' of this Prospectus, accept responsibility for the information in this Prospectus. To the best of the Directors' knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

Subscriptions can be made only on the basis of this Prospectus accompanied by the relevant product key facts statement(s), the latest available audited annual report of the Company and the latest half yearly report, if published later than such annual report.

No person has been authorised to give any information or to make any representations in connection with the offering of Shares other than those contained in this Prospectus, the relevant product key facts statement(s) and the reports referred to above, and, if given or made, such information or representations must not be relied on as having been authorised by the Company. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date hereof.

The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted. Persons into whose possession this Prospectus comes are required by the Company to inform themselves of and to observe any such restrictions. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer, solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The Company is not registered in the United States of America under the Investment Company Act of 1940. The Shares have not been registered in the United States of America under the Securities Act of 1933. The Investment Manager is registered under the Investment Advisers Act of 1940, as amended. The Shares made available under this offer may not be directly or indirectly offered or sold in the United States of America or any of its territories or possessions or areas subject to its jurisdiction or to or for the benefit of residents thereof, unless pursuant to an exemption from registration requirements available under the laws of the United States of America, any applicable statute, rule or interpretation. Applicants for Shares may be required to declare that they are not U.S. Persons and are not applying for Shares on behalf of any U.S. Person. Notwithstanding the foregoing, the Company may arrange for the issue of Shares as part of a private placement to investors who are in the United States or who are U.S. Persons and who, prior to their acquisition of Shares, deliver to the Company certain representations required under United States securities laws.

The recognition and authorisation of the Company in any jurisdiction does not require any authority to approve or disapprove or take responsibility for the adequacy or accuracy of this or any prospectus or the portfolios of securities held by the Company. Neither should recognition or authorisation be taken to imply any responsibility of any authority for the financial soundness of the Company or any of its Sub-Funds, or that investment in it is recommended, or that any statements made or opinions expressed with regard to it are correct. Any statement to the contrary is unauthorised and unlawful.

The Company and its Sub-Fund(s) detailed in Appendix I of this Prospectus have been authorised by the SFC under the SFO in Hong Kong and are available for sale to the public in Hong Kong. There are other sub-funds of the Company which have been approved by the CSSF but are not available for sale in Hong Kong. The SFC's authorisation of the Company and the Sub-Fund(s) is not a recommendation or an endorsement of the Company or the Sub-Fund(s), nor does it guarantee the commercial merits or performance of the Company or of the Sub-Funds by the SFC. It does not mean the Company or the Sub-Fund(s) are suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

None of the Shares of the Company are listed on the Luxembourg Stock Exchange.

Investment in the Company should be regarded as a long-term investment. There can be no guarantee that the objective of the Company will be achieved. Potential investors must consider the Section 'Investment and Risk Considerations' of this Prospectus.

**Potential investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of Shares.**

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# 1 KEY FEATURES OF THE COMPANY

## What are the product characteristics?

The ChinaAMC Fund is an open ended investment company, which was incorporated in Luxembourg as a SICAV on 10 August 2010.

The Company offers Class A Shares, Class B Shares, Class C Shares, and Class I Shares for each of its Sub-Funds. Each Class Shares may offer Accumulation Shares, Distribution Shares or both. Not all Classes of Shares may be available in all Sub-Funds. Please refer to Appendix I of this Prospectus for Classes of Shares of a Sub-Fund which are available for subscription in Hong Kong.

The Company is a collective investment scheme, which allows investors to pool their contributions with those of other like-minded people to create a portfolio of assets.

Shares may be issued in the base currency of the relevant Sub-Fund ("**Base Currency Share Class**"), or where detailed on the application form, in non-base currencies ("**Non-Base Currency Share Class**").

The Company may further issue such Hedged Share Class of Shares denominated in a currency other than the base currency of the relevant Sub-Fund ("**Non-Base Currency Hedged Share Class**") as specified in the relevant section of Appendix I in relation to one particular Sub-Fund, to the extent applicable.

## How may an investor buy Shares?

Initial purchases of Shares must be made by completing an application form. This should be sent by post or by fax to ChinaAMC Fund, c/o Brown Brothers Harriman (Luxembourg) S.C.A., Transfer Agent, 80, route d'Esch, L-1470 Luxembourg, Grand Duchy of Luxembourg by no later than the Instruction Deadline or to the Hong Kong Representative or Authorised Distributors by an instruction deadline earlier than the Instruction Deadline specified in the relevant section of Appendix I for a particular Sub-Fund. In the case of faxed orders for initial purchases, these should be followed with the original form by post.

Subsequent purchases may be undertaken by post or fax. The completed application form, relevant documents to support the application, should be sent to the Administrator at: ChinaAMC Fund, c/o Brown Brothers Harriman (Luxembourg) S.C.A., 80, route d'Esch, L-1470 Luxembourg, Grand Duchy of Luxembourg by no later than the Instruction Deadline or to the Hong Kong Representative or Authorised Distributors by an instruction deadline earlier than the Instruction Deadline specified in the relevant section of Appendix I for a particular Sub-Fund.

Application forms received on a Business Day in Luxembourg and Hong Kong, if duly completed, will be forwarded the Administrator in Luxembourg on the same day provided that the application forms are received by an instruction deadline earlier than the Instruction Deadline specified in the relevant section of Appendix I for a particular Sub-Fund. Applications received after the aforesaid instruction deadline or on a day that is not a Business Day in

Luxembourg and Hong Kong, will be forwarded to the Administrator on the next Business Day in Luxembourg and Hong Kong.

Other Anti Money Laundering (AML) documents may be requested by the Administrator on a case by case basis. Applications may also be made through the Hong Kong Representative or the Company's Authorised Distributors in the countries in which the Shares are offered and sold. However, submission of application forms via the Hong Kong Representative or Authorised Distributors may be subject to an instruction deadline earlier than the Instruction Deadline specified in the relevant section of Appendix I for a particular Sub-Fund. Investors should therefore check with the Hong Kong Representative or the relevant Authorised Distributor(s) on the timing and procedures for submission of any application forms. In addition, Shares can be bought on any stock exchange on which the particular Sub-Fund is listed.

### **When is the price at which Shares are bought or sold determined?**

The Administrator adopts a 'forward pricing' policy, which means that the price at which Shares are bought or sold (exclusive of any initial charge) is that calculated at the valuation point following receipt of the order. This means that it is not possible to know in advance the price at which the deal will be struck.

### **What rights do applicants have to cancel any purchase?**

Once Shares have been bought, and subject to any provision to the contrary applicable in the jurisdictions where the Shares are sold, the applicant has no right to cancel the deal. However, a Shareholder can redeem his Shares at any time provided such rights of redemption have not been suspended or deferred and subject to any applicable conditions set out in this Prospectus.

### **How can Shareholders follow the progress of their investment?**

The printed versions of the semi-annual reports and accounts of the Company (available in English only) of the Company will be available to Shareholders within two months of 30 June in each year and the annual reports and accounts (available in English only) will be available within four months of 31 December in each year.

In addition to being available at the registered office of the Company and of the Administrator and the office of the Hong Kong Representative, the Company will make available the above reports in printed and electronic forms via electronic means, if Shareholders consent to electronic delivery of such information, as provided in the application form of the relevant Sub-Fund. Shareholders will be notified of where such reports can be obtained. Such notices will be sent to Shareholders as soon as practicable and in any event within four months after 31 December in each year in the case of annual audited accounts and within two months after 30 June in each year in the case of unaudited semi-annual reports.

Except otherwise provided for the relevant Sub-Fund, and indicated in the relevant section of Appendix I in relation thereto, prices of the Shares of the Sub-Fund(s) (exclusive of any initial charge) are available on each Dealing Day at the registered office of the Company, the office

of the Hong Kong Representative on the Company's website [www.chinaamc.com.hk](http://www.chinaamc.com.hk)<sup>1</sup>. The price of the Shares of a Sub-Fund will be published daily in Hong Kong in the South China Morning Post and the Hong Kong Economic Times. The prices are available in the base currency of the relevant Sub-Fund as well as in the currency of any Non-Base Currency Share Class, if available. Please refer to the application form for details of which Sub-Funds offer Non-Base Currency Share Classes.

### **Is it possible to convert an investment?**

Subject to the conditions set out in this Prospectus being met, Shareholders may convert between Sub-Funds and between Classes of Shares (subject to the minimum limits set out in Appendix I of this Prospectus) by contacting the Administrator in Luxembourg or the Hong Kong Representative or Authorised Distributors. A charge of up to 1% of the gross amount being converted may be made. As at the date of this Prospectus, there is only one Sub-Fund authorised by the SFC which means conversion between Sub-Funds will not be permitted.

### **How do Shareholders redeem their Shares?**

Shareholders may redeem their Shares by writing to or faxing the Administrator at: ChinaAMC Fund, c/o Brown Brothers Harriman (Luxembourg) S.C.A., Transfer Agent, 80, route d'Esch, L-1470 Luxembourg, Grand Duchy of Luxembourg by no later than the Instruction Deadline or to the Hong Kong Representative or Authorised Distributors, by an instruction deadline earlier than the Instruction Deadline specified in the relevant section of Appendix I for a particular Sub-Fund. Register Numbers should be quoted in all communications. Proceeds from the redemption will be released only on receipt of a written confirmation of the sale and on the provision that all AML documents have been duly received. Applications for redemption of Shares may also be made through the Hong Kong Representative or the Authorised Distributors in the countries in which its Shares are offered and sold. However, submission of application forms via the Hong Kong Representative or Authorised Distributors may be subject to an instruction deadline earlier than the Instruction Deadline specified in the relevant section of Appendix I for a particular Sub-Fund. Investors should therefore check with the Hong Kong Representative or the relevant Authorised Distributor(s) on the timing and procedures for submission of any application forms. A redemption charge may apply on redemptions. Please refer to Appendix I of this Prospectus.

### **How will charges and expenses affect Shareholders' investments?**

The price of a Share will be based on the net asset value and, in addition, applicable charges may be levied.

Upon a purchase, redemption and conversion of certain classes of Shares of any Sub-Fund, an initial charge, redemption or conversion charge may be levied as further detailed in Appendix I to this Prospectus.

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<sup>1</sup> This website has not been reviewed by the SFC and may contain information of funds not authorised by the SFC.



A management company fee and an investment management fee are also payable out of the assets of the Company for the ongoing management of the Company. The investment management fees may vary between the Sub-Funds and Classes of Shares. The management company fee and the investment management fee are collected each month in arrears directly from the assets of the relevant Sub-Fund and Class of Shares. More details regarding the management company fees and investment management fees are included in the Section 'Fees, Charges and Expenses' and Appendix I of this Prospectus.

In addition to the charges described above, each Sub-Fund itself bears certain expenses, such as management company fees, depositary fees, administration fees, audit fees, legal fees, registration fees and tax, which are deducted from the net assets of each Sub-Fund.

## 2 DEFINITIONS

|                           |   |
|---------------------------|---|
| ‘Accumulation Shares’     | Shares in respect of which income is accumulated and added to the capital property of a Sub-Fund.   |
| ‘Administrator’           | Brown Brothers Harriman (Luxembourg) S.C.A.   |
| ‘Approved Counterparties’ | means one or more entities selected by the Company as eligible counterparties for the Company in relation to OTC derivatives, (including any total return swaps) and/or repurchase or reverse repurchase agreements or securities lending transactions. Approved Counterparties shall be selected among financial institutions from OECD member states as well as the Hong Kong Special Administrative Region, incorporated with the main legal form of each jurisdiction (SA in France, GmbH in Germany and Switzerland, Plc or Ltd in the United Kingdom etc.) specialised in the relevant type of transaction, being of good reputation and having a minimum rating of “BBB –”, provided always that the relevant entity is eligible under the UCITS laws and regulations and permitted by the CSSF as counterparty to such transactions. The identity of such counterparties as well as information on direct and indirect operational costs and fees incurred by the Company in the context of those transactions will be available in the Company’s annual report and the semi-annual report. |
| ‘Articles’                | the articles of incorporation of the Company.   |
| ‘Auditors’                | Ernst & Young S.A., Luxembourg.   |
| ‘Authorised Distributors’ | the Distributor and the distributors appointed by the Distributor to procure sales of the Shares and local agents such as the Hong Kong Representative as may be appointed from time to time and disclosed in the relevant part of Appendix I.  |
| ‘Board of Directors’      | the board of directors of the Company.  |
| ‘Business Day’            | a full bank business day in the Grand-Duchy of Luxembourg and the Hong Kong S.A.R. (except that where as a result of a Typhoon Signal No. 8 or above, Black Rainstorm Warning or other similar event, the period during which banks in the Hong Kong S.A.R. are open on any day is reduced, in which case such day will not be regarded as a business day), as well as (when applicable) in the country of the principal market or stock exchange on which a material part of the relevant Sub-Fund’s investments is traded or quoted, as the case may be,  |

|                      |   |
|----------------------|---|
|                      | as specified for each Sub-Fund in the relevant section of Appendix I.   |
| ‘ChinaAMC (HK)’      | China Asset Management (Hong Kong) Limited incorporated in Hong Kong with register number 39848156, or any of its subsidiaries.   |
| ‘Class’ or ‘Classes’ | Class A, Class B, Class C and Class I, as appropriate. Each Class of Shares represents four different charging structures. Shares are further divided into Distributing and Accumulating Share classes. Accumulating Shares do not pay dividends, whereas Distributing Shares pay dividends. Some of the Share Classes may offer protection by hedging against certain currency fluctuations. Shares may be bought in the base currency of the relevant Sub-Fund, or where detailed on the application form, in additional Non-Base Currency Share Classes. |
| ‘Class A Shares’     | Class “A” Shares are available to all investors other than Institutional Investors.   |
| ‘Class B Shares’     | Class “B” Shares are available to all investors other than Institutional Investors.   |
| ‘Class C Shares’     | Class “C” Shares are available to all investors other than Institutional Investors.   |
| ‘Class I Shares’     | Class “I” Shares are only offered to Institutional Investors.   |
| ‘Company’            | ChinaAMC Fund, an umbrella company formed in Luxembourg as a SICAV which has the ability to issue various Classes of Shares.  |
| ‘CSSF’               | the Luxembourg supervisory authority, the <i>Commission de Surveillance du Secteur Financier</i> , or its successor.  |
| ‘CSDCC’              | <a href="#">China Central Depository &amp; Clearing Co., Ltd.</a>   |
| ‘CSRC’               | China Securities Regulatory Commission  |
| ‘Dealing Day’        | such Business Day, as specified in the relevant section of Appendix I for each Sub-Fund, on which subscription or redemption or conversion requests shall be effected, or any such other day as specified by the Directors, provided that dealing has not been suspended, in which case it will be the Business Day immediately after dealing has recommenced. Please refer to Appendix I of this Prospectus for further details in relation to each particular Sub-Fund.   |
| ‘Depositary’         | Brown Brothers Harriman (Luxembourg) S.C.A.   |

|                                     |   |
|-------------------------------------|---|
| ‘Directors’                         | the members of the Board.   |
| ‘Distribution Shares’               | Shares in respect of which income is distributed periodically to Shareholders.  |
| ‘Distributor’                       | China Asset Management (Hong Kong) Limited.   |
| ‘Euro’, ‘€’ or ‘EUR’                | the currency of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957) as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992). |
| ‘EC’                                | the European Community.   |
| ‘EEA’                               | the European Economic Area.   |
| ‘ESMA’                              | the European Securities and Markets Authority.  |
| ‘EU’                                | the European Union.   |
| ‘Hedged Share Class’                | a Class, the characteristics of which are equivalent to those of another Class, except in respect to currency hedging.  |
| ‘HKSE’                              | The Hong Kong Stock Exchange.   |
| ‘Hong Kong Dollar’, ‘HK\$’ or ‘HKD’ | the currency of the Hong Kong Special Administrative Region of the People’s Republic of China.  |
| ‘Hong Kong Representative’          | China Asset Management (Hong Kong) Limited  |
| ‘HKSE’                              | the Hong Kong Stock Exchange.   |
| ‘Institutional Investors’           | institutional investors within the meaning of Articles 174 to 176 of the 2010 Law. Investors of Class I Shares must demonstrate sufficiently that they qualify as institutional investors by providing the Company and its Administrator with sufficient evidence.                      |
| ‘Instruction Deadline’              | except if otherwise provided in the relevant section of Appendix I for a particular Sub-Fund, 11:30 a.m. Luxembourg time (i.e. 5:30 p.m. Hong Kong time) on any Business Day which is also a bank business day in Hong Kong.  |
| ‘Investment Manager’                | China Asset Management (Hong Kong) Limited.   |
| ‘Investment Restrictions’           | the investment restrictions applicable to the Company and the Sub-Funds as set forth in Section 22 of this Prospectus.  |
| ‘Mainland China’                    | all customs territory of the People’s Republic of China.  |
| ‘Management Company’                | FundRock Management Company S.A.  |
| ‘Member State’                      | a member state of the EU. The States that are contracting parties to the Agreement creating the EEA other than the Member States of the EU, within the limits set forth by this   |

|                            |   |
|----------------------------|---|
|                            | Agreement and related acts, are considered as equivalent to Member States of the EU.  |
| 'OTC'                      | means over-the-counter.   |
| 'PRC' or 'China'           | means the People's Republic of China.   |
| 'QFI' or 'QFI Holder'      | means a qualified foreign investor approved pursuant to the relevant PRC mainland laws and regulations, as may be promulgated and/or amended from time to time, including both qualified foreign institutional investor (QFII) (i.e. QFI to make investment in PRC mainland domestic securities and futures market by remitting foreign currencies) and/or RMB qualified foreign institutional investors (RQFII) (i.e. QFI to make investment in PRC mainland domestic securities and futures market by remitting offshore RMB), as the case may be, or, as the context may require, the QFII/RQFII regime. |
| 'Register Number'          | an account number issued to clients who have previously been approved by the Company through the Administrator.   |
| 'Renminbi', 'RMB' or 'CNY' | the currency of the PRC.  |
| 'SFC'                      | the Securities and Futures Commission, Hong Kong.   |
| 'SFO'                      | the Securities and Futures Ordinance, Laws of Hong Kong (Chapter 571) as amended from time to time  |
| 'SFTR'                     | the Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012, as amended from time to time.   |
| 'Shareholder'              | a registered holder of Shares.  |
| 'Shares'                   | shares of no par value in the Company in respect of any Sub-Fund and means any of the Class A, Class B, Class C Shares or Class I Shares for each Sub-Fund as the context permits.  |
| 'SICAV'                    | Société d'investissement à capital variable.  |
| 'SSE'                      | the Shanghai Stock Exchange.  |
| 'Stock Connect'            | the mutual market access programme through which non-PRC investors can deal in select securities listed on a PRC stock exchange, currently the SSE or the SZSE, through a platform organized by the HKSE and a broker and a clearing house based in Hong Kong and PRC domestic investors can deal in select securities listed on the HKSE through a platform put in place by a PRC stock exchange, currently the SSE or the SZSE.   |

|   |  |
|---|--|
| 'Sub-Fund' or 'Sub-Funds'                   | one or more of the Sub-Funds as the context permits, each being a pool of assets in the Company invested in accordance with the investment objectives applicable to that Sub-Fund and authorised by the SFC under the SFO in Hong Kong.  |
| 'SZSE'                                      | the Shenzhen Stock Exchange.   |
| 'UCITS'                                     | undertakings for collective investment in transferable securities pursuant to the UCITS Directive.   |
| 'UCITS Directive' or 'Directive 2009/65/EC' | Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (recast), as amended from time to time including in particular Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014. |
| 'UCITS Regulation'                          | Commission Delegated Regulation (EU) 2016/438 of 17 December 2015 supplementing Directive 2009/65/EC of the European Parliament and of the Council with regard to obligations of depositaries.   |
| 'US Dollar' or 'USD'                        | the currency of the United States of America.  |
| 'U.S. Person'                               | a beneficial owner of Shares who is a U.S. Person, as defined in Regulation S of the US Securities Act of 1933, as amended.  |
| '2010 Law'                                  | the law of 17 December 2010 regarding undertakings for collective investment, as amended from time to time.  |

### 3 KEY INFORMATION

|  |   |
|--|---|
| <b>Structure:</b>  | <p>The Company is an open ended investment company established in Luxembourg. The Company is offering, pursuant to this Prospectus, different Classes of Shares in the Sub-Funds.</p> <p>The Company has appointed FundRock Management Company S.A. as its management company.</p>  |
| <b>Classes of Shares:</b>  | <p>Each Sub-Fund is divided into Class A, Class B, Class C Shares and Class I Shares which have different fee structures.</p> <p>Shares may be issued in the base currency of the relevant Sub-Fund, <i>i.e.</i> the Base Currency Share Class, or where detailed on the application form, in another currency, <i>i.e.</i> the Non-Base Currency Share Classes.</p> <p>Non-Base Currency Share Classes may further be issued by the Company as Hedged Share Classes in order to limit the exposure of the Shareholder to the fluctuations of the currency of denomination of such Classes ("<b>Non-Base Currency Hedged Share Class</b>") as specified in the relevant section of Appendix I in relation to one particular Sub-Fund, to the extent applicable.</p> <p>Not all Classes of Shares may be available in all Sub-Funds.</p> <p>All classes of Shares of a Sub-Fund participate in all of the assets of that Sub-Fund (save for assets and liabilities directly attributable to a particular class of Shares).</p> |
| <b>Investment Objective:</b>   | Each Sub-Fund has a specific investment objective designed to meet the differing requirements of investors.   |
| <b>Investment Manager:</b>   | China Asset Management (Hong Kong) Limited  |
| <b>Management Company:</b>   | FundRock Management Company S.A.  |
| <b>Distributor:</b>  | China Asset Management (Hong Kong) Limited  |
| <b>Hong Kong Representative:</b>   | China Asset Management (Hong Kong) Limited  |
| <b>Dealing Charges:</b>  | Please refer to Appendix I of this Prospectus.  |
| <b>Management Company Fee:</b>   | Please refer to the Section 'Fees, Charges and Expenses' of this Prospectus.  |
| <b>Minimum Initial Subscription amount, minimum subsequent subscription amount and</b> | <p>Please refer to Appendix I of this Prospectus.</p> <p>Shares will be issued to two or more decimal places.</p>   |

**minimum holding  
requirement:**

**Dealing  
Frequency:** On each Dealing Day, as specified for each Sub-Fund in the relevant  
section of Appendix I.

**Annual Accounting  
Date:** 31 December



## 4 DESCRIPTION OF THE COMPANY

### The Company

The Company is an investment company organised as a *société anonyme* under the laws of the Grand Duchy of Luxembourg and qualifies as a SICAV. The Company was incorporated in Luxembourg on 10 August 2010 pursuant to the Luxembourg law of 10 August 1915 on commercial companies (as amended) and is qualified as an undertaking for collective investment in transferable securities under Part I of the 2010 Law. The Company has appointed FundRock Management Company S.A. as its management company.

The names of each of the Sub-Funds that are available for issue or may be available for issue in the future are preceded by the name of the Company, 'ChinaAMC Fund'.

The characteristics and investment policies of each Sub-Fund are defined in Appendix I to this Prospectus.

Shares may be bought in the base currency of the Sub-Fund, or where detailed on the dealing form, in additional Non-Base Currency Share Classes. Where the appropriate additional Non-Base Currency Share Class is not listed on the application form, Shares may also be bought in any major currency accepted by the Administrator. However, if the currency of investment is different from the base currency of the relevant Sub-Fund, or the currencies as detailed on the dealing form for each Sub-Fund, then the necessary currency conversion will be arranged on behalf of, and at the risk and expense of, the applicant.

For any Non-Base Currency Share Class, a currency conversion will take place on subscription, redemption, switching and distributions at prevailing exchange rates. The value of any Share expressed in a non-base currency will be subject to exchange rate risk in relation to the base currency, except when the relevant Non-Base Currency Share Class is hedged, in which case the exchange rate risk could be reduced.

A detailed description of the Company and of the rights attaching is described in Sections 12 and 15 of this Prospectus.

The Directors however draw the investors' attention to the fact that any investor will only be able to fully exercise his investor rights directly against the Company, notably the right to participate in general shareholders' meetings, if the investor is registered himself and in his own name in the Shareholders' register of the Company. In cases where an investor invests in the Company through an intermediary investing into the Company in his own name but on behalf of the investor, it may not always be possible for the investor to exercise certain shareholder rights directly against the Company. Investors are advised to take advice on their rights.

## 5 INVESTMENT OBJECTIVES AND POLICIES

The general investment policies of the Sub-Funds are set out below. The investment policies of each Sub-Fund are set out in Appendix I to this Prospectus. **These should be read in conjunction with, and investors' attention is drawn to, the risk considerations set out in the Section 'Investment and Risk Considerations' of this Prospectus.**

## **General policies applicable to all Sub-Funds**

The exclusive objective of the Company is to place the funds available to it in transferable securities and other permitted assets of any kind, including closed-ended or open-ended funds, to the extent permitted by the Section 'Investment Restrictions', with the purpose of spreading investment risks and affording its shareholders the results of the management of its portfolios.

Each of the Sub-Funds may employ financial derivative instruments to hedge market and currency risk and for the purposes of efficient portfolio management. Financial derivative instruments can be used for instance to create market exposure through equity, currency, volatility or index related financial derivative instruments and include over-the-counter and/or exchange trade options, futures, contracts for difference, warrants, swaps, forward contracts and/or a combination of the above. For full details of the risk applicable to investing in these Sub-Funds, please refer to the Section 'Investment and Risk Considerations'.

Sub-Funds which are authorised for distribution by the SFC in Hong Kong may not (i) enter into financial derivative instruments other than for the purposes of efficient portfolio management and/or hedging and/or (ii) invest in financial derivative instruments extensively for investment purposes, unless those possibilities of investing in financial derivative instruments extensively for investment purposes are approved by the SFC, which may require a prior notice to be served to the investors in the relevant Sub-Fund(s) in relation thereto. Information in relation thereto shall be included for each Sub-Fund in the relevant Appendix.

Each of the Sub-Funds may, on an ancillary basis, hold liquid assets. All Sub-Funds may also, to the extent permitted by applicable regulations, on a temporary basis or for defensive purposes, invest in government debt securities.

Where a Sub-Fund's investment remit is restricted to companies in a particular country or geographical area, a portion of that Sub-Fund's total assets may be invested in companies domiciled outside of that country or geographical area, respectively, but which derive a significant portion of their revenues and/or profits from operations in that country or geographical area, respectively.

The investments of each Sub-Fund shall at any time comply with Luxembourg law and the restrictions set out in the Section 'Investment Restrictions'. In addition, investment of the assets of Sub-Funds which are registered for distribution in Hong Kong may be required to comply with certain legal or regulatory provisions by the SFC. Subject to prior review from the home regulator of the Company and, when applicable, the SFC, the Directors may impose further restrictions or change any investment restrictions in respect of any Sub-Fund(s). The Company will provide prior notification to the investors concerned to the extent required by the home regulator of the Company or the SFC in relation to Sub-Funds registered for distribution in Hong Kong. Investors should, prior to any investment being made, take due account of the risks of the investments set out in the Section 'Investment and Risk Considerations' of this Prospectus.

## **General information relating to Sustainability Risk integration**

Pursuant to EU Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the "**SFDR**"), the Company is required to disclose the manner in which Sustainability Risks (as defined below) are integrated into the investment decision and the results of the assessment of the likely impacts of Sustainability Risks on the returns of the Sub-

Funds.

A sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investments made by a Sub-Fund (a **“Sustainability Risk”**).

Unless otherwise stated in Appendix I to this Prospectus, the Sub-Funds are considered as falling within the scope of Article 6 of the SFDR as they do not promote environmental or social characteristics and do not maximize portfolio alignment with Sustainability Factors (as defined below). The investments underlying the Sub-Funds do not take into account the EU criteria for environmentally sustainable economic activities. The Sub-Funds however remain exposed to Sustainability Risks. Such Sustainability Risks are integrated into the investment decision making and risk monitoring to the extent that they represent a potential or actual material risks and/or opportunities to maximizing the long-term risk-adjusted returns.

A sustainability factor means environmental, social and employee matters, respect of human rights, anti-corruption and anti-bribery matters (a **“Sustainability Factor”**).

The impacts following the occurrence of a Sustainability Risk may be numerous and vary depending on the specific risk, region and asset class. The Sustainability Risks generally revolve around the following themes:

- corporate governance malpractices (e.g. board structure, executive remuneration);
- shareholder rights (e.g. election of directors, capital amendments);
- changes to regulation (e.g. greenhouse gas emissions restrictions, governance codes);
- physical threats (e.g. extreme weather, climate change, water shortages);
- brand and reputational issues (e.g. poor health & safety records, cyber security breaches);
- supply chain management (e.g. increase in fatalities, lost time injury rates, labour relations); and
- work practices (e.g. observation of health, safety and human rights provisions).

In general, where a Sustainability Risk occurs in respect of an asset, there will be a negative impact on, or entire loss of, its value. As such, for a company in which a Sub-Fund invests, this may be because of damage to its reputation resulting in a consequential fall in demand for its products or services, loss of key personnel, exclusion from potential business opportunities, increased costs of doing business and/or increased cost of capital. A company may also suffer the impact of fines and other regulatory sanctions. The time and resources of the company's management team may be diverted from furthering its business into dealing with the Sustainability Risk event, including changes to business practices and dealing with investigations and litigation. Sustainability Risks events may also give rise to loss of assets and/or physical loss including damage to real estate and infrastructure. The utility and value of assets held by companies to which the relevant Sub-Fund is exposed may also be adversely impacted by a Sustainability Risk event.

A Sustainability Risk event may arise and impact a specific investment or may have a broader impact on an economic sector, geographical or political region or country. For instance, sector and geographic Sustainability Risk events may have an impact on the investment value of the sovereign fixed income exposure of a Sub-Fund.

In particular, it is expected that each of the Sub-Funds be exposed to a various range of Sustainability Risks resulting from their individual strategy and exposures to specific sectors, issuers and asset classes. Nevertheless, given the high level of diversification and risk-spreading of the Sub-Funds, and except as otherwise mentioned in the relevant section of Appendix I, it is not anticipated that the Sustainability Risks to which each Sub-Fund may be exposed cause a material impact on their respective returns. Where deemed relevant, additional information and details on the Sub-Funds' Sustainability Risk(s) will be included in the relevant section of Appendix I.

Principal adverse impacts of investment decisions on Sustainability Factors are not currently considered due to the lack of available and reliable data. The situation will however be reviewed going forward.

## **6 INVESTMENT AND RISK CONSIDERATIONS**

### **1. General risk considerations applicable to all Sub-Funds**

Past performance may not be a reliable guide to future performance. The value of Shares, and the return derived from them, can fluctuate and can go down as well as up. There can be no assurance, and no assurance is given, that the Company will achieve its investment objectives. There is also no guarantee of repayment of capital. An investor who realises his investment after a short period may, in addition, not realise the amount that he originally invested because of the initial charge applicable on the issue of Shares.

The value of an investment in the Company will be affected by fluctuations in the value of the base currency of the relevant Sub-Fund's Shares against the value of the currency of denomination of that Sub-Fund's underlying investments. It may also be affected by any changes in exchange control regulations, tax laws, economic or monetary policies and other applicable laws and regulations. Adverse fluctuations in currency exchange rates can result in a decrease in return and in a loss of capital.

It is possible that equity securities will decline in value over short or even extended periods of time as well as rise. All equity sub-funds may, on an ancillary basis, invest in equity warrants and Shareholders should be aware that the holding of warrants may result in increased volatility of the relevant Sub-Fund's net asset value per Share.

In certain circumstances Shareholders' rights to redeem Shares may be deferred or suspended (see the Section 'Possible Deferral or Pricing Suspension' of this Prospectus).

Investors should note that in certain market conditions, securities held by the Sub-Funds may not be as liquid as they would be in normal circumstances. If a security cannot be sold in a timely manner then it may be harder to attain a reasonable price and there is a risk that the price at which the security is valued may not be realisable in the event of sale. The Sub-Funds may therefore be unable to readily sell such securities.

### **Valuation Risk**

Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such

valuations should prove to be incorrect, the Net Asset Value of the Sub-Fund may be adversely affected.

The risk of mispricing or improper valuation and possibility that the debt instruments do not always perfectly track the value of securities they are designed to track can result in increased payments to counterparties or a loss in the value of the Sub-Fund. In the event of changing market conditions or other significant events, positive or negative impact could be larger.

### **Custodial Risk**

Sub-custodians may be appointed in local markets for the purpose of safekeeping assets in those markets. Where a Sub-Fund invests in markets where custodial and/or settlement systems are not fully developed, the assets of the Sub-Fund may be exposed to custodial risk. In case of liquidation, bankruptcy or insolvency of a 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 a Sub-Fund in investing and holding investments in such markets will be generally higher than in organised securities markets

### **Risks related to the US Foreign Account Tax Compliance Act (“FATCA”) Requirements**

The Company (or each Sub-Fund separately) will attempt to satisfy any obligations imposed on it to avoid the imposition of FATCA (as defined below) withholding tax, no assurance can be given that the Company (or each Sub-Fund separately) will be able to satisfy these obligations. If the Company (or each Sub-Fund separately) becomes subject to a withholding tax as a result of FATCA, the value of Shares held by all Shareholders may be materially affected.

All prospective investors and Shareholders should consult with their own tax advisors regarding the possible implications of FATCA on their investment in the Company (or each Sub-Fund separately).

### **Sustainability Risk**

Sustainability Risk is principally linked to climate-related events resulting from climate change (so-called physical risks) or to the society’s response to climate change (so-called transition risks), which may result in unanticipated losses that could affect a Sub-Fund’s investments and financial condition. Social events (e.g., inequality, inclusiveness, labour relations, investment in human capital, accident prevention, changing customer behavior, etc.) or governance shortcomings (e.g., recurrent significant breach of international agreements, bribery issues, products quality and safety, selling practices, etc.) may also translate into Sustainability Risks.

### **Sustainability Risk – Investing in Asia**

A Sub-Fund investing in Asia is exposed to a range of Sustainability Risks linked to its investments. Less sustainability-related regulations are implemented and monitored in Asia, lag on labor and human rights practices, child labor and corruption are examples of Sustainability Risks in Asia that could damage the Sub-Fund and its investments, the issuers’ reputation and earnings prospects, and increase the risk of regulatory scrutiny and sanctions. Such events could significantly impact the return and valuation of the Sub-Fund and its investments. Governance risks can be more pronounced in the developing world, with a lack of maturity or corporate tenure being one of the contributing factors. Other risks include board

composition and effectiveness, management incentives, management quality and alignment of management with shareholders. Governance risks in Asia can present a higher risk compared to developed markets with ownership structures that more commonly include controlling state interests or the controlling interests of an individual or family. In addition, share structure can be more complex, with non-voting shares leaving minorities with less recourse and connected parties can introduce political risks, which have far reaching implications. Finally, Sustainability Risks come from operational business strains due to social issues linked to human capital and skill gaps which can affect returns.

### **Sustainability Risk – Investing in the PRC**

The Sub-Fund investing in the PRC is exposed to a range of Sustainability Risks linked to its investments which will usually have greater exposure to Sustainability Risks than others. Less sustainability-related regulations are implemented and monitored in the PRC. Governance risks can be more pronounced in the PRC, with a lack of maturity or corporate tenure being one of the contributing factors. Combined these mean that sustainability-related information might not be available which could lead to challenges for the Sub-Fund to properly identify the exposure and readiness of target companies to Sustainability Risks. Governance risks in China can present a higher risk compared to developed markets; ownership structures more commonly include controlling state interests or the controlling interests of an individual or family. In addition, share structure can be more complex, with non-voting shares leaving minorities with less recourse and connected parties can introduce political risks, which have far reaching implications. Sustainability Risks finally stem from operational business strains due to social issues linked to human capital and skill gaps which can affect returns. Lag on labor and human rights practices, child labor, corruption are examples of Sustainability Risks that could damage the reputation and earnings prospects of the Sub-Fund and the underlying companies and increase the risk of regulatory scrutiny and sanctions. Such events could significantly impact the return and valuation of the Sub-Fund and its underlying companies.

### **Sustainability Risk – Investing in high yield bonds**

A Sub-Fund investing in high yield bonds is exposed to a range of Sustainability Risks linked to its investments. High-Yield bonds are mostly issued by smaller companies which might be privately owned, such companies are usually less transparent and deliver less robust disclosures. The information scarcity results in a more challenging task to identify and assess the materiality of eventual Sustainability Risks. In addition, depending on various factors, high-yield bonds issuers might be concentrated in certain industries. The resulting potential lower diversification could have an impact on the credit risk of the Sub-Fund. Public awareness on several matters (*i.e.* climate change) or specific environmental, social, and governance-related incident might reduce the demand for a specific bond. This could result in various effects such as a reduction in liquidity or a higher default risk resulting from higher refinancing cost for the company, among others. Such events could have an impact on the total return of the Sub-Fund.

## **2. Specific risk considerations applicable to certain Sub-Funds**

### **Sub-Funds investing in equity securities**

Investment in equity securities is subject to market risk and the prices of such securities may be volatile.

Factors affecting the stock values are numerous, including but not limited to changes in investment sentiment, political environment, economic environment, regional or global economic instability, currency and interest rate fluctuations. If the market value of equity securities in which a Sub-Fund invests in goes down, the net asset value of the relevant Sub-Fund may be adversely affected, and investors may suffer substantial losses.

The Sub-Funds may be exposed to general market movements and trends, which are occasionally partially affected by irrational factors. Such factors may lead to a significant and continuous decline in prices in respect of the Sub-Fund assets.

### **Sub-Funds investing in smaller companies**

Securities of smaller companies may be less liquid than the securities of larger companies, as a result of inadequate trading volume or restrictions on trading. Securities in smaller companies may possess greater potential for capital appreciation, but also involve risks, such as limited product lines, markets and financial or managerial resources. Trading in such securities may be subject to more abrupt price movements than trading in the securities of larger companies.

### **Sub-Funds investing in emerging markets**

Investments in emerging markets may be more volatile than investments in more developed markets. Some of these markets may have relatively unstable governments, economies based on only a few industries and securities markets that trade only a limited number of securities. Many emerging markets do not have well-developed regulatory systems and disclosure standards may be less stringent than those of developed markets.

The risks of expropriation, nationalisation and social, political and economic instability are greater in emerging markets than in more developed markets.

The following is a brief summary of some of the more common risks associated with emerging markets investment:

**Fraudulent Securities** – Given the lack of an adequate regulatory structure it is possible that securities in which investments are made may be found to be fraudulent. As a result, it is possible that loss may be suffered.

**Lack of Liquidity** – The accumulation and disposal of holdings may be more expensive, time-consuming and generally more difficult than in more developed markets. Also, due to the lack of liquidity, volatility may be higher. Many emerging markets are small, have low trading volumes, low liquidity and significant price volatility.

**Currency Fluctuations** – Significant changes in the currencies of the countries in which investments are made vis-à-vis the base currency of the relevant Sub-Fund may occur following investment by the Company in these currencies. These changes may impact the total return of the Sub-Fund to a significant degree. In respect of currencies of certain emerging countries, it is not possible to undertake currency hedging techniques.

**Settlement and Custody Risks** – Settlement and custody systems in emerging markets are not as well-developed as those in developed markets. Standards may not be as high and supervisory and regulatory authorities not as sophisticated. As a result there may be risks that settlement may be delayed and that cash or securities could be disadvantaged.

Investment and Remittance Restrictions – In some cases, emerging markets may restrict the access of foreign investors to securities. As a result, certain equity securities may not always be available to the Sub-Fund because the maximum permitted number of or aggregate investment by foreign shareholders has been reached. In addition, the outward remittance by foreign investors of their share of net profits, capital and dividends may be restricted or require governmental approval. The Company will only invest in markets in which it believes these restrictions to be acceptable. However, there can be no guarantee that additional restrictions will not be imposed.

Accounting – Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to companies in emerging countries differ from those applicable in more developed countries in respect of the nature, quality and timeliness of the information disclosed to investors and, accordingly, investment possibilities may be difficult to assess properly.

### **Currency risk**

The Sub-Funds may hold assets denominated in currencies other than its base currency. It may be affected by changes in exchange rates between the base currency and these other currencies or by changes to exchange control regulations. The conversion of a Sub-Fund's assets from the denomination currency into the base currency is part of the Sub-Fund's process of calculating its net asset value. For instance, if the currency in which an asset is denominated appreciates against the Sub-Fund's base currency, its equivalent value in the base currency will also appreciate. Conversely, a depreciation in the denomination currency will result in a fall in the asset's equivalent value in the base currency.

Non-Base Currency Share Classes are currently available for investment. Where an investor subscribes for Shares of the Non-Base Currency Share Class, such subscriptions will be converted, if and as necessary into the base currency of the relevant Sub-Fund prior to investment at the applicable exchange rate. The value of such investor's investment will be affected by the movements in exchange rates between the currency of the Non-Base Currency Share Class and the base currency of the relevant Sub-Fund. Where an investor redeems Shares of the Non-Base Currency Share Class, the relevant Sub-Fund's investments will be sold and the proceeds will then, if and as necessary, be converted into the currency of the Non-Base Currency Share Class at the applicable exchange rate. The value of the proceeds in the currency of the Non-Base Currency Share Class will be affected by the movements in exchange rates between the currency of the Non-Base Currency Share Class and the base currency of the relevant Sub-Fund.

The return that Shareholders of a particular Share Class will receive will be dependent on the performance of the Sub-Fund assets including any ancillary cash held by the Sub-Fund and the exchange rate movements between the Base Currency of the Sub-Fund and the currency of the relevant Share Class. Consequently, the return that Shareholders will receive from investing in that Share Class may not wholly correspond to the performance of the assets alone where those assets are denominated in another currency.

Where an investor subscribes to Non-Base Currency Hedged Shares Class, there will be hedging techniques put in place to mitigate the currency risk in relation to the currency of the relevant Non-Base Currency Hedged Shares Class and the base currency of the Sub-Fund.



However, there can be no assurance that transactions executed or techniques used to hedge against currency risks, as described above, will be successful. In adverse situations, the relevant Sub-Fund's use of derivatives for hedging may become ineffective and such Sub-Fund may suffer significant losses.

### **Liquidity risk**

Some of the markets in which a Sub-Fund invests may be less liquid and more volatile than the world's leading stock markets and this may result in the fluctuation in the price of securities traded on such markets. Certain securities may be difficult or impossible to sell, and this would affect the relevant Sub-Fund's ability to acquire or dispose of such securities at their intrinsic value. As a result, this may have adverse impact on the relevant Sub-Fund and its investors.

### **Risks of investing in other funds**

A Sub-Fund may invest in underlying funds which are not regulated by supervisory authorities such as the CSSF or the SFC, to the extent such underlying funds are eligible for investment under Luxembourg laws and regulations. In addition to the expenses and charges charged by such Sub-Fund, investor should note that there are additional fees involved when investing into these underlying funds, including fees and expenses charged by investment manager of these underlying funds as well as fees payable by the relevant Sub-Fund during its subscription to or redemption from these underlying funds. Furthermore, there can be no assurance that (i) the liquidity of the underlying funds will always be sufficient to meet redemption request as and when made; and (ii) the investment objective and strategy will be successfully achieved despite the due diligence procedures undertaken by the Investment Manager and the selection and monitoring of the underlying funds. If a Sub-Fund invests in an underlying fund managed by the Investment Manager or connected person of the Investment Manager, potential conflict of interest may arise. In such event, the Investment Manager will have regard to its obligations to the relevant Sub-Fund and will endeavour to ensure that it is resolved fairly on an arm's length basis. Please refer to the section headed "Conflicts of Interest" for details under the circumstances.

Investments in other funds imply specific risks linked, for example, to the valuation of the assets of such funds and to their liquidity or the significant economic leverage of such funds which may, in some cases, involve significant risks of loss.

### **Non-Base Currency Hedged Share Classes**

While the Company may attempt to hedge currency risks, there can be no guarantee that it will be successful in doing so and it may result in mismatches between the currency position of the Sub-Fund and the Non-Base Currency Hedged Share Class.

Hedging strategies may be entered into whether the Base Currency is declining or increasing in value relative to the relevant currency of the Non-Base Currency Hedged Share Class and so, where such hedging is undertaken it may substantially protect investors in the relevant Class against a decrease in the value of the Base Currency relative to the relevant currency of the Non-Base Currency Hedged Share Class, but it may also preclude investors from benefiting from an increase in the value of the Base Currency.

Non-Base Currency Hedged Share Classes in non-major currencies may be affected by the fact that capacity of the relevant currency market may be limited, which could further affect the volatility of the Non-Base Currency Hedged Share Class.

All gains/losses or expenses arising from hedging transactions are borne separately by the shareholders of the respective Non-Base Currency Hedged Share Classes. Given that there is no segregation of liabilities between Share Classes within the same Sub-Fund, there is a remote risk that, under certain circumstances, currency hedging transactions in relation to one Share Class could result in liabilities which might affect the net asset value of the other Share Classes of the same Sub-Fund.

### **Risks linked to investments in Convertible Securities**

A Sub-Fund may invest in convertible securities which are securities generally offering fixed interest or dividend yields which may be converted either at a stated price or stated rate for common or preferred stock. Although to a lesser extent than with fixed income securities generally, the market value of convertible securities tends to decline as interest rates rise. Because of the conversion feature, the market value of convertible securities also tends to vary with fluctuations in the market value of the underlying common or preferred stock.

### **Risk of Termination**

The Company and/or any of its Sub-Funds may be terminated early upon the occurrence of certain events as set out in the sections headed “Liquidation of the Company” and “Liquidation and De-merger of Sub-Funds” of this Prospectus. In the event of the termination of the Company and/or any of its Sub-Funds, the relevant Sub-Fund would have to distribute to the Shareholders their pro rata interest in the assets of the Sub-Fund. It is possible that at the time of such sale or distribution, certain investments held by the relevant Sub-Fund will be worth less than the initial cost of acquiring such investments, resulting in a loss to the Shareholders. Moreover, any organisational expenses (such as establishment costs) with regard to the relevant Sub-Fund that had not yet been fully amortised would be debited against the Sub-Fund’s assets at that time.

### **3. Specific risk considerations applicable to Sub-Funds investing in derivatives**

While the prudent use of derivatives can be beneficial, derivatives also involve risks different from, and, in certain cases, greater than, the risks presented by more traditional investments. If so provided in their investment policy, Sub-Funds may engage various strategies in view of reducing certain of their risks and for attempting to enhance return. These strategies may include the use of derivatives instruments such as options, warrants, swaps and/or futures. Such strategies may be unsuccessful and incur losses for the Sub-Funds, due to market conditions. The following is a general discussion of important risk factors and issues concerning the use of derivatives that investors should understand before investing in a Sub-Fund.

#### *Market Risk*

This is a general risk that applies to all investments meaning that the value of a particular derivative may change in a way which may be detrimental to a Sub-Fund's interests.

#### *Control and Monitoring*

Derivative products are highly specialised instruments that require investment techniques and risk analysis which are different from those associated with equity and fixed income securities. The use of derivative techniques requires an understanding not only of the underlying assets of the derivative but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions. In particular, the use and complexity of derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to a Sub-Fund and the ability to forecast the relative price, interest rate or currency rate movements correctly.

#### *Liquidity Risk*

Liquidity risk exists when a particular instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid, it may not be possible to initiate a transaction or liquidate a position at an advantageous price (however, the Company will only enter into OTC derivatives if it is allowed to liquidate such transactions, at any time, at fair value).

#### *Counterparty Risk*

The Sub-Funds may enter into transactions in OTC markets, which will expose the Sub-Funds to the credit of its counterparties and their ability to satisfy the terms of such contracts. In the event of a bankruptcy or insolvency of a counterparty, the Sub-Funds could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the period in which the Company seeks to enforce its rights, inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights. There is also a possibility that the above agreements and derivative techniques are terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those at the time the agreement was originated. However this risk is limited in view of the investment restrictions laid down in the Section 23, Financial Techniques and Instruments' of this Prospectus.

#### *Hedging Risk*

The Sub-Fund may acquire financial derivatives instruments for hedging and will be subject to additional risks. There can be no assurance that any hedging techniques will fully and effectively eliminate the risk exposure of the relevant Sub-Fund. Derivative instruments may be illiquid and are complex in nature. In adverse situations, the relevant Sub-Fund's use of derivatives for hedging may become ineffective and such Sub-Fund may suffer significant losses. The price of a derivative instrument can be very volatile which may result in losses in excess of the amount invested in the derivative instruments by the relevant Sub-Fund. A derivative instrument is subject to the risk that the counterparty of the instrument will not fulfil its obligations to the relevant Sub-Fund, and this may result in losses to such Sub-Fund.

#### *Risk of trading financial futures*

Certain Sub-Funds may enter into financial futures for hedging and/or investment purposes. Futures prices may be volatile. This volatility may lead to substantial risks and returns, possibly much larger than in the case of equity or fixed income investments. However there is no assurance that the techniques used by the Investment Manager will generate additional returns for the relevant Sub-Fund. Futures may be illiquid and are complex in nature. In adverse situations, the relevant Sub-Fund's use of futures may become ineffective and the Sub-Fund

may suffer significant losses.

Where a Sub-Fund enters into financial futures for hedging purposes, the success of the hedging technique will depend in part, upon the Investment Manager's ability to assess correctly the degree of correlation between the performance of the futures used in the hedging strategy and the performance of the portfolio investments being hedged. There is no guarantee that the hedging technique used by the Investment Manager will effectively eliminate the risk exposure of the Sub-Funds referred herein. An ineffective use of the futures by the relevant Sub-Fund may result in poorer overall performance than if it had not engaged in such hedging transactions.

#### *Collateral Management*

Counterparty risk arising from investments in OTC financial derivative instruments and repurchase or reverse repurchase transaction is generally mitigated by the transfer or pledge of collateral in favour of the Sub-Fund. However, transactions may not be fully collateralised. Fees and returns due to the Sub-Fund may not be collateralised. If a counterparty defaults, the relevant Sub-Fund may need to sell non-cash collateral received at prevailing market prices. In such a case a Sub-Fund could realise a loss due, inter alia, to inaccurate pricing or monitoring of the collateral, adverse market movements, deterioration in the credit rating of issuers of the collateral or illiquidity of the market on which the collateral is traded. Difficulties in selling collateral may delay or restrict the ability of a Sub-Fund to meet redemption requests.

A Sub-Fund may also incur a loss in reinvesting cash collateral received, where permitted. Such a loss may arise due to a decline in the value of the investments made. A decline in the value of such investments would reduce the amount of collateral available to be returned by the Sub-Fund to the counterparty as required by the terms of the transaction. The Sub-Fund would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the Sub-Fund.

#### *Specific risks related to OTC financial derivative instruments (including total return swaps)*

In general, there is less government regulation and supervision of transactions in OTC markets than of transactions entered into on organised exchanges. OTC derivatives are executed directly with the counterparty rather than through a recognised exchange and clearing house. Counterparties to OTC derivatives are not afforded the same protections as may apply to those trading on recognised exchanges, such as the performance guarantee of a clearing house.

The principal risk when engaging in OTC derivatives (such as non-exchange traded options, forwards, swaps or contracts for difference) is the risk of default by a counterparty who has become insolvent or is otherwise unable or refuses to honour its obligations as required by the terms of the instrument. OTC derivatives may expose a Sub-Fund to the risk that the counterparty will not settle a transaction in accordance with its terms, or will delay the settlement of the transaction, because of a dispute over the terms of the contract (whether or not bona fide) or because of the insolvency, bankruptcy or other credit or liquidity problems of the counterparty. Counterparty risk is generally mitigated by the transfer or pledge of collateral in favour of the Sub-Fund. The value of the collateral may fluctuate, however, and it may be difficult to sell, so there are no assurances that the value of collateral held will be sufficient to

cover the amount owed to a fund. A haircut will be applied on any collateral received, in order to mitigate this counterparty risk, as detailed.

The Company may enter into OTC derivatives cleared through a clearing house that serves as a central counterparty. Central clearing is designed to reduce counterparty risk and increase liquidity compared to bilaterally-cleared OTC derivatives, but it does not eliminate those risks completely. The central counterparty will require margin from the clearing broker which will in turn require margin from the Company. There is a risk of loss by a Sub-Fund of its initial and variation margin deposits in the event of default of the clearing broker with which such Sub-Fund has an open position or if margin is not identified and correctly report to the particular fund, in particular where margin is held in an omnibus account maintained by the clearing broker with the central counterparty. In the event that the clearing broker becomes insolvent, the Company may not be able to transfer or "port" its positions to another clearing broker.

EU Regulation 648/2012 on OTC derivatives, central counterparties and trade repositories (also known as the European Market Infrastructure Regulation or EMIR) requires certain eligible OTC derivatives to be submitted for clearing to regulated central clearing counterparties and the reporting of certain details to trade repositories. In addition, EMIR imposes requirements for appropriate procedures and arrangements to measure, monitor and mitigate operational and counterparty risk in respect of OTC derivatives which are not subject to mandatory clearing. Ultimately, these requirements are likely to include the exchange and segregation of collateral by the parties, including by the Company. While some of the obligations under EMIR have come into force, a number of the requirements are subject to phase-in periods and certain key issues have not been finalised by the date of this Prospectus. It is as yet unclear how the OTC derivatives market will adapt to the new regulatory regime. ESMA has published an opinion calling for the UCITS Directive to be amended to reflect the requirements of EMIR and in particular the EMIR clearing obligation. However, it is unclear whether, when and in what form such amendments would take effect. Accordingly, it is difficult to predict the full impact of EMIR on the Company, which may include an increase in the overall costs of entering into and maintaining OTC derivatives.

Investors should be aware that the regulatory changes arising from EMIR and other applicable laws requiring central clearing of OTC derivatives may in due course adversely affect the ability of Sub-Funds to adhere to their respective investment policies and achieve their investment objective. At the time of drafting this Prospectus, there is no legal obligation for the Company to mandatorily have its OTC derivatives cleared through a central clearing counterparty and the Investment Manager intends to mitigate counterparty risk through a rigorous selection and monitoring of counterparties, and the application of stringent haircuts on any collaterals received. Counterparty risk and collateral percentages will be monitored by the Management Company in accordance with applicable laws and regulations.

Investments in OTC derivatives may be subject to the risk of differing valuations arising out of different permitted valuation methods. Although the Company has implemented appropriate valuation procedures to determine and verify the value of OTC derivatives, certain transactions are complex and valuation may only be provided by a limited number of market participants who may also be acting as the counterparty to the transactions. Inaccurate valuation can result in inaccurate recognition of gains or losses and counterparty exposure.

Unlike exchange-traded derivatives, which are standardised with respect to their terms and conditions, OTC derivatives are generally established through negotiation with the other party to the instrument. While this type of arrangement allows greater flexibility to tailor the instrument to the needs of the parties, OTC derivatives may involve greater legal risk than exchange-traded instruments, as there may be a risk of loss if the agreement is deemed not to be legally enforceable or not documented correctly. There also may be a legal or documentation risk that the parties may disagree as to the proper interpretation of the terms of the agreement. However, these risks are generally mitigated, to a certain extent, by the use of industry-standard agreements such as those published by the International Swaps and Derivatives Association (ISDA).

Certain Sub-Funds may invest in particular into total return swaps or other financial derivative instruments traded over the counter with similar characteristics. Total return swaps are agreements in which one party (total return payer) transfers the total economic performance of a reference obligation to the other party (total return receiver). Total economic performance includes income from interest and fees, gains or losses from market movements, and credit losses. The counterparties to total return swaps will be selected among Approved Counterparties specialised in the relevant type of transaction. Each Sub-Fund may incur costs and fees in connection with total return swaps or other financial derivative instruments with similar characteristics, which may lead to any increase or decrease of their notional amount. The amount of these fees may be fixed or variable.

All revenues arising from total return swaps or other financial derivative instruments with similar characteristics, net of fees and costs, will be returned to the relevant Sub-Fund. If a Sub-Fund makes use of such swaps or other instruments with similar characteristics, information on revenues earned through their use will be available in the annual report and the semi-annual report.

#### *Swaps related Risk*

The Sub-Fund may enter into swap transactions for trading, investment and hedging purposes. Swaps are entered into in an attempt to obtain a particular return without the need to purchase the underlying reference asset. The use of total return swaps, credit default swaps, and cross currency swap transactions or any other similar transactions, whether referencing fixed income, equity or hybrid securities, credit, rates, currencies, baskets or indices (including any option with respect to any of these transactions) is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary securities transactions. Swaps are individually negotiated transactions where each party agrees to make a one-time payment or periodic payments to the other party. Certain swap agreements require one party's payments to be "up-front" and timed differently than the other party's payments (such as is often the case with currency swaps), in which case the entire principal value of the swap may be subject to the risk that the other party to the swap will default on its contractual delivery obligations. As swap transactions are not typically fully funded, a payment of margin is often required by the counterparty. Where a trade is 'in the money', the Sub-Fund is further exposed to the creditworthiness of the counterparty until any excess margin is returned.

Swap agreements are currently principal-to-principal transactions, in which performance is the responsibility of the individual counterparty and not an organized exchange or clearinghouse. As such, the Sub-Fund is exposed to the risk of counterparty default and counterparty credit risk. In addition, the margin rate associated with the transaction is often at the discretion of the Sub-Fund's counterparty, which may result, in certain circumstances, in an unexpectedly large margin call and an associated liquidity drain for the Sub-Fund. However, global regulators have recently moved to more closely regulate the over-the-counter market, and accordingly will require that a substantial portion of over-the-counter swaps be executed in regulated markets, submitted for clearing through regulated clearinghouses, and subject to mandated margin requirements. It is unclear as to how effective this regulatory change will be at reducing counterparty risk and increasing the efficiency of the market. The future costs associated with such trades and the liquidity impact of providing collateral is also uncertain and may be significantly more than is currently the case, thereby potentially reducing returns. In addition, a swap transaction is a contract the value of which is derived from another underlying asset. As such, a move in the price of the underlying asset, can, due to the embedded leverage in the swap, magnify any gains or losses resulting from the transaction. As is the case with any financial derivative transaction, the counterparty hedge-based pricing and funding costs on entry and exit may be more costly than buying the underlying reference asset directly. Moreover, the Sub-Fund's forecasts of market values, interest rates, and currency exchange rates may be inaccurate and may result in overall investment performance results that are worse than the results that would have been achieved if the Sub-Fund did not engage in swap transactions.

#### *Repurchase or reverse repurchase transactions*

Repurchase or reverse repurchase transactions involve certain risks and there can be no assurance that the objective sought to be obtained from the use of such techniques will be achieved.

The principal risk when engaging in repurchase or reverse repurchase transactions is the risk of default by a counterparty who has become insolvent or is otherwise unable or refuses to honour its obligations to return securities or cash to the Sub-Fund as required by the terms of the transaction. Counterparty risk is generally mitigated by the transfer or pledge of collateral in favour of the Sub-Fund. However, there are certain risks associated with collateral management, including difficulties in selling collateral and/or losses incurred upon realization of collateral, as described below.

The use of such techniques also entail liquidity risks due, *inter alia*, to locking cash or securities positions in transactions of excessive size or duration relative to the liquidity profile of the Sub-Fund or delays in recovering cash or securities paid to the counterparty. These circumstances may delay or restrict the ability of the Sub-Fund to meet redemption requests. The Sub-Fund may also incur operational risks such as, *inter alia*, non-settlement or delay in settlement of instructions, failure or delays in satisfying delivery obligations under sales of securities, and legal risks related to the documentation used in respect of such transactions.

The use of repurchase or reverse repurchase transactions and their consequences for the relevant Sub-Funds, are substantially affected by legal requirements. No assurance can be given that future legislation, administrative rulings or court decisions will not adversely affect the Sub-Funds. Furthermore, certain transactions are entered into on the basis of complex legal documents. Such documents may be difficult to enforce or may be the subject of a dispute as to interpretation in certain circumstances. Whilst the rights and obligations of the parties to a legal document may be governed by Luxembourg law, in certain circumstances (for example insolvency proceedings) other legal systems may take priority which may affect the enforceability of existing transactions.

The Sub-Funds' assets are held in custody by the Depositary which exposes the Sub-Funds to custodian risk. This means that the Sub-Funds are exposed to the risk of loss of assets placed in custody as a result of insolvency, negligence or fraudulent trading by the Depositary.

The Sub-Funds may enter into repurchase or reverse repurchase transactions with other companies in the same group of companies as the Investment Manager. Affiliated counterparties, if any, will perform their obligations under any repurchase or reverse repurchase transactions concluded with a Sub-Fund in a commercially reasonable manner. In addition, the Investment Manager will select counterparties and enter into transactions in accordance with best execution principles. However, investors should be aware that the Investment Manager may face conflicts between its role and its own interests or that of affiliated counterparties.

#### *Other Risks*

Other risks in using derivatives include the risk of differing valuations of derivatives arising out of different permitted valuation methods and the inability of derivatives to correlate perfectly with underlying securities, rates and indices. Many derivatives, in particular OTC derivatives, are complex and often valued subjectively and the valuation can only be provided by a limited number of market professionals which often are acting as counterparties to the transaction to be valued. Inaccurate valuations can result in increased cash payment requirements to counterparties or a loss of value to a Sub-Fund. However, this risk is limited as the valuation method used to value OTC derivatives must be verifiable by an independent auditor.

Derivatives do not always perfectly or even highly correlate or track the value of the securities, rates or indices they are designed to track. Consequently, a Sub-Fund's use of derivative techniques may not always be an effective means of, and sometimes could be counter-productive to, following a Sub-Fund's investment objective.

### **PRC and PRC Equity Market and Fixed Income Markets Risks**

#### ***a) PRC Specific Risks***

PRC Political, Economic and Social Risks: Any political changes, social instability and adverse diplomatic developments which may take place in or in relation to the PRC could result in the imposition of additional governmental restrictions including expropriation of assets, confiscatory taxes or nationalisation of some or all of certain Sub-Funds' Assets. Investors should also note that any change in the policies of the government and relevant authorities of the PRC may adversely impact the securities markets in the PRC as well as the performance of the relevant Sub-Fund.



**PRC Economic Risks:** The economy in the PRC has experienced significant and rapid growth in the past 20 years. However, such growth may or may not continue, and may not apply evenly across different geographic locations and sectors of the PRC 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 of the PRC economy. Furthermore, the PRC government has carried out economic reforms to achieve decentralisation and utilisation of market forces to develop the economy of the PRC. These reforms have resulted in significant economic growth and social progress. There can, however, be no assurance that the PRC government will continue to pursue such economic policies or, if it does, that those policies will continue to be successful. Any such adjustment and modification of those economic policies may have an adverse impact on the markets of the PRC and therefore on the performance of the relevant Sub-Fund.

**Legal System of the PRC:** The legal system of the PRC is based on written laws and regulations. However, because many of these laws and regulations, especially those that affect the securities market, are relatively new and evolving, the enforceability of such laws and regulations is uncertain. Such regulations also empower the CSRC and the State Administration of Foreign Exchange ("**SAFE**") to exercise discretion in their respective interpretation of the regulations, which may result in increased uncertainties in their application. In addition, as the PRC legal system develops, there can be no assurance that changes in such laws and regulations, their interpretation or their enforcement will not have a material adverse effect on the business operations of PRC companies which may issue RMB securities to be invested by certain Sub-Funds.

**Government control of currency conversion and future movements in exchange rates:** The conversion of onshore RMB in PRC into another currency is subject to SAFE approvals and the conversion rate is based on a managed floating exchange rate system which allows the value of onshore RMB in PRC to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. There can be no assurance that the onshore RMB in PRC exchange rate will not fluctuate widely against the US Dollar or any other foreign currency in the future.

**Taxation in the PRC:** Various tax reform policies have been implemented by the PRC government in recent years. Assets of certain Sub-Funds may be subject to withholding and other taxes imposed by the PRC government. There can be no assurance that the existing tax laws will not be revised or amended in the future. Any changes in tax policies could affect the amount of income which may be derived by, and the amount of capital returned, to the relevant Sub-Fund. It is anticipated that the laws governing taxation will continue to change and may contain conflicts and ambiguities, and may operate on a retrospective basis. Under the current PRC law, dividends, interests, rents and royalties payable by an enterprise in the PRC to a foreign investor who is a non-resident enterprise will be subject to a 10 per cent withholding tax, unless such non-resident's enterprise's jurisdiction of incorporation has a tax treaty with the PRC and that treaty provides for a lower tax rate or an exemption.

The PRC tax authorities have however not yet clarified whether income tax or withholding tax are payable on capital gains arising from securities trading of QFIs. It is therefore possible that the relevant tax authorities may in the future clarify the tax position and impose an income tax or withholding tax on realised gains by QFIs from dealing in PRC securities (including debt instruments and A-Shares).

Accounting and Reporting Standards: PRC companies which may issue RMB securities to be invested by certain Sub-Funds are required to follow PRC accounting standards and practices which follow international accounting standards to a certain extent. However, the accounting, auditing and financial reporting standards and practices applicable to PRC companies may be less rigorous, and there may be significant differences between financial statements prepared in accordance with the PRC accounting standards and practice and those prepared in accordance with international accounting standards. For example, there are differences in the valuation methods of properties and assets and in the requirements for disclosure of information to investors.

Risks linked to intervention of the government in financial markets: Governments and regulators may intervene in the financial markets, such as by the imposition of trading restrictions, a ban on "naked" short selling or the suspension of short selling for certain stocks. This may affect the operation and market making activities of certain Sub-Funds, and may have an unpredictable impact on such Sub-Funds.

Furthermore, such market interventions may have a negative impact on the market sentiment which may in turn affect the performance of the relevant Sub-Fund.

Risks linked with dealing in securities in China - Investments in China are currently subject to certain additional risks, particularly regarding the ability to deal in securities in Mainland China. Dealing in certain Chinese securities is restricted to licensed investors and the ability of the investor to repatriate its capital invested in those securities may be limited at times. Due to issues relating to liquidity and repatriation of capital, the Investment Manager may determine from time to time that making direct investments in certain securities may not be appropriate for the relevant Sub-Fund. As a result, the Investment Manager may choose to gain exposure to Chinese securities indirectly (for example, by way of derivatives or promissory notes which qualify as transferable securities) and may be unable to gain full exposure to the Chinese markets.

***b) Risks relating to China A-Share market***

Investors should note that the stock exchanges in the PRC on which A-Shares are traded are at a developing stage. Market volatility in the A-Share market may result in prices of securities traded on such markets fluctuating significantly resulting in substantial volatility in the share price of the relevant Sub-Funds.

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

Securities exchanges in the PRC typically have the right to suspend or limit trading in any security traded on the relevant exchange. In particular, trading band limits are imposed by the stock exchanges in the PRC on China A-Shares, where trading in any China A-Share security on the relevant stock exchange may be suspended if the trading price of the security has

increased or decreased to the extent beyond the trading band limit. A suspension will render it impossible for the Investment Manager to liquidate positions and can thereby expose the relevant Sub-Fund to significant losses. Further, when the suspension is subsequently lifted, it may not be possible for the Investment Manager to liquidate positions at a favourable price, which could thereby expose the relevant Sub-Fund to significant losses.

China A-Shares may only be bought from, or sold to, the relevant Sub-Fund from time to time where the relevant China A-Shares may be sold or purchased on the SSE or the SZSE, as appropriate. Given that the China A-Share market is considered volatile and unstable (with the risk of suspension of a particular stock or government intervention), the subscription and redemption of Shares may also be disrupted.

***c) Risks associated with ChiNext market and/or the Science and Technology Innovation Board (“STAR Market”)***

Listed companies on the ChiNext market and/or STAR Market are usually of emerging nature with smaller operating scale. In particular, listed companies on ChiNext market and STAR Market are subject to wider price fluctuation limits, and, due to higher entry thresholds for investors, may have limited liquidity, compared to other boards. Hence, they are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the main board.

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

The rules and regulations regarding companies listed on ChiNext market and STAR Market are less stringent in terms of profitability and share capital than those in the main board.

It may be more common and faster for companies listed on the ChiNext market and/or STAR Market to delist. In particular, ChiNext market and STAR Market have stricter criteria for delisting compared to other boards. This may have an adverse impact on the relevant Sub-Fund if the companies that it invests in are delisted.

STAR Market is a newly established board and may have a limited number of listed companies during the initial stage. Investments in STAR Market may be concentrated in a small number of stocks and subject the relevant Sub-Fund to higher concentration risk.

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

***d) Risks relating to the PRC fixed income market***

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

affect the value of the Sub-Fund.

#### ***e) RMB Fixed Income Securities and Debt Instruments Risks***

Certain Sub-Funds will invest in debt instruments. Debt instruments, such as notes and bonds, are subject to liquidity risk, credit risk, interest rate risk, credit rating risk, valuation risk, and downgrade risk.

##### ***Liquidity Risk***

The price at which the RMB fixed income securities are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates. Further, the bid and offer spread of the price of RMB fixed income securities may be high, and the relevant Sub-Funds may therefore incur significant trading costs and may even suffer losses when selling such investments. While such RMB fixed income securities are traded on markets where trading is conducted on a regular basis, certain extraordinary events or disruption events may lead to a disruption or suspension of trading on such markets. There is also no guarantee that market making arrangements will be in place to make a market and quote a price for all RMB fixed income securities. In the absence of an active secondary market, a Sub-Fund may need to hold the RMB fixed income securities 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 Sub-Fund may suffer losses in trading such instruments.

##### ***Credit Risk***

The relevant Sub-Funds are subject to the risk that the issuers of the fixed income securities are unable or unwilling to make timely principal and/or interest payment, or to honour their obligations. An issuer's ability to service debt may be adversely affected by an economic recession and adverse political and social changes in general as well as business, financial and other situations particular to such issuer. If the issuer(s) of the fixed income securities in which the relevant Sub-Fund invests defaults, the performance of such Sub-Fund will be adversely affected.

The financial market of the PRC is at an early stage of development, and most of the fixed income securities that the Sub-Fund invests in are and may be unrated. 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 securities, the Sub-Fund's Net Asset Value will be adversely affected and investors may suffer a substantial loss as a result. A Sub-Fund may also encounter difficulties or delays in enforcing its rights against the issuers of fixed income securities as such issuers may be incorporated outside the jurisdiction in which the Sub-Fund has been authorized or registered and subject to foreign laws. Fixed income 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 fixed income securities only after all secured claims have been satisfied in full. The relevant Sub-Fund is therefore fully exposed to the credit/insolvency risk of its counterparties as an unsecured creditor.

Certain Sub-Funds may invest in fixed income securities which may or may not be of investment grading. Such securities are typically unsecured debt obligations which are not

supported by any collateral. The relevant Sub-Fund will be fully exposed to the credit and/or insolvency risk of its counterparties as an unsecured creditor.

RMB denominated deposits that the Sub-Funds may invest are unsecured contractual obligations of the credit institutions where such deposits are held. The relevant Sub-Funds would be an unsecured creditor and is exposed to the credit/insolvency risk of such credit institutions.

#### *Interest Rate Risk*

There is a general inverse relationship between interest rate and price of debt instruments. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt instruments.

Changes in interest rates may affect the value of a security as well as the financial markets in general. Fixed income securities (such as bonds) are more susceptible to fluctuation in interest rates and may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes. If the debt securities held by a Sub-Fund fall in value, the Sub-Fund's value will also be adversely affected. On the other hand, shorter term debt securities are less sensitive to interest rate changes than longer term debt securities. However, this also means that shorter term debt securities usually offer lower yields.

Changes in macro-economic policies of PRC, such as the monetary and fiscal policy, will have an influence over capital markets which may cause changes to market interest rates, affecting the pricing of the bonds and thus the return of the Sub-Fund.

#### *Credit Rating Risk*

Ratings assigned by a rating agency are not absolute standards of credit quality and do not evaluate market risks. Rating agencies may fail to make timely changes in credit ratings and an issuer's current financial condition may be better or worse than a rating indicates.

As the credit ratings of the debt instruments of the relevant Sub-Fund are largely assigned by the credit agencies in the PRC, the methodologies adopted by the local rating agencies might not be consistent with the other international rating agencies. As a result, such rating system may not provide an equivalent standard for comparison with securities rated by international credit rating agencies.

To the extent that a Sub-Fund invests in higher yield debt instruments, the Sub-Fund's success in achieving its investment objective may depend more heavily on the Investment Manager's creditworthiness analysis than if the relevant Sub-Fund invested exclusively in higher-quality and better rated securities.

#### **f) Investment Risk**

Certain Sub-Funds may invest in China A-Shares or RMB fixed income securities and these instruments may fall in value. Investors may suffer losses as a result. The relevant Sub-Funds are not principal guaranteed and the purchase of its shares is not the same as investing directly in China A-Shares, RMB fixed income instruments or placing RMB funds on deposit with a bank.

#### **g) PRC Counterparty Risk**

The Investment Manager intends that the counterparties with which it deals on behalf of the relevant Sub-Funds shall have reasonable financial soundness at the time of entering into the relevant transaction. Counterparties are assessed based on the risk management policies that the counterparties' default risk should be both diversified and minimized, and that the counterparties' performance does not adversely impact the shareholders. Only counterparties which professional reputations are of high calibre and who are members in good standing with their respective industry associations and regulatory bodies would be approved for use by the Investment Manager.

Semi-annual review for the appropriateness of the approved counterparties is also performed to ensure that they continue to meet the aforesaid selection criteria.

However, in the event of bankruptcy or insolvency of any of its counterparties, the relevant Sub-Funds may experience delays in liquidating its positions and may, thereby, incur significant losses (including declines in the value of its investment) or the inability to redeem any gains on investment during the period in which the relevant Sub-Fund seeks to enforce its rights, and fees and expenses incurred in enforcing its rights.

There is also the possibility that such transactions will be terminated due, for instance, to counterparty bankruptcy, supervening illegality or a retrospective change in the tax or accounting laws relative to those applicable at the time the transaction was entered into.

Investment in debt securities will expose the relevant Sub-Funds to counterparty default risks. Exchange traded debt securities may be subject to counterparty risk, although such risk is mitigated by a centralised clearing system. The counterparty which has entered into a transaction with the relevant Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

#### ***h) RMB Currency and Currency Conversion Risks***

Changes in exchange rates between the Base Currency of certain Sub-Fund and the currency of denomination of any Share Class may cause the value of the investor's investments to decrease or increase. Exchange control regulations or any changes thereto may cause difficulties in the repatriation of funds, and the performance of the relevant Sub-Fund's investments and holdings may be affected. RMB is not a freely convertible currency and is subject to foreign exchange control policies of and repatriation restrictions imposed by the central government of the PRC. If such policies or restrictions change in the future, the position of such Sub-Fund or its investors may be adversely affected.

Shareholder should also note that conversion between RMB and other currencies is subject to policy restrictions relating to RMB and the relevant regulatory requirements in the PRC and in the country of issue and/or country of payment relating to the relevant Sub-Fund or its investments. There is no guarantee that RMB will not depreciate.

RMB convertibility is subject to foreign exchange control policies of and repatriation restrictions imposed by the PRC. Converting foreign currencies into RMB is carried out on the basis of the rate applicable to offshore RMB. The daily trading price of offshore RMB against other major currencies in the inter-bank foreign exchange market is floating in a band around the central parity published by the People's Bank of China (PBC). The value of the offshore RMB (i.e. CNH, which designates RMB traded outside PRC) may differ from the value of onshore RMB (i.e. CNY, which designates RMB traded within PRC) due to a number of factors including

foreign exchange control policies and repatriation restrictions enforced by the PRC from time to time as well as other external factors.

The investments of certain Sub-Funds can be made, at least partially, in offshore RMB and all subscriptions received in currencies other than offshore RMB may have to be converted into offshore RMB using the prevailing rate; the same applies to redemption proceeds by which offshore RMB will be converted in the relevant currency. The relevant Sub-Fund may incur higher costs as a result of the multiple conversions between offshore RMB and other currencies.

**i) QFI Regime Risk**

The QFI regime is governed by rules and regulations as promulgated by the mainland Chinese authorities, i.e., the CSRC, the State Administration of Foreign Exchange (“SAFE”) and the People’s Bank of China (“PBOC”). 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 the PRC. Such rules and regulations may be amended from time to time and include (but are not limited to) (hereinafter the “QFI Regulations”):

- (i) the Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors jointly issued by the CSRC, the PBOC and the SAFE on 25 September 2020 and effective from 1 November 2020 (《合格境外機構投資者和人民幣合格境外機構投資者境內證券期貨投資管理辦法》);
- (ii) the Provisions on Issues Concerning the Implementation of the Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors issued by the CSRC on 25 September 2020 and effective from 1 November 2020 (關於實施《合格境外機構投資者和人民幣合格境外機構投資者境內證券期貨投資管理辦法》有關問題的規定);
- (iii) the “Regulations on Funds of Domestic Securities and Futures Investment by Foreign Institutional Investors” issued by the PBOC and the SAFE on 7 May 2020 and effective from 6 June 2020 (《境外機構投資者境內證券期貨投資資金管理規定》); and
- (v) any other applicable regulations promulgated by the relevant authorities.

Based on the above prevailing QFI Regulations, the Qualified Foreign Institutional Investors (QFII) regime and RMB Qualified Foreign Institutional Investors (RQFII) regime have been merged and been regulated by the same set of regulations, and the previously separate requirements for QFII and RQFII qualifications are unified. A foreign institutional investor outside the PRC mainland may apply to the CSRC for the QFI License, while there is no need for a foreign institutional investor having held either a QFII or RQFII license to re-apply for the QFI license. Since the Investment Manager has been granted with QFII license and RQFII license by CSRC, it shall be regarded as a QFI, and may freely select to use funds in foreign currencies which can be traded on China Foreign Exchange Trade System (CFETS) and/or

offshore RMB funds to be remitted in to carry out PRC mainland domestic securities and futures investment as long as separate cash accounts for receiving such cash are duly opened.

Certain Sub-Funds, without being QFIs, may obtain access to China A-Shares, RMB denominated fixed income instruments or other QFI eligible securities directly via the QFI status of the Investment Manager. QFI Holders are not subject to investment quota limits. The following risks are specific and relevant to the QFI regime:

#### *Risk regarding QFI status*

Investors should note that QFI status could be suspended or revoked, which may have an adverse effect on the Sub-Fund's performance as the Sub-Fund may be required to dispose of its securities holdings.

Investors should note that there can be no assurance that a QFI will continue to maintain its QFI status, or that redemption requests can be processed in a timely manner due to adverse changes in relevant laws or regulations. Such restrictions may result in a rejection of applications for subscription of the Sub-Fund. In extreme circumstances, the Sub-Fund may incur significant losses due to limited investment capabilities, or may not be able to fully implement or pursue its investment objective or strategy, due to QFI investment restrictions, illiquidity of the mainland Chinese securities market, and/or delay or disruption in execution of trades or in settlement of trades.

The rules and restrictions under QFI Regulations generally apply to the QFI as a whole and not simply to the investments made by the Sub-Fund. Relevant PRC mainland regulators are vested with the power to impose regulatory sanctions if the QFI or the PRC Custodian violates any provision of the QFI rules. Any violations could result in the revocation of the QFI's license or other regulatory sanctions and may adversely impact on the investment by the Sub-Fund.

#### *Repatriation and liquidity risks*

In addition, certain restrictions imposed by the Chinese government on QFIs may have an adverse effect on the Sub-Fund's liquidity and performance. PBOC and SAFE regulate and monitor the repatriation of funds out of Mainland China by the QFI pursuant to QFI rules. No lock-up period is imposed on the capital remitted by the Sub-Fund. Repatriations by QFIs in respect of the Sub-Fund conducted in RMB are currently not subject to repatriation restrictions or prior approval, although authenticity and compliance reviews will be conducted, and monthly reports on remittances and repatriations will be submitted to SAFE by the PRC Custodian. The repatriation process may be subject to certain requirements set out in the relevant regulations such as submission of certain documents, and completion of the repatriation process may be subject to delay. There is no assurance, however, that Mainland

China rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Any restrictions on repatriation of the invested capital and net profits may impact on the Sub-Fund's ability to meet redemption requests from the Unitholders. Furthermore, as the PRC Custodian's review on authenticity and compliance is conducted on each repatriation, the repatriation may be delayed or even rejected by the PRC Custodian in case of non-compliance with the QFI rules and regulations. In such case, it is expected that redemption proceeds will be paid to the redeeming Unitholder as soon as practicable and after the



completion of the repatriation of funds concerned. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the Investment Manager's control.

#### *Application of QFI rules*

The QFI rules enable Renminbi to be remitted into and repatriated out of Mainland China. The relevant rules and their application may depend on the interpretation given by the relevant mainland Chinese authorities. Investment products (such as the Sub-Fund) which make investments pursuant to such QFI rules are among the first of its kind. Any changes to the relevant rules may have an adverse impact on investors' investment in the Sub-Fund. In the worst scenario, the Investment Manager may determine that the Sub-Fund shall be terminated if it is not legal or viable to operate the Sub Fund because of changes to the application of the relevant rules.

The current QFI laws, rules and regulations are subject to change, which may take retrospective effect. In addition, there can be no assurance that the QFI laws, rules and regulations will not be abolished. The Sub-Fund, which invests in the Mainland China markets through a QFI, may be adversely affected as a result of such changes.

#### ***j) PRC Custodian Risk***

The Depositary has been appointed to hold the assets of the Company. The Investment Manager (in its capacity as a QFI) and the Depositary have appointed Bank of China Limited as the PRC custodian in respect of the QFI securities ("**PRC Custodian**"), pursuant to relevant laws and regulations.

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

There is a risk that certain Sub-Funds may suffer losses, whether direct or consequential, from the default or bankruptcy of the PRC Custodian or disqualification of the same party from acting as a custodian. This may adversely affect such Sub-Funds in the execution or settlement of any transaction or in the transfer of any funds or securities.

#### ***k) PRC Brokerage Risk***

The execution and settlement of transactions or the transfer of any funds or securities may be conducted by brokers ("**PRC Brokers**") appointed by a QFI. The Sub-Funds may incur losses due to the acts or omissions of the PRC Brokers in the execution or settlement of any transaction or in the transfer of any monies or securities. In addition, there is a risk that certain Sub-Funds may suffer losses, whether direct or consequential, from the default or bankruptcy of the PRC Broker or disqualification of the same from acting as a broker. This may adversely

affect certain Sub-Funds in the execution or settlement of any transaction or in the transfer of any funds or securities.

Reasonably competitive commission rates and prices of securities will generally be sought to execute the relevant transactions in PRC markets. It is possible that, in circumstances where only a single PRC Broker is appointed where it is considered appropriate to do so by the QFI Holder, certain Sub-Fund may not necessarily pay the lowest commission or spread available, but the transaction execution will be consistent with best execution standards and in the best interest of the investors.

Notwithstanding the foregoing, the QFI Holder will seek to obtain the best net results for the relevant Sub-Fund, taking into account such factors as prevailing market conditions, price (including the applicable brokerage commission or dealer spread), size of order, difficulties of execution and operational facilities of the PRC Broker involved and the PRC Broker's ability to position efficiently the relevant block of securities.

#### ***l) Risks linked with dealing in securities via Stock Connect***

To the extent that the relevant Sub-Fund's investments in China are dealt via Stock Connect, such dealing may be subject to additional risk factors. Stock Connect is a mutual market access programme through which non-PRC investors can deal in select securities listed on a PRC stock exchange, currently the SSE and the SZSE, through a platform organized by the HKSE via a broker in Hong Kong and PRC domestic investors can deal in select securities listed on the SEHK through a platform put in place by a PRC stock exchange, currently the SSE and SZSE.

The relevant regulations are subject to change. Stock Connect is subject to quota limitations which may restrict the Sub-Fund's ability to deal via Stock Connect on a timely basis. This may impact the Sub-Fund's ability to implement its investment strategy effectively. Currently, the scope of Stock Connect includes all constituent stocks of the SSE 180 Index, the SSE 380 Index, the SZSE Component Index, the SZSE Small/Mid Cap Innovation Index (with market capitalization of RMB 6 billion or above) as well as all China A-Shares dual-listed on either the SSE or SZSE and the SEHK except for listed shares which are not traded in RMB and/or which are under 'risk alert' or under delisting arrangements. Shareholders should note further that under the relevant regulations a security may be recalled from the scope of Stock Connect. This may adversely affect the relevant Sub-Fund's ability to meet its investment objective, e.g. when the Investment Manager wishes to purchase a security which is recalled from the scope of Stock Connect.

#### ***Beneficial owner of the SSE/SZSE Shares***

Stock Connect currently comprises the Northbound link, through which Hong Kong and overseas investors like the Sub-Fund may purchase and hold China A-Shares listed on the SSE or the SZSE ("**SSE/SZSE Shares**"), and the Southbound link, through which investors in Mainland China may purchase and hold shares listed on the HKSE. The Sub-Fund trades SSE/SZSE Shares through its broker affiliated to the sub-custodian who is an SEHK exchange participant. These SSE/SZSE Shares will be held following settlement by brokers or custodians as clearing participants in accounts in the Hong Kong Central Clearing and Settlement System ("**CCASS**") maintained by the Hong Kong Securities and Clearing Corporation Limited ("**HKSCC**") as central securities depository in Hong Kong and nominee holder. HKSCC in turn

holds SSE/SZSE Shares of all its participants through a “single nominee omnibus securities account” in its name registered with ChinaClear, the central securities depository in Mainland China.

Because HKSCC is only a nominee holder and not the beneficial owner of SSE/SZSE Shares, in the unlikely event that HKSCC becomes subject to winding up proceedings in Hong Kong, investors should note that SSE/SZSE Shares will not be regarded as part of the general assets of HKSCC available for distribution to creditors even under Mainland China law. However, HKSCC will not be obliged to take any legal action or enter into court proceedings to enforce any rights on behalf of investors in SSE/SZSE Shares in Mainland China. Foreign Investors like the concerned Sub-Funds of the Company investing through the Stock Connect holding the SSE/SZSE Shares through HKSCC are the beneficial owners of the assets and are therefore eligible to exercise their rights through the nominee only.

#### *Quota restrictions*

Investments into Stock Connect are subject to a daily quota that limits the maximum value of net buy trades that can be executed on each trading day. The daily quota will be reset every day. Unused daily quota will not be carried over to next day’s daily quota and may change from time to time without prior notice.

Such quota and other limitations may restrict a Sub-Fund’s ability to invest in Stock Connect Securities on a timely basis, and the relevant Sub-Fund may not be able to effectively pursue its investment strategy.

Once the daily quota is used up, acceptance of the corresponding buy orders will also be immediately suspended and no further buy orders will be accepted for the remainder of the day. Buy orders which have been accepted will not be affected by the using up of the daily quota, while sell orders will be continued to be accepted. Buying services will be resumed on the following trading day.

#### *Difference in trading day and trading hours*

Due to differences in public holiday between Hong Kong and Mainland China or other reasons such as bad weather conditions, there may be a difference in trading days and trading hours in the two Mainland China markets, SSE and SZSE, and HKSE. Stock Connect will thus only operate on days when both markets are open for trading and when banks in both markets are open on the corresponding settlement days. So, it is possible that there are occasions when it is a normal trading day for the Mainland China market but it is not possible to carry out any China A-Shares trading in Hong Kong.

The investment manager should take note of the days and the hours during which Stock Connect is open for business and decide according to its own risk tolerance capability whether or not to take on the risk of price fluctuations in China A-Shares during the time when Stock Connect is not trading.

#### *The recalling of eligible stocks and trading restrictions*

A stock may be recalled from the scope of eligible stocks for trading via Stock Connect for various reasons, and in such event the stock can only be sold but is restricted from being bought. This may affect the investment portfolio or strategies of the Investment Manager. The

Investment Manager should therefore pay close attention to the list of eligible stocks as provided and renewed from time to time by SSE/SZSE and HKSE.

Under Stock Connect, the Investment Manager will only be allowed to sell China A-Shares but restricted from further buying if: (i) the China A-Share subsequently ceases to be a constituent stock of the relevant indices; (ii) the China A-Share is subsequently under “risk alert”; (iii) the corresponding H share of the China A-Share subsequently ceases to be traded on SEHK and/or (iv) in respect of SZSE Shares only, such Shares, based on any subsequent periodic review, that are determined to have a market capitalisation of less than RMB 6 billion. Investors should also note that price fluctuation limits would be applicable to China A-Shares.

#### *Trading costs*

In addition to paying trading fees and stamp duties in connection with China A-Shares trading, the Sub-Funds carrying out Northbound trading via Stock Connect should also take note of any new portfolio fees, dividend tax and tax concerned with income arising from stock transfers which would be determined by the relevant authorities.

#### *Local market rules, foreign shareholding restrictions and disclosure obligations*

Under Stock Connect, China A-Shares listed companies and trading of China A-Shares are subject to market rules and disclosure requirements of the China A-Shares market. Any changes in laws, regulations and policies of the China A-Shares market or rules in relation to Stock Connect may affect share prices. The Investment Manager should also take note of the foreign shareholding restrictions and disclosure obligations applicable to China A-Shares.

The Investment Manager will be subject to restrictions on trading (including restriction on retention of proceeds) in China A-Shares as a result of its interest in the China-A Shares. The Investment Manager is solely responsible for compliance with all notifications, reports and relevant requirements in connection with its interests in China A-Shares.

Under the current Mainland China rules, once an investor holds or controls up to 5% of the shares of a company listed on either the SSE or the SZSE, the investor is required to disclose his interest within three working days and during which he cannot trade the shares of that company.

After that, the investor is also required to make disclosure within three working days every time a change in his shareholding reaches 5%. From the day the disclosure obligation arises to two working days after the disclosure is made, the investor may not trade the shares of that company. Overseas investors holding China A-Shares via Stock Connect are subject to the following restrictions (i) shares held by a single foreign investor (such as the Umbrella Fund) investing in a listed company must not exceed 10% of the total issued shares of such listed company; and (ii) total A Shares held by all foreign investors (i.e. Hong Kong and overseas investors) who make investments in a listed company must not exceed 30% of the total issued A shares of such listed company. If the aggregate foreign shareholding exceeds the 30% restriction, the foreign investors would be required to unwind their positions on the excessive shareholding according to a last-in-first-out basis within five trading days.

Trading in securities through the Stock Connect may be subject to clearing and settlement risk. If the PRC clearing house defaults on its obligation to deliver securities / make payment, the

relevant Sub-Fund may suffer delays in recovering its losses or may not be able to fully recover its losses.

According to existing Mainland China practices, a Sub-Fund being the beneficial owner of China A-Shares traded via Stock Connect cannot appoint proxies to attend shareholders' meetings on its behalf.

#### *Currency risks*

Northbound investments by the relevant Sub-Funds in the SSE/SZSE securities will be traded and settled in Renminbi. If the relevant Sub-Fund holds a class of shares denominated in a local currency other than RMB, the Sub-Fund will be exposed to currency risk if the Sub-Fund invests in a RMB product due to the need for the conversion of the local currency into RMB. During the conversion, such Sub-Fund will also incur currency conversion costs. Even if the price of the RMB asset remains the same when the Sub-Fund purchases it and when the Sub-Fund redeems / sells it, the Sub-Fund will still incur a loss when it converts the redemption / sale proceeds into local currency if RMB has depreciated.

The above may not cover all risks related to Stock Connect and any above mentioned laws, rules and regulations are subject to change.

#### *Risk of ChinaClear default*

ChinaClear has established a risk management framework and measures that are approved and supervised by the CSRC. Pursuant to the General Rules of CCASS, if China Clear (as the host central counterparty) defaults, HKSCC will, in good faith, seek recovery of the outstanding Stock Connect securities and monies from ChinaClear through available legal channels and through ChinaClear's liquidation process, if applicable.

HKSCC will in turn distribute the Stock Connect securities and/or monies recovered to clearing participants on a pro-rata basis as prescribed by the relevant Stock Connect authorities. Although the likelihood of a default by ChinaClear is considered to be remote, the concerned Sub-Fund should be aware of this arrangement and of this potential exposure before engaging in trading SSE/SZSE Shares.

#### *Risk of HKSCC default*

A failure or delay by the HKSCC in the performance of its obligations may result in a failure of settlement, or the loss, of Stock Connect securities and/or monies in connection with them and the Company and its investors may suffer losses as a result. Neither the Company nor the Investment Manager shall be responsible or liable for any such losses.

#### *Ownership of Stock Connect securities*

Stock Connect securities are uncertificated and are held by HKSCC for its account holders. Physical deposit and withdrawal of Stock Connect securities are not available under the Northbound Trading for the Sub-Funds investing into such securities.

The relevant Sub-Fund's title or interests in, and entitlements to Stock Connect securities (whether legal, equitable or otherwise) will be subject to applicable requirements, including laws relating to any disclosure of interest requirement or foreign shareholding restriction. It is uncertain whether the Chinese courts would recognise the ownership interest of the investors

to allow them standing to take legal action against the Chinese entities in case disputes arise. This is a complex area of law and the Client should seek independent professional advice.

## **Mainland China Tax Risks**

### ***a) General***

Under the PRC CIT Law and its implementation rules, income derived from the PRC by non-resident enterprises that have no establishment or place in the PRC are subject to withholding tax. As such, the Sub-Fund's investments in PRC securities and bonds are subject to withholding tax on income (such as dividends on, or interest income from, such investments, as the case may be) derived from the PRC, and such withholding tax may reduce the income from, and/or adversely affect the performance of the Sub-Fund. Nonetheless, the PRC Corporate Income Tax law has exempted income tax on interest from government bonds.

In view of the prevailing temporary exemption on capital gains derived from the trading of A-shares and the tax bureau's interpretation on the tax treatment for capital gains from the trading of PRC debt securities, the Investment Manager has decided not to make any withholding income tax provision for the realized and unrealized capital gains derived from the trading of PRC securities. It should be noted that the tax exemption on A-share capital gains is temporary and the interpretation of the tax bureau on the taxability of the capital gains from the trading of debt securities may be subject to change in future. If withholding income tax is imposed on the capital gains in future, the relevant Sub-Funds may have to bear additional tax cost and the net asset value of the Sub-Fund may be impacted adversely.

### **Risks linked with investing in China A-Share Access Products, QFI Funds**

The Sub-Funds may invest indirectly in A-Shares in China through investing in (a) funds which are eligible to invest directly in securities issued within the PRC through QFI ("**QFI Funds**"); or (b) access products being financial derivative instruments issued by a third party such as QFI ("**CAAP issuer**") which represent an obligation of the CAAP issuer to pay to the relevant Sub-Fund an economic return equivalent to holding the underlying A-Shares and provide exposure to A-Shares in China ("**CAAPs**"). When a Sub-Fund invests in CAAPs being financial derivative instruments, it has to comply with the investment restrictions set out in Section 22 of this Prospectus, in particular item 22.1(h).

### ***Risks associated with CAAPs***

The policy and regulations imposed by the PRC government are subject to change and any such change may adversely impact the issuance of CAAPs invested by the relevant Sub-Fund. Under the current system, a CAAP issuer is subject to an investment quota for A shares. If the relevant status of any issuer of CAAPs is revoked or if any CAAP issuer has insufficient investment quota, the CAAP issuer may cease to extend the duration of any CAAPs or to issue further CAAPs and the relevant Sub-Fund may be required to dispose of its existing CAAPs.

As there may not be an active market for trading CAAPs, investment in CAAPs may be subject to the risk of illiquidity.

An investment in a CAAP is not a direct investment in the underlying A-shares themselves but rather consists in a claim against the CAAP issuer for payment of the A-shares return, as indicated above. An investment in CAAPs does therefore not entitle the holder of such

instrument to any direct beneficial interest in A-shares or any direct claim against the issuer of such A-shares.

Further, the relevant Sub-Fund will be exposed to the counterparty risk associated with the CAAP issuer because a CAAP is a payment obligation of the CAAP issuer, rather than a direct investment in A-shares, the relevant Sub-Fund may suffer losses if the CAAP issuer becomes insolvent, defaults or fails to perform its payment obligations under the CAAPs. Hence, the performance of a CAAP may differ from the price/performance of its underlying A-shares.

### ***Risks associated with investments in QFI Funds***

A Sub-Fund may invest in QFI Funds. The QFI regime is currently subject to repatriation restrictions. Repatriations by QFIs in respect of a QFI Fund conducted in RMB are currently not subject to repatriation restrictions or prior approval, although authenticity and compliance reviews will be conducted, and monthly reports on remittances and repatriations will be submitted to SAFE by the PRC Custodian, but there is no guarantee that restrictions will not be imposed in future. Any restrictions on repatriation of the invested capital and net profits out of China may impact on a QFI Fund's ability to meet redemption requests from the relevant Sub-Fund. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the Investment Manager's control. Therefore, the relevant Sub-Fund may be subject to liquidity risk.

Investment via the QFI regime will be subject to regulatory risks in China. The Chinese authorities may impose sanctions for violations of applicable laws and regulations, and this might result in regulatory sanctions. Investors should also note that the QFI status could be suspended or revoked, which may have an adverse effect on the relevant QFI Funds' performance.

The current QFI laws, rules and regulations are subject to change. Any changes to the relevant laws and rules may have an adverse impact on the investment in the QFI Funds (and thus the Company's and the relevant Sub-Fund's performance). In the worst case, the QFI Funds may be terminated if they are not legal or viable to operate because of changes to the application of the relevant rules. The relevant Sub-Fund's holdings in the relevant QFI Funds will be realised in case of such termination and the relevant Sub-Fund may suffer losses in its initial investment in such schemes.

Details of specific risks in relation to a particular Sub-Fund which are additional to those described in this Section will be disclosed in the relevant section of Appendix I.

**Potential investors should read this Prospectus in its entirety and seek independent advice before determining whether to invest in Shares.**

## **7 DIVIDEND POLICY**

Sub-Funds may offer Accumulation Shares and Distribution Shares.

The dividend policy shall, for each Sub-Fund, be detailed in the relevant section of Appendix I.

## 8 BUYING, REDEEMING AND CONVERTING SHARES

### HOW TO BUY

The minimum initial and subsequent subscription amounts and minimum holding amounts are disclosed in Appendix I to this Prospectus.

Prior to placing their initial purchase of Shares, investors must open an account by completing an application form. The application form and the relevant documents to support the application form should be sent by fax or by post to the Administrator or to the Hong Kong Representative or Authorised Distributors, who will then forward the same to the Administrator. The original documents should follow by post. Know your Customer (KYC) and Anti Money Laundering (AML) documents may be requested by the Administrator as part of AML procedures and checks imposed on the financial sector by Luxembourg law which are designed to prevent money laundering (the cleaning of money obtained from illegal activities and disguising its origins so that it appears to originate from a legitimate source).

Once the account is opened, applications for initial purchases of Shares may be sent by post or fax to the Administrator in Luxembourg by no later than the Instruction Deadline or to the Hong Kong Representative or Authorised Distributors by an instruction deadline earlier than the Instruction Deadline specified in the relevant section of Appendix I for a particular Sub-Fund or stated on the dealing form circulated with this Prospectus.

Application forms received on a Business Day in Luxembourg and Hong Kong, if duly completed, will be forwarded to the Administrator in Luxembourg on the same day provided that the application forms are received by an instruction deadline earlier than the Instruction Deadline specified in the relevant section of Appendix I for a particular Sub-Fund. Applications received after the aforesaid instruction deadline or on a day that is not a Business Day in Luxembourg and Hong Kong, will be forwarded to the Administrator on the next Business Day in Luxembourg and Hong Kong. All applications are subject to acceptance by the Administrator in Luxembourg. Hong Kong investors should note that the Hong Kong Representative will not accept applications by telephone and where applications are sent by fax, the Hong Kong Representative accepts no responsibility for any loss caused as a result of the non-receipt of such applications sent by fax. Without written confirmation of receipt by the Hong Kong Representative, a transmission report produced by the originator of the fax transmission disclosing the transmission was sent shall not be sufficient proof of receipt thereof by the Hong Kong Representative.

**Applications may also be made through the Hong Kong Representative or the Authorised Distributors in the countries in which the Company is authorised to offer Shares to the public, although the application will only be effective, and the relevant settlement time limits commence, once the Administrator itself has received the application.** The attention of investors is drawn to the fact that submission of application forms via the Hong Kong Representative or Authorised Distributors may be subject to an instruction deadline earlier than the Instruction Deadline specified in the relevant section of Appendix I for a particular Sub-Fund. Investors should therefore check with the relevant Authorised Distributor(s) on the timing and procedures for submission of any application forms.

All applications in writing must be signed and include the following information:



- The amount of currency to be invested or the number of Shares applied for;
- The Sub-Fund(s) into which the investment(s) is/are to be made;
- The Class of Shares is being applied for and;
- The name(s) and Register Number in which the Shares are registered;

Such applications, if accepted by the Company, will be treated as definitive and irrevocable orders. Although the Hong Kong Representative and Authorised Distributors are responsible for forwarding the applications to the Administrator in Luxembourg, they will not normally do so until they have received an application which satisfies the requirements referred above.

Luxembourg financial services sector professionals are required by law to take steps to verify the identity of their clients to prevent money laundering and to reduce the possibility of fraud. They may conduct searches of databases and other publicly available data in order to assess this.

In the case of all initial applications, further AML documentation may be requested by the Administrator in addition to the application form and list of authorised signatories. The Company reserves the right to reject or scale down as it sees fit at its discretion any application, in whole or in part. An application may be rejected in any circumstances including, but not limited to, circumstances in which the Company considers that it has not received sufficient information on the applicant or if it cannot determine, without any doubt, that the application moneys are not the proceeds of offences covered by the EU regulations combating money laundering. In any such case, any application money or, as the case may be, the balance thereof, will be returned (without interest) by the Company within seven (7) days of the rejection.

In addition, the Directors retain the discretion or are required by law to refuse new and additional subscriptions, the payment of dividends and partial or full redemption requests, where either new or existing investors fail to fully comply with the anti-money laundering requirements contained in this Prospectus, and the applicable application form and the dealing form.

The Directors may determine to restrict the purchase of Shares when it is in the interest of the Company or its Shareholders to do so, including when the Company or any Sub-Fund reaches a size that could impact the ability to find suitable investments for the Company or the relevant Sub-Fund. Information on the status of the Sub-Funds can be obtained at any time at the registered office of the Company, the office of the Hong Kong Representative and at [www.chinaamc.com.hk](http://www.chinaamc.com.hk)<sup>2</sup>. In addition, Shareholders wishing to subscribe in a Sub-Fund closed for subscriptions will be informed of such closure at the time of application.

Unless otherwise provided in the relevant part of Appendix I, the issue of the Shares subscribed for is subject to the Company's prior receipt of the due payment for such by the due settlement date and that, should payment for the Shares subscribed for not be received in cleared funds

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<sup>2</sup> This website has not been reviewed by the SFC and may contain information of funds not authorised by the SFC.

by the due settlement date, the Company reserves the right to cancel the subscription and rescind the allotment of the Shares applied for.

The Company may elect, at its discretion, to accept in certain cases subscriptions in kind by contribution of transferable portfolio securities and any associated transfer costs may be charged to the Shareholder, provided that these are suitable assets in respect of the relevant Sub-Fund's investment objective and investment restrictions and that their market value on the relevant Dealing Date has been verified by a special report of the Auditor at the expense of the contributing Shareholder(s).

### **Determination of applicable price**

Except if provided otherwise in the relevant section of Appendix I for a particular Sub-Fund, applications received by the Administrator before the Instruction Deadline will, if accepted, be dealt with at the price calculated on the same Dealing Day and applications received after the Instruction Deadline will, if accepted, be dealt with at the price calculated on the next Dealing Day.

The determination of the applicable price is subject to the Section 'Possible Deferral or Pricing Suspension' of this Prospectus.

### **Form of Shares**

Shares are issued in registered form only. Confirmation advices will be sent to shareholders. Confirmation advices will be sent to Shareholders at the latest the first Business Day in Luxembourg after the date of allotment, subject to the purchase price having been paid in full.

The Shares issued will be registered and the Share register will be conclusive evidence of ownership. Shares will be issued in uncertificated form.

On or prior to acceptance of their application, applicants will be allocated a Register Number which should be used by Shareholders for all future dealings with the Administrator. Any changes to the Shareholder's personal details or loss of Register Number must be notified immediately to the Administrator in writing. In these circumstances the Company reserves the right to require an indemnity or verification countersigned by a bank, stockbroker or other party, acceptable to it before accepting further instructions in respect of the holding of Shares.

**By completing an application form, each Shareholder accepts that personal information and/or the entries in the register of Shareholders relating to his holding may be made available to service providers to the Company, to ChinaAMC (HK) and, where relevant, to Authorised Distributors outside of ChinaAMC (HK), for the purpose of providing enhanced Shareholder-related services. Such information may (subject to the application of local laws and/or regulations) be used outside of Luxembourg and may, therefore, potentially be subject to the scrutiny of regulatory and tax authorities outside of Luxembourg.** Shareholders who do not subscribe directly in Luxembourg should note that they may not benefit from Luxembourg secrecy rules. Authorised Distributors may provide a nominee service to investors purchasing Shares of any Sub-Fund. Investors in a Sub-Fund may elect to make use of such nominee services, where available, pursuant to which the nominee will hold the Shares in its name for and on behalf of the investors. In such case, investors will have the right to terminate the nominee services and claim direct title of the

purchased shares, according to their contractual arrangement with the relevant Authorised Distributor.

## **HOW TO CONVERT**

As at the date of this Prospectus, there is only one Sub-Fund being authorised by the SFC, no conversion between the Sub-Funds may be made.

Unless otherwise provided for in Appendix I of this Prospectus, Shareholders may convert all or part of their shareholdings from one or more Classes to another in the same Sub-Fund, or from one or more Classes into the same Classes of one or more of the other Sub-Funds, on any Business Day, if and as provided in Appendix I in relation to the relevant Sub-Fund.

Conversions will be carried out in accordance with the formula below and Shares will be issued and rounded to two or more decimal places. Conversions from Class A, Class B or Class C into Class I Shares or the contrary are also permitted provided that the conditions to subscribe and hold the Class of Shares into which the conversion is contemplated are met and provided that Class I remains reserved to institutional investors. Conversions between Class A, Class B and Class C are permitted.

Orders may be placed in the same manner as applications for subscription of Shares. They must provide details of the number of Shares to be converted, the Class of Shares to be converted, the names of the relevant Sub-Funds, the name under which the Shares are registered and the Register Number. All orders, once given, are deemed to be definitive and irrevocable, whether or not they are subsequently confirmed in writing. No conversion order will be processed if it is in respect of Shares for which the price and the applicable subscription fees in cleared funds have not yet been received and/or the identification procedures described above under 'How to Buy' have not been satisfactorily completed.

The applicable Dealing Day for a conversion order will be determined in the same manner as for applications for subscription of Shares.

Conversion orders may be sent to the Administrator in Luxembourg or to the Hong Kong Representative or Authorised Distributors by post or by fax. Conversion orders may be made on any Business Day, to the Administrator. Only registered Shareholders may submit conversion orders directly to the Company. Investors whose Shares are held in the name of a nominee must submit a conversion order through that nominee, since it is the nominee that is recognised by the Company as the record owner of the Shares.

Conversion orders may also be given through the Hong Kong Representative or the Authorised Distributors in the countries in which the Company is authorised to offer Shares to the public, although the conversion orders will only be effective, and the relevant time limits commence, once the Administrator itself has received the conversion orders. Submission of a conversion order via the Hong Kong Representative or Authorised Distributors may be subject to an instruction deadline earlier than the Instruction Deadline specified in the relevant section of Appendix I for a particular Sub-Fund. Investors should therefore check with the Hong Kong Representative or the relevant Authorised Distributor(s) on the timing and procedures for submission of any conversion order. Confirmation advices will be issued and sent out on the same timeframe as for applications.

The minimum amount that may be converted for Class A, Class B or Class C Shares is USD 1,000, EUR 1,000, GBP 1,000, RMB 10,000 and HKD 10,000 respectively.

If, as a result of a partial conversion of Shares, the value of the Shareholder's balance of Shares falls below the relevant minimum level for that Sub-Fund, the Company may require that these Shares be converted or redeemed.

The rate at which all or any part of a holding of Shares of a Class of any Sub-Fund (the 'original Sub-Fund' or the 'original Class') is converted on any Business Day into Shares of the same or of another Class (if permitted) of another Sub-Fund (the 'new Sub-Fund' or the 'new Class') will be determined in accordance with (or as near as possible) the following formula:

$$A = \frac{(B \times C \times E) - F}{D}$$

Where:

A is the number of Shares of the new Sub-Fund / Class to be allotted;

B is the number of Shares of the original Sub-Fund / Class to be converted;

C is the price per Share of the original Sub-Fund / Class ruling on the relevant Business Day;

D is the price per Share of the new Sub-Fund / Class ruling on the relevant Business Day;

E is, in the case of a conversion involving two Sub-Funds / Classes which do not have the same base currency, the exchange rate determined by the Company, for converting the currency of B into the currency of A;

F is a conversion charge of up to 1% of the gross amount being converted (i.e. B x C), which is for the benefit of the Distributor.

### **Valuation and Trading Statements**

Valuation and trading statements will be provided to all Shareholders as at 30 June and 31 December in each year.

### **HOW TO REDEEM**

Redemption orders may be sent to the Administrator in Luxembourg or to the Hong Kong Representative or Authorised Distributors by post or by fax. Redemption orders may be made on any Business Day by no later than the Instruction Deadline, to the Administrator or to the Hong Kong Representative or Authorised Distributors. Redemption orders received on a bank business day in Hong Kong, if duly completed, will be transmitted to the Administrator in Luxembourg on the same day. Hong Kong investors should note that the Hong Kong Representative accepts no responsibility for any loss caused as a result of the non-receipt of a redemption orders given by fax. Without written confirmation of receipt by the Hong Kong Representative, a transmission report produced by the originator of the fax transmission disclosing the transmission was sent shall not be sufficient proof of receipt by the Hong Kong Representative. Only registered Shareholders may submit redemption orders directly to the Company. Investors whose Shares are held in the name of a nominee must submit a redemption order through that nominee, since it is the nominee that is recognised by the Company as the record owner of the Shares.

Redemption orders may also be given through the Hong Kong Representative or Authorised Distributors in the countries in which the Company is authorised to offer Shares to the public, although the redemption orders will only be effective, and the relevant time limits commence, once the Administrator itself has received the redemption orders. The attention of the investors is drawn to the fact that submission of redemption orders via Authorised Distributors may be subject to an instruction deadline earlier than the Instruction Deadline specified in the relevant section of Appendix I for a particular Sub-Fund. Investors should therefore check with the relevant Authorised Distributor(s) on the timing and procedures for submission of any redemption orders.

Redemption orders must be signed and include the following information:

- The number of Shares or the amount and currency to be redeemed;
- The Sub-Fund to be redeemed;
- The Class of Shares to be redeemed;
- The currency in which the redemption proceeds should be paid (the default will be the currency of the Class of Shares being redeemed); and
- The name and Register Number in which the Shares are registered.
- Such redemption order will be treated as definitive and irrevocable in respect of Shares for which the subscription and the applicable initial charges have been fully paid.

Shareholders may redeem all or part of their holding, provided that, if the request would reduce a holding to a value of less than USD 1,000 (or the equivalent thereof in the currency of the relevant Class of Shares) in the case of any Sub-Fund such request will be treated as a request to redeem the entire Shareholding, unless the Company otherwise determines or otherwise provided in this Prospectus.

The Company may elect, at its discretion, in certain cases to allow redemptions in kind by the transfer out of transferable portfolio securities and any associated transfer costs may be charged to the Shareholder, provided that the market value of the relevant securities on the relevant Dealing Day has been verified by a special report of the Auditor, at the expense of the redeeming Shareholder(s).

Confirmation advices will be sent to Shareholders at the latest the first Business Day after the treatment of the redemption request.

#### **Determination of applicable price**

Except if provided otherwise in the relevant section of Appendix I for a particular Sub-Fund, redemption orders received by the Administrator by the Instruction Deadline will, if accepted, be dealt with at the price calculated on the same Dealing Day. Redemption orders received by the Administrator after the Instruction Deadline will, if accepted, be dealt with at the price calculated on the next Dealing Day.

#### **Possible Deferral or Pricing Suspension**

If the total requests for redemptions (including conversions) on any Business Day (the 'relevant Business Day') are received in respect of a number of Shares of any Sub-Fund which exceed 10% of the total number of Shares of that Sub-Fund outstanding on such Business Day, the

Directors are entitled to defer any redemption request in whole or in part, so that the 10% level is not exceeded. Any redemption requests in respect of the relevant Business Day so reduced will be effected in priority to subsequent redemption requests received on the succeeding Business Days. The limitation will be applied pro rata to all Shareholders who have requested redemptions to be effected on or as at such Business Day so that the proportion redeemed of each holding so requested is the same for all such Shareholders. These limits will be used only at times when realising assets of a Sub-Fund to meet unusually heavy redemption requirements would create a liquidity constraint to the detriment of Shareholders remaining within the Sub-Fund.

The Company may under the Articles, after consultation with the Depositary, having regard to the best interests of the Shareholders, suspend the determination of the net asset value of the Shares of any particular Sub-Fund and the issue, redemption and conversion of such Shares during:

- (i) any period when any of the principal stock exchanges or markets on which any substantial portion of the investments of the Company attributable to such Sub-Fund are quoted is closed otherwise than for ordinary holidays, or during which dealings therein are restricted or suspended;
- (ii) the existence of any state of affairs which constitutes an emergency as a result of which disposals or valuation of assets owned by the Company attributable to such Sub-Fund would be impracticable;
- (iii) any breakdown in the means of communication normally employed in determining the price or value of any of the investments attributable to any particular Sub-Fund or the current price or values on any stock exchange;
- (iv) any period when the Company is unable to repatriate funds for the purpose of making payments on the redemption of such Shares or during which any transfer of funds involved in the realisation or acquisition of investments or payments due on redemption of such Shares cannot in the opinion of the Directors be effected at normal rates of exchange;
- (v) any period when the net asset value per Share of any Sub-Fund or any subsidiary of the Company may not be determined accurately; or
- (vi) except in respect of redemptions or conversions, any period when notice of winding up of the Company as a whole has been given.
- (vii) in the case where it is impossible to determine the price of units or shares in undertakings for collective investment which represent an important part of the portfolio of a Sub-Fund (in particular when the determination of the net asset value of such undertakings for collective investment is suspended).
- (viii) the suspension of the calculation of the net asset value per share/unit at the level of a master fund in which a Sub-Fund invests in its quality as feeder fund, to the extent applicable.

The Company may suspend the issue and redemption of shares of any particular Sub-Fund, as well as the conversion from and to shares of each class, following the suspension of the

issue, redemption and/or the conversion at the level of a master fund in which a Sub-Fund invests in its quality as feeder fund, to the extent applicable.

Any suspension shall be publicised by the Company, if appropriate, and shall be notified to Shareholders requesting the issue, redemption or conversion of Shares.

When a Sub-Fund is registered for distribution in a non-Member State, the Directors may be limited by local rules and regulations, and/or subject to particular notification requirements, in relation to the cases and/or the manners in which they may suspend the determination of the net asset value of that Sub-Fund and the issue, conversion and redemption of Shares in that particular Sub-Fund. Information in relation to those limitations, if any, shall be included in the relevant section of Appendix I in relation to the relevant Sub-Fund.

In respect of the Sub-Funds which are authorised by the SFC in Hong Kong, such suspension shall also be notified immediately to the SFC as soon as practicable. In addition, any suspension of the determination of the net asset value and the sale or repurchase of Shares of any Sub-Fund will also be published in the South China Morning Post and the Hong Kong Economic Times.

As a result of the registration of one or several Sub-Funds for public distribution in a non-Member State, the possibility to set up a subsidiary of the Company for the purpose of pursuing the investment strategy of the relevant Sub-Fund may be restricted. For so long as the Sub-Fund(s) remains authorised by the SFC in Hong Kong, no subsidiary of the Company will be set up for the purpose of the relevant Sub-Fund and sub-paragraph (v) above shall be read as allowing a suspension of the determination of the net asset value of the Shares of the relevant Sub-Fund as well as the issue, redemption and conversion of such Shares only during a period of time when the net asset value per Share of the relevant Sub-Fund may not be determined accurately.

### **Market timing, short-term trading and excessive trading practices**

The Company does not knowingly allow investments that are associated with market timing or other excessive trading practices, as such practices may adversely affect the interests of all Shareholders. Excessive trading includes individuals or groups of individuals whose securities transactions seem to follow a timing pattern or are characterised by excessively frequent or large trades.

As per CSSF Circular 04/146, market timing is defined as an arbitrage method through which an investor systematically subscribes and redeems or converts shares of the same undertaking for collective investment within a short time period by taking advantage of time difference and/or imperfections or deficiencies in the method of determination of the net asset values of the sub-funds of the undertaking for collective investment.

Market timing and excessive trading practices are not acceptable as they may affect the performance of the Fund through an increase in cost and/or dilution in the net asset value. The Company is not designed for investors with short-term investment horizons. Activities which may adversely affect the interests of the Shareholders (for example that disrupt investment strategies or impact expenses) such as market timing or the use of the Company as an excessive or short-term trading vehicle are not permitted.

The Board of Directors may refuse transactions at their discretion to protect Shareholders' interests against short-term trading or market timing practices.

In addition, where excessive trading is suspected, the Company may combine Shares that are under common ownership or control for the purposes of ascertaining whether an individual or a group of individuals can be deemed to be involved in excessive trading practices. Accordingly, the Directors reserve the right to reject any application for subscription or conversion of Shares from investors whom they consider to be excessive traders. The Company may further compulsorily redeem shares held by an investor who is reasonably suspected to be or to have been engaged in excessive trading.

Further, to the extent that the Directors consider that it is in the best interests of Shareholders, taking into account factors including the prevailing market conditions, the level of subscriptions and redemptions in a particular Sub-Fund and the size of the Sub-Fund, the Directors may take the following steps:

(i) Dilution levy

The dilution levy may be applied as a separate charge on top of subscriptions or redemptions received on a Dealing Day and will be retained by the relevant Sub-Fund. The charge will reflect any fiscal charges and dealing costs incurred on the purchase or realisation of the assets of a Sub-Fund with the aim of protecting the existing shareholders from carrying said charges and cost. This charge will be in favour of the relevant Sub-Fund and will not exceed 2% of the applicable net asset value of the Shares subscribed for or redeemed.

The dilution levy may be charged if the Board of Directors, in its opinion, considers that the existing Shareholders (in case of subscriptions) or remaining Shareholders (in case of redemptions) might otherwise be adversely affected.

(ii) Swing pricing

In certain circumstances, subscriptions, redemptions and conversions in a Sub-Fund may have a negative impact on the net asset value as a result of the transaction costs incurred in the purchase and sale of the underlying investments and the spread between the buying and selling prices of such investments. In order to protect the shareholders, the net asset value may be adjusted to reflect the estimated dealing spreads, costs and charges to be incurred by the Sub-Fund in liquidating or purchasing investments.

If the net capital activity on a given valuation day leads to a net inflow of assets in excess of the threshold determined from time to time by the Board of Directors, the net asset value used to process all transactions in a Sub-Fund is adjusted upwards by the swing factor.

If the net capital activity on a given valuation day leads to a net outflow of assets in excess of the threshold determined from time to time by the Board of Directors, the net asset value used to process all transactions in a Sub-Fund is adjusted downwards by the swing factor.

For all Sub-Funds, under normal circumstances there is a maximum cap on the level of the swing factor which is currently 2% of applicable net asset value of the Shares subscribed for or redeemed. The level of the swing factor shall be determined from time to time by the Board of Directors.

However, whilst the swing factor is normally not expected to exceed 2% of applicable net asset value of the Shares subscribed for or redeemed, the Board of Directors may decide to



temporarily increase this limit in exceptional circumstances (e.g., higher market volatility), although it is not possible to accurately predict whether it will occur at any future point in time and consequently how frequently it will need to be made, provided that:

- (i) the decision to revise the swing factor under the current swing pricing mechanism must be duly justified (including a robust methodology that provides an accurate NAV which is representative of the prevailing market conditions) and is in the best interests of investors, following a robust internal governance process supported by proper records/documentations;
- (ii) the Investment Manager must notify existing and new investors (and, to the extent applicable, through informing distributors of the Sub-Fund) that a swing factor which exceeds the limit disclosed in this Prospectus may be used before applying the revised swing factor;
- (iii) the Investment Manager must be able to demonstrate and justify that the swing factor applied at any time was representative of the prevailing market conditions and was in the best interests of investors; and
- (iv) the revision and use of revised swing factor is permitted under the Fund's constitutive documents, and complies with the applicable laws and regulatory requirements imposed by Luxembourg.

The CSSF shall be notified of any increase of the swing factor above the level disclosed in this Prospectus. Up-to-date information on the increased swing factor actually applied will be made available on the website of the Company: [www.chinaamc.com.hk](http://www.chinaamc.com.hk)<sup>3</sup> and may also be made available to Shareholders free of charge upon request. Shareholders will also be informed on this website when the market conditions no longer require that the adjustment limit exceeds the level disclosed in the Prospectus.

Any Performance Fee will be charged on the basis of the unswung net asset value.

Dilution levy and swing pricing have been identified as possible means of compensating a Sub-Fund for the dilution effect of excessive/frequent trading which is also characteristic for market timing activity.

### **Mandatory Redemption**

The Articles give powers to the Directors to impose such restrictions as they may think necessary for the purpose of ensuring that no Shares are acquired or held by (a) any person in breach of the law or requirement of any country or governmental authority or (b) any person in circumstances which in the opinion of the Directors might result in the Company incurring any liability to taxation or suffering any other pecuniary disadvantage which the Company might not otherwise have incurred or suffered; and, in particular, by any U.S. Person. The Company may compulsorily redeem all Shares held by any such person. The Company also reserves the right to compulsorily redeem all Shares held by any person in case of liquidation and/or merger of Sub-Funds as described in Sections 17 and 18 of this Prospectus.

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<sup>3</sup> This website has not been reviewed by the SFC and may contain information of funds not authorised by the SFC.

## **SETTLEMENT PROCEDURES**

Payment of subscription monies (cleared of any costs and charges) for the Shares subscribed shall be received by the Administrator on the account of the Company at the latest on the third Business Day following the Dealing Day, unless otherwise decided by the Board of Directors or its delegates or unless otherwise provided for in the relevant part of Appendix I.

Payment should be made, preferably by telegraphic transfer, in accordance with the particulars described on the application form (further copies of which can be obtained from the Administrator or from the Hong Kong Representative or Authorised Distributors). Any payment should be made net of bank charges.

Payment may be made, if agreed by the Administrator or by the Hong Kong Representative or Authorised Distributors, in a currency other than the base currency of the relevant Sub-Fund, or the currencies as detailed on the application form for each Sub-Fund, at the risk and expense of the investor. Should payment not be received in cleared funds by the due settlement date, the Company reserves the right to cancel the contract without compensation and/or to pass on to the investor the costs of such cancellation and where applicable charge interest at market rates.

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

Except if provided otherwise in the relevant section of Appendix I for a particular Sub-Fund, settlement for redemptions will normally be made in accordance with the standing instructions held by the Administrator within three (3) Business Days in Luxembourg and Hong Kong of the Dealing Day and subject to receipt by the Administrator of correct and duly executed renunciation documentation.

If, in exceptional circumstances, the liquidity of the relevant Sub-Fund is insufficient to enable redemption proceeds to be paid within this timeframe, payment will be made as soon as reasonably practicable thereafter, but without interest. Redemption money will be paid to Shareholders at the latest within one calendar month from the date of receipt of a properly documented request for redemption of Shares unless the market in which a substantial portion of investments is made is subject to legal or regulatory requirements thus rendering the payment of the redemption money within the aforesaid time period not practicable. The Administrator will, where agreed, be able to arrange settlement in any major currency according to the standing instructions held, at the risk and expense of the redeeming Shareholder.

Where accepted by the Administrator settlement may be effected through a centralised clearing system such as Euroclear, Clearstream or any other centralised nominee.

## **AUTHORISATION OF AND INDEMNIFICATION FOR INSTRUCTIONS**

By giving any instructions by fax, or any other communication medium acceptable to the Hong Kong Representative, the Administrator and/or the Authorised Distributors, investors or Shareholders irrevocably authorise the Company and/or the Hong Kong Representative and/or

the Administrator and/or the Authorised Distributors to act upon such instructions and fully indemnify the Company, the Hong Kong Representative, the Administrator and/or the Authorised Distributors on demand against any liability of any nature whatsoever arising to either of them as a result of them acting on such instructions. The Company, the Hong Kong Representative, the Administrator and the Authorised Distributors may rely conclusively upon and shall incur no liability in respect of any action taken upon any notice, consent, request, instructions or other instrument believed, in good faith, to be genuine or to be signed by properly authorised persons.

## **STOCK EXCHANGE LISTINGS**

At the date of this Prospectus, none of the Classes of the Shares are listed on the Luxembourg Stock Exchange.

## **CALCULATION OF NET ASSET VALUE AND PRICE PER SHARE PER CLASS**

Except if provided otherwise in the relevant section of Appendix I for a particular Sub-Fund, the price per Share for each Class of each Sub-Fund will be based on the net asset value of the relevant Sub-Fund expressed in the base currency of the Sub-Fund, calculated by the Administrator on each Dealing Day. If Non-Base Currency Share Classes are issued, a price per Share in the relevant non-base currency will also be calculated. Despite being within the same legal structure, the liabilities of each Sub-Fund shall be segregated from the liabilities of other Sub-Funds, with third party creditors having recourse only to the assets of the Sub-Fund concerned.

The net asset value for each Class of each Sub-Fund is calculated by determining the value of the assets of the relevant Sub-Fund applicable to that Class, including accrued income, and deducting all liabilities (including all fees and charges) of that Class, and dividing the resultant sum by the total number of Shares of that Class in the relevant Sub-Fund in issue or allotted at that time (the resulting amount being rounded to the nearest three decimal places), to give the net asset value per Share per Class of the Sub-Fund. As the various Classes of Shares of each Sub-Fund will have different amounts of liabilities, the net asset value per Share attributable to each of them, even within the same Sub-Fund, will be different.

The Share price will be quoted on the basis of the net asset value per Share, calculated as above. Of course in addition, upon a purchase of Shares from the Company by an investor there will be an initial charge levied, equivalent to a maximum of 5% of the total amount invested.

Except if provided otherwise in the relevant section of Appendix I for a particular Sub-Fund, the price per Share per Class (where applicable) of each Sub-Fund is available on each Dealing Day at the registered office of the Company, the office of the Hong Kong Representative and on the Company's website [www.chinaamc.com.hk](http://www.chinaamc.com.hk)<sup>4</sup>. The price of the Shares of the Sub-Funds will be published daily in Hong Kong in the South China Morning

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<sup>4</sup> This website has not been reviewed by the SFC and may contain information of funds not authorised by the SFC.

Post and the Hong Kong Economic Times. The prices are available in the base currency of the relevant Sub-Fund as well as in the currency of any Non-Base Currency Share Class, if available.

None of the Management Company, the Investment Manager, the Hong Kong Representative or any relevant parties accepts responsibilities for any error in publication or for omission of publication of prices if such error or omission is beyond the reasonable control of the Management Company, the Investment Manager, the Hong Kong Representative or any relevant parties.

## **VALUATION PRINCIPLES**

The investments of each Sub-Fund will normally be valued on the basis of the last available price on the principal stock exchange or market on which the investments are quoted, listed or normally dealt in as at 1.00 p.m. Luxembourg time on the relevant Dealing Day. The exchange rates used to value the investments of each Sub-Fund are as at 1.00 p.m. Luxembourg time.

All other assets, including restricted and not readily marketable securities, will be valued in such manner as the Directors consider appropriate to reflect their fair value. In the event that net subscriptions or redemptions on any Dealing Day represent a material proportion of the Shares in issue, or in such other circumstances as the Directors consider appropriate, the investments may be valued on an offer or bid price basis, as appropriate and taking into account applicable dealing costs, or in such manner as the Directors deem appropriate, to reflect more fairly the value of the investments in the circumstances. The calculation of the net asset value may also be adjusted to take account of any fiscal and brokerage charges.

The valuation of contracts for difference ("CFD") is based on the value of the underlying securities, which are transferable securities and money market instruments admitted to an official exchange listing, which in turn are valued as described above.

The valuation of forward foreign exchange contracts is based on the relevant exchange rate.

The valuation of financial future contracts is made at the exchange quoted price at 1.00 pm Luxembourg time. Initial margin deposits are made in cash upon entering into futures contracts. During the period the future contract is open, changes in the value of the contract are recognised as unrealised gains and losses by marking to market on a daily basis to reflect the market value of the contract at the end of each day's trading. Variation margin payments are made or received, depending upon whether unrealised losses or gains are incurred. Variation margin payments are recorded in the futures margin account in the statement of net assets. When the contract is closed, the Sub-Fund records a realised gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the opening transaction.

When a Sub-Fund purchases an option, it pays a premium and an amount equal to that premium is recorded as an investment. When a Sub-Fund writes an option, it receives a premium and an amount equal to that premium is recorded as a liability. The investment or liability is adjusted daily to reflect the current market value of the option. If an option expires unexercised, the Sub-Fund realises a gain or loss to the extent of the premium received or paid.

The valuation of swap contracts is made at fair market value as determined in good faith pursuant to procedures established by the Company.

## DATA PROTECTION

In accordance with the applicable Luxembourg data protection law and the Regulation n°2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the “**Data Protection Law**”), the Company as data controller (the “**Data Controller**”), collects, stores and processes, by electronic or other means, the data supplied by investors for the purpose of fulfilling the services required by the investors and complying with its legal obligations.

The data processed includes in particular the name, contact details (including postal or email address), banking details, invested amount and holdings of investors in the Company (or, if the investor is a legal person, of any natural person related to it such as its contact person(s), employee(s), trustee(s), agent(s), representative(s) and/or beneficial owner(s)) (the “**Personal Data**”).

The investors may at their discretion refuse to communicate Personal Data to the Data Controller. In this case, however, the Data Controller may reject a request to subscribe for Shares in the Company.

Personal Data supplied by investors is processed in order to enter into and execute the subscription in the Company (i.e. to perform the contract entered into by the investors), for the legitimate interests of the Data Controller and to comply with the legal obligations imposed on the Data Controller. In particular, the Personal Data supplied by the investors is processed for the purposes of (i) subscribing in the Company, (ii) maintaining the register of shareholders, (iii) processing subscriptions, redemptions and conversions of Interests and payments of dividends to investors, (iv) performing controls on excessive trading and market timing practices, and (v) complying with applicable anti-money laundering rules as well as other applicable regulation like the FATCA and the CRS-Law. In addition, Personal Data may be processed for the purposes of marketing. Each investor has the right to object to the use of its Personal Data for marketing purposes by writing to the Data Controller.

The “legitimate interests” referred to above are:

- the processing purposes described in points (i) to (v) of the above paragraph of this data protection section;
- meeting and complying with the Company’s accountability requirements and regulatory obligations globally; and
- exercising the business of the Company in accordance with reasonable market standards.

The Personal Data may also be processed by the Data Controller’s data recipients (the “**Recipients**”) which, in the context of the above mentioned purposes, refer to the Investment Manager, the Management Company, the Distributor, the Depositary, Administrator, the Auditor and the Legal Advisers. The Recipients may, under their own responsibility, disclose the Personal Data to their agents and/or delegates (the “**Sub-Recipients**”), which shall process the

Personal Data for the sole purposes of assisting the Recipients in providing their services to the Data Controller and/or assisting the Recipients in fulfilling their own legal obligations. The Recipients and Sub-Recipients may be located either inside or outside the EEA. Where the Recipients and Sub-Recipients are located outside the EEA in a country which does not ensure an adequate level of protection for Personal Data, the Data Controller has entered into legally binding transfer agreements with the relevant Recipients in the form of the EU Commission approved model clauses. In this respect, the investors have a right to request copies of the relevant document for enabling the Personal Data transfer(s) towards such countries by writing to the Data Controller. The Recipients and Sub-Recipients may, as the case may be, process the Personal Data as data processors (when processing the Personal Data upon instructions of the Data Controller), or as distinct data controllers (when processing the Personal Data for their own purposes, namely fulfilling their own legal obligations). The Data Controller may also transfer Personal Data to third-parties such as governmental or regulatory agencies, including tax authorities, in or outside the EU, in accordance with applicable laws and regulations. In particular, such Personal Data may be disclosed to the Luxembourg tax authorities, which in turn may acting as data controller, disclose the same to foreign tax authorities.

In accordance with the conditions laid down by the Data Protection Law, the investors acknowledge their right to:

- access their Personal Data (i.e. the right to obtain from the Data Controller confirmation as to whether or not investor's Personal Data are being processed, to be provided with certain information about the Data Controller's processing of their Personal Data, to access to that data, and to obtain a copy of the Personal data undergoing processing (subject to exceptions));
- correct their Personal Data where it is inaccurate or incomplete (i.e. the right to require from the Data Controller that inaccurate or incomplete Personal Data be updated or corrected accordingly);
- object to the processing of their Personal Data (i.e. the right to object, on grounds relating to the investor's particular situation, to processing of Personal Data which is based on the performance of a task carried out in the public interest or the legitimate interests of the Data Controller. The Data Controller shall stop such processing unless it can either demonstrate compelling legitimate grounds for the processing that override the investor's interests, rights and freedoms or that it needs to process the data for the establishment, exercise or defence of legal claims);
- restrict the use of their Personal data (i.e. the right to obtain that, under certain circumstances, the processing of the investor's Personal Data should be restricted to storage of such data unless their consent has been obtained);
- ask for erasure of their Personal Data (i.e. the right to require that Personal Data be erased in certain circumstances, including where it is no longer necessary for the Data Controller to process this data in relation to the purposes for which it was collected or processed);
- ask for Personal Data portability (i.e. the right to have the data transferred to the investors or another controller in a structured, commonly used and machine-readable format, where this is technically feasible).

The investors may exercise their above rights by writing to the Data Controller at the following address: 80, route d'Esch, L-1470 Luxembourg, Grand-Duchy of Luxembourg.

The investors also acknowledge the existence of their right to lodge a complaint with the Luxembourg commission for data protection (the “**CNPD**”) at the following address: 1, Avenue du Rock'n'roll, L-4361 Esch-sur-Alzette, Grand-Duchy of Luxembourg; or with any competent data protection supervisory authority.

The Data Controller, its Recipients and Sub-Recipients may record telephone conversations. The purpose of making such recordings is to provide proof, in the event of a dispute, of a transaction or any commercial communication. Such recordings shall be retained in compliance with the Data Protection Law and any other applicable legislation.

When subscribing for Shares in the Fund, the Personal Data included in money transfers is processed by Recipients and Sub-Recipients, such as SWIFT (Society for Worldwide Interbank Financial Telecommunication). Such processing may be operated through centres located either inside or outside the EEA. As a result, the US authorities can request access to Personal Data held in such operation centres for the purposes of fighting terrorism. In the interests of efficient management, Personal Data relating to them shall be recorded on a machine readable medium. Personal Data shall not be held for longer than necessary with regard to the purpose of the data processing, subject always to applicable legal minimum retention periods.

## **9 DIRECTORS, MANAGEMENT AND ADMINISTRATION**

### **The Directors of the Company**

- Tian GAN (Hong Kong resident), Chief Executive Officer of China Asset Management (Hong Kong) Limited, 37/F, Bank of China Tower, 1 Garden Road, Hong Kong
- Ning ZHU (PRC resident), deputy director and professor of finance at the Shanghai Advanced Institute of Finance, faculty fellow at the Yale University International Center for Finance, and Special Term Professor of Finance at University of California, Davis and at Guanghua School of Management at Beijing University, Room 606 Shanghai Advanced Institute of Finance, 211 West Huaihai Road, Shanghai 200030, China
- Yanfang Cherian (Singapore resident), Managing Director at Oxleyan Capital Pte Ltd, 3 Philip Street, 17-01 Commerce Point, Singapore 048693

### **The Directors of the Management Company**

- Mr Michel Marcel VAREIKA (Chairman), Independent Non-Executive Director, Luxembourg
- Mr Romain DENIS, Executive Director – Managing Director, FundRock Management Company S.A., Luxembourg
- Mr Thibault GREGOIRE, Executive Director – Chief Financial Officer, FundRock Management Company S.A., Luxembourg

- Mr Xavier PARAIN, Executive Director – Head of FundRock Management Company S.A., Luxembourg

FundRock Management Company S.A. has been appointed by the Company to act as its management company under a Fund Management Company Agreement (the “Fund Management Company Agreement”).

The Management Company is authorised to act as fund management company in accordance with Chapter 15 of the 2010 Law subject to the overall supervision and control of the Directors. A list of the funds managed by the Management Company may be obtained at the registered office of the Management Company and the office of the Hong Kong Representative.

### **The dirigeants of the Management Company**

- Mr Romain DENIS, Executive Director – Managing Director
- Mr. Emmanuel NANTAS, Director – Compliance
- Mr. Franck CARMELLE, Director – Head of Alternatives Investments
- Mr. Khalil HADDAD, Valuation Manager
- Mr. Xavier PARAIN, Executive Director – Head of FundRock Management Company S.A.

Under the Fund Management Company Agreement, the Management Company was entrusted with the day-to-day management of the Company, with the responsibility for the Management Company to perform directly or by way of delegation all operational functions relating to the Company’s investment management, administration, and marketing and distribution of the Sub-Funds.

In agreement with the Company, the Management Company has decided to delegate several of its functions as is further described in this Prospectus.

### **The Remuneration Policy of the Management Company**

The Management Company has established and applies a remuneration policy in accordance with principles laid out under the UCITS Directive and any related legal and regulatory provisions applicable in Luxembourg.

The remuneration policy is aligned with the business strategy, objectives, values and interests of the Management Company and the UCITS that it manages and of the investors in such UCITS, and which includes, inter alia, measures to avoid conflicts of interest; and it is consistent with and promotes sound and effective risk management and does not encourage risk taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the UCITS that the Management Company manages.

As an independent management company relying on a full-delegation model (i.e. delegation of the collective portfolio management function), the Management Company ensures that its remuneration policy adequately reflects the predominance of its oversight activity within its core activities. As such, it should be noted that the Management Company’s employees who are identified as risk-takers under UCITS Directive are not remunerated based on the performance of the UCITS under management.



The up-to-date remuneration policy and the details thereof, including, but not limited to, a description of how remuneration and benefits are calculated, the identity of persons responsible for awarding the remuneration and benefits including the composition of the remuneration committee, where such a committee exists, are available by means of a website - <https://www.fundrock.com/en/information/remuneration-policy><sup>5</sup> and a paper copy will be made available free of charge upon request to investors at the Management Company's registered office and the office of the Hong Kong Representative.

The Management Company's remuneration policy, in a multi-year framework, ensures a balanced regime where remuneration both drives and rewards the performance of its employees in a measured, fair and well-thought-out fashion, which relies on the following principles\*:

- Identification of the persons responsible for awarding remuneration and benefits (under the supervision of the remuneration committee and subject to the control of an independent internal audit committee);
- Identification of the functions performed within the Management Company which may impact the performance of the entities under management;
- Calculation of remuneration and benefits based on the combination of individual and company's performance assessment;
- Determination of a balanced remuneration (fixed and variable);
- Implementation of an appropriate retention policy with regards to financial instruments used as variable remuneration;
- Deferral of variable remuneration over 3-year periods;
- Implementation of control procedures/adequate contractual arrangements on the remuneration guidelines set up by the Management Company's respective portfolio management delegates.

\*It should be noted that, upon issuance of final regulatory guidelines, this remuneration policy may be subject to certain amendments and/or adjustments.

### **The Investment Manager**

China Asset Management (Hong Kong) Limited is authorised and regulated by the SFC in Hong Kong and has been appointed as investment manager to the Sub-Funds by the Management Company, with the consent of the Company, under an investment management agreement dated 11 August 2010 (the 'Investment Management Agreement') to provide investment management services to the Management Company in respect of all Sub-Funds.

The Investment Manager may delegate all or part of its powers to sub-investment managers. It may also appoint non discretionary investment advisors to provide it with recommendations.

The Investment Manager is part of ChinaAMC Group, an international financial services company. China Asset Management (Hong Kong) Limited is a limited liability company

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<sup>5</sup> This website has not been reviewed by the SFC and may contain information of funds not authorised by the SFC.

incorporated in Hong Kong on 30 September 2008. It is licensed by the SFC in Hong Kong for Type 1 (dealing in securities) Type 4 (advising on securities) and Type 9 (asset management) regulated activities. It is a wholly-owned subsidiary of China Asset Management Co., Ltd., one of the largest securities investment fund management company in China in terms of total assets under management (over RMB 1,727.9 billion as of 31 December 2021).

The management of the assets of the Company and the compliance by the Company with the overall investment policy and investment restrictions are organised under the control and the ultimate responsibility of the Directors. The Company has delegated to the Management Company the duty to monitor compliance by the Company with its investment restrictions.

### **The Distributor**

China Asset Management (Hong Kong) Limited has been appointed by the Management Company, with the consent of the Company, under a distribution agreement dated 11 August 2010 (the 'Distribution Agreement') to procure and co-ordinate the sale of Shares. The Distributor will not receive subscription monies from and pay out redemption payments to Shareholders.

The relationship between the Management Company and the Distributor is subject to the terms of the Distribution Agreement. Under the terms of the Distribution Agreement, the Distributor is responsible for the marketing and distribution of the Shares in Luxembourg and other jurisdictions approved by the Management Company. The Distributor has the authority to appoint sub-distributors and sales agents on behalf of the Fund to market and distribute the Shares, with the prior consent of the Management Company.

### **The Depositary**

Brown Brothers Harriman (Luxembourg) S.C.A. has been appointed by the Company and the Management Company as depositary (the "**Depositary**").

Brown Brothers Harriman (Luxembourg) S.C.A. is registered in the Luxembourg Commercial and Companies' register (RCS) under number B 29 923 and was established on 9 February 1989 under the name Brown Brothers Harriman (Luxembourg) S.A. It holds a banking licence in accordance with the Luxembourg law of April 5, 1993, on the financial sector and is specialized in custody, fund management and related services. Brown Brothers Harriman (Luxembourg) S.C.A. is a bank organised as a *société en commandite par actions* in and under the laws of the Grand Duchy of Luxembourg and maintains its registered office at 80, route d'Esch, L-1470 Luxembourg.

The rights and duties of the Depositary are governed by the Depositary Agreement entered into on 2 September 2020 for an unlimited period of time from the date of its signature (the "**Depositary Agreement**").

The Depositary shall assume its functions and responsibilities as a fund depositary in accordance with the provisions of Depositary Agreement and the 2010 Law, as amended, the UCITS Regulation and applicable Luxembourg law, rules and regulations regarding (i) the safekeeping of financial instruments of the Company that can be held in custody and the record keeping and verification of ownership of other assets of the Company and (ii) the effective and proper monitoring of the Company's cash flows.

In addition, the Depositary must also, in accordance with the 2010 Law:

- i. ensure that the sale, issue, repurchase, redemption and cancellation of the Shares are carried out in accordance with the articles of incorporation of the Company and applicable Luxembourg law, rules and regulations;
- ii. ensure that the value of the Shares is calculated in accordance with the Articles and applicable Luxembourg law, rules and regulations;
- iii. ensure that in transactions involving the Company's assets any consideration is remitted to the Company within the usual time limits;
- iv. ensure that the Company's income is applied in accordance with the Articles and applicable Luxembourg law, rules and regulations;
- v. ensure that instructions from the Company do not conflict with the Articles and applicable Luxembourg law, rules and regulations;
- vi. monitor the Company's cash and cash flows; and
- vii. safe-keep the Company's assets, including the safekeeping of financial instruments that can be held in custody and ownership verification and record keeping in relation to other assets.

The Company and the Depositary may terminate the Depositary Agreement on ninety (90) calendar days' prior written notice; however, the Depositary shall continue to act as Depositary pending a replacement depositary being appointed and that such replacement is appointed, the Depositary shall take all necessary steps to ensure the good preservation of the interests of the shareholders of the Company. The Depositary Agreement may be terminated on shorter notice in certain circumstances, including where a material breach of the Depositary Agreement by the other party has not been cured within thirty (30) calendar days' of that party being given written notice of the material breach.

The Depositary Agreement contains provisions indemnifying the Depositary, and exempting the Depositary from liability, in certain circumstances.

*Delegation of safe keeping duties and other functions by the Depositary*

The Depositary may entrust all or part of the assets of the Company, in particular securities traded abroad or listed on a foreign stock exchange or admitted to a clearing system, to such clearing system or to such correspondent banks as may be determined by the Depositary from time to time. To the extent required by the Law, the Depositary's liability shall not be affected by the fact that it has entrusted all or part of the assets in its care to a third party.

Subject to and in compliance with the provisions of the Depositary Agreement and the 2010 Law, the Depositary may further delegate the whole or any part of its safe-keeping functions with regard to financial instruments that can be held in custody and that are duly entrusted to the Depositary for custody purposes to one or more correspondents and/or in relation to other

assets of the Company all or part of its duties regarding the record keeping and verification of ownership to other delegates, as they are appointed by the Depositary from time to time. In particular such correspondents must be subject to effective prudential regulation (including minimum capital requirements, supervision in the jurisdiction concerned and external public audit) for the custody of financial instruments.

When selecting and appointing a correspondent, the Depositary shall exercise all due skill, care and diligence as required by the 2010 Law to ensure that it entrusts the Company assets only to a correspondent who may provide an adequate standard of protection and must continue to exercise all due skill, care and diligence in the periodic review and ongoing monitoring of any correspondent to which it has delegated parts of its safe-keeping duties as well as of the arrangements the correspondent has put in place in respect of the matters delegated to it. The delegation of custody tasks may only occur when the correspondents, at all times during the performance of the tasks delegated to it, segregates the assets of the Company from the Depositary's own assets and from assets belonging to the third party in accordance with the 2010 Law.

Up-to-date information about the safe-keeping functions which have been delegated and the identification of the relevant delegates and sub-delegates are available at the registered office of the Depositary as well as on the website <https://home.bbh.com><sup>6</sup>.

Where the law of a third country requires that certain financial instruments be held in custody by a local entity and there are no local entities that satisfy the delegation requirement (i.e. the effective prudential regulation) under the 2010 Law, the Depositary may, but shall be under no obligation to, delegate to a local entity to the extent required by the law of such jurisdiction and as long as no other local entity meeting such requirements exists, provided however that (i) the investors, prior to their investment in the Company, have been duly informed of the fact that such a delegation is required, of the circumstances justifying the delegation and of the risks involved in such a delegation and (ii) instructions to delegate to the relevant local entity have been given by or for the Company.

In accordance with the provisions of the determined in accordance with the UCITS Directive, Article 18 of the UCITS Regulation, the 2010 Law and the Depositary Agreement, the Depositary shall be liable for the loss of a financial instrument held in custody by the Depositary or a correspondent(s) to whom the custody of such financial instruments has been delegated as described above. In such case, the Depositary must return a financial instrument of identical type or the corresponding amount to the Company, without undue delay. The Depositary shall not be liable if it can prove that the loss is the result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary. The Depositary shall also be liable to the Company, or to the shareholders, for all other losses suffered by them as a result of the Depositary's negligent or intentional failure to properly fulfil its obligations under the 2010 Law and the Depositary Agreement. Save otherwise provided under applicable laws and regulations, the Depositary shall not be liable for consequential or indirect or special damages or losses, arising out of or

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<sup>6</sup> This website has not been reviewed by the SFC and may contain information of funds not authorised by the SFC.

in connection with the performance or non-performance by the Depositary of its duties and obligations.

The liability of the Depositary will not otherwise be affected by the fact that it has entrusted to a third party some or all of the assets in its safekeeping.

Up-to-date information on the foregoing is available to investors on request at the registered office of the Depositary.

#### *Conflicts of interest policy*

The Depositary, prior to the appointment of any correspondent and sub-delegate and on an ongoing basis, analyses, based on applicable laws and regulations as well as its conflict of interests policy, potential conflicts of interests that may arise from the delegation of safekeeping functions.

The Depositary is part of an international group of companies and businesses that, in the ordinary course of their business, act simultaneously for a large number of clients, as well as for their own account, which may result in actual or potential conflicts. Conflicts of interest arise where the Depositary or its affiliates engage in activities under the Depositary Agreement or under separate contractual or other arrangements. Such activities may include:

- (i) providing nominee, administration, registrar and transfer agency, research, agent securities lending, investment management, financial advice and/or other advisory services to the Company;
- (ii) engaging in banking, sales and trading transactions including foreign exchange, derivative, principal lending, broking, market making or other financial transactions with the Company either as principal and in the interests of itself, or for other clients.
- (iii) in connection with the above activities the Depositary or its affiliates:
- (iv) will seek to profit from such activities and are entitled to receive and retain any profits or compensation in any form and are not bound to disclose to, the Company, the nature or amount of any such profits or compensation including any fee, charge, commission, revenue share, spread, mark-up, mark-down, interest, rebate, discount, or other benefit received in connection with any such activities;
- (v) may buy, sell, issue, deal with or hold, securities or other financial products or instruments as principal acting in its own interests, the interests of its affiliates or for its other clients;
- (vi) may trade in the same or opposite direction to the transactions undertaken, including based upon information in its possession that is not available to the Company;
- (vii) may provide the same or similar services to other clients including competitors of the Company;
- (viii) may be granted creditors' rights by the Company which it may exercise.

The Company may use an affiliate of the Depositary to execute foreign exchange, spot or swap transactions for the account of the Company. In such instances the affiliate shall be acting in a principal capacity and not as a broker, agent or fiduciary of the Company. The affiliate will seek to profit from these transactions and is entitled to retain and not disclose any profit to the

Company. The affiliate shall enter into such transactions on the terms and conditions agreed with the Company.

Where cash belonging to the Company is deposited with an affiliate being a bank, a potential conflict arises in relation to the interest (if any) which the affiliate may pay or charge to such account and the fees or other benefits which it may derive from holding such cash as banker and not as trustee.

The Investment Manager/ or the Management Company may also be a client or counterparty of the Depositary or its affiliates.

Potential conflicts that may arise in the Depositary's use of sub-custodians include four broad categories:

- (1) conflicts from sub-custodian selection and asset allocation among multiple sub-custodians influenced by (a) cost factors, including lowest fees charged, fee rebates or similar incentives and (b) broad two-way commercial relationships in which the Depositary may act based on the economic value of the broader relationship, in addition to objective evaluation criteria;
- (2) sub-custodians, both affiliated and non-affiliated, act for other clients and in their own proprietary interest, which might conflict with clients' interests;
- (3) sub-custodians, both affiliated and non-affiliated, have only indirect relationships with clients and look to the Depositary as its counterparty, which might create incentive for the Depositary to act in its self-interest, or other clients' interests to the detriment of clients; and
- (4) sub-custodians may have market-based creditors' rights against client assets that they have an interest in enforcing if not paid for securities transactions.

In carrying out its duties the Depositary shall act honestly, fairly, professionally, independently and solely in the interests of the Company and its Shareholders.

The Depositary has functionally and hierarchically separated the performance of its depositary tasks from its other potentially conflicting tasks. The system of internal controls, the different reporting lines, the allocation of tasks and the management reporting allow potential conflicts of interest and the depositary issues to be properly identified, managed and monitored. Additionally, in the context of the Depositary's use of sub-custodians, the Depositary imposes contractual restrictions to address some of the potential conflicts and maintains due diligence and oversight of sub-custodians to ensure a high level of client service by those agents. The Depositary further provides frequent reporting on clients' activity and holdings, with the underlying functions subject to internal and external control audits. Finally, the Depositary internally separates the performance of its custodial tasks from its proprietary activity and follows a Standard of Conduct that requires employees to act ethically, fairly and transparently with clients.

Up-to-date information on the Depositary, its duties, any conflicts that may arise, the safe-keeping functions delegated by the Depositary Bank, the list of delegates and sub-delegates and any conflicts of interest that may arise from such a delegation will be made available to Shareholders on request.

## **The Administrator**

Brown Brothers Harriman (Luxembourg) S.C.A. has been appointed by the Management Company, with the consent of the Company, as administrative, registrar, domiciliary, corporate, listing, paying and transfer agent.

The Administrator will carry out all administrative duties related to the administration of the Company, including the calculation of the net asset value and price of the Shares and the provision of accounting services to the Company.

The Administrator is not responsible for any investment decisions of the Company or the effect of such investment decisions on the performance of the Company.

The Administrator will also process all subscriptions, redemptions and transfers of Shares and will register these transactions in the Share register of the Company.

The relationship between the Management Company, the Company and the Administrator is subject to the terms of the Administration Agreement. The Management Company, subject to the consent of the Company, and the Administrator may terminate the Administration Agreement on ninety (90) calendar days' prior written notice. The Administration Agreement may also be terminated on shorter notice in certain circumstances, including when such immediate termination is required by the Company in order to act in the best interest of the Shareholders.

The Administration Agreement contains provisions indemnifying the Administrator, and exempting the Administrator from liability, in certain circumstances.

Subject to the prior written consent of the Board of Directors, the Management Company reserves the right to change the administration arrangements described above by agreement with the Administrator and/or in its discretion to appoint an alternative administrator without prior notice to Shareholders. Shareholders will be notified in due course of any appointment of an alternative administrator.

## **The Hong Kong Representative**

China Asset Management (Hong Kong) Limited has been appointed by the Company, with the consent of the Management Company, under the Hong Kong Representative Agreement to represent the Company in Hong Kong.

A summary of the agreements entered into with the above-mentioned service providers appears under Section 20 of this Prospectus.

## **Conflicts of Interest**

The Management Company, the Investment Manager, the Distributor, the Depositary, Administrator, the Hong Kong Representative, and any of their directors, officers, employees, agents and affiliates (each an 'Interested Party') may be involved in other financial, investment, distribution or professional activities which may cause conflicts of interest with the Company. In particular, Interested Parties may provide services similar to those provided to the Company and shall not be liable to account for any profit earned from any such services, transactions or

connected transactions. However, they shall at all times have due regard to their duties owed to the Company and where a conflict arises they will endeavour to ensure that it is resolved fairly on an arm's length basis.

For example, the Company may acquire securities from, dispose of securities to, or invest in, any Interested Party or any investment fund or account advised or managed by any such person. An Interested Party may provide professional services to the Company or hold Shares and buy, hold and deal in any investments for their own accounts notwithstanding the fact that similar investments may be held by the Company. An Interested Party may contract or enter into any financial or other transaction with any Shareholder or be interested in any such contract or transaction.

In addition, any of the foregoing may deal, as principle or agent, with the Company provided that such dealings are carried out as if effected on normal commercial terms negotiated on an arm's length basis. In particular, any transactions between the Company and the Management Company, the Investment Manager, the directors of the Company or any of their connected persons as principal may only be made upon giving prior notice to and with the prior written consent of the Depositary. All such transactions will be disclosed in the Company's annual report.

### **Transactions with Connected Persons, Soft Commissions and Rebates**

The Management Company, the Investment Manager or any of their connected persons will not receive cash or other rebates from brokers or dealers in consideration of directing transactions to them or in respect of any business placed for or on behalf of the Company. When placing business for or on behalf of the Company, the Management Company, the Investment Manager or any of their connected persons may only pay brokerage fees to corporate entities .

Soft commissions in the form of the provision of goods or services by brokers or dealers may be permitted, subject to application regulation, if (i) such goods or services are of demonstrable benefit to the Shareholders; (ii) the transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates; and (iii) the availability of soft commissions is not the sole or primary purpose to perform or arrange transaction with such broker or dealer. For the avoidance of doubt, examples of goods and services which are not permitted include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

Any such cash commission rebate received from any such brokers or dealers to the Management Company or the Investment Manager shall be for the account of the relevant Sub-Fund. The Investment Manager will inform the Directors and the Management Company of the existence, nature and value of such soft commission arrangements. Details of any such commissions and the related policies and practices of the Management Company or the Investment Manager will be disclosed in the annual report and the semi-annual report of the Company.

In addition to the above, the Management Company or the Investment Manager or any person acting on behalf of a Sub-Fund or the Management Company may not obtain a rebate on any



fees or charges levied by an underlying scheme that the Sub-Fund invests in or its management company, or any quantifiable monetary benefits in connection with investments in any underlying scheme.

Please contact the Hong Kong Representative at 37/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong or the enquiry hotline at (852) 3406 8686 during office hours should you have any enquiries in relation to the section headed “Directors, Management and Administration”.

## **10 FEES, CHARGES AND EXPENSES**

Any fees or expenses payable by a Shareholder or out of the assets of the Company are set out in this section and the relevant part of Appendix I. The initial charge, investment management fee, performance fee (if any), depositary’s fee, administrator’s fee and directors’ fees may be increased provided that a prior notice, as determined by the home regulator of the Company and the SFC, as the case may be, be given to Shareholders, subject to the maximum rate set out in this Prospectus or the relevant part of Appendix I.

### **Initial, Redemption and Conversion Charges**

The Distributor is entitled to receive on the issue, redemption and conversion of Shares an initial, redemption or conversion charge calculated as a percentage of the total amount invested by an investor. No redemption and conversion charges are payable on Class I Shares.

The initial, redemption and conversion charges are disclosed in Appendix I to this Prospectus.

The Distributor has discretion to waive this initial charge, redemption and conversion charges in whole or in part in relation to any application for Shares whether generally or in a particular case.

### **Contingent Deferred Sales Charge (“CDSC”)**

A CDSC may be calculated on the proceeds of Class B Shares sold by a Shareholder within a set period from the date when such Shares were initially purchased determined as a percentage of the redemption price to be redeemed. Details on the rates of the CDSC can be found in Appendix I to this Prospectus.

### **Dilution Levy**

A dilution levy may be applied as a separate charge on top of subscriptions or redemptions received on a Dealing Day and will be retained by the relevant Sub-Fund in certain circumstances.

### **Distribution Fee**

For the services provided in the promotion of the Company’s Shares, the Distributor is entitled to a distribution fee out of the assets of the Sub-Funds calculated at the beginning of the month, for each calendar day of the previous month by reference to the net asset value of Class B Shares and Class C Shares of the relevant Sub-Funds and payable monthly in arrears. For so long as the Sub-Fund(s) remains authorised by the SFC in Hong Kong and in respect of Classes of Shares which are available for subscriptions in Hong Kong, the Distributor, the Authorised Distributors (other than the Distributor), local distributors, sales agents or

introducing brokers shall not receive any distribution fee which is paid out of the assets of the relevant Sub-Fund.

The Distributor may, from time to time, subject to applicable regulations, rebate to local distributors, sales agents, introducing brokers or to Shareholders a portion or all of such fees received by the Distributor. For so long as the Sub-Fund(s) remains authorised by the SFC in Hong Kong and in respect of Classes of Shares which are available for subscriptions in Hong Kong, local distributors, sales agents, introducing brokers or Shareholders shall not receive any fee or rebate which is paid out of the assets of the relevant Sub-Fund.

### **Management Company Fees**

In consideration for its services, the Management Company is entitled to receive from the Company a management company fee which accrues daily, and is paid monthly in arrears.

The management company fee rate is disclosed in Appendix I of this Prospectus.

### **Investment Management Fees and Performance Fees**

In consideration for its services, the Investment Manager is entitled to receive an investment management fee which is payable by the Company out of the assets of the relevant Sub-Funds. The investment management fee accrues daily and is paid monthly in arrears.

The investment management fee rate is disclosed in Appendix I of this Prospectus.

The Investment Manager will act in accordance with applicable laws and regulations to treat all investors fairly and equitably.

Unless otherwise stated in Appendix I to this Prospectus, there is no performance fee payable on any of the Sub-Funds.

Subject to and within the extent permitted by applicable laws and regulations, the Investment Manager may, at its discretion and on a negotiated basis, enter into arrangements with an Authorised Distributor under which the Investment Manager makes payments to or for the benefit of such Authorised Distributor which represent a rebate of all or part of the fees paid by the Company to the Investment Manager (including for the avoidance of doubt any performance fee). In addition, the Investment Manager or an Authorised Distributor at their discretion, subject to and within the extent permitted by applicable laws and regulations, may on a negotiated basis enter into private arrangements with a Shareholder or prospective Shareholder under which the Investment Manager or an Authorised Distributor are entitled to make payments to the Shareholders of part or all of such fees. Consequently, the effective net fees payable by a Shareholder who is entitled to receive a rebate under the arrangements described above may be lower than the fees payable by a Shareholder who does not participate in such arrangements. Such arrangements reflect terms privately agreed between parties other than the Company.

### **Additional Fees and Expenses**

Shareholders will be subject to the following additional fees and expenses.

### **Depository Fees and Expenses**

As Depositary, Brown Brother Harriman (Luxembourg) S.C.A. is entitled to receive out of the assets of the Company, fees in consideration for providing services to it, along with

reimbursement of its reasonable out-of-pocket expenses in connection with the performance of its duties specified in the Depositary Agreement, including those incurred by virtue of the employment of correspondents for the Fund. The fees payable to Brown Brother Harriman (Luxembourg) S.C.A. comprise transaction-based fees and asset-based fees. The actual fees paid will be disclosed in the semi-annual and annual reports of the Company. Such fees currently vary at a rate of up to 0.002% of the net asset value.

### **Administrator Fees and Expenses**

As administrator, registrar, domiciliary, corporate, listing, paying and transfer agent, Brown Brothers Harriman (Luxembourg) S.C.A. is entitled to receive out of the assets of the Company, fees, payable monthly in arrears, in consideration for providing services under the Administration Agreement, along with such reimbursement for all out-of-pocket expenses reasonably and properly incurred by Brown Brothers Harriman (Luxembourg) S.C.A. in the performance of its duties under the Administration Agreement. The fees payable to Brown Brothers Harriman (Luxembourg) S.C.A. comprise transaction-based fees and asset-based fees. The actual fees paid will be disclosed in the semi-annual and annual reports of the Company. Such fees currently vary at a rate of up to 0.47% of the net asset value (subject to a minimum fee) depending on the market in which a particular Sub-Fund invests.

### **Hong Kong Representative**

The Hong Kong Representative is entitled to receive a fee from the Company, in relation to the relevant Sub-Fund(s) for which it is acting as Hong Kong Representative, on such basis and at such times as shall be agreed in writing signed by the Hong Kong Representative and the Company from time to time. Please refer to Appendix I to this Prospectus Details on fee payable to the Hong Kong Representative.

The Hong Kong Representative shall also be entitled to be reimbursed out of the assets of the Company, in relation to the relevant Sub-Fund(s) for which it is acting as Hong Kong Representative, any out-of-pocket expenses incurred in the performance of its functions.

### **Directors' Fees**

Those Directors who are not employees of ChinaAMC (HK) may each receive an annual fee out of the assets of the Company, which shall be approved or ratified by the Shareholders.

### **Allocation of Charges and Expenses**

Each Class of Shares of each Sub-Fund is charged with all costs and expenses attributable to it. Such costs may be amortised over such period as the Directors may determine but not in excess of five years. Costs and expenses not attributable to a particular Class or Sub-Fund are allocated between all of the Classes of Shares pro rata to their respective net asset values.

In the case of amortised costs allocated pro rata, the Directors reserve the right to recalculate such allocation over the course of the amortisation period if they believe that such is fair and equitable in the light of the changes in Sub-Funds' respective net asset values.

### **Other Expenses**

The Company will also pay, as far as allowable under applicable regulations, all other operating expenses which include, without limitation, taxes, expenses for legal and auditing services, costs of listings, maintaining listings, (including listing agents' fees), Shareholders' reports,

Prospectuses, all reasonable out of pocket expenses of the Directors, registration fees and other expenses due to supervisory authorities and local, regulatory and tax representatives appointed in various jurisdictions, insurance, interest, brokerage costs, research fees, fees or other charges levied in respect of the provision and use of benchmarks, dividend and redemption payment costs and the costs of publication of the net asset value or other information required to be published by any regulatory authority.

For so long as the Company and/or any of its Sub-Funds remain authorised by the SFC in Hong Kong, the Company undertakes to the SFC that no marketing or advertising expenses will be paid by the Company in respect of those Sub-Funds which are authorised in Hong Kong, and no commissions will be paid by the Company in respect of those Sub-Funds to any Distributors arising out of any dealing in Shares of those Sub-Funds.

### Benchmarks Regulation

Shareholders and prospective investors should note that, in accordance with the requirements of Regulation (EU) 2016/1011 of the European Parliament and Council of 6 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the "**Benchmarks Regulation**"), the Management Company has adopted a benchmark contingency plan to set out the actions which the Company would take in the event that a benchmark used by a Sub-Fund materially changes or ceases to be provided (the BMR procedures which include the "**Benchmark Contingency Plan**"). The Benchmark Contingency Plan is available to all Shareholders and prospective investors upon request to the Management Company.

The Management Company is required under the Benchmarks Regulation to use only benchmarks which are provided by authorised benchmark administrators that are present in the register of administrators maintained by ESMA, pursuant to article 36 of the Benchmarks Regulation.

| Sub-Fund Name                           | Benchmark | Benchmark Administrator | Benchmark Administrator Registered* | Use of the Benchmark |
|---|-----------|-------------------------|-------------------------------------|----------------------|
| ChinaAMC China Opportunities Fund       | N/A       | N/A                     | N/A                                 | N/A                  |
| ChinaAMC New Horizon China A Share Fund | N/A       | N/A                     | N/A                                 | N/A                  |

\* As of June 2022 from <https://www.esma.europa.eu/benchmarks-register>

Benchmark administrators which are not yet registered may benefit from a transition period to register as administrators. This Prospectus shall be updated once the relevant administrator has been included in ESMA's register.

## 11 TAXATION

The following is based on advice received by the Company regarding law and practice in force at the date of this Prospectus in the Grand Duchy of Luxembourg.

The following discussion is intended as a general guide only. Certain categories of Shareholders may be subject to special rules and this summary does not apply to such Shareholders. Potential investors are urged to consult their own professional advisers regarding the possible tax, exchange control or other consequences of buying, holding, selling or redeeming Shares under the laws of the jurisdictions to which they are subject.

### **Luxembourg**

*Taxation of the Company* Under Luxembourg law, there are no Luxembourg income, withholding or capital gains taxes payable by the Company as well as no stamp or other tax is payable in Luxembourg in connection with the issue of Shares of the Company apart from a EUR 75 registration duty which is due at incorporation and in case of amendment of the Articles. The Company will also not be subject to Luxembourg net wealth tax.

The Company will, however, be subject to an annual subscription tax, calculated and payable quarterly, on the aggregate net asset value of each Sub-Fund at the end of each quarter being 0.05% per annum on each Sub-Fund and will be reduced to 0.01% per annum on Class I Shares exclusively available to institutional investors of all Sub-Funds. No such tax is due on the portion of the Company's assets invested in other Luxembourg undertakings for collective investment. The benefit of the 0.01% tax is available to Class I Shares on the basis of the Luxembourg legal, regulatory and tax provisions as these are known to the Company at the date of this Prospectus and at the time of admission of subsequent investors. However such assessment is, for the past and for the future, subject to such interpretations on the status of an institutional investor by any competent authorities as will exist from time to time. Any reclassification made by an authority as to the status of an investor may submit the entire Class I to a tax of 0.05% capital gains, dividends and interest on securities issued in other countries may be subject to withholding and capital gains taxes imposed by such countries.

Luxembourg undertakings for collective investment ("UCIs") may be subject to withholding taxes on dividend and interest, and on capital gains in the country of origin of their investments. As the Company itself is exempt from income tax, withholding tax levied at source, if any, is not creditable/refundable in Luxembourg. It is not certain whether the Company itself would be able to benefit from Luxembourg's double tax treaties network. Whether the Company may benefit from a double tax treaty entered into by Luxembourg must be analysed on a case-by-case basis. Indeed, as the Company is structured as an investment company (as opposed to a mere co-ownership of assets), certain double tax treaties entered into by Luxembourg may directly be applicable to Company.

Under current Luxembourg tax law, there is no withholding tax on any distribution, redemption or payment made by the Company to its Shareholders under the Shares. There is also no withholding tax on the distribution of liquidation proceeds to the Shareholders.

*Value added Tax ("VAT")*

The Company is considered in Luxembourg as a taxable person for value added tax purposes without any input VAT deduction right. A VAT exemption applies in Luxembourg for services qualifying as fund management services. Other services supplied to the Company could potentially trigger VAT and require the VAT registration of the Company in Luxembourg. As a result of such VAT registration, the Company will be in a position to fulfil its duty to self-assess the VAT regarded as due in Luxembourg on taxable services (or goods to some extent) purchased from abroad.

No VAT liability arises in principle in Luxembourg in respect of any payments by the Company to its Shareholders, to the extent such payments are linked to their acquisition to the Shares and do, therefore, not constitute the consideration received for taxable services supplied.

### *Taxation of the Shareholders*

#### *Shareholder's tax residence*

A Shareholder does not obtain tax residence in Luxembourg solely based on holding, transfer, conversion, or delivery of Shares or the execution, performance, delivery and/or enforcement of its rights and obligations under the Shares.

#### *Luxembourg non-residents*

Shareholders, who are non-residents of Luxembourg and who have neither a permanent establishment nor a permanent representative in Luxembourg to which or whom the Shares are attributable, are not liable to any Luxembourg income tax on income received and capital gains realised upon the sale, disposal or redemption of the Shares.

Non-resident corporate Shareholders having a permanent establishment or a permanent representative in Luxembourg, to which or whom the Shares are attributable, must include any income received, as well as any gain realised on the sale, disposal or redemption of the Shares, in their taxable income for Luxembourg tax assessment purposes. The same inclusion applies to individuals, acting in the course of the management of a professional or business undertaking, who have a permanent establishment or a permanent representative in Luxembourg, to which or whom the Shares are attributable. Taxable gains are determined as being the difference between the sale, repurchase or redemption price and the lower of the cost or book value of the Shares sold, repurchased or redeemed.

#### *Luxembourg residents*

Resident Shareholders are not subject to income tax in case of reimbursement of capital contributed to the Company.

#### *Luxembourg resident individual*

Dividends and other payments deriving from Shares received by resident individual Shareholders, who act in the course of the management of either their private wealth or their professional / business activity, are subject to income tax at the progressive ordinary rates.

Capital gains realised upon disposal of the Shares by resident individual Shareholders, acting in the course of the management of their private wealth, are not subject to income tax, unless said capital gains qualify either as speculative gains or as gains on a substantial participation. Capital gains are deemed to be speculative and are thus subject to income tax at ordinary rates if the Shares are disposed of less than six months after their acquisition, or if their disposal precedes their acquisition. A shareholding is considered as a substantial shareholding in limited cases, in particular if (i) the Shareholder has held, either alone or together with his spouse and/or his minor children, either directly or indirectly, at any time within the five (5)

years preceding the realisation of the gain, more than ten percent (10%) of the share capital of the Company or (ii) the taxpayer acquired free of charge, within the five years preceding the transfer, a participation that was constituting a substantial participation in the hands of the alienator (or the alienators, in case of successive transfers free of charge within the same five-year period). Capital gains realised on a substantial participation more than six months after their acquisition are subject to income tax according to the half-global rate method, (*i.e.* the average rate applicable to the total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realised on the substantial participation). A disposal may include a sale, an exchange, a contribution or any other kind of alienation of the Shares.

Capital gains realised upon the disposal of the Shares by a resident individual Shareholder, who acts in the course of the management of his professional/business activity, are subject to income tax at ordinary rates. Taxable gains are determined as being the difference between the price for which the Shares have been disposed of and the lower of their cost or book value.

#### *Luxembourg resident companies*

Luxembourg resident corporate companies holders of Shares must include in their taxable income in Luxembourg any income received, as well as any capital gains realised on the transfer, disposal, or redemption of Shares. The amount of taxable capital gains is equal to the difference between the sell or redemption price and the lesser of subscription price and book value of the Shares sold or redeemed.

#### *Luxembourg resident companies benefit from an exceptional tax scheme*

Luxembourg resident Shareholders which benefit from a special tax regime (such as the rules applicable to UCIs subject to the 2010 Law, specialised investment funds subject to the amended Law of 13 February 2007, and family wealth management companies governed by the amended Law of 11 May 2007) are exempt entities in Luxembourg and therefore not subject to any income tax in Luxembourg.

#### *Net wealth tax*

A Luxembourg resident Shareholder, as well as a non-resident Shareholder, who has a permanent establishment or a permanent representative in Luxembourg to which or whom the Shares are attributable, is subject to Luxembourg net wealth tax on such Shares, except if the Shareholder is (i) a resident or non-resident individual, (ii) an UCI subject to the 2010 Law, (iii) a specialised investment fund governed by the amended law of 13 February 2007, or (iv) a family wealth management company governed by the amended law of 11 May 2007. A Luxembourg resident securitization company governed by the amended law of 22 March 2004 on securitization and a Luxembourg resident company governed by the amended law of 15 June 2004 on venture capital vehicles should include the market value of such shares into the determination of their minimum net wealth tax charge according with the amended law of 16 October 1934 on net wealth tax.

#### *Other taxes*

Under Luxembourg tax law, where an individual Shareholder is a resident of Luxembourg for tax purposes at the time of his death, the Shares are included in his taxable basis for inheritance tax purposes. On the contrary, no estate or inheritance tax is levied on the transfer of the Shares upon death of a shareholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes at the time of his death.

Luxembourg gift tax may be levied on a gift or donation of the Shares if embodied in a Luxembourg notarial deed or registered in Luxembourg.

Interested parties are encouraged to inform themselves and, as the case may be, to seek professional advice concerning the laws and regulations applicable to the purchasing, holding and redemption of the Shares.

## **Hong Kong**

### *Taxation of the Company / Sub-Fund(s)*

#### *Profits Tax*

A Company and its Sub-Fund(s) will be exempted from Profits Tax in Hong Kong in respect of any of its authorised activities during the period it is authorised by the SFC as a collective investment scheme under Section 104 of the SFO, under Section 26A of the Inland Revenue Ordinance (“IRO”).

#### *Stamp Duty*

The sale and purchase of Hong Kong stock (if any) by the Company and its Sub-Fund(s) generally attracts Hong Kong stamp duty at 0.1% on the higher of the consideration amount or market value, payable by each the buyer and the seller (i.e. 0.2% in total). In addition, a fixed duty of HK\$5.00 is currently payable on any instrument of transfer of Shares.

“Hong Kong stock” is defined as “stock” under the Hong Kong Stamp Duty Ordinance (“SDO”), the transfer of which is required to be registered in Hong Kong.

### *Taxation of Shareholders*

#### *Profits Tax*

Dividends or other income distributions received by Shareholders from their investments in the Shares should not be chargeable to Profits Tax in Hong Kong (whether by way of withholding or otherwise) under current law and practice of the Inland Revenue Department.

Hong Kong Profits Tax (which is currently charged at the rate of 16.5% for corporations, and 15% for unincorporated business; half tax rate applies on the first HK\$2 million of assessable profits of those eligible taxpayers (i.e. 8.25% and 7.5%), subject to certain conditions being met) will arise on any gains or profits sourced in Hong Kong made on the sale, redemption, disposal or otherwise transfer of Shares where such transactions form part of a trade, profession or business carried on by a Shareholder in Hong Kong and such Shares are not capital assets to the Shareholders. Ascertaining the source and the classification of a gain as revenue or capital will depend on the particular facts and circumstances of the Shareholders. Shareholders should seek advice from their own professional advisers as to their particular tax position.

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

#### *Stamp Duty*



There should be no charge to Hong Kong stamp duty on the disposal, redemption or otherwise transfer of Shares in the Company provided the register of shareholders of the Company will be maintained outside Hong Kong and the Shares should therefore not constitute “Hong Kong stock” for the purposes of the SDO.

Investors should consult their own professional advisers on the possible taxation consequences of their subscribing for, buying, holding, transferring, selling, redeeming or otherwise disposal of Shares.

## **China**

A Sub-Fund may directly invest in securities (including debt instruments and A-Shares) issued by PRC tax resident enterprises, irrespective of whether such debt instruments/securities are issued or distributed onshore (“onshore PRC investment”) or offshore (“offshore PRC investment”, and together with onshore PRC investment, the “Direct PRC investment”). The Company may be subject to PRC taxes in respect of income derived from the Direct PRC investment.

A Sub-Fund may invest in QFI Funds and CAAPs in order to obtain exposure to A-shares (“Indirect PRC Investment”). As the QFIs are the legal owners of the A-shares under PRC law with respect to such QFI Funds and CAAPs, any PRC taxes arising from the QFIs’ investments in such securities would be legally borne by the QFI directly. Given that any PRC tax liabilities accruing to the QFI in respect of the securities (to which QFI Funds and the CAAPs are linked) arise because of the trading activities of the Sub-Fund, such tax liabilities may ultimately be recharged to and borne by the Sub-Fund.

### *Corporate income tax (“CIT”)*

If the Company is considered as a PRC tax resident, it will be subject to PRC CIT at 25% on its worldwide income; if the Company is considered as a non-PRC tax resident but has an establishment or place of business (“PE”) in the PRC, the profits and gains attributable to that PE would be subject to PRC CIT at 25%. If the Company is a non-PRC tax resident that does not have a PE in the PRC or has a PE in the PRC but the income derived are not connected to such a PE, it would be subject to PRC withholding income tax (“WIT”) on PRC sourced income, such WIT relevant to the Company is explained below.

The Investment Manager intend to manage and operate the Sub-Fund in such a manner that the Sub-Fund should not be treated as tax resident enterprises of the PRC or non-tax resident enterprises with a PE in the PRC for CIT purposes, although this cannot be guaranteed. Unless a specific exemption or reduction is available under current PRC tax laws and regulations or relevant tax treaties, non-tax resident enterprises without a PE in the PRC are subject to WIT, generally at a rate of 10%, to the extent it directly derives PRC sourced passive income and gains arising from transfer of assets etc. PRC sourced passive income (such as dividend income) and gains may arise from investments in the PRC Securities.

### *Dividend income and interest income from PRC investment*

Unless a specific exemption is applicable, non-PRC tax residents without PE in the PRC, including the Sub-Fund, are subject to PRC WIT on the payment of interests on debt instruments issued by PRC tax residents, including bonds issued by enterprises established

within Mainland China. The general PRC WIT rate applicable is 10%, subject to reduction under relevant double tax treaties (if any). The entity distributing such dividends or interest is required to withhold such tax. Accordingly, the Sub-Fund may be subject to WIT on any dividends, distributions and interests it receives from its Direct PRC investment.

Under current PRC tax laws and regulations, QFIs would be subject to a withholding tax of 10% on cash dividends, distributions and interest from the PRC investment unless exempt or reduced under current PRC tax laws and regulations or relevant tax treaties. The entity distributing such dividends or interest is required to withhold such tax. If a Sub-Fund makes Direct PRC investment via QFIs, the Sub-Fund would be subject to WIT. To the extent that the Sub-Fund invest in QFI Funds and CAAPs to obtain exposure to A-share, the PRC issuers or QFI licence holders may withhold the 10% WIT for the PRC sourced passive income and the Sub-Fund will receive an after-tax income.

Interest income derived from government bonds issued by the Ministry of Finance (“MOF”), or bonds issued by local government of a province, autonomous region, municipality directly under the Central Government, or municipality separately listed on the state plan, as approved by the State Council, is exempt from PRC WIT.

Pursuant to the "Circular on the Corporate Income Tax and Value-Added Tax Policy for Foreign Institutions to Invest in the Onshore Bond Market" (Caishui [2018] No.108) (“Circular 108”) jointly issued by the Ministry of Finance (“MoF”) and the State Taxation Administration (“STA”) of the PRC on 22 November 2018, bond interest income derived by foreign institutions from investing in the onshore bond market is temporarily exempted from CIT for the period from 7 November 2018 to 6 November 2021.

#### Capital gains derived from PRC Investment

Based on the PRC CIT Law and its Implementation Rules, “income from the transfer of property” sourced from the PRC by a non-PRC tax resident enterprise should be subject to WIT of 10%.

In addition, pursuant to Caishui [2014] No.81 (“Circular 81”) and Caishui [2016] No. 127 (“Circular 127”) promulgated by the Ministry of Finance (“the MOF”), the State Taxation Administration (the “STA”) and the CSRC on 14 November 2014 and 5 December 2016 respectively, dividends received by Hong Kong and overseas investors (including the relevant Sub-Funds) from A-share investment via Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (the “Stock Connects”) are temporarily exempted from PRC income tax on capital gains derived from the sales of China A-Shares traded on the SSE and the SZSE.

On 14 November 2014, the MOF, the STA and the CSRC also jointly issued “the notice on the issues of temporary exemption from the imposition of corporate income tax arising from gains derived from the transfer of equity investment assets such as PRC domestic stocks by QFII and RQFII” (“Circular 79”).

Pursuant to Circular 79:

- PRC corporate income tax shall be exempt on a temporary basis on the gains derived by QFIs from the transfer of equity investment assets such as PRC domestic shares and other equity interest investment in the PRC with effect from 17 November 2014; and
- PRC corporate income tax shall be imposed on such gains derived by QFIs before 17 November 2014 in accordance with the tax laws.

Circular 79 is applicable for QFIs without any PE in China or the income derived by the QFIs are not effectively connected with their PE in China.

Circular 79 is silent on whether and how CIT will be imposed on gains derived by non-resident enterprises from the trading of PRC debt securities. In the absence of specific rules in this regard, the general tax provisions under the PRC Corporate Income Tax Law should apply. Such general tax provisions stipulate that a non-resident enterprise with no place of effective management, PE in the PRC would generally be subject to PRC WIT at the rate of 10% on its PRC-sourced income. Based on the current interpretation of the STA and the local tax authorities, gains derived by QFIs from investment in PRC debt securities should not be treated as PRC sourced income thus should not be subject to PRC WIT. In case gains derived from the trading of PRC debt securities are considered as PRC-sourced income for WIT purpose, the gains from the trading of PRC debt securities may be exempt under applicable double tax treaty or arrangement, if any.

Based on independent tax advice, the Investment Manager has determined not to make any tax provision of WIT on capital gains derived from trading of PRC A-Shares, CAAPs and PRC debt securities via QFI.

#### *Capital Gains Derived from the Trading of A-Shares via Stock Connect*

Pursuant to Circular 81 and Circular 127, effective from 17 November 2014 and 5 December 2016 respectively, Hong Kong market investors, both enterprises and individuals, investing in A-Shares via the Stock Connects are temporarily exempted from PRC income tax on capital gains derived from the sales of China A-Shares traded on the SSE and the SZSE.

Please also note that the Corporate Income Tax exemption under the Circular 79, Circular 81 and Circular 127 is temporary. Also, the tax treatment on capital gains derived from the trading of PRC debt securities may be subject to change in future. As such, as and when the PRC authorities announce the expiration of such exemption, the Investment Manager may need to commence provisioning for potential tax liability, which would in turn adversely affect the Net Asset Value of the Sub-Fund. The Investment Manager has sought professional tax advice and considers that the Company and the relevant Sub-Fund should be regarded as Luxembourg tax resident to have access to the Luxembourg-China tax treaty. If WIT is imposed on the capital gains in future, the Investment Manager will seek for treaty relief of the WIT on the capital gains to the extent possible although this cannot be guaranteed. Prospective investors should consult their independent tax advisors regarding the possible implications of capital gain tax on an investment in the Sub-Fund.

#### ***Value-added Tax ("VAT") and other surtaxes***

With the Circular Caishui [2016] No. 36 ("Circular 36") regarding the final stage of VAT reform which came into effect on 1 May 2016, the gains derived from the trading of Chinese securities are subject to VAT starting from 1 May 2016.

QFIs are exempted from VAT on gains derived from transfer of PRC securities (including debt and fixed income instruments) in China according to Circular 36 and Caishui [2016] No. 70. According to Circular 81 and Circular 127, a Sub-Fund will be exempted from VAT on China A-Shares trading activities through the Stock Connects. However, there is no clear rule on whether there is VAT exemption if a Sub-Fund invests in China B-shares. Thus, there may be VAT imposed on a Sub-Fund for trading of B shares. Under current practice no VAT is imposed on non-residents where both the purchase and sales of the China B-Shares are via the stock exchange market. The H share transaction, red-chip companies transaction and other kinds of offshore shares transaction should not be subject to VAT. The position in practice may change

if the STA expresses another view and/or that new official tax circulars are issued to provide further guidance.

Interest income received by QFIs from investments in PRC debt securities shall be subject to 6% VAT unless special exemption applies. According to the Circular 36 and Caishui [2016] No. 46, deposit interest income is not subject to VAT and interest income earned on government bonds is exempted from VAT.

Pursuant to Circular 108 jointly issued by the MoF and the STA on 22 November 2018, the bond interest income derived by foreign institutions investing in the onshore bond market is temporarily exempted from VAT for the period from 7 November 2018 to 6 November 2021.

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

If VAT is applicable, there are also other surtaxes (which include Urban Construction and Maintenance Tax, Education Surcharge and Local Education Surcharge) that would amount to as high as 12% of VAT payable.

### ***Stamp duty***

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

Under Circular 81 and Circular 127, Hong Kong and overseas investors trading A-shares through the Stock Connects are required to pay Stamp Duty at the rate of 0.1% on the sales transactions of China A-shares.

According to Circular 127, Hong Kong and overseas investors borrow and return listed shares in relation to shares guarantee and short-selling through the Stock Connects, will be exempted from stamp duty from 5 December 2016.

The Investment Manager reserves the right to make tax provision for any tax liabilities arising from the income derived from the PRC investments. While a tax provision on capital gains is made by the Investment Manager in respect of the income from PRC investments, the level of provision may be inadequate to meet actual PRC tax liabilities on investments made by the Sub-Fund. Consequently, Shareholders may be disadvantaged depending upon the final tax liabilities, the level of provision and when they subscribed and/or redeemed their Shares. If the actual tax levied is higher than that provided for by the Investment Manager so that there is a shortfall in the tax provision amount, investors should note that the Net Asset Value of the Sub-Fund may be lowered, as the Sub-Fund will ultimately have to bear the full amount of tax liabilities. In this case, the additional tax liabilities will only impact Shares in issue at the relevant time, and the then existing Shareholders and subsequent Shareholders will be disadvantaged as such Shareholders will bear, through the Sub-Fund, a disproportionately higher amount of tax liabilities as compared to that borne at the time of investment in the Sub-Fund. On the other hand, the actual tax liabilities may be lower than the tax provision made. In that case, those persons who have already redeemed their Shares before the actual tax liabilities are

determined will not be entitled or have any right to claim any part of such overprovision and as such may be disadvantaged. Investors should seek their own tax advice on their tax position with regard to their investment in the Sub-Fund.

## **Other taxes**

### *FATCA*

The Foreign Account Tax Compliance Act enacted by the United States strengthens the information reporting and compliance regimes with respect to US investors holding financial assets outside the US or who have accounts with non-US financial institutions. This regime on withholding will be effective in phases between 1 July 2014 and 1 January 2019.

Under FATCA, the Company (and each of the Sub-Funds) will be classified as a foreign financial institution (“FFI”), that invests directly or indirectly into the US and will be subject to a withholding tax of 30% on certain payments to the Company (or each of Sub-Funds) of US source income, including US source fixed and determinable annual periodical income (“FDA”) (e.g., dividends and interest) and gross proceeds from the sale or disposition of property that can produce US source interest or dividends, unless the FFI enters into an agreement (“FFI Agreement”) with the US Internal Revenue Service (“IRS”) or, alternatively, complies with the terms of an intergovernmental agreement (“IGA”) with the US, where applicable. A 30% US withholding tax will be imposed on US source FDAP income starting on 1 July 2014. A 30% withholding tax will be imposed on gross proceeds and foreign pass thru payments no earlier than 1 January 2019. The IRS has not defined foreign pass thru payments in the current law but reserves the right to define the term in later statutory guidance such as regulations or notices.

The Luxembourg and the US governments signed an IGA on 28 March 2014 which was implemented by the Luxembourg law dated 24 July 2015 and which is intended to reduce the burden of Luxembourg financial institutions (“Luxembourg FFIs”) of complying with FATCA by simplifying the compliance process and minimizing the risk of withholding tax. Under the Luxembourg IGA, information about the relevant US investors will be provided on an annual basis by each Luxembourg FFI (unless the Luxembourg FFI is exempt from the FATCA requirements) directly to the Luxembourg tax authorities (“LTA”), who will then provide such information to the IRS without the need for the Luxembourg FFI to enter into a FFI agreement with the IRS (although the Luxembourg FFIs will still need to register with the IRS). Under the Luxembourg IGA, Luxembourg FFIs will generally not be required to apply 30% withholding tax to recalcitrant account holders.

However, Shareholders in the Company (or each of the Sub-Funds) may still be required to provide certain documentation to certify their status as a US taxpayer (or foreign entity with substantial US ownership) and failure to provide such documentation may result in the Shareholder being classified as non-compliant, thus, subject certain payments to them to a 30% withholding tax. The Company (and each Sub-Funds) will not be required to report information relating to certain categories of US shareholders, generally including, but not limited to, US tax-exempt Shareholders, publicly traded corporations, banks, regulated investment companies, real estate investment trusts, common trust funds, brokers, dealers

and middlemen, and state and federal governmental entities, which for FATCA purposes are exempt from withholding.

In accordance with Article 8 c) of the articles of incorporation of the Company, and provided that the Board of Directors is acting in good faith and on reasonable grounds and in accordance with applicable laws and regulations, such as, in particular, circumstances which in the opinion of the Board of Directors might result in the Company incurring any liability to taxation or suffering any other pecuniary disadvantage which the Company might not otherwise have incurred or suffered (including FATCA withholding tax), the Company may have the right to effect the compulsory redemption of Shares owned by the relevant Shareholders, in the manner as prescribed in Article 8 c).

While the Company will make all reasonable efforts to seek documentation from Shareholders to comply with these rules, it is unclear at this time whether other complying Shareholders in the Company may be affected by the presence of non-complying Shareholders.

Additionally, the Company is responsible for the processing of personal data and each Shareholder has a right to access the data communicated to the Luxembourg tax authorities and to correct such data (if necessary). Any data obtained by the Company are to be processed in accordance with the Luxembourg law dated 2 August 2002 on the protection of persons with regard to the processing of personal data, as amended.

All prospective investors and Shareholders should consult with their own tax advisors regarding the possible implications of FATCA on their investment in the Company. If the Company becomes subject to a withholding tax as a result of FATCA, the value of Shares held by all Shareholders may be materially affected.

### **Exchange of information – Common Reporting Standard**

The Company is subject to the Standard for Automatic Exchange of Financial Account Information in Tax matters (the “**Standard**”) and its Common Reporting Standard (the “**CRS**”) as set out in the Luxembourg law dated 18 December 2015 on the Common Reporting Standard (the “**CRS Law**”).

Under the terms of the CRS Law, the Company is likely to be treated as a Luxembourg Reporting Financial Institution. As such, as of 30 June 2017 and without prejudice to other applicable data protection provisions as set out in the Company documentation, the Company will be required to annually report to the LTA personal and financial information related, *inter alia*, to the identification of, holdings by and payments made to (i) certain Shareholders as per the CRS Law (the “**Reportable Persons**”) and (ii) Controlling Persons of certain non-financial entities (“**NFEs**”) which are themselves Reportable Persons. This information, as exhaustively set out in Annex I of the CRS Law (the “**Information**”), will include personal data related to the Reportable Persons.

The Company’s ability to satisfy its reporting obligations under the CRS Law will depend on each Shareholder providing the Company with the Information, along with the required supporting documentary evidence. In this context, the Shareholders are hereby informed that, as data controller, the Company will process the Information for the purposes as set out in the CRS Law. The Shareholders undertake to inform their Controlling Persons, if applicable, of the processing of their Information by the Company.

The Shareholders are further informed that the Information related to Reportable Persons within the meaning of the CRS Law will be disclosed to the LTA annually for the purposes set out in the CRS Law. In particular, Reportable Persons are informed that certain operations performed by them will be reported to them through the issuance of statements, and that part of this information will serve as a basis for the annual disclosure to the LTA.

Similarly, the Shareholders undertake to inform the Company within thirty (30) days of receipt of these statements should any included personal data be not accurate. The Shareholders further undertake to immediately inform the Company of, and provide the Company with all supporting documentary evidence of any changes related to the Information after occurrence of such changes.

Any Shareholder that fails to comply with the Company's Information or documentation requests may be held liable for penalties imposed on the Company and attributable to such Shareholder's failure to provide the Information or subject to disclosure of the Information by the Company to the LTA.

### **Automatic Exchange of Financial Account Information – Hong Kong**

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

The Company and the Sub-Funds are required to comply with the requirements of the Ordinance, which means that the Company, each Sub-Funds and/or its agents shall collect and provide to the IRD tax information relating to Shareholders and prospective investors.

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

By investing in the Company and the relevant Sub-Funds and/or continuing to invest in the Company and the Sub-Funds, Shareholders acknowledge that they may be required to provide additional information to the Company, the relevant Sub-Fund, the Investment Manager and/or the Company's agents in order for the Company and the relevant Sub-Funds to comply with Ordinance. The Shareholder's information (and information pertaining to Controlling Persons of a Shareholder, as defined in the Ordinance), may be communicated by the IRD to authorities in other jurisdictions.

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

## **12 CORPORATE STRUCTURE**

The Company was incorporated on 10 August 2010 as a *société anonyme* under the laws of the Grand Duchy of Luxembourg and qualifies as a SICAV.

The Articles were published in the *Mémorial* on 18 August 2010. The Company is registered with the *Registre de Commerce et des Sociétés de Luxembourg* under number B 154 870.

## **13 REPORTS AND ACCOUNTS**

Audited annual reports (available in English only) to the Shareholders in respect of the preceding financial year of the Company will be made available annually within four (4) months after the 31 December of each year, at the registered office of the Company and of the Administrator and the office of the Hong Kong Representative.

In addition, unaudited semi-annual reports (available in English only) will be made available at the registered office of the Company and of the Administrator and the office of the Hong Kong Representative and will also be made available to Shareholders within two months of 30 June. The financial year of the Company ends on 31 December. The audited and semi-annual reports will provide information on each Sub-Fund and, on a consolidated basis expressed in USD, the Company as a whole.

In addition to being available at the registered office of the Company and of the Administrator and the office of the Hong Kong Representative, the Company will make available the above reports in printed and electronic forms via electronic means, if Shareholders consent to electronic delivery of such information, as provided in the application form of the relevant Sub-Fund. Shareholders will be notified of where such reports can be obtained. Such notices will be sent to Shareholders as soon as practicable and in any event within four months after 31 December in each year in the case of annual audited accounts and within two months after 30 June in each year in the case of unaudited semi-annual reports.

In the event the Company decides to change the means to make available financial reports stated above to Shareholders notwithstanding that the above reports will be made available at the registered office of the Company and of the Administrator and the office of the Hong Kong Representative, not less than one month's prior notice will be given to Shareholders.

## **14 CAPITAL**

The share capital of the Company is represented by fully paid Shares of no par value and is at any time equal to the total of the net assets of the Sub-Funds.

The minimum capital of the Company is the equivalent in USD of € 1,250,000. This minimum has to be reached within six months after the registration of the Company in the official register of undertakings for collective investments.

## **15 GENERAL MEETINGS AND NOTICES TO SHAREHOLDERS**



The annual general meeting of Shareholders will be held at the registered office of the Company in Luxembourg on the first Tuesday of May of each year at 2 p.m., or, if any such day is not a Business Day in Luxembourg, on the next Business Day. For so long as the Sub-Fund(s) remains authorised by the SFC in Hong Kong, notices of any general meetings at which a special resolution is to be proposed will be sent to the holders of Shares by post at least 21 days prior to such meeting and notices of any general meetings at which an ordinary resolution is to be proposed will be sent to the holders of Shares by post at least 14 days prior to such meeting at the addresses of the holders of Shares in the register of Shareholders. Such notices will set forth the agenda and specify the time and place of the meeting and the conditions of admission thereto and will refer to the requirements of Luxembourg law with regard to the necessary quorum and majorities at the meeting, including that the quorum and majority rules of the meeting will be determined in respect of the Shares as issued at 12.00 p.m. Luxembourg time, five days preceding such meeting. The requirements as to attendance, quorum and majorities at all general meetings will be those laid down in the Law of 10 August 1915 (as amended) of the Grand Duchy of Luxembourg and in the Articles. If a general meeting called to change the Articles is not quorate, a second general meeting will be convened by such notices in national newspapers as are required by the jurisdictions in which the Company is authorised. Any such amendments will be subject to the approval of the home regulator of the Company and may be subject to the approval of the SFC, where Sub-Funds of the Company are authorised for distribution in Hong Kong. Shareholders will be given prior notice before any such amendments take effect (in the manner as may be required by the home regulator of the Company and, if relevant, those by the SFC). Resolutions of meetings of Shareholders will apply to the Company as a whole and to all Shareholders, provided that any amendment affecting the rights of the holders of the Shares of any Sub-Fund or Class vis-à-vis those of any other Sub-Fund or Class shall be subject to the quorum and majority requirements stated in the Articles in respect of each such relevant Sub-Fund, Class. Each Share regardless of its net asset value per Share is entitled to one vote.

## **16 LIQUIDATION OF THE COMPANY**

In the event of dissolution of the Company, its liquidation shall be carried out by one or several liquidators named by the meeting of Shareholders effecting such dissolution and which shall determine their powers and their compensation. The net proceeds of liquidation corresponding to each Sub-Fund shall be distributed by the liquidator(s) to the Shareholders of that Sub-Fund in proportion to their holding of Shares in such Sub-Fund.

If the capital of the Company falls below two thirds of the minimum capital required by Luxembourg law (i.e. the USD equivalent of € 1,250,000) the Directors must submit the question of the dissolution of the Company to a general meeting for which no quorum shall be prescribed and which may decide the dissolution by a simple majority of the Shares represented at the meeting.

If the capital of the Company falls below one quarter of the minimum capital stated above the Directors must submit the question of the dissolution of the Company to a general meeting for which no quorum shall be prescribed. Dissolution may be resolved by Shareholders holding one quarter of the Shares represented at the meeting.

The liquidation of the Company shall be closed within nine months following the decision to liquidate the Company. Liquidation proceeds not claimed by Shareholders at close of liquidation of the Company will be deposited at the *Caisse de Consignation* in Luxembourg within the above-mentioned nine month period and shall be forfeited after thirty years. In the case where the assets of the Company cannot be liquidated within a period of nine months following the decision to liquidate the Company, an authorisation to extend the period must be sought from the home regulator of the Company.

If the Company shall be voluntarily liquidated, its liquidation will be carried out in accordance with the provisions of the 2010 Law which specifies the steps to be taken to enable Shareholders to participate in the liquidation distribution(s) and in such amounts as have not promptly been claimed by any Shareholders at the close of liquidation. Amounts not claimed from escrow within the prescription period would be liable to be forfeited in accordance with the provisions of Luxembourg law.

## **17 MERGER OF THE COMPANY OR OF THE SUB-FUNDS**

Notice to investors on mergers involving a Sub-Fund registered for distribution in Hong Kong and authorised by the SFC should be submitted to the SFC for prior approval, which may require a prior notification to investors.

Without prejudice to the above, the Directors may decide to proceed with a merger (as defined by the 2010 Law) as follows:

### *The Company*

The Directors may decide to proceed with a merger (within the meaning of the 2010 Law) of the Company, either as receiving or absorbed UCITS, with (i) another Luxembourg or foreign UCITS (the “New UCITS”); or (ii) a sub-fund thereof, and, as appropriate, to redesignate the Shares of the Company concerned as shares of this New UCITS, or of the relevant sub-fund thereof as applicable.

In case the Company involved in a merger is the receiving UCITS (within the meaning of the 2010 Law), solely the Directors will decide on the merger and effective date thereof.

In the case the Company involved in a merger is the absorbed UCITS (within the meaning of the 2010 Law), and hence ceases to exist, the general meeting of the Shareholders, rather than the Directors, has to approve, and decide on the effective date of, such merger by a resolution adopted with no quorum requirement and at a simple majority of the votes cast at such meeting.

Such a merger shall be subject to the conditions and procedures imposed by the 2010 Law, in particular concerning the merger project and the information to be provided to the Shareholders.

### *The Sub-Funds*

The Directors may decide to proceed with a merger (within the meaning of the 2010 Law) of any Sub-Fund, either as receiving or absorbed Sub-Fund, with (i) another existing or new Sub-

Fund within the company or another sub-fund within a New UCITS (the “New Sub-Fund”); or (ii) a New UCITS, and, as appropriate, to redesignate the Shares of the Sub-Fund concerned as shares of the New UCITS, or of the New Sub-Fund as applicable.

Such a merger shall be subject to the conditions and procedures imposed by the 2010 Law, in particular concerning the merger project and the information to be provided to the Shareholders.

Notwithstanding the powers conferred to the Directors by the preceding section, a merger (within the meaning of the 2010 Law) may also be decided by the Shareholders as follows:

#### *The Company*

The general meeting of Shareholders may decide the merger (within the meaning of the 2010 Law) of the Company, either as receiving or absorbed UCITS, with (i) a New UCITS; or (ii) a sub-fund thereof.

There shall be no quorum requirement to decide on such a merger and its effective date. However, the merger and the effective date thereof shall be accepted by resolution adopted at a simple majority of the votes validly cast at such meeting.

Such a merger shall be subject to the conditions and procedures imposed by the UCI Law, in particular concerning the merger project and the information to be provided to the Shareholders.

#### *The Sub-Funds*

The general meeting of the Shareholders of a Sub-Fund may also decide a merger (within the meaning of the UCI Law) of the relevant Sub-Fund, either as receiving or absorbed Sub-Fund, with (i) any New UCITS or (ii) a New Sub-Fund by a resolution adopted with no quorum requirement at a simple majority of the votes validly cast at such meeting.

Such a merger shall be subject to the conditions and procedures imposed by the 2010 Law, in particular concerning the merger project and the information to be provided to the Shareholders.

Shareholders will in any case be entitled to request, without any charge other than those retained by the Company or the Sub-Fund to meet disinvestment costs, the repurchase or redemption of their Shares, in accordance with the provisions of the 2010 Law.

## **18 LIQUIDATION AND DE-MERGER OF SUB-FUNDS**

According to the Articles of the Company, should the net asset value of any Sub-Fund fall below USD 25 million or equivalent in the relevant base currency, or should the Directors deem it appropriate because it is in the interest of the Shareholders, or because of changes in the economic or political situation affecting the relevant Sub-Fund, the Directors may (i) liquidate that Sub-Fund by redeeming all (but not some) of the Shares of the Sub-Fund on the next Dealing Day or (ii) divide that Sub-Fund into two or more Sub-Funds after giving at least thirty days' prior notice to the Shareholders of that Sub-Fund. However, for so long as the Sub-Fund(s) is authorised in Hong Kong, the possibility to compulsory redeem all the Shares referred to in (i) is not available to the Directors.

The termination of a Sub-Fund by way of a compulsory redemption of all shares or the division of a Sub-Fund into two or more Sub-Funds, in each case for reasons other than those outlined in the preceding paragraph, may be effected only upon the prior approval of such termination or division, as the case may be, by the Shareholders of the relevant Sub-Fund at a duly convened meeting or meetings which may be validly held without quorum of presence and may decide by a simple majority of the votes cast.

A division so decided by the Directors, or approved by the Shareholders of the relevant Sub-Fund, will be binding on the Shareholders of the relevant Sub-Fund upon at least thirty days' prior notice thereof.

The liquidation of a Sub-Fund shall be closed within nine months following the decision to liquidate the Sub-Fund. Liquidation proceeds not claimed by Shareholders at close of liquidation of a Sub-Fund will be deposited at the *Caisse de Consignation* in Luxembourg within the above-mentioned nine month period and shall be forfeited after thirty years. In the case where the assets of the Sub-Fund cannot be liquidated within a period of nine months following the decision to liquidate the Sub-Fund, an authorisation to extend the period must be sought from the home regulator of the Company.

The redemption price of Shares of any Sub-Fund which is to be terminated pursuant to the above provisions shall, as from the date on which notice or approval is given (as the case may be), reflect the anticipated realisation and liquidation costs of such termination, and no redemption charge may be made in respect of any such redemption.

On the liquidation of a Sub-Fund, any unamortised expenses of that Sub-Fund will be borne by that Sub-Fund unless the Directors determine that such is not reasonable in all the circumstances, in which case they will fall upon any remaining Sub-Funds which are liable for such expenses (a remaining Sub-Fund is liable for such expenses if it also incurred a share of expenses relating to the same matter), such costs to be split across such Sub-Funds on a pro rata basis by reference to each such Sub-Fund's net asset value. If there are no such remaining Sub-Funds then such costs will be borne by the Company.

## **19 DIRECTORS' AND OTHER INTERESTS**

No contract or other transaction between the Company and any other corporation or firm shall be affected or invalidated by the fact that any one or more of the Directors or officers of the Company is interested in, or is a director, associate, officer or employee of, such other corporation or firm. Any Director or officer of the Company who serves as a director, officer or employee of any corporation or firm with which the Company shall contract or otherwise engage in business shall not, by reason of such affiliation, be prevented from considering and voting or acting upon any matters with respect to such contract or other business.

In the event that any Director or officer of the Company may have any personal interest in any transaction of the Company, such Director or officer shall make known to the Board of Directors such personal interest and shall not consider or vote on any such transaction, and such Director's or officer's interest therein shall be reported to the next succeeding meeting of Shareholders.

The term 'personal interest', as used in the preceding paragraph, shall:

(a) not include such transactions concluded in the ordinary course of business and on market terms or

(b) not include any relationship with or interest in any matter, position or transaction involving ChinaAMC (HK) or such other corporation or entity as may from time to time be determined by the Directors in their discretion.

The Company may indemnify any Director or officer, and his heirs, executors and administrators, against any costs or expenses reasonably incurred by him in connection with any action, suit or proceeding to which he may be a party by reason of his being or having been a Director or officer of the Company or, at the Company's request, of any other corporation of which the Company is a shareholder or creditor and from which he is not entitled to be indemnified, except in relation to matters as to which he shall be finally adjudged in such action, suit or proceeding to be liable for gross negligence or misconduct. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Company is advised by counsel that the person to be indemnified did not commit such breach of duty. The foregoing right of indemnification shall not exclude other rights to which he may be entitled.

In addition, the Directors may at the expense of the Company purchase and maintain insurance for the benefit of the Directors against liabilities incurred in connection with the discharge of their functions in relation to the Company. A Director is not required by the Articles to hold any Shares in order to qualify as a Director.

## **20 MATERIAL CONTRACTS**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since its incorporation and are, or may be, material:

(a) The Fund Management Company Agreement

By an agreement dated 11 August 2010 as amended to reflect the requirements of the 2010 Law between the Company and the Management Company, the management company of the Company has agreed to act as management company to the Company. This Agreement may be terminated by either of the parties thereto on not less than ninety (90) days prior notice, or earlier upon certain breaches.

(b) The Investment Management Agreement

By an agreement dated 11 August 2010 as amended to reflect the requirements of the 2010 Law between the Company, the Management Company and the Investment Manager, the Investment Manager has agreed to provide the Management Company with discretionary investment management services, subject to the overall supervision and control of the Management Company.

(c) The Depositary Agreement

By an agreement dated 2 September 2020 between the Company, the Management Company and Brown Brother Harriman (Luxembourg) S.C.A., Brown Brother Harriman (Luxembourg) S.C.A. agreed to provide the Company with services as a Depositary of

the Company's assets. This agreement may be terminated by any of the parties thereto on not less than ninety (90) calendar days' notice to expire at any time.

(d) The Administration Agreement

By an agreement dated 7 September 2020 between the Company, the Management Company and Brown Brother Harriman (Luxembourg) S.C.A., Brown Brother Harriman (Luxembourg) S.C.A. agreed to provide the Company and the Management Company with certain administrative services, including, but not limited to, acting as administrative, registrar, domiciliary, corporate, listing, paying and transfer agent of the Company.

The Administration Agreement may be terminated by either of the parties thereto on not less than ninety (90) calendar days prior notice.

(e) The Distribution Agreement

By an agreement dated 11 August 2010 (as amended to reflect the requirements of the 2010 Law) between the Company, the Management Company and China Asset Management (Hong Kong) Limited, China Asset Management (Hong Kong) Limited has agreed to use its reasonable endeavours to procure and coordinate the sale of Shares. This agreement may be terminated at any time by either of the parties thereto. China Asset Management (Hong Kong) Limited is authorised to appoint, with the prior approval of the Management Company, sub-distributors in certain countries for the offer and sale to the public of the Shares, in accordance with all applicable laws.

(g) The Hong Kong Representative Agreement

By an agreement dated 19 May 2014 between the Company, the Management Company and China Asset Management (Hong Kong) Limited, China Asset Management (Hong Kong) Limited has agreed to represent the Company in Hong Kong.

The Hong Kong Representative Agreement may be terminated by either the Company, the Management Company or the Hong Kong Representative upon giving not less than one month's written notice to the other parties at any time, provided that the Hong Kong Representative Agreement may be terminated forthwith upon certain breaches or upon the insolvency of a party, or by notice by the Management Company if in the interest of the Company or the Company's Shareholders.

## **21 GENERAL**

This Prospectus as well as all subscription applications, converting orders and redemption orders made by any Shareholder and any other transactions contemplated by this Prospectus will be governed by and construed in accordance with Luxembourg law, and any disputes in respect of such shall be subject to the non-exclusive jurisdiction of the Luxembourg courts to the extent that such is allowed by applicable local laws for the protection of Shareholders where such are applicable.

## 22 INVESTMENT RESTRICTIONS

The Directors have power, based upon the principle of spreading of risk, to determine the corporate and investment policy for each Sub-Fund and the course of conduct of the management and business affairs of the Company.

Subject to the prior approval of the home regulator of the Company, and when applicable, the SFC, the Directors may change the investment restrictions and/or policy for each Sub-Fund. In such case, the Sub-Fund concerned will provide prior notification to the Shareholders concerned and this Prospectus will be updated accordingly (as may be required or allowed by the home regulator of the Company and/or the SFC).

Except when more restrictive rules are provided for in connection with a specific Sub-Fund under the relevant part of Appendix I, the investment policy shall comply with the investment rules and restrictions laid down thereafter.

Pursuant thereto the Directors have resolved that:

**22.1** The investments of the Company and of its several Sub-Funds may comprise only one or more of the following:

- (a) Transferable securities and money market instruments admitted to or dealt in on a regulated market within the meaning of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments in Member States,
- (b) Transferable securities and money market instruments dealt in on other regulated markets in Member States, that are operating regularly, are recognised and are open to the public,
- (c) Transferable securities and money market instruments admitted to official listings on stock exchanges in any other country in Eastern and Western Europe the American continent, Asia, Oceania and Africa,
- (d) Transferable securities and money market instruments dealt in on other regulated markets that are operating regularly, are recognised and open to the public of any other country in Eastern and Western Europe, the American Continent, Asia, Oceania and Africa,
- (e) Recently issued transferable securities and money market instruments provided that the terms of the issue include an undertaking that application will be made for admission to the official listing on one of the stock exchanges as specified in a) and c) or regulated markets that are operating regularly, are recognised and open to the public as specified in b) and d) and that such admission is secured within a year of issue,
- (f) Units of UCITS and/or other UCIs within the meaning of Article 1(2), first and second indents of Directive 2009/65/EC, as amended, whether they are situated in a Member State or not, provided that:
  - such other UCIs are authorized under laws which provide that they are subject to supervision considered by the CSSF to be equivalent to that

laid down in EU law, and that cooperation between authorities is sufficiently ensured;

- the level of protection for unitholders in the other UCIs is equivalent to that provided for unitholders in a UCITS, and in particular that the rules on asset segregation, borrowing, lending, and uncovered sales of transferable securities and money market instruments are equivalent to the requirements of Directive 2009/65/EC, as amended;
- the business of the other UCIs is reported in half-yearly and annual reports to enable an assessment to be made of the assets and liabilities, income and operations over the reporting period;
- no more than 10% of the assets of such UCITS or other UCIs (or of the assets of any sub-fund thereof, provided that the principle of segregation of liabilities of the different compartments is ensured in relation to third parties), whose acquisition is contemplated, can, according to their management regulations or articles of incorporation, be invested in aggregate in units of other UCITS or other UCIs;

For the purposes of this subparagraph (f), each sub-fund of a UCI with several sub-funds within the meaning of Article 181 of the 2010 Law must be considered as a separate issuer, provided that each sub-fund may be held severally liable for its own debts and obligations.

- (g) deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in a Member State or, if the registered office of the credit institution is situated in a non-Member State, provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in EU law;
- (h) financial derivative instruments, including equivalent cash-settled instruments, dealt in on a regulated market; and/or financial derivative instruments dealt in over-the-counter ('OTC derivatives'), provided that:
  - the underlying consists of instruments described in sub-paragraphs (a) to (g) above, financial indices, interest rates, foreign exchange rates or currencies, in which the Company may invest according to its investment objectives;
  - the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the CSSF;
  - the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time, at their fair value, at the Company's initiative;
  - exposure to the underlying assets does not exceed the investment restrictions set out below; and



- under no circumstances shall these operations cause the Company to diverge from its investment objectives;
- (i) money market instruments other than those dealt in on a regulated market, which fall under Article 1 of the 2010 Law, if the issue or issuer of such instruments is itself regulated for the purpose of protecting investors and savings, and provided that they are:
- issued or guaranteed by a central, regional or local authority or central bank of a Member State, the European Central Bank, the EU or the European Investment Bank, a non-Member State or, in the case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more Member States belong or;
  - issued by an undertaking any securities of which are dealt in on regulated markets referred to in subparagraphs (a),(b) or (c) above, or;
  - issued or guaranteed by an establishment subject to prudential supervision in accordance with criteria defined by EU law, or by an establishment which is subject to and complies with prudential rules considered by the CSSF to be at least as stringent as those laid down by EU law or;
  - issued by other bodies belonging to the categories approved by the CSSF provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, the second or the third indent and provided that the issuer is a company whose capital and reserves amount to at least € 10 million and which presents and publishes its annual accounts in accordance with Directive 78/660/EEC (1), is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.
- (j) shares or units of a master fund qualifying as UCITS.

In accordance with the Articles, each Sub-Fund may act as a feeder fund (the “**Feeder Sub-Fund**”) of a master fund. In such case, the relevant Sub-Fund shall invest at least 85% of its assets in shares/units of another UCITS or of a fund of such UCITS (the “**Master Fund**”), which is not itself a feeder fund nor holds units/shares of a Feeder Sub-Fund.

The Sub-Fund, as Feeder Sub-Fund, may not invest more than 15% of its assets in one or more of the following:

- ancillary liquid assets in accordance with sub-section 22.4 below;
- financial derivative instruments, which may be used only for hedging purposes, in accordance with sub-sections 22.1 (h), 23.1, 23.2 and 23.3;
- movable and immovable property which is essential for the direct pursuit of the Company’s business.

When a Sub-Fund invests in the shares/units of a Master Fund which is managed, directly or by delegation, by the same management company or by any other company with which the management company is linked by common management or control, or by a substantial direct or indirect holding, that management company or other company may not charge subscription or redemption fees on account of the Sub-Fund's investment in the shares/units of the Master Fund.

A Feeder Sub-Fund that invests into a Master Fund shall disclose in this Prospectus the maximum level of the management fees that may be charged both to the Company and to the Feeder Sub-Fund itself and to the Master Fund in which it intends to invest. In its annual report, the Company shall indicate the maximum proportion of management fees charged both to the Sub-Fund itself and to the Master Fund. The Master Fund shall not charge subscription or redemption fees for the investment of the Feeder Sub-Fund into its shares/units or the disinvestment thereof.

**22.2** Furthermore, each Sub-Fund may invest no more than 10% of its net assets in securities and money market instruments other than those referred to in sub-paragraph 1 (a) to (i).

**22.3** Unless otherwise provided in a Sub-Fund's specific part of Appendix I, a Sub-Fund may not invest in aggregate more than 10% of its net assets in the units of other UCITS or other UCIs. This restriction does however not apply where a Sub-Fund is investing in shares/units of a master fund qualifying as a UCITS, in accordance with Article 16 of the Articles. If a Sub-Fund is specifically authorised to invest in aggregate more than 10% of its net assets in the units of other UCITS or other UCIs, then (i) the investment in the units of a single other UCITS or a single other UCI may not exceed 20% of the relevant Sub-Fund's net assets, and, (ii) the investment in units of UCIs (other than UCITS) may not in aggregate exceed 30% of the relevant Sub-Fund's net assets. This restriction does however not apply where a Sub-Fund is investing in shares/units of a master fund qualifying as a UCITS.

When a Sub-Fund invests in the units of other UCITS and/or other UCIs that are managed, directly or by delegation, by the same investment manager or by the same management company or by any other company with which the investment manager or by the management company is linked by common management or control, or by a substantial direct or indirect holding (i.e. more than 10% of the capital or voting rights), that no subscription, redemption and/or management fees may be charged to the Company on its investment in the units of such other UCITS and/or UCIs.

A Sub-Fund that invests a substantial proportion of its assets in other UCITS and/or other UCIs shall disclose in the relevant Sub-Fund's part of this Prospectus the maximum level of the management fees that may be charged both to the Sub-Fund itself and to the other UCITS and/or other UCIs in which it intends to invest. In its annual report, the SICAV shall indicate the maximum proportion of management fees charged both to the Sub-Fund itself and to the UCITS and/or other UCIs in which it invests.

**22.4** A Sub-Fund may hold ancillary liquid assets.

**22.5** A Sub-Fund may not invest in any one issuer in excess of the limits set out below:

- (a) Not more than 10% of a Sub-Fund's net assets may be invested in transferable securities or money market instruments issued by the same entity;
- (b) Not more than 20% of a Sub-Fund's net assets may be invested in deposits made with the same entity;
- (c) By way of exception, the 10% limit stated in the first paragraph of this Section may be increased to:
  - a maximum of 35% if the transferable securities or money market instruments are issued or guaranteed by a Member State, by its local authorities, by a non-Member State or by public international bodies to which one or more Member States belong;
  - a maximum of 25% in the case of certain bonds when these are issued by a credit institution which has its registered office in a Member State and is subject by law to special public supervision designed to protect bond holders. In particular, sums deriving from the issue of these bonds must be invested in conformity with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest. When a Sub-Fund invests more than 5% of its net assets in the bonds referred to in this paragraph and issued by one issuer, the total value of these investments may not exceed 80% of the value of the net assets of such Sub-Fund.
- (d) The total value of the transferable securities or money market instruments held by a Sub-Fund in the issuing bodies in each of which it invests more than 5% of its net assets must not then exceed 40% of the value of its net assets. This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision. The transferable securities and money market instruments referred to in the two indents of 22.5. (c) above shall not be taken into account for the purpose of applying the limit of 40% referred to in this paragraph.

Notwithstanding the individual limits laid down in sub-paragraphs 22.5 (a) to (d) above, a Sub-Fund may not combine any of the following

- investments in transferable securities or money market instruments issued by that entity, or
- deposits made with that entity, or
- exposures arising from OTC derivative transactions and efficient portfolio management techniques undertaken with that entity

where this would lead to investing more than 20% of its assets in a single entity. When a transferable security or money market instrument embeds a derivative, the latter must be taken into account when complying with the requirements of the above mentioned restrictions.

The limits provided for in sub-paragraphs 22.5 (a) to (d) above may not be combined, and thus investments in transferable securities or money market instruments issued by the same entity or in deposits or derivative instruments made with this entity carried out in accordance with paragraphs 22.5 (a) to (d) shall under no circumstances exceed in total 35% of the net assets of the Sub-Fund.

Companies which are included in the same group for the purposes of consolidated accounts, as defined in accordance with Directive 83/349/ EEC or in accordance with recognized international accounting rules, are regarded as a single entity for the purpose of calculating the investment limits mentioned in sub-paragraphs 22.5. (a) to (d) above.

The Sub-Fund may not invest cumulatively more than 20% of its net assets in transferable securities or money market instruments of the same group subject to restrictions 22.5. (a) and the three indents under 22.5. (d) above.

Without prejudice to the limits laid down in paragraph 22.7 below, the limit of 10% laid down in sub-paragraph 22.5. (a) above is raised to a maximum of 20% for investment in equity and/or debt securities issued by the same body when the aim of the investment policy of a Sub-Fund is to replicate the composition of a certain equity or debt securities index which is recognised by the CSSF, on the following basis:

- the composition of the index is sufficiently diversified,
- the index represents an adequate benchmark for the market to which it refers,
- it is published in an appropriate manner.

This limit is 35% where that proves to be justified by exceptional market conditions in particular in regulated markets where certain transferable securities or money market instruments are highly dominant. The investment up to this limit is only permitted for a single issuer.

**By way of derogation, each Sub-Fund is authorised to invest up to 100% of its net assets in different transferable securities and money market instruments issued or guaranteed by a Member State, its local authorities, by another member state of the OECD or public international bodies of which one or more EU Member States are members, provided that (i) such securities are part of at least six different issues and (ii) securities from any one issue do not account for more than 30% of the net assets of such Sub-Fund.**

For the avoidance of doubt, the total assets of the Sub-Fund, taking into account its total risk exposure, may not exceed 210% of its net asset value.

**22.6** The Company may not invest in shares with voting rights enabling it to exercise significant influence over the management of the issuing body.

**22.7** The Company may not:

- (a) Acquire more than 10% of the shares with non-voting rights of the same issuer.
- (b) Acquire more than 10% of the debt securities of the same issuer.
- (c) Acquire more than 25% of the units of the same UCITS or other undertaking for collective investment within the meaning of article 2 paragraph 2 of the 2010 Law.
- (d) Acquire more than 10% of the money market instruments of any single issuer.

The limits stipulated in sub-paragraphs 22.7. (b) (c) and (d) above may be disregarded at the time of acquisition if, at that time, the gross amount of debt securities or of the money market instruments, or the net amount of securities in issue cannot be calculated.

**22.8** The limits stipulated in paragraphs 22.6. and 22.7. above do not apply to:

- (a) Transferable securities and money market instruments issued or guaranteed by a Member State or its local authorities;
- (b) Transferable securities and money market instruments issued or guaranteed by a non-EU Member State;
- (c) Transferable securities and money market instruments issued by public international institutions to which one or more EU Member States are members;
- (d) Transferable securities held by a Sub-Fund in the capital of a company incorporated in a non-Member State investing its assets mainly in the securities of issuing bodies having their registered offices in that State, where under the legislation of that State such a holding represents the only way in which such Sub-Fund can invest in the securities of issuing bodies of that State. This derogation, however, shall apply only if in its investment policy the company from the non-Member State complies with the limits laid down in Articles 43, 46 and 48 (1) and (2) of the 2010 Law. Where the limits set in Articles 43 and 46 of the 2010 Law are exceeded, Article 49 shall apply *mutatis mutandis*;
- (e) Transferable securities held by the Company in the capital of subsidiary companies carrying on only the business of management, advice or marketing in the country where the subsidiary is located, in regard to the repurchase of units at unitholders' request exclusively on its or their behalf.

**22.9** The Company may always, in the interest of the shareholders, exercise the subscription rights attached to securities, which form part of its assets.

When the maximum percentages stated in paragraphs 22.2. to 22.7. above are exceeded for reasons beyond the control of the Company, or as a result of the exercise

of subscription rights, the Company must adopt, as a primary objective, sales transactions to remedy the situation, taking due account of the interests of its shareholders.

**22.10** A Sub-Fund may borrow to the extent of 10% of its total net assets (valued at market value) provided these borrowings are made on a temporary basis. A Sub-Fund will not purchase securities while borrowings are outstanding except to fulfil prior commitments and/or to exercise subscription rights. However, the Company may acquire for the account of a Sub-Fund, foreign currency, by way of back-to-back loan.

**22.11** The Company may not grant credit facilities nor act as guarantor on behalf of third parties, provided that for the purpose of this restriction (i) the acquisition of transferable securities, money market instruments or other financial investments referred to in sub-paragraphs 22.1. (f), (h) and (i) above, in fully or partly paid form and (ii) the permitted lending of portfolio securities shall be deemed not to constitute the making of a loan.

**22.12** The Company undertakes not to carry out uncovered sales transactions of transferable securities, money market instruments or other financial instruments referred to in sub-paragraphs 22.1. (f), (h) and (i) above; provided that this restriction shall not prevent the Company from making deposits or carrying out accounts in connection with financial derivatives instruments, permitted within the limits referred to above.

**22.13** The Company's assets may not include precious metals or certificates representing them, commodities, commodities contracts, or certificates representing commodities.

**22.14** The Company may not purchase or sell real estate or any option, right or interest therein, provided that the Company may invest in securities secured by real estate or interests therein or issued by companies which invest in real estate or interests therein.

**22.15** In addition, a Sub-Fund may subscribe, acquire and/or hold Shares of one or more Sub-Funds (the "Target Sub-Fund(s)"), without it being subject to the requirements of the Law of 10 August 1915 on commercial companies, as amended, with respect to the subscription, acquisition and/or the holding by a company of its own shares provided that:

- the Target Sub-Fund does not, in turn, invest in the Sub-Fund invested in such Target Sub-Fund; and

- no more than 10% of the net assets of the Target Sub-Fund the acquisition of which is contemplated may, be invested in aggregate in units/shares of other UCIs; and
- voting rights, if any, attaching to the relevant Shares of the Target Sub-Fund(s) are suspended for as long as they are held by the Sub-Fund concerned and without prejudice to the appropriate processing in the accounts and the periodic reports; and
- in any event, for as long as these Shares of the Target Sub-Fund(s) are held by the Sub-Fund, their value will not be taken into consideration for the calculation of the net assets of the Sub-Fund for the purposes of verifying the minimum threshold of the net assets of the Sub-Fund as imposed by law; and
- there is no duplication of management/subscription or repurchase fees between those at the level of the Sub-Fund having invested in the Target Sub-Fund and such Target Sub-Fund.

## 23 FINANCIAL TECHNIQUES AND INSTRUMENTS

**23.1** Where provided for in the Appendix I for the relevant Sub-Funds, the Company is authorized to employ techniques and instruments relating to transferable securities and to money market instruments under the conditions and within the limits laid down by the home regulator of the Company.

**23.2** When these operations concern the use of derivative instruments, these conditions and limits shall conform to the provisions laid down in the law.

The use of derivative instruments may trigger several risks as described under Section 6 above.

Under no circumstances shall these operations cause the Company to diverge from its investment policies and investment restrictions or add substantial supplementary risks in comparison with the stated risk profile of any Sub-Fund.

The counterparties to OTC financial derivative instruments (as well as total return swaps) will be selected among Approved Counterparties specialised in the relevant type of transaction. The identity of the counterparties will be disclosed in the annual report and in the semi-annual report of the Company.

**23.3** The Company will ensure that the global exposure of the underlying assets shall not exceed the total net value of a Sub-Fund. The risk exposure to a counterparty generated through efficient portfolio management techniques and OTC financial derivatives must be combined when calculating counterparty risk limits referred to under Section 22 above.

- When a transferable security or money market instrument embeds a derivative, the latter must be taken into account when complying with the requirements of the above-mentioned restrictions.
- The exposure is calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

**23.4** All revenues arising from efficient portfolio management techniques subject to SFTR, net of direct and indirect operational costs and fees, will be returned to the Company. In particular, fees and cost may be paid to agents of the Company and other intermediaries providing services in connection with efficient portfolio management techniques as normal compensation of their services. Such fees may be calculated as a percentage of gross revenues earned by the Company through the use of such techniques. Information on direct and indirect operational costs and fees that may be incurred in this respect as well as the identity of the entities to which such costs and fees are paid – as well as any relationship they may have with the Depositary, the Management Company or the Investment Manager – will be available in the annual report and the semi-annual report of the Company.

**23.5** If a Sub-Fund enters into repurchase and reverse repurchase transactions, such transactions may be entered into depending on the size of the portfolio as well as market opportunities and in particular depending on the market demand for the securities held in each relevant Sub-Fund's portfolio (for the repurchase transactions) or on the market rates (for the reverse repurchase transactions) at any time and the expected revenues of the transaction compared to the market conditions on the investment side.

If a Sub-Funds uses repurchase and reverse repurchase transactions, it can do so for reducing risks (hedging) or costs, or for generating additional capital or income (including through the reinvestment of the cash collateral received as a result therein). The exact objective(s) for which Sub-Funds may use these transactions will be disclosed in the Appendix I for the relevant Sub-Funds.

### **23.6 Repurchase and Reverse Repurchase Transactions**

Where provided for in the Appendix I for the relevant Sub-Funds, the Company may enter into repurchase agreements that consist of forward transactions at the maturity of which the Company (seller) has the obligation to repurchase the assets sold and the counterparty (buyer) the obligation to return the assets purchased under the transactions. The Company may further enter into reverse repurchase agreements that consist of forward transactions at the maturity of which the counterparty (seller) has the obligation to repurchase the asset sold and the Company (buyer) the obligation to return the assets purchased under the transactions. The Company may also enter into transactions that consist of the purchase/sale of securities with a clause reserving for the counterparty/ Company the right to repurchase the securities from the Company /counterparty at a price and term specified by the parties in their contractual arrangements.



The Company's involvement in such transactions is, however, subject to the additional following rules:

The counterparty to these transactions must be an Approved Counterparty. The identity of the relevant Approved Counterparties selected by the Company will be disclosed in the annual report and the semi-annual report of the Company.

As the Company is exposed to redemptions of its own Shares, it must take care to ensure that the level of its exposure to repurchase agreement and reverse repurchase agreement transactions is such that it is able, at all times, to meet its redemption obligations and that these transactions do not jeopardise the management of the Sub-Funds' assets in accordance with their investment policy.

The Company may only enter into reverse repurchase agreement and/or repurchase agreement transactions provided that it is able at any time (a) to recall the full amount of cash in a reverse repurchase agreement or any securities subject to a repurchase agreement or (b) to terminate the agreement in accordance with applicable regulations. However, fixed-term transactions that do not exceed seven days should be considered as arrangements on terms that allow the assets to be recalled at any time by the Company.

The Company has appointed multiple Approved Counterparties for the Sub-Funds that engage in repurchase agreement transactions and/or reverse repurchase agreement transactions. The relevant Sub-Fund shall receive and retain 100% of the gross revenues generated from repurchase agreement and/or reverse repurchase agreement activities.

All returns from repurchase agreement transactions and/or reverse repurchase agreement transactions will accrue to the relevant Sub Fund and are not subject to any returns sharing arrangements with the Investment Manager or any other third parties. Return (cost) are identified as the realized gains (losses), change in unrealized gains (losses) and interest received (paid) on reverse repurchase agreements during the reporting period.

As of the date of this Prospectus, none of the Sub-Funds is using reverse repurchase agreements. Should a Sub-Fund use reverse repurchase agreements, the Prospectus will be updated beforehand.

## **23.7 Management of collateral and collateral policy**

### **General**

In the context of OTC financial derivatives transactions and efficient portfolio management techniques, the Company may receive collateral with a view to reducing its counterparty risk. This section sets out the collateral policy applied by the Company in such case. All assets received by the Company in the context of efficient portfolio management techniques (repurchase or reverse repurchase agreements) shall be considered as collateral for the purposes of this section.

### **Eligible collateral**

Collateral received by the Company may be used to reduce its counterparty risk exposure if it complies with the criteria listed in ESMA Guidelines 2014/937 in terms of liquidity, valuation, issuer credit quality, correlation, risks linked to the management of collateral and enforceability. In particular, collateral should comply with the following conditions:

- a) Any collateral received other than cash should be of high quality, highly liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation;
- b) It should be valued on at least a daily basis and assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts are in place;
- c) It should 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;
- d) It should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure of 20% of the Sub-Fund's net asset value to any single issuer on an aggregate basis, taking into account all collateral received, subject to the derogation set forth below.
- e) It should be capable of being fully enforced by the Company at any time without reference to or approval from the counterparty.

Subject to the abovementioned conditions, collateral received by the Company may consist of:

- Cash and cash equivalents, including short-term bank certificates and money market instruments,
- Bonds issued or guaranteed by a member state of the OECD or by their local public authorities or by supranational institutions and undertakings with EU, regional or worldwide scope,
- Bonds issued or guaranteed by first class issuers offering adequate liquidity, or
- Shares admitted to or dealt in on a regulated market of a Member State or on a stock exchange of a member state of the OECD, on the condition that these shares are included in a main index.

Where there is a title transfer, collateral received will be held by the Depositary (or a sub-custodian thereof) on behalf of the Company. For other types of collateral arrangement, the collateral can be held by a third party custodian which is subject to prudential supervision, and which is unrelated to the provider of the collateral.

#### **Level of collateral**

With respect to OTC financial derivatives transactions, the Company will generally require the counterparty to post collateral representing 90% of the total value of the underlying securities.

Repurchase agreement and reverse repurchase agreements will generally be collateralised, at any time during the lifetime of the agreement, at a minimum of 90% of their notional amount. Those minimums shall be increased based, in particular, on the quality of the counterparty, in line with the requirements set out in applicable laws, regulations and circulars issued by the CSSF, from time to time, in particular the CSSF Circular 08/356 dated 4 June 2008, as amended from time to time and as clarified by the CSSF Circular 14/592 dated 30 September 2014.

### Haircut policy

Collateral will be valued, on a daily basis, using available market prices and taking into account appropriate discounts which will be determined by the Company for each asset class based on its haircut policy. The policy is established in accordance with the ESMA Guidelines 2014/937 and takes into account a variety of factors, depending on the nature of the collateral received, such as the issuer's credit standing, the maturity, currency and price volatility of the assets. The daily valuation of the collateral may lead to daily margin calls.

| Instrument Type   | Rating           | Haircut level max. | Additional Over-collateralisation max. |
|---|------------------|--------------------|--|
| Cash and cash equivalents   | N/A              | 0%                 | 10%                                    |
| Bonds, including, inter alia, convertible bonds and government bonds, commercial papers | Investment Grade | 15%                | 10%                                    |
| Bonds guaranteed by UE/OCDE Member States   | Investment Grade | 15%                | 10%                                    |
| Equity comprised in a main index  | N/A              | 20%                | 10%                                    |

### Reinvestment of collateral

Non-cash collateral received by the Company may not be sold, re-invested or pledged.

Cash collateral can be reinvested in liquid assets permissible under Luxembourg laws and regulations, in particular the ESMA Guidelines 2014/937 and CSSF Circular 14/592 dated 30 September 2014. Any reinvestment of cash collateral should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure, on an aggregate basis, of 20% of the Sub-Fund's Net Asset Value to any single issuer, subject to the derogation set forth below. When the Sub-Fund is exposed to different counterparties, the different baskets of collateral should be aggregated to calculate the 20% limit of exposure to a single issuer.

The Sub-Fund may incur a loss in reinvesting the cash collateral it receives. Such a loss may arise due to a decline in the value of the investment made with cash collateral received. A decline in the value of such investment of the cash collateral would reduce the amount of collateral available to be returned by the Sub-Fund to the counterparty at the conclusion of the transaction. The Sub-Fund would be required to cover the

difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the Sub-Fund.

The above provisions apply subject to any further guidelines issued from time to time by the ESMA amending and/or supplementing the ESMA Guidelines 2012/832, 2014/937 and/or any additional guidance issued from time to time by the CSSF in relation to the above.

#### **Derogation to the 20% collateral diversification requirement**

The ESMA Guidelines 2014/937 and CSSF Circular 14/592 dated 30 September 2014 by way of derogation from the rule according to which a basket of collateral with an exposure to a given issuer cannot exceed 20% of the Sub-Fund's Net Asset Value, a UCITS may be fully collateralised in different transferable securities and money market instruments issued or guaranteed by a Member State, its local authorities, a third country (member state of the OECD) or a public international body to which one or more Member States belong, provided that they receive transferable securities from at least six different issues, but transferable securities from any single issue should not account for more than 30% of the Sub-Fund's Net Asset Value. The transferable securities and money market instruments covered by this derogation, must, as any collateral received be (inter alia) of high credit quality credit and highly liquid to be able to be used to reduce the Sub-Fund's counter party risk exposure in OTC financial derivative transactions and efficient portfolio management techniques.

The above provisions apply subject to any further guidelines issued from time to time by the European Securities and Markets Authority amending and/or supplementing ESMA Guidelines 2014/937 on ETFs and other UCITS issues and/or any additional guidance issued from time to time by the CSSF in relation to the above.

## **24 RISK MANAGEMENT PROCESS**

The Management Company must employ a risk-management process which enables it to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of the portfolio; it must employ a process for accurate and independent assessment of the value of OTC derivative instruments. It must communicate to the home regulator of the Company regularly and in accordance with the detailed rules defined by the latter, the types of derivative instruments, the underlying risks, the quantitative limits and the methods which are chosen in order to estimate the risks associated with transactions in derivative instruments.

The Management Company ensures for each of the Sub-Funds that their respective global exposure relating to financial derivative instruments does not exceed the total net value of its portfolio.

Each Sub-Fund may invest, according to its investment policy and within the limits laid down in Section 22 'Investment Restrictions' in financial derivative instruments provided that the global exposure to the underlying assets does not exceed in aggregate the investment limits laid down in Section 22 'Investment Restrictions'.

When a Sub-Fund invests in index-based financial derivative instruments, these investments do not have to be combined to the limits laid down in Section 22 'Investment Restrictions'.

When a transferable security or money market instrument embeds a financial derivative instrument, the latter must be taken into account when complying with the requirements of this Section.

In accordance with the requirements of the regulatory authority, this risk-management process will measure the global exposure of each Sub-Fund using the commitment approach, or the Value at Risk (VaR) approach as indicated in Appendix I, for each Sub-Fund.

#### *Commitment Approach*

The commitment approach measures the global exposure related to positions on financial derivative instruments (FDIs) and other efficient portfolio management techniques (if used), under consideration of netting and hedging (if used).

#### *VaR Approach*

In financial mathematics and risk management, the VaR approach is a widely used risk measurement of the maximum potential loss for a specific portfolio of assets, due to market risk. More specifically, the VaR approach measures the maximum potential loss of such a portfolio at a given confidence level (or probability) over a specific time period under normal market conditions. Absolute VaR or relative VaR may be applied as disclosed in Appendix I for the relevant Sub-Funds.

Absolute VaR links the VaR of the portfolio of a Sub-Fund with its net asset value. When applicable, the absolute VaR of a Sub-Fund shall not exceed 20% of the Sub-Fund's net asset value (determined on the basis of a 99% confidence interval and a holding period of 20 business days).

Relative VaR links the VaR of the portfolio of a Sub-Fund with the VaR of a reference portfolio. When applicable, the relative VaR of a Sub-Fund shall not exceed twice the VaR of its reference portfolio. The reference portfolio used in relation to a Sub-Fund, if any, is set out in Appendix I.

#### *Leverage*

The use of financial derivative instruments may result in a Sub-Fund being leveraged. Leverage is monitored on a regular basis. When the VaR approach is used, the leverage is measured as the sum of the notionals of the financial derivatives instruments. The level of leverage will be disclosed in Appendix I, only for Sub-Funds using the VaR approach, and the actual level of leverage is not expected to exceed the level so disclosed. In this context, the leverage is measured as a percentage of the relevant Sub-Fund's net asset value. Under certain circumstances (e.g. very low market volatility) the expected level of leverage may exceed the levels referred to in Appendix I.

#### **Liquidity Risk Management**

The Investment Manager has established a liquidity management policy with respect to each Sub-Fund. The Investment Manager, who has been appointed by the Management Company to manage the assets of each Sub-Fund, is responsible for monitoring the liquidity profile of the investments of each Sub-Fund on an ongoing basis, identifying and managing the liquidity risks of each Sub-Fund, and ensuring compliance with each Sub-Fund's obligation to meet redemption requests. Such policy, combined with the liquidity management tools of the Investment Manager, also seeks to achieve fair treatment of Shareholders and safeguard the interests of remaining Shareholders in case of sizeable redemptions. The Investment Manager, in consultation with the Depositary, may employ the following tool(s) to manage liquidity risks:

- If the total requests for redemptions (including conversions) on any Business Day (the 'relevant Business Day') are received in respect of a number of Shares of any Sub-Fund which exceed 10% of the total number of Shares of that Sub-Fund outstanding on such Business Day, the Directors are entitled to defer any redemption request in whole or in part, so that the 10% level is not exceeded. For details, please refer to the section headed "Possible Deferral and Pricing Suspension".
- Under normal circumstances, a maximum swing factor of 2% of applicable net asset value of the Shares subscribed for or redeemed (which may be increased in exceptional circumstances) may be applied if the net inflow or outflow of assets is in excess of the threshold on a given valuation day. For details, please refer to the section sub-headed "Swing Pricing" under the section headed "Market timing, short-term trading and excessive trading practices".
- The Company may suspend the determination of the net asset value of the Shares of any particular Sub-Fund and the issue, redemption and conversion of such Shares during certain circumstances. For details, please refer to the section headed "Possible Deferral and Pricing Suspension".

The Investment Manager has taken into account the investment strategy, the liquidity profile including the availability of cash and highly liquid securities, the dealing frequency, the redemption policy, the ability to enforce redemption limitations and the valuation policies of the relevant Sub-Fund when formulating the liquidity management policy.

The liquidity management policy involves monitoring the profile of investments held by the relevant Sub-Fund on an on-going basis to ensure that such investments are appropriate to the redemption policy as stated under the section headed 'How to Redeem', and will facilitate compliance with each Sub-Fund's obligation to meet redemption requests. Further, the liquidity management policy includes details on periodic liquidity assessment (including but not limited to stress testing) carried out by the Investment Manager to manage the liquidity risk of each Sub-Fund under normal and exceptional market conditions. Where appropriate, the Investment Manager will use historical redemption pattern to set limits and adjust the portfolio weighting of different types of investment instruments of the relevant Sub-Fund, if the relevant limit is exceeded.

## 25 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected and obtained free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Company at 80, route d'Esch, L-1470 Luxembourg or the office of the Hong Kong Representative at 37/F, Bank of China Tower, 1 Garden Road, Hong Kong:

- (i) the Articles of the Company;
- (ii) the material contracts referred to above;
- (iii) the latest annual and semi-annual reports of the Company;
- (iv) The details of the Company's complaint handling procedures may be obtained free of charge during normal office hours at the registered office of the Company or the office of the Hong Kong Representative. A person having a complaint to make about the operation of the Company may submit such complaint in writing to ChinaAMC Fund, 80, route d'Esch, L-1470 Luxembourg Grand Duchy of Luxembourg or the Hong Kong Representative, 37/F, Bank of China Tower, 1 Garden Road, Hong Kong. Upon receipt of any complaint, the Company or the Hong Kong Representative will handle or channel to the relevant party any enquiries or complaints from investors and revert to the investors accordingly.
- (v) The Company has a strategy for determining when and how voting rights attached to ownership of the Company's investments are to be exercised for the exclusive benefit of the Company. A summary of this strategy may be obtained free of charge during normal office hours at the registered office of the Company or the office of the Hong Kong Representative and is available on the following website [www.chinaamc.com.hk](http://www.chinaamc.com.hk)<sup>7</sup>.
- (vi) The best execution policy sets out the basis upon which the Company will effect transactions and place orders in relation to the Company whilst complying with its obligations under the CSSF Regulation No. 10-4 and the CSSF Circular 11/508 to obtain the best possible result for the Company and its Shareholders. Details of the best execution policy may be obtained free of charge during normal office hours at the registered office of the Company or the office of the Hong Kong Representative.
- (vii) The information regarding the risk management process of the Company may be obtained free of charge during normal office hours at the registered office of the Company or the office of the Hong Kong Representative.
- (viii) The investment restrictions under the 2010 Law applicable to the Company and its Sub-Funds.

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<sup>7</sup> This website has not been reviewed by the SFC and may contain information of funds not authorised by the SFC.

## **26 SETTING UP COSTS**

The setting up costs of the Company and the initial Sub-Fund (being the ChinaAMC China Opportunities Fund) were USD100,000 which are borne by the Sub-Fund existing on or around the date of incorporation of the Company and may be amortised over a period of five years commencing on the date of incorporation of the Company.

The Setting up costs in relation to new Sub-Funds will be borne by these new Sub-Funds and may be amortised over a period of five years.

Newly launched Sub-Funds will not participate to the non-amortised setting up costs of the Company.



## **DIRECTORY**

### **The Company**

ChinaAMC Fund  
80, route d'Esch,  
L-1470 Luxembourg  
Grand Duchy of Luxembourg

### **Investment Manager and QFI Holder**

China Asset Management (Hong Kong) Limited  
37/F  
Bank of China Tower  
1 Garden Road  
Hong Kong

### **Management Company**

FundRock Management Company S.A.  
33, rue de Gasperich  
L-5826 Hesperange  
Grand Duchy of Luxembourg

### **Distributor**

China Asset Management (Hong Kong) Limited  
37/F  
Bank of China Tower  
1 Garden Road  
Hong Kong

### **Hong Kong Representative**

China Asset Management (Hong Kong) Limited  
37/F  
Bank of China Tower  
1 Garden Road  
Hong Kong  
Fax number: +852 3406 8500

### **Depository and Administrator**

Brown Brothers Harriman (Luxembourg) S.C.A.  
80, route d'Esch  
L-1470 Luxembourg,  
Grand Duchy of Luxembourg

### **PRC Local Custodian**

Bank of China Limited  
1 Fuxingmen Nei Dajie  
Beijing

China

**Auditor**

Ernst & Young S.A.  
35E avenue John F. Kennedy  
L-1855 Luxembourg  
Grand Duchy of Luxembourg

**Legal Advisers to the Company**

Arendt & Medernach  
41A, avenue JF Kennedy  
L-2082 Luxembourg  
Grand Duchy of Luxembourg

**Legal Advisers as to matters of Hong Kong Law**

Deacons  
5th Floor  
Alexandra House  
18 Charter Road  
Central  
Hong Kong

## **APPENDIX I**

### **CHINAAMC CHINA OPPORTUNITIES FUND**

#### **Category**

ChinaAMC China Opportunities Fund (the “**Sub-Fund**”) is an equity sub-fund and shall therefore invest primarily in equity securities. It may also, on an ancillary basis, invest in equity warrants.

For the purpose of the above definition and the description of the investment objective of the Sub-Fund, the word ‘primarily’ means an investment of at least 70% of the net assets of the Sub-Fund in equity securities.

#### **Investment Objective**

The Sub-Fund seeks to maximise capital growth by investing primarily (i.e. at least 70% of its net assets) in China related listed equity securities.

The Sub-Fund will focus on investing in equities of China-related companies with registered offices located in the PRC and/or Hong Kong, and/or China-related companies that do not have their registered offices in the PRC or Hong Kong but either (a) carry out a predominant proportion of their business activities in the PRC or Hong Kong, or (b) are holding companies which predominantly own companies with registered offices in the PRC or Hong Kong. The Sub-Fund may also invest up to 30% of its net assets in listed equity securities or equity related instruments issued by companies which do not fulfil the criteria referred to in (a) or (b) in this paragraph.

Based on the Investment Manager’s assessment of prevailing market conditions, the Sub-Fund may invest up to 30% of its net assets in (i) cash and cash equivalent instruments and (ii) debt securities issued and/or guaranteed by any single country (including its government or a public or local authority of such country) of any credit rating, considered together, on a temporary basis and for defensive purposes such as in times of extreme volatility of the markets or during severe adverse market conditions. The Sub-Fund will in any event not invest more than 10% of its net assets in the securities referred to in (ii) above. For the avoidance of doubt, the “credit rating” of a sovereign issuer should in general refer to the prevailing official credit rating of the relevant sovereign issuer assigned by an internationally recognised credit agency and, in the event of split ratings among such credit agencies, the highest credit rating accredited to the relevant sovereign issuer shall be deemed the reference credit rating.

The Sub-Fund will not invest in debt securities with loss-absorption features (e.g. contingent convertible debt securities and senior non-preferred debt).

The Sub-Fund may use derivative instruments for hedging or efficient portfolio management purposes. However, derivative instruments will not be used extensively or primarily for investment purposes. In particular, the Sub-Fund will not enter into (i) repurchase or reverse repurchase agreements, (ii) securities lending and securities borrowings, and (iii) total return swaps. Should derivative instruments be intended to be used extensively or primarily for

investment purposes, prior approval of the SFC will be obtained, not less than one month's prior notice will be given to the Shareholders and this Prospectus will be updated accordingly.

As a result of the registration of the Sub-Fund for public distribution in a non-EU Member State, the Sub-Fund's net derivative exposure, calculated by converting the derivative positions acquired by the Sub-Fund for investment purposes (excluding derivatives used for hedging, risk mitigation, cash flow management, market access, exposure replication, etc.) into the equivalent position in the underlying assets of the derivative instrument, is required, as a principle, not to exceed 50% of its net assets.

## Investment Strategies

In order to achieve the Investment Objective, the Sub-Fund may obtain exposure to China related listed equity securities through:

- (a) direct investment of up to 100% of the Sub-Fund's net assets in equity securities which are (a) traded in Hong Kong Dollar and (b) listed on the HKSE ("**HK Equity Securities**");
- (b) indirect investment in A-shares and direct exposure to B-shares which, in aggregate, account for no more than 30% of the Sub-Fund's net assets; or
- (c) indirect investment of up to 10% of the Sub-Fund net assets in HK Equity Securities or other listed equity securities relating to China such as investment funds or exchange traded funds ("**ETFs**").

The Sub-Fund will not invest directly in A-shares but may make indirect investment in A-shares by investing in (a) QFI Funds and/or (b) CAAPs such as participatory notes. However, the Sub-Fund will not invest indirectly in B-shares. The Investment Manager will seek the prior approval of the home regulator of the Company and the SFC and provide at least one month's prior notice to Shareholders should there be a change in the Sub-Fund's investment policy with respect to A-shares and B-shares and this Prospectus will also be updated accordingly.

The Sub-Fund will not invest in convertible securities (i.e. securities generally offering fixed interest or dividend yields which may be converted either at a stated price or stated rate for common or preferred stock).

The Sub-Fund may also invest up to 10% of its net assets in warrants on equity securities mentioned in the first and second paragraphs in this section "Investment Objective".

The Investment Manager currently does not intend to enter into any securities lending, repurchase or reverse repurchase transactions in respect of the Sub-Fund. The Investment Manager will seek the prior approval of the home regulator of the Company and the SFC and provide at least one month's prior notice to Shareholders before the Investment Manager engages in any such transactions and this Prospectus will also be updated accordingly. The Sub-Fund will seek to rely on the professional judgment of the Investment Manager in making decisions about the Sub-Fund's portfolio investments. Portfolio construction is based on the Investment Manager's fundamental view of the equity markets.

The Investment Manager will primarily employ a top-down approach combined with a mix of qualitative and quantitative analysis in determining the asset allocation of the Sub-Fund among the different types of asset classes (including equities and cash).

The Investment Manager aims to invest in companies which have strong earnings and growth prospects, demonstrate capability in profit generation, possess proven experience in management and provide good valuation.

For the purpose of identifying suitable investment targets, the Investment Manager will carry out rigorous fundamental research and analysis and if necessary may conduct on-site visits and proprietary forecasts on investment targets. The Investment Manager will then conduct financial analyses on potential investment targets and select companies with qualities described in the above paragraphs for further assessment. In particular, the Investment Manager will assess each target company from two perspectives, namely an aggregate industry-level perspective and a company-level perspective by taking into account the following factors:

Industry-level perspective:

- Development and growth prospects of a particular industry/sector; and
- Level of competition within a particular industry/sector.

Company-level perspective:

- Key corporate attributes, such as business model adopted by, comparative advantages enjoyed by and management style operated by the company; and
- Target company's valuation.

Where a company is selected for investment by the Sub-Fund, the Investment Manager will determine the amount to be invested in such company based on the above assessment.

### **Use of Derivatives / Investment in Derivatives**

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

The net derivative exposure is defined in the SFC's Code on Unit Trusts and Mutual Funds (the "**Code**") and is calculated in accordance with the requirements and guidance issued by the SFC which may be updated from time to time.

The limit of the net derivative exposure relating to the use of financial derivative instruments may be exceeded in such circumstances as permitted under the Code, handbook, code and/or guideline issued by the SFC from time to time or permitted by the SFC from time to time.

### **Base Currency**

USD

### **Non-Base Currency Share Classes**

€, GBP and HKD

### **Dealing Day, Instruction Deadline and Calculation of NAV**

A Dealing Day for this Sub-Fund shall be each Business Day in Luxembourg and in the Hong Kong S.A.R.

The Instruction Deadline in Hong Kong shall be 5:00 pm Hong Kong time (i.e. 10:00 am or 11:00 am Luxembourg time depending on the daylight saving time applicable in Luxembourg on the relevant Dealing Day). Orders received after the Instruction Deadline shall be processed

on the following Dealing Day. Submission of subscription, conversion or redemption orders via the Hong Kong Representative or Authorised Distributors may be subject to an instruction deadline earlier than the Instruction Deadline as specified in this section.

The NAV per Share of the Sub-Fund is determined on the basis of the value of the assets of the Sub-Fund as at 1:00 pm Luxembourg time on each Dealing Day.

The NAV per Share will be published on the same Dealing Day.

### **Settlement for Subscription**

Payment for the Shares subscribed shall be received at the latest on the third Business Day following the Dealing Day.

### **Profile of the typical investor**

A typical investor will invest in this Sub-Fund to seek medium to long-term capital appreciation, rather than minimum possible short-term losses, through equity securities. The Sub-Fund aims to provide high returns over the long-term, but may be subject to fluctuations in capital value.

### **Method for measuring Global Exposure of the Sub-Fund**

The global exposure of the Sub-Fund is measured using the Commitment Approach on a daily basis.

### **Conversions**

Within the Sub-Fund, Class A and Class B (excluding Class I) can be converted between each other, provided that the conditions to subscribe and hold the Class of Shares in which the relevant Shares are contemplated to be converted are met, whereas Class I shall remain reserved to institutional investor..

Regarding conversion between sub-funds, Class A, Class B or Class I Shares of the Sub-Fund can be converted into the corresponding Class, if available, of another sub-fund of the Company.

### **The Hong Kong Representative Agreement**

China Asset Management (Hong Kong) Limited has been appointed by the Management Company and the Company under the Hong Kong Representative Agreement to represent the Company in Hong Kong for the Sub-Fund. The Hong Kong Representative is entitled to receive a fee from the Company on such basis and at such times as shall be agreed in writing signed by the Company, the Hong Kong Representative and the Management Company from time to time. It is the current intention of the Hong Kong Representative that the Hong Kong Representative will waive its fees for services provided to the Company in respect of the Sub-Fund until and unless otherwise agreed between the Company, the Management Company and the Hong Kong Representative.

The Hong Kong Representative shall also be entitled to be reimbursed out of the assets of the Company any out-of-pocket expenses incurred in the proper performance of its functions.

The Hong Kong Representative Agreement may be terminated by either the Company, the Management Company or the Hong Kong Representative upon giving not less than one month's written notice to the other parties at any time, provided that the Hong Kong Representative Agreement may be terminated forthwith upon certain breaches or upon the

insolvency of a party or by notice by the Management Company if in the interest of the Company or the Company's Shareholders.

### **Fees payable by the Company**

#### **Management company fee**

The management company fee will not exceed 0.045% per annum of the Sub-Fund's net assets as determined on the last Business Day of the month. The management company fee accrues daily and is paid monthly in arrears. The fee payable is subject to a minimum monthly fee of EUR 1,250.

#### **Investment management fee**

In consideration for its services, the Investment Manager is entitled to receive an investment management fee which is payable by the Company out of the assets of the Sub-Fund at the following rates:

|                                  | <b>Classes A and B Shares</b> | <b>Classes I Shares</b> |
|----------------------------------|-------------------------------|-------------------------|
| <b>Investment management fee</b> | Up to 1.8% per annum          | Up to 1% per annum      |

The investment management fee referred to above is payable monthly in arrears on the total net assets of the Sub-Fund.

#### **Depositary fee**

The Depositary is entitled to receive fees currently up to 0.002% per annum of the Sub-Fund's net asset value.

#### **Administrator fee**

The Administrator is entitled to receive fees currently up to 0.47% per annum of the Sub-Fund's net asset value (subject to a minimum monthly fee of USD 3,000).

#### **Hong Kong Representative fee**

The Hong Kong Representative will waive its fees for services provided to the Company until and unless otherwise agreed between the Company, the Management Company and the Hong Kong Representative.

#### **Distribution fee**

For so long as the Sub-Fund remains authorised by the SFC in Hong Kong and in respect of Classes of Shares which are available for subscriptions in Hong Kong, namely Classes A, B and I Shares, the Distributor and the Authorised Distributors (other than the Distributor), shall not receive any distribution fee which is paid out of the assets of the Sub-Fund. For the avoidance of doubt, no distribution fee will be charged in respect of the Classes A, B and I shares of the Sub-Fund.

### **Fees charged to the Shareholders**

The Distributor is entitled to receive on the issue, redemption and conversion of Shares an initial, redemption, conversion or contingent deferred sales charge calculated as a percentage of the total amount invested by an investor.

|   | <b>Class A Shares</b>                        | <b>Class B Shares</b>   | <b>Class I Shares</b>                   |
|---|--|---|---|
| <b>Initial Charge</b>   | Up to 5% of the total amount subscribed      | None  | Up to 3% of the total amount subscribed |
| <b>Conversion Charge</b>  | Up to 1% of the gross amount being converted | Up to 1% of the gross amount being converted  | None                                    |
| <b>Redemption Charge</b>  | None   | None  | None                                    |
| <b>CDSC expressed as a percentage of the redemption price to be redeemed:</b> | None   | Up to 1 year: up to 4.0%<br><br>Over 1 and up to 2 years: up to 3.0%<br><br>Over 2 and up to 3 years: up to 2.0%<br><br>Over 3 and up to 4 years: up to 1.0%<br><br>After 4 years: 0.0% | None                                    |

The above fees may be increased subject to giving not less than one months' prior notice to Shareholders.

#### **Minimum Initial Subscription amount, minimum subsequent subscription amount and minimum holding requirements**

|   | <b>Classes A Shares</b>       | <b>Class B Shares</b>         | <b>Class I Shares</b>            |
|---|-------------------------------|-------------------------------|----------------------------------|
| <b>Minimum initial subscription amount and holding amount</b> | Class A Acc USD:<br>USD1,000  | -                             | Class I Acc USD:<br>USD500,000   |
|   | Class A Acc €:<br>€1,000      | -                             | -                                |
|   | Class A Acc HKD:<br>HKD10,000 | Class B Acc HKD:<br>HKD10,000 | Class I Acc HKD:<br>HKD3,000,000 |



|   |                            |                            |                       |
|---|----------------------------|----------------------------|-----------------------|
| <b>Minimum subsequent subscription amount</b> | Class A Acc USD: USD1,000  | -                          | Class I Acc USD: None |
|   | Class A Acc €: €1,000      | -                          | -                     |
|   | Class A Acc HKD: HKD10,000 | Class B Acc HKD: HKD10,000 | Class I Acc HKD: None |

## Launch

This Sub-Fund was launched on 11 October 2010.

The following share classes are issued and available for subscriptions in Hong Kong:

| <b>Classes A Shares</b> | <b>Class B Shares</b> | <b>Class I Shares</b> |
|-------------------------|-----------------------|-----------------------|
| Class A Acc USD         | -                     | Class I Acc USD       |
| Class A Acc €           | -                     | -                     |
| Class A Acc HKD         | Class B Acc HKD       | Class I Acc HKD       |

The following share classes are currently not available for subscriptions in Hong Kong but may be issued and available for subscriptions in Hong Kong in future:

| <b>Classes A Shares</b> | <b>Class B Shares</b> | <b>Class I Shares</b> |
|-------------------------|-----------------------|-----------------------|
| -                       | Class B Acc USD       | -                     |
| -                       | Class B Acc €         | Class I Acc €         |
| Class A Acc GBP         | Class B Acc GBP       | Class I Acc GBP       |

Note: "Acc" in the above Classes of Shares denotes Classes of Shares which offer Accumulation Shares.

Non-Base Currency Hedged Share Classes are currently not available for subscriptions in Hong Kong.

Information about what share classes are launched in Hong Kong is available from the registered office of the Company or the office of the Hong Kong Representative.

**Dividend policy**

No dividends will be paid, declared or distributed. Gross income and net realised and unrealised capital gains will be accumulated.

**Specific Risk Warnings**

Shareholders are advised to carefully consider the risks of investing in the Sub-Fund and should refer in relation thereto to Section 6 - Investment and Risk Considerations in this Prospectus, including in particular:

- PRC tax risks
- PRC and PRC Equity Market Risks
- Risks linked with investing in China A-Share Access Products, QFI Funds
- Risks of investing in other funds
- Sub-Funds investing in equity securities
- Sustainability Risk – Investing in the PRC

# CHINAAMC NEW HORIZON CHINA A SHARE FUND

## Category

ChinaAMC New Horizon China A Share Fund (the “**Sub-Fund**”) is an Equity Sub-Fund and shall therefore invest primarily in equity securities.

For the purpose of the above definition and the description of the investment objective of the Sub-Fund, the word ‘primarily’ means an investment of at least 70% of assets in equity securities.

## Investment Objective

The Sub-Fund seeks to achieve capital appreciation and income generation by investing primarily in onshore RMB (*i.e.* CNY)<sup>8</sup> denominated equity securities issued by issuers based in, or having a significant exposure to, the PRC and the Hong Kong S.A.R. (hereinafter “**Hong Kong**”), as further described below.

The Investment Manager contemplates investing directly into China A-Shares using its QFI status and the Stock Connect.

As at the date of this Prospectus, the Investment Manager, when using Stock Connect, will be limited to investments in China A-Shares listed on the SSE and the SZSE.

To achieve this investment objective, the Sub-Fund will invest at least 70% of its net asset value in China A-Shares listed on the SSE or the SZSE through the QFI status granted to the Investment Manager and through Stock Connect. The Sub-Fund may invest at least 70% of its net asset value in China A-Shares through the foregoing QFI status.

When investing in China A-Shares, the Sub-Fund will focus on investing in equities of companies listed on stocks exchanges and/or with registered offices located in the PRC or Hong Kong, and companies which do not have their registered offices in the PRC or Hong Kong but either (i) carry out a predominant proportion of their business activities in these markets, or (ii) are holding companies which predominantly own companies with registered offices in the PRC or Hong Kong. As part of these primary investments in China A Shares, the Sub-Fund may invest more than 30% of its net asset value in China A Shares listed on SZSE ChiNext Market or SSE STAR Market.

The Sub-Fund may invest no more than 30% of its net asset value in other eligible investment instruments, which include RMB denominated fixed income securities, collective investment schemes, convertibles (including convertible bonds and preferred shares), financial derivatives, cash and cash equivalents (including short-term money market instruments). RMB denominated fixed income securities include RMB bonds traded in the PRC, which are (a) settled in RMB and (b) listed on the SSE or the SZSE (“**RMB Debt Securities**”). Collective investment schemes in which the Sub-Fund may invest up to 10% of its net asset value will

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<sup>8</sup> Unless otherwise specified and except for the denomination of RMB share classes as well as subscription and redemption amounts in relation thereto which shall always be in offshore RMB (*i.e.* CNH), RMB shall refer to the onshore RMB (*i.e.* CNY) which is the official currency of the PRC in circulation within the PRC.

include but not limit to ETFs, UCITS, and PRC open ended collective investment schemes which are approved by the China Securities Regulatory Commission and offered to the public in the PRC. For the avoidance of doubt, PRC open ended collective investment schemes which are eligible to be invested by the Sub-Fund refer to those investing in China A-Shares ("**China A-Share Funds**") or RMB Debt Securities ("**RMB Debt Securities Funds**").

The Sub-Fund may invest no more than 10% of its net asset value in fixed income securities issued and/or guaranteed by any single country (including its government or a public or local authority of that country) with credit rating below investment grade.

In times of extreme volatility of the markets or during severe adverse market conditions, the Sub-Fund may invest up to 75% of its net asset value in cash or cash equivalents (including short-term money market instruments) to preserve the value of the assets in the investment portfolio of the Sub-Fund.

The Sub-Fund may also use financial derivatives for hedging and efficient portfolio management purposes in accordance with the 2010 Law. The Investment Manager may in particular utilize a variety of financial derivative instruments and strategies to hedge against interest rate, credit and currency fluctuations. The Sub Fund may for example enter into futures, swaps, forwards for hedging and interest rate/currency exposure management purpose. However, the Sub-Fund will not enter into (i) repurchase or reverse repurchase agreements, (ii) securities lending and securities borrowings, and (iii) total return swaps.

#### **Use of Derivatives / Investments in Derivatives**

The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's net asset value.

The limit of the net derivative exposure relating to the use of financial derivative instruments may be exceeded in such circumstances as permitted under the Code, handbook, code and/or guideline issued by the SFC from time to time or permitted by the SFC from time to time.

#### **Base Currency**

USD

#### **Non-Base Currency Share Classes**

HKD or RMB (CNH)

#### **Dealing Day, Instruction Deadline and Calculation of NAV**

A Dealing Day for this Sub-Fund shall be a Business Day in the PRC and the Grand-Duchy of Luxembourg and in the Hong Kong S.A.R.

The Instruction Deadline in Hong Kong shall be 11:30am Luxembourg time (i.e. 5:30pm or 6:30pm Hong Kong time depending on the daylight saving time applicable in Luxembourg on the relevant Dealing Day). Orders received after the Instruction Deadline shall be processed on the following Dealing Day. Submission of subscription, conversion or redemption orders via the Hong Kong Representative or Authorised Distributors may be subject to an instruction deadline earlier than the Instruction Deadline as specified in this section.

The NAV per Share of the Sub-Fund is determined on the basis of the value of the assets of the Sub-Fund as at 1:00 pm Luxembourg time on each Dealing Day.

The NAV per Share will be published on the same Dealing Day.

### **Settlement for Subscriptions**

Payment for the Shares subscribed shall be received at the latest on the third Business Day following the Dealing Day.

### **Settlement for Redemptions**

By way of exception to Sub-section "Settlement Procedures" of the section "8 - Buying, Redeeming and Converting Shares", settlement of redemptions monies will be made within seven (7) Business Days of the relevant Dealing Day and subject to receipt by the Administrator of correct and duly executed relevant documentation.

### **Profile of the typical investor**

A typical investor will invest in this Sub-Fund to seek medium to long-term capital appreciation, rather than minimum possible short-term losses, through equity securities. The Sub-Fund aims to provide high returns over the long-term, but may be subject to fluctuations in capital value.

### **Method for measuring Global Exposure of the Sub-Fund**

The global exposure of the Sub-Fund is measured using Commitment Approach on a daily basis.

### **Conversions**

Within the Sub-Fund, Share Classes cannot be converted. Class A or Class I Shares of the Sub-Fund can be converted into the corresponding Class, if available, of another sub-fund of the Company.

### **The Hong Kong Representative Agreement**

China Asset Management (Hong Kong) Limited has been appointed by the Management Company and the Company under the Hong Kong Representative Agreement to represent the Company in Hong Kong for the Sub-Fund. The Hong Kong Representative is entitled to receive a fee from the Company on such basis and at such times as shall be agreed in writing signed by the Company, the Hong Kong Representative and the Management Company from time to time. It is the current intention of the Hong Kong Representative that the Hong Kong Representative will waive its fees for services provided to the Company in respect of the Sub-Fund until and unless otherwise agreed between the Company, the Management Company and the Hong Kong Representative.

The Hong Kong Representative shall also be entitled to be reimbursed out of the assets of the Company any out-of-pocket expenses incurred in the proper performance of its functions.

The Hong Kong Representative Agreement may be terminated by either the Company, the Management Company or the Hong Kong Representative upon giving not less than one month's written notice to the other parties at any time, provided that the Hong Kong Representative Agreement may be terminated forthwith upon certain breaches or upon the insolvency of a party or by notice by the Management Company if in the interest of the Company or the Company's Shareholders.

### **Qualified Foreign Investor (QFI)**

The Sub-Fund will directly invest in securities issued within Mainland China through the QFI status of the Investment Manager.

The Investment Manager has obtained a legal opinion from PRC legal counsel to the effect that, as a matter of PRC law:

- (i) where the Sub-Fund appoints multiple PRC Custodians, one of which should be designated as the Principal Custodian; where the Sub-Fund appoints one PRC Custodian, such PRC Custodian shall act as the Principal Custodian;
- (ii) securities account(s) with the relevant depositories and maintained by the PRC Custodian(s) and the RMB special deposit account(s) with the PRC Custodian(s) (respectively, the “securities account(s)” and the “cash account(s)”) have been opened in the joint names of the Investment Manager (as the QFI Holder) and the Sub-Fund for the sole benefit and use of the Sub-Fund in accordance with all applicable laws, rules and regulations of the PRC and with approval from all competent authorities in the PRC;
- (iii) the assets held/credited in the securities account(s) (i) belong solely to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Management Company, the Investment Manager, the Depositary, the PRC Custodian(s) and any PRC broker(s) appointed by the Investment Manager to execute transactions for the Sub-Fund in the PRC (“PRC Broker”) and from the assets of other clients of the Management Company, the Investment Manager, the Depositary, the PRC Custodian(s) and any PRC Broker(s);
- (iv) the assets held/credited in the cash account(s) (i) become an unsecured debt owing from the PRC Custodian(s) to the Sub-Fund, and (ii) are segregated and independent from the proprietary assets of the Management Company, the Investment Manager and any PRC Broker(s), and from the assets of other clients of the Management Company, the Investment Manager and any PRC Broker(s);
- (v) the Company, for and on behalf of the Sub-Fund is the only entity which has a valid claim of ownership over the assets in the securities account(s) and the debt in the amount deposited in the cash account(s) of the fund;
- (vi) if the Management Company, the Investment Manager or any PRC Broker(s) is liquidated, the assets contained in the securities account(s) and the cash account(s) of the Sub-Fund will not form part of the liquidation assets of the Management Company, the Investment Manager or such PRC Broker(s) in liquidation in the PRC; and
- (vii) if the PRC Custodian(s) is/are liquidated, (i) the assets contained in the securities account(s) of the Sub-Fund will not form part of the liquidation assets of the PRC Custodian(s) in liquidation in the PRC, and (ii) the assets contained in the cash account(s) of the Sub-Fund will form part of the liquidation assets of the PRC Custodian(s) in liquidation in the PRC and the Sub-Fund will become an unsecured creditor for the amount deposited in the cash account(s).

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

- (i) the Depositary takes into its custody or under its control the assets of the Sub-Fund, including onshore PRC assets which will be maintained by the PRC Custodian(s) via the

securities account(s) with the relevant depositories and any assets deposited in the cash account(s) with the PRC Custodian(s), and holds the same in trust for the shareholders;

- (ii) cash and registrable assets of the Sub-Fund, including assets deposited in the securities account(s) with the relevant depositories and cash of the Sub-Fund deposited in the cash account(s) with or otherwise held by the PRC Custodian(s), are registered in the name of or held to the order of the Depositary; and
- (iii) the PRC Custodian(s) will look to the Depositary (directly or indirectly) for instructions and solely act in accordance with the Depositary's instructions, save as otherwise required under applicable regulations.

## **Fees payable by the Company**

### **Management company fee**

The management company fee will not exceed 0.045% *per annum* of the Sub-Fund's net assets as determined on the last Business Day of the month. The management company fee accrues daily and is paid monthly in arrears. The fee payable is subject to a minimum monthly fee of EUR 1,250.-.

### **Investment management fee**

In consideration for its services, the Investment Manager is entitled to receive an investment management fee which is payable by the Company out of the assets of the Sub-Fund at the following rates:

|                                  | <b>Classes A Shares</b>     | <b>Class I Shares</b>     |
|----------------------------------|-----------------------------|---------------------------|
| <b>Investment management fee</b> | Up to 1.5% <i>per annum</i> | Up to 1% <i>per annum</i> |

The investment management fee referred to above is payable monthly in arrears on the total net assets of the Sub-Fund.

### **Depositary fee**

The Depositary is entitled to receive fees currently up to 0.002% *per annum* of the Sub-Fund's net asset value.

### **Administrator fee**

The Administrator is entitled to receive fees currently up to 0.47% *per annum* of the Sub-Fund's net asset value (subject to a minimum monthly fee of USD 3,000).

### **Hong Kong Representative fee**

The Hong Kong Representative will waive its fees for services provided to the Company until and unless otherwise agreed between the Company, the Management Company and the Hong Kong Representative.

## **Fees charged to the Shareholders**

The Distributor is entitled to receive on the issue, redemption and conversion of Shares an initial, redemption, conversion or contingent deferred sales charge, if any, calculated as a percentage of the total amount invested by an investor.

|   | Class A                                       | Class I                               |
|---|---|---------------------------------------|
| <b>Initial Charge</b>   | Up to 5% of the total amount invested         | Up to 3% of the total amount invested |
| <b>Conversion Charge</b>  | Up to 1% of the gross amount being converted. | None                                  |
| <b>Redemption Charge</b>  | None  | None                                  |
| <b>CDSC expressed as a percentage of the redemption price to be redeemed:</b> | None  | None                                  |

The above fees may be increased subject to giving not less than one month's prior notice to Shareholders subject to the SFC's prior approval.

#### **Cap applicable in relation to the Total Expense Ratio ("TER")**

The aggregate amount *per annum* charged for fees and expenses directly incurred by the Sub-Fund may be capped at a certain percentage rate of the average Net Asset Value of the Sub-Fund (the "**Cap TER**").

The Sub-Fund Cap TER will amount to 2.5% of the average Net Asset Value of the Sub-Fund.

The Cap TER is capped in the sense that (i) if the aggregate amount *per annum* charged for fees and expenses directly incurred by the Sub-Fund is lower than the Cap TER, then the Sub-Fund will only pay such aggregate amount (and not the Cap TER), and (ii) if the aggregate amount *per annum* charged for fees and expenses directly incurred by the Sub-Fund is higher than the Cap TER, then the Sub-Fund will bear the fees and expenses up to the Cap TER and the Investment Manager will bear any excess of the fees and expenses to the Cap TER.

When the aggregate amount *per annum* charged for fees and expenses directly incurred by the Sub-Fund is higher than the Cap TER, the fees and expenses up to the Cap TER are accrued on a daily basis and payable by the Sub-Fund monthly to an expense account managed by the Administrator.

The Cap TER percentage may be amended by the Investment Manager, with prior approval of the SFC. In case of increase of the Cap TER, a one month prior notice will be given to Shareholders, during which they may redeem the Shares they hold in the concerned Share Class free of charge.

The Cap TER for the Sub-Fund will be disclosed in the Annual Report/Semi-Annual Report.



**Minimum Initial Subscription amount, minimum subsequent subscription amount and minimum holding requirements**

|   | <b>Class A Shares</b>      | <b>Class I Shares</b>         |
|---|----------------------------|-------------------------------|
| <b>Minimum initial subscription amount and holding amount</b> | Class A Acc USD: USD1,000  | Class I Acc USD: USD500,000   |
|   | Class A Acc HKD: HKD10,000 | Class I Acc HKD: HKD3,000,000 |
|   | Class A Acc RMB: RMB10,000 | Class I Acc RMB: RMB3,000,000 |
| <b>Minimum subsequent subscription amount</b>                 | Class A Acc USD: USD1,000  | Class I Acc USD: None         |
|   | Class A Acc HKD: HKD10,000 | Class I Acc HKD: None         |
|   | Class A Acc RMB: RMB10,000 | Class I Acc RMB: None         |

**Distribution policy**

The Sub-Fund will only issue Accumulation Shares (referred to herein as Acc).

For all Accumulation Shares of the Sub-Fund, no dividends will be paid, declared or distributed. The gross income and net realised and unrealised capital gains will be accumulated and re-invested according to the investment policy of the Sub-Fund.

**Launch**

The Sub-Fund was launched on 28 November 2014.

The following Share Classes are issued and available for subscriptions in Hong Kong:

| <b>Classes A Shares</b> | <b>Class I Shares</b> |
|-------------------------|-----------------------|
| Class A Acc USD         | Class I Acc USD       |
| Class A Acc HKD         | Class I Acc HKD       |
| Class A Acc RMB         | Class I Acc RMB       |

Information about what share classes are launched in Hong Kong is available from the registered office of the Company or the office of the Hong Kong Representative.

**Specific Risk Warnings**

Shareholders are advised to carefully consider the risks of investing in the Sub-Fund and should refer in relation thereto to Section 6 - Investment and Risk Considerations in this Prospectus. In particular, the following risk disclosures sections should be taken into consideration:

- Risk applicable to all Sub-Funds
- Sub-Funds investing in equity securities
- Sub-Funds investing in emerging markets
- Currency risk
- Risks of investing in other funds
- Risks linked to investments in Convertible Securities
- Specific risk considerations applicable to Sub-Funds investing in derivatives
- PRC and PRC Equity Market and Fixed Income Markets Risks (in particular, PRC Specific Risks, Risks relating to China A-Share market, Risks associated with the ChiNext market and/or the Science and Technology Innovation Board (“STAR Market”), Investment Risk, PRC Counterparty Risk, RMB Currency and Currency Conversion Risks, QFI Regime Risk, PRC Custodian Risk, PRC Brokerage Risk, RMB Fixed Income Securities and Debt Instruments Risks, and Risks linked with dealing in securities via Stock Connect)
- PRC Tax Risks
- Sustainability Risk – Investing in the PRC
- Risks of investing on the ChiNext and STAR markets