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

CHINA POST GLOBAL FUNDS

EXPLANATORY MEMORANDUM

CHINA POST GLOBAL FUNDS

A Hong Kong umbrella unit trust authorised under Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong comprising

JAPAN SMALL CAP EQUITY FUND

CHINA POST GLOBAL FIXED INCOME FUND

This Explanatory Memorandum is dated as at April 2020.

CHINA POST GLOBAL FUNDS

IMPORTANT INFORMATION

The Hong Kong Securities and Futures Commission ("**SFC**") takes no responsibility for the contents of this Explanatory Memorandum, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Explanatory Memorandum. The Trust and the Sub-Funds have each been authorised as a collective investment scheme by the SFC. SFC authorisation is not a recommendation or endorsement of the Trust or any Sub-Fund nor does it guarantee the commercial merits of the Trust or any Sub-Fund or their performance. It does not mean the Trust or any Sub-Fund is suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

SFC Authorisation

China Post Global Funds ("**Trust**") and the Sub-Funds to which this Explanatory Memorandum relates are authorised by the SFC in Hong Kong pursuant to section 104 of the Securities and Futures Ordinance (Cap. 571) (the "**Securities and Futures Ordinance**"). Such authorisation is not a recommendation or endorsement of the Trust or any Sub-Fund, nor does it guarantee the commercial merits of the Trust or any Sub-Fund or their performance. It does not mean the Trust or any Sub-Fund is suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

This Explanatory Memorandum relates to the offer in Hong Kong of Units in the Trust, an umbrella unit trust established under Hong Kong law by a trust deed dated 1 December 2016 between China Post & Capital Global Asset Management Limited (the "**Manager**") and BOCI-Prudential Trustee Limited (the "**Trustee**"), as amended by supplemental deeds dated 7 December 2017, 14 November 2018 and as 24 December 2019. Units of different classes may be established within a Sub-Fund to accommodate different subscription and/or redemption provisions and/or dividends and/or charges and/or fee arrangements, including different ongoing charges.

The portfolio of Fund Assets maintained for each Sub-Fund is invested in accordance with the investment objective and policies applicable to such Sub-Fund. Details for each Sub-Fund are set out in the Appendix.

The Manager accepts full responsibility for the accuracy of the information contained in this Explanatory Memorandum and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading. The Manager confirms that this Explanatory Memorandum includes particulars given in compliance with the Code on Unit Trusts and Mutual Funds ("**Code**") and the "Overarching Principles" of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products for the purposes of giving information with regard to Units in each Sub-Fund.

Reliance on this Explanatory Memorandum and on the Product Key Facts Statement

Units in any Sub-Fund described in this Explanatory Memorandum as well as the product key facts statements which form part of this Explanatory Memorandum are offered only on the basis of the information contained in those documents and the latest audited annual financial report and any subsequent semi-annual financial report of the relevant Sub-Funds.

This Explanatory Memorandum is based on information, law and practice as at the date of this Explanatory Memorandum. The Manager cannot be bound by an out-of-date explanatory memorandum when it has issued a new explanatory memorandum, and the Manager must provide the most recently published explanatory memorandum to investors.

No person has been authorised to give any information or make any representations concerning the Trust or any Sub-Fund or in connection with the offering of Units other than those contained in this

Explanatory Memorandum, and, if given or made, such information or representations must not be relied on as having been authorised by the Trust. The delivery of this Explanatory Memorandum (whether or not accompanied by any reports) or the issue of Units shall not, under any circumstances, create any implication that the affairs of the Trust or any Sub-Fund have not changed since the date of this Explanatory Memorandum.

No action has been taken to permit an offering of Units in any of the Sub-Funds or the distribution of this Explanatory Memorandum in any jurisdiction other than Hong Kong. This Explanatory Memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Distribution of this Explanatory Memorandum shall not be permitted unless it is accompanied by the product key facts statement of the relevant Sub-Fund or Sub-Funds and a copy of the most recent annual report of the relevant Sub-Fund or Sub-Funds and, if later, its most recent interim report (if any).

United States

The Units have not been, and will not be, registered under the United States Securities Act of 1933, as amended ("**1933 Act**") or the securities laws of any of the states of the United States. The Units may not be offered or sold directly or indirectly in the United States or to or for the account or benefit of any US Person. Any re-offer or resale of any of the Units in the United States or to US Persons may constitute a violation of US law. Each applicant for Units will be required to certify to the Manager that it is not a US Person.

The Units are not open for investment by any US Person. A prospective investor will be required at the time of acquiring Units to represent that such investor meets any qualification criteria established by the Manager, and is not a US Person or acquiring Units for or on behalf of a US Person. The prior consent of the Manager is required in respect of each application for Units and the granting of such consent does not confer on investors a right to acquire Units in respect of any future or subsequent application. The Manager may, in its sole discretion, redeem Units of any investor who is a US Person and has not otherwise been approved by the Manager to own Units.

Where the Manager becomes aware that any Units are directly or beneficially owned by any person in breach of the above restrictions, the Manager may direct the Unitholder to transfer his/her Units to a person qualified to own such Units or to request the Manager to redeem Units, in default of which, the Unitholder shall, on the expiration of such time period as specified from the giving of such notice, be deemed to have given a request in writing for the redemption of the Units. The Manager may impose such restrictions as it believes necessary to ensure that no Units are acquired by persons who are not Qualified Holders. See the "**Restrictions and Compulsory Transfer and Redemption of Units**" section of this Explanatory Memorandum.

Trust Deed

The provisions of the Trust Deed are binding on each of its Unitholders (who are taken to have notice of them).

The value of the Sub-Funds may fall as well as rise, and investors may not get back the amount invested or any return on an investment. There can be no assurance that any Sub-Fund will achieve its investment objective. Potential investors should not treat the contents of this Explanatory Memorandum (including the product key facts statement) as advice relating to legal, taxation, investment or any matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of Units. The Manager makes no representation or warranties in respect of suitability.

Website

Investors should note that the websites referred to in this Explanatory Memorandum (including the product key facts statements) have not been reviewed by the SFC. Any information provided in websites may be updated and changed periodically without any notice to any person.

Enquiries and Complaints

Any person who has an enquiry or complaint to make about the operation of the Trust or any Sub-Fund may submit his/her complaint directly to the Manager in writing to the Manager's address at Suite 1901, The Centrium, 60 Wyndham Street, Central, Hong Kong, or by calling the Manager on +852 3468 5355 during normal business hours. The Manager will respond to any enquiry or complaint in writing as soon as practicable and within one month under normal circumstances.

CONTENTS

Page No

TERMS USED IN THIS EXPLANATORY MEMORANDUM

Advisor any advisor appointed as advisor in respect of any Sub-Fund (as applicable) by the Manager.

Auditor the accountant appointed as auditor of the Trust or in respect of any Sub-Fund (as applicable) by the Manager with the Trustee's prior approval.

Base Currency The base currency of a Sub-Fund, as specified by the Manager with the approval of the Trustee from time to time and as set out in the Appendix.

Business Day any day (other than a Saturday) on which banks are open for business in Hong Kong or such other day or days in relation to a Sub-Fund as the Trustee and the Manager may determine from time to time, provided that if on any such day, the period during which banks are open for business in Hong Kong is reduced as a result of a Number 8 Typhoon Signal, Black Rainstorm warning or other similar event, such day shall not be a Business Day unless the Manager and the Trustee otherwise agree.

Class any one of the classes of Units which may be issued in respect of a Sub-Fund.

Code the Code on Unit Trusts and Mutual Funds comprising part of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products (the "**Handbook**"), including the Overarching Principles of the Handbook, as may be amended and supplemented by the SFC from time to time.

Commodities (and likewise "**Commodity**"), all precious metals and all other commodities or merchandise of any nature (other than cash and any other merchandise which would fall within the definition of "Investment" if the reference to "Commodity" were omitted therefrom) and includes any futures contract and any financial futures contract. For the purposes of this definition "financial futures contract" means:-

(a) any contract which is traded on the Hong Kong Futures Exchange, the Chicago Mercantile Exchange or such other exchange or market as the Manager may approve and is described or treated by persons trading in such contract as a financial futures contract; or

(b) any contract expressed as being in respect of the sale or purchase of a share price index for settlement at a future date.

Connected Person in relation to a company:

(a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise directly or indirectly, 20% or more of the total votes in that company; or

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

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

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

Custodian	the person or persons for the time being appointed by the Trustee as the custodian of the Trust to hold all the assets and property of the Trust.
CSRC	the China Securities Regulatory Commission.
Dealing Day	either generally or in respect of a particular Class or Classes of Units of a Sub-Fund, each Business Day or such other day or days as the Manager may with the Trustee's approval from time to time determine with respect to that Class of Units and as specified in the Appendix in relation to the relevant Sub-Fund of this Explanatory Memorandum.
Dealing Deadline	in relation to any particular Dealing Day, such time or times as the Manager may, with the Trustee's prior approval, from time to time determine generally or in relation to any particular class or classes of Units of a Sub-Fund and as specified in the Appendix in relation to the relevant Sub-Fund of this Explanatory Memorandum.
Distribution Account	in respect of each Sub-Fund, the bank account or accounts (if any) opened by the Trustee for the purposes of making distributions to Unitholders.
Distribution Date	the final Distribution Date and any interim Distribution Date.
Explanatory Memorandum	this offering document or documents issued by the Manager in relation to the Trust and/or any Sub-Fund in connection with the continuous offering of Units, as amended, supplemented and updated from time to time.
Extraordinary Resolution	(a) a resolution proposed as such at a duly convened meeting of Unitholders convened and held in accordance with the Trust Deed and passed as such at such meeting by a majority consisting of 75% or more of the total number of votes of those present and entitled to vote in person or by proxy cast for and against such resolution; or (b) a resolution in writing passed in accordance with the Trust Deed.
FDI	financial derivative instruments.
FFI	foreign financial institutions.
Fund Asset	all the assets (including any cash or other property received by or on behalf of the Trustee) from time to time held or deemed to be held upon the trusts for the Unitholders in the relevant Sub-Fund, but excluding any amount from time to time

	standing to the credit of the Distribution Account.
Government and other Public Securities	has the meaning as set out in the Code.
HK$ or HKD	the lawful currency of Hong Kong.
Hong Kong	Hong Kong Special Administrative Region of the People's Republic of China.
IFRS	International Financial Reporting Standards that are developed and published from time to time by the International Accounting Standards Board.
Initial Issue Date	in respect of each Sub-Fund or class, the date of the first issue of Units relating to the Sub-Fund or class, as detailed in the Appendix in relation to the relevant Sub-Fund.
Initial Issue Price	in relation to the initial offer of Units in a Sub-Fund or Class, the amount per Unit as determined by the Manager and for the first issue of such Units, and as detailed in the Appendix in relation to the relevant Sub-Fund.
Initial Offer Period	the period set out in the Appendix in relation to any Sub-Fund or class as the period during which the Units are initially on offer, or such other period as the Manager and the Trustee may determine in respect of the initial offer of the Units in that Sub-Fund or Class commencing and ending on such dates as the Manager and the Trustee may determine.
Investment	Securities and, as the case may be, any other investments for each Sub-Fund as permitted under the Trust Deed.
Issue Price	in respect of an application for Units in a Sub-Fund or Class, the Issue Price Per Unit multiplied by the number of Units to be created under the application and adjusted in accordance with the Trust Deed.
Issue Price Per Unit	in respect of each Sub-Fund or Class, the price per Unit (other than the Initial Issue Price) at which Units are from time to time issued or to be issued and which shall be the price per Unit ascertained in accordance with the section "**Valuation**".
Manager	China Post & Capital Global Asset Management Limited and/or such other person as may be appointed, with the prior approval of the SFC, to provide management services in respect of the Trust and any Sub-Fund.
Management Fee	the fees payable out of the Sub-Funds to the Manager and as set out in the section "**Fees and Expenses**" and the Appendix in relation to the relevant Sub-Fund in this Explanatory Memorandum.
MOF	the Ministry of Finance of the PRC.
Net Asset Value	in relation to any Sub-Fund, the net asset value of that Sub-Fund or, as the context may require, in relation to any Units or Class of Units, the net asset value of a Unit or Unit of a particular class, calculated pursuant to the Trust Deed.

Operational Fees	the costs, charges, fees and expenses incurred in the operation of the relevant Sub-Fund, as set out in the section "**Fees and Expenses**" of this Explanatory Memorandum.
Preliminary Charge	the preliminary charge (or an amount equivalent thereto) that may be payable to or retained by the Manager on the issue of each Unit as the Manager may at its absolute discretion determine, and set out in the Appendix in relation to the relevant Sub-Fund.
PRC	People's Republic of China, excluding Hong Kong and Macau Special Administrative Region and Taiwan.
Professional Investor	has the meaning of Professional Investor under section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance.
QFII	Qualified Foreign Institutional Investor
Qualified Holder	any person, corporation or entity other than: (a) any individual under the age of 18 (or such other age as the Manager may think fit); (b) any US Person; (c) any person or persons in circumstances (whether directly or indirectly affecting such person or persons and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager to be relevant) which, in the reasonable opinion of the Manager, might result in the Manager, the Trustee, the Unitholders, the relevant class, the relevant Sub-Fund or the Trust incurring any liability to taxation or suffering any other potential or actual pecuniary disadvantage or would subject the Manager, the Trustee, the Unitholders, the relevant class, the relevant Sub-Fund or the Trust to any additional regulation to which the Manager, the Trustee, the Unitholders, the relevant class, the relevant Sub-Fund or the Trust might not otherwise have incurred or suffered or been subject; or (d) any person who, by holding or owning the Units, would be in breach of the law or requirements of any country or governmental authority or any stock exchange on which the Units are listed.
Recognised Exchange	a stock exchange, over-the-counter market or other organised securities market that is open to the international public and on which Securities are regularly traded.
Redemption Charge	the charge retained for the benefit of the Manager in respect of each Unit to be redeemed as the Manager may at its absolute discretion determine, and set out in Appendix in relation to the relevant Sub-Fund.
Recognised Commodities Market	any Commodities Market of repute in any country in the world which has for the time been approved by the Manager;

Redemption Price	in respect of each Sub-Fund or class, the Redemption Price Per Unit multiplied by the number of Units to be redeemed and adjusted in accordance with the section headed "**Valuation**".
Redemption Price Per Unit	in respect of each Sub-Fund or class, the value per Unit at which Units are from time to time redeemed or to be redeemed and which shall be the value per Unit ascertained in accordance with the section headed "**Valuation**".
Register	the register or registers of Unitholders of Units in a Sub-Fund or class.
Registrar	BOCI-Prudential Trustee Limited, or the person appointed as registrar to keep the Register (and in default of any such appointment shall mean the Trustee) and to receive applications for subscription and requests for the redemption of Units. References to Registrar shall include any registrar's agent from time to time appointed by the Registrar with the Manager's prior approval.
RMB	the lawful currency of the PRC.
SAT	the State Administration of Taxation of the PRC.
Securities	has the meaning under the Securities and Futures Ordinance.
Securities and Futures Ordinance	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) as the same may from time to time be amended, replaced or re-enacted.
SFC	the Securities and Futures Commission of Hong Kong.
Sub-Fund	any sub-fund established by the Trustee and the Manager in accordance with the Trust Deed, each Sub-Fund being a segregated pool of assets and liabilities and designated by the Manager as being attributable exclusively to the Unitholders of a particular class or classes of Units and "**relevant Sub-Fund**" means the Sub-Fund as is relevant in the context in which it is referred to in this Explanatory Memorandum.
Trust	the umbrella unit trust scheme constituted by the Trust Deed and called China Post Global Funds, or such other name as the Trustee and the Manager may from time to time determine.
Trust Deed	the trust deed constituting China Post Global Funds dated 1 December 2016, between the Manager and the Trustee, as supplemented or amended and reinstated from time to time.
Trustee	BOCI-Prudential Trustee Limited, or any other person or persons for the time being duly appointed to act as the trustee or trustees of the Trust in its succession.
Trustee Fee	any sum to which the Trustee may become entitled to pursuant to the Trust Deed.
Unit	one undivided share in a Sub-Fund or a class.
Unitholder	a person for the time being entered on the Register as the holder of a Unit including (where the context so admits) persons jointly so registered.

Unquoted Investments	any Investment (other than a unit or other interest in a collective investment scheme, or a Commodity) which is not quoted.
US	the United States of America.
US Person	(i) a U.S. person within the meaning of Rule 902 promulgated under the 1933 Act; (ii) a U.S. resident within the meaning of the United States Investment Company Act of 1940; or (iii) any person that would not qualify as a Non-United States person within the meaning of United States Commodity Futures Trading Commission Rule 4.7(a)(1)(iv).
US$ or USD	the lawful currency of the US.
Valuation Day	in respect of any Sub-Fund or class, will be the relevant Dealing Day.
Valuation Point	in respect of any Sub-Fund or class, such time or times on the day as specified in the Appendix for the relevant Sub-Fund, and/or as the Manager may determine, as at which the Net Asset Value of that Sub-Fund and Net Asset Value per Unit of a Sub-Fund (or class) are calculated in respect of any Dealing Day and, unless otherwise determined, shall mean the close of business in the last relevant market to close on each Dealing Day for the relevant Sub-Fund and **"relevant Valuation Point"** means the Valuation Point as at the relevant date for calculation of the Net Asset Value of each relevant Sub-Fund or class.
Value	in relation to any asset or liability means the value thereof determined in accordance with the section "**Valuation**".
Valuer	has the meaning under the section "**Valuation**".

DIRECTORY

Manager

China Post & Capital Global Asset Management Limited
Suite 1901, The Centrium
60 Wyndham Street
Central, Hong Kong

Directors of the Manager

Chris W. Satterfield
Neil P. Ramsey
Cai Shuang
Cao Jun
Kong Jun

Advisor of Japan Small Cap Equity Fund

Mitsubishi UFJ Trust and Banking Corporation
4-5 Marunouchi 1-chome
Chiyoda-ku
Tokyo,100-8212
Japan

Advisor of China Post Global Fixed Income Fund

China Post & Capital Fund Management Co., Limited
B16 Hepingli Middle Street
Dongcheng District
Beijing, 100013
China

Directors of the Advisor of China Post Global Fixed Income Fund

Cao Jun
Ma Min
Wang Hongliang
Zhang Zhiming
Li Tie
Li Yan
Sun Zhenhua
Kong Jun
Murata Takuya

Trustee and Registrar

BOCI-Prudential Trustee Limited
12/F & 25/F, Citicorp Centre
18 Whitfield Road
Causeway Bay, Hong Kong

Custodian

Bank of China (Hong Kong) Limited
14/F Bank of China Tower
1 Garden Road
Central, Hong Kong

Auditor

PricewaterhouseCoopers
Level 22, Prince’s Building
10 Chater Road
Central, Hong Kong

Legal Adviser as to matters of Hong Kong Law

King & Wood Mallesons
Level 13, Gloucester Tower
The Landmark
15 Queen’s Road Central
Central, Hong Kong

THE TRUST

Umbrella Trust

China Post Global Funds is an umbrella trust established under Hong Kong law by a trust deed dated 1 December 2016, as amended by supplemental deeds dated 7 December 2017 and 14 November 2018. The Trustee and the Manager may create different Sub-Funds representing separate portfolios of assets. The Fund Assets of each Sub-Fund will be invested in accordance with the investment objective and policies applicable to such Sub-Fund. It is intended that each Sub-Fund will have segregated liability from the other Sub-Funds. Investors should, however, note the risk factor "*Umbrella Structure of the Trust and Segregated Liability between Sub-Funds*" under the "**Risk Factors**" section of this Explanatory Memorandum. The Trustee and the Manager may issue different classes of Units in a Sub-Fund at any time in the future.

The Trustee and the Manager are required to establish a separate Sub-Fund, with separate pools of assets and liabilities, and designated by the Manager as being attributable exclusively to the Unitholders of a particular class of Units in the following manner:

(a) The Trustee will keep separate records and accounts for each Sub-Fund in the Base Currency of the relevant Sub-Fund. The proceeds from the issue of Units will be applied in the records and accounts of the Trustee to the Sub-Fund to which those Units relate, and the assets and liabilities and income and expenditure attributable thereto will be applied to such Sub-Fund.

(b) The Fund Assets of each Sub-Fund shall belong exclusively to that Sub-Fund, and shall not be commingled with (i) the Fund Assets of another Sub-Fund; (ii) the property of the Manager, investment delegates and their respective Connected Persons; (iii) the property of the Trustee and any nominees, agents or delegates throughout the custody chain; or (iv) the property of any other clients of the Trustee and any nominees, agents or delegates throughout the custody chain, and shall not be used to discharge directly or indirectly the liabilities of or claims against or amount payable out of any other Sub-Fund and shall not be available for such purpose.

(c) In respect of any asset derived from another asset, such derivative asset shall be applied in the records and accounts of the Trustee to the same Sub-Fund as the Fund Assets from which it was derived and on each re-valuation of an Investment or other property the increase or diminution in value of such an asset will be applied to the relevant Sub-Fund.

(d) In the case of any Fund Asset that the Manager does not consider as readily attributable to a particular Sub-Fund or Sub-Funds, the Manager may determine the basis upon which any such Fund Asset will be allocated between Sub-Funds, and the Manager may at any time vary such basis, provided that the Manager may at its discretion consult with the Auditor at such times when the Manager considers it necessary to do so.

(e) Any liability that is not considered by the Manager as attributable to a particular Sub-Fund or Sub-Funds, the Manager may determine the basis upon which any liability will be allocated between Sub-Funds and the Manager may at any time vary such basis, provided that the Manager may at its discretion consult with the Auditor at such times when the Manager considers it necessary to do so.

The Manager may, upon prior authorisation of the SFC, from time to time issue Units in relation to the creation of new Sub-Funds.

Further information

Further general information concerning the Trust, Unitholder meetings and voting rights, provisions relating to the winding up of the Trust or any Sub-Fund and other matters are contained in the section "**General Information**".

The Manager

The Manager of the Trust and the Sub-Funds is China Post & Capital Global Asset Management Limited. The Manager was incorporated in Hong Kong in September 2015 and is jointly owned by China Post & Capital Fund Management Co., Ltd, RQSI Limited, China Post Management Inc. and Beijing Zhixin Investment Center (LLP).

Except to the extent of any fraud, negligence or wilful default on its own part or that of its nominees or agents, the Manager (and its directors, officers, employees, agents and delegates) shall not be in any way responsible for any loss, costs, damages or inconvenience that may result from the acts or omissions of the Manager (and its directors, officers, employees, agents and delegates) except to the extent provided under the Trust Deed, the Code or applicable law.

The Manager (and its directors, officers, employees, agents and delegates) shall, except to the extent of any fraud, negligence or wilful default on its (or their) part, be indemnified and held harmless out of the Fund Assets of the relevant Sub-Fund(s) in respect of (in addition to any right of indemnity given by law) any action, costs, claims, expenses, damages or liabilities to which it (or they) may be put or which it (or they) may incur as a result of the Manager acting as manager of the Trust and/or the relevant Sub-Fund(s), managing and administering the trusts or in the exercise of any powers, authorities or discretions vested in the Manager under the Trust Deed, and the Manager shall for such purpose have recourse to the Fund Assets of the relevant Sub-Fund(s).

Notwithstanding anything to the contrary as set out in the Trust Deed, the Manager may not be exempted from any liability to the Unitholders imposed under the laws of Hong Kong or breaches of trust through fraud or negligence, nor may it be indemnified against any such liability by Unitholders or at the Unitholders' expense.

Regulatory Status

The Manager (CE Reference: BGP596) is currently licensed with the SFC to conduct Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities in Hong Kong. In connection with its asset management business, the Manager shall not hold client assets (the terms "hold" and "client assets" are as defined in the SFO).

The Advisor(s)

With respect to Japan Small Cap Equity Fund

The Manager of the Trust and the Sub-Funds has appointed Mitsubishi UFJ Trust and Banking Corporation to act as the Advisor to provide certain investment advisory services in respect of Japan Small Cap Equity Fund. The Advisor will not be delegated with investment management decisions of Japan Small Cap Equity Fund.

Subject to applicable laws and except to the extent of any fraud, negligence or wilful default on its own part or that of its affiliates or each of their directors, officers or employees, the Advisor shall not be liable to the Manager for any loss of the Manager caused directly or indirectly by any act or omission by the Advisor or its affiliate or each of their directors, officers and employees in the course of or in connection with the services rendered by it or in the course of the discharge by the Advisor of its duties.

Regulatory Status

The Advisor engages in rendering investment advisory services and is a registered investment advisor under authority granted to it by the Financial Services Agency of Japan under the Financial Instruments and Exchange Act (the Act No.25 of 1948) (referring to investment advisory business set forth in Article 33, paragraph 2 of the law).

With respect to China Post Global Fixed Income Fund

The Manager of the Trust and the Sub-Funds has appointed China Post & Capital Fund Management Co., Limited to act as the Advisor to provide certain advisory services in respect of China Post Global Fixed Income Fund. The Advisor will not be delegated with investment management decisions of China Post Global Fixed Income Fund.

Subject to applicable laws and except to the extent of any fraud, negligence or wilful default on its own part or that of its affiliates or each of their directors, officers or employees, the Advisor shall not be liable to the Manager for any loss of the Manager caused directly or indirectly by any act or omission by the Advisor or its affiliate or each of their directors, officers and employees in the course of or in connection with the services rendered by it or in the course of the discharge by the Advisor of its duties.

Regulatory Status

Under the PRC Company Law and PRC Securities Investment Fund Law, the Advisor was granted a business license (No.00177432) by the Beijing Administration for Industry and Commerce on 5 April 2012. Its approved business scope includes fund raising, fund sales, asset management, and any other businesses permitted by the CSRC in the PRC, including investment advisory business.

Trustee and Registrar

The Trustee of the Trust is BOCI-Prudential Trustee Limited, which is a registered trust company in Hong Kong. The Trustee is a joint venture founded by BOC Group Trustee Company Limited and Prudential Corporation Holdings Limited ("**PCHL**"). BOC Group Trustee Company Limited is owned by BOC International Holdings Limited and Bank of China (Hong Kong) Limited, which are subsidiaries of Bank of China Limited. PCHL is wholly owned by Prudential plc which provides a broad range of financial and insurance services as well as engages in fund management business. The principal activity of the Trustee is the provision of trustee services. Under the Trust Deed, the Trustee is responsible for the safekeeping of the documents of title and the assets of the Trust. The Trustee may, however, appoint any person or persons (including any of its Connected Person) to be Custodian of the assets of the Trust or any Sub-Fund or to otherwise act as its nominee or agent. The Trustee may also empower such person to appoint, with the Trustee's written confirmation of no objection, co-custodians, sub-custodians, nominees, agents and/or delegates (each such custodian, nominee, agent, co-custodian, sub-custodian and delegate a "**Correspondent**"). Subject as noted below, the Trustee will remain responsible for the acts or omissions of any Correspondent which is a Connected Person of the Trustee as if such acts or omissions were those of the Trustee.

The Trustee is required to exercise reasonable care, skill and diligence in the selection, appointment and on-going monitoring of any Correspondent which is appointed for the custody and/or safekeeping of the Fund's Assets during the term of their appointment, and must be satisfied that the Correspondents remain suitably qualified and competent on an ongoing basis to provide the relevant services.

Subject to the provisions of the Trust Deed, the Trustee shall not be liable for:

(a) any act, omission, insolvency, liquidation or bankruptcy of Euroclear Bank S.A./N.V., Clearstream Banking, S.A. or any other such central depositary or clearing and settlement system in relation to any investment deposited with such central depositary or clearing and settlement system; or

(b) any losses caused by the performance of investments made by the Trust or the Sub-Fund(s).

Subject to the provisions of the Trust Deed, the Trustee is entitled to be indemnified from the assets of the Trust and/or each Sub-Fund from and against any and all actions, costs, claims, damages, expenses or demands (other than those imposed under Hong Kong law or resulting from breaches of trust through fraud, wilful default or negligence on the part of the Trustee or any of its officers, employees, agents or delegates for which the Trustee would be liable under the Trust Deed), which may be incurred by or asserted against the Trustee in performing its obligations or duties in connection with the Trust or a Sub-Fund.

Subject to applicable law and the provisions of the Trust Deed, the Trustee shall not, in the absence of fraud, negligence or wilful default by it or any agent, sub-custodian or delegate appointed by the Trustee, be liable for any losses, costs or damage to the Trust, the Sub-Fund(s) or any Unitholder.

Subject to the Trustee's proper discharge of the requirements as set out above in relation to the selection, appointment and on-going monitoring of any Correspondent and its satisfaction that the Correspondents remain suitably qualified and competent on an ongoing basis to provide the relevant services, the Trustee shall not be liable for the insolvency, liquidation bankruptcy, act or omission of any Correspondent which is not a Connected Person of the Trustee. Except to the extent of any fraud, negligence or wilful default on its own part or that of its Correspondents where the Trustee would be liable pursuant to the provisions of the Trust Deed, any liability of the Trustee (and its officers, employees, agents and delegates) arising under or in connection with the Trust Deed, whether in contract, in tort, by law or otherwise, is limited to the amount for which the Trustee has a right of recovery against or any indemnity from the Trust or the relevant Sub-Fund (i.e. the relevant Fund Assets).

The Trustee will also act as the Registrar of the Trust. The Registrar will be responsible, inter alia, for maintaining the Register and processing subscriptions, redemptions, conversions and transfers of Units in accordance with the Trust Deed and this Explanatory Memorandum.

Notwithstanding anything to the contrary as set out in the Trust Deed, the Trustee may not be exempted from any liability to the Unitholders imposed under the laws of Hong Kong or breaches of trust through fraud or negligence, nor may it be indemnified against any such liability by Unitholders or at the Unitholders' expense.

The Trustee will be entitled to a Trustee Fee and other service fees agreed by the Manager.

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

Custodian

The Manager has appointed Bank of China (Hong Kong) Limited to act as the custodian of the Trust and Sub-Funds.

The Custodian was incorporated in Hong Kong on 16 October 1964. As a locally incorporated licensed bank, it has been re-structured since 1 October 2001 to its present form by combining the businesses of ten of the twelve banks in Hong Kong originally belonging to the Bank of China Group. In addition, it holds shares in BOC Credit Card (International) Limited and a number of subsidiaries in specialized business areas.

BOC Hong Kong (Holdings) Limited was incorporated in Hong Kong on 12 September 2001 to hold the entire equity interest in the Custodian, its principal operating subsidiary. After a successful global initial public offering, BOC Hong Kong (Holdings) Limited began trading on the Main Board of The Stock Exchange of Hong Kong Limited on 25 July 2002 with stock code "2388" and became a Hang Seng Index constituent stock on 2 December 2002.

With an extensive branch network and servicing more than 600,000 corporates and several million retail customers, the Custodian is the second largest banking group in Hong Kong. It offers a full range of banking services, including global custody and fund-related services for institutional clients. It is also present in most of the ASEAN countries to better service the local and international communities.

Pursuant to the Custodian Agreement, the Custodian will act as the custodian of the Trust and Sub-Funds' assets, which will be held directly by the Custodian or through its agents, sub-custodians, nominees or delegates pursuant to the Custodian Agreement. The Custodian shall (i) exercise reasonable care and diligence in the selection, appointment and ongoing monitoring of such agents, nominees or sub-custodians; (ii) be satisfied that such agents, nominees or sub-custodians remain suitably qualified and competent to provide the relevant services; and (iii) remain liable for their acts, omissions, negligence or wilful default in relation to assets forming part of the property of the Fund.

Auditor

The Manager has appointed PricewaterhouseCoopers to act as the auditor of the Trust and Sub-Funds. All accounts of the Trust and Sub-Funds including the annual report thereof shall be audited by the Auditor and shall be accompanied by a certificate of the Auditor. The Auditor shall further be required to report whether the accounts have been properly prepared in accordance with the provisions of the Trust Deed, the Code and IFRS.

Conflicts of Interest

The Manager, the Trustee and the Registrar may from time to time act as manager, registrar, administrator, trustee, custodian, receiving agent, advisor or distributor in relation to serving as directors, officers, advisers or agents or be otherwise involved in, other Sub-Funds or collective investment schemes that have similar investment objectives to those of any Sub-Fund. It is therefore possible that any of them may, in the due course of their business, have potential conflicts of interests with the Trust or any Sub-Fund. Each will, at all times, have regard in such event to its obligations under the Trust Deed and/or any agreements to which it is a party or by which it is bound in relation to the Trust or any Sub-Fund and, in particular, but without limitation, to its obligations to act in the best interests of the Unitholders when undertaking any investments where conflicts of interest may arise and will endeavour to ensure that such conflicts are resolved fairly.

The Manager has in place internal control procedures (e.g. in relation to staff dealing and consent procedures) to ensure that, in the event of conflicts of interests, all transactions shall be treated fairly. Dedicated personnel are put in place to monitor the internal systems and controls, and to ensure that any potential conflicts of interests are, to the extent possible, promptly identified and handled in accordance with the established policies.

Connected Party Transactions

The Trustee and the Manager will take all reasonable care to ensure that all transactions carried out by or on behalf of the Trust or any Sub-Fund are conducted at arm's length and are in the best interests of the Unitholders.

Any transactions with Connected Persons will be carried out in accordance with the provisions of the Code, any other applicable laws and any conditions imposed by the SFC and other competent governmental authority from time to time.

The Manager, the investment delegate (if any) and their Connected Persons must not, without the written approval of the Trustee, as principal sell, or deal in the sale of, investments for the account of a Sub-Fund or otherwise deal as principal for the account of a Sub-Fund, including any purchase for the account of a Sub-Fund of any unit or other interest in a collective investment scheme managed by the Manager, the investment delegate (if any) or any of their Connected Persons. The Trustee may give such approval on the condition that the Manager, the investment delegate (if any) or their Connected Persons (as the case may be) will ensure that such transactions:

(a) are or will be transacted at arm's length;

(b) are in the best interests of the Unitholders; and

(c) are or will be executed on the best available terms.

A report of such transactions entered into during a reporting period shall be provided in the annual and semi-annual reports, and will list all such transactions, by type, name of the related party and, where relevant, fees paid to that party in connection with the transaction.

The Trustee shall not as principal for its own account sell or deal in the sale of Investments to the Trustee for the account of the Trust or any Sub-Fund or otherwise deal as principal with the Trust or any Sub-Fund, provided that the Trustee shall be permitted to sell or deal in the sale of Investments and otherwise deal with the Trust or any Sub-Fund where it acts at all times in its capacity as a trustee and not in its capacity as a principal. The Connected Persons of the Trustee must not, without the written approval of the Trustee, as principal sell, or deal in the sale of, Investments for the account of the Trust or the relevant Sub-Fund or otherwise deal as principal for the account of the Trust or the relevant Sub-Fund, and if the Trustee shall give its approval, any such selling or dealing shall be transacted at arm's length, in the best interests of the Unitholders and otherwise in accordance with the Trust Deed. If any Connected Person of the Trustee shall so sell or deal, such Connected Person may retain for its own absolute use and benefit any profit which it may derive therefrom or in connection therewith, provided that such transactions are entered into on an arm’s length basis and at the best price available to the Trust and the relevant Sub-Fund.

The Manager shall select brokers and dealers through whom transactions for the account of the Sub-Funds are to be executed. The Manager will use due care in the selection of brokers or dealers to ensure that the selected brokers will provide best execution to the relevant Sub-Fund. In determining what constitutes best execution, the Manager will consider the overall economic result of the relevant Sub-Fund (price of commission plus other costs), the efficiency of the transaction, the broker’s ability to effect the transaction if a large block is involved, the availability of the broker for difficult transactions in the future, other services provided by the broker such as research and the provision of statistical and other information, and the financial strength and stability of the broker.

Where any cash forming part of the Fund Assets is transferred to a deposit account with the Trustee, the Custodian, the Manager, the investment delegate (if any) or with any of their Connected Persons (being an institution licensed to accept deposits), such cash deposit shall be maintained in a manner that is in the best interest of the Unitholders, having regard to the prevailing commercial rate for deposits of a similar type, size and term, in the same currency and with institutions of a similar standing negotiated at arm's length in accordance with ordinary and normal course of business. Subject thereto, the Trustee, the Custodian, the Manager, the investment delegate (if any) or their Connected Persons shall be entitled to retain for its or their own use and benefit any benefit which it or they may derive from any cash for the time being in its or their hands (whether on current or deposit account) as part of a Sub-Fund or of a Distribution Account (as the case may be).

Cash Rebates and Commission

In transacting with brokers or dealers connected to the Manager, the investment delegate (if any), the Trustee, or any of their Connected Persons, the Manager must ensure that it complies with the following obligations:

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

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

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

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

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

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

None of the Manager, the investment delegate (if any) or any of their Connected Persons may retain cash or other rebates from a broker or dealer in consideration of directing transactions for the account of a Sub-Fund to the broker or dealer and none of the Manager, the investment delegate (if any) or any of their Connected Persons intends to have in place any soft dollar arrangements to receive goods and services from a broker or dealer, save that goods and services (soft dollar) pursuant to the requirements of the Code may be retained if: (i) such goods or services are of demonstrable benefit to the Unitholders (including research and advisory services; economic and political analysis; portfolio analysis including valuation and performance measurement; market analysis, data and quotation services; computer hardware and software incidental to the above goods and services; clearing and custodian services and investment-related publications); (ii) such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments; (iii) the transaction execution is consistent with best execution standards and brokerage rates are not in excess of customary institutional full-service brokerage rates; (iv) adequate prior disclosure is made in the offering documents; (v) periodic disclosure is made in the annual report in the form of a statement describing the soft dollar policies and practices of the Manager or the investment delegate (if any), including a description of the goods and services received by them; and (vi) the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transactions with such broker or dealer.

Any such cash commission or rebates received from any such brokers or dealers shall be for the account of the relevant Sub-Fund. Details of any such commissions will be disclosed periodically in the annual and semi-annual report and accounts of the Trust and/or the relevant Sub-Fund.

THE SUB-FUNDS

General

China Post Global Funds has been established as an umbrella trust with segregated liability between Sub-Funds. Different Sub-Funds may be established from time to time by the Trustee and the Manager with the prior approval of the SFC. On the introduction of any new Sub-Fund or class of Units, either a revised explanatory memorandum or a supplemental explanatory memorandum will be prepared, setting out the details. The Sub-Funds are operated separately and the Fund Assets of each Sub-Fund are managed in accordance with the investment objective and policy applicable to that Sub-Fund.

The following Sub-Funds have been established and are available for investment:

- Japan Small Cap Equity Fund
- China Post Global Fixed Income Fund

Each Sub-Fund will have the following Classes:

Japan Small Cap Equity Fund

- Class A (USD-hedged)
- Class A (USD)
- Class A (HKD)
- Class A (RMB)
- Class A (JPY)
- Class I (USD-hedged)
- Class I (USD)
- Class I (HKD)
- Class I (RMB)
- Class I (JPY)

China Post Global Fixed Income Fund

- Class A (USD)
- Class A (HKD)
- Class A (RMB)
- Class I (USD)
- Class I (HKD)
- Class I (RMB)

Details of each Sub-Fund are set out in the Appendix.

Investment Objectives and Strategies of the Sub-Funds

The specific investment objective and strategies of each Sub-Fund are set out in the Appendix in relation to the relevant Sub-Fund.

The Fund Assets of each Sub-Fund will be invested with the aim of achieving the investment objective and in accordance with the policies of that Sub-Fund. Investments of each Sub-Fund must also comply with the investment and borrowing powers and restrictions set out in the Code, the Trust Deed and this Explanatory Memorandum.

Investment Restrictions

The Trust is subject to certain investment restrictions set out under the Code and Trust Deed, as amended from time to time. No holding of any Securities may be acquired or added for each Sub-Fund which would result in:

(a) the aggregate value of the Sub-Fund's investments in, or exposure to, any single entity through the following, to exceed 10% of the latest available Net Asset Value of the Sub-Fund: (i) investments in Securities issued by such entity; (ii) exposure to such entity through underlying assets of FDIs; and (iii) net counterparty exposure to such entity arising from transactions of the over-the-counter FDIs;

(b) subject to paragraph (a) above, and Chapter 7.28(c) of the Code, the aggregate value of the Sub-Fund's investment in, or exposure to, entities within the same group through the following, to exceed 20% of the latest available Net Asset Value of the Sub-Fund: (i) investments in Securities issued by any such entity; (ii) exposure to any such entity through underlying assets of FDIs; and (iii) net counterparty exposure to any such entity arising from transactions of over-the-counter FDIs;

(c) the value of a Sub-Fund's cash deposits made with the same entity (or entities within the same group) to exceed 20% of the Net Asset Value of the Sub-Fund, unless: (i) the cash is held before the launch of the relevant Sub-Fund and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested; or (ii) the cash proceeds from liquidation of investments prior to the merger or termination of a Sub-Fund, whereby the placing of cash deposits with various financial institutions would not be in the best interest of investors; or (iii) the cash proceeds received from subscriptions pending investments and held for the settlement of redemption and other payment obligations, whereby the placing of cash deposits with various financial institutions is unduly burdensome and the cash deposits arrangement would not compromise investors' interests;

(d) the Sub-Funds collectively holding more than 10% of any ordinary shares issued by any single entity;

(e) more than 15% of the latest available Net Asset Value of any Sub-Fund being invested in Securities and other financial products or instruments which are not listed, quoted or dealt in on a Recognised Exchange;

(f) notwithstanding paragraphs (a), (b) and (d) above, more than 30% of the latest available Net Asset Value of any Sub-Fund being invested in Government and other Public Securities of the same issue, save that the relevant Sub-Fund may invest all of its assets in Government and other Public Securities in at least six different issues;

(g) investment in physical commodities unless otherwise approved by the SFC on a case-by-case basis taking into account the liquidity of the relevant physical commodities and availability of sufficient and appropriate additional safeguards where necessary;

(h) more than 10% of the latest available Net Asset Value of any Sub-Fund's investment in any units or shares in other collective investment schemes which are non-eligible schemes (as designated by the SFC) and not authorised by the SFC; and

(i) more than 30% of the latest available Net Asset Value of any Sub-Fund's investment in units or shares in one or more collective investment schemes which are either authorised by the SFC or eligible schemes (as designated by the SFC), provided always that such limit may be exceeded if (x) such collective investment scheme is authorised by the SFC and (y) the name and key investment information of such collective investment scheme are disclosed in this Explanatory Memorandum.

In addition, the Trust is subject to the following investment restrictions, which prohibits the Manager, for the account of any Sub-Fund, from:

(j) investment in a collective investment scheme, the objective of which is to invest primarily in any investments prohibited under Chapter 7 of the Code, and where such collective investment scheme's objective is to invest primarily in investments restricted by chapter 7 of the Code, such investments may not be in contravention of the relevant limitations;

(k) investment in a collective investment scheme managed by the Manager or its Connected Persons unless all initial charges and redemption charges on such collective investment scheme are waived;

(l) investment in a collective investment scheme unless the Manager or any other person acting on behalf of the collective investment scheme or the Manager does not retain any rebate on any fees or charges levied by the collective investment scheme or the management company, of such collective investment scheme or any quantifiable monetary benefits in connection with investments;

(m) investment in any type of real estate (including buildings) or interests in real estate (including options or rights, but excluding shares in real estate companies and interests in real estate investment trusts);

(n) making short sales unless (i) the Sub-Fund's liability to deliver securities does not exceed 10% of its latest available Net Asset Value; and (ii) the security which is to be sold short is actively traded on a market where short selling activity is permitted;

(o) subject to paragraph (e) above, lending, assuming, guaranteeing, endorsing or otherwise becoming directly or contingently liable for or in connection with any obligation or indebtedness of any person;

(p) acquisition of any asset or engagement in any transaction which may involve any Sub-Fund in any unlimited liability;

(q) causing the Unitholders to incur liability in relation to a Sub-Fund beyond their investments in such Sub-Fund;

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

(s) acquisition of any security where a call is to be made for any sum unpaid on that security unless that call can be met in full out of cash or near cash by the Fund Assets, whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transactions in FDIs for the purposes of Chapters 7.29 and 7.30 of the Code.

If any of the investment restrictions and limitations under this section of the Explanatory Memorandum are breached, the Manager will take as a priority objective all steps as are necessary within a reasonable period of time to remedy the situation, taking due account of the interests of the Unitholders.

Borrowing Restrictions

The Trustee may, at any time at the written request of the Manager, borrow money for the account of any Sub-Fund, subject to the following limitations:

(a) the principal amount for the time being of all borrowings for the account of any Sub-Fund shall not exceed an amount equal to 10% of the value of the Net Asset Value of the relevant Sub-Fund ; and

(b) each borrowing may be related to any one or more of the following:

    (i) to pay the redemption proceeds on a redemption of Units;

    (ii) to settle the purchase or sale of any Investments in order to facilitate a rebalance of the portfolio of the Fund Assets;

(iii) to meet the fees, expenses and liabilities of the Trust or the relevant Sub-Fund (excluding the Manager's Fee or fees payable to the Trustee);

(iv) to pay distributions of income; or

(v) for any other proper purpose as may be agreed by the Manager and the Trustee from time to time.

If at any time the aggregate principal amount of all outstanding borrowings under the Trust Deed in respect of a Sub-Fund shall exceed an amount equal to 10% of the value of the Net Asset Value of the relevant Sub-Fund calculated on the then most recent Dealing Day, the Manager shall take as a priority objective all steps as are necessary within a reasonable period of time to remedy the situation, taking into account the interests of Unitholders.

Financial Derivative Instruments

Subject to any provisions herein and the Code, a Sub-Fund may acquire FDIs for hedging purposes and non-hedging purposes ("**investment purposes**") subject to the limit that the relevant Sub-Fund's net exposure relating to such FDIs ("**net derivative exposure**") for non-hedging purposes does not exceed 50% of its total Net Asset Value, provided that the exposure to the underlying assets of the FDIs, together with the other Investments of the scheme, may not in aggregate exceed the corresponding investment restrictions or limitations applicable to such underlying assets and Investments as set out in under paragraphs (a), (b), (c), (f), (h), (i), (j), (k), (l) and (m) under the section headed "**Investment Restrictions**" above.

In addition, investment by the relevant Sub-Fund in FDIs should be either listed or quoted on a stock exchange or dealt in over-the-counter market, and comply with the following requirements:

(a) the underlying assets of the FDIs invested in by the relevant Sub-Fund consist solely of shares in companies, debt securities, money market instruments, units/shares in collective investment schemes, deposits with substantial financial institutions, Government and other Public Securities, highly-liquid physical commodities (including gold, silver, platinum and crude oil), financial indices, interest rates, foreign exchange rates, currencies, or other asset classes acceptable to the SFC, in which the scheme may invest according to its investment objectives and policies;

(b) the counterparties to transactions of over-the-counter FDIs or their guarantors are substantial financial institutions (as designated by SFC);

(c) subject to paragraphs (a) and (b) above in the section headed "**Investment Restrictions**", the net counterparty exposure to a single entity arising from transactions of over-the-counter FDIs may not exceed 10% of the Net Asset Value of the relevant Sub-Fund; and

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

The portfolio of a Sub-Fund will not be leveraged either through borrowing to purchase Securities or through the acquisition of options, futures or other derivative products without appropriate cash offsets and should at all times be capable of meeting all its payments and delivery obligations incurred under such transactions (whether for hedging or for investment purposes). The Manager shall ensure that, as part of its risk management process, that such transactions in FDIs are adequately covered on an ongoing basis. A transaction in FDIs which gives rise to a future commitment or contingent commitment of a Sub-Fund should be covered in accordance with chapter 7.30 of the Code. Where a financial instrument embeds a FDI, the investment restrictions and limitations under this section headed "**Financial Derivative Instruments**" will also apply to the embedded FDI.

The Sub-Funds currently do not intend to invest in any FDI for investment purposes.

Currency Hedging

A Sub-Fund may enter into transactions for the purposes of hedging the currency exposure of the underlying Securities into the relevant Sub-Fund's Base Currency. If undertaken, the aim of this hedging will be to reduce the relevant Sub-Fund's level of risk or to hedge the currency exposure to the currency of denomination of some or all of the relevant Sub-Fund's underlying Securities. Derivatives such as currency forwards and interest rate futures may be utilised if the relevant Sub-Fund engages in such hedging. The currency exposure of Investments will not be allocated to other Sub-Funds.

ISSUE AND CONVERSION OF UNITS

Initial Subscription

Units in a Sub-Fund will initially be offered at the Initial Issue Price during the Initial Offer Period as set out in the Appendix in relation to the relevant Sub-Fund.

For initial subscription of Units in the Sub-Funds, the minimum subscription amount will be as follows:

Japan Small Cap Equity Fund

	Class A	Class I
USD-hedged	100	100,000
USD	100	100,000
HKD	1,000	1,000,000
RMB	1,000	1,000,000
JPY	10,000	10,000,000

China Post Global Fixed Income Fund

	Class A	Class I
USD	100	100,000
HKD	1,000	1,000,000
RMB	1,000	1,000,000

The Manager may, in its absolute discretion, accept subscriptions of lesser amounts.

Subsequent Subscription

After the Initial Offer Period, Units will be offered on any Dealing Day of such relevant Class at the Issue Price of such relevant Class. The minimum subsequent subscription amount will be as follows:

Japan Small Cap Equity Fund

	Class A	Class I
USD-hedged	50	50,000
USD	50	50,000
HKD	500	500,000
RMB	500	500,000
JPY	5,000	5,000,000

China Post Global Fixed Income Fund

	Class A	Class I
USD	50	50,000
HKD	500	500,000
RMB	500	500,000

The Manager may, in its absolute discretion, accept subsequent subscriptions of lesser amounts.

General

The Manager may charge a preliminary charge in respect of issue of each Unit of up to 5% of the total subscription amount, as the Manager may at its absolute discretion determine. Such preliminary charge may differ between applicants. The Manager may retain the benefit of such preliminary charge or may pay all or part of the preliminary charge (and any other fees received) to intermediaries or such other persons as the Manager may at its absolute discretion determine, subject to all applicable laws and regulations. The Manager also has discretion to waive the preliminary charge in whole or in part in relation to any subscription for Units whether generally or in a particular case.

Fractions of Units rounded down to the nearest 2 decimal places may be issued. Subscription monies representing smaller fractions of a Unit will be retained by the relevant Sub-Fund. Unless the Manager determines otherwise, no Units shall be issued so as to give rise to a holding of less than the minimum number or value of Units of the relevant Class as specified in the Appendix in relation to the relevant Sub-Fund. The Manager reserves the right to reject in whole or in part any application for Units. In the event that an application is rejected, subscription moneys will be returned without interest by cheque through the post or by telegraphic transfer to the bank account from which the moneys originated at the risk and expense of the applicants, or in such other manner determined by the Manager and the Trustee.

Units shall not be issued or sold in the event that determination of the Net Asset Value is suspended under the "**Temporary Suspension of Determination of Net Asset Value**" section of this Explanatory Memorandum.

Subscription Procedure

An applicant must submit an application form in proper form in writing by post, sent by fax or given by such electronic means as agreed by the Manager and the Trustee and accompanied with other information as the Manager and Trustee may from time to time require, to the Registrar and the Manager and such order must be received by the Registrar and accepted by the Manager by the Dealing Deadline for the relevant Sub-Fund. The Manager or the Trustee may, in its absolute discretion, determine whether or not duly signed original applications are also required in respect of applications for subscriptions sent by fax or by electronic means. An application for the subscription of Units, once given, cannot be revoked or withdrawn after the Dealing Deadline without the consent of the Manager.

The application form for subscription may be obtained from the Manager and its authorised distributors. Once completed, the original application form can be submitted to the Registrar, together with the subscription moneys and Preliminary Charge (if any), unless the Manager agrees otherwise.

Subscriptions for the Units must be in the currency denomination of the relevant Class subscribed for, or any other currency acceptable to the Manager, in which case such subscriptions will be converted into the currency of the relevant Class at a rate determined by the Manager. Any currency conversion costs will be deducted from such subscription monies. None of the Manager or the Trustee will be liable to any Unitholder for any loss suffered by such Unitholder arising from the said currency conversion.

Unless agreed by the Manager, payment for Units subscribed during the Initial Offer Period is due immediately upon issue. If payment is not received within 4 Business Days after the Dealing Day where the relevant Units are issued (or such other period as the Manager with the approval of the Trustee may determine), the Manager may cancel such issue and the applicant has no right to claim against the Manager or the Trustee.

All payments should be made by cheque, direct transfer or telegraphic transfer. Applicants may refer to the application form for details on payment instructions. Payment by cheque is likely to cause delay in receipt of cleared funds and Units generally will not be issued until the cheque is cleared. Any costs of transfer of application monies to a Sub-Fund will be payable by the applicant. All application moneys must originate from an account held in the name of the applicant. No third party payments shall be accepted. The applicant is responsible for providing the evidence of its source of application moneys.

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

Conversion

Unitholders are entitled on any Dealing Day, subject to conditions the Manager may impose, to convert all or part of their Units of any Class relating to a Sub-Fund ("**Existing Class**") into Units of any other Class ("**New Class**") of the same Sub-Fund or any other Sub-Fund by giving notice to the Manager prior to the Dealing Deadline applicable to the relevant Sub-Fund whose Units are being converted. Notices for conversion must be received in proper form in writing by post, sent by fax or given by such electronic means as agreed by the Manager and the Trustee and accompanied with other information as the Manager and Trustee may from time to time require, to the Registrar and the Manager. The Manager or the Trustee may, in its absolute discretion, determine whether or not duly signed original notices for conversion are also required in respect of notices sent by fax or by electronic means.

Notices for conversion received prior to the Dealing Deadline for a Dealing Day will be dealt with on that Dealing Day. Notices received after such Dealing Deadline will be dealt with on the next Dealing Day in relation to the relevant Sub-Fund. Notices to convert may not be withdrawn without the consent of the Manager.

Units shall not be converted during any period when the determination of the Net Asset Value of any relevant Sub-Fund is suspended.

The Manager may impose a conversion fee in respect of each Unit of the New Class to be issued upon conversion of up to 5.0% of the total subscription amount of Units in the New Class. Such conversion fee (if any) is described in the Appendix in relation to the relevant Sub-Fund and will be retained by the Manager.

Units of the Existing Class will be converted on any Dealing Day of Units of such class ("relevant Dealing Day") into Units of the New Class in accordance with the following formula:

$$N = \frac{(E \times R \times F - TSF)}{S}$$

where the switching fee is levied pursuant to a percentage of the total amount being switched into.

Where:

N is the number of Units of the New Class to be issued, provided that amounts lower than the smallest fraction of a Unit of the New Class shall be ignored and shall be retained by the relevant Sub-Fund relating to the New Class.

E is the number of Units of the Existing Class to be converted.

F is the currency conversion factor determined by the Manager for the relevant Dealing Day as representing the effective rate of exchange between the Base Currency of Units of the Existing Class and the Base Currency of Units of the New Class.

R is the Redemption Price Per Unit of the Existing Class applicable on the relevant Dealing Day less any Redemption Charge imposed by the Manager.

S is the Issue Price Per Unit of the New Class applicable on the Dealing Day for the New Class coincident with or immediately following the relevant Dealing Day, provided that where the issue of Units of the New Class is subject to the satisfaction of any conditions precedent to such issue, then S shall be the Issue Price Per Unit of the New Class applicable on the first Dealing Day of the New Class falling on or after the satisfaction of such conditions.

TSF is a total conversion charge (if any).

If there is, at any time during the period from the time as at which the Redemption Price Per Unit of the Existing Class is calculated up to the time at which any necessary transfer of funds from the Existing Class to the New Class takes place, a devaluation or depreciation of any currency in which any investment of the Existing Class is denominated or normally traded, the Redemption Price shall be reduced as the Manager considers appropriate to take account of the effect of that devaluation or depreciation. In such event, the number of Units of the New Class to be allotted shall be recalculated in accordance with the above formula as if that reduced Redemption Price had been the Redemption Price ruling for redemption of Units of the Existing Class on the relevant Dealing Day.

Acceptance of Orders

The Manager has an absolute discretion to accept or reject in whole or in part any application that is below the minimum subscription amounts of each Class of the relevant Sub-Fund.

The Manager reserves the right not to accept any applications for subscription of Units until (i) the Registrar receives an application in form and substance satisfactory to, and accompanied by such documents as may be required by, the Trustee and the Manager; and (ii) the Trustee and the Manager receive such other certifications and opinions of counsel as each may in their absolute discretion consider necessary to ensure compliance with applicable securities and other laws. The Manager will notify the applicant if it rejects the applicant's application for subscription of Units.

The Manager reserves the right to limit the issue of Units in any Sub-Fund where the liquidity within the relevant Sub-Fund is deemed to be detrimental to its performance by closing the relevant Sub-Fund to new applications for subscription of Units. An example of the circumstances in which this may occur could be where the Manager determines that it would be prudent to limit the capacity or the size of a Sub-Fund, the investment objective of which is aimed at a particular market or sector.

Timing of Applications

Subscription or conversion applications received before the Dealing Deadline of that Dealing Day will be dealt with on that Dealing Day. Applications submitted after the Dealing Deadline will be dealt with on the next Dealing Day.

The Manager may at its discretion, in exceptional circumstances, permit an applicant to withdraw or amend any application for subscription of Units after it has been submitted, provided that the amended subscription application is accepted before the Dealing Deadline on the Dealing Day to which the application relates.

Documents the applicant will receive

Units will be in registered form and no temporary documents of title will be issued. No individual certificates for Units will be issued. All Units will be registered in the Unitholder's name by the Registrar on the Register, which is the evidence of ownership of Units.

REDEMPTION OF UNITS

Requests for redemption of Units from investors

Any redemption request must be in writing by post, sent by fax or given by such electronic means as agreed by the Manager and the Trustee and accompanied with other information as the Manager and Trustee may from time to time require and be received on or prior to the Dealing Deadline for the relevant Sub-Fund. The Manager or the Trustee may, in its absolute discretion, determine whether or not duly signed original redemption requests are also required in respect of redemption requests sent by fax or by electronic means. A redemption request once given cannot be revoked or withdrawn without the Manager's consent.

The Manager may suspend the right of the Unitholders and/or may delay payment of redemption proceeds if determination of the Net Asset Value of the relevant Sub-Fund relating to such Classes of Units is suspended pursuant to the section "**Suspension of Determination of Net Asset Value".**

Valid instructions to the Registrar and the Manager to redeem Units in a Sub-Fund will be processed at the Redemption Price (less any Redemption Charge) calculated with reference to the next Valuation Point for that Sub-Fund following acceptance of the instruction (the basis of calculation as summarised under the "**Valuation**" section of this Explanatory Memorandum), except in the case where dealing in a Sub-Fund has been suspended as set out under the "**Temporary Suspension of Determination of Net Asset Value**" section of this Explanatory Memorandum. For the avoidance of doubt, all redemption instructions received before a Sub-Fund's Dealing Deadline on a Dealing Day will be processed based on the Redemption Price calculated as at that Dealing Day's Valuation Point.

Subject to the Manager's discretion to accept late redemption requests prior to the Valuation Point relating to the relevant Dealing Day, any requests for redemption received after the Dealing Deadline will be held over until the next Dealing Day and Units will then be redeemed at the Redemption Price applicable on that Dealing Day.

Payment of Redemption Proceeds

Payments to Unitholders will normally be paid by direct transfer, telegraphic transfer or cheque in the currency of the relevant Class of Units (or such other currency as the Unitholder may specify on the Redemption Form as approved by the Manager and the Trustee) to the pre-designated bank account of the Unitholder as applicable (at his/her risk and expense). No third party payments will be permitted. Any cost of currency conversion and bank charges associated with the payment of such redemption proceeds will be borne by the redeeming Unitholder.

Redemption proceeds will normally be paid within a period after the relevant Dealing Day as specified in the Appendix in relation to the relevant Sub-Fund, and in any event no later than 1 calendar month after receipt of the duly completed and signed redemption request and other required documentation unless the market(s) in which a substantial portion of investments is made is subject to legal or regulatory requirements (such as foreign currency controls) rendering the payment of the redemption money within 1 calendar month not practicable.

Subject to the relevant Unitholders' consent, the Manager and the Trustee may pay the redemption proceeds in a currency other than the Base Currency or the currency of the relevant Class of Units. In such circumstances, currency conversion shall be calculated at such rate which the Manager or Trustee deems appropriate. Cost of exchange shall be borne by the Unitholders being paid in such other currency.

Redemption proceeds will not be paid to any redeeming Unitholder until: (a) if so required by the Manager or the Trustee, the written original of the redemption request (in the required form) duly signed by the Unitholder has been received; and (b) where redemption proceeds are to be paid by telegraphic transfer, the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Trustee.

Payment of Redemption Proceeds by Distribution in Specie

Subject to the relevant Unitholder's consent and the approval of the Trustee, the Manager may effect a redemption payment by transferring in specie to such Unitholder Investments (or partly Investments and partly cash) forming part of the relevant Sub-Fund to which the Class of Units to be redeemed relates, instead of cash payment of the Redemption Price. All stamp duty, registration fees and other charges payable in respect of any transfer as a result of distribution in specie shall be payable by the Unitholder. Payment by distribution in specie shall be made in accordance with the Trust Deed.

Fees

The Manager may charge a Redemption Charge in respect of each Unit to be redeemed of such percentage (as the Manager may at its absolute discretion determine) not exceeding 5% of the Redemption Price Per Unit. Please see "**Fees and Expenses**" of this Explanatory Memorandum for further details on Redemption Charge.

Redemption of Units by the Manager

The Manager has the right on any Dealing Day to cancel some or all of the Units of the relevant Class by giving written notice to the Trustee. Such right shall be suspended during any period when the calculation of the Net Asset Value of the relevant Sub-Fund is suspended, or when the amount of Units of the relevant Class that can be redeemed by any Unitholder is limited pursuant to the Trust Deed.

Such notice shall state the number and Class of Units to be cancelled and the amount payable to the Manager in respect thereof. It is the duty of the Manager to ensure that the relevant Sub-Fund has sufficient cash to pay the amount payable to the Manager upon such reduction. In respect of each cancelled Unit, the Manager shall be entitled to receive out of the relevant Sub-Fund the Redemption Price Per Unit of the relevant class as the appropriate Dealing Day on which such cancellation is to be effected.

Any amount payable to the Manager shall be payable as soon as practicable against delivery to the Trustee of particulars of the Units to be cancelled.

Mandatory Redemption and Compulsory Transfer

If any redemption order reduces the holding of such Unitholder to below any minimum holding required in respect of a Sub-Fund (as set out in the Appendix), such order will be treated as an order to redeem all the Units held by that Unitholder.

The Manager or Trustee may give notice to a Unitholder requiring him to transfer Units to a person who would not be in contravention of any such restrictions below, or may give a request in writing for the redemption of such Units in accordance with the Trust Deed, if they become aware that Units of any class are owned directly or beneficially by any person in contravention of any laws or requirements of any country, any governmental authority or any stock exchange on which such Units are listed or in circumstances (whether directly or indirectly affecting such person and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager or the Trustee to be relevant) which in the Manager or Trustee's opinion might result in the relevant Sub-Fund in relation to such Class of Units and/or the Trust (i) incurring any liability to taxation or (ii) suffering any other pecuniary disadvantage which the relevant Sub-Fund and/or the Trust might not otherwise have incurred or suffered.

If a Sub-Fund is terminated pursuant to any of the provisions as specified in "**Termination of the Trust or the Sub-Funds**" in the section "**General Information**" in this Explanatory Memorandum, the Manager may, upon such notice as may be required by law or regulation, cancel all of the issued Units of any Sub-Fund and distribute remaining proceeds from the realisation of the Fund Assets pro rata to the number of Units in issue.

Rejection of Redemption of Units

Under exceptional circumstances, the Manager reserves the right to reject a redemption request, provided that the Manager must act reasonably and in good faith. In rejecting a redemption request, the Manager will take into account the interests of all Unitholders in a Sub-Fund to ensure that the interest of all Unitholders will not be materially adversely affected.

The Manager shall have the right to reject a redemption request under exceptional circumstances, including without limitation the following circumstances where:

(a) the Manager or the Trustee, as the case may be, suspect or are advised that the payment of any redemption proceeds to such Unitholder may result in a breach or violation of any anti-money laundering law by any person in any relevant jurisdiction or other laws or regulations by any person in any relevant jurisdiction;

(b) such refusal is considered necessary or appropriate to ensure the compliance by the Trust, the Manager, the Trustee or other service providers with any such laws or regulations in any relevant jurisdiction; or

(c) there is a delay or failure by the redeeming Unitholder in producing information or documentation required by the Trustee and/or the Manager or their respective duly authorised agent for the purpose of verification of identity.

With a view to protecting the interests of all Unitholders, the Manager may, with the approval of the Trustee, limit the total number of Units of any Sub-Fund being redeemed on any Dealing Day (whether by sale to the Manager or cancellation of Units) to 10% of the total number of Units in issue of such Sub-Fund (disregarding any Units which have been agreed to be issued). Such limitation shall be applied pro rata to all Unitholders of the relevant Sub-Fund who have validly requested redemption to be effected on such Dealing Day so that the proportion redeemed is the same for all such Unitholders. Any Units which are not redeemed by reason of exercise of this power shall be redeemed on the next Dealing Day for the Units of such Sub-Fund, in accordance with the method described above. If redemption requests are carried forward, the Manager will give notice to the affected Unitholders within seven days of such Dealing Day that such Units (i) have not been redeemed and (ii) shall be redeemed on the next Dealing Day for the relevant Sub-Fund. Any part of a redemption request to which effect is not given by reason of exercise of this power will be treated with priority in respect of the next Dealing Day and all following Dealing Days until the original request has been satisfied in full.

Liquidity risk management

Governance

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

The Manager is supported by a risk management function which is functionally independent from the day-to-day investment management function. The Manager's risk management personnel will monitor liquidity on an ongoing basis and utilise liquidity risk management tools where necessary.

Liquidity risk management policy

The Manager's liquidity risk management policy takes into account the investment strategy, liquidity profile, redemption policy, dealing frequency, ability to enforce redemption limitations and the fair valuation policies of the Sub-Funds. In this respect, the Manager will consider the liquidity requirements of the Sub-Funds and perform ongoing liquidity risk assessment through quantitative and qualitative evaluations (eg. considering the Sub-Fund's dealing arrangements, investment strategy, underlying assets' liquidity profile, time to maturity and time of issuance, bid-ask spreads, transaction costs, and historical subscription and redemption patterns).

The Manager will also supplement the available quantitative data with its professional judgment and other qualitative factors such as the overall market conditions, the applicable regulatory requirements, currency denomination, and credit quality.

The liquidity risk management policy includes details on periodic stress testing carried out by the Manager to manage the liquidity risk of a Sub-Fund under normal and exceptional market conditions. The Manager will perform periodic stress testing on an ongoing basis to ensure that the liquidity profile of each Sub-Fund is appropriate to facilitate compliance with each Sub-Fund's obligation to meet redemption requests in an orderly manner. Exceptions on liquidity risk related issues are escalated to the Manager's chief executive officer and compliance officer with appropriate actions properly documented. In the event a position fails to meet the minimum liquidity or in an escalation of exceptions, the Manager shall take measures to remove the underlying asset from the relevant Sub-Fund's portfolio.

The liquidity risk management policy is reviewed periodically from time to time.

These measures seek to ensure fair treatment and transparency for all investors.

Liquidity risk management tools

The Manager may utilise the following liquidity risk management tools to manage liquidity risks:

- implementation of and maintaining appropriate practice to delay and/or limit redemptions to allow them to be proceeded in an orderly manner, such as imposing redemption gates of up to 10% of the total number of Units of the relevant Sub-Fund in issue;

- borrowing for the account of a Sub-Fund an amount not exceeding 10% of the value of the Net Asset Value of the relevant Sub-Fund on any Dealing Day for the purposes of paying redemption proceeds on a redemption of Units; and

- suspension of redemption of Units of any Sub-Fund, after giving prior written notice to the Trustee, during any period in which the determination of the Net Asset Value of the relevant Sub-Fund is suspended.

No liability

In the absence of any fraud or negligence on its/their part, neither the Trustee, the Registrar nor the Manager shall be liable for any loss to any Unitholder caused as a result of the subscription or redemption of Units being suspended pursuant to the Trust Deed; any circumstances beyond the Trustee's, the Registrars' or the Manager's reasonable control or non-receipt of any instruction or for any loss caused in respect of any action taken as a consequence of such instructions believed in good faith to have originated from properly authorised persons.

FAX OR ELECTRONIC INSTRUCTIONS

If applicants or Unitholders wish to give instructions for subscription, redemption or conversion by facsimile or any other electronic means, applicants or Unitholders must first provide to the Registrar an original indemnity relating to fax or transmission via such other electronic means in the application or request.

The Registrar will generally act on faxed or any other electronic instructions for subscription, redemption or conversion but may require signed original instructions. However, the Registrar may refuse to act on faxed or any other electronic instructions until the original written instructions are received. The Registrar may, in its absolute discretion, determine whether or not original instructions are also required in respect of subsequent applications or requests for subscription, redemption or conversion sent by facsimile or any other electronic means by applicants or Unitholders.

Applicants or Unitholders should be reminded that if they choose to send the applications or requests for subscription, redemption or conversion by facsimile or any other electronic means, they bear the risk of such applications or requests not being received. Applicants or Unitholders should note that the Trust, the Manager, the Trustee and the Registrar accept no responsibility for any loss caused as a result of non-receipt or illegibility of any application or request sent by facsimile or any other electronic means or any amendment of such application or request or for any loss caused in respect of any action taken as a consequence of such faxed or any other electronic instruction believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a facsimile or any other electronic transmission report produced by the originator of such transmission discloses that such transmission was sent. Applicants or Unitholders should therefore for their own benefit confirm with the Manager or the Registrar safe receipt of an application or a request.

TEMPORARY SUSPENSION OF DETERMINATION OF NET ASSET VALUE

The Manager may at any time, after consultation with the Trustee, declare a suspension of (i) the determination of the Net Asset Value of any Sub-Fund; (ii) calculation of the Value of the Fund Assets and determination of the Net Asset Value per Unit and/or (iii) dealing of the Units, under exceptional circumstances, having regards to the best interests of Unitholders, including but not limited to if:

(a) there is a closure of or the restriction or suspension of trading on any Commodities Market or Securities Market on which a substantial part of the Investments of that Sub-Fund is normally traded or a breakdown in any of the means normally employed by the Manager or the Trustee (as the case may be) in ascertaining the prices of Investments or the Net Asset Value of a Sub-Fund or the Issue Price or Redemption Price Per Unit;

(b) for any other reason the prices of a substantial part of the Investments held or contracted for by the Manager for the account of that Sub-Fund cannot, in the opinion of the Manager, reasonably, promptly or fairly be ascertained;

(c) the relevant Sub-Fund is restrained from, subject to a quota limit, or is otherwise unable to acquire or dispose of further Investments for the time being comprised in the Fund Assets of the relevant Sub-Fund;

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

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

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

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

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

(i) when the business operations of the Manager, the Trustee or any of their delegates in relation to the operations of that Sub-Fund are substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riot, strikes or acts of God; or

(j) when the Unitholders of Units or the Manager have resolved or given notice to terminate that Sub-Fund.

Such suspension will take effect forthwith upon the declaration thereof and thereafter there shall be no determination of Net Asset Value of the relevant Sub-Fund until the Manager shall declare that suspension to be at an end. However, the suspension will terminate in any event on the Business Day following the first Business Day on which (i) the condition giving rise to the suspension ceases to exist; and (ii) no other condition exists under which a suspension may be declared. The Manager will regularly review any prolonged suspension of dealings and take all necessary steps to resume normal operations as soon as practicable.

Whenever the Manager shall declare a suspension of determination of the Net Asset Value of any Sub-Fund, the Manager shall not be obliged to rebalance or adjust the Fund Assets, in either case at the discretion of the Manager, and shall immediately notify the SFC and publish the fact that the calculation of the Value of the Fund Assets and each Unit is suspended immediately following such suspension and at least once a month during the period of suspension by such means as the Manager may consider appropriate or otherwise in accordance with applicable rules, laws and regulations.

VALUATION

The Net Asset Value of a Sub-Fund is determined by the Manager or its duly appointed agent (or if the Manager and the Trustee so agree, by the Trustee or its duly appointed agent) (the "**Valuer**") at the Valuation Point relating to each Dealing Day by valuing the assets of the relevant Sub-Fund and deducting the liabilities of the relevant Sub-Fund in accordance with the terms of the Trust Deed.

Set out below is a summary of how the value of the assets comprised in a Sub-Fund is calculated:

(a) the value of any Investment (other than a unit or other interest in a collective investment scheme or a commodity) that is quoted, listed, traded or dealt in any securities market is generally calculated by reference to the price appearing as the last traded price or last closing price as calculated and published by the relevant security market for such Investment as at the close of the business in such place on the Dealing Day;

(b) the value of any Investment (other than a unit or other interest in a collective investment scheme or a commodity) that is not quoted, listed, traded or dealt in any securities market will be the initial value as ascertained or the value as assessed on the latest revaluation;

(c) subject to sub-section (d) below, the value of each unit or other interest in a collective investment scheme which is valued as at the same day as the relevant Sub-Fund will be the Net Asset Value per Unit or other interest in such collective investment scheme calculated as at that day or, if the Valuer so determines, in consultation with the Manager and the Trustee, or if such collective investment scheme is not valued as at the same day as the relevant Sub-Fund, will be the last published net asset value per unit or other interest in such collective investment scheme, or if unavailable, the last published bid and offer price for such unit or other interest;

(d) if no net asset value, bid and offer prices or price quotations are available for such unit or other interest as provided in sub-section (c) above, the value shall be determined from time to time in such manner as the Manager shall determine with the approval of the Trustee;

(e) The Value of any Commodity shall be ascertained in such manner as the Manager shall think fit, but so that:-

   (i) if such Commodity is dealt in on any Recognised Commodities Market, then the Manager shall, in ascertaining the Value of such Commodity, have regard to the latest ascertainable price ruling or officially fixed in respect of such Investment on such Recognised Commodities Market or (if there shall be more than one such Recognised Commodities Market) on such Recognised Commodities Market as the Manager shall consider appropriate;

   (ii) if any such price as referred to section (e)(i) above is not reasonably up-to-date (in the opinion of the Manager) or is not ascertainable at any relevant time, then the Manager shall, in ascertaining the Value of the relevant Commodity, have regard to any certificate as to such Value provided by a firm or institution making a market in such Commodity;

   (iii) The Value of any futures contract shall be:-

      X. in the case of a futures contract for the sale of a Commodity including a financial futures contract, the positive or negative amount produced by applying the following formula:-

$$a - (b + c)$$

      Y. in the case of a futures contract for the purchase of a Commodity including a financial futures contract, the positive or negative amount produced by applying the following formula:-

b - (a + c)

where

a = the contract value of the relevant futures contract ("**the relevant Contract**")

b = the amount determined by the Manager to be the contract value of such futures contract as would be required to be entered into by the Manager on behalf of the relevant Sub-Fund in order to close the relevant Contract, such determination to be based on the latest available price or (if bid and offered quotations are made) the latest available middle market quotation on the market in which the relevant Contract was entered into by the Manager; and

c = the amount expended out of the relevant Sub-Fund in entering into the relevant Contract, including the amount of all stamp duties, commissions and other expenses but excluding any deposit or margin provided in connection therewith;

Z. if the provisions set out in sub-sections (X) and (Y) above do not apply to any relevant Commodity, then the Manager shall, in ascertaining the Value of such Commodity, have regard to the same factors which would have determined the Value of such Commodity pursuant to sub-section (b) above, if such Commodity were an Unquoted Investment;

(f) the Manager may, in consultation with the Trustee, adjust the value of any Investment if, having regard to currency, applicable rates of interest, maturity, marketability and other considerations it deems relevant, it considers that such adjustment is required to reflect the fair value of the Investment or permit some other method of valuation to be used if it considers that to do so better reflects the fair value of the investment; and

(g) assets other than Investments and cash will be valued in such manner and at such times as the Manager and the Trustee shall from time to time agree.

The term “last traded price” referred to above refers to the last traded price reported on the relevant exchange for the day, commonly referred to in the market as the “settlement” or “exchange price”, and represents a price at which members of the exchange settle between them for their outstanding positions.

Determination of Net Asset Value of a Class of Units

The Net Asset Value attributable to Units of a particular class related to a Sub-Fund as at any Valuation Point on the relevant Valuation Day shall be determined as follows:-

(a) by calculating the Net Asset Value of such Sub-Fund as at that time excluding any assets or liabilities which are specifically attributable to any particular Class of Units related to such Sub-Fund;

(b) by apportioning the resulting amount between the Classes of Units related to such Sub-Fund by reference to the respective Net Asset Values of each such Class immediately prior to the relevant Valuation Point; and

(c) by deducting the liabilities and adding any assets specifically attributable to the relevant Class of Units.

In order to determine the Net Asset Value of a Unit of a particular Class related to such Sub-Fund, the Net Asset Value of such Class shall be divided by the number of Units of that Class in issue immediately prior to the relevant Dealing Day for such Class of Units, rounded to the nearest 4 decimal places of the Base Currency. Any amount corresponding to such rounding will accrue to the relevant Sub-Fund. Any currency conversion from the Base Currency to the currency of the relevant Class shall be calculated at such conversion rate as agreed between the Manager and the Trustee.

Determination of Issue Price

The Issue Price on any Dealing Day will be the Net Asset Value of such Class as at the Valuation Point in respect of the Dealing Day divided by the number of Units of that Class in issue immediately prior to the relevant Dealing Day for such Class of Units, rounded in such manner and to such number of decimal places as the Manager determines ("**Issue Price Per Unit**"). Any amount corresponding to such rounding will accrue to the relevant Sub-Fund. Such price shall be calculated and quoted in the currency of the relevant Class. Any currency conversion shall be calculated at such conversion rate as agreed between the Manager and the Trustee.

The Manager may add to the Issue Price (but not include within it) such sum (if any) as the Manager may consider represents an estimation of the difference between the prices at which the assets comprised in the relevant Sub-Fund are to be valued and the total cost of acquiring such assets or creating any deposit comprised in such Sub-Fund including any other relevant expenses including any stamp duty, other taxes, duties or governmental charges, brokerage, bank charges, transfer fees or registration fees. The estimation of the Manager shall for all purposes be conclusive.

Any changes to the method of determination of Issue Price will require the Trustee's prior written approval.

Determination of Redemption Price

The Redemption Price on any Dealing Day will be the price per Unit ascertained by dividing the Net Asset Value of such Class of the relevant Sub-Fund as at the Valuation Point in respect of the Dealing Day by the number of such Class of Units in issue immediately prior to the relevant Dealing Day for such Class of Units, rounded in such manner and to such number of decimal places as the Manager determines ("**Redemption Price Per Unit**"). Any amount corresponding to such rounding will accrue to the relevant Sub-Fund. Such price shall be calculated and quoted in the currency of the relevant Class. Any currency conversion shall be calculated at such conversion rate as agreed between the Manager and the Trustee.

Any changes to the method of determination of Redemption Price will require the Trustee's prior written approval.

For further details on suspension of determination of Net Asset Value, please refer to "**Temporary Suspension of Determination of Net Asset Value**" in this Explanatory Memorandum.

RISK FACTORS

Investment in any Sub-Fund involves risk. While there are some risks that may be common to a number or all of the Sub-Funds, there may also be specific risk considerations that apply to particular Sub-Funds. The price of Units and the Net Asset Value of any Sub-Fund may rise or fall. There is no assurance that an investor will achieve a return on his/her investments in any Sub-Fund or a return of his/her original investment amount. As you consider an investment in the Sub-Funds, you should take into account your personal risk tolerance.

General Risk Factors

Auditing and accounting standards risk

The legal infrastructure and accounting, auditing and reporting standards in some countries, particularly emerging markets, in which some Sub-Funds will invest may not provide the same degree of information to investors as would generally apply internationally. In particular, valuation of assets, depreciation, exchange differences, deferred taxation, contingent liabilities and consolidation may be treated differently from international accounting standards.

If IFRS principles shall be used, investors should note that, investments should be valued at fair value and that bid and offer pricing is considered to be representative of the fair value of investments. However, for the purpose of calculating the Net Asset Value for subscription and redemption purposes, listed investments are expected to be valued at the last traded price instead of bid and offer pricing as required under IFRS, which may lead to a different valuation had the valuation been performed in accordance with IFRS. To the extent that the valuation basis adopted by the relevant Sub-Fund deviates from IFRS, the Manager may make necessary adjustments in the annual financial statements to comply with IFRS.

Asset class risk

Each Sub-Fund's portfolio may underperform the returns of other Securities that track other industries, groups of industries, markets, asset classes or sectors. Various types of Securities tend to experience cycles of outperformance and underperformance in comparison to general securities markets.

Funds that invest in stocks are also subject to the risk that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

Changes in applicable law risk

The Trust and each Sub-Fund must comply with various legal requirements, including securities laws and tax laws as imposed by the jurisdictions under which it operates. Should any of those laws change over the life of the Trust or any Sub-Fund, the legal requirements to which the Trust, a Sub-Fund and the Unitholders of the relevant Sub-Fund may be subject, could differ materially from current requirements.

Concentration risk

A Sub-Fund which focuses on investing in a single sector, geographical area or country is highly specialised. Although a Sub-Fund's investment portfolio may be diversified in terms of the underlying investments, such Sub-Fund is likely to be more volatile than a broad-based fund, such as a global equity fund, and it may be more susceptible to fluctuations in value resulting from adverse conditions in the sectors or countries in which the relevant Sub-Fund invests.

Where a Sub-Fund's portfolio is concentrated in a particular geographical area, the value of such Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the relevant markets.

Conflict of interest risk

The Manager may cause the Sub-Funds to invest in schemes affiliated with the Manager or in schemes for which the Manager or an affiliate acts as sponsor, investment advisor or provides other services or which may pay fees to the Manager or an affiliate. The Manager, the Trustee, the investment adviser (if any) and their Connected Persons may from time to time act as trustee, administrator, registrar, manager, custodian, investment manager or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of the Sub-Funds. As such, there is a risk that any of them may, in the course of business, have potential conflicts of interest with the Trust and the Sub-Funds.

Counterparty risk

A Sub-Fund will be exposed to credit risk on the counterparties with which it trades in relation to futures, option contracts and other FDI that are traded over-the-counter or otherwise. Such instruments are not afforded the same protections as may apply to participants trading futures or options, such as the performance guarantee of an exchange clearing house. A Sub-Fund will be subject to the possibility of the insolvency, bankruptcy or default of a counterparty with which it trades such instruments, which could result in substantial losses to the relevant Sub-Fund.

Custodian risk

Custody risk refers to the risks inherent in the process of clearing and settling trades and to the holding of Securities by local banks, agents and depositories. Local agents are held to local standards of care and in general, the less developed a country's securities market is, the greater the likelihood of custody problems and the assets of a Sub-Fund may be exposed to custodial risk. Additionally, Securities of a Sub-Fund may be registered in the name of a sub-custodian where it is common market practice to do so, or is in the relevant Sub-Fund's best interest to do so, or that it is not feasible to do otherwise due to the nature of applicable law, regulation, rule, guideline, code, general guidance or local practice of any stock exchange, governmental or regulatory body laws or market practice of jurisdictions. Such Securities may not be segregated from the sub-custodian's own investments and in the event of default or fraud of such sub-custodian, the Fund Assets may not be protected and may be irrecoverable by the relevant Sub-Fund.

Currency risk

Underlying investments of the Sub-Funds may be denominated in currencies other than the Base Currency of the Sub-Funds. Also, a class of units may be designated in a currency other than the Base Currency of the Sub-Funds. The Net Asset Value of a Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the Base Currency and by changes in exchange rate controls.

FDI risks

The risks associated with the use of FDI are different from, or possibly greater than, the risks associated with investing directly in Securities and other traditional investments. Generally, a derivative is a financial contract the value of which depends upon, or is derived from, the value of an underlying asset, reference rate or index, and may relate to stocks, bonds, interest rates, currencies or currency exchange rates, commodities, and related indices. Any Sub-Fund investing in FDI may utilise both exchange-traded products and over-the-counter derivatives. Compared to equity securities, FDI can be more sensitive to changes in market prices of the underlying assets and thus market prices of FDI may fall in value as rapidly as they may rise. Investors investing in such Sub-Funds are exposed to a higher degree of fluctuation than traditional funds. Transactions in over-the-counter FDI may involve additional risk as there is no regulated market for such FDI. It may not always be possible for such Sub-Funds to dispose of their investment or liquidate an existing position especially in a falling market. Investing in FDI also involves other types of risks including, but not limited to, the risk of adopting different valuation methodologies and imperfect correlation between the FDI and its underlying securities, rates and indices. There is no assurance that any derivative strategy used by a Sub-Fund will succeed.

Foreign investments restrictions risks

Some countries prohibit or restrict investment, or the repatriation of income, capital or the proceeds from sale of securities. The Sub-Funds may incur higher costs investing in these countries. Such restrictions may delay the investment or repatriation of capital of the Sub-Funds.

General investment risk

A Sub-Fund's investment portfolio may fall in value due to any of the key risk factors in this Explanatory Memorandum and therefore, investors' investments in the Sub-Funds may suffer losses. There is no guarantee of the repayment of principal.

Government intervention and country risks

The value of a Sub-Fund's Net Asset Value may be negatively affected by factors such as international political developments, government intervention, changes in a country's government policies, taxation, restrictions on foreign investment, currency decisions, other decisions in applicable laws and regulations, or any natural disasters, wars, threat of war, local or regional conflict, economic instability or political upheaval, which will weaken a country's securities markets. In addition, certain governments or regulators may intervene in financial markets by imposing trading restrictions, such as a ban on "naked" short selling or other types of investment activities.

Growth risk

Investments in growth stocks may be more volatile and may react differently to economic, political and/or market developments. The value of growth stocks may be more expensive as compared to their earnings. Growth stocks generally have greater volatility in reaction to changes in earnings growth.

Investment style risk

Funds are also subject to investment style risk, which is the chance that returns from the types of stocks in which a Sub-Fund invests will trail returns from the overall stock market. Specific types of stocks tend to go through cycles of doing better, or worse, than the stock market in general. These periods have, in the past, lasted for as long as several years and there can be no assurances that appreciation will occur.

Investment techniques

There are certain investment risks that apply in relation to techniques and instruments that the Manager may employ for efficient portfolio management purposes. To the extent that the Manager's expectations in employing such techniques and instruments are incorrect, a Sub-Fund may suffer a substantial loss having an adverse effect on the Net Asset Value per Unit.

A Sub-Fund's ability to use these techniques and instruments may be limited by market conditions, regulatory limits and tax considerations.

Liquidity risk

Liquidity risk exists when particular investments are difficult to purchase or sell. Investments made by a Sub-Fund may become illiquid or less liquid in response to market developments or adverse investor perceptions. Investment in foreign securities, derivatives or securities with substantial market and/or credit risk tend to have the greatest exposure to liquidity risk. Illiquid securities may be highly volatile and more difficult to value. Certain securities may also be illiquid due to limited trading markets or contractual restrictions on their resale. The Sub-Funds are exposed to the risk that a particular investment or position cannot be unwound or offset easily.

To meet redemption requests, the Sub-Funds may be forced to sell securities at an unfavourable time and/or under unfavourable conditions.

In the event of adverse market conditions or a drop in the credit of the issuer, the Sub-Funds may also not be able to sell the securities as easily or at desirable prices. This may adversely affect the Net Asset Value of the Sub-Funds.

Market risk

The investments of a Sub-Fund are subject to normal market fluctuations and the risks inherent in investment in international securities markets, and there can be no assurances that capital will not be lost and that appreciation will occur.

Management risk

Each Sub-Fund is subject to the risk that the Manager's strategy and the implementation thereof which may be subject to a number of constraints, may not produce the intended results. If the Manager becomes unable to participate in the management of the Sub-Funds, the consequence could be material and adverse, and may lead to the premature termination of the Sub-Funds.

Net Asset Value consideration

Each Sub-Fund's Net Asset Value is expected to fluctuate over time depending on its performance. A Unitholder may not fully recover his/her initial investment when he/she chooses to redeem his/her Units if the Net Asset Value of the relevant Class at the time of such redemption is less than the initial issue price or the subscription price paid by such Unitholder.

Risk associated with regulatory requirements or exchanges policies

Securities exchanges typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. These factors may have an adverse impact on value of the Sub-Funds.

*Risk relating to Foreign Account Tax Compliance Act ("**FATCA**")*

The US Foreign Account Tax Compliance Act ("**FATCA**") provides that a 30% withholding tax will be imposed on certain payments to FFIs, unless the recipient of the payment satisfies certain requirements intended to enable the US Internal Revenue Service ("**IRS**") to identify United States persons (within the meaning of the US Internal Revenue Code) with interests in such payments. To avoid such withholding, a FFI generally will be required to register with the IRS to obtain Global Intermediary Identification Number ("**GIIN**") and identify its direct or indirect account holders who are United States persons and report certain information concerning such account holders to the IRS.

The Manager has registered the Trust and each of the Sub-Funds as FFIs under FATCA and has obtained the GIINs. The Trust and the Sub-Funds will endeavour to satisfy the requirements imposed under FATCA to avoid the imposition of any FATCA withholding. However, no assurance can be given that the Trust and/or any Sub-Fund will be able to achieve this and/or satisfy such FATCA obligations. If the Trust and/or the Sub-Funds become subject to a 30% FATCA withholding (further described under the section "**FATCA**" in this Explanatory Memorandum) as a result of the FATCA regime, the value of the Units held by Unitholders in the relevant Sub-Fund may suffer material losses.

In the event a Unitholder (account holder) fails to provide the requested information and/or documentation, whether or not that actually leads to compliance failures by the Trust and/or the relevant Sub-Fund, or a risk of the Trust and/or the relevant Sub-Fund being subject to withholding tax under FATCA, the Manager, the Trust and/or the relevant Sub-Fund reserves the right to take any action and/or pursue all remedies at their disposal including as far as legally permitted, without limitation, (i) reporting the relevant information of such Unitholder to the relevant authorities, and/or (ii) withholding, set-off or deducting reasonable amounts from the redemption proceeds or distributions to the extent permitted by applicable laws and regulations. The Manager, the Trust and/or the Sub-Funds in taking any such action or pursuing any such remedy shall act in good faith and on reasonable grounds and in accordance with the constitutive documents.

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

RMB currency and conversion risks

The RMB is currently not freely convertible and is subject to the PRC government's foreign exchange controls and restrictions. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against investors' base currencies will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Sub-Funds.

Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors. Under exceptional circumstances, payment of redemptions in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

Taxation in overseas jurisdictions

The Sub-Funds may make investments in a number of different jurisdictions. Interest, dividends and other income realised by a Sub-Fund from sources in these jurisdictions, and capital gains realised on the sale of assets may be subject to withholding and other taxes levied by the jurisdiction in which the income is sourced and/or in which the issuer is located and/or in which the permanent establishment is located. In particular, investors should pay attention to PRC tax considerations for any Sub-Funds that may have exposure to investments issued in or relating to the PRC market. Changes in the PRC taxation legislation could affect the amount of income which may be derived, and the amount of capital returned, from the investments of the relevant Sub-Fund. Laws governing taxation will continue to change and may contain conflicts and ambiguities, which may adversely affect the Net Asset Value of the Sub-Funds.

Termination risk

A Sub-Fund may be terminated in certain circumstances. In the event of the termination of a Sub-Fund, such Sub-Fund would have to distribute to Unitholders their pro rata interests in the assets of the relevant 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 Unitholders. Additionally, expenses related to organisation of the relevant Sub-Fund that have not been fully amortised would be debited against the relevant Sub-Fund's assets at the time.

A Sub-Fund may also be terminated if the Manager goes into liquidation, there is no replacement Manager or Trustee upon the retirement or removal of the Manager or Trustee (as applicable), the Manager is incapable of performing its duties properly or has committed a material breach of the terms of the Trust Deed, any laws, rules and regulations renders it illegal, impracticable or inadvisable to continue the Sub-Funds or the Sub-Funds cease to be authorised by the SFC. Investors may suffer loss if a Sub-Fund is terminated.

Umbrella structure of the Trust and segregated liability between Sub-Funds

The Trust Deed allows the Trustee and the Manager to issue Units in separate Sub-Funds as separate trusts, and provides for the manner in which the liabilities are to be attributed across the various Sub-Funds. There should not be the potential for cross contamination of liabilities between Sub-Funds. There can, however, be no categorical assurance that, should an action be brought against the Trust in the courts of another jurisdiction, the segregated nature of the Sub-Funds will be upheld.

FEES AND EXPENSES

Charges Payable by Investors

Preliminary Charge, Redemption Charge and conversion charges may be charged to an investor in his/her purchase, redemption and conversion of Units. The applicable rates of such charges in respect of a Sub-Fund are set out in the sections "**Fees and Expenses**" in the Appendix for the relevant Sub-Fund.

Charges Payable by the Sub-Funds

Management Fee

The Management Fee will be paid out of the Fund Assets of the relevant Sub-Fund as set out in the Appendix in relation to the relevant Sub-Fund. This fee will be accrued daily and paid monthly in arrears. The Management Fee shall be paid as soon as possible after the last Dealing Day in each month in each year. The Management Fee is expressed as a percentage of the Net Asset Value of the relevant Sub-Fund. Pursuant to the Trust Deed, the Manager may, on giving one month's notice (or such other period as required by the SFC) to the Trustee and the affected Unitholders, increase the Management Fee to the maximum rate of 2% per annum of the Net Asset Value of the relevant Sub-Fund.

Performance Fee

No Performance Fee will be charged by the Manager in relation to any of the Sub-Funds.

Trustee Fee

Pursuant to the Trust Deed, the Trustee is entitled to receive a Trustee Fee as soon as reasonably practicable after the last Dealing Day for each Sub-Fund or Class in each calendar month. This fee will be accrued daily and paid monthly in arrears. The Trustee Fee is expressed as a percentage of the Net Asset Value of the relevant Sub-Fund and subject to a minimum monthly fee (if any) as specified in the Appendix.

Pursuant to the Trust Deed, the Trustee may, with the approval of the Manager, and upon the Manager giving one months' notice (or such other period as required by the SFC) to the affected Unitholders, increase the Trustee Fee to the maximum rate of 1% per annum of the Net Asset Value of the relevant Sub-Fund and subject to a minimum monthly fee (if any) as set out in the Appendix in relation to the relevant Sub-Fund.

The Trustee is also acting as Registrar. It is entitled to receive various transaction, processing, valuation fees and other applicable fees as agreed with the Manager from time to time and to be reimbursed by the relevant Sub-Fund for all out-of-pocket expenses properly incurred by it in the performance of its duties.

Custodian Fee

The appointed Custodian is entitled to recover from the Sub-Fund all out-of-pocket expenses, including telephone, photocopying and courier fees incurred in the performance of its duties in connection with the Sub-Fund. Pursuant to the fee letter entered into between the Manager, Trustee and the Custodian, the Custodian is entitled to (among others) transaction charges at customary market rates and custody fees at different rates, largely depending on the investment instruments concerned as well as the markets where the Custodian is required to hold the Sub-Fund's assets. Such fees and charges will be calculated monthly and will be paid monthly in arrears. The Custodian will also be entitled to reimbursement by the Sub-Fund for any out-of-pocket expenses incurred in the course of its duties.

Operational Fees

Each Sub-Fund shall pay the Operational Fees which comprise of other costs, charges, fees and expenses incurred in the establishment or operation of the relevant Sub-Fund, specifically any fees and expenses incurred in relation to banking, the costs and expenses of preparing, printing, publishing and distributing Explanatory Memorandums, annual and semi-annual reports, and other documents to current and prospective Unitholders, the costs and expenses of obtaining and maintaining authorisations or registrations of the Trust and/or the Sub-Funds with the regulatory authorities (including the SFC), the costs of convening and holding Unitholders' meetings and professional fees and expenses for auditing and other consulting services and professional fees incurred in the normal course of business of any Sub-Fund, and such other costs and expenses as may arise from time to time and that have been approved by the Manager as necessary or appropriate for the continued operation of the Trust or of any Sub-Fund.

Expenses of the Trust that are not directly attributable to the operation of a particular Sub-Fund are allocated among all Sub-Funds in a manner determined by the Manager.

Establishment Fees

The fees and expenses relating to the establishment of the Trust was approximately JPY34 million. The fees and expenses relating to the establishment of Japan Small Cap Equity Fund was approximately JPY11 million, which was borne by Japan Small Cap Equity Fund. The fees and expenses relating to the establishment of China Post Global Fixed Income Fund was approximately HKD1.5 million, which was borne by China Post Global Fixed Income Fund.

The establishment fees and expenses of the Trust were initially borne by Japan Small Cap Equity Fund and any unamortised establishment costs of the Trust (or a part thereof) will be reapportioned on a pro-rata basis to additional sub-funds of the Trust when they are launched.

All fees and expenses related to the establishment of the Trust and Sub-Funds shall be amortised over a period of 5 years from the Initial Issue Date or such period as the Manager thinks fit. Unless specified in the Appendix for the relevant Sub-Fund, costs of establishing a subsequent Sub-Fund will be charged to the relevant Sub-Fund and amortised over such period as the Manager may determine and as set out in this section.

TAXATION

The following summary is of a general nature, for information purposes only, and is not intended to be an exhaustive list of all the tax considerations that may be relevant to an investment in the Sub-Funds. This summary does not constitute legal or tax advice and does not purport to deal with the tax consequences applicable to all investors.

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

The information below is based on the law and practice in force in Hong Kong as at the date of this Explanatory Memorandum. The relevant laws, rules and practice relating to tax are subject to change and amendment (and such changes may be made on a retrospective basis). As such, there can be no guarantee that the summary provided below will continue to be applicable after the date of this Explanatory Memorandum.

Taxation of the Sub-Funds

The Sub-Funds will be exempted from profits tax in Hong Kong upon authorization by the SFC as a collective investment scheme under Section 104 of the SFO for offer to the retail public in Hong Kong.

Taxation of Unitholders

Profits arising on the transfer or redemption of an investment in the Units should only be subject to profits tax for Unitholders who carry on a trade or business in Hong Kong where the profits, not being regarded as capital in nature (for example, dealers in securities, financial institutions or insurance companies), arise in or are derived from such trade or business carried on in Hong Kong (that is, such profits are sourced in Hong Kong).

Profits tax is currently imposed at a rate of 16.5% for corporations and 15% for all other persons. Please note that the Inland Revenue (Amendment) Ordinance (No.3) 2018 was enacted into law on 29 March 2018 to implement a two-tier profits tax system in Hong Kong effective from the year of assessment 2018/19. Under the two-tier tax rates, the first HK$2 million of assessable profits of corporations and unincorporated business will be taxed at a reduced rate of 8.25% and 7.5% respectively on a self-election basis, with certain exceptions. For a group of “connected entities”, only one entity within the group can elect to apply the two-tier rates.

Distributions received by Unitholders should generally not be subject to withholding tax in Hong Kong.

Stamp duty

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

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

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

FATCA

(a) *General Information*

FATCA, a US tax law enacted in March 2010, attempts to minimise tax avoidance by US persons investing in foreign assets both through their own accounts and through their investments in foreign entities. FATCA generally requires FFIs to provide information to the US tax authority, the Internal Revenue Service (the "**IRS**"), regarding their US account Unitholders including substantial US owners of certain non-financial foreign entities ("**NFFEs**"). FFIs who fail to commit to meeting certain due diligence, withholding and reporting requirements and certain NFFEs who fail to provide required information on their substantial US owners are now subject to 30% FATCA withholding on certain payments (as further described below).

FATCA withholding applies to (i) payments of US source income, including US source dividends and interest, made after 30 June 2014; and (ii) payments of gross proceeds of sale or other disposal of property that can produce US source income after 31 December 2018. It is possible that certain non-US source payments attributable to amounts that would be subject to FATCA withholding (referred to as "foreign passthru payments") may also be subject to FATCA withholding starting from 1 January 2019, though the definition of "foreign passthru payment" in US Treasury Regulations is currently pending. Withholding agents, including participating FFIs, will generally be required to begin withholding on withholdable payments made after 30 June 2014.

US tax law has detailed rules for determining the source of income. Different rules apply for each type of income. Interest and dividends, two of the most important types of income for investors, are generally sourced by reference to the residence of the obligor. Specifically, dividends are generally treated as US source income when paid by a US corporation with respect to its stock, and interest is generally treated as US source income when paid by a US borrower of money.

Under the terms of a Model 2 inter-governmental agreement ("**IGA**") between the US and Hong Kong with respect to FATCA, an FFI domiciled in Hong Kong is generally considered to be FATCA compliant and thus not subject to FATCA withholding if it registers with the IRS on the IRS FATCA registration website and complies with the terms of an FFI agreement with the IRS.

(b) *FATCA Registration Status*

The Trust and the Sub-Funds are FFIs under FATCA and the US-Hong Kong IGA, and in compliance with FATCA and the US-Hong Kong IGA, are registered on the IRS FATCA registration website as a "Reporting Financial Institution under a Model 2 IGA", with global intermediary identification numbers A9SEUU.00004.SF.344 for Japan Small Cap Equity Fund and A9SEUU.00005.SF.344 for China Post Global Fixed Income Fund.

(c) *Impact to the Sub-Funds and Unitholders*

Each Unitholder is required to: (a) furnish appropriate documentation certifying as to their FATCA status, together with such additional tax certification or information as the Manager or its agents may from time to time request; (b) inform the Manager or its agents within 30 days of any change in any information provided in relation to its FATCA status (including any circumstances that would result in a change in the taxpayer status of such Unitholder); and (c) waive any and all rights of such Unitholder under any relevant law or regulation in any applicable jurisdiction that would prevent the Manager or its agents from meeting applicable regulatory and legal requirements.

In the event a Unitholder does not provide the requested information and/or documentation, whether or not that actually leads to compliance failures by the Trust and/or the relevant Sub-Fund, or a risk of the Trust and/or the relevant Sub-Fund being subject to withholding tax under FATCA, the Manager or its agents may, acting in good faith and on reasonable grounds as permitted under applicable laws and regulations and under the applicable provisions of the Trust Deed, (a) report the relevant information of such Unitholder to the US IRS; (b) withhold such amount from any redemption and/or distributions moneys which would otherwise be payable to a Unitholder; and/or (c) exercise its right to request a transfer of Units to another person or to compulsorily redeem the Units held by such Unitholder.

In the event that the Trust and/or a Sub-Fund holds US securities and is not FATCA compliant, the Trust and/or the relevant Sub-Fund may become subject to a 30% FATCA withholding as a result of the FATCA regime, and the value of the Units held by Unitholders in the relevant Sub-Fund may suffer material losses.

The Manager does not support US tax evasion or any request to help investors avoid detection under FATCA. The Manager is not able to provide tax advice and cannot determine the impact or compliance obligations of FATCA or an applicable IGA for investors' business activities. The Manager strongly encourages Unitholders to seek the advice of an experienced tax adviser to determine what actions Unitholders may need to take.

Automatic Exchange of Financial Account Information ("AEOI")

(a) *General Information*

The Inland Revenue (Amendment) (No.3) Ordinance ("**Ordinance**") came into force on 30 June 2016. This is the legislative framework for the implementation in Hong Kong of the Standard for AEOI. The AEOI requires financial institutions ("**FI**") in Hong Kong to collect information relating to non-Hong Kong tax residents holding accounts with Hong Kong FIs, and to file such information with the Hong Kong Inland Revenue Department ("**IRD**") who in turn will exchange such information with the jurisdiction(s) in which that account holder is resident. Generally, tax information will be exchanged only with jurisdictions with which Hong Kong has a Competent Authority Agreement ("**CAA**"); however, each Sub-Fund and/or agents of the Sub-Fund may further collect information relating to residents of other jurisdictions.

The Trust and each of its Sub-Funds are required to comply with the requirements of AEOI as implemented by Hong Kong, which means that each Sub-Fund, the Manager, the Trustee and/or any of their agents shall collect and provide to the IRD tax information relating to Unitholders (and their Controlling Persons, as defined in the Ordinance) and prospective investors.

The AEOI rules as implemented by Hong Kong require the Trust to, amongst other things: (i) register the Trust's status as a "Reporting Financial Institution" with the IRD; (ii) conduct due diligence on its accounts to identify whether any such accounts are considered reportable accounts ("**Reportable Accounts**") for AEOI purposes; and (iii) report to the IRD information on such Reportable Accounts. The IRD is expected on an annual basis, commencing from 2018, to transmit the information reported to it to the government authorities of the relevant jurisdictions with which Hong Kong has signed a CAA. Broadly, AEOI contemplates that Hong Kong FIs should report on: (i) individuals or entities that are tax resident in a jurisdiction with which Hong Kong has signed a CAA; and (ii) certain entities controlled by individuals who are tax resident in such other jurisdiction. Under the Ordinance, details of Unitholders, including but not limited to their name, jurisdiction of birth, address, tax residence, account details, account balance/value, and income or sale or redemption proceeds, may be reported to the IRD and subsequently exchanged with government authorities in the relevant jurisdictions of tax residence.

(b) *Impact to the Sub-Funds and Unitholders*

By investing in the Trust and its Sub-Funds and/or continuing to invest in the Trust and its Sub-Funds, Unitholders acknowledge that they may be required to provide additional information to the Manager, the Trustee and/or their agents in order for the Trust and each of its Sub-Funds to comply with AEOI. The Unitholder's information may be communicated by the IRD to authorities in other jurisdictions. The failure of a Unitholder to provide any requested information, may result in the Manager and/or the Trustee taking any action and/or pursue remedies at their disposal including, without limitation, mandatory redemption or withdrawal of the Unitholder concerned. Any such mandatory redemption or withdrawal will be done in accordance with applicable laws and regulations, and the discretion to do so will be exercised by the Manager acting in good faith and on reasonable grounds.

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

PRC taxation

By investing in RMB denominated debt securities (e.g. bonds) issued in the PRC, a Sub-Fund may be subject to withholding and other taxes imposed in the PRC.

(a) *Enterprise Income Tax ("**EIT**")*

Under the PRC EIT Law and its Implementation Rules, if the relevant Sub-Fund is considered as a PRC tax resident enterprise, such Sub-Fund will be subject to PRC EIT at 25% on its worldwide taxable income. If the relevant Sub-Fund is considered as a non-PRC tax resident enterprise with an establishment or place of business in the PRC ("**Establishment**") as defined under the PRC domestic tax rules or a permanent establishment in the PRC ("**PE**") under an applicable double tax treaty or arrangement concluded by the PRC with another jurisdiction, the profits effectively connected with the Establishment or attributable to the PE would be subject to EIT at 25%.

If the relevant Sub-Fund is treated as a non-PRC tax resident enterprise and has no Establishment or PE in the PRC or has an Establishment or PE in the PRC but the income derived is not effectively connected with such an Establishment or PE, the PRC sourced income derived by the relevant Sub-Fund from its investment in debt instruments within China would generally be subject to PRC withholding income tax ("**WIT**") at a rate of 10%, unless it is exempted or reduced under specific PRC tax regulations or the provisions of an applicable double tax treaty or arrangement.

It is the intention of the Manager to operate the Sub-Fund in such a manner that the Sub-Fund would be treated as a non-PRC tax resident enterprise with no Establishment or PE in the PRC for PRC EIT purposes, although this cannot be guaranteed.

Interests

Unless a specific exemption under domestic law or preferential rate under an applicable double tax treaty or arrangement applies, non-PRC tax resident enterprises (without an Establishment or PE in the PRC), including the relevant Sub-Fund, are subject to PRC WIT on interests on debt securities issued by PRC tax residents. The prevailing WIT rate is 10%.

Interest derived from government bonds issued by the MOF and local government bonds ("**LGBs**") approved by the State Council is exempted from WIT under the applicable tax laws and regulations.

Notwithstanding the above, the PRC government has, on 30 August 2018, announced through an executive meeting of the State Council, that they will grant a temporary 3 year EIT exemption on interest derived by non-PRC tax resident enterprises from their investments in PRC bonds traded on the PRC bond market. Details of the exemption (including effective date) are yet to be announced.

Gain on disposal of PRC debt securities

Pursuant to Caishui [2014] No.79 ("**Circular 79**") promulgated by the MOF, SAT and CSRC on 14 November 2014 (among other things), QFIIs which do not have an Establishment in the PRC or have an Establishment in the PRC but the income so derived in the PRC is not effectively connected with such Establishment, will be temporarily exempted from WIT on gains derived from the transfer of PRC equity investment assets effective from 17 November 2014.

Circular 79 does not address the PRC WIT treatment of gains realized by QFIIs from the transfer of PRC non-equity investment assets. There is also no specific rule in the PRC governing the WIT treatment of gains realized by non-PRC tax resident enterprises (e.g. the Sub-Fund) from the transfer of PRC bonds through Bond Connect. In the absence of specific tax rule, such gains should be governed by the general taxing provisions of the EIT Law. Under the EIT Law, the Sub-Fund would be subject to 10% PRC WIT on gains realized from the transfer of PRC non-equity investment assets if such gains are considered as PRC sourced income (unless exempted or reduced under an applicable double tax treaty).

In relation to gains realized by QFIIs from the transfer of PRC debt securities, the PRC tax authorities have verbally indicated, on numerous occasions, that such gains are non-PRC sourced income and hence not subject to PRC WIT. However, there is no specific written tax regulation to confirm the same. In practice, the PRC tax authorities have not actively enforced the collection of PRC WIT on gains realized from the transfer of PRC debt securities. Should the PRC tax authorities decide to levy tax on such gains in the future, the Manager would seek to apply with the PRC tax authorities to treat the Sub-Fund as a Hong Kong tax resident and rely on the capital gain tax exemption accorded under the PRC-HK tax treaty, although this is subject to the relevant treaty conditions being satisfied and the agreement of the PRC tax authorities and hence cannot be guaranteed.

(b) *Value-added Tax (“**VAT**”) and other surtaxes*

Interest

Pursuant to Circular Caishui [2016] No.36 (Public Notice on Comprehensive Roll-out of the Pilot Program for Transitioning Business Tax to VAT, “**Circular 36**”), effective from 1 May 2016, entities engaged in the sales of services within the PRC shall be subject to VAT and ‘sales of services within the PRC’ generally refers to the situation where either the seller or the buyer of a taxable service is located within the PRC.

With respect to interest, Circular 36 provides that bank deposit interest is not subject to VAT and interest income derived from government bonds issued by the MOF and LGBs approved by the State Council is exempted from VAT.

Income derived from the usage and lending of funds, including interest income derived during the holding period (including maturity) of financial products such as debt securities, shall generally be subject to VAT under the category of ‘lending services’ on the taxable turnover which is the gross amount of the interest income as well as any income of an interest nature; the applicable VAT rate is 6% for a general or a foreign VAT taxpayer. A VAT taxpayer shall also be subject to urban maintenance and construction tax at 7%/5%/1% (depending on the locality), education surcharge at 3% and local education surcharge at 2% (collectively, "**Local Surcharges**") on the VAT payable, if any, which may result in a combined rate of approximately 6.72% for both VAT and Local Surcharges.

Notwithstanding the above, the PRC government has, on 30 August 2018, announced through an executive meeting of the State Council, that they will grant a temporary 3 year VAT exemption on interest derived by non-PRC tax resident enterprises from their investments in PRC bonds traded on the PRC bond market. Details of the exemption (including effective date) are yet to be announced.

Capital gains

Pursuant to Circular 36, gains realised from the transfer of PRC marketable securities would generally be subject to VAT at 6%. However, gains realized by QFIIs from the transfer of PRC securities (e.g. debt securities) are exempted from VAT.

The MOF and SAT have not issued specific taxation rules on Bond Connect. In the absence of specific VAT rules on Bond Connect, applicable tax treatments under the existing PRC domestic tax laws and regulations should apply. Nevertheless, in practice, the PRC tax authorities have generally not actively enforced the collection of VAT on gains derived by non-PRC tax resident enterprises from the disposal of PRC bonds through the Bond Connect.

(c) *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 the PRC of certain documents. Stamp Duty is not imposed on bonds, either upon issuance, transfer or redemption of such bonds.

(d) *Tax provision*

Based on professional and independent tax advice, until the circular on temporary EIT and VAT exemption on bond interest income is issued and becomes effective, the Manager will make a WIT provision of 10% and a VAT and Local Surcharges provision of approximately 6.72% on interest income derived from the relevant Sub-Fund's investment in the PRC bond market. The Manager does not intend to provide for any PRC WIT on realized or unrealized gains derived by the relevant Sub-Fund from its investment in PRC debt securities.

The Manager reserves the right to change the PRC tax provision policy of the relevant Sub-Fund in response to changes in PRC tax law and practices. Such provisions may be excessive or inadequate to meet the actual tax liabilities. Any shortfall between the provisions and actual tax liabilities will be charged to the relevant Sub-Fund's assets and this will adversely affect the relevant Sub-Fund's Net Asset Value.

Trust Deed

The Trust was established under Hong Kong law by the Trust Deed. All Unitholders are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Trust Deed. The Trust Deed contains provisions for the indemnification of the Trustee and the Manager and their relief from liability in certain circumstances. Unitholders and prospective investors are advised to consult the terms of the Trust Deed. Nothing in the Trust Deed shall exempt either the Trustee or the Manager (as the case may be) from any liability to Unitholders imposed under the laws of Hong Kong or breaches of trust through fraud or negligence nor may they be indemnified against such liability by Unitholders or at Unitholders' expense.

Distribution policy

The Manager may in its absolute discretion declare distributions in accordance with the Trust Deed. Please refer to the Appendix for the frequency of distributions to the Unitholders in respect of each Sub-Fund.

Accounting periods and annual and interim reports

The Manager, with the assistance of the Trustee or other service provider appointed by the Manager, shall cause to be prepared an annual report and an interim report for the Trust and each Sub-Fund for the period ending 31 December in every financial year.

The first audited annual report for the Trust and Japan Small Cap Equity Fund covers the period from establishment of Japan Small Cap Equity Fund to 31 December 2018. The first unaudited semi-annual report of Japan Small Cap Equity Fund covers the period from 1 January 2018 to 30 June 2018. The first audited annual report for China Post Global Fixed Income Fund will cover the period from establishment to 31 December 2019. The first unaudited semi-annual report of China Post Global Fixed Income Fund covers the period from establishment to 30 June 2019. The subsequent unaudited semi-annual reports for the Trust and each Sub-Fund covers the period from 1 January to 30 June.

The audited annual reports and interim reports will be prepared in English only and will be posted online at www.chinapostglobal.com and available at the office of the Manager free of charge within four months of the end of each financial year and two months after the end of the semi-financial year-end respectively. Chinese annual reports and interim reports will not be prepared in respect of the Trust and the Sub-Funds.

Communications with Unitholders

Communications with Unitholders may be effected by mail. Notice to Unitholders will also be published on www.chinapostglobal.com. Unitholders should regularly visit the website, or request that their representatives do so on their behalf, to ensure that they obtain such information on a timely basis. The following information will be available at www.chinapostglobal.com:

- the latest Net Asset Value of each Sub-Fund;
- the latest Net Asset Value per Unit of the Sub-Funds in each of the Sub-Fund's trading currencies;
- this Explanatory Memorandum, including the product key facts statements for each Sub-Fund (as revised from time to time);
- the Dealing Days for each Sub-Fund;
- the audited annual and unaudited semi-annual reports of the Trust and the Sub-Funds (available in English only);
- any announcements or notices made by the Trust and Sub-Funds, including information regarding the Sub-Funds, the suspension and resumption of subscription and redemption of

Units, the suspension of the calculation of the Net Asset Value, changes in fees, and notices relating to material alterations or additions to this Explanatory Memorandum or the constitutive documents of the Trust; and

- the ongoing charges figure and the past performance information of the Sub-Funds.

Unitholders' meetings and voting rights

The Trust Deed provides that the Trustee or the Manager may (and the Trustee shall at the request in writing of Unitholders together registered as holding not less than one-tenth of the Units for the time being in issue) form a quorum for the transaction of business except for the passing of an Extraordinary Resolution. The quorum for passing an Extraordinary Resolution shall be one or more Unitholders present in person or by proxy and registered as holding in aggregate not less than one-quarter of the Units in respect of the relevant Sub-Fund or Sub-Funds for the time being in issue. No business shall be transacted at any meeting unless the requisite quorum is present at the commencement of business.

The Trustee (or the Manager, if the Manager convenes the meeting) shall give all Unitholders of the relevant Sub-Fund at least (i) 21 days' prior notice of every general meeting at which an Extraordinary Resolution is to be proposed; and (ii) 14 days' prior notice of every general meeting at which an ordinary resolution is proposed, in accordance to the terms of the Trust Deed. These meetings may be used to sanction any modification, alteration or addition to the terms of the Trust Deed, to increase the maximum Management Fee or trustee fee, to permit other types of fees or to approve termination of the Trust or any Sub-Fund. An ordinary resolution may be passed by a simple majority of the votes. A special or Extraordinary Resolution may only be passed by 75% or more of the votes of those present and entitled to vote in person or by proxy at a duly convened meeting. Such matters must be considered by one or more Unitholders present in person or by proxy and registered as holding in aggregate at least 25% of the Units in issue for the relevant Sub-Fund and passed by at least 75% majority of the votes cast.

Proxies may be appointed. A Unitholder may appoint more than one proxy to attend and vote a prescribed number of his/her or its Units. Each of the Manager and the Trustee undertakes that either one of them shall nominate a chairman at any meeting of Unitholders, and shall ensure that such chairman shall demand a poll for any resolution put to the vote of the meeting.

The Trust Deed sets out procedures to be followed in respect of meetings of the Unitholders, including provisions as to the giving of notice, appointment of proxies and quorum.

Documents Available for Inspection

Copies of the following documents may be inspected free of charge at the place of business of the Manager at Suite 1901, The Centrium, 60 Wyndham Street, Central, Hong Kong, during normal business hours on any Business Day:

(a) the Trust Deed and any supplemental deed;

(b) this Explanatory Memorandum, including the product key facts statements; and

(c) any audited annual or unaudited interim reports of any Sub-Fund (available in English only).

A copy of the Trust Deed and any supplemental deed may be supplied by the Manager on application at a reasonable fee.

Modification of Trust Deed

The Trustee and the Manager may jointly modify, alter or add to the provisions of the Trust Deed by supplemental deed to the extent as they may consider expedient for any purpose, provided that unless the Trustee and the Manager will certify in writing (in such form and manner agreed between the Trustee and the Manager) that in their reasonable opinion such proposed modification, alteration or addition:

(a) is necessary or desirable in order to make possible compliance with any fiscal, statutory, regulatory or other official requirements of any country or authority (whether or not having the force of law); or

(b) does not materially prejudice the interests of Unitholders in the relevant Sub-Fund(s), does not to any material extent release the Trustee, the Manager or any other person from any liability to Unitholders under the Trust Deed and (with the exception of the payment of proper fees and expenses incurred in relation to the preparation and execution of the relevant supplemental deed) will not result in any increase in the amount of costs and charges payable from the relevant Sub-Fund(s) and borne by the Unitholders relating to the relevant Sub-Fund(s) which are in issue at the time such modification, alteration or addition takes effect; or

(c) is necessary or desirable to correct a manifest or technical error,

no such modification, alteration or addition may be made without an Extraordinary Resolution of Unitholders in each Sub-Fund specified by the Trustee as being required to approve such modification, alteration or addition and no such modification, alteration or addition (whether or not approved by an Extraordinary Resolution) shall impose upon any Unitholder any obligation to make any further payment in respect of his/her Units or to accept any liability in respect thereof.

Unitholders shall be given prior notice of the details of any modification, alteration or addition to the Trust Deed and their effects on existing Unitholders (if any). Any such modification, alteration or addition to the Trust Deed will be subject to prior approval by the SFC (where applicable).

Removal and Retirement of the Trustee and the Manager

The Trustee

Subject to requisite regulatory approvals (including the SFC’s prior approval), the Trustee may retire from office by giving not less than six months’ notice upon and subject to the appointment of a new trustee in accordance with the provisions of the Trust Deed. The Manager shall be responsible for finding a new trustee approved by the SFC as trustee of the Trust. The retirement of the Trustee shall take effect at the same time as the appointment of the new trustee. The Trustee, the new trustee and the Manager shall by deed or deeds supplemental to the Trust Deed appoint such new trustee to be the Trustee in the place of the retiring Trustee.

If following a material breach of the Trustee's obligations under the Trust Deed which, if capable of remedy, and:

(a) the Trustee fails to remedy within 60 days (or such longer period as the Trustee and the Manager may agree) of being specifically required to do so by the Manager; and

(b) the Manager is of the opinion and so states in writing to the Trustee that a change of the Trustee is desirable and in the best interests of Unitholders as a whole,

the Manager shall be entitled to give not less than one month’s notice in writing to the Trustee that it wishes the Trustee to retire and specify in such notice the name of a company eligible, in accordance with the Code and any other applicable laws, to be the trustee of the Trust and is acceptable to the SFC (and any other competent governmental authority as required by law), whereupon the Trustee shall, with effect on and from the date on which the appointment of such new Trustee takes effect, by deed supplemental to the Trust Deed retire as the Trustee.

The new Trustee shall as soon as practicable give notice to the Unitholders specifying the name and address of the office of the new Trustee.

The Trustee may be removed by prior notice in writing given by the Manager:

(a) if the Trustee goes into liquidation (other than a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Manager) or shall be adjudged a bankrupt or insolvent or appoints a liquidator or if a receiver shall be appointed in respect of the property or undertaking of the Trustee or any part thereof or a judicial manager is appointed in respect of the Trustee or the Trustee is the subject of any analogous proceedings or procedure in each case under such law as may be applicable in the circumstances;

(b) if the Manager acting in good faith and in the best interests of Unitholders, wishes to remove the Trustee;

(c) if a Unitholder or Unitholders who is or between them are registered as holding in aggregate 50% or more in value of the Units outstanding (other than those held or deemed to be held by the Trustee) delivers or deliver to the Manager in writing a request to dismiss the Trustee; or

(d) if the SFC or any other competent governmental authority directs the Manager to remove the Trustee (including the circumstances where the SFC withdraws its approval of the Trustee as trustee of the Trust).

The Manager shall inform the SFC and any other competent governmental authority of any decision to remove the Trustee, if required by law. The Manager shall be responsible for finding a new trustee approved by the SFC as trustee of the Trust. The Trustee, the new trustee and the Manager shall by deed or deeds supplemental to the Trust Deed appoint such new trustee to be the Trustee in the place of the retiring Trustee.

The Manager

Upon giving three months' written notice to the Trustee, the Manager may retire in favour of some other person eligible to be the manager of the Trust in accordance with the Code and approved by the Trustee and the SFC (and any other governmental authority as required by law) upon and subject to such person entering into such deed or deeds (being a deed or deeds supplemental to the Trust Deed) as the Trustee may be advised to be necessary or desirable to be entered into by such person in order to secure the due performance of its duties as Manager. In the event that the Manager desires for any of its Connected Persons to assume its duties as the Manager, the retiring Manager shall be entitled to provide the Trustee and all Unitholders in the Sub-Funds with at least one month written notice (or such other period as permitted under the Code), and the Trustee agrees to appoint such Connected Person to be the Manager in place of the retiring Manager, subject to the prior approval of the SFC.

The Manager shall be subject to removal by notice in writing given by the Trustee:

(a) if the Manager goes into liquidation (other than voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously notified in writing to the Trustee) or shall be adjudged a bankrupt or insolvent or appoints a liquidator or if a receiver shall be appointed in respect of the property or undertaking of the Manager or any part thereof or a judicial manager is appointed in respect of the Manager or the Manager is the subject of any analogous proceedings or procedure in each case under such law as may be applicable in the circumstances;

(b) if the SFC or any other competent governmental authority directs the Trustee to remove the Manager (including the circumstances where the SFC withdraws its approval of the Manager as manager of the Trust);

(c) following a material breach of the Manager's obligations under the Trust Deed which, if the breach is capable of remedy, the Manager fails to remedy within 60 days (or such longer period as the Trustee and the Manager may agree), and the Trustee acting in good faith is of the reasonable opinion and so states in writing to the Manager that a change of Manager is desirable and in the best interests of Unitholders as a whole;

(d) if for good and sufficient reason the Trustee, acting in good faith, is of the reasonable opinion and so states in its written notice of removal to the Manager that a change of Manager is desirable in the interest of the Unitholders as a whole, provided that if the Manager shall be dissatisfied with such opinion and so states to the Trustee within seven days of receipt of the

Trustee’s written notice of removal the matter shall be referred to a third party mediator as agreed between the Trustee and the Manager for determination, and his/her determination shall be final and bind the Trustee and the Manager; or

(e) if a Unitholder or Unitholders who is or between them are registered as holding in aggregate 50% or more in value of the Units outstanding delivers or deliver to the Trustee in writing a request to dismiss the Manager.

The Trustee shall inform the SFC and any other competent governmental authority of any decision to remove the Manager, if required by law. The Trustee shall by writing appoint as Manager some other person eligible to be the manager of the Trust and acceptable to the SFC (and any other competent governmental authority as required by law) and subject to such person entering into such deed or deeds (being a deed or deeds supplemental to the Trust Deed) as the Trustee may be advised to be necessary or desirable to be entered into by such person in order to secure the due performance of its duties as Manager. The Trustee shall also, as soon as practicable give notice to the Unitholders specifying the name and the address of the office of the new Manager.

Termination of the Trust or the Sub-Funds

The Trust or any Sub-Fund may be terminated by the Trustee in the following circumstances:

(a) if the Manager goes into liquidation (other than voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or is adjudged a bankrupt or insolvent or appoints liquidators or if a receiver is appointed in respect of the property or undertaking of the Manager or any part thereof or the Manager is the subject of any analogous proceedings or procedure in each case under the laws of Hong Kong or such other laws as may be applicable in the circumstances where, after the expiration of a period of three months, the Trustee has not appointed a new Manager in accordance with the Trust Deed;

(b) if on the expiration of three months after notifying the Manager that in the Trustee's opinion a change of Manager is desirable in the interests of the Unitholders, the Trustee has not found another company ready to accept the office of manager of the Trust of which the Trustee and the SFC (and any other government authority required by law) shall approve;

(c) if the Manager shall fail to appoint a new trustee in place of the Trustee within such time as the Manager considers to be reasonable (which shall be not less than three months) after the date of the Trustee's written notice to retire in accordance with the Trust Deed;

(d) if, in the reasonable opinion of the Trustee acting in good faith, the Manager is incapable of performing its duties properly or has done any other thing which in the opinion of the Trustee is calculated to bring the Trust or any Sub-Fund into disrepute or to be harmful to the interests of the Unitholders or if the Manager is no longer licensed or authorised pursuant to applicable law or regulation to perform its duties hereunder, provided that if the Manager shall be dissatisfied with such opinion and so states to the Trustee in writing within seven days of receipt of the Trustee’s notice in writing hereunder the matter shall be referred to a third party mediator as agreed between the Trustee and the Manager for determination and his/her determination shall be final and bind the Trustee and the Manager;

(e) if any laws, rules and regulations imposed by any regulatory or supervisory, governmental, or quasi-governmental authority, any fiscal body or self-regulatory organisation (whether of a governmental nature or otherwise) render it illegal or in the reasonable opinion of the Trustee (in consultation with the Manager and if the Trustee deems necessary, upon advice from legal counsel) impracticable or inadvisable to continue the Trust or Sub-Fund(s);

(f) if the Manager has committed a material breach of any of the terms of the Trust Deed and has failed to remedy such breach within 60 days after service of a notice by the Trustee requiring such breach to be remedied provided that the Trustee certifies that in its opinion the proposed termination is necessary having regard to the interests of the Unitholders; or

(g) if the Trust or the relevant Sub-Fund ceases to be authorised by the SFC pursuant to the Securities and Futures Ordinance, or if the SFC directs under the Securities and Futures Ordinance or any other competent governmental authority directs that the Trust or a Sub-Fund be terminated.

The Manager may terminate the Trust or a Sub-Fund, by notice in writing, if the Manager considers it to be in the best interests of Unitholders to terminate a Sub-Fund or the Trust and, with the approval of the SFC (and any other competent governmental authority as required by law), gives written notice to the Trustee and the Unitholders of its intention to terminate the Trust or the Sub-Fund, as the case may be.

The Trustee or Manager terminating the Trust or a Sub-Fund (as applicable) will give written notice of termination of the Trust or a Sub-Fund to the Unitholders (such notice having been previously approved by the SFC, if necessary) containing information necessary to enable Unitholders to make an informed judgement of the proposed termination by the Manager, including the reasons for the termination, the relevant provisions under the Trust Deed that enable such termination, the consequences of the termination and their effects on existing Unitholders, the alternatives available to Unitholders, the estimated costs of the termination and who is expected to bear them. The Trustee or Manager (as applicable) shall by such notice fix the date at which such termination is to take effect (where the Trust is terminated by reason of illegality, impracticality or inadvisability in which case termination may take effect forthwith without any prior notice to Unitholders, provided that notice of termination shall be given to Unitholders as soon as reasonably practicable).

Any unclaimed proceeds or other monies held by the Trustee in the event of a termination may, at the expiration of twelve months from the date upon which the same became payable, be paid into a court of competent jurisdiction subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

Anti-Money Laundering Regulations

In order to comply with the responsibilities for the prevention of money laundering and to comply with all applicable laws to which the Manager, the Trustee, the Registrar, the Sub-Fund(s) or the Trust is subject to, the Manager, the Registrar or the Trustee may require a detailed verification of an investor's identity and the source of payment of any applications for Units at any time as they deem appropriate.

Depending on the circumstances of each application, a detailed verification might not be required where:

(a) the investor makes the payment from an account held in the investor's name at a recognised financial institution; or

(b) the application is made through a recognised intermediary.

These exceptions apply only if the financial institution or intermediary is within a country recognised by the Trustee and the Manager as having sufficient anti-money laundering regulations.

Each of the Manager, the Trustee and the Registrar reserves the right to request such information as is necessary to verify the identity of an applicant and the source of payment. In the event of delay or failure by the applicant to produce any information required for verification purposes, each of the Manager, the Trustee and the Registrar, as applicable, may refuse to accept the relevant application and the application monies. None of the Manager, the Trustee or the Registrar shall be liable to the applicant for any loss caused as a result of such delay or refusal to process applications.

No payment of subscription from, or redemptions to, any persons other than the Unitholder will be allowed.

APPENDIX 1

Japan Small Cap Equity Fund

Investment Objective and Investment Policy

The Sub-Fund seeks to achieve long-term capital growth by focusing on idiosyncratic Japanese stocks with pioneering business models and long-term growth potential through economic cycles. The Sub-Fund tries to identify attractive Japanese small-cap companies, which are overlooked by other market participants, based on rigorous bottom-up research. Under normal market conditions, the Sub-Fund will invest primarily (i.e. at least 70% of its Net Asset Value) in marketable equity securities of small capitalisation companies listed in Japan.

"Equity securities" are primarily common stocks of Japanese companies and Japanese exchange-traded funds ("**ETFs**") with returns based on equity and bond indices. Such ETFs may include physical and synthetic equity and bond ETFs (excluding leveraged and inverse exchange traded products).

The Sub-Fund considers "small capitalisation companies" to be those companies whose market capitalisation are within the range of the market capitalisation of companies in the S&P Japan Small Cap 250 index at the time of investment by the Sub-Fund.

Investment Strategy

The Manager seeks to achieve the investment objective by building a diversified portfolio of small capitalisation equity securities that the Manager believes offer an asymmetric risk/return profile, that is, more and higher returns on the upside and fewer and lower returns on the downside. Companies with sustainable growth potential are often smaller companies in a new industry or with a dominant technology in a niche area. The Sub-Fund tries to identify attractive Japanese small-cap companies, which are overlooked by other market participants, based on rigorous bottom-up research with a mid-long term view, typically over a three to five year horizon and beyond.

The Sub-Fund may use financial derivative instruments ("**FDI**"), including currency FDI and stock index futures, for hedging purposes. The Sub-Fund may also enter into futures contracts on an unhedged basis provided that the net total aggregate value of contract prices may not exceed 20% of the Net Asset Value of the Sub-Fund.

Securities Lending

The Sub-Fund does not currently intend to engage in any securities lending activities, repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions.

Allocation

The Sub-Fund's indicative asset allocation is presented in the table below:-

Types of investments	Percentage of allocation (% of Net Asset Value)
Equity securities, including ETFs	70 – 100
Cash, cash equivalents and short-term fixed income securities	0 – 15
FDI, including currency FDI, stock index futures for hedging purposes, and futures contracts on an unhedged basis	0 – 20

SUB-FUND DETAILS

Product Type	Equity
Fund Manager	China Post & Capital Global Asset Management Limited
Trustee	BOCI-Prudential Trustee Limited
Custodian	Bank of China (Hong Kong) Limited
Initial Issue Price	Class A (USD-hedged): USD10 per Unit Class A (USD): USD10 per Unit Class A (HKD): HKD100 per Unit Class A (RMB): RMB100 per Unit Class A (JPY): JPY1,000 per Unit Class I (USD-hedged): USD10 per Unit Class I (USD): USD10 per Unit Class I (HKD): HKD100 per Unit Class I (RMB): RMB100 per Unit Class I (JPY): JPY1,000 per Unit
Initial Issue Date	In respect of Class A (USD-hedged) and Class I (USD-hedged): 11 July 2018 In respect of Class A (USD), Class A (HKD), Class A (RMB), Class A (JPY), Class I (USD), Class I (HKD), Class I (RMB), Class I (JPY): 19 December 2017
Initial Offer Period	In respect of Class A (USD-hedged) and Class I (USD-hedged): 4 July 2018 to 10 July 2018 In respect of Class A (USD), Class A (HKD), Class A (RMB), Class A (JPY), Class I (USD), Class I (HKD), Class I (RMB), Class I (JPY): 18 December 2017 to 19 December 2017
Base Currency	Japanese Yen (“**JPY**”)
Initial Minimum Subscription	Class A (USD-hedged): USD100 Class A (USD): USD100 Class A (HKD): HKD1,000 Class A (RMB): RMB1,000 Class A (JPY): JPY10,000

	Class I (USD-hedged): USD100,000 Class I (USD): USD100,000 Class I (HKD): HKD1,000,000 Class I (RMB): RMB1,000,000 Class I (JPY): JPY10,000,000
Subsequent Minimum Subscription	Class A (USD-hedged): USD50 Class A (USD): USD50 Class A (HKD): HKD500 Class A (RMB): RMB500 Class A (JPY): JPY5,000 Class I (USD-hedged): USD50,000 Class I (USD): USD50,000 Class I (HKD): HKD500,000 Class I (RMB): RMB500,000 Class I (JPY): JPY5,000,000
Minimum Holding	Class A (USD-hedged): USD100 Class A (USD): USD100 Class A (HKD): HKD1,000 Class A (RMB): RMB1,000 Class A (JPY): JPY10,000 Class I (USD-hedged): USD100,000 Class I (USD): USD100,000 Class I (HKD): HKD1,000,000 Class I (RMB): RMB1,000,000 Class I (JPY): JPY10,000,000
Dealing Day	Each Business Day that is not a day on which banks are closed for business in Japan will be a Dealing Day
Dealing Deadline	12 pm (Hong Kong time) on each Dealing Day
Payment of redemption proceeds	Within 5 Business Days from the relevant day of redemption

Valuation Point	Close of business of the last relevant market to close on a Valuation Day or such other date as determined by the Manager
Financial year end	31 December
Website	www.chinapostglobal.com
Distribution Frequency	Nil

DISTRIBUTION POLICY

The Sub-Fund does not intend to make distributions at this stage and all income of the Sub-Fund will be automatically reinvested.

FEES AND EXPENSES

Management Fee	Class A: 1.4% per annum of the Net Asset Value of the Sub-Fund Class I: 0.75% per annum of the Net Asset Value of the Sub-Fund
Trustee Fee	Up to 0.15% per annum of the Net Asset Value of the Sub-Fund subject to a monthly minimum fee of USD5,000
Custodian Fee	Up to 0.05 % per annum of the Net Asset Value of the Sub-Fund
Performance Fee	Nil
Preliminary Charge	Up to 5.0% of the total subscription amount
Redemption Charge	Nil *May be increased up to 5.0% of the Redemption Price per Unit by giving Unitholders at least one month's prior notice*
Conversion Fee	Nil *May be increased up to 5.0% of the total subscription amount of Units being switched into, by giving Unitholders at least one month's prior notice*

RISKS RELATING TO THE SUB-FUND

Equity Market Risk

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

Risk associated with small capitalisation companies

The stock of small capitalisation companies may have lower liqudity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general. As a result, the Sub-Fund's value may be adversely affected.

Geographical Concentration Risk

The Sub-Fund's investments are concentrated in the Japan market. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Japanese market. As a result, the Sub-Fund's value and performance may be adversely affected.

Risks of investing in ETFs

The market price of the units of an ETF traded on the relevant stock exchange is determined not only by the net asset value of the ETF, but also the supply of and demand for the units of the ETF in the relevant stock exchange. Therefore, there is a risk that the market price of the units may be traded at discounts or premiums to the net asset value of the ETF, which may in turn adversely affect the Net Asset Value of the Sub-Fund. Also, an ETF may not be able to perfectly track the index it is designed to track. As an ETF is not actively managed by the manager of the ETF, it is expected that the ETF will decrease in value if there is a decline in the relevant index which the ETF seeks to track, which may in turn adversely affect the Net Asset Value of the Sub-Fund,

An ETF's performance may deviate from the index it is tracking due to a number of factors. The ability of the manager of an ETF to achieve a close correlation with the tracking index may be affected by certain factors, including fees and expenses of an ETF, the need for the manager to adopt a representative sampling strategy, rounding of prices, changes to the tracking index and regulatory policies. Further, an ETF may receive income (such as interests and dividends) from its assets while the tracking index does not have such sources of income.

Additionally, synthetic ETFs utilising a synthetic replication strategy use swaps or other derivative instruments to gain exposure to a benchmark. Swap-based synthetic ETFs and derivative embedded synthetic ETFs are exposed to counterparty and credit risks of the respective swap dealers or derivative instruments' issuers and may suffer losses if such dealers or issuers default or fail to honour their contractual commitments, which may in turn adversely affect the Net Asset Value of the Sub-Fund. A synthetic ETF may seek to mitigate such risk exposure to each counterparty by obtaining collateral from the relevant counterparty, which is subject to the collateral provider fulfilling its obligations and there may be a risk of loss to the synthetic ETF if the right against the collateral is exercised, and the market value of the collateral is substantially less than the amount secured. In addition, the risk exposure of a synthetic ETF may be monitored and marked to market daily to reduce the net exposure to each counterparty, whereby the synthetic ETF will have an obligation to pay the return of the underlying portfolio of assets in a swap to the relevant swap counterparty and the swap counterparty will have an obligation to pay the economic benefit/loss of the underlying index to the synthetic ETF. The movement of the underlying index to the synthetic ETF and the movement of the portfolio of assets in a swap will be marked to market daily, which will determine whether the synthetic ETF receives or pays cash on a daily basis. Despite these measures to manage counterparty risk, such measures may involve risks of their own such as settlement, operational and realisation risks arising out of the collateral, and the synthetic ETF will continue to be subject to counterparty risk. These factors may have an adverse impact on the value of the Sub-Fund.

RMB Currency and Conversion Risks

The RMB is currently not freely convertible and is subject to exchange controls and restrictions. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investments in the Sub-Fund.

Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors. Under exceptional circumstances, payment of redemptions in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

Currency hedged classes risk

The currency hedging process used with currency hedged classes may not give a precise hedge and there is no guarantee that hedging will be completely successful. Returns of such classes may be significantly different over time than those of unhedged classes. Hedging at the Sub-Fund level will preclude investors from benefitting from appreciation of the non-JPY currencies (USD) against the base currency of the Sub-Fund (JPY). Investors in currency hedged classes bear the associated costs and may also be exposed to the risks associated with the instruments used in the hedging process.

See the "**Risk Factors**" section of this Explanatory Memorandum for further information.

ADDITIONAL INFORMATION

You may generally buy and redeem units at the Sub-Fund's next determined Net Asset Value after the Registrar receives your request in good order on or before 12 pm (Hong Kong time).

The Net Asset Value of the Sub-Fund is calculated based on the calculations set out in the section "**Valuation**".

Investors may obtain further information on the Sub-Fund from the website at www.chinapostglobal.com or by calling +852 3468 5355. The website mentioned above has not been reviewed by the SFC.

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

China Post Global Fixed Income Fund

Investment Objective and Investment Policy

The Sub-Fund seeks to maximise total return. The Sub-Fund invests globally, with no prescribed country, region, credit rating or capitalisation limits, primarily (i.e. at least 70% of its Net Asset Value) in fixed income securities. Currency exposure is flexibly managed.

The Sub-Fund invests primarily in global market liquid fixed income securities, including (i) initial issues; (ii) RMB denominated bonds issued within the PRC via Bond Connect and the Manager's QFII quota; (iii) bonds issued by governments in different jurisdictions, including but not limited to United States treasury bonds; (vi) bond ETFs listed across different stock exchanges, including in the United States and Europe; (v) urban investment bonds, which are debt instruments issued by local government financing vehicles ("**LGFV**") in the PRC listed bond and interbank bond market ("**UIB**"). These LGFVs are separate legal entities established by local governments and/or affiliates to raise financing for public welfare investments or infrastructure projects. The Sub-Fund may invest up to 25% of its Net Asset Value in bond ETFs, which may include physical and synthetic fixed income ETFs (excluding leveraged and inverse exchange traded products). The Sub-Fund shall on an aggregate basis invest less than 30% of its Net Asset Value through the Manager's QFII quota. Also, the Sub-Fund shall on an aggregate basis invest less than 30% of its Net Asset Value in UIBs.

The Sub-Fund may invest up to 30% of its Net Asset Value in fixed income securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) which is below investment grade or unrated. Such investments are based on the professional judgment of the Manager whose reasons for investment may include a favourable and positive outlook on the sovereign issuer, potential for ratings upgrade and the expected changes in the value of such investments due to the ratings change. Please note the ratings of sovereign issuers may change from time to time.

The Sub-Fund may also invest in convertible bonds and contingent convertible bonds, but the aggregate of these investments will not exceed 25% of the Sub-Fund's Net Asset Value.

The fixed income securities which the Sub-Fund may invest in may be rated below investment grade (in the case where the credit rating is designated by an internationally recognised credit agency) or rated BB+ or below (in the case where the credit rating is designated by a PRC credit rating agency) or unrated ("**Low Rated Debt**"). The Sub-Fund shall not on an aggregate basis invest more than 70% of its Net Asset Value in Low Rated Debt.

The Sub-Fund may also hold up to 30% of its Net Asset Value in cash or cash equivalents.

Investment Strategy

The Manager seeks to achieve the investment objective by seeking investment opportunities in fixed income securities combining a top-down macroeconomic approach coupled with a rigorous bottom-up fundamental and quantitative analysis in order to construct a portfolio with relatively low volatility.

The investment team draws together local knowledge and global investment experience. Based on widely understood fundamental analysis methods, the investment team will employ proprietary financial models and risk management criteria to construct the investment portfolio.

The Sub-Fund may use FDI for hedging purposes. The Sub-Fund may employ deliverable or non-deliverable forwards, currency options and currency futures for the purpose of currency hedging only. The Manager does not anticipate that investments in FDI for non-hedging purposes would exceed 10% of the latest available Net Asset Value of the Sub-Fund. Such FDI may include fixed income futures.

Securities Lending

The Sub-Fund does not currently intend to engage in any securities lending activities, repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions.

SUB-FUND DETAILS

Product Type	Fixed income
Fund Manager	China Post & Capital Global Asset Management Limited
Trustee	BOCI-Prudential Trustee Limited
Custodian	Bank of China (Hong Kong) Limited
Principal broker	BOCI Securities Limited
Initial Issue Price	Class A (USD): USD10 per Unit Class A (HKD): HKD100 per Unit Class A (RMB): RMB100 per Unit Class I (USD): USD10 per Unit Class I (HKD): HKD100 per Unit Class I (RMB): RMB100 per Unit
Initial Issue Date	1 April 2019
Initial Offer Period	18 January 2019 – 29 March 2019
Base Currency	HKD
Initial Minimum Subscription	Class A (USD): USD100 Class A (HKD): HKD1,000 Class A (RMB): RMB1,000 Class I (USD): USD100,000 Class I (HKD): HKD1,000,000 Class I (RMB): RMB1,000,000
Subsequent Minimum Subscription	Class A (USD): USD50 Class A (HKD): HKD500 Class A (RMB): RMB500 Class I (USD): USD50,000 Class I (HKD): HKD500,000 Class I (RMB): RMB500,000
Minimum Holding	Class A (USD): USD100 Class A (HKD): HKD1,000

	Class A (RMB): RMB1,000 Class I (USD): USD100,000 Class I (HKD): HKD1,000,000 Class I (RMB): RMB1,000,000
Dealing Day	Each Business Day will be a Dealing Day
Dealing Deadline	4 pm (Hong Kong time) on each Dealing Day
Payment of redemption proceeds	Within 5 Business Days from the relevant day of redemption
Valuation Point	Close of business of the last relevant market to close on a Valuation Day or such other date as determined by the Manager
Financial year end	31 December
Website	www.chinapostglobal.com
Distribution Frequency	Nil

DISTRIBUTION POLICY

The Sub-Fund does not intend to make distributions at this stage and all income of the Sub-Fund will be automatically reinvested.

FEES AND EXPENSES

Management Fee	Class A: 0.75% per annum of the Net Asset Value of the Sub-Fund Class I: 0.4% per annum of the Net Asset Value of the Sub-Fund
Trustee Fee	Up to 0.15% per annum of the Net Asset Value of the Sub-Fund, subject to a monthly minimum fee of HKD40,000 per Sub-Fund
Custodian Fee	Up to 0.05 % per annum of the Net Asset Value of the Sub-Fund
Performance Fee	Nil
Preliminary Charge	Up to 5.0% of the total subscription amount
Redemption Charge	Nil *May be increased up to 5.0% of the Redemption Price per Unit by giving Unitholders at least one month's prior notice*
Conversion Fee	Nil *May be increased up to 5.0% of the total*

	subscription amount of Units being switched into, by giving Unitholders at least one month's prior notice

RISKS RELATING TO THE SUB-FUND

Risk associated with investing in fixed income securities

The Sub-Fund is exposed to interest rate fluctuations and credit risks, such as risk of default by or downgrading of issuers. If market interest rates rise, the value of the interest-bearing assets held by the Sub-Fund may decline substantially. This applies to an even greater degree if the Sub-Fund also holds interest-bearing securities with a longer time to maturity and a lower nominal interest rate. Also, an economic downturn or an increase in interest rates may increase the potential for default by the issuers of these securities. All these factors may adversely impact the Net Asset Value of the Sub-Fund.

Credit risk

The Sub-Fund is exposed to the credit or default risk of issuers of the debt securities that the Sub-Fund may invest in. In the event that any issuer experiences financial or economic difficulties or a rating is downgraded, the value of the security may be negatively affected.

Interest rate risk

Investment in the Sub-Fund is subject to interest rate risk. In general, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Long term securities are generally more sensitive to changes in interest rates and, therefore, are subject to a greater degree of market price volatility.

Downgrading risk

The credit rating of a debt instrument or its issuer may subsequently be downgraded. In the event of such downgrading, the value of the Sub-Fund may be adversely affected. The Manager may or may not be able to dispose of the debt instruments that are being downgraded.

Non-investment grade / rated BB+ or below by PRC credit rating agencies / unrated bonds Risk

The Sub-Fund may invest in debt securities rated below investment grade (in the case where the credit rating is assigned by an internationally recognised credit agency) or rated BB+ or below by a PRC credit rating agency (in the case where the credit rating is assigned by a PRC credit rating agency) or unrated. Such securities are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than high-rated debt securities.

Contingent convertible bond risk

Contingent convertible bonds are hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level. Upon the occurrence of a predetermined event (known as a trigger event), contingent convertible bonds will be converted into shares of the issuing company (potentially at a discounted price as a result of the deterioration in the financial condition of the issuing company), or cause the permanent write-down to zero of the principal investment and/or accrued interest such that the principal amount invested may be lost on a permanent or temporary basis.

Contingent convertible bonds are risky and highly complex instruments. Coupon payments on contingent convertible bonds are discretionary and may at times also be ceased or deferred by the issuer. Trigger events can vary but these could include the capital ratio of the issuing company falling below a certain level, or the share price of the issuer falling to a particular level for a certain period of time.

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

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

(c) *Capital structure inversion risk*: Contrary to the classic capital hierarchy, the Sub-Fund investing in contingent convertible bonds may suffer a loss of capital while equity holders do not, for example, when the loss absorption mechanism of a high trigger/write-down of a contingent convertible bond is activated. This is contrary to the normal order of the capital structure where equity holders are expected to suffer the first loss.

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

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

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

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

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

(i) *Sector concentration risk*: Contingent convertible bonds are issued by banking and insurance institutions. Investment in contingent convertible bonds may lead to an increased sector concentration risk. The performance of the Sub-Fund which invest significantly in contingent convertible bonds may therefore be affected by a greater extent on the overall condition of the financial services industry than for the funds following a more diversified strategy.

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

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

UIB risk

The Sub-Fund may invest less than 30% of its Net Asset Value in UIBs. Although these UIBs, which are issued by LGFVs, may appear to be connected with local government bodies, they are typically not guaranteed by such local government bodies or the central government of the PRC. As such, local government bodies or the central government of the PRC are not obliged to support any LGFVs in default. In the event that the LGFVs default on payment of principal or interest of the UIBs, the Sub-Fund could suffer very significant loss and the Net Asset Value of the Sub-Fund could be adversely affected.

QFII risk

The 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 QFII laws, rules and regulations (including restrictions on investments) in the PRC, which are subject to change and such change may have potential retrospective effect. The Sub-fund may suffer substantial losses if there is insufficient QFII quota allocated for the fund to make investments, the approval of the QFII is being revoked/terminated or otherwise invalidated as the fund may be prohibited from trading of relevant securities, or if any of the key operators or parties (including QFII custodian/brokers) is bankrupt/in default and/or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities).

Currency risk

Underlying investments of the Sub-Fund may be denominated in currencies other than the base currency of the Sub-Fund. Also, a class of units may be designated in a currency other than the base currency of the Sub-Fund. The Net Asset Value of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.

*Risks associated with China Interbank Bond Market ("**CIBM**") via Bond Connect*

(a) Overview

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

Bond Connect aims to enhance the efficiency and flexibility of investing in CIBM. This is accomplished by easing the access requirements to enter the market, the use of the Hong Kong trading infrastructure to connect to CFETS, removal of the investment quota and bond settlement agent, all which are required to invest in the CIBM directly.

Under the prevailing regulations in the PRC, eligible foreign investors will be allowed to invest in bonds circulated in the CIBM through the northbound trading of Bond Connect ("**Northbound Trading Link**"). There will be no investment quota for Northbound Trading Link. Under the Northbound Trading Link, eligible foreign investors are required to appoint CFETS or other institutions recognised by the People's Bank of China ("**PBOC**") as registration agents to apply for registration with the PBOC.

Pursuant to the prevailing regulations in the PRC, an offshore custody agent recognised by the Hong Kong Monetary Authority (currently, the Central Moneymarkets Unit) shall open omnibus nominee accounts with the onshore custody agent recognised by the PBOC (currently, the China Securities Depository & Clearing Co., Ltd and Shanghai Clearing House).

All bonds traded by eligible foreign investors will be registered in the name of Central Moneymarkets Unit, which will hold such bonds as a nominee owner.

Further information about the Bond Connect is available online at the website: http://www.chinabondconnect.com/en/index.htm.

(b) Risks associated with Bond Connect

Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the CIBM may result in prices of certain debt securities traded on such market fluctuating significantly. The Sub-Fund investing in such market is therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the Sub-Fund may therefore incur significant trading and realisation costs and may even suffer losses. To the extent that the Sub-Fund transacts in the CIBM, the Sub-Fund may also be exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

For investments via Bond Connect, the relevant filings, registration with the People's Bank of China and account opening have to be carried out via an offshore custody agent, registration agents, or other third parties (as the case may be). As such, the Sub-Fund is subject to the risks of default or errors on the part of such third parties.

Investing in the CIBM via Bond Connect is subject to regulatory risks and various risks such as volatility risk, liquidity risk, settlement and counterparty risk as well as other risk factors typically applicable to debt securities. The relevant rules and regulations on investment in the CIBM via Bond Connect are subject to change which may have potential retrospective effect. In the event that the relevant PRC authorities suspend account opening or trading on the CIBM, the Sub-Fund's ability to invest in the CIBM will be adversely affected. In such event, the Sub-Fund's ability to achieve the investment objective will be negatively affected.

Trading through Bond Connect is performed through newly developed trading platforms and operational systems. There is no assurance that such systems will function properly or will continue to be adapted to changes and developments in the market. In the event that the relevant systems fail to function properly, trading through Bond Connect may be disrupted. The Sub-Fund's ability to trade through Bond Connect may therefore be adversely affected. In addition, where the Sub-Fund invests in the RMB denominated bonds issued within the PRC through Bond Connect, it may be subject to risks of delays inherent in the order placing and/or settlement systems.

Volatility and liquidity risk associated with debt securities in the PRC

The debt securities in the PRC markets may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations. In order to mitigate this risk, the Manager will monitor liquidity daily, and will only hold debt securities that in its opinion are very liquid and use its best endeavours to ensure daily execution without incurring significant trading costs. Additionally, investing in the PRC securities market may be subject to the risks not typically associated with investment in developed markets including risks of nationalization or expropriation of assets, government control and intervention, regulatory risk, legal risk and accounting risk, settlement risk, currency risk and/or currency control, political and economic uncertainties, taxation risk and custody risk. These factors may have an adverse impact on the value of the Sub-Fund.

PRC credit rating agency risk

The credit appraisal system in the PRC and the rating methodologies employed in the PRC may be different from those employed in other markets. Credit ratings given by PRC rating agencies may therefore not be directly comparable with those given by other international rating agencies.

PRC tax risk

Investments in the Sub-Fund may be subject to risks associated with changes in PRC laws and regulations, including PRC tax laws. Such changes may have retrospective effect and may adversely affect the Sub-Fund.

Where the Sub-Fund is regarded as a non-PRC tax resident enterprise and does not have an Establishment or PE in the PRC, under the current PRC tax laws, interest on government bonds issued by the MOF and LGBs approved by the State Council is exempt from PRC WIT and VAT. Interest on non-government bonds and non LGBS are technically subject to PRC WIT and VAT. However, the PRC government has, on 30 August 2018, announced through an executive meeting of the State Council, that they will grant a temporary 3 year EIT and VAT exemption on interest derived by non-PRC tax resident enterprises from their investments in PRC bonds traded on the PRC bond market. Details of the exemption (including effective date) are yet to be announced.

As regards gains from the disposal of PRC debt securities, the PRC tax authorities have verbally indicated, on numerous occasions, that such gains are non-PRC sourced income and hence not subject to PRC WIT. However, there is no specific written tax regulation to confirm the same. In practice, the PRC tax authorities have not actively enforced the collection of PRC WIT on gains realized from the transfer of PRC debt securities. Should the PRC tax authorities decide to levy tax on such gains in the future, the Manager would seek to apply with the PRC tax authorities to treat the Sub-Fund as a Hong Kong tax resident and rely on the capital gain tax exemption accorded under the PRC-HK Arrangement, although this is subject to the relevant treaty conditions being satisfied and the agreement of the PRC tax authorities and hence cannot be guaranteed.

Based on professional and independent tax advice, until the circular on temporary EIT and VAT exemption on bond interest income is issued and becomes effective, the Manager will make a WIT provision of 10% and a VAT and Local Surcharges provision of approximately 6.72% on interest income derived from the Sub-Fund's investment in PRC bonds in the PRC bond market and the Manager does not intend to provide for any PRC WIT on realized or unrealized gains derived by the Sub-Fund from its investment in PRC debt securities. The Manager reserves the right to change the PRC tax provision policy of the relevant Sub-Fund in response to changes in PRC tax law and practices. Such provisions may be excessive or inadequate to meet the actual tax liabilities. Any shortfall between the provisions and actual tax liabilities will be charged to the Sub-Fund's assets and this will adversely affect the Sub-Fund's Net Asset Value. The actual tax liabilities may be lower than the tax provision made.

Depending on the timing of their subscriptions and/or redemptions, investors may be disadvantaged as a result of any shortfall of tax provision and will not be entitled or have any right to claim any part of such over provision.

Credit rating risk

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

Emerging market risk

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

Eurozone risk

In light of ongoing concerns on the sovereign debt risk of certain countries within the Eurozone, the Sub-Fund's investments in the region may be subject to higher volatility, liquidity, currency and default risks. Any adverse events, such as credit downgrade of a sovereign or exit of European Union members from the Eurozone, may have a negative impact on the value of the Sub-Fund.

Risks of investing in ETFs

The market price of the units of an ETF traded on the relevant stock exchange is determined not only by the net asset value of the ETF, but also the supply of and demand for the units of the ETF in the relevant stock exchange. Therefore, there is a risk that the market price of the units may be traded at discounts or premiums to the net asset value of the ETF, which may in turn adversely affect the Net Asset Value of the Sub-Fund. Also, an ETF may not be able to perfectly track the index it is designed to track. As an ETF is not actively managed by the manager of the ETF, it is expected that the ETF will decrease in value if there is a decline in the relevant index which the ETF seeks to track, which may in turn adversely affect the Net Asset Value of the Sub-Fund.

An ETF's performance may deviate from the index it is tracking due to a number of factors. The ability of the manager of an ETF to achieve a close correlation with the tracking index may be affected by certain factors, including fees and expenses of an ETF, the need for the manager to adopt a representative sampling strategy, rounding of prices, changes to the tracking index and regulatory policies. Further, an ETF may receive income (such as interests and dividends) from its assets while the tracking index does not have such sources of income.

Additionally, synthetic ETFs utilising a synthetic replication strategy use swaps or other derivative instruments to gain exposure to a benchmark. Swap-based synthetic ETFs and derivative embedded synthetic ETFs are exposed to counterparty and credit risks of the respective swap dealers or derivative instruments' issuers and may suffer losses if such dealers or issuers default or fail to honour their contractual commitments, which may in turn adversely affect the Net Asset Value of the Sub-Fund. A synthetic ETF may seek to mitigate such risk exposure to each counterparty by obtaining collateral from the relevant counterparty, which is subject to the collateral provider fulfilling its obligations and there may be a risk of loss to the synthetic ETF if the right against the collateral is exercised, and the market value of the collateral is substantially less than the amount secured. In addition, the risk exposure of a synthetic ETF may be monitored and marked to market daily to reduce the net exposure to each counterparty, whereby the synthetic ETF will have an obligation to pay the return of the underlying portfolio of assets in a swap to the relevant swap counterparty and the swap counterparty will have an obligation to pay the economic benefit/loss of the underlying index to the synthetic ETF. The movement of the underlying index to the synthetic ETF and the movement of the portfolio of assets in a swap will be marked to market daily, which will determine whether the synthetic ETF receives or pays cash on a daily basis. Despite these measures to manage counterparty risk, such measures may involve risks of their own such as settlement, operational and realisation risks arising out of the collateral, and the synthetic ETF will continue to be subject to counterparty risk. These factors may have an adverse impact on the value of the Sub-Fund.

Sovereign debt risk

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

Valuation risk

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

Foreign investments restrictions risks

Some countries prohibit or restrict investment, or the repatriation of income, capital or the proceeds from sale of securities. The Sub-Fund may incur higher costs investing in these countries. Such restrictions may delay the investment or repatriation of capital of the Sub-Fund. As a result, the Sub-Fund's value may be adversely affected.

See the "**Risk Factors**" section of this Explanatory Memorandum for further information.

ADDITIONAL INFORMATION

You may generally buy and redeem units at the Sub-Fund's next determined Net Asset Value after the Registrar receives your request in good order on or before 4 pm (Hong Kong time).

The Net Asset Value of the Sub-Fund is calculated based on the calculations set out in the section "**Valuation**".

Investors may obtain further information on the Sub-Fund from the website at www.chinapostglobal.com or by calling +852 3468 5355. The website mentioned above has not been reviewed by the SFC.

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