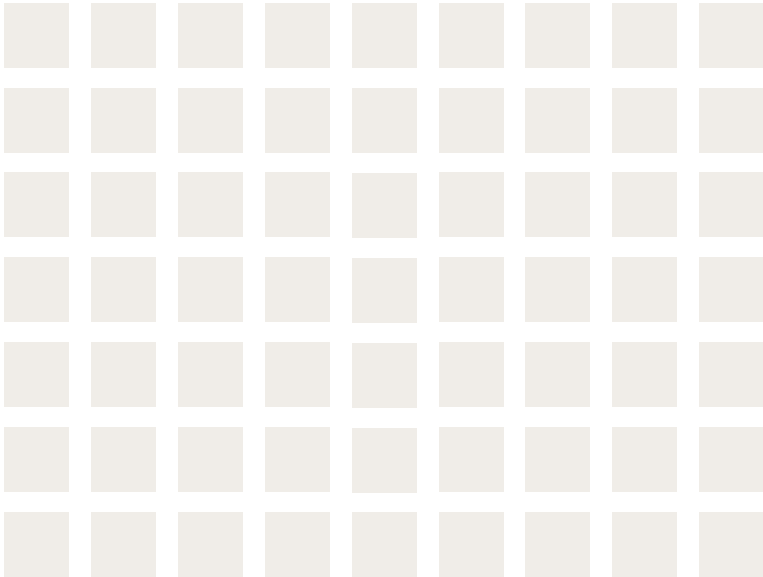


## Amundi China Active Events Fund

### Explanatory Memorandum

April 2011



**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF  
IN DOUBT, PLEASE SEEK PROFESSIONAL ADVICE  
Amundi Harvest Funds (“the Fund”)**

- Amundi China Active Events Fund (the “**Sub-Fund**”)

3 October 2011

Dear Unitholder,

We, Amundi Hong Kong Limited (the “**Manager**”), as manager of the Fund, would like to notify you of the decision to terminate the Sub-Fund.

Due to the decline in the aggregate net asset value of the Sub-Fund to less than USD5,000,000, the Manager considers that it is no longer economically viable to operate the Sub-Fund. The level of assets under management as at 23 September 2011 is HKD9,377,679 (equivalent to USD1,202,139). The total estimated termination cost which will bear by the Sub-Fund is HKD20,000. As at the date of this notice, there are no unamortised expenses remaining in the Sub-Fund. The total expense ratio as at 31 December 2010 is 6.47%. The total expense ratio is calculated by dividing the annual total expense by the annual average net asset value. The Manager has decided to terminate the Sub-Fund pursuant to Clause 27.3(a) of the Trust Deed with effect from 7 November 2011 (the “**Effective Date**”).

As a result of the decision to terminate the Sub-Fund, the Manager will no longer accept subscription for Units in the Sub-Fund with immediate effect. Unitholders of the Sub-Fund may continue to realize Units, free of charge, up to 31 October 2011.

Alternatively, Unitholders may switch their units without switching fee to Amundi Asian Real Estate Dividend Fund, Amundi Bonus Builder China Fund and Amundi Vietnam Opportunities Fund (provided that the minimum investment requirement described in the current Amundi Harvest Funds’ Explanatory Memorandum for each type of unit class can be met) up to 31 October 2011.

To ensure that the realization requests and switching request are effected prior to the Effective Date, the relevant requests must be received by HSBC Institutional Trust Services (Asia) Limited (the Service Provider to the Trustee), prior to 4:00 p.m. (Hong Kong time) on 31 October 2011.

The Sub-Fund will be terminated on the Effective Date. All cash proceeds (net of charges and expenses) derived from the realisation of the Sub-Fund’s assets will be distributed to remaining Unitholders (including the Unitholders who have not placed any redemption instruction or fund switching instruction) in proportion to their respective holdings as at the Effective Date.

Under current law and practice in Hong Kong, no tax will be payable by Unitholders in respect of dividends or other income distributions of the Sub-Fund or in respect of any capital gains arising on a sale, realisation or other disposal of Units, except that Hong Kong profits tax may arise where such transactions form part of a trade, profession or business

carried on in Hong Kong. However, Unitholders are encouraged to consult their own professional advisers as to the tax implications of these transactions.

Investment involves risks. Investors are recommended to refer to the offering documents of the Fund for further details.

The latest offering documents are available for inspection free of charge at any time during normal business hours on any day (except Saturdays, Sundays and public holidays) at the offices of the Manager at 901-908, One Pacific Place, No. 88 Queensway, Hong Kong.

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**The directors / fund managers accept responsibility for the accuracy of the contents of the documents as at the date of its publication.**

If you have any queries about this notice, please contact your financial advisors or the Manager at telephone (852) 2521 4231 or at the Manager's offices at 901-908, One Pacific Place, No. 88 Queensway, Hong Kong.

Yours faithfully,

Amundi Hong Kong Limited

# AMUNDI HARVEST FUNDS

## EXPLANATORY MEMORANDUM

### AMUNDI CHINA ACTIVE EVENTS FUND

#### **IMPORTANT:**

The Sub-Fund aims to achieve long-term capital growth by investing primarily in shares of companies domiciled in the PRC or with actual / prospective operations in PRC that are listed in any regulated markets worldwide with an aim to capture opportunities from government / market/ enterprise changes and development.

The Sub-Fund may invest in the following instruments:

- securities or instruments connected to emerging markets, which involve substantial market, regulatory, liquidity and volatility risks; and
- structured notes, equity-linked notes, warrants and such derivative instruments permitted under the SFC's Code on Unit Trusts and Mutual Funds from time to time, which involve substantial credit, counterparty, liquidity and volatility risks. Investing in the above instruments will result in potentially higher risks, and investors may suffer a loss of their investments in the Sub-Fund.

Since the investments of the Sub-Fund are concentrated in a single market, volatility may be higher than more diversified funds.

Investors should note that the Sub-Fund may invest in structured notes, equity-linked notes, warrants and such derivative instruments permitted under the SFC's Code on Unit Trusts and Mutual Funds from time to time issued by companies within the Amundi Group, to which the Manager is connected, and this could result in potential conflicts of interest.

Any Performance Fee charged to the Sub-Fund will not be calculated on a unit-by-unit basis and no equalisation or series of units provisions will apply. As such, the Performance Fee payable may not reflect the individual performance of the Units in question.

April 2011

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**Important: If you are in any doubt about the contents of this Explanatory Memorandum, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. This Explanatory Memorandum has been written and authorised for distribution in Hong Kong only. It does not constitute a distribution of information or an offer in any other jurisdiction.**

This Explanatory Memorandum comprises information relating to Amundi Harvest Funds which is a unit trust established as an umbrella fund under the laws of the Cayman Islands by a trust deed dated 27 January 2004 entered into between Société Générale Asset Management S.A., the former manager, and HSBC Trustee (Cayman) Limited as trustee, as amended from time to time, and the sub-fund known as Amundi China Active Events Fund. Société Générale Gestion S.A. has been appointed as Manager with effect from 31 December 2009 which was subsequently replaced by Amundi Hong Kong Limited (the "Manager") from 13 September 2010.

The Manager accepts responsibility for the information contained in this Explanatory Memorandum as being accurate at the date of publication. Distribution of this Explanatory Memorandum must be accompanied by a copy of the latest available annual report and accounts of the Fund and any subsequent interim report.

The Fund and the Sub-Fund have been authorised by the Securities and Futures Commission ("SFC") in Hong Kong pursuant to section 104 of the Securities and Futures Ordinance and the Code on Unit Trusts and Mutual Funds ("Code"). Although the Fund and the Sub-Fund have been authorised by the SFC, such authorisation does not imply official recommendation or endorsement of the Fund and the Sub-Fund nor does it guarantee the commercial merits of the Fund and/or the Sub-Fund or its performance. SFC authorization does not mean that the Fund and/or the Sub-Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

No action has been taken to permit an offering of Units or the distribution of this Explanatory Memorandum in any jurisdiction other than Hong Kong where action would be required for such purposes. Accordingly, this Explanatory Memorandum may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised.

Units are offered on the basis only of the information contained in this Explanatory Memorandum and (where applicable) the above mentioned annual reports and accounts and interim statements.

Any information given or representations made by any dealer, salesman or other person and (in either case) not contained herein should be regarded as unauthorised and accordingly must not be relied upon. Neither the delivery of this Explanatory Memorandum nor the offer or issue of Units shall under any circumstances constitute a representation that the information contained in this Explanatory Memorandum is correct as of any time subsequent to the date hereof. This Explanatory Memorandum may from time to time be updated and intending applicants of Units should enquire of the Manager as to the issue of any later Explanatory Memoranda.

Units have not been registered under the United States Securities Act of 1933 (as amended) (the "Securities Act") and, except in a transaction which does not violate such Act, may not be directly or indirectly offered or sold in the United States of America, or any of its territories or possessions or areas subject to its jurisdiction, or for the benefit of a United States person. For this purpose, "United States person" shall have the meaning ascribed to such term in Regulation S under the Securities Act.

The Fund has not been and will not be registered under the United States Investment Company Act of 1940 as amended. The Manager has not been and will not be registered under the United States Investment Advisors Act of 1940.

Persons resident or domiciled in the Cayman Islands are prohibited from holding Units.

Potential applicants for Units should inform themselves as to (a) the possible tax consequences, (b) the legal requirements and (c) any foreign exchange restrictions or exchange control requirements which they might encounter under the laws of the countries of their incorporation, citizenship, residence or domicile and which might be relevant to the subscription, holding or disposal of Units.

Hong Kong Unitholders may contact Amundi Hong Kong Limited, the Manager, for any queries or complaints in relation to the Sub-Fund. To contact the Manager, Unitholders may either;

- write to the Manager (address at 901-908, One Pacific Place, No.88 Queensway, Hong Kong); or
- call the Manager's Customer Service Hotline: 2521 4231.

The Manager will respond to any enquiry or complaint in writing or otherwise within one month.

### **Personal Information Collection Statement pertaining to Provision of Services**

The Manager is committed to maintaining your personal data in accordance with the requirement of Personal Data (Privacy) Ordinance (the "Ordinance") and will take all reasonable steps to ensure that your personal data is kept secure against unauthorized access, loss, disclosure and destruction.

#### **The purposes and retention of the information:**

- (a) From time to time, it is necessary for clients and various other individuals ("data subject") to supply the Manager with data in connection with various matters such as account opening or continuation of relationship, or provision of services to clients and other individuals.
- (b) Failure to supply such data may result in the Manager being unable to open an account or continue services to clients.
- (c) The purposes for which data relating to a data subject may be used will vary depending on the nature of the data subject's relationship with the Manager. Information provided shall be held by the Manager or any of its affiliates and/or their delegates or sub-delegates as data processor as appropriate and is used for any of the following purposes:
  - (i) processing applications for accounts and services;
  - (ii) daily operation of the accounts and services;
  - (iii) investments in other funds managed by the Manager or any of its affiliates;
  - (iv) designing financial services or related products for our clients' use;
  - (v) marketing related products or services;
  - (vi) meeting the disclosure requirement under any laws binding on the Manager or any of its affiliates or their delegates or sub-delegates;
  - (vii) meeting the regulatory requirements of anti-money laundering and counter-terrorist financing binding on the Manager or any of its affiliates or their delegates or sub-delegates; and/or
  - (viii) all other incidental and associated purposes relating to any of the above.

- (d) The data collected may be maintained for such period of time which may be required under applicable law and as otherwise needed to fulfil the purposes set out above.
- (e) The data held will be kept confidential but the Manager may provide such information to the following parties whether inside or outside Hong Kong for the purposes set out in paragraph (c) above:
  - (i) the affiliates of the Manager;
  - (ii) the agents, contractors or service providers of the Manager or any of its affiliates;
  - (iii) the intermediaries of the Manager or any of its affiliates;
  - (iv) the regulators, lawyers or auditors of the Manager or any of its affiliates; and
  - (v) any person or party to whom the Manager or its affiliates is under an obligation to make disclosure under the requirements of any law binding on the Manager or any of its affiliates.
- (f) Protecting your privacy is a priority to us. Your information will be held in confidence and not passed to any company, other than as already indicated above, without your permission or unless required by law.
- (g) Within the Manager, access to non-public information about a client is restricted to employees who need to know the information to provide products or services to the client. The Manager maintains physical, electronic and procedural safeguards that protect client information.
- (h) Under the Ordinance, you have the right:
  - (i) to check whether the Manager holds data about you, and of access to such data;
  - (ii) to require the Manager to correct any data relating to you which is inaccurate;
  - (iii) to ascertain the Manager's policies and practices in relation to data and to be informed of the kind of personal data held by the Manager;
  - (iv) to object to the use of your personal data for marketing purposes and the Manager shall not use your personal data for marketing purposes after you communicate your objection to the Manager.
- (i) In accordance with the terms of the Ordinance, the Manager has the right to charge a reasonable fee for the processing of any data access request.
- (j) The person to whom requests for access to data or correction of data or for information regarding policies and practices and kinds of data held are to be addressed is as follows:

**Data Protection Officer**  
**Amundi Hong Kong Limited**  
**901-908 One Pacific Place**  
**No. 88 Queensway, Hong Kong**

- (k) Nothing in this document shall limit the rights of data subject under the Ordinance.



## ADMINISTRATION

<b>Manager:</b>	Amundi Hong Kong Limited 901-908, One Pacific Place No. 88 Queensway Hong Kong
<b>Trustee and Registrar:</b>	HSBC Trustee (Cayman) Limited PO Box 484 GT HSBC House 68 West Bay Road Grand Cayman
<b>Service Provider to the Trustee:</b>	HSBC Institutional Trust Services (Asia) Limited No. 1 Queen's Road Central, Hong Kong
<b>Auditor:</b>	PricewaterhouseCoopers Certified Public Accountants P.O. Box 258GT Strathvale House Grand Cayman British West Indies
<b>Directors of the Manager:</b>	Jean-Paul Mazoyer Jean-François Pinçon Jean-Yves Glain Pascal Blanque Bernard Carayon Thierry Mequillet Denys de Campigneulles Ray Jovanovich Ada Mak  c/o Amundi Hong Kong Limited 901-908, One Pacific Place No. 88 Queensway Hong Kong

## SUMMARY OF KEY TERMS

Please refer to the relevant provisions of this Explanatory Memorandum for a complete discussion of the terms summarised below:

Legal Structure	an umbrella unit trust established in the Cayman Islands. This Explanatory Memorandum relates to the Amundi China Active Events Fund
Manager	Amundi Hong Kong Limited
Trustee	HSBC Trustee (Cayman) Limited
Base Currency	HK Dollars
Initial Offer Price	HK\$10 per Unit
Minimum Investment	HK\$10,000
Management Fee	currently 1.8% per annum of the Net Asset Value
Performance Fee	currently 8% of the difference between the Net Asset Value per Unit of the Sub-Fund on a Dealing Day (net of all other fees and expenses) and the High Water Mark provided that on such Dealing Day the Net Asset Value per Unit is above the relevant High Water Mark
Performance period	a performance period commence each calendar year
High Water Mark	for each performance period, the higher of (1) the issue price; and (2) the highest Net Asset Value per Unit as at the end of each of the previous performance periods, adjusted by deducting performance fees and distributions. For the avoidance of doubt, the High Water Mark for the first performance period equals the Initial Offer Price
Preliminary Charge	5%
Switching/ Conversion Fee	1% of the realisation price per Unit
Dealing Day	a Business Day in Hong Kong and Singapore provided that all relevant markets will not be closed prior to the Dealing Deadline on that particular Business Day
Dealing Deadline	4:00 p.m. Hong Kong time on the Dealing Day

## DEFINITIONS

In addition to the Summary of Key Terms, the defined terms used in this Explanatory Memorandum have the following meanings:

- “A-Shares” means shares denominated in RMB and issued by companies in the PRC and listed on the PRC stock exchanges
- “B-Shares” means shares denominated in currencies other than RMB and issued by companies in the PRC and listed on the PRC stock exchanges
- “Business Day” means a day (other than a Saturday) on which banks in Hong Kong and Singapore are open for normal banking business or such other day or days as the Manager and the Trustee may agree from time to time, provided that where as a result of a number 8 typhoon signal, black rainstorm warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager and the Trustee determine otherwise
- “connected person” means in relation to the Manager:
- (a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of the Manager or being able to exercise, directly or indirectly, 20% or more of the total votes in the Manager; 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 the Manager forms part; or
  - (d) any director or officer of the Manager or of any of its connected persons as defined in (a), (b) or (c) above
- “FATF” means the Financial Action Task Force
- “Fund” means Amundi Harvest Funds, an umbrella Cayman Islands unit trust
- “Hong Kong” means Hong Kong Special Administrative Region of PRC
- “HK\$” or “HK Dollars” means the currency of Hong Kong

## DEFINITIONS (Continued)

“Net Asset Value” or “NAV”	means the net asset value of the Fund or a Sub-Fund or of a Unit, as the context may require, calculated in accordance with the provisions of the Trust Deed as summarised below under the section titled “Calculation and Publication of Net Asset Value”
“PRC” or “China”	means the People’s Republic of China
“Realisation Price”	means the price at which Units will be realised as more fully described in the section titled “Realisation of Units”
“RMB” or “Renminbi”	means the lawful currency of PRC
“SFC”	means the Securities and Futures Commission of Hong Kong
“SFO”	means the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Sub-Fund”	means Amundi China Active Events Fund
“Trust Deed”	means the trust deed establishing the Fund entered into by Société Générale Asset Management S.A., the former manager, and the Trustee dated 27 January 2004, as amended from time to time
“Unit”	means a unit in the Sub-Fund
“Unitholder”	means a person registered as a holder of a Unit
“US\$” or “US Dollars”	means the currency of the United States of America
“Valuation Day”	means a Dealing Day
“Valuation Time”	means the close of business of the last relevant market to close on a Dealing Day

## GENERAL DETAILS OF THE FUND

AMUNDI HARVEST FUNDS (the "Fund") is a unit trust constituted by a trust deed dated 27 January 2004 entered into between Société Générale Asset Management S.A. ,the former manager, and HSBC Trustee (Cayman) Limited as Trustee. Société Générale Gestion S.A. has been appointed as Manager with effect from 31 December 2009 which was subsequently replaced by Amundi Hong Kong Limited from 13 September 2010. The Trust Deed is governed by the laws of the Cayman Islands. 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 Fund is an umbrella fund and offers Units in separate pools of assets. Each sub-fund has its own separate and distinct investment policy. This Explanatory Memorandum relates solely to the Amundi China Active Events Fund.

The Trust Deed effectively places the Manager and the Trustee under an obligation to segregate the assets and liabilities between each sub-fund of the Fund. Such measures if complied with should prevent the cross-over of liabilities of sub-funds. A failure by the Manager and/or the Trustee to comply with such obligations would amount to a breach of the terms and conditions of the Trust Deed.

The Manager and the Trustee may create additional classes of Units and additional sub-funds in the future. In respect of the Amundi China Active Events Fund there is currently one class of Units available for subscription as noted below:

Base Currency	HK\$
Initial Offer Price	HK\$10 per Unit
Minimum Investment	HK\$10,000

## INVESTMENT OBJECTIVES AND POLICIES

### Investment Objectives and Policies

Amundi China Active Events Fund is a collective investment scheme which seeks to provide investors with long-term capital growth by investing primarily in shares of companies domiciled in the PRC or with actual / prospective operations in PRC, that are listed in Hong Kong, Singapore, the United States or any other regulated markets worldwide, with the aim mainly to capture the benefits that arise from any changes of government policies, market reforms, merger and acquisition activities, corporate actions, initial public offerings and other opportunities which result from governmental or enterprise changes and development. It is the Manager's current intention to invest not more than 10% of the Sub-Fund's NAV in A-Shares and/or B-Shares.

To the extent permitted by the Code on Unit Trusts and Mutual Funds, and subject to the investment restrictions set out below and any restrictions imposed by the China law from time to time, and for the purpose of gaining exposures to China market, the Manager may on behalf of the Sub-Fund directly and/or indirectly invest in:

- (1) securities issued by unlisted entities, including companies domiciled in China. The Sub-Fund may also invest in securities issued by government entities in Hong Kong and China;
- (2) collective investment schemes related to China;
- (3) structured notes, participation notes, equity-linked notes, similar financial instruments and such derivative instruments permitted under the SFC's Code on Unit Trusts and Mutual Funds from time to time where the underlying asset consists of securities issued by companies listed on the Shanghai Stock Exchange or Shenzhen Stock Exchange and/or companies meeting the requirements set out under item (1) above, and/or the performance of which is linked to the performance of securities issued by companies listed on the Shanghai Stock Exchange or Shenzhen Stock Exchange or a related index as well as derivative instruments and financial products linked to a stock index and/or China related indices and/or securities on an unhedged basis; and
- (4) any money market instruments.

In relation to investments in derivatives instruments, the Manager and any connected person will, at all times, operate independently in assuming their respective duties and obligations in relation to the Sub-Fund. All transactions and dealings between such entities in relation to the Sub-Fund will be dealt with on an "arms length" basis in accordance with the Trust Deed and in compliance with relevant regulatory codes to which such entities are subject.

### Role of the Manager

The Manager will manage the Sub-Fund. The Manager has overall responsibility for ensuring that the investment guidelines and restrictions of the Sub-Fund are observed. The Manager may delegate any of its management functions in relation to all or part of the Sub-Fund's assets and/or investment portfolios to one or more sub-investment managers from time to time subject to the Trustee's consent and prior SFC approval. In addition, the Manager may at its discretion, with or without giving any notice, appoint sub-adviser(s) or terminate any appointment of such sub-adviser(s) from time to time.

### Investment Restrictions

The Trust Deed sets out restrictions and prohibitions on the acquisition of certain investments by the Manager for Amundi China Active Events Fund. A summary of these restrictions appears below:

## **INVESTMENT OBJECTIVES AND POLICIES (Continued)**

### **Investment Restrictions (Continued)**

- (1) not more than 10% of the Net Asset Value of the Sub-Fund may consist of securities (other than Government and other public securities) issued by a single issuer;
- (2) the Sub-Fund's holding when aggregated with the securities held by all other sub-funds under the Amundi Harvest Funds umbrella may not hold more than 10% of any ordinary shares issued by any single issuer;
- (3) not more than 15% of the Net Asset Value of the Sub-Fund may consist of securities of any company not listed or quoted on a stock exchange, over-the-counter market or other organised securities market that is open to the international public and on which such securities are regularly traded;
- (4) not more than 15% of the Net Asset Value of the Sub-Fund may consist of warrants and options in terms of the total amount of premium paid, other than warrants and options held for hedging purposes;
- (5) not more than 10% of the Net Asset Value of the Sub-Fund may consist of shares or units in other open-ended unit trusts or mutual funds ("managed funds") provided that no investment may be made in a managed fund managed by the Manager or any of its connected persons if such investment would result in an increase in the overall total of the preliminary charge, manager's fee or other costs and charges borne by the Unitholders of the Sub-Fund or by the Sub-Fund;
- (6) the net aggregate value of the prices for futures contracts, whether payable to or by the Sub-Fund (other than futures contracts entered into for hedging purposes) may not exceed 20% of the Net Asset Value of the Sub-Fund;
- (7) not more than 30% of the Net Asset Value of the Sub-Fund may consist of Government and other public securities of a single issue; and
- (8) subject to paragraph (7) above, the Sub-Fund may be fully invested in Government and other public securities issued by a single issuer provided that it holds Government and other public securities of at least six different issues.

### **The Manager shall not on behalf of the Sub-Fund:**

- (1) invest in a security of any class in any company or body or fund if directors and officers of the Manager individually own more than ½% of the total nominal amount of all the issued securities of that class or collectively own more than 5% of those securities;
- (2) invest in any type of real estate (including buildings) or interests in real estate (including options or rights but excluding shares in real estate companies);
- (3) make short sales if as a consequence the liability of the Sub-Fund to deliver securities would exceed 10% of the Net Asset Value of the Sub-Fund (and for this purpose securities sold short must be actively traded on a market where short selling is permitted);
- (4) write uncovered options;
- (5) write a call option if the aggregate of the exercise prices of all such call options written on behalf of the Sub-Fund would exceed 25% of the Net Asset Value of the Sub-Fund;

## **INVESTMENT OBJECTIVES AND POLICIES (Continued)**

### **Investment Restrictions (Continued)**

- (6) make a loan out of the Sub-Fund without the prior written consent of the Trustee except to the extent that the acquisition of an investment or the making of a deposit might constitute a loan;
- (7) assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person in respect of borrowed money without the prior written consent of the Trustee;
- (8) enter into any obligation on behalf of the Sub-Fund or acquire any asset for the account of the Sub-Fund which involves the assumption of any liability by the Trustee which is unlimited; or
- (9) apply any part of the Sub-Fund in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call is due to be made unless such call could be met in full out of cash or near cash forming part of the Sub-Fund which has not been appropriated and set aside for any other purposes and shall not be entitled without the consent of the Trustee to apply any part of the Sub-Fund in the acquisition of any other investment which is in the opinion of the Trustee likely to involve the Trustee in any liability (contingent or otherwise).

The Manager does not intend to enter into any securities lending transactions on behalf of the Sub-Fund and accordingly, as at the date of this Explanatory Memorandum, the Sub-Fund does not hold any collateral in connection with such transactions. Should this policy change in the future, the Manager will obtain prior SFC approval and give one month's prior notice (or such other notice as may be approved by the SFC) to the Unitholders. In addition, the Manager will not, on behalf of the Sub-Fund, invest in physical commodities (including gold, silver, platinum or other bullion) and commodity based investments.

### **Borrowings**

Pursuant to the Trust Deed, the Manager may borrow up to 25% of the latest available Net Asset Value of the Sub-Fund. However, for the purposes of the Sub-Fund, the Manager may only borrow up to 10% of the latest available Net Asset Value of the Sub-Fund. The assets of the Sub-Fund may be charged or pledged as security for any such borrowings.

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



## RISK FACTORS

The Sub-Fund is subject to market fluctuations and to the risks inherent in all investments, and the price of Units may go down as well as up. The discussion below is of a general nature and is intended to describe various risk factors associated with an investment in the Sub-Fund. To the best knowledge and belief of the Manager, the following statements are intended to summarise the risks involved in investment in the Sub-Fund having regard to the current market and economic environment. Investors should be aware, at the very least, of the following risk factors (set out solely for their assistance) before deciding whether or not to invest in it. Investors should consult their own advisers before considering an investment in the Sub-Fund.

An investment in the Sub-Fund involves risks. These risks may include or relate to, amongst other things, equity market, debt securities market, foreign exchange, interest rate, credit, market volatility and political risks and any combination of these and other risks. Investors are also reminded that risk factors may occur simultaneously and/or may compound each other resulting in an unpredictable effect on the value of the Units. No assurance can be given as to the effect that any combination of risk factors may have on the value of the Units.

Some of these risk factors are briefly discussed below. Investors should be experienced with respect to transactions in instruments such as the Units, equities, structured products, derivative instruments, money market instruments and futures contracts. Investors should also understand the risks associated with an investment in the Sub-Fund and should only reach an investment decision after careful consideration with their legal, tax, accounting, financial and other advisers among other things of the suitability of an investment in the Sub-Fund in the light of their own particular financial, fiscal and other circumstances and the information set out in this Explanatory Memorandum.

**Connected parties:** Amundi China Active Events Fund may invest in structured notes, equity-linked notes, warrants and such derivative instruments permitted under the SFC's Code on Unit Trusts and Mutual Funds from time to time issued by companies within the Amundi Group. The operational risks arising from such lack of independence are partly reduced by the fact that different departments within the Amundi Group are run as separate legal and operational units, segregated by screening procedures and are run by different management teams and regulated by different regulatory regimes. The Trust Deed also provides that all transactions carried out by or on behalf of the Sub-Fund will be conducted at arm's length. Such transactions may include the Sub-Fund's investment in structured notes, equity-linked notes, warrants and such derivative instruments permitted under the SFC's Code on Unit Trusts and Mutual Funds from time to time issued by other companies within the Amundi Group.

Whilst compliance procedures require effective segregation of duties and responsibilities between the relevant departments within the Amundi Group, the possibility of conflicts of interest arising cannot be wholly eliminated. If such conflicts arise, the Manager in conjunction with the Trustee will seek to ensure that Unitholders are treated fairly.

**Credit risk:** Investment in the Sub-Fund is subject to the credit risk of the issuer of instruments or securities held directly or indirectly by the Sub-Fund, which may be evidenced by the issuer's credit rating. In the event that any issuer of instruments or securities experiences financial or economic difficulties, this may affect the value of the relevant securities and any amounts paid on such securities. This may in turn affect the Net Asset Value per Unit.

## RISK FACTORS (Continued)

**Counterparty risks:** The Sub-Fund may enter into transaction(s) with one or more counterparties which may expose the Sub-Fund to the credit risk of the counterparties.

In the event of a bankruptcy or insolvency of the counterparties, the Sub-Fund could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the period in which the Sub-Fund seeks to enforce its rights, inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights.

The Manager believes that the counterparties with which the Sub-Fund deals must have reasonable financial soundness at the time of entering into the relevant transaction.

There is also a possibility that the above transactions will be terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those at the time the agreement was originated.

**Custodial risk:** Custodial risk is the risk arising from the possibility that, to the detriment of the Sub-Fund, the Sub-Fund could be denied access, in whole or in part, to investments held in custody in case of bankruptcy, negligence, willful misconduct or fraudulent activity on the part of the custodian and sub-custodian.

**Derivatives risk:** A Sub-Fund may use derivative instruments in accordance with its investment policy and to the extent permitted under the SFC's Code on Unit Trusts and Mutual Funds. A Sub-Fund's use of derivatives instruments may involve increased risks and costs. A Sub-Fund's ability to use such instruments successfully depends on its Manager's ability to accurately anticipate movements in stock prices, interest rates, currency exchange rates or other economic factors and the availability of liquid markets. If the Manager's anticipations are wrong, or if the derivatives do not work as anticipated, the Sub-Fund could suffer greater losses than if the Sub-Fund had not used the derivatives.

If a derivative instrument transaction is particularly large or if the relevant market is illiquid it may not be possible to initiate a transaction or liquidate a position at an advantageous price.

Risks inherent in the use of such derivative instruments also include the imperfect correlation between the price of options and futures contracts and options on these contracts and movements in the prices of the securities, money market instruments or currencies being hedged; the possibility of a non-liquid secondary market for a particular instrument at a given time; and the risk that a Sub-Fund may not be able to purchase or sell a portfolio security during a favourable period or the risk that a Sub-Fund may have to sell a portfolio security during an unfavourable period.

When a Sub-Fund enters into a derivative instrument transaction, it may be exposed to counterparty risk.

In some instances, the use of the above mentioned instruments may have the effect of leveraging the Sub-Fund. Leveraging adds increased risks because losses may be out of proportion to the amount invested in the instrument. These instruments are highly volatile instruments and their market values may be subject to wide fluctuations.

## RISK FACTORS (Continued)

**Market volatility:** Market volatility reflects the degree of instability and expected instability of the performance of the Units. The level of market volatility is not purely a measurement of the actual volatility, but is largely determined by the prices for the underlying investments. The prices of such investments are determined by forces of supply and demand. These forces are, themselves, affected by factors such as actual market volatility, expected volatility, macro economic factors and speculation. The prices of certain securities listed on stock markets may be subject to sharp fluctuations and sudden declines and no assurance can be given as to the future performance of listed securities in general. Prospective investors should therefore be aware that the value of listed securities and the income derived from them is likely to fluctuate.

**PRC market risks:** Since the Sub-Fund invests primarily in shares of companies domiciled in the PRC, it is subject to the risks of investing in emerging markets generally and the risks specific to the PRC market. For more than 50 years, the central government of the PRC has adopted a planned economic system. Since 1978, the PRC government has implemented economic reform measures which emphasise decentralisation and the utilisation of market forces in the development of the PRC economy. Such reforms have resulted in significant economic growth and social progress.

Many of the PRC economic reforms are unprecedented or experimental and are subject to adjustment and modification, and such adjustment and modification may not always have a positive effect on foreign investment in joint stock companies in the PRC or in listed securities.

In view of the small yet slowly increasing number of security issues currently available, the choice of investments available to the Manager will be severely limited as compared with the choice available in other markets. There is a low level of liquidity in the PRC security markets, which are relatively small in terms of both combined total market value and the number of securities which are available for investment. This could potentially lead to severe price volatility.

The national regulatory and legal framework for capital markets and joint stock companies in the PRC is not well developed when compared with those of developed countries.

PRC companies are required to follow PRC accounting standards and practice which, to a certain extent, follow international accounting standards. However, there may be significant differences between financial statements prepared by accountants following PRC accounting standards and practice and those prepared in accordance with international accounting standards.

Both the Shanghai and Shenzhen securities markets are in the process of development and change. This may lead to trading volatility, difficulty in the settlement and recording of transactions and difficulty in interpreting and applying the relevant regulations.

Investments in the PRC will be sensitive to any significant change in political, social or economic policy in the PRC. Such sensitivity may, for the reasons specified above, adversely affect the capital growth and thus the performance of these investments.

In addition, whilst the Sub-Fund aims to capture the benefits that arise from any changes of government policies, market reforms, merger and acquisition activities, corporate actions, initial public offerings and other opportunities which result from governmental or enterprise changes and development, such changes can affect substantially and adversely the performance of the Sub-Fund. None of these conditions are within the control of the Manager, and no assurances can be given that the Manager will anticipate these developments. The success of the trading and investment activities of the Sub-Fund will depend almost entirely on Manager's selection of investments for the Sub-Fund, as well as to predict accurately and take advantage of rises and declines in the values of particular investments.

## **RISK FACTORS (Continued)**

The PRC government's control of currency conversion and future movements in exchange rates may adversely affect the operations and financial results of the companies invested in by the Fund.

### **PRC tax considerations:**

The summary is prepared based on the current taxation laws and regulations in the PRC and the practices and guidelines in force as at the date of this Explanatory Memorandum. Tax laws, regulations and guidelines, particularly those for local applications, can be enacted or issued without any prior notice or subsequent publicity. Interpretation by tax authorities may also vary from one location to another. Investors should note that the relevant fiscal rules and practices or their interpretation may change from those described below.

By investing in H-Shares and/or in instruments (such as equity-linked notes and participation notes) which aim at gaining exposure to A-Shares, B-Shares and H-Shares ("PRC Securities"), and/or Renminbi denominated corporate and government bonds, securities investment fund and warrants listed on the PRC stock exchanges, the Sub-Fund may be exposed to withholding and other taxes imposed in the PRC.

#### **Corporate Income Tax:**

According to the prevailing Corporate Income Tax Law and its Detailed Implementation Regulations, a 10% withholding income tax is payable on dividends derived from China A-, B- and H-Shares and interests derived from RMB denominated corporate bonds by a foreign investor which is deemed as a non-tax resident enterprise without having an establishment or place in the PRC. The entity distributing such dividends or interests is required to withhold such tax. The standard 10% withholding income tax rate on dividends and interests may be reduced pursuant to the provisions of double taxation treaties and agreements entered into by the PRC. On the other hand, interests derived from government bonds are exempt from PRC income tax under the Corporate Income Tax Law.

Specific rules governing PRC corporate tax on capital gains derived from the trading of PRC Securities have yet to be announced. In the absence of such specific rules, the PRC corporate income tax treatment should be governed by the general tax provisions of the Corporate Income Tax Law. For an enterprise that is not a PRC tax resident enterprise without having an establishment or place in the PRC, a 10% PRC corporate income tax on a withholding basis ("PRC Withholding Income Tax") shall, subject to exemptions pursuant to the provisions of double taxation treaties and agreements entered into by the PRC, apply to capital gains derived from the disposal of PRC Securities (although there could be practical difficulty for the PRC tax authorities to impose and collect PRC Withholding Income Tax on capital gains derived from the trading of China H-Shares which is conducted outside China).

It is the intention of the Manager to operate the affairs of the Manager and the Sub-Fund such that they are not PRC tax resident enterprises and have no permanent establishment in the PRC for PRC corporate income tax purposes, although this cannot be guaranteed. Any PRC tax imposed on a QFII in respect of the PRC Securities invested by the Sub-Fund will be passed on to the Sub-Fund and the asset value of the Sub-Fund will be reduced accordingly.

## **RISK FACTORS (Continued)**

Currently, the Manager has not made any tax provisions in respect of the Sub-Fund for the above tax obligations as the Manager considers that the potential impact of the imposition of the same is not significant as less than 10% of the Sub-Fund's NAV is invested in A-Shares and/or B-Shares. However, in the event that the Manager considers it necessary to make such provisions in respect of the Sub-Fund for the above tax obligations in the future, the Manager may, by giving no less than 1 months' prior notice to Unitholders, make provisions (whether retrospectively or not) for such tax obligations as it deems necessary. With the uncertainties under the applicable PRC tax laws and the possibility of such laws being changed and taxes being applied retrospectively, any policy as to the provision for taxation made by the Manager may be excessive or inadequate to meet actual PRC tax liabilities on gains derived from PRC Securities. Consequently, Unitholders may be advantaged or disadvantaged depending upon the final outcome of how such capital gains will be taxed, the level of provision and when they subscribed and/or redeemed their Units in/from the Sub-Fund. In case of any shortfall between the provisions and actual tax liabilities, which will be debited from the Sub-Fund's assets, the Sub-Fund's asset value will be adversely affected.

### **Stamp Duty:**

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

### **Business Tax:**

The old Provisional Regulations of Business Tax and its Detailed Implementation Regulations stipulated that capital gains derived from the trading of securities by financial institutions would be subject to business tax at 5%. The amended Provisional Regulations of Business Tax, effective 1 January 2009, extended such business tax on capital gains derived from the trading of securities to corporate taxpayers (although there could be practical difficulty for the PRC tax authorities to impose and collect business tax on capital gains derived from the trading of China H-Shares which is conducted outside China). Interest received from PRC government bonds and PRC corporate bonds may be subject to business tax at 5%. Dividends are not included in the taxable scope of business tax.

Pursuant to the notice Caishui [2005] No. 155 issued jointly by State Administration of Taxation and the Ministry of Finance in December 2005, the capital gains derived by QFII from securities trading in the PRC is exempt from business tax.

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

## RISK FACTORS (Continued)

**Liquidity risks:** The extent of market liquidity is dependent on the size of the market and would therefore affect the Sub-Fund's abilities to acquire or dispose of assets at the price and time it so desires. Certain types of assets or securities may be difficult to buy or sell, particularly during adverse market conditions.

This may affect the ability to obtain prices for the components of the underlying asset of the Sub-Fund and may therefore affect the value of the underlying asset of the Sub-Fund and the ability of investors to realise their Units.

There may be state regulations governing the outward remittance by foreign investors of their share of net profits and dividends and the repatriation of their investments in foreign currency.

**Currency risk:** The Base Currency of the Sub-Fund and the Units of the Sub-Fund are denominated in HK Dollars, whereas the assets in which the Sub-Fund may invest and the income derived therefrom may be quoted in other currencies. The performance of the Sub-Fund's assets will therefore be affected by movements in the exchange rate between the currencies in which the assets are held and the Base Currency.

Since the Manager aims to maximise returns in HK Dollars terms, investors whose base currency is **not** HK Dollars may be exposed to additional currency risk.

The performance of the Sub-Fund's holdings may also be affected by changes in exchange control regulations.

**Concentration risk:** The Sub-Fund is highly specialised. Investors should be aware that this Sub-Fund is likely to be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value resulting from adverse conditions in the countries in which it invests.

**Hedging risk:** The Manager are permitted, but not obliged, to use hedging techniques to attempt to offset market and currency risks. There is no guarantee that hedging techniques will achieve the desired result.

**Risk relating to structured products:** Amundi China Active Events Fund may invest in structured notes, participation certificates, equity-linked notes and financial derivative instruments. These are sometimes referred to as "structured products" because the terms of the instrument may be structured by the issuer of the product and the purchaser of the product, such as Amundi China Active Events Fund. These products may be issued by banks, brokerage firms, insurance companies and other corporations including companies from within the Amundi Group. Structured products may not be listed and are subject to the terms and conditions imposed by their issuer. These terms may lead to delays in implementing the Manager's investment strategy due to restrictions on the issuer acquiring or disposing of the securities underlying the structured products. Investment in structured products can be illiquid as there is no active market in structured products. In order to meet realisation requests, the Sub-Fund relies upon the counterparty issuing the structured products to quote a price to unwind any part of the structured products. This price will reflect the market liquidity conditions and the size of the transaction.

## RISK FACTORS (Continued)

By seeking exposure to investments in securities through structured products, the Sub-Fund is exposed to the credit risk of the issuer of the structured products. There is a risk that the issuer will not settle a transaction due to a credit or liquidity problem, thus causing the Sub-Fund to suffer a loss. In addition, in the case of a default, the Sub-Fund could become subject to adverse market movements while replacement transactions are executed.

An investment in a structured product entitles the holder to certain cash payments calculated by reference to the shares to which the structured products is linked. It is not an investment directly in the securities themselves. An investment in the structured products does not entitle the holder of structured products to the beneficial interest in the securities nor to make any claim against the company issuing the shares.

Investment through structured products may lead to a dilution of performance of the Sub-Fund when compared to a fund investing directly in similar assets. In addition, when the Sub-Fund intends to invest in a particular security through structured products, there is no guarantee that subsequent application monies for Units in the Sub-Fund can be immediately invested in such security through structured products. This may impact on the performance of the Sub-Fund.

Fluctuation in the exchange rate between the denomination currency of the underlying securities and the structured products will affect the value of the structured products, the redemption amount and the distribution amount on the structured products.

**Emerging markets risk:** Accounting, auditing and financial reporting standards in some of the emerging markets in which the Sub-Fund's assets will be invested may be less rigorous than international standards. As a result, certain material disclosures may not be made by some companies.

Investment in emerging markets involves special considerations and risks. Many emerging market countries are still in the early stages of modern development and are subject to abrupt and unexpected change. In many cases, governments retain a high degree of direct control over the economy and may take actions having sudden and widespread effects. There is a possibility of nationalisation, expropriation or confiscatory taxation, foreign exchange control, political changes, government regulation, social instability or diplomatic developments which could affect adversely the economies of emerging markets or the value of the Sub-Fund's investments, and the risks of investing in countries with smaller capital markets, such as limited liquidity, limited market information, price volatility, restrictions on foreign investment and repatriation of capital, and the risks associated with emerging economies, including high inflation and interest rates and political and social uncertainties.

Investments in products relating to emerging markets may also become illiquid which may constrain the Manager's ability to realise some or all of the portfolio. Small market size and limited trading volume of securities markets may mean that the investments are less liquid and more volatile than investments in more established markets, and that market prices can be more easily manipulated by large individual investors. The marketability of quoted shares may be limited due to the restricted opening hours of stock exchanges, a narrow range of investors and a relatively high proportion of market value being concentrated in the hands of a relatively small number of shareholders. Infrastructure for clearing, settlement, registration and custodian services is in some cases less developed than those in more mature world markets, which may result in delays and other material difficulties in settling trades and in registering transfers of securities. It may result in delays in settling and / or registering transactions. Problems of settlement in these markets may affect the value and liquidity of the Sub-Fund.

## **RISK FACTORS (Continued)**

**Legal risk:** The economy of PRC is substantially less developed than those of other geographic regions such as the United States and Europe. The laws and regulatory apparatus affecting the economy are also in a relatively early stage of development and are not as well established as the laws and the regulatory apparatus of regions such as the United States and Europe. PRC securities laws and regulations are still in their development stage and not drafted in a very concise manner which may be subject to interpretation. In the event of a securities related dispute in the PRC involving a foreign party, usually the laws of PRC shall apply (unless an applicable international treaty provides otherwise). The PRC court system is not as transparent and effective as court systems in more developed countries and there can be no assurance of obtaining effective enforcement of rights through legal proceedings in PRC and generally the judgements of foreign courts are not recognized.

**Valuation of securities:** Investors in the Sub-Fund should be aware that the fixed income and other securities invested by the Sub-Fund may vary over time and may increase or decrease by reference to a variety of factors which may include, amongst other things, corporate actions, macro economic factors, speculation and market activity. Prices of listed securities in Asian stock markets have, in the past, been subject to sudden and substantial price movement and this is likely to continue. This may result in substantial changes in the Net Asset Value of the Sub-Fund.

**Interest rate risk:** Investors in the Sub-Fund should be aware that their investments may involve interest rate risk. Interest rates are determined by factors of supply and demand in the international money markets which are influenced by macro economic factors. Fluctuations in short term and/or long term interest rates may affect the value of the Units. Fluctuations in interest rates of the currency in which the Units are denominated and/or fluctuations in interest rates of the currency or currencies in which the Sub-Fund's investments are denominated may affect the value of the Units.

**Changes in Applicable Law:** The Fund and the 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 Fund and the Sub-Fund, the legal requirements to which the Fund, the Sub-Fund and the Unitholders may be subject, could differ materially from current requirements.

**It should be remembered that the Net Asset Value per Unit can go down as well as up. An investor may not get back the amount he has invested, particularly if Units are realised soon after they are issued and the Units have been subject to charges. Changes in exchange rates may also cause the Net Asset Value per Unit in the investor's base currency to go up or down.**



## **MANAGER**

Amundi Hong Kong Limited (formerly known as Crédit Agricole Asset Management Hong Kong Limited) is a limited liability company incorporated under the laws of Hong Kong and regulated by the SFC. The Manager is licensed to carry out the following activities in Hong Kong: Dealing in Securities, Advising on Securities and Asset Management (Type 1, 4 and 9 Regulated Activities).

The Manager is an indirect wholly-owned subsidiary of Amundi Group. The Amundi Group was formed by combining the asset management expertise of two major banking groups: Crédit Agricole S.A. and Société Générale S.A. on 31 December 2009. The Manager's operations in Asia were established in 1982 as the Asian investment specialist for the Amundi Group (formerly known as Crédit Agricole Group). Assets under management of the Manager exceeded USD10.6 billion as of November 2010. The primary commercial responsibility for North Asia lies with the Manager, while South East Asia is covered by its other affiliates. The coverage of Asia has been further enhanced recently with the opening of the representative office in Beijing in autumn 2006 and the establishment of a presence in Sydney in January 2007.

A brief description of each of the directors of the Manager is set out below:

### **Jean-Paul Mazoyer**

Jean-Paul Mazoyer is the Deputy Chief Executive Officer of Amundi, in charge of Support and Business Development functions. He has been Head of Development and a member of Crédit Agricole Asset Management (now known as Amundi)'s General Management Committee since January 2008.

Before joining Crédit Agricole Asset Management in November 2007, Mr. Mazoyer worked as International Chief Operating Officer of Calyon from July 2004. Prior to this he was the Loans and Risks Director (2002-2004) and Marketing and Communications Director (1998-2002) for Crédit Agricole Ile-de-France. Mr. Mazoyer joined Caisse Nationale de Crédit Agricole as Head of Distribution of the Retail Marketing division in September 1996. Between 1989 and 1996, he was a management consultant to commercial banks at Accenture. Mr. Mazoyer graduated from the EM Lyon business school in 1987 and began his career at Crédit Lyonnais Suisse in 1988.

### **Jean-François Pinçon**

As of 1 July 2010, Jean-François Pinçon was appointed as Director of Sales International with the Institutional Investments Division of Amundi. Starting his career as an equity analyst with London stockbroker, Quilter Hilton Goodison, Mr Pinçon joined Banque Indosuez (now known as Crédit Agricole Indosuez) in 1974. After an extensive international career with more than 10 years experience in various investment banking assignments abroad, including 5 years in Denmark as Senior Country Officer, he began developing the Northern Europe Institutional client base for the asset management operations of Crédit Agricole in 1992. He is currently responsible for Amundi's International Client Development in Northern Europe, Middle East and the rest of the World. Mr Pinçon holds an MBA from ESSEC Business School, a leading French business school.

### **Jean-Yves Glain**

As of 1 July 2010, Jean-Yves Glain was appointed as the International Development Director of the Support and Business Development Functions Division of Amundi. Mr. Glain joined Crédit Agricole Asset Management (now known as Amundi) in 1995 as Head of International Coordination & Support. Mr. Glain is responsible for the co-ordination of international entities, supporting and directing the business of Amundi's international subsidiaries as well as the evolution and development of Amundi's international structure. Over the last seven years, Mr. Glain has taken up several positions starting as Head of Institutional Sales team from 1995 to 1998 and then as Head of Institutional Marketing from 1998 to 2000. Mr. Glain was later promoted to the position of Deputy Head of International Co-ordination and Sales from 2000 to 2001. Prior to joining Amundi, Mr. Glain spent five years as Head of Institutional Sales with Cyril Finance. He was also a member of the Institutional Sales team at BAFIP from 1987 to 1991. Mr. Glain worked for Bank of America as an account officer from 1985 to 1987. Mr. Glain holds a Masters degree from ESSEC Business School (France).

## **MANAGER (Continued)**

### **Pascal Blanqué**

Pascal Blanqué is the Deputy Chief Executive Officer of Amundi in charge of the Institutional Investments Division ("ID"), Chief Investment Officer of Amundi, the Director of the ID division in charge of Sales and a Member of Amundi's Executive Committee. Mr. Blanqué has been the Global Chief Investment Officer at Crédit Agricole Asset Management (now known as Amundi) and a member of its Executive Committee since February 2005. Between 2000 and 2005, Mr. Blanqué was the Head of Economic Research and the Chief Economist of Crédit Agricole. Prior to joining Crédit Agricole, Mr. Blanqué was the Deputy Director of the Economic Research department at Paribas (1997-2000) following four years as a strategist at Paribas Asset Management in London (1992- 1996). He began his career in institutional and private asset management at Paribas in 1991. Mr. Blanqué studied at the Ecole Normale Supérieure and is a graduate of Paris's Institut d'Etudes Politiques and holds a PhD in Finance from Paris-Dauphine University.

### **Bernard Carayon**

Bernard Carayon is the Head of Management Support, Control & Regulatory Supervision at Amundi. From March 2008 to the present, Mr. Carayon served as a member of the Senior Management Committee and as the Head of Risk Management, Compliance and Regulatory Relations at Crédit Agricole Asset Management (now known as Amundi). Between 1999 and 2008, Mr. Carayon was the Head of Risk Management and Control at Crédit Agricole Indosuez and subsequently at Calyon. Prior to joining Calyon, he was the Head of Central Risk Control at Caisse Nationale du Crédit Agricole ("CNCA") from 1991 to 1999. Between 1984 and 1989, Mr. Carayon was an inspector and project leader at General Inspection & Audit. A former Economics professor, Mr. Carayon began his banking career at CNCA's Commitments Department, where he remained for six years. Mr. Carayon holds a PhD in economics from the Sorbonne University.

### **Thierry Mequillet**

Thierry Mequillet has been appointed as the Chief Executive Officer, North Asia of Crédit Agricole Asset Management Hong Kong Limited (now known as Amundi Hong Kong Limited) since January 2008 and is responsible for Amundi's North Asia business excluding Japan.

Mr. Mequillet began his financial career in 1979 and has spent 15 years in different senior management roles within Crédit Agricole Indosuez (previously known as Banque Indosuez) worldwide. Between 1985 and 1992, Mr. Mequillet assumed a number of positions within Banque Indosuez with his last position being Deputy General Manager of Banque Indosuez Singapore. After working in Asia for seven years, Mr. Mequillet returned to France in 1992 as the Financial Controller of Private Banking for Banque Indosuez Paris Headquarters until he joined Crédit Agricole Asset Management Hong Kong Limited in 1994 as Regional General Manager.

### **Denys de Campigneulles**

As of 1 July 2010, Mr. de Campigneulles was appointed as Head of Investor Advisory and Services team of Management Support Central Functions of Amundi Group, reporting to the Chief Investment Officer and Deputy Chief Investment Officer of Amundi Group.

Mr. de Campigneulles started his career at the Capital Markets Group of Credit Lyonnais (Paris) in 1986 focusing on bond and currencies and subsequently moved to Banque Bruxelles Lambert (Paris) as Proprietary Trader and Arbitrageur on global bond markets in 1991. In 1994, Mr. de Campigneulles joined Crédit Agricole Asset Management (now known as Amundi) as Global Fixed Income Manager. Mr. de Campigneulles became the Deputy Head of the Global Fixed Income Team in Paris in 1996 and subsequently relocated to London in 1999 with the Global Fixed Income Team.

## **MANAGER (Continued)**

In 2002, Mr. de Campigneulles took over a new position in Korea as he was appointed as the Chief Investment Officer of NACF-CA (a joint venture between NACF in Korea and Amundi). In October 2005, Mr. de Campigneulles was appointed as Deputy Chief Executive Officer for Asia. Since early September 2009, after spending four years in Hong Kong, he relocated to Crédit Agricole Asset Management Paris headquarters to work on the amalgamation of the asset management operations of Crédit Agricole and Société Générale which resulted in the creation of Amundi.

Having studied law at Paris V University, Mr. de Campigneulles has a total of twenty-three-years of experience in capital markets, of which thirteen years has been spent in the investment industry. He has also registered as an investment manager with both the Financial Services Authority (UK) and the Asset Management Association of Korea and has been a responsible officer with the SFC (Hong Kong).

### **Ray Jovanovich**

Ray Jovanovich is the Chief Investment Officer of Asia of Amundi Hong Kong Limited. Prior to entering the investment field, Mr. Jovanovich worked at Baker and McKenzie Attorneys at Law in Chicago from 1984 to 1986. After moving to Hong Kong in 1987, Mr. Jovanovich joined Donaldson Lufkin & Jenrette as a research analyst. In 1988 he was recruited by Crédit Agricole Asset Management Hong Kong Limited (now known as Amundi Hong Kong Limited) as a research analyst and was promoted to Chief Investment Officer for Asia in 2002.

His investment expertise has been recognised and rewarded when he received the world's best performing fund awards for the Philippines (Manila Fund), Thailand (Siam Fund) and Indonesia (Malacca Fund) from Lipper Analytical Services, Nelson's and Barron's in 1993. The Manila Fund was the best performing Philippine equity fund for seven of the ten years under his management, an achievement unmatched in the Asian fund management industry. He was also named International Fund Manager of the year for 1993 by Barron's, a leading financial news publication in the U.S.

Mr. Jovanovich received his BA degree from Wabash College where he was selected as an Eli Lilly Scholar. Mr. Jovanovich also attended Indiana University Graduate School of Business.

### **Ada Mak**

Ada Mak joined Crédit Agricole Asset Management Hong Kong Limited (now known as Amundi Hong Kong Limited) as Head of Business Development and Client Relations in November 2007. Based in Hong Kong, Ms. Mak is responsible for business development and client relations across North Asia. With over 20 years of experience in managing large institutional and distribution relationships, she provides the company with a competitive advantage to grow in Asia.

Prior to joining Crédit Agricole Asset Management Hong Kong Limited, Ms. Mak joined Wellington Global Investment Management between 2003 and October 2007 to set up its office in Hong Kong and was responsible for institutional business in North Asia. In 2000, she was appointed by Merrill Lynch Investment Managers as Director for Asia Pacific and as the head of their Hong Kong office, responsible for both institutional business in Greater China and regional fund distribution.

From 1997 to 2000, Ms. Mak worked for BNP Paribas Asset Management and was responsible for its North Asia Business. Ms. Mak started her career in the financial industry at Fidelity Investments in 1987 and was made Director of Mutual Fund Business in 1991 and subsequently as Director of Institutional Asset Management in 1995.

## **TRUSTEE**

HSBC Trustee (Cayman) Limited is trustee of the Fund. The Trustee is a trust corporation incorporated in the Cayman Islands.

Under the Trust Deed, the Trustee is responsible for the safekeeping of the assets of the Sub-Fund. The Trustee may, however, appoint any person or persons to be custodian of such securities.

The Trustee also acts as the registrar of the Fund.

The Trustee has appointed HSBC Institutional Trust Services (Asia) Limited as its service provider to provide various administrative services to the Fund (the "Service Provider to the Trustee"). The fees of the Service Provider to the Trustee will be borne by the Trustee.

## **SERVICE PROVIDER TO THE TRUSTEE**

HSBC Trustee (Cayman) Limited, the Trustee, and HSBC Institutional Trust Services (Asia) Limited, the Service Provider to the Trustee, are wholly owned subsidiaries of HSBC Holdings plc, a global financial institution. The HSBC group (the "Group") has major commercial and investment banking businesses in the Asia Pacific region, Europe, the Americas, the Middle East and Africa.

## **ISSUE AND REALISATION OF UNITS**

### **Initial offer**

The Initial Offer Price is HK\$10 per Unit, exclusive of any preliminary charge. The initial offer period ended on 22 February 2008.

### **Subsequent issue of Units**

In relation to an application for the subsequent issue of any Units in the Sub-Fund, the issue price will be the Net Asset Value per Unit of the Sub-Fund on the relevant Dealing Day. Dealing Days for the Sub-Fund are generally days on which banks in Hong Kong and Singapore are open for normal banking business (except Saturdays) provided that all relevant markets will not be closed prior to the Dealing Deadline on that particular Business Day.

Applications for the issue of Units in the Sub-Fund will, if accepted by the Manager prior to 4:00 p.m. (Hong Kong time) on a Dealing Day and, provided that the relevant application monies have been received in cleared funds on behalf of the Sub-Fund prior to the relevant Dealing Deadline (or such other time as specified by the Manager in consultation with the Trustee), be dealt with on that Dealing Day.

## ISSUE AND REALISATION OF UNITS (Continued)

### Subsequent issue of Units (Continued)

Applications or application monies received after the Dealing Deadline for a particular Dealing Day will be dealt with on the next following Dealing Day. Notwithstanding the above, the Trustee or Service Provider to the Trustee may rely upon application orders received, even prior to receipt of application monies, and may issue Units to investors according to such orders and invest the expected application monies. If payment is not cleared within 4 Business Days of receipt of the application, the Manager reserves the right to cancel the transaction at any time thereafter. In such circumstances, an investor may be required to settle the difference between the applicable Net Asset Value of the relevant Unit(s) at the time of subscription and the applicable Net Asset Value of such Unit(s) at the time of cancellation.

Subject to the suspension of the determination of the Net Asset Value of the Sub-Fund (for details see the section titled "Miscellaneous"), the prices at which Units in the Sub-Fund will be issued on a Dealing Day will be the Net Asset Value per Unit of the Sub-Fund calculated by the Trustee at the close of business of the last relevant market to close on a Dealing Day.

The Manager is entitled to a preliminary charge of up to 5% of the subscription proceeds, which will be deducted from the subscription proceeds. Please refer to the section titled "CHARGES AND EXPENSES" below for further information on the preliminary charge. The issue price will be calculated in accordance with the Trust Deed by reference to the Net Asset Value of the Units of the Sub-Fund, rounded down to three decimal places.

The following is an illustration of the number of Units that an investor would ordinarily receive based on an investment of HK\$100,000 at a notional issue price of HK\$10.000 per Unit.

#### **Numerical Example:**

Subscription proceeds	HK\$100,000
Issue price	HK\$10.000 per Unit
Preliminary charge (%)	5%
Preliminary charge	(Subscription proceeds x Preliminary charge (%)) HK\$100,000x 5 % = HK\$5,000
Net subscription proceeds	(Subscription proceeds – Preliminary charge (HK\$)) HK\$100,000- HK\$5,000 = HK\$95,000
Number of Units that will be issued	(Net subscription proceeds / Issue price (HK\$)) HK\$95,000 / HK\$10.000 per unit = 9,500 units

*Note: The above numerical example is purely illustrative and is not a forecast or indication of any expectation of the performance of the Sub-Fund.*

## ISSUE AND REALISATION OF UNITS (Continued)

### Application Procedure

Applications for Units may be made by completing the application form (the "Application Form") (available from the Manager, the Service Provider to the Trustee and/or the distributor) and sending it to the Service Provider to the Trustee together with payment for the Units and the preliminary charge. Alternatively applications may be made by other written application (i) stating the name of the Sub-Fund, and the amount to be invested, (ii) stating how payment has been or is being made for the amount due if the application is accepted, (iii) acknowledging receipt of this Explanatory Memorandum and confirming that the application is being made on the terms thereof and subject to the Trust Deed, and (iv) indicating the full name(s) and address(es) of the applicant(s). Investors shall notify the Manager or the Service Provider to the Trustee as soon as practicable if there is any change in the information provided by the investor in the Application Form. **No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry on the Type 1 (dealing in securities) regulated activity under Part V of the SFO or who does not fall within the statutory exemption from the requirement to be licensed or registered to carry on Type 1 regulated activities under Part V of the SFO. Receipts for subscription monies will be issued upon request.**

Payment may be made in any of the following ways:

- (A) in US Dollars or in HK Dollars by telegraphic transfer to the bank account shown on the Application Form.

Quoting as reference in either case the name of the applicant and the name of the Sub-Fund. Bank charges may be deducted by the remitting bank and such charges will be borne by the investor.

- (B) In US Dollars or HK Dollars by cheque or bank draft made payable to Amundi Harvest Funds, crossed "A/C Payee only, not negotiable". Clearance of cheques may involve some delay.

The Manager has an absolute discretion to accept or reject in whole or in part any application for Units. In the event that an application is rejected, application monies will be returned without interest, net of transactional costs (if any), by cheque through the post or by telegraphic transfer at the risk of the person(s) entitled thereto.

Payment in other freely convertible currencies may be accepted. Where necessary, application monies will be converted into the Base Currency before being applied in the purchase of the Units. No third party payment will be accepted.

As foreign currencies may fluctuate, payments in any currencies other than HK Dollars, as the case may be, will be converted at the applicable spot rate at the risk and expense of the investor. The proceeds of conversion will be applied towards payment of the application monies. Conversion of currencies may involve some delay. The cost of currency conversion and other expenses will be borne by the investor.

Units will be held for investors in registered form. Certificates will not be issued. A contract note will be issued upon acceptance of an investor's application and the receipt of cleared funds and will be forwarded by ordinary post (at the risk of the person entitled thereto).

The minimum values of Units that a Unitholder may apply for and hold are HK\$10,000. Minimum holdings should be in the same amounts. The Manager may waive such minimum amounts. Fractions of a Unit rounded down to two decimal places may be issued. Subscription monies representing smaller fractions of a Unit will be retained by the Sub-Fund.

## ISSUE AND REALISATION OF UNITS (Continued)

### Realisation of Units

Subject to any suspension of the determination of the Net Asset Value of the Sub-Fund (for details see the section titled "Miscellaneous") and subject as mentioned below, any Unitholder may realise his Units on any Dealing Day in whole, or in part.

A realisation request must be given in writing and must specify the number of Units in the Sub-Fund to be realised, the name(s) of the registered holder(s), and give payment instructions for the realisation proceeds. In order for realisation to take effect on a particular Dealing Day, the realisation request must be received by the Service Provider to the Trustee not later than the Dealing Deadline.

If the request is received after the Dealing Deadline it will be dealt with on the next Dealing Day.

The minimum number of Units for a partial realisation request is 100 Units. The Manager may waive this minimum amount.

Realisation will take place at the realisation price, being the Net Asset Value per Unit of the Sub-Fund relative to the Dealing Day on which Units are realised, rounded down to three decimal places. Realisation proceeds will not be paid to any realising Unitholder until the written realisation request duly signed by the Unitholder has been received by the Service Provider to the Trustee. No third party payment requests will be accepted. All bank charges incurred in making the realisation payment will be borne by the realising Unitholder.

Subject as mentioned above and except where the realising Unitholder gives alternative payment instructions, such amount will be paid to the realising Unitholder at his risk by cheque or by telegraphic transfer in HK Dollars not later than one calendar month after receipt of a properly documented request for realisation of Units.

The following is an illustration of the amount of realisation proceeds that an investor would ordinarily receive based on a realisation request of 1,000 Units.

Number of Units realised		Realisation price		Realisation proceeds
1,000 Units	x	HK\$12.000 per Unit	=	HK\$12,000

*Note: There is currently no realisation charge. The above numerical example is purely illustrative and is not a forecast or indication of any expectation of the performance of the Sub-Fund.*

With a view to protecting the interests of Unitholders, the Manager is entitled at its discretion and with the approval of the Trustee to limit the number of Units in the Sub-Fund realised on any Dealing Day (whether by sale to the Manager or by cancellation by the Trustee) to 10% of the total number of Units of the Sub-Fund in issue. In this event, the limitation will apply pro rata so that all Unitholders wishing to realise Units of the Sub-Fund on that Dealing Day will realise the same proportion of such Units, and Units not realised (but which would otherwise have been realised) will be carried forward for realisation, subject to the same limitation, on the next Dealing Day. If requests for realisation are so carried forward, the Manager will inform the Unitholders concerned. Where the Manager postpones realisations in exercise of this power, the Manager may make exceptions (with the approval of the Trustee) in cases of hardship or otherwise to allow particular realisation requests to be processed.

## ISSUE AND REALISATION OF UNITS (Continued)

### Switching

Unitholders have the right (subject to any suspension in the determination of the Net Asset Value of any relevant sub-fund) to switch all or part of their units in any sub-fund of the Fund into units of the any other sub-fund of the Fund (provided that such sub-fund is open for subscription) by giving notice in writing to the Manager.

In order for switching to take effect on a particular Dealing Day, the switching notice signed by the Unitholder must be received by the Manager not later than the Dealing Deadline of such Dealing Day.

The rate at which the whole or any part of a holding of units in any sub-fund (the "Existing Sub-Fund") will be switched on any Dealing Day into units of another sub-fund (the "New Sub-Fund") will be determined in accordance with the following formula:

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

where:

- N = the number of units of the relevant class of the New Sub-Fund to be issued;
- E = the number of units of the relevant class of the Existing Sub-Fund to be switched;
- F = 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 Sub-Fund and the base currency of units of the New Sub-Fund;
- R = the realisation price per unit of the relevant class of the Existing Sub-Fund on the relevant Dealing Day less any realisation charge (if any) and/or conversion fee imposed by the Manager; and
- S = the net asset value per unit of the relevant class of the New Sub-Fund on the Dealing Day on which switching is to take effect.

The conversion fee referred to above may be retained by the Manager and charged at the rate of up to 2% of the realisation price per Unit. The current rate for the Sub-Fund is 1%.

Fractions of a unit of the New Sub-Fund rounded down to two decimal places may be issued and monies representing any smaller fractions will be retained by the Existing Sub-Fund.

No switching will be made if as a result thereof a Unitholder would hold less than the minimum holding of units of the Existing Sub-Fund and the New Sub-Fund.

Investors should note that in switching, subject to the Valuation Time of the Sub-Fund and the time required to remit the switching money between different sub-funds, the day on which the investments are switched into the New Sub-Fund may be later than the day on which the investments in the Existing Sub-Fund are switched out or the day on which the switching instructions are given.



## **ISSUE AND REALISATION OF UNITS (Continued)**

### **Minimum Initial and Subsequent Investments and Holdings**

The minimum initial subscription will also be HK\$10,000.

For existing Unitholders who are already investing in the Sub-Fund, the minimum subsequent subscription and holdings will be HK\$10,000. The Manager may at its sole discretion waive any such minimum amounts.

### **Calculation and Publication of Net Asset Value**

The Trust Deed provides for the Net Asset Value per Unit to be determined on each Dealing Day or such other Business Day as the Manager may determine. The Net Asset Value per Unit in the Sub-Fund is calculated by valuing the assets of the Sub-Fund, deducting the liabilities attributable to the Sub-Fund and dividing the resultant by the number of Units in the Sub-Fund in issue and rounding down the resulting figure to three decimal places.

The Trust Deed permits the Manager, with the consent of the Trustee, to adjust the value of any investment or permit some other method of valuation to be used if the Manager considers that such adjustment or other method of valuation is required to reflect more fairly the value of the relevant investment.

The Net Asset Value per Unit of the Sub-Fund will be published daily in The Standard and Hong Kong Economic Times.

## **DIVIDENDS**

The Manager does not intend to declare any dividend for the Sub-Fund. Income earned will be reinvested and reflected in the net asset value of the Sub-Fund.

## **CHARGES AND EXPENSES**

As stated above, the Manager is entitled to receive a preliminary charge on the issue of Units in the Sub-Fund of up to 5% of the subscription proceeds. Please refer to the section titled "ISSUE AND REALISATION OF UNITS – Issue of Units" for an illustrative example regarding the preliminary charge, its calculation method and an illustrative example.

The Manager is entitled to receive a monthly management fee accrued on and calculated as at each Valuation Day. The Manager will initially charge 1.8% per annum of the Net Asset Value of the Sub-Fund.

Investors should note that the Manager may retain the benefit of the preliminary charge (and any other fees received) or may share the preliminary charge (and any other fees received) with intermediaries, including but not limited to authorized distributors, banks, brokers, securities dealers, other investment advisers, and such other persons (including its affiliates) as the Manager may at its absolute discretion determine. The Manager may in its absolute discretion discount or waive any charges or fees in relation to dealings via the Manager.

## CHARGES AND EXPENSES (Continued)

Any increase of management fee from the current level to the maximum level of 2.5% per annum as permitted under the Trust Deed will only be implemented after giving 3 months' notice to affected Unitholders (or such other shorter notice period agreed with the SFC) and any increase beyond the maximum level will require Unitholders' extraordinary resolution. The Manager will be responsible for the fees payable to the sub-investment manager (if any) and the sub adviser (if any).

The Manager is entitled to receive a Performance Fee, payable annually in arrears after the end of the relevant "performance period", which shall be the end of each period ending on 31 December each year. In respect of the Sub-Fund, the performance period shall commence each calendar year. Any performance fee payable in respect of a performance period shall be paid within 20 days after that performance period.

As at each Valuation Day, the Performance Fee accrual is currently calculated as 8% of the difference between the Net Asset Value per Unit of the Sub-Fund on a Dealing Day (net of all other fees and expenses) and the High Water Mark.

At the end of a performance period the positive balance (if any) of the performance fee accrual will become payable to the Manager and the performance fee accrual in the Net Asset Value per Unit will be reset to zero.

For the avoidance of doubt, the High Water Mark as defined above means the higher of (1) the issue price; and (2) the highest Net Asset Value per Unit as at the end of each of the previous performance periods, adjusted by deducting performance fees and distributions. For the avoidance of doubt, the High Water Mark for the first performance period equals the Initial Offer Price. For the purposes of calculating the issue price and the realisation price of Units on any Valuation Day, the Performance Fee as at that Valuation Day will be accrued but in calculating the Net Asset Value per Unit as at the end of the relevant performance period for determining the Performance Fee, such accrual will be ignored (except for any Crystallised Performance Fee (as defined below)). Any Performance Fee is accrued on a daily basis. A new accrual of the Performance Fee will be made afresh on each Valuation Day and any accruals on a previous day will be reversed.

When there is a positive performance fee accrual during a period of significant new subscriptions into the Sub-Fund, followed by a period of negative performance, all Unit holders will participate (in proportion with their Unit holding) in the reduction in the cumulative performance fee accrual, regardless of their actual contribution to the cumulative performance fee accrual. Also, if the Net Asset Value per Unit is rising but is still below the High Water Mark, the Manager will not benefit from any performance fee accruals on the relevant Units, including Units that are newly issued and which only experience positive performance.

If any Units are realised or converted to Units in another sub-fund on a Dealing Day during a performance period, the cumulative performance fee accrued during such performance period in respect of those Units shall be crystallised and become payable to the Manager ("**Crystallised Performance Fee**").

## **CHARGES AND EXPENSES (Continued)**

Units will be subscribed or realised during a performance period based on the Net Asset Value per Unit (taking into account any positive balance of performance fee accruals as calculated in accordance with the above) and there is no adjustment on each Unit individually. The price at which investors subscribe or realise Units at different times during a performance period will be affected by the performance of the Sub-Fund and its level of subscriptions and realisations, which could have a positive or negative effect on the performance fee borne by them.

For the avoidance of doubt, investors should note that the Performance Fee will not be calculated on a unit-by-unit basis and no equalisation or series of units provisions will apply. As such, the Performance Fee payable may not reflect the individual performance of the Units in question. In contrast, investors should note that the use of equalization payment or issue of series of units ensures that the Performance Fee payable by an investor is directly referable to the specific performance of such investor's shareholding in the Sub-Fund. As the Performance Fee is accrued on a daily basis, the issue price and realisation price per Unit would have reflected an accrual for the Performance Fee upon the issue and realisation of Units during the financial year. Investors may therefore be advantaged or disadvantaged as a result of this method of calculation, depending upon the Net Asset Value per Unit at the time an investor subscribes or realises relative to the overall performance of the Sub-Fund during the relevant financial year and the timing of subscriptions and realisations to the Sub-Fund during the course of such financial year.

Any increase of performance fee from the current level stated above to the maximum level of 20% will only be implemented after giving 3 months' notice to affected Unitholders (or such other shorter notice period agreed with the SFC) and any increase beyond the maximum level will require Unitholders' extraordinary resolution.

### **Trustee**

The maximum Trustee's fee is 1% per annum of the Net Asset Value of the Sub-Fund. Currently the Trustee is entitled to receive monthly in arrears a fee at the rate of up to 0.12% per annum of the Net Asset Value of the Sub-Fund, accrued on and calculated as at each Valuation Day and subject to a minimum of US\$25,000 per annum. The Trustee is also entitled to service fee in relation to its registrar, valuation services and other services at a rate from time to time agreed with the Manager.

The Trustee will pay any fees due to the Service Provider to the Trustee.

## **CHARGES AND EXPENSES (Continued)**

### **Other Charges and Expenses**

The Sub-Fund may invest in other collective investment schemes and the price of securities of these schemes will reflect fees and charges borne by such schemes or payable by investors in such schemes which may include, without limitation, management fees, other fees such as property management and lease management fees, acquisition fees, divestment fees, commissions.

The Sub-Fund will bear the cost of (a) all stamp and other duties, taxes, governmental charges, brokerages, commissions, exchange costs and commissions, bank charges, transfer fees and expenses, registration fees and expenses, transaction fees of the Trustee or its connected persons, custodian or sub-custodian and proxy fees and expenses, collection fees and expenses, insurance and security costs, and any other costs, charges or expenses payable in respect of the acquisition, holding and realisation of any investment or other property or any cash, deposit or loan (including the claiming or collection of income or other rights in respect thereof and including any fees or expenses charged or incurred by the Trustee or the Manager or any connected person in the event of the Trustee or the Manager or such connected person rendering services or effecting transactions giving rise to such fees or expenses), (b) the fees and expenses of the Auditors and the Registrar, (c) fees charged by the Trustee in connection with valuing the assets of the Sub-Fund or any part thereof, calculating the issue and realisation prices of Units of the Sub-Fund and preparing financial statements, (d) all legal charges incurred by the Manager or the Trustee in connection with the Sub-Fund, (e) out-of-pocket expenses incurred by the Trustee wholly and exclusively in the performance of its duties, (f) the expenses of or incidental to the preparation of deeds supplemental to the Trust Deed, (g) the expenses of holding meetings of Unitholders and of giving notices to Unitholders, (h) the costs and expenses of obtaining and maintaining a listing for the Units of the Sub-Fund on any stock exchange or exchanges selected by the Manager and approved by the Trustee and/or in obtaining and maintaining any approval or authorisation of the Sub-Fund or in complying with any undertaking given, or agreement entered into in connection with, or any rules governing such listing, approval or authorisation, and (i) without prejudice to the generality of the foregoing, all costs incurred in publishing the issue and realisation prices of Units of the Sub-Fund, all costs of preparing, printing and distributing all statements, accounts and reports pursuant to the provisions of the Trust Deed (including the Auditors' fees), the expenses of preparing and printing any explanatory memorandum, and any other expenses, deemed by the Manager to have been incurred in compliance with or in connection with any change in or introduction of any law or regulation or directive (whether or not having the force of law) of any governmental or other regulatory authority or with the provisions of any code relating to unit trusts.

The costs and expenses incurred by the Manager and the Trustee in establishing the Sub-Fund (which are estimated to be approximately US\$65,000) will be borne by the Sub-Fund and will be amortised by no later than the fifth financial year end commencing from the close of the initial offer period of the Sub-Fund.

Neither the Manager nor its connected persons will receive cash or other rebates from brokers or dealers in respect of transactions for the account of the Sub-Fund. However, the Manager and its connected persons may enter into soft commission arrangements with brokers or dealers for the provision to the Manager or its connected persons of goods and services which are of demonstrable benefit to Unitholders. Execution of transactions for the Sub-Fund will be consistent with best execution standards.

## **TAXATION AND REGULATORY REQUIREMENTS**

Investors should consult their professional advisers on the consequences to them of acquiring, holding, realising, transferring or selling Units under the relevant laws of the jurisdictions to which they are subject, including the tax consequences and any exchange control requirements. These consequences, including the availability of, and the value of, tax relief to investors will vary with the law and practice of the investors' country of citizenship, residence, domicile or incorporation and their personal circumstances. The following statements regarding taxation are based on advice received by the Fund regarding the law and practice in force in Hong Kong and the Cayman Islands at the date of this Explanatory Memorandum. Investors should be aware that levels and bases of taxation are subject to change and that the value of any relief from taxation depends upon the individual circumstances of the taxpayer.

### **Hong Kong**

The Fund is not expected to be subject to Hong Kong tax in respect of any of its authorised activities.

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

### **Cayman Islands**

The Government of the Cayman Islands will not, under existing legislation, impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax upon the Fund, the Sub-Fund or Unitholders. The Cayman Islands are not party to a double taxation treaty with any country (other than the United Kingdom).

### **Cayman Islands Mutual Funds Law**

The Fund falls within the definition of a "regulated mutual fund" in terms of the Mutual Funds Law (2009 Revision) of the Cayman Islands (the "Law").

The Trustee (being a licensed mutual fund administrator in the Cayman Islands) provides the principal office of the Fund in the Cayman Islands and, accordingly, the Fund is regulated under Section 4(1)(b) of the Law.

As a regulated mutual fund, the Fund is subject to the supervision of the Cayman Islands Monetary Authority (the "Authority") and the Authority may at any time instruct the Fund to have its accounts audited and to submit them to the Authority within such time as the Authority specifies. In addition, the Authority may ask the Trustee to give the Authority such information or such explanation in respect of the Fund as the Authority may reasonably require to enable it to carry out its duty under the Law. Failure to comply with these requests by the Authority may result in substantial fines on the part of the Trustee and may result in the Authority taking certain actions.

The Authority may take certain actions if it is satisfied that: a regulated mutual fund is or is likely to become unable to meet its obligations as they fall due or is carrying on or is attempting to carry on business or is winding up its business voluntarily in a manner that is prejudicial to its investors or creditors; or the direction and management of a regulated mutual fund has not been conducted in a fit and proper manner or a person holding a position as a manager of a regulated mutual fund is not a fit and proper person to hold the position. The powers of the Authority include, inter alia, the power to require the substitution of the Trustee, to appoint a person to advise the Fund on the proper conduct of its affairs or to appoint a person to assume control of the affairs of the Fund. There are other remedies available to the Authority, including the ability to apply to court for approval of other actions.

## **TAXATION AND REGULATORY REQUIREMENTS (Continued)**

### **Anti-Money Laundering Regulations**

As part of the Trustee's and the Manager's responsibility for the prevention of money laundering, the Trustee and/or the Manager may require a detailed verification of an investor's identity and the source of the payment of application monies. Depending on the circumstances of each application, a detailed verification might not be required where:

- (a) the applicant makes the payment from an account held in the applicant's name at a recognised financial institution; or
- (b) the application is made through a recognised intermediary.

These exceptions will only apply if the financial institution or intermediary referred to above has its head office or is organised within a country that is a member of the FATF or recognised as having sufficient anti-money laundering regulations.

Each of the Trustee and the Manager reserves the right to request such information as is necessary to verify the identity of an applicant and the source of the payment. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Trustee and/or the Manager may refuse to accept the application and the application monies relating thereto.

The Trustee and the Manager also reserve the right to refuse to make any realisation payment to a Unitholder if the Trustee or the Manager suspects or are advised that the payment of realisation proceeds to such Unitholder might result in a breach of applicable anti-money laundering or other laws or regulations by any person in any relevant jurisdiction, or if such refusal is considered necessary or appropriate to ensure the compliance by the Sub-Fund or the Trustee or the Manager with any such laws or regulations in any applicable jurisdiction.

If any person resident in the Cayman Islands knows or suspects or has reasonable grounds for knowing or suspecting that another person is engaged in criminal conduct (including money laundering) and the information or other matter on which his knowledge or suspicion is based, or which gives reasonable grounds for such knowledge or suspicion, comes to his attention in the course of his business in the regulated sector (as that term is defined in the Proceeds of Crime Law, 2008 of the Cayman Islands) the person will be required to report to either (a) their nominated officer or (b) the Financial Reporting Authority of the Cayman Islands pursuant to the Proceeds of Crime Law, 2008 of the Cayman Islands. If any person resident in the Cayman Islands believes or suspects that another person is involved with terrorism or terrorist financing and property and the information on which his belief or suspicion is based comes to his attention in the course of his business in the regulated sector (as that term is defined in the Terrorism Law (2009 Revision) of the Cayman Islands) the person will be required to report his belief or suspicion and the information on which it is based to either (a) a police officer of the rank of constable or higher or (b) the Financial Reporting Authority of the Cayman Islands pursuant to the Terrorism Law (2009 Revision) of the Cayman Islands. Such reports will not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise.

## **GENERAL INFORMATION**

### **Accounts and Reports**

The Fund's year-end is 31 December in each calendar year and audited accounts (in English only) are sent to Unitholders of the sub-funds of the Fund within four months of the end of each financial year. The Manager also sends half-yearly unaudited interim reports (in English only) to Unitholders of the sub-funds of the Fund within two months of the period which they cover.

Hong Kong Unitholders should note that starting from the annual audited accounts for the period ending on 31 December 2010, instead of distributing printed copies of the financial reports, the Fund will make available such reports to Unitholders (in printed and electronic forms). In the event of any changes to the mode of distributing the Fund's financial reports, not less than 1 month prior notice will be given to Hong Kong Unitholders.

Hong Kong Unitholders will be notified of the means of accessing the Fund's financial reports as and when they become available. Printed copies of the financial reports will also be available at the offices of the Manager upon request.

Under the standard terms of an annual engagement letter, the Auditors' liability would be capped either based on a fixed monetary amount, or based upon a multiple of fees paid to the Auditors under such letter, except to the extent finally determined to have resulted from wilful or intentional neglect or misconduct or fraudulent behaviour by the Auditors. Other release and indemnity provisions are also contained in the annual engagement letter relating to consequential loss, third party claims and fraudulent acts or omissions, misrepresentations or wilful default on the part of the Trust, its Trustee, employees or agents.

### **Meetings of Unitholders**

The Trust Deed contains detailed provisions for meetings of Unitholders. Meetings may be convened by the Trustee, the Manager or the holders of at least 10% in value of the units in issue, on not less than 21 days' notice. Notice of meetings will be posted to Unitholders. Unitholders may appoint proxies, who need not themselves be Unitholders. The quorum for a meeting to pass an Extraordinary Resolution will be Unitholders present in person or by proxy and holding or representing not less than 25% of the units for the time being in issue or, for an adjourned meeting, Unitholders present in person or by proxy whatever their number or the number of units held by them.

An Extraordinary Resolution is a resolution proposed as such and passed by a majority of 75% of the total number of votes cast.

The Trust Deed contains provisions for the holding of separate meetings of holders of units in different sub-funds of the Fund and different classes where only the interests of holders in a particular sub-fund or class are affected.

### **Voting Rights**

The Trust Deed provides that at any meeting of Unitholders, on a show of hands, every Unitholder who (being an individual) is present in person or (being a corporation) is present by a representative or one of its officers as its proxy shall be entitled to one vote for every unit of which he is a holder.

### **Valuation Day**

Investors should note that the Valuation Day(s) for the Units will be the relevant Dealing Day, or such other Business Day as the Manager with the consent of the Trustee may from time to time determine provided that not less than one calendar month's prior notice shall be given to Unitholders of the Sub-Fund.

## TERMINATION OF FUND

The Fund shall continue until it is terminated in one of the following ways set out below provided that the Fund will automatically terminate on the date falling 150 years after the date of the Trust Deed.

1. The Trustee may terminate the Fund if:
  - (a) the Manager goes into forced liquidation; or
  - (b) in the opinion of the Trustee, the Manager is incapable of performing its duties properly; or
  - (c) the Fund ceases to be authorised or otherwise officially approved pursuant to the SFO or if any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue the Fund; or
  - (d) the Manager ceases to manage the Fund and the Trustee fails to appoint a successor Manager within a period of 30 days; or
  - (e) the Trustee desires to retire and the Manager fails to find a new trustee qualified to act as trustee in the place of the retiring Trustee.
2. The Manager may terminate the Fund if:
  - (a) the aggregate Net Asset Value of the Fund falls below US\$10,000,000; or
  - (b) the Fund ceases to be authorised or otherwise officially approved pursuant to the SFO or if any law shall be passed which renders it illegal or in the opinion of the Manager (in consultation with the SFC) impracticable or inadvisable to continue the Fund.
3. The Manager may terminate the Sub-Fund in the event, the Net Asset Value of the Sub-Fund falls below US\$5,000,000.

The party terminating the Fund or a Sub-Fund (as the case may be) pursuant to paragraphs 1 to 3 above shall be required to give at least one month's notice to Unitholders of the Fund and/or the Sub-Fund (as the case may be). In addition, the Fund and the Sub-Fund may at any time be terminated by Extraordinary Resolution.



## MISCELLANEOUS

The Manager may, after giving notice to the Trustee, declare a suspension of the determination of the Net Asset Value of the Sub-Fund for the whole or any part of any period during which (a) there is a closure of or the restriction or suspension of trading on any 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 in ascertaining the prices of investments or (b) for any other reason the prices of investments of the Sub-Fund cannot, in the opinion of the Manager, reasonably be ascertained or (c) circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to realise any investments of the Sub-Fund or it is not possible to do so without seriously prejudicing the interests of Unitholders of the relevant class or (d) the remittance or repatriation of funds which will or may be involved in the realisation of, or in the payment for, the investments of the Sub-Fund or the subscription or realisation of Units is delayed or cannot, in the opinion of the Manager, be carried out promptly at normal rates of exchange. Such suspension shall take effect forthwith upon the declaration thereof and thereafter there shall be no determination of the Net Asset Value of the Sub-Fund until the Manager shall declare the suspension at an end, except that the suspension shall terminate in any event on the day following the first Business Day on which (i) the condition giving rise to the suspension shall have ceased to exist and (ii) no other condition under which suspension is authorised shall exist. Whenever the Manager shall declare such a suspension it shall, as soon as may be practicable after any such declaration and at least once a month during the period of such suspension, publish a notice in The Standard and the Hong Kong Economic Times and/or cause a notice to be given to Unitholders and to all those (whether Unitholders or not) whose applications to subscribe for or realise Units shall have been affected by such suspension stating that such declaration has been made.

The Trustee and the Manager may agree to modify the Trust Deed by supplemental deed provided that in the opinion of the Trustee such modification (i) is not materially prejudicial to the interests of Unitholders, does not operate to release to any material extent the Trustee or the Manager from any responsibility to the Unitholders and (with the exception of the costs of preparing and executing the relevant supplemental deed) does not increase the costs and charges which will be payable out of the assets of any sub-fund of the Fund or (ii) is necessary in order to comply with any fiscal, statutory or official requirement or (iii) is made to correct a manifest error. In all other cases modifications require the sanction of an Extraordinary Resolution.

Copies of the following documents are available for inspection free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the offices of the Manager at 901-908 One Pacific Place, No. 88 Queensway, Hong Kong and copies thereof may be obtained from the Manager at that address on payment of a reasonable fee:

- (a) the Trust Deed and any supplemental deeds; and
- (b) the latest financial reports of the Fund.