

Addendum dated December 2011 to each of the following Explanatory Memoranda or Summary of Explanatory Memoranda (as the case may be) of the respective trusts, as amended from time to time:

- **Explanatory Memorandum of the JF Provident European Fund dated September 2011**
- **Explanatory Memorandum of the JF Provident Global Bond Fund dated April 2011**
- **Explanatory Memorandum of the JF Provident Greater China Fund dated September 2007**
- **Explanatory Memorandum of the JF Provident Hong Kong Fund dated September 2011**
- **Summary of Explanatory Memorandum of the JF Provident Balanced Fund dated 6 May 2005**
- **Summary of Explanatory Memorandum of the JF Provident Capital Fund dated 6 May 2005**
- **Summary of Explanatory Memorandum of the JF Provident Growth Fund dated 6 May 2005**
- **Summary of Explanatory Memorandum of the JF Provident High Growth Fund dated 6 May 2005**
- **Summary of Explanatory Memorandum of the JF Provident HK\$ Money Fund dated 6 May 2005**
- **Summary of Explanatory Memorandum of the JF Provident Stable Capital Fund dated 6 May 2005**
- **Summary of Explanatory Memorandum of the JF Provident US\$ Money Fund dated 3 May 2005**

(Each an “Explanatory Memorandum”)

The following should be read in conjunction with and forms part of each Explanatory Memorandum, as amended from time to time, as specified below. All capitalised terms in this Addendum shall have the same meaning as in the corresponding Explanatory Memorandum relating to the respective trust unless otherwise stated.

Please note that some of the following changes are applicable only to the Chinese versions of the Explanatory Memorandum of certain trusts (“Chinese Explanatory Memorandum”) specified below.

The following changes to the Explanatory Memorandum shall apply with immediate effect.

Change to each Explanatory Memorandum (except the Explanatory Memoranda of the JF Provident European Fund, the JF Provident Global Bond Fund and the JF Provident Hong Kong Fund):

- All references to “JPMorgan Funds (Asia) Limited (previously known as “JF Funds Limited”)” in each Explanatory Memorandum shall be deleted in their entirety and replaced with “JPMorgan Funds (Asia) Limited”.

Changes to each Chinese Explanatory Memorandum of the JF Provident European Fund, JF Provident Global Bond Fund and JF Provident Hong Kong Fund:

- Except for the fifth paragraph under the sub-section entitled “Procedure for Application” under the section entitled “SUBSCRIPTIONS” in the Chinese Explanatory Memorandum, all references to “摩根富林明基金（亞洲）有限公司” shall be deleted in their entirety and replaced by “摩根基金（亞洲）有限公司”.
- Reference to “摩根富林明基金（亞洲）有限公司” in the fifth paragraph under the sub-section entitled “Procedure for Application” under the section entitled “SUBSCRIPTIONS” in the Chinese Explanatory Memorandum shall be deleted in its entirety and replaced by “JPMorgan Funds (Asia) Limited”.

Change to the Explanatory Memorandum of the JF Provident Global Bond Fund:

- All references to “interest bearing securities” in the Explanatory Memorandum shall be deleted in their entirety and replaced by “bonds”.

IMPORTANT: This letter requires your immediate attention. If you have any questions about the content of this letter, you should seek independent professional advice.

31 May 2011

Dear Investors,

**JF Provident Greater China Fund (the “Trust”)
Change to JF SAR Greater China Fund (the “Underlying Fund”)**

We are writing to inform you about a change to the Underlying Fund in which the Trust invests solely in order to achieve the Trust’s investment objectives. With effect from and including 1 July 2011 (the “Effective Date”), the base currency of the Underlying Fund will change from US dollars to HK dollars. As the majority of the Underlying Fund’s investments are denominated in HK dollars, this change has been undertaken to reduce the costs arising from the currency conversion between US dollars and HK dollars. Furthermore, we believe that, as the base currency of the Trust and the Underlying Fund will be identical after Effective Date, this change will reduce the need for currency conversion by the Trust and thus reduce the costs and expenses of the Trust. This conversion will not, however, change the total value of the Trust’s holdings in the Underlying Fund.

As a result of the change of base currency of the Underlying Fund from US dollars to HK dollars, the following changes will also be made to the disclosures related to the Underlying Fund in the explanatory memorandum of the Trust:

1. Change to the investment policy of the Underlying Fund

The investment policy of the Underlying Fund which is disclosed under the section entitled “Investment Objective and Policy” will be changed as follows and the proposed amendments are underlined:

“The investment policy of the Underlying Fund is to provide investors with long term capital growth in HK dollar terms through a portfolio consisting primarily of securities of companies based or operating principally in the People’s Republic of China, Hong Kong, Macau or Taiwan (“Greater China Region”) and the majority of these companies will be listed on a stock exchange in Hong Kong or Taiwan.”

2. Additional investment restriction and guideline of the Underlying Fund

The Trust will also be subject to the following additional investment restriction and guideline of the Underlying Fund:

“At least 30 per cent. of the assets of the Underlying Fund must be held in HK dollar currency investments, as measured by the effective currency exposure in accordance with Section 16 of Schedule 1 to the Regulation.”

The above changes will not affect the current level of fees and charges of the Trust. The existing investment policy, investment manager, operational process, subscription and redemption procedures of the Trust will remain unchanged.

The manager of the Trust accepts responsibility for the accuracy of the contents of this letter.

This letter is for information purposes only. Investors are not required to take any action. Should you have any questions regarding the above, please do not hesitate to contact our Pension Funds Hotline on (852) 2978 7588.

Yours faithfully,
For and on behalf of
JPMorgan Funds (Asia) Limited

A handwritten signature in black ink, appearing to be 'Edwin TK Chan', with a stylized flourish at the end.

Edwin TK Chan
Head of Institutional and Pension Business

J.P.Morgan

Asset Management

Addendum dated December 2008 to each of the following Explanatory Memoranda of the respective funds, as amended from time to time:

- Explanatory Memoranda of the JF Provident European Fund (“European Fund”) and the JF Provident Greater China Fund (“Greater China Fund”), each dated September 2007
 - Explanatory Memoranda of the JF Provident Global Bond Fund (“Global Bond Fund”) and the JF Provident Hong Kong Fund (“Hong Kong Fund”), each dated September 2006
- (Each an “Explanatory Memorandum”)

This Addendum should be read in conjunction with and forms part of each Explanatory Memorandum, as applicable.

The following change shall apply with effect from and including 2 January 2009:

Change to each Explanatory Memorandum:

- Reference to “JF Funds Limited” in the fifth paragraph under the sub-section entitled “Procedure for Application” under the section entitled “SUBSCRIPTIONS” shall be deleted in its entirety and replaced by “JPMorgan Funds (Asia) Limited”.

The following changes shall apply simultaneously and with immediate effect:

Change to each Explanatory Memorandum:

- The following sentence shall be inserted after “MANAGEMENT AND ADMINISTRATION” under the section entitled “Contents”:
“LEGAL AND MARKETING NAMES OF THE TRUST.....3”
- Except the fifth paragraph under the sub-section entitled “Procedure for Application” under the section entitled “SUBSCRIPTIONS”, all references to “JF Funds Limited” shall be deleted in their entirety and replaced by “JPMorgan Funds (Asia) Limited (previously known as “JF Funds Limited)”.

Change to the Explanatory Memorandum of the European Fund:

- The following section shall be inserted after the last paragraph under the section entitled “MANAGEMENT AND ADMINISTRATION”:

“LEGAL AND MARKETING NAMES OF THE TRUST

Legal Name	Marketing Name
JF Provident European Fund	JF Provident European

Change to the Explanatory Memorandum of the Greater China Fund:

- The following section shall be inserted after the last paragraph under the section entitled “MANAGEMENT AND ADMINISTRATION”:

“LEGAL AND MARKETING NAMES OF THE TRUST

Legal Name	Marketing Name
JF Provident Greater China Fund	JF Provident Greater China

Change to the Explanatory Memorandum of the Global Bond Fund:

- The following section shall be inserted after the last paragraph under the section entitled “MANAGEMENT AND ADMINISTRATION”:

“LEGAL AND MARKETING NAMES OF THE TRUST

Legal Name	Marketing Name
JF Provident Global Bond Fund	JF Provident Global Bond

Change to the Explanatory Memorandum of the Hong Kong Fund:

- The following section shall be inserted after the last paragraph under the section entitled “MANAGEMENT AND ADMINISTRATION”:

“LEGAL AND MARKETING NAMES OF THE TRUST

Legal Name	Marketing Name
JF Provident Hong Kong Fund	JF Provident Hong Kong

Change to the Summary Explanatory Memorandum of the High Growth Fund and Stable Capital Fund:

- The information on the Directors of the Manager under the subsection entitled “MANAGEMENT AND ADMINISTRATION DIRECTORY” under the section “GENERAL” in the Summary Explanatory Memoranda of these funds shall be deleted in its entirety and replaced by the following:-

“Edwin Tsun Kay Chan
Eddie She Lin Chang
Leo Ka Kui Cheung
Lily Suet Lai Lau
Terry San Kong Pan
Ken Wai Ming Tam
Marco Ka Nam Tang”

Change to the Explanatory Memorandum of the Global Bond Fund and Hong Kong Fund:

- The information on the Directors of the Manager under the subsection entitled “The Trustee and the Manager” under the section entitled “GENERAL” in the Explanatory Memoranda of these funds shall be deleted in its entirety and replaced by the following:-

“Edwin Tsun Kay Chan
Eddie She Lin Chang
Leo Ka Kui Cheung
Lily Suet Lai Lau
Terry San Kong Pan
Ken Wai Ming Tam
Marco Ka Nam Tang”

The following changes shall apply with effect from and including 19 May 2008:

Change to the Summary Explanatory Memorandum of the Balanced Fund, Capital Fund, Growth Fund, HK\$ Money Fund and US\$ Money Fund:

- References to “South China Morning Post” in the section entitled “Additional Information” in the Summary Explanatory Memoranda of these funds shall be replaced by “Standard”.

Change to the Summary Explanatory Memorandum of the High Growth Fund and Stable Capital Fund:

- All references to “South China Morning Post” in the section entitled “Suspension of Redemptions” and the subsection entitled “Publication of Net Asset Value” under the section entitled “GENERAL” in the Summary Explanatory Memoranda of these funds shall be replaced by “Standard”.

Change to the Explanatory Memorandum of the European Fund and Greater China Fund:

- All references to “South China Morning Post” in the subsection entitled “Price Information” under the section entitled “GENERAL” in the Explanatory Memoranda of these funds shall be replaced by “Standard”.

Change to the Explanatory Memorandum of the Global Bond Fund and Hong Kong Fund:

- All references to “South China Morning Post” in the subsection entitled “Publication of Net Asset Value” under the section entitled “GENERAL” in the Explanatory Memoranda of these funds shall be replaced by “Standard”.

Addendum dated May 2008 to each of the following Summary Explanatory Memoranda/ Explanatory Memoranda of the respective funds, as amended from time to time:

- **Summary Explanatory Memorandum of the JF Provident Balanced Fund (“Balanced Fund”) dated 6 May 2005**
- **Summary Explanatory Memorandum of the JF Provident Capital Fund (“Capital Fund”) dated 6 May 2005**
- **Summary Explanatory Memorandum of the JF Provident High Growth Fund (“High Growth Fund”) dated 6 May 2005**
- **Summary Explanatory Memorandum of the JF Provident Growth Fund (“Growth Fund”) dated 6 May 2005**
- **Summary Explanatory Memorandum of the JF Provident HK\$ Money Fund (“HK\$ Money Fund”) dated 6 May 2005**
- **Summary Explanatory Memorandum of the JF Provident Stable Capital Fund (“Stable Capital Fund”) dated 6 May 2005**
- **Summary Explanatory Memorandum of the JF Provident US\$ Money Fund (“US\$ Money Fund”) dated 3 May 2005**

(Each a “Summary Explanatory Memorandum”)

- **Explanatory Memorandum of the JF Provident European Fund (“European Fund”) dated September 2007**
- **Explanatory Memorandum of the JF Provident Global Bond Fund (“Global Bond Fund”) dated September 2006**
- **Explanatory Memorandum of the JF Provident Greater China Fund (“Greater China Fund”) dated September 2007**
- **Explanatory Memorandum of the JF Provident Hong Kong Fund (“Hong Kong Fund”) dated September 2006**

(Each an “Explanatory Memorandum”)

This Addendum should be read in conjunction with and forms part of each Summary Explanatory Memorandum/Explanatory Memorandum, as applicable.

The following changes shall apply with immediate effect:

Change to the Summary Explanatory Memorandum of the Balanced Fund, Capital Fund, Growth Fund, HK\$ Money Fund and US\$ Money Fund:

- The information on the Directors of the Manager under the section entitled “MANAGEMENT AND ADMINISTRATION” in the Summary Explanatory Memoranda of these funds shall be deleted in its entirety and replaced by the following:-

“Edwin Tsun Kay Chan
Eddie She Lin Chang
Leo Ka Kui Cheung
Lily Suet Lai Lau
Terry San Kong Pan
Ken Wai Ming Tam
Marco Ka Nam Tang”

EXPLANATORY MEMORANDUM
JF Provident Greater China Fund

September 2007

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The directors of JF Funds Limited accept responsibility for the accuracy of the information contained in this Explanatory Memorandum as at the date of publication.

No action has been taken to permit an offering of units in the JF Provident Greater China Fund ("Trust"), or the distribution of this Explanatory Memorandum, in any jurisdiction where action would be required for such purpose, other than Hong Kong. Accordingly, this Explanatory Memorandum is not an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

The Trust has not been registered under the US *Securities Act* of 1933, as amended, ("Act") or under any similar or analogous provision of law enacted by any jurisdiction in the United States. The units may not be offered or sold within the United States or sold to any US person (as defined in the Act) except pursuant to any exemption available under the Act.

The Trust is an unregulated collective investment scheme for the purposes of the UK *Financial Services and Markets Act* 2000 ("FSMA") and this Explanatory Memorandum has not been issued by, or approved for the purposes of section 21 of the FSMA by, a person authorised under the FSMA (an "authorised person"). This Explanatory Memorandum is directed only at persons who (i) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations") of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 or (ii) have professional experience in matters relating to investments or (iii) are persons to whom this Explanatory Memorandum may otherwise be lawfully communicated or (iv) are outside the United Kingdom (all such persons together being referred to as "relevant persons"). This Explanatory Memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Explanatory Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

In addition, no person who is an authorised person may communicate this Explanatory Memorandum, or otherwise promote the Trust, to any person in the United Kingdom unless such person is of a kind described in the preceding paragraph.

No invitation may be made to the public in the Cayman Islands to subscribe for units.

Distribution of this Explanatory Memorandum is not authorised in any jurisdiction unless it is accompanied by a copy of the most recent annual report and audited accounts of the Trust and, if later, the most recent half-yearly report. Such annual report and accounts and half-yearly report (where applicable) will form part of this Explanatory Memorandum.

Units will be offered on the basis only of the information contained in this Explanatory Memorandum, such annual report and accounts and such half-yearly report. Any further information or representations made by any dealer, salesperson or other person must be regarded as unauthorised and accordingly must not be relied upon. Neither the delivery of any of the foregoing documents nor any offer, issue or sale of units shall, under any circumstances, constitute a representation that the information given in any such document is correct as of any time subsequent to the date of such document.

Notwithstanding anything in this Explanatory Memorandum to the contrary, each recipient of this Explanatory Memorandum (and each employee, representative, or other agent of such recipient) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated in this Explanatory Memorandum and all materials of any kind (including opinions or other tax analysis) that are provided to such recipient relating to such tax treatment and tax structure.

In this Explanatory Memorandum references to "US dollars" and the sign "US\$" are to the currency of the United States of America, references to "HK dollars" and "HK\$" are to the currency of Hong Kong, references to "Japanese yen" and "JPY" are to the currency of Japan and references to "sterling" are to the currency of the United Kingdom.

Unless otherwise provided herein, words and expressions defined in the trust deed of the Trust shall have the same meaning when used in this Explanatory Memorandum and words denoting the singular number shall be deemed to include the plural number and vice versa.

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. Prospective investors should review this Explanatory Memorandum carefully and in its entirety and consult with their legal, tax and financial advisers in relation to (i) the legal and regulatory requirements within their own countries for the subscribing, purchasing, holding, converting, redeeming or disposing of units of the Trust; (ii) any foreign exchange restrictions to which they are subject in their own countries in relation to the subscription, purchase, holding, conversion, redemption or disposition of units of the Trust; (iii) the legal, tax, financial or other consequences of subscribing for, purchasing, holding, converting, redeeming or disposing of units of the Trust; and (iv) any other consequences of such activities.

MANAGEMENT AND ADMINISTRATION

Manager and Service Provider

JF Funds Limited
21st Floor, Chater House
8 Connaught Road Central
Hong Kong

Trustee, Administrator and Registrar

Royal Bank of Canada Trust Company (Cayman) Limited
P.O. Box 1586, 24 Shedden Road
Grand Cayman
Cayman Islands
British West Indies

Investment Manager

JF Asset Management Limited
21st Floor, Chater House
8 Connaught Road Central
Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
P.O. Box 258GT
Strathvale House
Grand Cayman
Cayman Islands
British West Indies

Additional information can be obtained from the Manager at the above address.

INTRODUCTION

The Trust is a unit trust constituted by a Trust Deed dated 12 July 2007, (the “Trust Deed”) governed by the laws of the Cayman Islands. The Trust is authorised as a collective investment scheme in the form of a feeder fund by the Securities and Futures Commission (“SFC”) under Section 104 of the *Securities and Futures Ordinance* (Cap. 571 of the Laws of Hong Kong) (“SFO”) and the Code on Unit Trusts and Mutual Funds (“SFC Code”). The SFC does not take any responsibility for the financial soundness of the Trust or the correctness of any statement made or opinion expressed in this Explanatory Memorandum.

SUMMARY

The primary objective of the Trust is to maximise its long-term capital appreciation in Hong Kong dollar terms. The Trust seeks to achieve the investment objectives through a collective investment scheme managed by the Manager or its Connected Persons.

The underlying assets of the Trust will be invested primarily in securities of companies based or operating principally in the People’s Republic of China, Hong Kong, Macau or Taiwan (“Greater China Region”) and the majority of these companies will be listed on a stock exchange in Hong Kong or Taiwan.

The Manager currently intends to achieve this investment objective by investing as a feeder fund solely in the units of the JF SAR Greater China Fund (the “Underlying Fund”). The Underlying Fund is an approved pooled investment fund (“APIF”) by the Mandatory Provident Fund Schemes Authority (the “MPFA”) under the Mandatory Provident Fund Schemes (General) Regulation (the “Regulation”) and is authorised as a collective investment scheme in the form of a unit trust by the SFC under Section 104 of the SFO and the SFC Code.

The Trust is managed by JF Funds Limited (the “Manager”), which has delegated investment management of the Trust’s assets to JF Asset Management Limited (the “Investment Manager”).

The trustee of the Trust is Royal Bank of Canada Trust Company (Cayman) Limited (the “Trustee”).

The Trust is valued at the close of business on each dealing day which will normally be every day (other than a Saturday or a Sunday) on which banks in Hong Kong are open for normal banking business and which is also a dealing day for the Underlying Fund. Units may be either Administration Units or Investment Units and may be subscribed and realised through the Manager. The Manager may decline to accept any initial application to invest less than HK\$2,000. An annual management fee is currently charged at 1.0 per cent. of the net asset value of the Trust. A variable initial charge of up to 5 per cent. of subscription monies, and a redemption charge of up to 0.5 per cent., may be levied and retained by the Manager although the Manager does not currently do so. Should such charges be levied by the Manager, three months’ notice will be given to unitholders. Investors should note, however, that there is no double charging of either the initial charge, redemption charge or management fee with regard to the Trust and the Underlying Fund. An administration fee is payable at a current rate of 0.6 per cent. per annum of the relevant portion of the net asset value attributable to Administration Units. The Investment Units are not subject to the administration fee and thus the prices of the classes of units will be different.

Administration Units will generally be available only to trustees or other administrators of provident or retirement schemes which may make an arrangement with the Manager to rebate all or part of the administration fee to them to cover their administration costs in respect of their own scheme.

Amounts payable on the subscription and realization of units will be expressed in HK dollars. However, arrangements may be made for subscription monies and realization monies to be paid in US dollars, Japanese yen or sterling.

The Trust's portfolio is, of course, subject to market fluctuations and to the risks inherent in all investments. Therefore, the offer and bid prices of units may go down as well as up.

PURPOSE AND POLICIES

Investment Objective and Policy

The primary objective of the Trust is to maximise its long-term capital appreciation in Hong Kong dollar terms. The Trust seeks to achieve the investment objectives through a collective investment scheme managed by the Manager or its Connected Persons.

The underlying assets of the Trust will be invested primarily in securities of companies based or operating principally in the Greater China Region and the majority of these companies will be listed on a stock exchange in Hong Kong or Taiwan.

The Manager currently intends to achieve this investment objective by investing as a feeder fund solely in the units of the Underlying Fund.

The Underlying Fund is approved as an APIF by the MPFA under the Regulation, is authorised as a collective investment scheme in the form of a unit trust by the SFC under Section 104 of the SFO and the SFC Code. JF Funds Limited is the administrator of the Underlying Fund and JF Asset Management Limited has been appointed as the manager in relation to the investments of the Underlying Fund.

The investment objective of the Underlying Fund is to provide investors with long term capital growth in US dollar terms through a portfolio consisting primarily of securities of companies based or operating principally in the Greater China Region and the majority of these companies will be listed on a stock exchange in Hong Kong or Taiwan.

Subject to the approval of the MPFA and the SFC, the manager of the Underlying Fund may change the investment policy of the Underlying Fund by giving three months' notice (or such other notice period as the SFC may determine) to the trustee and the unitholders of the Underlying Fund. The proposed asset allocation of the Underlying Fund shall be as follows:

70-100%	<i>non-cash assets in Greater China equities</i>
0-30%	<i>non-cash assets in other equities</i>
0-30%	<i>non-cash assets in bonds</i>

As a feeder fund for the purpose of investing in the Underlying Fund, unless otherwise specified, any references to the investment policies and restrictions of the Underlying Fund in this Explanatory Memorandum should be taken as applying equally to the Trust.

The Trust Deed contains provisions which allow the Manager, with the approval of the SFC, to switch all the investments of the Trust from any one single collective investment scheme to another by giving not less than three months' notice to the Trustee and unitholders, provided that the investment objective of the Trust shall continue to be met and the Trustee certifies in writing that such change does not materially prejudice the interests of unitholders, does not operate to release to any material extent the Trustee or the Manager from any responsibility under the Trust Deed and will not result in any increase in the amount of costs and charges payable from the Trust's assets. In such event, the investment

restrictions applicable to the new underlying scheme in which the Trust's assets are to be invested shall apply and be incorporated into this Explanatory Memorandum in substitution for the investment restrictions set out below. For the avoidance of doubt, no meeting of unitholders will be required to effect such change.

In addition, the Trust Deed also allows the Manager, with the approval of the SFC, to convert the Trust from a feeder fund to a fund which invests directly in investments permissible under the Trust Deed by giving not less than three months' notice to the Trustee and unitholders, provided that the investment objective of the Trust shall continue to be met and the Trustee certifies in writing that such change does not materially prejudice the interests of unitholders, does not operate to release to any material extent the Trustee or the Manager from any responsibility under the Trust Deed and will not result in any increase in the amount of costs and charges payable from the Trust's assets. In such event, the relevant provisions and investment restrictions contained in the SFC Code in force at the time and such other laws, regulations or official requirements shall then apply to the investment of the Trust's assets and shall at such time be incorporated into this Explanatory Memorandum. For the avoidance of doubt, no meeting of unitholders will be required to effect such conversion.

Risk Factors

The performance of the Trust will be affected by a number of risk factors, including the following: -

- (i) Political, economic and social risks - All financial markets may at times be adversely affected by changes in political, economic and social conditions.
- (ii) Market risk - The Trust's investments are subject to the risks inherent in all securities i.e. the value of holdings may fall as well as rise. Some of the areas in the Greater China Region are considered as emerging markets and these markets tend to be more volatile than developed markets, any holdings in such emerging markets are exposed to higher levels of market risk. Please refer to the risks relating to emerging markets described below.
- (iii) Emerging markets risk – Accounting, auditing and financial reporting standards in some of the emerging markets in which some of the Trust's assets may be invested may be less rigorous than international standards. As a result, certain material disclosures may not be made.

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 Trust's investments, and the risks of investing in countries with smaller capital markets, such as limited liquidity, 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 and Investment Manager's ability to realise some or all of the portfolio.

- (iv) Low level of monitoring - The legal and regulatory frameworks of many of the emerging markets are still in the development stage compared to many of the

world's leading stock markets, and accordingly there may be a lower level of regulatory monitoring of the activities of such securities markets.

- (v) Currency risk - The Trust is denominated in HK dollars, although it will be principally invested in assets quoted in other currencies. The performance of the Trust will therefore be affected by movements in the exchange rate between the currencies in which the assets are held and the HK dollar.

Since the Manager aims to maximise returns in HK dollar terms, investors whose base currency is **not** the HK dollar (or a currency linked to it) may be exposed to additional currency risk.

- (vi) Diversification risk - This Trust invests in the Greater China Region. Although the Trust's portfolio is well diversified in terms of the number of holdings, investors should be aware that this Trust 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 region in which it invests.
- (vii) Hedging risk - The Manager is permitted, but not obliged, to use hedging techniques to attempt to offset market risks. There is no guarantee that hedging techniques will achieve their desired result.
- (viii) Legal, tax and regulatory risk - Legal, tax and regulatory changes could occur during the term of the Trust which may adversely affect it. If any of the laws and regulations currently in effect should change or any new laws or regulations should be enacted, the legal requirements to which the Trust and the investors may be subject could differ materially from current requirements and may materially and adversely affect the Trust and the investors.

In view of the above, investment in the Trust should be regarded as long term in nature. The Trust is, therefore, only suitable for investors who can afford the risks involved.

Investment Restrictions and Guidelines

A feeder fund may invest all of its assets in any single collective investment scheme provided that such scheme is authorised or deemed to have been authorised under the SFO. All of the assets of the Trust will be invested in the Underlying Fund which is authorised under Section 104 of the SFO. Accordingly, as the assets of the Trust will be invested in the Underlying Fund, they will be invested in accordance with the investment restrictions of the Underlying Fund.

For the purposes of this section,

"connected person" in relation to a company means (i) any person beneficially owning directly or indirectly 20 per cent. or more of the ordinary share capital of that company or able to exercise 20 per cent. or more of the total voting rights of that company; or (ii) any director or officer of that company or any company which is a connected person;

Unless otherwise specified, the Trust has adopted the following investment restrictions and guidelines which apply to the Underlying Fund and are calculated as at the immediately preceding valuation:-

- (i) The total value of the Underlying Fund's holding of securities and other permissible investments (excluding an investment permitted under Section 11 of Schedule 1 to the Regulation) issued by any single issuer may not exceed 10 per cent. of its total net asset value.

For the purposes of (i), (a) an issuer of investments based on an underlying security (such as an issuer of covered warrants) is treated separately from an issuer of the underlying security, provided that the 10 per cent. restriction applicable to any single issuer is not exceeded if and when any rights of convertibility are exercised; and

(b) where the Underlying Fund is invested in a relevant investment, the amount invested in the relevant investment is also to be taken into account in the manner specified by the MPFA when ascertaining the total amount invested in the securities and other permissible investments issued by the issuer who issues the underlying investment of the relevant investment.

- (ii) The Underlying Fund may not hold more than 10 per cent. of the shares of a particular class or the total amount of debt securities issued by any single issuer.
- (iii) The Underlying Fund's investments in debt securities should comply with Section 7 of Schedule 1 to the Regulation
- (iv) Notwithstanding (i) and (ii), up to 30 per cent. of the Underlying Fund's total net asset value may be invested in debt securities issued by or guaranteed by an exempt authority of the same issue.
- (v) Subject to (iv) and the provisions of Schedule 1 of the Regulation, the Underlying Fund may invest all of its assets in debt securities issued by or guaranteed by an exempt authority so long as they comprise at least six different issues.

For the purposes of (iv) and (v), (a) "exempt authority" has the meaning as defined in Section 7 of Schedule 1 to the Regulation and the relevant guidelines; and

(b) debt securities issued by or guaranteed by an exempt authority will be regarded as being of a different issue if, even though they are issued by the same person, they are issued on different terms whether as to repayment dates, interest rates, the identity of the guarantor, or otherwise.

- (vi) The value of the Underlying Fund's holding of securities of companies which are based or operating principally in the Greater China Region shall be not less than 70 per cent. of its total net asset value.
- (vii) (a) The Underlying Fund may invest in financial options and warrants for hedging purposes.
(b) In addition to (a) above, the value of the Underlying Fund's investment in warrants and options not held for hedging purposes may not exceed their respective investment limits as stipulated under Schedule 1 of the Regulation.
- (viii) The writing of uncovered options by the Underlying Fund is prohibited.
- (ix) The writing of call options by the Underlying Fund on investments is prohibited.
- (x) The Underlying Fund may enter into financial futures contracts for hedging purposes.
- (xi) In addition to (x), if financial futures contracts or financial option contracts are

acquired for the purposes of the Underlying Fund, the manager of the Underlying Fund shall ensure that the effective exposure (as defined in Schedule 1 of the Regulation) of the Underlying Fund in such contracts does not exceed 10 per cent. of the market value of the Underlying Fund.

- (xii) The value of the Underlying Fund's holding of units or shares in other collective investment schemes may not in aggregate exceed 10 per cent. of its total net asset value. Such schemes shall comply with Section 8 of Schedule 1 to the Regulation and shall be authorised by the SFC in accordance with the requirements under the SFO. In addition, there shall be no increase in the overall total of any costs and charges payable to the manager of the Underlying Fund or any of its connected persons by the Underlying Fund if the Underlying Fund invests in other collective investment schemes managed by the manager of the Underlying Fund or any of its connected persons.
- (xiii) The Underlying Fund may not invest in any type of real estate (including buildings) or interests in real estate (including options or rights but excluding shares in real estate companies and interests in real estate investment trusts which are permissible under Schedule 1 of the Regulation).
- (xiv) No short sale may be made by the Underlying Fund.
- (xv) Subject to (xx) and (xxi) below, the Underlying Fund may not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person.
- (xvi) The Underlying Fund may not acquire any asset which involves the assumption of any liability which is unlimited.
- (xvii) The Underlying Fund may not invest in any security of any class in any company or body if any director or officer of the manager of the Underlying Fund individually owns more than 0.5 per cent. of the total nominal amount of all the issued securities of that class or collectively the directors and officers of the manager of the Underlying Fund own more than 5 per cent. of those securities.
- (xviii) The portfolio of the Underlying Fund may not include any security where a call is to be made for any sum unpaid on that security.
- (xix) Notwithstanding any other provisions contained in this section, the Underlying Fund may invest only in the investments permitted under and in accordance with Part V and Schedule 1 of the Regulation and the manager of the Underlying Fund is required to comply with any guidelines relating to forbidden investment practices issued by the MPFA.
- (xx) Borrowing securities for the purposes of the Underlying Fund is prohibited. However, the manager of the Underlying Fund may allow securities held in the Underlying Fund to be loaned on such terms as the trustee of the Underlying Fund may approve only if:
 - (i) the lending is in respect of fully paid up securities listed on a market;
 - (ii) an agreement is entered into by the custodian of the Underlying Fund and the borrower of the securities;
 - (ii) the amount of consideration (including the value of any collateral security) given exceeds the value of the securities;
 - (iv) no more than 10 per cent. of the net asset value of the Underlying Fund

can be the subject of security lending agreements;

- (v) no more than 50 per cent. of shares of the same issue held in respect of the Underlying Fund can be the subject of security lending agreements; and
 - (vi) the relevant guidelines issued by the MPFA are complied with.
- (xxi) The assets in the Underlying Fund should not be applied for the purpose of entering into a repurchase agreement unless the agreement is entered into by the custodian of the Underlying Fund and only if (a) the amount of the consideration (including the value of any collateral security) given for the relevant security exceeds the value of the security; and (b) no more than 10 per cent. of the assets of the Underlying Fund are the subject of repurchase agreements; (c) no more than 50 per cent. of the securities of the same issue held among the assets of the Underlying Fund are the subject of repurchase agreements; and (d) the relevant guidelines issued by the MPFA are complied with.

For the purposes of (xxi), "repurchase agreement" means an agreement under which the trustee of the Underlying Fund agrees to sell a debt security to a person and to repurchase it from that person at a specified date in the future for an agreed price, subject to the amount of consideration (including the value of any collateral security) provided by that person during the period of the agreement.

Any securities lending arrangements or repurchase agreements under (xx) and (xxi) will only be entered into with institutions of appropriate financial standing which engage in security lending arrangements or repurchase agreements and which are acceptable to the trustee of the Underlying Fund. In accordance with normal market practice, borrowers will be required to provide collateral to the Underlying Fund of a value of at least 105 per cent. of the market value of any securities loaned. The collateral is to be in a form acceptable to the trustee of the Underlying Fund. All fees payable by the borrower under these arrangements with the Underlying Fund will be for the benefit of the Underlying Fund.

- (xxii) The assets in the Underlying Fund should not be the subject of a reverse repurchase agreement under which the trustee of the Underlying Fund agrees to buy a debt security from a person and to resell it to that person at a specified date in the future for an agreed price.
- (xxiii) The assets in the Underlying Fund should not be applied for the acquisition of financial futures contracts or financial option contracts, unless there is established and maintained in respect of the Underlying Fund an effective system for monitoring the risks inherent in dealing in contracts of those kinds.
- (xxiv) The Underlying Fund may not invest in the securities of the trustee, the manager, or any custodian appointed under the Underlying Fund except where any of these parties is a substantial financial institution as defined in the Regulation.

For the purposes of the Trust, sub-paragraph (xvii) above shall not apply.

Subject to Part V and Schedule 1 of the Regulation and the above restrictions, the Underlying Fund may acquire derivatives such as forward contracts, options, warrants and futures and may, under limited circumstances as considered appropriate by the manager of the Underlying Fund, hold substantial amounts of cash or cash based instruments in its portfolio.

The Underlying Fund may place cash on deposit with the trustee of the Underlying Fund, the manager of the Underlying Fund or any of their connected persons provided that such person is permitted to accept deposits and the interest rate paid to the Underlying Fund is no lower than an arm's length commercial rate for deposits of the same size and nature as the deposit in question.

The above investment restrictions may be varied from time to time subject to the approval of the trustee of the Underlying Fund or the SFC or the MPFA where required. If there is any change in the investment requirements specified in the Regulation, the investment restrictions described above will be changed accordingly and where necessary, a new Explanatory Memorandum will be issued to the unitholders.

Where a breach of any of the above investment limits occurs, the Manager will as a priority objective within a reasonable period of time take all steps as are necessary to remedy the situation taking due account of the interests of unitholders.

Borrowing Policy

The Trust Deed permits borrowings to be undertaken for the account of the Trust but only up to a limit of 10 per cent. of the latest net asset value of the Trust at the time the borrowing is made. The Trust's assets may be charged or pledged as security for any such borrowings. Borrowings may be undertaken only on a temporary basis for the purpose of paying amounts due on the redemption of units or defraying operating expenses.

Subject to Section 4 of Schedule 1 to the Regulation and any other statutory requirements and limitations, the trustee of the Underlying Fund may borrow up to 10 per cent. of the net asset value of the Underlying Fund at the time the borrowing is made. Borrowings may be made only to pay redemption proceeds or settle a transaction relating to the acquisition of investment for the Underlying Fund. Subject to the consent of the manager of the Underlying Fund, the trustee of the Underlying Fund may charge or pledge the Underlying Fund's assets as security for any such borrowings. The Underlying Fund may borrow money from the trustee of the Underlying Fund, the manager of the Underlying Fund or any of their connected persons provided that the lender is permitted to lend money and that the interest or any fee is no higher than an arm's length commercial rate or fee for a loan of the same size and nature.

Distribution Policy

All income will be accumulated within the Trust.

The trust deed of the Underlying Fund provides for the payment of distributions. The current intention of the manager of the Underlying Fund, however, is that income will be retained for reinvestment.

INVESTMENT MANAGEMENT

JF Funds Limited, the Manager of the Trust, is incorporated with limited liability under the laws of Hong Kong.

Day-to-day investment management of the Trust has been delegated to the Investment Manager, JF Asset Management Limited, a company incorporated with limited liability in Hong Kong.

With regard to the Underlying Fund, JF Asset Management Limited has been appointed as the investment manager.

The Manager may provide services to, or effect transactions with or for, the Trust which may involve an actual or potential conflict of interest with the Manager's duties to the Trust. The Manager will, however, have regard in such event to its obligations to act in the best interests of unitholders when such conflicts of interest arise and will seek to resolve such conflicts fairly.

TRUSTEE, ADMINISTRATOR AND REGISTRAR

The Trustee, Administrator and Registrar is Royal Bank of Canada Trust Company (Cayman) Limited, a company which is incorporated with limited liability in the Cayman Islands. The registered office of the Trustee, Administrator and Registrar is at P.O. Box 1586, 24 Shedden Road, Grand Cayman, Cayman Islands, British West Indies. The Trustee is a wholly-owned subsidiary of Royal Bank of Canada and the Trustee is a legally independent trust company which enjoys the administrative support and strengths of Royal Bank of Canada's global network of trust companies. Under the Trust Deed, the Trustee is responsible for the safe-keeping of the Trust's investments. However, neither the Trustee nor any of its affiliates, officers or directors is responsible for, or in any way guarantees, the performance of the Trust. The Administrator, or its agent, is responsible for providing the following services:

- communicating with unitholders and the general public relating to the Trust;
- accepting and effecting subscription and redemption orders;
- ensuring compliance by the Trust with any guidelines or regulations of the Cayman Islands relating to the prevention of money laundering;
- maintaining the register of unitholders and the Trust's principal records and books of accounting;
- computing and publishing the Trust's net asset value;
- assisting in the coordination of the audit of the Trust's accounts by the Auditor;
- disbursing any fees, charges and liabilities on behalf of the Trust; and
- conducting meetings of unitholders.

AUDITOR

The Auditor is PricewaterhouseCoopers. The registered office of the Auditor is at P.O. Box 258GT, Strathvale House, Grand Cayman, Cayman Islands, British West Indies. The Auditor is responsible for auditing the accounts of the Trust.

SUBSCRIPTIONS

Under the Trust Deed the Manager is given the exclusive right to effect the issue of units for the account of the Trust and has an absolute discretion to accept or reject in whole or in part any application for units.

Prospective investors should inform themselves as to: -

- the legal requirements relating to the acquisition, holding or disposal of units in the Trust;

- any foreign exchange restrictions which they might encounter; and
- their taxation position on the holding or disposal of units under the laws of the countries of their domicile, residence, citizenship or incorporation.

Offer Price

The price of units will be determined in accordance with rules laid down in the Trust Deed by reference to the net asset value of the Trust's assets. Administration Units differ from Investment Units in bearing an administration charge to cover the costs of administration of the investors which will generally be trustees or administrators of provident or retirement schemes. All or part of the fee will be rebated to the administrators of such schemes in accordance with arrangements made with them. This fee is calculated in the proportion of the net asset value of the Trust attributable to Administration Units. Units will normally be issued on every dealing day which will normally be every day (other than a Saturday or a Sunday) on which banks in Hong Kong are open for normal banking business and on which the Underlying Fund invested in by the Trust is available for normal dealing. In order for units to be issued on any particular dealing day, the application must be received by the Manager not later than 3:00 p.m. (Hong Kong time) on that dealing day or such other time agreed between the Manager and the Trustee. Applications received after that time will be dealt with on the immediately following dealing day. The Manager may change the time by which applications must be received in order to be dealt with on any particular dealing day.

Units may not be issued or sold by the Manager during any period when the right of unitholders to redeem their units is suspended. Applicants for units will be notified of any such suspension and, unless withdrawn, their applications will be considered on the first dealing day after the suspension is lifted or returned to the applicant, at the Manager's discretion.

The price at which units will be issued (i.e. the offer price) will be calculated by reference to the net asset value per unit as at the close of business on the relevant dealing day and by adding a provision (not exceeding 1 per cent. of the net asset value) for fiscal and purchase charges (which will be paid into the Trust) and rounding the resulting sum downwards to the nearest cent. The Manager is also entitled to deduct from the subscription moneys an initial charge (normally up to 5 per cent. of such subscription moneys). The Manager does not intend to levy any such initial charge or any such fiscal and purchase charges under normal circumstances. Any initial charge will be retained by the Manager, which may rebate the whole or part thereof to any dealer in securities or other intermediary through whom any application is received.

Units will be issued in fractions of not less than one-thousandth of a unit. Subscription monies representing smaller fractions of a unit will be retained as part of the Trust's assets.

The method of establishing the net asset value of the Trust is set out in the Trust Deed. The value of interests in any collective investment scheme is the latest published net asset value per unit or share in such scheme (where the same is published and is considered by the Manager to be appropriate) or (if such net asset value is not published or not considered by the Manager to be appropriate) the average of the last published bid and offer prices for such unit or share. Cash, deposits and similar investments are valued at their face value (together with accrued interest) unless, in the opinion of the Manager, any adjustment should be made to reflect the value thereof. Such valuations will be expressed in HK dollars. The Manager may adjust the value of any investment if it considers that such adjustment is required to reflect more accurately the fair value of the relevant investment.

Market volatility may result in a discrepancy between the latest available offer and bid prices for the Trust and the fair value of the Trust's net asset value. Certain investors might exploit this discrepancy. By these investors paying less than the fair value for

units on issue, or receiving more than the fair value on redemption, other unitholders may suffer a dilution in the value of their investment. As a safeguard against such exploitation, the Manager may, with the prior consent of the Trustee, adjust the net asset value of the Trust or of a unit, if it considers that such adjustment is required to reflect more accurately the fair value of the net asset value. Such adjustment shall be made in good faith, with the Manager taking into account the best interests of unitholders.

Procedure for Application

The Manager may decline to accept any application by a person who is not a unitholder to invest less than HK\$2,000.

Units may be purchased by completing an Application Form. All applications should be sent to the Manager. All applications must specify the class of units, Administration Units or Investment Units, for which application is made. In addition, the Manager may accept applications made over the telephone, subject to certain conditions. No application should be lodged with any intermediary in Hong Kong who is not licensed or registered to carry on Type 1 regulated activity (dealing in securities) under Part V of the SFO or who does not fall within the statutory or other applicable exemption from the requirement to be licensed or registered to carry on Type 1 regulated activity (dealing in securities) under Part V of the SFO.

A contract note will be sent to successful applicants specifying the number and class of units issued. If the cheque received from the applicant is dishonoured on its first presentation to the bank, the application may at the discretion of the Manager (and must if the Trustee so requires or if the units in question are more than 2.5 per cent. of all units in issue) be considered void and cancelled. In such event the Manager will be entitled to charge the applicant (and retain for its own account) a cancellation fee of such amount as it may determine to represent the costs involved in processing the application from such applicant and may require the applicant to pay to the Manager for the account of the Trust in respect of each unit so cancelled the amount (if any) by which the offer price per unit exceeds the bid price per unit on the date of cancellation. Any Units issued will be registered in the name of the relevant unitholders in the Register kept by the Registrar.

The offer price will be expressed in HK dollars. Alternative arrangements can be made for unitholders who wish to subscribe in US dollars, Japanese yen or sterling. Unitholders are advised to contact the Manager if they wish to pay in other currencies. In such cases, the Manager will charge the applicant the costs of conversion into HK dollars which may be at the spot or forward rate as determined on the business day following the dealing day, depending on the manner and currency of payment.

Payment may be made by cheque payable to "JF Funds Limited" and crossed "A/C Payee Only, Not Negotiable" or by telegraphic/bank transfer, in which case the subscription amount should be transferred net of any bank charges (i.e. the applicant is required to pay any bank or other administrative charges). A copy of the telegraphic/bank transfer request, duly received by the remitting bank, should accompany the Application Form.

Third party cheques and cash are not accepted.

Evidence of Identity – Anti-Money Laundering

In order to ensure compliance with any guidelines or regulations which may be applicable relating to the prevention of money laundering, applicants will be required to provide evidence of identity and, in the case of corporate applicants, of legal existence and corporate authority. Where an applicant is acting on behalf of another person, evidence of the identity of the principal, or confirmation by the applicant that evidence of the underlying principal has been obtained and that the applicant is satisfied as to

the source of funds, will be required. Where an applicant fails to provide such evidence or confirmation on request, the application will be rejected.

The Trustee, the Manager and their delegates also reserve the right to refuse to make any redemption payment to a unitholder if the Trustee, the Manager or their delegates suspect or are advised that the payment of redemption 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 Trustee and its delegates with any such laws or regulations in any applicable jurisdiction.

REDEMPTIONS

Bid Price

Subject as mentioned below, unitholders may redeem their units on every dealing day which will normally be every day (other than a Saturday or a Sunday) on which banks in Hong Kong are open for normal banking business and on which all or part of the collective investment scheme(s) invested in by the Trust are available for normal dealing. In order for units to be redeemed on any particular dealing day, the redemption request must be received by the Manager not later than 3:00 p.m. (Hong Kong time) on that dealing day or such other time agreed between the Manager and the Trustee. Redemption requests received after that time will be dealt with on the immediately following dealing day. The Manager may change the time by which redemption requests must be received in order to be dealt with on any particular dealing day.

The price at which units will be redeemed on a dealing day will be calculated by reference to the net asset value per unit as at the close of business on the relevant dealing day, less (a) the redemption charge (normally up to 0.5 per cent. of the net asset value per unit) and (b) a provision (not exceeding 1 per cent. of the net asset value per unit) for fiscal and sales charges (which will be retained by the Trust). The resultant sum will be rounded downwards to the nearest cent. The Manager does not intend to levy any such redemption charge or any such fiscal and sales charges under normal circumstances.

The amount of redemption charge will be retained by the Manager for its own benefit.

The amount due on the redemption of units will normally be paid within seven business days and in any event not later than one calendar month after the date of actual receipt by the Manager of a duly completed redemption request in a prescribed format and such other information as the Trustee or the Manager may reasonably require. Failure to provide such information may delay the payment of redemption proceeds. Payment will be made by telegraphic transfer where the unitholder has provided bank payment details for this purpose. Unitholders may be liable for any bank charges on payment by telegraphic transfer. Where the unitholder has not provided bank payment details or where the redemption amount is less than US\$1,000 or its equivalent, redemption proceeds will normally be paid by cheque, posted at the risk of the unitholder. No third party payments will be made.

In the event that a unitholder wishes to switch out of the Trust into another collective investment scheme managed by the Manager or in respect of which the Manager acts as Hong Kong representative, the switch will be treated as a redemption of units in the Trust and accordingly a redemption charge, calculated on the above basis, will be charged. In addition, a reduced initial charge may also be charged by the particular collective investment scheme into which the redemption monies are transferred.

Suspension and Limitation of Redemptions

The Manager may, by giving notice to the Trustee, suspend the right of unitholders to redeem their units and/or delay the payment of any redemption where the Manager considers such suspension or delay appropriate in the circumstances, for example, the Manager may exercise this right when (i) there is a closure of or suspension of trading on any market on which a substantial part of the underlying investment of the Trust is traded or capable of being traded; (ii) there is a breakdown in any of the means normally employed by the Manager in determining the net asset value of the Trust; (iii) for any other reason the price of investment held by the Trust cannot, in the opinion of the Manager, reasonably be ascertained; (iv) in the opinion of the Manager, the disposal of investments cannot be effected reasonably practicably or without prejudicing the interests of unitholders; (v) the remittance of funds which will or may be involved in the redemption of, or in payment for, the investments of the Trust or the subscription or redemption of units cannot, in the opinion of the Manager, be effected at normal prices or normal rates of exchange; or (vi) the redemption of units in the Underlying Fund, or such other underlying fund as the Trust may be then investing in, is suspended, as described below. If the redemption of units is suspended, units will be carried forward for redemption on the next dealing day which is applicable to any particular unitholder after cessation of the suspension.

The Manager may limit the total number of units redeemed on any dealing day to 10 per cent. or more of the units in issue on any dealing day.

In the event that the redemption of units is so limited, units will be redeemed pro rata between unitholders and those units not redeemed will be carried forward for redemption, subject to the same limitation, on the next dealing day which is applicable to any particular unitholder. Unitholders affected will be informed by the Manager.

Notice of the imposition and ending of any suspension or delay in payment will be given to unitholders, at least once a month during the period of suspension, by way of written notice or such other means of notification as determined by the Manager with prior approval of the SFC.

The manager of the Underlying Fund may, by giving notice to the trustee of the Underlying Fund, suspend the right of unitholders of the Underlying Fund to redeem their units and/or delay the payment of any redemption where the manager of the Underlying Fund considers such suspension or delay appropriate in the circumstances. If the redemption of units of the Underlying Fund is suspended, units of the Underlying Fund will be carried forward for redemption on the first dealing day after cessation of the suspension. The manager of the Underlying Fund may also limit the total number of units of the Underlying Fund redeemed on any dealing day to 10 per cent. or more of the units of the Underlying Fund in issue on any dealing day.

In the event that the redemption of units of the Underlying Fund is so limited, units of the Underlying Fund will be redeemed pro rata between unitholders of the Underlying Fund and those units of the Underlying Fund not redeemed will be carried forward for redemption, subject to the same limitation, on the next dealing day. Unitholders of the Underlying Fund affected will be informed by the manager of the Underlying Fund.

Notice of the imposition and ending of any suspension of the Underlying Fund will be given to unitholders of the Underlying Fund, at least once a month during the period of suspension, by way of written notice or such other means of notification as determined by the manager of the Underlying Fund with the prior approval of the SFC and MPFA.

Procedure for Redemption

Requests for the redemption of units should be made by facsimile or other written or electronic form specified by the Manager and stating the number and class of Units (i.e. the Administration Units or the Investment Units) or an amount in HK dollars or other currency to be redeemed. The Manager may also agree to accept redemption requests over the telephone, subject to certain conditions.

Partial redemption of holdings are permitted, provided that they do not result in the unitholder holding units having an aggregate value of less than HK\$2,000 of the relevant class on the day of redemption. If a redemption request results in a holding below HK\$2,000 or its equivalent, on the relevant dealing day, the Manager may, at its absolute discretion, treat the redemption request as an instruction to redeem, as appropriate, the total holding in that particular class of Units.

The bid price will be expressed in HK dollars and payment will normally be made in that currency. Arrangements can be made for unitholders to receive payment in certain other freely convertible currency. Unitholders are advised to contact the Manager for details of such arrangements. Any exchange costs may be deducted by the Manager from the redemption monies.

FEES, CHARGES AND LIABILITIES

As stated above, the Manager is entitled to receive an initial charge of up to 5 per cent. of the subscription monies on the issue or sale of units and a redemption charge of up to 0.5 per cent. of the net asset value per unit on the cancellation or redemption of any of those units. However, the Manager does not intend to levy any initial charge and redemption charge. If the Trust invests in any collective investment scheme managed by the Manager, the Investment Manager or any of their Connected Persons, all initial charges on the underlying scheme must be waived. The Underlying Fund does not currently charge any initial charge or redemption charge.

In addition, the Manager is entitled under the Trust Deed to a management fee at the rate of 2.5 per cent. per annum of the net asset value of the Trust. However, the Manager currently receives a management fee at the rate of 1.0 per cent. per annum of the net asset value of the Trust. For investment in unit trusts or other collective investment schemes managed by the Manager, the Investment Manager or any of their Connected Persons, the fee of the Manager will be adjusted taking into account the management fee levied by such unit trust or other collective investment scheme to the extent attributable to the Trust's interest in such unit trust or scheme and in any event the aggregate management fee payable by the Trust shall not exceed the current rate of 1.0 per cent. per annum of net asset value of the Trust. Accordingly, there will be no double charging of either the preliminary charge, realization charge or management fee. The management fee of the Underlying Fund currently ranges between zero per cent. and 1.2 per cent. per annum.

The Manager may only increase the level of its fee (which may not exceed 2.5 per cent. per annum) by giving notice to the Trustee and not less than three months' notice to unitholders of the increased level of management fee. In any event, the overall aggregate management fee charged by the Trust and the Underlying Fund will not exceed the rate of 2.5 per cent. per annum of the net asset value of the Trust.

The Manager will bear the fees of the Investment Manager.

The Trustee is entitled to a fee at the rate of 0.2 per cent. per annum of the net asset value of the Trust. However, the Trustee currently receives a trustee fee at the rate of 0.1 per cent. per annum of the net asset value of the Trust and may only increase the level of its fee (which may not exceed 0.2 per cent. per annum) with the agreement of the Manager and by

giving to unitholders not less than three months' notice of the increased level of trustee fee. The Trustee of the Underlying Fund is currently charging the Underlying Fund a trustee fee at the rate of 0.1 per cent. per annum.

The Manager is entitled under the Trust Deed to an administration fee ("Administration Fee") at the rate of 0.7 per cent. per annum of the portion of the net asset value of the Trust attributable to the Administration Units on each dealing day. However, the Manager currently receives an Administration Fee at the rate of 0.6 per cent. per annum and may only increase the level of its fee (which may not exceed 0.7 per cent. per annum) by giving three months' notice to the Trustee and the holders of Administration Units. The Administration Units will generally be held by trustees, custodians or other administrators of provident and retirement schemes. The Administration Fee is a charge to cover the administration of such schemes and thus will be rebated in whole or in part to the relevant scheme administrators in accordance with such arrangements as may be made with them. The level of the Administration Fee will be uniform for all Administration Units.

The Manager's fee and Administration Fee are payable monthly, and the Trustee's fee quarterly, in arrears. The Manager's fee and Trustee's fee are payable by reference to the net asset value of the Trust on each dealing day and the Administration Fee is payable by reference to the relevant portion of the net assets of the Trust attributable to the Administration Units. All the fees are calculated and accrued on each dealing day.

In addition, the Trust bears stamp duties, taxes, brokerage, commissions, foreign exchange costs, bank charges, registration fees relating to the Trust and its investments, insurance and security costs, the costs of obtaining and maintaining a listing for the units on any stock exchange, the fees and expenses of the Auditor, the Registrar, the custodian(s) of the Trust's investments, the costs of preparing the Trust Deed and any supplemental trust deeds and legal and certain other expenses incurred in the administration of the Trust. The Trust is also responsible for the costs of preparing, printing and distributing all statements, accounts and reports and for any costs incurred as a result of a change in law or regulatory requirement or the introduction of any new law or regulatory requirement (including any costs incurred as a result of compliance with any code relating to unit trusts, whether or not having the force of law). The cost of establishing the Trust, which amounts to approximately HK\$170,000, will be borne by the Trust and amortised by no later than the third financial year end (for the avoidance of doubt, if the Trust were to terminate for whatever reason within such period, any such cost remaining unamortised would be written off upon the Trust's termination).

The Manager, the Investment Manager and any of their Connected Persons may provide services to the Trust including the execution of portfolio transactions for or with the Trust (either as agent or, with the approval of the Trustee, as principal). Such persons may receive and retain their normal commissions, charges, fees or other benefits provided they are arm's length commercial rates for transactions or services of a similar size and nature.

The Manager, the Investment Manager and any of their Connected Persons may enter into soft commission arrangements with brokers under which certain goods and services are received, provided such goods and services are of demonstrable benefit to unitholders. Cash payment will not be made for these services but instead those persons may transact an agreed amount of business with the brokers on behalf of the Trust. Commission will be paid by the Trust for these transactions, provided that execution of the transactions are consistent with best execution standards and the relevant brokerage rates are not in excess of customary institutional full-service rates.

No cash or other rebates from brokers, dealers or market makers may be retained by the Manager, Investment Manager or any of their Connected Persons in consideration of directing transactions on behalf of the Trust to such brokers, dealers or market makers.

The liability of the unitholders of the Trust is limited to the assets comprised in the Trust.

TAXATION

Prospective unitholders should inform themselves of, and take their own advice on, the taxes applicable to the subscription, holding, redemption and transfer of units, and any distribution (each, a “Relevant Event”) under the laws of the place of their operations, domicile, residence, citizenship and/or incorporation. Neither the Trust nor any of the parties listed in the section entitled “MANAGEMENT AND ADMINISTRATION” of this Explanatory Memorandum makes any warranty and/or representation as to the tax consequences in relation to any Relevant Event (or combination of Relevant Events) or takes any responsibility for any tax consequences in relation to any Relevant Event (or combination of Relevant Events) and each of the Trust and such parties expressly disclaims any liability whatsoever for any tax consequences in relation to any Relevant Event (or combination of Relevant Events) and/or for any loss howsoever arising (whether directly or indirectly) from any Relevant Event (or combination of Relevant Events). Dividends, interest income, gains on the disposal of investments and other income received by the Trust on its investments in some countries may be liable to the imposition of irrecoverable withholding tax or other tax.

The following paragraphs are based on the law and practice currently in force in the Cayman Islands and Hong Kong at the date of this Explanatory Memorandum and are subject to changes in content or interpretation. They are intended as a general guide only and do not necessarily describe the tax consequences for all types of investors in the Trust and no reliance, therefore, should be placed upon them.

Cayman Islands

At present Cayman Islands Law does not impose upon the Trustee, the Manager or unitholders any tax or duty on income or capital assets, gains or appreciations arising from the Trust.

The Trust has applied for and can expect to receive an undertaking from the Governor-in-Council of the Cayman Islands that, in accordance with section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, for a period of 20 years from the date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Trust or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on the units, shares, debentures or other obligations of the Trust or (ii) by way of the withholding in whole or in part of a payment of dividend or other distribution of income or capital by the Trust to its members or a payment of principal or interest or other sums due under a debenture or other obligation of the Trust.

Hong Kong

The Trust is authorised under Section 104 of the SFO. As a result, any Hong Kong sourced income it derives will be exempt from Hong Kong profits tax provided the Trust is carried on in accordance with the purposes stated in its constitutive documents as approved by the SFC and in accordance with the requirements of the SFC.

A unitholder will not be liable to Hong Kong profits tax on gains realised on the sale or realization of units except where the acquisition and disposal of units is or forms part of a trade, profession or business carried on by the unitholder in Hong Kong and the gains are revenue in nature for Hong Kong profits tax purposes. The classification of a gain as revenue or capital will depend on the particular circumstances of the unitholders. As a matter of the Inland Revenue Department practice, unitholders also should not be taxed in

Hong Kong on distribution of income from the Trust. Unitholders should take advice from their own professional advisers as to their particular tax position.

REPORTS AND ACCOUNTS

The financial year end of the Trust is 30 June in each year. Audited accounts (including the Trustee’s and the Manager’s reports) will be sent to unitholders of the Trust as soon as practicable and in any event not more than four months after the end of the financial year. The Manager will also send an unaudited half-yearly report to unitholders within two months after 31 December (unless the Trustee agrees to an extension of time).

The Trust’s annual report will include the investment portfolio of the Underlying Fund as at the financial year end date. The above mentioned reports will be in such form and will be prepared in accordance with such accounting standards or policies as the Manager and the Trustee may from time to time agree, although such accounting standards or policies may, for financial reporting purposes, adopt different methodologies or principles for calculating the net asset value of the Trust and/or in respect of other aspects as compared to those set out in the Trust Deed. Currently, it is intended that the reports will be prepared in accordance with accounting principles generally accepted in Hong Kong. For the avoidance of doubt, the Trust will be dealt at the offer price and bid price calculated in accordance with the provisions of the Trust Deed.

GENERAL

Price Information

The net asset value per unit for each class of units will normally be published regularly in the South China Morning Post and the Hong Kong Economic Times.

Trust Deed

Unitholders are advised to review the terms of the Trust Deed. Copies of the Trust Deed may be obtained from the Manager at a cost of HK\$80 each or may be inspected free of charge during normal working hours at the offices of the Manager.

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) does not materially prejudice the interests of unitholders, does not operate to release to any material extent the Trustee or the Manager from any responsibility under the Trust Deed and (except for any fees and expenses incurred in relation to the preparation of the relevant supplemental deed) will not result in an increase in the amount of costs and charges payable out of the Trust’s assets 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 or the approval of the SFC.

Documents Available for Inspection

Copies of the following documents are available for inspection free of charge during normal working hours at the offices of the Manager: -

- (i) Trust Deed.
- (ii) Investment Management Agreement.

Cayman Islands Mutual Funds Law (2003 Revision as amended)

The Trust has been registered under the Mutual Funds Law (2003 Revision as amended) and Regulations issued pursuant thereto (the “Law”) and is subject to the supervision of the Cayman Islands Monetary Authority (the “Authority”) appointed pursuant to the Law. This Explanatory Memorandum and any amendments and the annual audited financial reports of the Trust are filed with the Authority.

The Authority has broad ranging powers under the Law to support its supervisory and regulatory functions, including requiring the Trust to have its accounts audited and asking the Trustee for such information or such explanation in respect of the Trust as the Authority may reasonably require to enable it to carry out its duties under the Law. The Trustee, as a licensed mutual fund administrator, and the auditor are also under statutory obligations to report to the Authority if they become aware in the course of their duties that the Trust is in breach of the Law.

Joint Holders

Not more than four persons may be registered as the joint holders of any unit. The Trustee and the Manager may require any redemption request or other instruction in relation to any joint holding to be signed by all the registered joint holders or may, to the exclusion of any such request or instruction from any of the other joint holders, rely on any redemption request or other instruction signed by or otherwise received from any one of the registered joint holders.

Certificates

Certificate will not be issued to unitholders.

Transfers and Transmissions of Units

Units are transferable by instrument in writing executed by or on behalf of the transferor except that no transfer will be registered without the approval of the Manager which would result in either the transferor or the transferee holding units having an aggregate value of less than HK\$2,000 of any class on the dealing day on which the transaction is to be registered. Instruments of transfer should be sent to the Service Provider, JF Funds Limited.

The Trust Deed contains provisions relating to the transmission of units. The law of the Cayman Islands requires any grant of probate, or equivalent, to be re-sealed by the courts of the Cayman Islands. Any costs incurred will be borne by the unitholder. Any person who becomes entitled to a unit as a consequence of the death or bankruptcy of any of the unitholders shall be responsible for producing such documents or satisfactory evidence as to that person’s title at the request of the Trustee and the Manager. The Manager’s only obligation in these circumstances will be to forward any information received in writing from or on behalf of the unitholder to the Trustee.

Cancellation of Units

The Manager has the right to effect reductions of the Trust by requiring the Trustee to cancel units and by paying to the affected unitholders the moneys which would have been payable if the units had been redeemed in the normal manner. The type of situations in which it is envisaged that the Manager might exercise its right of cancellation include where the full subscription moneys are not received within a reasonable time or where it becomes unlawful to permit a unitholder to continue to be registered.

Notices and Meetings of Unitholders

The Trust Deed provides for meetings of unitholders to be convened by the Trustee or the Manager by giving at least 21 days’ notice. The Manager is obliged to convene a meeting if requested by the holders of not less than one-tenth of the units in issue. Notices of meetings of unitholders will be posted to unitholders at their registered addresses.

The quorum at unitholders’ meetings dealing with ordinary business is two or more unitholders present in person or by proxy holding in aggregate at least one-tenth of the units for the time being in issue. If a meeting is convened at which an Extraordinary Resolution is to be proposed the quorum is unitholders present in person or by proxy holding at least one-quarter of the units for the time being in issue. If a quorum is not present, the meeting will be adjourned for not less than 15 days. Separate notice of any adjourned meeting will be given, and at an adjourned meeting a unitholder (regardless of the number of units held) will form a quorum. At any meeting on a show of hands every unitholder who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative shall have one vote. On a poll every unitholder present in person or by proxy shall have one vote for every unit held.

An Extraordinary Resolution is a resolution proposed as such and passed by a 75 per cent. majority of the votes cast for and against such resolution.

Duration of the Trust

Unless terminated earlier, the Trust will terminate automatically on the date immediately preceding the one hundred and fiftieth anniversary of the date of the Trust Deed. The Manager or the Trustee may, in certain circumstances, terminate the Trust at any time. Such circumstances include the termination of the Underlying Fund, or such other underlying fund as the Trust is then investing in, the passing of any law which renders it illegal or, in the opinion of the Manager, impracticable or inadvisable to continue the Trust or where the aggregate net asset value of all units in issue falls below HK\$20,000,000. The Trust may also be terminated by the Trustee and the Manager with the approval of an Extraordinary Resolution of the unitholders at any time.

The Trustee and the Manager

The Trust Deed contains provisions governing the responsibilities of the Trustee and the Manager and providing for the indemnification in certain circumstances.

The Trustee or the Manager may retire upon the appointment of a successor in accordance with the provisions of the Trust Deed and, in the event of the appointment of a new trustee, the law governing the Trust and the Trust Deed may be changed to that of the jurisdiction of the forum of administration of the Trust. In addition, the Manager may be removed in certain circumstances by the Trustee or at any time by the holders of not less than 50 per cent. in value of the units for the time being in issue.

Any change in the Trustee or the Manager of the Trust will be notified to the unitholders.

The Directors of the Manager are: -

Edwin Tsun Kay Chan
Eddie She Lin Chang
Leo Ka Kui Cheung
Lily Suet Lai Lau
Terry San Kong Pan
Ken Wai Ming Tam
Marco Ka Nam Tang