

IMPORTANT INFORMATION

- JF SAR Global Emerging Markets Fund (the “Trust”) is a unit trust investing through a portfolio consisting primarily of securities of companies based or operating principally in, or derive the predominant part of their income from, global emerging markets, which include countries in Latin America, Africa, the Middle East, Eastern Europe and Asia (excluding Japan).
- The Trust invests in emerging markets and thus may have exposure to the relevant social, political, regulatory and currency risks. The Trust’s price movement may go down or up sharply over a short time span. Investors may be subject to substantial losses.
- The investment decision is yours. You should not invest in the Trust unless the intermediary who sells the Trust to you has advised you that the Trust is suitable for you and has explained how an investment in the Trust will be consistent with your investment objectives.

JF Asset Management Limited (the “Manager”) accepts responsibility for the accuracy of the information contained in this Explanatory Memorandum as at 2 February 2010.

No action has been taken to permit an offering of units in the Trust, or the distribution of this Explanatory Memorandum, in any jurisdiction where action would be required for such purpose, other than Hong Kong.

IMPORTANT: If you are in any doubt about the contents of this Explanatory Memorandum, you should consult your stockbroker, bank manager, solicitor, accountant, tax advisor 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.

Past performance is not indicative of future performance and investment in the Trust should be regarded as a medium to long-term investment. The Manager recommends that investment in the Trust should not be the sole or principal component of any investment portfolio. There is no assurance that the investment objective of the Trust will be achieved. Investors should carefully consider and fully understand the risks involved before making their choice of investment.

Neither the Manager, J.P. Morgan Investment Management Inc. (the “Sub-Manager”), nor any of their respective subsidiaries, affiliates, associates, agents or delegates, guarantees the performance or any future return of the Trust.

The JF SAR Global Emerging Markets Fund is a unit trust constituted by a Trust Deed dated 17 July 2009 (the “Trust Deed”), governed by the laws of the Hong Kong Special Administrative Region of the People’s Republic of China (“Hong Kong”). The JF SAR Global Emerging Markets Fund constitutes one of the unit trusts within the JF Savings & Retirement (“SAR”) range of trusts. Investment in the Trust is not in the nature of a saving deposit and therefore involves risks. The Trust will continue for a period of 80 years from the date of the Trust Deed unless previously terminated in accordance with the Trust Deed. The Trust may be terminated by the Trustee or the Manager in certain circumstances, by Extraordinary Resolution of the unitholders or when the aggregate net asset value of the Trust falls below HK\$200 million and a three months’ notice shall be given to the unitholders. The assets held under the Trust will be referred to as “Trust Fund” in this Explanatory Memorandum.

The Trust has been approved as an approved pooled investment fund by the Mandatory Provident Fund Schemes Authority (the “Authority”) under the Mandatory Provident Fund Schemes (General) Regulation (the “Regulation”) and has been authorised as a collective investment scheme in the form of a unit trust 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 and SFC Code on MPF Products. Authorisations by the Authority and the SFC do not imply any official recommendation. The Authority and the SFC do 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.

For the avoidance of doubt, the Trust is not in any way connected with the Government of the Hong Kong Special Administrative Region of the People's Republic of China (the "Government"). Although the Trust has been authorised by the Authority and the SFC, the Government has not otherwise approved the Trust nor should it otherwise be implied that the Government has in any manner recommended investment in the Trust.

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

Investment Policy

The investment policy of the Trust 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 or derive the predominant part of their income from global emerging markets.

Global emerging markets include countries in Latin America, Africa, the Middle East, Eastern Europe and Asia (excluding Japan).

Due to the differences in the settlement cycles and the timing mismatches for repatriating and remitting funds in the global emerging markets, the Trust aims to hold up to 10 per cent. of its total net assets in cash and cash based instruments on a continuous basis.

In addition to the above, the Trust may under limited circumstances as considered appropriate by the Manager or the Sub-Manager, hold substantial amounts of its portfolio in cash and cash based instruments as permitted under the Regulation.

The expected return of the Trust is to provide investors with long-term capital growth in HK dollar terms.

Subject to the approval of the Authority and the SFC, the Manager may change the investment policy of the Trust by giving a three months' notice to the Trustee and the unitholders. The proposed asset allocation of the Trust shall be as follows:

70-100%	<i>non-cash assets in global emerging markets equities</i>
0-30%	<i>non-cash assets in other equities</i>
0-30%	<i>non-cash assets in bonds</i>
0-10%	<i>total net assets in cash and cash based instruments</i>

Risks

The performance of the Trust is subject to 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. Since emerging 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 – The Trust invests in global emerging markets including countries in Latin America, Africa, the Middle East, Eastern Europe and Asia (excluding Japan). 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 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) Diversification risk – This Trust invests in the global emerging markets including countries in Latin America, Africa, the Middle East, Eastern Europe and Asia (excluding Japan) 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.
- (vi) 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.
- (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) Derivatives risk – Participation in warrants, futures, options and forward contracts involves potential investment returns which the Trust would not receive, and risks of a type, level or nature to which the Trust would not be subject, in the absence of using these instruments. If the direction of movement of the securities or money markets is for or against the prediction of the Manager, the Trust may be placed in a position which is better or worse than that in which it would have been if these instruments had not been used.

(ix) 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.

(x) Liquidity risk – The Trust may invest in instruments where the volume of transactions may fluctuate significantly depending on market sentiment. There is a risk that investments made by the Trust may become less liquid in response to market developments or adverse investor perceptions. In extreme market situations, there may be no willing buyer and the investments cannot be readily sold at the desired time or price, and the Trust may have to accept a lower price to sell the investments or may not be able to sell the investments at all. An inability to sell a portfolio position can adversely affect the Trust's value or prevent the Trust from being able to take advantage of other investment opportunities.

Liquidity risk also includes the risk that the Trust will not be able to pay redemption proceeds within the allowable time period because of unusual market conditions, an unusually high volume of redemption requests, or other uncontrollable factors. To meet redemption requests, the Trust may be forced to sell investments, at an unfavorable time and/or conditions.

Investment in fixed income securities, small and mid-capitalization stocks and emerging country issuers will be especially subject to the risk that during certain periods, the liquidity of particular issuers or industries, or all securities within a particular investment category, will shrink or disappear suddenly and without warning as a result of adverse economic, market or political events, or adverse investor perceptions whether or not accurate.

(xi) Valuation risk – Securities purchased by a Trust, particularly debt securities, that are liquid at the time of purchase may subsequently become illiquid due to events relating to the issuer of the securities, markets events, economic conditions, investor perceptions, legislation or regulatory sanctions. Domestic and foreign markets are becoming more and more complex and interrelated, such that events in one sector of the market or the economy, or in one geographical region, can reverberate and have negative consequences for other markets, economic or regional sectors in a manner that may not be reasonably foreseen.

In cases where no clear indication of the value of a Trust's portfolio instruments is available, the portfolio instruments will be valued at their fair value according to the valuation procedures approved by the Trustee. These cases include, among others, situations where it would be inaccurate to rely on the valuations provided by the secondary markets on which a security has previously been traded because these secondary markets are no longer viable for lack of liquidity.

In addition, market volatility may result in a discrepancy between the latest available offer and bid prices for the Trust and the fair value of the Trusts' net asset value. Certain investors might seek to 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 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 relevant Trust or unit thereof, 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. It should be noted that the bases of valuations adopted by the

Trusts may not be the same as the accounting, principles generally accepted in Hong Kong.

(xii) Volatility risk – The value of the Trust's underlying investments will be affected by economic, political, market, and issuer specific changes. Such changes may adversely affect the value of the Trust's underlying investments. Additionally, different industries, financial markets, and securities can react differently to these changes. Such fluctuations of the Trust's value could be volatile and are often exacerbated in the short-term as well.

(xiii) Counterparty risk – The Trust may invest in different instruments in accordance with the investment policy of the Trust and as permitted by the investment restrictions. If the counterparties of these underlying investments default, the Trust could suffer substantial losses. Such risks include, but are not limited to, the following:

Cash and deposits: The Trust may hold cash and deposits in banks or other deposit-taking companies which might not be subject to regulatory or government full or partial protection, and might suffer a significant or even total loss in the event of bankruptcy of the banks or deposit-taking companies.

Depository Receipts: Investment into a given country may be made via direct investments into that market or by depository receipts traded on other international exchanges in order to benefit from increased liquidity in a particular security and other advantages. Investments in depository receipts may be subject to counterparty risk, in which a significant or even total loss might be suffered in the event of the liquidation of the depository or custodian bank.

Credit risk: If the issuer of any of the securities in which the Trust's assets are invested defaults, the performance of the Trust will be adversely affected. For fixed income securities, a default on interest or principal may adversely impact the performance of the Trust.

Risks related to debt securities: The Trust may invest in, but is not limited to debt securities. There is no assurance that losses will not occur with respect to investment in debt securities. Factors that may affect the value of the Trust's debt securities holdings include: (i) changes in interest rates and (ii) the credit worthiness of the issuers of the debt securities held by the Trust.

Settlement risk: Settlement procedures in emerging countries are frequently less developed and less reliable and may involve the Trust's delivery of securities before receipt of payment for their sale. In addition, significant delays may occur in certain markets in registering the transfer of securities. Settlement or registration problems may make it more difficult for the Trust to value its portfolio securities and could cause the Trust to miss attractive investment opportunities, or to have a portion of its assets uninvested, or to incur losses due to the failure of a counterparty to pay for securities the Trust has delivered, or the Trust's inability to complete its contractual obligations because of theft or other reasons. As a result, the creditworthiness of the local securities firms used by the Trust in emerging countries may not be as sound as the creditworthiness of firms used in more developed countries. The Trust may be subject to a risk of loss if a securities firm defaults in the performance of its responsibilities.

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

The assets in the Trust may be invested at the discretion of the Manager subject to the following restrictions and other restrictions, if any, imposed by the Authority and the SFC from time to time.

The following investment restrictions and guidelines shall apply to the Trust calculated as at the immediately preceding valuation:-

- (i) The total value of the Trust'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) where the Trust 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 Authority 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; and

(b) where the repayment of principal or the payment of interest in respect of a debt security issued by a person is guaranteed by another person, the debt security is to be regarded as also issued by the other person.

- (ii) The Trust 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 Trust'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 Trust'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 Trust 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 Trust's holding of securities of companies which are based on or operating principally in or derive the predominant part of their income from global emerging markets shall be not less than 70 per cent. of its non-cash assets.

- (vii) (a) The Trust may invest in financial options and warrants for hedging purposes.
(b) In addition to (a) above, the value of the Trust'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 Trust is prohibited.
- (ix) The writing of call options on investments is prohibited.
- (x) The Trust 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 Trust Fund, the Manager shall ensure that the effective exposure (as defined in Schedule 1 of the Regulation) of the Trust Fund in such contracts does not exceed 10 per cent. of the market value of the Trust Fund.
- (xii) The value of the Trust'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 or any of its connected persons by the Trust if the Trust invests in other collective investment schemes managed by the Manager or any of its connected persons.
- (xiii) The Trust 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.
- (xv) Subject to (xx) and (xxi) below, the Trust 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 Trust may not acquire any asset which involves the assumption of any liability which is unlimited.
- (xvii) The Trust may not invest in any security of any class in any company or body if any director or officer of the Manager 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 own more than 5 per cent. of those securities.
- (xviii) The portfolio of the Trust may not include any security where a call is to be made for any sum unpaid on that security.
- (xix) The portfolio of the Trust's holding of securities neither listed nor quoted on a market may not exceed 10% of its total net asset value.
- (xx) Notwithstanding any other provisions contained in this section, the Trust may invest only in the investments permitted under and in accordance with Part V and Schedule 1 of the Regulation and the Manager is required to comply with any guidelines relating to forbidden investment practices issued by the Authority.

- (xxi) Borrowing securities for the purposes of the Trust is prohibited.
- (xxii) Although the Trust Deed contains provisions which allow the Manager to, on behalf of the Trust, enter into securities lending arrangements, repurchase agreements or reverse repurchase agreements, the Manager does not currently intend to enter into such arrangements and/or agreements. Should the Manager decide to enter into these arrangements and/or agreements, this Explanatory Memorandum will be amended and unitholders will be provided with not less than one month's (or such other period as the Authority or SFC may require) prior written notification in respect of such amendment.
- (xxiii) The assets in the Trust should not be applied for the acquisition of financial futures contracts or financial options contracts, unless there is established and maintained in respect of the Trust an effective system for monitoring the risks inherent in dealing in contracts of those kinds. In addition, a financial futures contract or a financial option contract may be acquired only if the Trustee and the Manager have special qualifications approved or specified by the Authority.
- (xxiv) The Trust may not invest in the securities of the Trustee, the Manager or any custodian appointed under the Trust except where any of these parties is a substantial financial institution as defined in the Regulation.
- (xxv) At least 30 per cent. of assets of the Trust 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.

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

The Trust may place cash on deposit with the Trustee, the Manager or any of their connected persons provided that such person is permitted to accept deposits and the interest rate paid to the Trust is no lower than an arm's length commercial rate for deposits of the same size and nature as the deposit in question. The amount that may be placed on deposit should not exceed the limit stipulated in Section 11 of Schedule 1 to the Regulation.

Subject to Section 4 of Schedule 1 to the Regulation and any other statutory requirements and limitations, the Trustee may borrow up to 10 per cent. of the net asset value of the Trust 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 securities and other investments in respect of the Trust.

Distribution Policy

Although the Trust Deed provides for the payment of distributions, the Manager does not currently intend to make any distributions of income of the Trust.

Unit Trust Parties

JF Asset Management 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 Sub-Manager, J.P. Morgan Investment Management Inc., a company incorporated in the United States of America.

The Trustee, Royal Bank of Canada Trust Company (Asia) Limited, is incorporated with limited liability in Hong Kong. The administrator of the Trust is JPMorgan Funds (Asia) Limited (the "Administrator").

Classes of Units

The Trust Deed provides for different classes of units to be issued to different categories of investors. Although the assets attributable to each class of units will form one single pool, each class of units will have a different charging structure with the result that the net asset value attributable to each class of units may differ slightly. The two initial classes of units offered are:-

- Class A – Available to collective investment schemes, pension plans, segregated portfolios or other types of investment vehicles to which units of Class B are not made available.
- Class B – Available to any schemes registered under the Regulation for investment purpose only and collective investment schemes which are authorised by the SFC, pension plans, segregated portfolios or other types of investment vehicles where the Manager or its associated party acts as the manager or the investment manager of such scheme, plan, portfolio or vehicle and a management fee or investment management fee is being charged by them.

If at any time the net asset value of assets attributable to a particular class of units falls below HK\$200 million or an Extraordinary Resolution is passed sanctioning the cancellation of all units in a particular class, the Manager has the power to cancel all units of that class which are then in issue and to issue units of an equivalent value of a different class in substitution for a unitholder's previous holding.

Issue Price

The Trust is denominated in HK dollars. Units will normally be issued on every dealing day which will normally be every day (other than a Saturday or Sunday) on which banks in Hong Kong are open for normal banking business and on which stock exchanges in markets on which, in the opinion of the Manager, all or part of investments of the Trust are quoted, listed or dealt in are open for trading. If a significant portion of the Trust's assets are invested in any one market and that market is not open for normal trading on any particular day, there will be no dealing of units on that day. The immediately following day on which such market re-opens for normal trading will be a dealing day. In order for units to be issued on any particular dealing day, an application must be received by the Manager not later than 6:00 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 has an absolute discretion to accept or reject in whole or in part any application for units. However, the Manager shall not reject any proper and duly completed applications made by a mandatory provident fund scheme which is registered under the Mandatory Provident Fund Schemes Ordinance of Hong Kong (the "MPFS Ordinance") and to which the Trust is linked (whether through a feeder fund or portfolio management fund arrangement).

The price at which units will be issued on a dealing day will be calculated by reference to the net asset value per unit of a particular class as at the close of business on that day. The Manager may levy an initial charge of up to 5 per cent. of the subscription monies of each applicant although the Manager does not currently intend to charge any such fee. However, the maximum initial charges that will be levied on the issue of units to the AIA-JF Mandatory Provident Fund Scheme, AIA-JF Premium MPF Scheme and AIA-JF

Comprehensive Retirement Benefit MPF Scheme (collectively, the "AIA-JF Schemes") shall not exceed 3 per cent. of the subscription monies. The Manager may reduce the initial charge for any unitholders as the Manager may consider appropriate. Only the balance of such subscription monies will be applied in paying the issue price of the units applied for.

The initial charge will be retained by the Manager for its own absolute use and benefit, and may be reimbursed in whole or part to any agent or intermediary through whom an application is received. The Manager is entitled to charge up to 1 per cent. of net asset value for fiscal and purchase charges (which would be paid to the Trust). The Manager may also reduce the fiscal and purchase charges for any unitholders as the Manager may consider appropriate. However, the Manager does not currently intend to levy such charges in normal circumstances.

Notwithstanding the above, no fiscal and purchase charges will be levied on units issued to the AIA-JF Schemes.

Where a unitholder wishes to subscribe for units by switching from another collective investment scheme managed or whose units are distributed by the Manager or the Administrator, a reduced initial charge of the switched subscription monies may be charged.

The initial charges for the initial two classes of units are as follows:-

Unit Class	Initial charge
A	up to 5%
B	up to 3% (for units issued to the AIA-JF Schemes) up to 5%

The method of establishing the net asset value of the Trust is set out in the Trust Deed. The net asset value per unit is calculated by dividing the value of the assets attributable to that class of units, less its liabilities, by the total number of units of that class in issue at 6:00 p.m. (Hong Kong time) on the immediate preceding dealing day and multiplying the result by the cumulative conversion factor for that class. The cumulative conversion factor for a class of units on a particular dealing day will be equal to the product of the conversion factor (which is a number calculated by such formula as may be adopted by the Manager by reference to established market practice or unit valuation principles) for each dealing day from the dealing day the Trust Fund is first invested up to and including the particular dealing day. In general, quoted investments are valued at their closing price and unquoted investments are valued on each dealing day to ascertain their market value. Interest and other income and liabilities are, where practicable, accrued from day to day. 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 market value of the relevant investment.

Market volatility may result in a discrepancy between the latest available issue and redemption 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.

The first issue of Class A and Class B units will be issued at a price of HK\$10.00 per unit and HK\$10.00 per unit respectively, excluding the initial charge referred to above.

Procedure for Application

The minimum subscription in the Trust is HK\$16,000 (or the equivalent in another currency) or such lesser amount as the Manager may determine. However, there is no minimum subscription for units issued to mandatory provident fund schemes which are registered under the MPFS Ordinance and to which the Trust is linked (whether through a feeder fund or portfolio management fund arrangement). The Manager has the discretion to allow investments to be made in the future by way of periodic savings plans.

Units may be purchased by completing an Application Form. 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 Securities and Futures Ordinance of the Laws of Hong Kong 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 Securities and Futures Ordinance. A contract note will be sent to successful applicants.

The issue 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. 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 on the business day following the dealing day depending on the manner and currency of payment.

Payment should be made by cheque payable to "Royal Bank of Canada Trust Company (Asia) Limited" and crossed "A/C Payee Only, Not Negotiable" and sent to the address as shown at the end of this Explanatory Memorandum. Third party cheques and cash are not accepted.

Certificates will not be issued to unitholders.

Evidence of Identity

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.

Redemption Price

Unitholders may redeem their units on any dealing day. In order for units to be redeemed on a particular dealing day, a redemption request must be received by the Manager not later than 6:00 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 price at which units will be redeemed will be calculated by reference to the net asset value of a unit of the particular class as at the close of business on the particular dealing day. A redemption fee of up to 0.5 per cent. of the net asset value per unit may be deducted although the Manager does not currently intend to charge any such fee. The redemption charge will be retained by the Manager for its absolute use and benefit. The Manager may reduce the redemption charge for any unitholder as the Manager may consider appropriate.

The Manager is also entitled to charge up to 1 per cent. of the net asset value for fiscal and sale charges (which would be paid to the Trust). However, the Manager does not currently intend to levy such charges in normal circumstances.

Notwithstanding the above, no fiscal and sale charge will be levied on units redeemed for the AIA-JF Schemes.

The amount due on the redemption of units will normally be paid by cheque, posted at the risk of the unitholder, within 7 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 and the Manager may reasonably require. Failure to provide such information may delay the payment of redemption proceeds. 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 or whose units are distributed by the Manager or the Administrator, the switch will be treated as a redemption of units in the Trust and accordingly a redemption fee (if applicable), 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.

Procedure for Redemption

Requests for the redemption of units should state the number of units of a particular class or an amount in HK dollars or other currency to be redeemed. Partial redemptions of holdings are permitted, provided that they do not result in a unitholder holding units of a particular class having an aggregate value of less than HK\$16,000 (or the equivalent in another currency) or such lesser amount as the Manager may determine. If a switch or redemption request results in a holding below HK\$16,000 (or the equivalent in another currency) or such lesser amount as the Manager may determine, on the relevant dealing day, the Manager may, at its absolute discretion, treat the switch or redemption request as an instruction to redeem or switch, as appropriate, the total holding in that particular class of units. However, no minimum value will be required in respect of mandatory provident fund schemes which are registered under the MPFS Ordinance and to which the Trust is linked (whether through a feeder fund or portfolio management fund arrangement). The redemption price will be expressed in HK dollars and payment will normally be made in that currency.

Suspension of Redemptions of Units

Subject to the prior consent of the Trustee, the Manager may suspend the right of unitholders to redeem their units and/or delay the payment of any redemption moneys where the Manager considers such suspension or delay appropriate in the circumstances, such circumstances to include:

- (i) any market on which a substantial part of the investments in the Trust Fund is traded or capable of being traded being closed otherwise than in the ordinary course; or
- (ii) trading on any such market being restricted or suspended; or
- (iii) disposal of investments in the Trust Fund being unable, in the opinion of the Manager, to be effected reasonably practicably or without prejudicing the interests of unitholders; or
- (iv) any breakdown in any of the means normally employed by the Manager in determining the net asset value of the Trust Fund; or

(v) the inability, in the opinion of the Manager, to reasonably ascertain the value of any investment or other property in the Trust Fund; or

(vi) the inability, in the opinion of the Manager, to remit funds which may be involved in the redemption of or payment for investments or the subscription for or redemption of units at reasonable prices or reasonable rates of exchange.

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

Notice of the imposition and ending of any suspension of redemption of units of the Trust will be published immediately following such decision and at least once a month during the period of suspension, in the newspapers in which the Trust prices are normally published or such other means of notification as determined by the Manager with the prior approval of the SFC. The Manager or the Trustee (as the case may be) will also immediately notify the Authority and the SFC of such suspension.

Fees, Charges and Liabilities

The Manager may levy an initial charge of up to 3 per cent. of the subscription monies (for AIA-JF Schemes) or 5 per cent. of the subscription monies (for other subscriptions) on the issue or sale of units and receive a redemption fee of up to 0.5 per cent. of the net asset value per unit on the cancellation or redemption of units. The Manager reimburses to approved intermediaries, which includes banks, brokers, recognised securities dealers and other investment advisers, a proportion of the commissions, fees, charges or other benefits received by it based on the value of the relevant business introduced to the Trust. Currently, the Manager does not intend to levy any initial charge or redemption charge.

In addition, the Manager is entitled to receive a management fee for management of the Trust of up to 3.0 per cent. per annum for Class A units and 1.2 per cent. per annum for Class B units, and which may vary depending on the particular class of units. However, the current management fees for the initial two classes of units are as follows:-

Class A	1% per annum
Class B	0% per annum

The Manager may only increase the level of its fee (which may not exceed 3 per cent. per annum for Class A units or 1.2 per cent. per annum for Class B units) by giving to the Trustee and unitholders not less than three months' notice.

The management fee shall be paid out of the Trust Fund and shall accrue daily based on the net asset value of the assets attributable to each class of units on each dealing day and is payable monthly in arrears.

The Trustee is entitled to receive a trustee fee of up to 0.3 per cent. per annum. The trustee fee shall accrue daily based on the net asset value of the assets attributable to each class of units on each dealing day and is payable monthly in arrears. The current trustee fee for the initial two classes of units is as follows:-

Class A	0.08% per annum
Class B	0.08% per annum

The Trustee may only increase the level of its fees (which may not exceed 0.3 per cent. per annum) by giving to the unitholders not less than three months' notice.

In addition, the Trust bears certain other costs and expenses, including stamp duties, taxes, brokerage, commissions, foreign exchange costs, bank charges and registration fees relating to the Trust and its investments, the costs of obtaining and maintaining a listing for the units on any stock exchange, the fees and expenses of the Auditors, 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 other professional or expert charges, the costs incurred in convening and holding meetings of unitholders and certain other fees and expenses incurred in the administration of the Trust. However, expenses which are not ordinarily paid from the assets of unit trusts authorised in Hong Kong (including any advertisement and promotional expenses) will not be deducted from the assets of the Trust Fund. The fee paid to the Registrar will vary depending on the number of unitholders in the Trust and the number of transactions which occur, but the range agreed with the Trustee is between 0.015 per cent. and 0.5 per cent. per annum of the Trust's net asset value. The cost of establishing the Trust, which amounts to approximately HK\$210,000, will be borne by the Trust and amortised by no later than the third financial year end on a straight-line basis (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 and any of its connected persons may effect transactions with or 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. However, no cash rebates of brokerage or commission may be retained.

The Manager and any of its 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 and that execution of the transaction is consistent with best execution standards and the brokerage rates are not in excess of customary institutional full-service brokerage rates.

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

A summary of the fees and charges is set out as follows:

	Class A	Class B
Management Fee		
Current:	1% per annum	0% per annum
Maximum:	3% per annum	1.2% per annum
Trustee Fee:		
Current:	0.08% per annum	0.08% per annum
Maximum:	0.3% per annum	0.3% per annum
Initial Charge:		
Current:	0% of issue price	0% of issue price
Maximum:	5% of issue price	3% of issue price (for AIA-JF Schemes) 5% of issue price

Redemption Charge:

Current:	0% of NAV per unit	0% of NAV per unit
Maximum:	0.5% of NAV per unit	0.5% of NAV per unit

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 operation, 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), 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 Hong Kong at the date of this Explanatory Memorandum and are subject to changes in content and 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.

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.

The Trust may invest in various other funds which themselves may be subject to the imposition of irrecoverable withholding tax or other taxes in the countries they invest in.

A unitholder will not be liable to Hong Kong profits tax on gains realised on the sale or redemption 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. Audited accounts (including the Trustee's report) will be sent to all unitholders of the Trust not more than four months following the end of the financial year. An unaudited half yearly report will also be sent to unitholders, within two months after 31 December.

The audited accounts will be in such form and will be prepared in accordance with such accounting standards or policy 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 audited accounts of the Trust will be prepared in accordance with accounting principles generally accepted in Hong Kong. The Trust will be dealt at the issue (offer) price and redemption (bid) price calculated in accordance with the provisions of the Trust Deed which may not necessarily be calculated in accordance with the accounting principles generally accepted in Hong Kong.

GENERAL

Price Information

The net asset value per unit for Class A and Class B units (or the issue (offer) and redemption (bid) prices) are normally published regularly in The Standard and the Hong Kong Economic Times.

Documents

Copies of the Trust Deed and Base Terms may be obtained from the Administrator at a cost of HK\$80.00 each or may be inspected free of charge during normal working hours at the office of the Administrator. A copy of the Investment Management Agreement and Investment Management Delegation Agreement may also be inspected during normal working hours at the office of the Administrator free of charge at the address shown below.

Transmission of Units

The Trust Deed contains provisions relating to the transmission of units. The law of Hong Kong requires that the personal representative of the unitholder either obtains a grant of probate in Hong Kong or that the personal representative re-seals any grant of probate, or equivalent, obtained in a foreign jurisdiction. Any costs incurred will be borne by the unitholder.

Merger and Division

Subject to the prior approval of the Authority and the SFC, the Manager may merge the Trust Fund with any other approved pooled investment fund or divide the Trust Fund into different sub-funds, by giving a three months' notice to the unitholders.

MANAGEMENT AND ADMINISTRATION

Manager

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

Directors of the Manager

Clive Stuart Brown
Eddie Chung Shun Fong
Roger Anthony Hepper
David Li Ching Hsu

Lily Suet Lai Lau
Piers Aidan Litherland
Terry San Kong Pan
Ken Wai Ming Tam

Administrator and Service Provider to the Trustee

JPMorgan Funds (Asia) Limited
21st Floor, Chater House
8 Connaught Road Central
Hong Kong

Sub-Manager

J.P. Morgan Investment Management Inc.
245 Park Avenue
New York
NY 10167
United States of America

Trustee and Registrar

Royal Bank of Canada Trust Company (Asia) Limited
1702A, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Auditors

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
1 Des Voeux Road Central
Hong Kong

Additional information is available from: -

JPMorgan Funds (Asia) Limited
GPO Box 11448
Hong Kong

Telephone : (852) 2265-1133
Facsimile : (852) 2868-5013