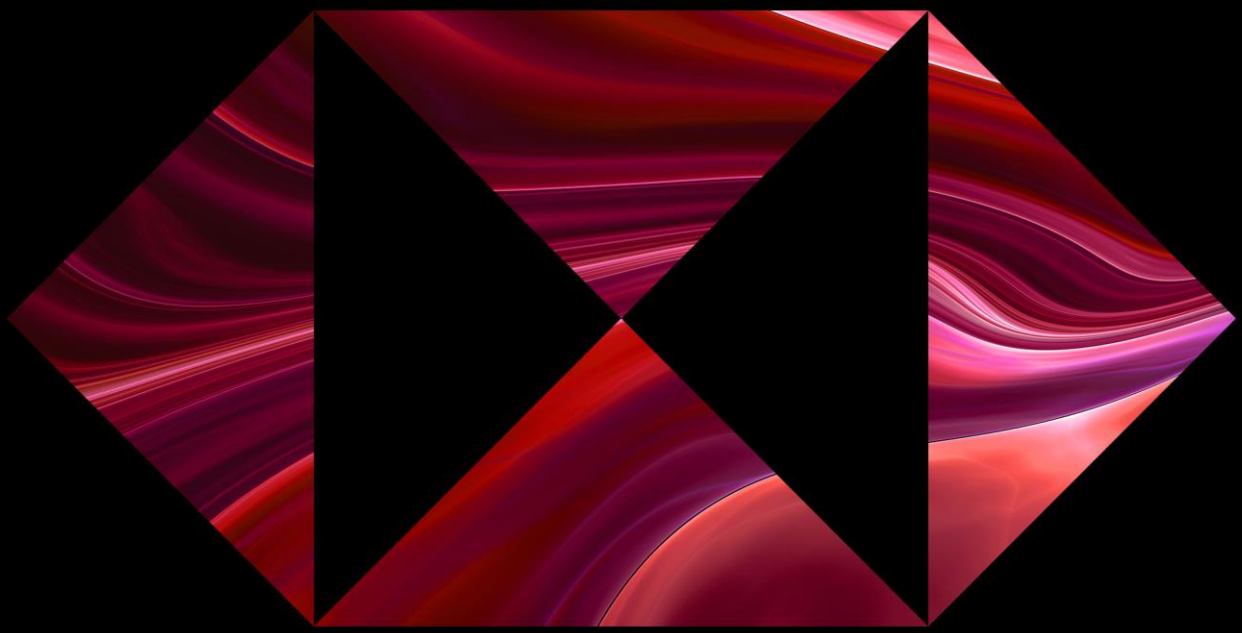
Asset Management

HSBC Global Money Funds

Explanatory Memorandum

October 2026



HSBC Asset Management

HSBC GLOBAL MONEY FUNDS

EXPLANATORY MEMORANDUM

October 2026

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IMPORTANT INFORMATION

Important: If you are in any doubt about the content of this Explanatory Memorandum, you should seek independent professional financial advice. This Explanatory Memorandum has been written and authorised for distribution in the Hong Kong Special Administrative Region ("Hong Kong") only. It does not constitute a distribution of information or an offer in any other jurisdiction.

Investment involves risk and Unitholders should note that losses may be sustained on their investment. There is no assurance that the investment objectives of a Sub-Fund will be achieved. Unitholders should read the Explanatory Memorandum, particularly the sections headed "General Risks" before making their investment decisions.

Making an investment in the Sub-Funds is not the same as making a deposit in a bank. Unitholders may not recoup the original amount invested in the Sub-Funds because the prices can go up or down. The Fund and the sub-funds are not subject to the supervision of the Hong Kong Monetary Authority.

HSBC Global Money Funds were originally constituted as a Cayman Islands unit trust dated 12 February 1991 between HSBC Investment Funds (Hong Kong) Limited as manager and HSBC Trustee (Cayman) Limited as trustee. Pursuant to a Deed of Removal of the Trust to Another Jurisdiction and Replacement of Trustee dated 7 November 2018, the Fund was subsequently removed from the jurisdiction of the Cayman Islands to the jurisdiction of Hong Kong with effect from 4 January 2019. The Fund is currently governed by the laws of Hong Kong. The Fund is managed by HSBC Investment Funds (Hong Kong) Limited (the "Manager").

When distributing a Sub-Fund to retail investors in Hong Kong then this Explanatory Memorandum must be accompanied by the relevant Sub-Fund's Product Key Facts Statement alongside a copy of the latest available annual financial report of the Fund and any subsequent semi-annual financial report (if available).

This Explanatory Memorandum and the associated Product Key Facts Statements are issued by the Manager. The Manager accepts full responsibility for the accuracy of the information contained in this Explanatory Memorandum and the Product Key Facts Statements of the Sub-Funds, as at the date of such documents, and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which make any statement misleading.

Units issued after the date hereof are offered on the basis only of the information contained in this Explanatory Memorandum, the Product Key Facts Statements of the Sub-Funds and any addendum or addenda issued by the Manager expressly in conjunction with the issue of this Explanatory Memorandum or the Product Key Facts Statements of the Sub-Funds. Any further information or representations made by any dealer, salesman or other person must be regarded as unauthorised and must accordingly not be relied upon. The delivery of this Explanatory Memorandum or the other documents mentioned above or the offer, issue or sale of the Units shall not in any way constitute a representation that the information and representations given herein or in such documents are correct as at any time subsequent to the date of this Explanatory Memorandum or such documents. This Explanatory Memorandum and the Product Key Facts Statements of the Sub-Funds may from time to time be updated and intending applicants of Units should enquire of the Manager as to the issue of any later Explanatory Memorandum or Product Key Facts Statements.

No action has been taken to permit an offering of units in the Fund or the Sub-Funds, or the distribution of this Explanatory Memorandum and the Product Key Facts statements of the Sub-fund in any jurisdiction other than Hong Kong or where action would be required for such purposes. Accordingly, the Explanatory Memorandum and the Product Key Facts Statements of the Sub-Funds may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized. Further, Units of the Sub-Funds may not be offered or sold, directly or indirectly, to any persons for reoffering or resale, in any jurisdiction where such action is not authorised. Receipt of this Explanatory Memorandum or the Product Key Facts Statements of the Sub-Funds does not constitute an offer of Units of the Sub-Funds in those jurisdictions in which it is illegal to make such an offer.

In particular, potential investors should note the following:-

- **United States**

Units in the Fund have not been and will not be registered under the United States Securities Act of 1933 (the "**Securities Act**") or under the securities laws of any state and the Fund has not been and will not be registered under the Investment Company Act 1940 (the "**Investment Company Act**"). This document may not be distributed, and the Units in the Fund may not be offered or sold within the United States or to US Persons (as specified under the US Person definition in the section headed “Definition” of this Explanatory Memorandum).

- **Canada**

This Explanatory Memorandum does not constitute, and may not be used for, a solicitation of an offer to buy Units in Canada or to Canadian residents by any party, with the exception of agreed and approved 3rd party distributors in Canada. For the avoidance of doubt, the Units may be solicited or offered to Canadian non-residents providing that their registered addresses are not in Canada.

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

Enquiries and Complaints

Enquiries and complaints concerning the Fund (including information concerning subscription and redemption procedures and the current net asset value) should be directed to the Manager at (852) 2284 1118 or at Level 22, HSBC Main Building, 1 Queen’s Road Central, Hong Kong. The Manager will respond to any enquiry or complaint as soon as practicable.

October 2026

DEFINITIONS

The following terms used in this Explanatory Memorandum have the meanings set out below: -

"Accumulation Class"	the Classes that do not offer dividend distribution
"Base Currency"	the currency in which the net asset value of a Sub-Fund is expressed and calculated
"Business Day"	*For the Hong Kong Dollar Sub-Fund and the US Dollar Sub-Fund*: a day on which the clearing systems for banks in Hong Kong and regulated markets in countries or regions where a Sub-Fund is materially invested are in normal operation except Saturdays and Sundays or such other days as the Manager and the Trustee may determine *For the Renminbi Sub-Fund:* a day on which the clearing systems for banks in Hong Kong and mainland China and regulated markets in countries or regions where a Sub-Fund is materially invested are in normal operation except Saturdays and Sundays or such other days as the Manager and the Trustee may determine
"Class"	a separate Class of units within a Sub-Fund
"Class Currency"	the currency of account of a Class specified by the Manager
"Code"	Section I and Section II of the *SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products* or any handbook, guideline and code issued by the SFC, as may be amended from time to time.
"Connected Person"	shall unless otherwise specified have the meaning as set out in the Code, meaning, in relation to a company: (a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise directly or indirectly, 20% or more of the total votes in that company; or (b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or (c) any member of the group of which that company forms part; or (d) any director or officer of that company or of any of its Connected Persons as defined in (a), (b) or (c).
"Dealing Day"	each Business Day or such other day(s) as the Manager may determine with the consent of the Trustee.
"Dealing Deadline"	means 11 a.m. (Hong Kong time) on the Dealing Day to which an application for the subscription, redemption or switching of units, as the case may be, relates
"Digital Wallet"	has the meaning as defined in the section headed "Tokenisation of Units".

"Distribution Classes"	the Classes that declare daily dividend distribution and pay monthly based on the discretionary decision of the Manager
"Eligible Distributor"	any distributor who is appointed by the Manager to distribute tokenised Units and is an SFC-licensed virtual asset trading platform or licensed by or registered with the SFC to carry on Type 1 regulated activity (dealing in securities), as may be specified on the Manager's website.
"Fund"	HSBC Global Money Funds
"Government and other public securities"	any investment issued by, or the payment of principal and interest on, which is guaranteed by, a government or any fixed interest investment issued by its public or local authority or authorities or other multilateral agencies.
Green Card Holder	means an individual who is a US permanent resident (even if they do not actually reside in the US).
"HK$" or "Hong Kong dollar"	means the lawful currency of Hong Kong
"Investment Adviser"	HSBC Global Asset Management (Hong Kong) Limited
"Issue Price"	the price at which Units of a Class of a Sub-Fund will be issued, as more fully described in the section "Unit prices".
"Mainland China" or "Mainland"	all the customs territories of the People's Republic of China, for the purposes of interpretation of this Explanatory Memorandum only, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan.
"Manager"	HSBC Investment Funds (Hong Kong) Limited
Non-resident US Investor	means a US Citizen (including a Green Card Holder) of the US who resides outside the US.
"Redemption Price"	the price at which Units of a Class of a Sub-Fund will be redeemed, as more fully described in the section "Unit prices".
"Registrar"	HSBC Institutional Trust Services (Asia) Limited
"Repurchase Transactions"	transactions whereby a Sub-Fund sells its securities to a counterparty of Reverse Repurchase Transactions and agrees to buy such securities back at an agreed price with a financing cost in the future
"Reverse Repurchase Transactions"	transactions whereby a Sub-Fund purchases securities from a counterparty of Repurchase Transactions and agrees to sell such securities back at an agreed price in the future.
"RMB" or "Renminbi"	Renminbi, the lawful currency of Mainland China
"SFC"	the Securities and Futures Commission of Hong Kong
"Securities Financing Transactions"	collectively Securities Lending transactions, Repurchase Transactions and Reverse Repurchase Transactions.

"Securities Lending"	transactions whereby a Sub-Fund lends its securities to a security-borrowing counterparty for an agreed fee
"Sub-Fund"	a separate pool of the assets within the Fund with respect to which a separate class of units is issued
"Substantial Financial Institution"	an authorized institution as defined in section 2(1) of the Banking Ordinance (Chapter 155 of Laws of Hong Kong) or a financial institution which is on an ongoing basis subject to prudential regulation and supervision, with a minimum net asset value of HK$2 billion or its equivalent in foreign currency
"Token"	has the meaning as defined in the section headed "Tokenisation of Units".
"Token Custodian"	means, in respect of a tokenised class, an entity appointed by an Eligible Distributor and acceptable to the Manager to act as the token custodian on behalf of investors in a Sub-Fund using such Eligible Distributor.
"Tokenisation Agent"	means The Hongkong and Shanghai Banking Corporation Limited, or such other person as may from time to time be appointed to act as Tokenisation Agent in relation to a Sub-Fund with tokenised Units.
"Transfer Agent"	means HSBC Institutional Trust Services (Asia) Limited, or such other person as may from time to time be appointed by the Manager to act as transfer agent in relation to a Sub-Fund for receiving subscription and redemption requests.
"Trust Deed"	the trust deed dated 12th February 1991 and any supplements thereto
"Trustee"	HSBC Institutional Trust Services (Asia) Limited
"Unit"	a unit of the Class issued in respect of the Fund and includes any fraction of a unit
"Unitholder"	a person registered as the holder of units
"US"	the United States of America (including the States and the District of Columbia), its territories, possessions and all other areas subject to its jurisdiction
"US$" or "US dollar"	means the currency of the United States of America
US Citizen	means an individual born in the US or an individual whose parent is a US citizen or a former alien who has been naturalised as a US Citizen.
"US Law"	means the laws of the US, its territories, possessions and all other areas subject to its jurisdiction. US Law shall additionally include all applicable rules and regulations, as supplemented and amended from time to time, as promulgated by any US regulatory authority, including, but not limited to, the Securities and Exchange Commission and the Commodity Futures Trading Commission
"US Person"	US person ("USP") to whom units of the Fund may not be offered or sold. For the purpose of this restriction, the term US Person shall mean: 1) An individual (including a US Citizen or Green Card Holder) who is a resident of the US under any US Law;

2) An individual who is a US Citizen or Green Card Holder who has not formally renounced their US citizenship (including a person with dual or multiple nationality) even though they may reside outside of the US;
3) A corporation, partnership, limited liability company, collective investment vehicle, investment company, pooled account, or other business, investment, or legal entity:
    a. Created or organized under US Law;
    b. Created (regardless of domicile of formation or organisation) principally for passive investment (for example, an investment company, fund or similar entity excluding employee benefit or pension plans):
        i) and owned directly or indirectly by one or more USPs who hold, directly or indirectly, in aggregate a 10% or greater beneficial interest, provided that any such USP is not defined as a Qualified Eligible Person under Commodity Futures Trading Commission Regulation 4.7(a);
        ii) where a USP is the general partner, managing member, managing director or other position with authority to direct the entity's activities;
        iii) where the entity was formed by or for a USP principally for the purpose of investing in securities not registered with the U.S. Securities and Exchange Commission unless such entity is comprised of “Accredited Investors”, as defined in Regulation D, 17 Code of Federal Regulations 230.501(a), and no such Accredited Investors are individuals or natural persons; or
        iv) where more than 50% of its voting ownership interests or non-voting ownership interests are directly or indirectly owned by USPs;
    c. that is an agency or branch of a non-US entity located in the US; or
    d. that has its principal place of business in the US;
4) A trust:
    a. created or organized under US Law; or
    b. where, regardless of domicile of formation or organisation:
        i. any settlor, founder, trustee, or other person responsible in whole or in part for investment decisions for the trust is a USP;
        ii. the administration of the trust or its formation documents are subject to the supervision of one or more US courts; or
        iii. the income of which is subject to US income tax regardless of source;
5) An estate of a deceased person:
    a. who was a resident of the US at the time of death or the income of which is subject to US income tax regardless of source; or
    b. where, regardless of the deceased person’s residence while alive, an executor or administrator having sole or shared investment discretion is a USP or the estate is governed by US Law;
6) An employee benefit or pension plan that is:
    a. established and administered in accordance with US Law; or
    b. established for employees of a legal entity that is a USP or has its principal place of business in the US; or
7) A discretionary or non-discretionary or similar account (including a joint account) where:
    a. one or more beneficial owners is a USP or held for the benefit of one or more USPs; or
    b. the discretionary or similar account is held by a dealer or fiduciary organized in the US.

	If, subsequent to a Unitholder's investment in the Fund, the Unitholder becomes a USP, such Unitholder (i) will be restricted from making any additional investments in the Fund and (ii) as soon as practicable have its units compulsorily redeemed by the Fund (subject to the requirements of the Trust Deed and the applicable law). The Manager may, from time to time, waive or modify the above restrictions, subject to the provisions of the Trust Deed.
"Valuation Point"	means 12 noon (Hong Kong time) on each Dealing Day or such other time on such day or days as the Manager with the consent of the Trustee may from time to time prescribe
"virtual asset"	has the meaning ascribed to it under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of Laws of Hong Kong)

SECTION A: OVERVIEW OF THE FUND, SUB-FUNDS AND CLASS OF UNITS

The Fund

HSBC Global Money Funds (the "Fund") is an umbrella unit trust established by the Trust Deed dated 12 February 1991, as amended. Pursuant to a deed of retirement and appointment dated 5 November 2009 between the Manager, Bank of Bermuda (Cayman) Limited (the "First Former Trustee") and HSBC Trustee (Cayman) Limited (the "Second Former Trustee"), the First Former Trustee retired as trustee of the Fund with effect from 1 June 2010 and in its stead HSBC Trustee (Cayman) Limited has been appointed.

Pursuant to a Deed of Removal of the Trust to Another Jurisdiction and Replacement of Trustee dated 7 November 2018, the Fund was removed from the jurisdiction of the Cayman Islands to the jurisdiction of Hong Kong Special Administrative Region ("Hong Kong") and HSBC Institutional Trust Services (Asia) Limited was appointed as trustee in place of the Second Former Trustee with effect from 4 January 2019. The Fund is currently governed by the laws of Hong Kong.

The Sub-Funds have been authorised by the SFC. SFC authorisation is not a recommendation or endorsement of the Sub-Funds nor does it guarantee the commercial merits of the Sub-Funds or the performance of the Sub-Funds. It does not mean that a Sub-Fund is suitable for all investors nor is it an endorsement of a Sub-Fund's suitability for any particular investor or class of investors.

Tokenised Units may be issued for Hong Kong Dollar Sub-Fund. Investors may apply for subscription and redemption of tokenised Units through an Eligible Distributor. For details, please refer to the section headed "Tokenisation of Units" below. For the avoidance of doubt, the Sub-Fund which offers tokenised Units does not hold and therefore the Manager does not manage any virtual assets (including Stablecoin).

Trust Deed

Some of the information in this Explanatory Memorandum is a summary of corresponding provisions in the Trust Deed. The Trust Deed contains provisions for the indemnification of the parties and their exculpation from liability in certain circumstances. However neither the Trustee nor the Manager shall be exempted from any liability to Unitholders imposed under Hong Kong law or breaches of trust through fraud or negligence or which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default or breach of duty or trust of which they may be guilty in relation to their duties nor may they be indemnified against such liability by Unitholders or at Unitholders' expense. Whilst every effort has been made to ensure the accuracy of the facts and matters stated in this Explanatory Memorandum, in the event of any conflict between any of the provisions of this Explanatory Memorandum and the Trust Deed, the provisions of the Trust Deed will prevail. Unitholders and intending applicants are advised to consult the Trust Deed for further details on the relevant provisions.

A copy of the Trust Deed as for the time being in force may be obtained from the Manager at a reasonable fee and may be inspected during normal working hours at the offices of the Manager free of charge.

The Trustee and the Manager may modify, alter or vary the provisions of the Trust Deed. No modification, alteration or addition involving any material changes shall be made without the approval of an Extraordinary Resolution of Unitholders or the approval of the Securities and Futures Commission (but, only to the extent that the Securities and Futures Commission's approval is required in respect of such modification, alteration or addition under the Code) unless the alteration, modification or variation to be made thereby is made in order either that the Fund should comply with fiscal or other statutory, regulatory or official requirements of any country or authority and the Trustee certifies in writing that in its opinion such change is necessary to so comply or is expedient for the more convenient, economical, simple, advantageous or profitable working or management of the Fund and the Trustee certifies in writing that such alteration, modification or variation is in its opinion not materially detrimental to the interests of the Unitholders, does not to any material extent release the Trustee, the Manager or any other person from any liability or responsibility to Unitholders and does not increase the costs and charges payable out of the Fund.

Meetings of Unitholders and voting rights

Unitholders' meetings may be convened by the Manager or the Trustee, or Unitholders representing 10% or more of the number of Units in issue of a Sub-Fund or the Fund may also require a meeting to be convened to discuss resolutions specific to them. Unitholders will be given not less than 21 days' notice of any meeting.

The quorum for all meetings is Unitholders present in person or by proxy representing 25% or more of the Units in issue. In the case of an adjourned meeting of which separate notice will be given, such Unitholders as are present in person or by proxy will form a quorum. On a poll every Unitholder present in person, by proxy or by representative has one vote for every unit of which he is the holder and no vote for a fraction of a Unit. In the case of joint Unitholders the senior of those who tenders a vote (in person or by proxy) will be accepted and seniority is determined by the order in which the names appear on the Register of Unitholders. A poll may be demanded by the Chairman or one or more Unitholders present in person or by proxy representing 5% of the Units for the time being in issue.

Reports and accounts

The financial year-end of the Fund and the Sub-Fund is on 31 July each year. An annual report containing audited accounts will be made available to Unitholders as soon as possible, and in any event within four months, after the end of the financial year.

Unaudited semi-annual reports will also be made available within two months after 31 January in each year. Such reports contain a statement of the net asset value of each Sub-Fund and of the investments comprising its portfolio.

The annual reports and semi-annual reports will be available in English only.

The latest annual reports and semi-annual reports will be available on the website of the Manager at www.assetmanagement.hsbc.com.hk[1], within four months of the end of the financial year, and within two months of 31 January each year. Printed copies of the latest annual reports and semi-annual reports will also be available at the offices of the Manager and provided to Unitholders upon their request. Please note that, where a number 8 or above typhoon signal or black rainstorm warning is hoisted or other similar event occurs at any time during a Business Day, the office of the Manager shall not be open for such purpose.

[1] Please note that this website has not been reviewed by the SFC.

The annual report and accounts of the Fund is prepared in accordance with HKFRS (Hong Kong Financial Reporting Standards). According to the Trust Deed, a majority of the instruments are valued at cost with daily income accruals or discounts or premium while some of the instruments are valued at their marked-to-market value. Please refer to details in the section of "Valuation and Prices". Investors should note that the valuation policies may not be the same as those under HKFRS. To the extent that the valuation basis adopted by the Sub-Funds deviates from HKFRS, adjustments may be required in the annual accounts of the Sub-Funds in order to comply with HKFRS, and if relevant will include a reconciliation note in the annual accounts of the Sub-Funds to reconcile values shown in the annual accounts determined under HKFRS to those arrived at by applying the Sub-Funds' valuation rules. Otherwise, non-compliance with HKFRS may result in the Auditors issuing a qualified or an adverse opinion on the annual accounts depending on the nature and level of materiality of the non-compliance.

As described under the heading "Amortised establishment costs" in the section "Charges and expenses", it should also be noted that the policy relating to amortisation of establishment expenses is not strictly in accordance with the HKFRS, which requires establishment expenses to be expended as incurred. This may result in the net asset value of the Sub-Funds from the daily valuation being higher than the net asset value of the Sub-Funds reported in the audited annual accounts, which are prepared in accordance with HKFRS.

Investor Notice, Communication or Other Documents

Notice, communication or other documents required to be given to investors under this Explanatory Memorandum or the Trust Deed may be disseminated either (i) in printed copies or (ii) through electronic means. The arrangements of each distributor may be different, please check with the distributor through which you invested in the Fund for details of the arrangements applicable to you.

Manager, Trustee and related service providers

Manager
HSBC Investment Funds (Hong Kong) Limited
Address: HSBC Investment Funds (Hong Kong) Limited, HSBC Main Building, 1 Queen's Road Central, Hong Kong

The Manager of the Fund is incorporated in and under the laws of Hong Kong. The directors comprise:
HO, Wai Fun
CHEN, Wai Nga Sylvia
LAU, Ka Yin Joanne
Edgar GEHRINGER
Michael, CROSS
HUNG Yee Ting, Jasmine

Address: all of HSBC Main Building, 1 Queen's Road Central, Hong Kong

The Manager is registered with SFC to carry on the relevant regulated activities. The Manager is a member of the HSBC Group.

The Manager may be subject to removal (a) if the Manager is, in the opinion of the Trustee, in financial difficulties or insolvent (b) if for good and sufficient reason the Trustee is of the opinion that a change of Manager is desirable in the interests of Unitholders and (c) if the Unitholders of not less than 50% of the Units for the time being outstanding deliver to the Trustee in writing a request that the Manager should retire.

In the event that the Manager is removed under the circumstances above, the Trustee shall use its best endeavors to as soon as reasonably practicable appoint a successor manager to replace the Manager.

Investment Advisers
The Manager has delegated its investment management duties for each Sub-Fund to an Investment Adviser.

The Investment Adviser is a member of the HSBC Group and comprise:
HSBC Global Asset Management (Hong Kong) Limited
Address: HSBC Global Asset Management (Hong Kong) Limited, HSBC Main Building, 1 Queen's Road Central, Hong Kong

The fees of the Investment Adviser will be borne by the Manager.

The Manager may appoint a replacement Investment Adviser or discretionary Sub-Investment Adviser for a Sub-Fund at its discretion subject to necessary prior approval by the SFC and giving at least one month's prior notice to affected Unitholders in normal circumstances.

Trustee and Registrar
HSBC Institutional Trust Services (Asia) Limited
Address: HSBC Institutional Trust Services (Asia) Limited, 1 Queen's Road Central, Hong Kong

The Trustee of the Fund is incorporated with limited liability in Hong Kong in 1974. It is registered as a trust company under Section 78(1) of the Hong Kong Trustee Ordinance (Cap.29), is an approved trustee under the Mandatory Provident Fund Schemes Ordinance. The Trustee is an indirectly wholly owned subsidiary of HSBC Holdings plc, a public company incorporated in England and Wales. The Trustee is licensed by the SFC to carry out type 13 regulated activity (providing depositary services for relevant collective investment schemes under the Securities and Futures Ordinance and has a Trust or Company Service Provider ("TCSP") License under Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap.615).

The Trustee shall be responsible for the safe-keeping of the investments, assets and other property forming part of the Fund in accordance with the provisions of the Trust Deed and, to the extent permitted by law, such investments, assets and other property shall be dealt with as the Trustee may think proper for the purpose of providing for the safe-keeping thereof, subject to the provisions of the Trust Deed.

The Trustee may (i) appoint such person or persons (including, without limitation, any of its Connected Persons) or have such person(s) appointed, to hold, as agent, nominee, custodian, joint custodian, co-custodian or sub-custodian, all or any investments, assets, collateral or other property comprised in a Sub-Fund and may empower any such person to appoint, with the prior consent in writing of the Trustee, additional co-custodians and/or sub-custodians (each such agent, nominee, custodian, joint custodian, co-custodian or sub-custodian a "**Correspondent**"), or (ii) delegate to a person or persons (including, without limitation, any of its Connected Persons) the performance of its duties, powers or discretions under the Trust Deed. The Trustee confirms that the Trustee shall (a) exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of any such persons and, (b) be satisfied that such persons retained remain suitably qualified and competent to provide the relevant services to the relevant Sub-Fund. The Trustee shall remain liable for any act or omission of any such person as described in the aforesaid (i) and (ii) that is a Connected Person of the Trustee as if the same were the acts or omissions of the Trustee. Provided however that if the Trustee has discharged its obligations set out in the aforesaid (a) and (b), the Trustee shall not be liable for any act, omission, insolvency, liquidation or bankruptcy of any such person(s) not being the Trustee's Connected Person appointed as Correspondent and/or delegates of any Sub-Fund.

The Trustee also acts as the Registrar and will be responsible for maintaining the Fund's register. The Trustee may with the consent of the Manager appoint any other person to act as the Registrar of the Fund or to assist the Trustee in the performance of its function. Subject as provided in the Trust Deed, the Trustee is entitled to be indemnified from the assets of the relevant Sub-Fund from and against any and all actions, proceedings, liabilities, costs, claims, damages, expenses, including all reasonable legal, professional and other similar expenses (other than any liability to Unitholders for

breach of trust through fraud or negligence or any liability to Unitholders imposed under the laws of Hong Kong or which by virtue of any rule of law would otherwise attach to the Trustee in respect of any negligence, default or breach of duty or trust of which it may be guilty in relation to its duties) which may be incurred by or asserted against the Trustee in performing its obligations or duties in connection with any Sub-Fund.

The Trustee is entitled to the fees set out under the section headed "Trustee's fee" and to be reimbursed for other costs and expenses permitted under the Trust Deed.

The Manager has sole responsibility for making investment decisions in relation to the Fund and/or each sub-fund and the Trustee (including its delegate) is not responsible or has no liability for any investment decision made by the Manager. The Trustee and its delegate will not participate in transactions or activities or make any payments denominated in US dollars, which, if carried out by a U.S. Person, would be subject to the United States Office of Foreign Assets Control (OFAC) sanctions.

Neither the Trustee nor its delegate is involved directly or indirectly with the sponsorship or investment management of the Fund or any sub-fund. In addition, neither the Trustee nor its delegate is responsible for the preparation or issue of this Explanatory Memorandum and therefore they accept no responsibility for any information contained in this Explanatory Memorandum other than information relating to themselves and the HSBC Group under this section "Trustee and Registrar". The appointment of the Trustee may be terminated in the circumstances set out in the Trust Deed.

The Trustee may not be entitled to retire voluntarily except upon the appointment of a new Trustee. In the event of the Trustee desiring to retire, the Manager shall find a qualified corporation under any applicable law and by a supplemental deed replace the Trustee. The Manager shall as soon as practicable thereafter give notice to the Unitholders specifying the name and the address of the new trustee.

Tokenisation Agent
The Hongkong and Shanghai Banking Corporation Limited

Address: 1 Queen's Road Central, Hong Kong

The Hongkong and Shanghai Banking Corporation Limited acts as the Tokenisation Agent in respect of the tokenisation arrangements of the tokenised Units of Hong Kong Dollar Sub-Fund. The Tokenisation Agent is responsible for the tokenisation of Units, in particular:

(a) providing and maintaining the relevant tokenisation infrastructure and platform;
(b) minting and burning Tokens based on the instructions of the Manager; and
(c) reconciling holding and transaction records between off chain book-entry and blockchain transactions.

Auditors
KPMG

Address: KPMG, Certified Public Accountants, 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong

KPMG currently acts as auditors to the Fund. The Manager (with the approval of the Trustee) may appoint a replacement auditor at any point without prior notice to Unitholders.

Legal Advisers
Deacons
Address: Deacons, 5th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong

Deacons currently acts as the main legal adviser of the Fund. However, the Manager may engage alternative legal advisers for specific legal advice pertaining to the Fund. Moreover, at the Manager's discretion, the main legal adviser of the Fund may be replaced at any point without prior notice to Unitholders.

Conflicts of Interest

The Manager, the Investment Adviser, the investment sub-adviser (if applicable), the Trustee, the Tokenisation Agent, their respective delegates and/or Connected Persons may from time to time act as trustee, administrator, registrar, tokenisation agent, manager, custodian, investment manager, investment adviser, representative and/or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of the Fund and/or the Sub-Funds. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Fund and/or the Sub-Funds.

In such event, each will at all times have regard to its obligations under its regulatory requirements and/or any agreements to which it is party or by which it is bound in relation to the Fund and/or the Sub-Funds. In particular, but without limitation to its obligations to act in the best interests of the Unitholders when undertaking any dealings or investments where conflicts of interest may arise, each will respectively endeavour to ensure that such conflicts are managed and minimised so far as reasonably practicable and that measures are adopted that seek to ensure such conflicts are resolved fairly and taking into account the interests of Unitholders of the Fund and/or relevant Sub-Fund as a whole.

The Manager and other members of the HSBC Group provide a broad range of services and products in the global financial markets and the holding company of the HSBC Group is a listed company. The Fund and/or the Sub-Funds may invest in shares/securities issued by the HSBC Group and/or its affiliates and may enter into transactions with the Manager, the Investment Adviser, the investment sub-adviser (if applicable), the Trustee, their respective delegates and/or Connected Persons, or invest the assets of or reinvest the cash collateral received by the Fund and/or the Sub-Funds in any investment products or funds managed, launched or offered by any of the above-mentioned entities, provided that such transactions are carried out as if effected on normal commercial terms negotiated at arm's length and provided that the transactions comply with the applicable laws, regulations and requirements set out in the section headed "Transactions with Connected Persons". Subject to the requirements under the sections headed "Transactions with Connected Persons" and "Cash rebates and soft commissions", affiliates of the HSBC Group may also provide broking services to the Fund and/or the Sub-Fund and/or to other funds including acting as counterparties for certain forward foreign exchange and financial futures contracts.

For example, The Hongkong and Shanghai Banking Corporation Limited may provide foreign exchange services to the Fund and/or the Sub-Fund for which it receives a fee out of the property of such Fund and/or Sub-Fund. At the same time, The Hongkong and Shanghai Banking Corporation Limited or any of its Connected Persons may also act as financial adviser, banker, derivatives counterparty or otherwise to provide services to the issuer of the investments that such Fund and/or Sub-Fund may invest in; act in the same transaction as agent for more than one client; have a material interest in the issue of the investments of such Fund and/or Sub-Fund; or earn profits from or have a financial or business interest in any of these activities. Also, the Manager may be restricted from investing in certain securities due to internal and regulatory restrictions applicable to HSBC Group, and as a result, the Fund and/or the Sub-Funds may be subject to additional investment restrictions.

The Fund and/or the Sub-Funds may invest in underlying funds and/or ETFs sponsored and/or

managed by members of the HSBC Group. It is therefore possible that any of them may, in the course of their business, have potential conflicts of interest with the Fund and/or the Sub-Funds. When undertaking any investments where conflicts of interest may arise, each will respectively endeavour to ensure that such conflicts are resolved fairly. When selecting underlying funds and/or ETFs, the Manager, the Investment Adviser and/or the investment sub-adviser (if any) may not consider the whole universe of unaffiliated funds and/or ETFs available, even though there may be unaffiliated funds and/or ETFs that may be more appropriate for the Fund and/or the Sub-Funds or that have superior returns. Where the Fund and/or the Sub-Funds invest in any underlying funds and/or ETFs, the Manager may not obtain a rebate on any fees or charges levied by the underlying funds and/or ETFs or their management company. Where the Fund and/or the Sub-Funds invest in any underlying funds and/or ETFs managed by the Manager or its Connected Persons, all initial charges on the underlying funds and/or ETFs shall be waived. However, the members of the HSBC Group providing services to the underlying funds and/or ETFs may benefit from additional fees when the Fund and/or the Sub-Fund invests in such underlying funds and/or ETFs. Where a large portion of the Fund and/or the Sub-Fund is held by other funds sponsored and/or managed by members of the HSBC Group, redemption by such other funds may lead to redemption in the relevant Fund and/or Sub-Fund and adversely impact the Fund and/or Sub-Fund.

Where the Manager and/or member(s) of the HSBC Group provide seed capital for the Fund and/or the Sub-Fund, they may obtain portfolio holding of such Fund and/or Sub-Fund for the limited purposes of hedging seed capital, risk management, and for regulatory reporting purposes. In such event, each will at all times have regard to its obligations under its regulatory requirements and/or any agreements to which it is party or by which it is bound in relation to the Fund and/or the Sub-Fund. In particular, but without limitation to its obligations to act in the best interests of the Unitholders when undertaking any dealings or investments where conflicts of interest may arise, each will respectively endeavour to ensure that such conflicts are resolved fairly. As the size of the Fund and/or the Sub-Fund increases, the relevant HSBC Group entity may withdraw all or some of its seed capital in accordance with its seed policy (the purpose of which is to manage the timing of any withdrawal in the best interests of the remaining Unitholders).

The Investment Adviser or any affiliates acting in a fiduciary capacity with respect to client accounts may recommend to or direct clients to buy and sell Units of the Fund and/or the Sub-Funds. If a client defaults on its obligation to repay indebtedness to the HSBC Group that is secured by Units in the Fund and/or the Sub-Fund, and the HSBC Group forecloses on such interest, the HSBC Group would become a Unitholder of the Fund and/or the Sub-Fund. As a consequence, the HSBC Group and its affiliates could hold a relatively large proportion of Units and voting rights in the Fund and/or Sub-Fund.

Cross-trades between the Fund/the Sub-Funds and/or other funds managed by the Manager or members of the HSBC Group may be undertaken where the Manager considers that, as part of its portfolio management, cross-trades between such funds would be in the best interests of the Unitholders to achieve the investment objective and policy of the relevant Fund and/or Sub-Fund. By conducting cross-trades, the Manager may achieve trading efficiencies and savings for the benefit of the Unitholders. In conducting transactions, the Manager will ensure that the trades are executed on arm's length terms at current market value and the reason for such trades shall be documented prior to execution, in accordance with all applicable laws and regulations (including the Fund Manager Code of Conduct as published and revised by the Securities and Futures Commission from time to time).

The services of the Trustee provided to the Fund and the Sub-Funds are not deemed to be exclusive. The Trustee shall be free to render similar services to others so long as its services to the Fund and the Sub-Funds are not impaired thereby and to retain for its own use and benefit all fees and other moneys payable in relation to such services. Further, the Trustee shall not be deemed to be affected with notice of or to be under any duty to disclose to the Fund and the Sub-Funds any fact or thing which comes to the notice of the Trustee in the course of the Trustee rendering similar services to others or in the course of its business in any other capacity or in any manner, otherwise than in the course of carrying out its duties under the Trust Deed.

Termination of the Fund (or a Sub-Fund or Class therefore)

The Fund shall continue until it is terminated in one of the ways set out below.

The Fund may be terminated by the Trustee, if (a) within 6 months of the Manager leaving office, no new manager is appointed, (b) if the Manager goes into liquidation (c) if any law shall be passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue the Fund or (d) if the Trustee shall desire to retire and no new Trustee is appointed within six months of the Trustee giving notice of such desire.

The Fund may be terminated by the Manager if (a) any law shall be passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable to continue the Fund, or (b) for any three-month period the aggregate net asset value of the Units outstanding shall be less than USD2 million or equivalent. A Sub-Fund may be terminated by the Manager when the net asset value of the Sub-Fund is less than US$1 million or the equivalent in the currency in which the Sub-Fund is denominated.

Further, the Fund and the Sub-Funds may be terminated if authorized by the Unitholders through an Extraordinary Resolution.

At least three months' notice will be given to affected Unitholders prior to the termination of the Fund or any Sub-Fund.

Upon the termination of the Fund or a Sub-Fund, any unclaimed proceeds held by the Trustee may, at the expiration of six years from the date upon which the same were payable, be paid into the account of the Manager subject to the right of the Trustee to deduct therefrom any expenses it may incur in making such payment.

The Sub-Funds

List of available Sub-Funds

The Fund is an umbrella fund and currently offers units in the following Sub-Funds covered by this Explanatory Memorandum:

- HSBC Global Money Funds - Hong Kong Dollar Sub-Fund
- HSBC Global Money Funds - US Dollar Sub-Fund
- HSBC Global Money Funds – Renminbi Sub-Fund

Each Sub-Fund is a separate trust and has its own separate and distinct investment policy.

General Risk

Investors should consider the risks outlined in this section before investing in a Sub-Fund. Investors should note that the decision whether or not to invest remains with them. If investors have any doubt as to whether or not a Sub-Fund is suitable for them, they should obtain independent professional advice.

General market risks

The Sub-Funds' investment portfolio may fall in value due to any of the risk factors below and therefore your investment in the Sub-Funds may suffer losses. There is no guarantee of the repayment of principal. In particular, the value of investments may be affected by uncertainties such as international, political and economic developments or changes in government policies.

Risks associated with government or central banks' intervention

Changes in regulation or government policy leading to intervention in the currency and interest rate markets (e.g. restrictions on capital movements or changes to the way in which a national currency is supported such as currency de-pegging) may adversely affect some financial instruments and the performance of the Sub-Funds.

Risks of Money Market Funds

The purchase of the units of the Fund is not the same as placing funds on deposit with a bank or deposit taking company. The Manager has no obligation to redeem units at their offering value and the Fund and the sub-funds are not subject to the supervision of the Hong Kong Monetary Authority. Investors may not recoup the original amount invested in the Fund.

Risks associated with bank deposits

Bank deposits are subject to the credit risks of the relevant financial institutions. Each Sub-Fund's deposit may not be protected by any deposit protection schemes, or the value of the protection under the deposit protection schemes may not cover the full amount deposited by the relevant Sub-Fund. Therefore, if the relevant financial institution defaults, the relevant Sub-Fund may suffer losses as a result.

Debt securities risks

The principal factors that may affect the value of the Sub-Funds' securities holdings include: (i) changes in interest rates, (ii) the credit worthiness of the issuers of securities and (iii) unanticipated prepayment.

Credit rating risks

Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times. The credit ratings assigned by credit rating agencies are a generally accepted barometer of credit risk of a fixed income security. They are, however, subject to certain limitations. For example, the rating of an issuer is heavily weighted by past developments and does not necessarily reflect probable future conditions. There is often a time lag in updating the credit ratings in response to recent credit events.

Credit risks

Investment in fixed income securities is subject to the credit and default risk of the issuers which may be unable or unwilling to make timely payments on principal and/or interest. On the other hand, the value of a Sub-Fund may be affected if any of the financial institutions with which the cash is invested or deposited suffers insolvency or other financial difficulties.

In the event that any issuer of such securities defaults, becomes insolvent or experiences financial or economic difficulties, the value of the securities will be adversely affected. A Sub-Fund may suffer losses in its investment in such securities. There is no certainty in the credit worthiness of issuers of debt securities. Unstable market conditions may mean there are increased instances of default amongst issuers. In case of default, a Sub-Fund may also encounter difficulties or delays in enforcing its rights against the issuers of securities as such issuers may be incorporated outside Hong Kong and subject to foreign laws.

The fixed income securities that a Sub-Fund invests in may be offered on an unsecured basis without collateral. In such circumstances, a Sub-Fund will rank equally with other unsecured creditors of the relevant issuer. As a result, if the issuer becomes bankrupt, proceeds obtained from the liquidation of the issuer's assets will be paid to holders of the fixed income securities only after all secured claims have been satisfied in full. A Sub-Fund is therefore fully exposed to the credit/insolvency risk of issuers as an unsecured creditor.

Downgrading risks

Debt securities may be subject to the risk of being downgraded (i.e. lowering of credit ratings assigned to the securities). In the event of downgrading in the credit ratings of a security or an issuer relating to a security, a Sub-Fund's investment value in such security may be adversely affected. The Manager may or may not be able to dispose of the securities that are being downgraded. The risks disclosed in the foregoing paragraph in relation to low rated debt securities will generally apply.

Volatility and liquidity risks

The debt instruments in which the Sub-Funds invest may not be listed on a stock exchange or a securities market where trading is conducted on a regular basis. The prices of securities traded in such markets may be subject to fluctuations. Even if the debt securities are listed, the market for such securities may be inactive and the trading volume may be low. In the absence of an active secondary market, the Sub-Funds may need to hold the debt securities until their maturity date. If sizeable redemption requests are received, the Sub-Funds may need to liquidate its investments at a substantial discount in order to satisfy such requests and the sub-funds may suffer losses in trading such securities. The price at which the debt securities are traded may be higher or lower than the initial subscription price due to many factors including the prevailing interest rates.

Further, the bid and offer spreads of the price of debt instruments in which the Sub-Funds invest may be high, and the Sub-Funds may therefore incur significant trading costs and may even suffer losses when selling such investments.

Interest rate risks

Change in interest rate may affect the value of a security held by a Sub-Fund. Generally, the prices of bonds and other fixed income securities rise when interest rates fall, and vice versa. Longer term fixed income securities are usually more sensitive to changes in interest rate changes and, therefore, are subject to a greater degree of market price volatility. To the extent that a Sub-Fund holds long-term fixed income securities, its net asset value will be subject to a greater degree of fluctuation than if it held fixed income securities of a shorter duration. Fluctuations in interest rates may cause a Sub-Fund to suffer a loss in its investments if it disposes of such fixed income securities before their maturity.

Concentration risks

The Sub-Funds' investments may be concentrated in short-term deposits and money market instruments (which are one kind of fixed income instruments and debt securities or instruments) denominated in the Sub-Funds' respective base currencies. The value of the Sub-Funds may be more volatile than that of a fund having a more diverse portfolio of investments.

Sovereign debt risks

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

Counterparty and settlement risks

Counterparty risk occurs when a party to a contract fails to honour and defaults on its obligations thereunder. Sub-Funds which are party to these risks can incur considerable losses.

Settlement risk occurs when a transaction is not completed as duly agreed between the parties. This may be due to an error or omission in the necessary settlement, clearing or registration processes or due to the lack of creditworthiness of one of the parties to the transaction.

Investment in Mainland Chinese debt securities may expose a Sub-Fund to counterparty default risks. Exchange traded debt securities may be subject to counterparty risk, although such risk is mitigated by a centralised clearing system. On the other hand, the degree of counterparty risk may be higher in the China Interbank Bond Market which is a quote-driven market where deals are negotiated between two counterparties through a trading system. The counterparty which has entered into a transaction with a Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

Investors should refer to the section headed "Investing in China Interbank Bond Market (CIBM) risks" for further details on the risks of the China Interbank Bond market.

Over-the-counter markets risks

There are special risks associated with bonds, participation notes, structured products and other investments traded on over-the-counter (OTC) markets. In general, there is less governmental regulation and supervision of transactions in the OTC markets (in which many different kinds of financial derivatives instruments and structured products are generally traded) than of transactions entered into on organized exchanges. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearing house, may not be available in connection with transactions carried out on OTC markets. Therefore, a Sub-Fund entering into OTC transactions will be subject to the risk that its direct counterparty will not perform its obligations under the transactions and that a Sub-Fund will sustain losses. The relevant Sub-Fund will only enter into transactions with counterparties in accordance with the counterparty policy and may seek to reduce counterparty exposure through the receipt of collateral in accordance with the counterparty policy.

Regardless of the measures a Sub-Fund may seek to implement to reduce counterparty credit risk, however, there can be no assurance that a counterparty will not default or that a Sub-Fund will not sustain losses as a result.

Instruments traded on the OTC markets may be less liquid. From time to time, the counterparties with which a Sub-Fund effects transactions may cease making markets or quoting prices in certain instruments. In such instances, the Sub-Fund may be unable to enter into a desired transaction or to enter into an offsetting transaction with respect to an open position, which may adversely affect its performance.

Risks related to Reverse Repurchase Transactions

In the event of the failure of the counterparty with which cash has been placed, the Sub-Fund may suffer loss as there may be delay in recovering cash placed out or difficulty in realising collateral or proceeds from the sale of the collateral may be less than the cash placed with the counterparty due to inaccurate pricing of the collateral or market movements.

Market and liquidity risks

Trading counterparties may from time to time refrain from making a market in a particular financial contract or instrument, with the result that those persons already holding such a contract or instrument are unable to liquidate their exposure. Such characteristics can lead to considerable losses being incurred by those exposed to such instruments.

Negative yield risks

Market conditions, including but not limited to a reduction in interest rates may have a material impact on the return of underlying investment of a Sub-Fund. Either the return of the Sub-Fund will be so low that following the deduction of the charges and expenses applicable to the Sub-Fund, or the return will already be a negative number before the charges and expenses have been deducted from the Sub-Fund. Such market conditions, together with any actions taken by financial institutions in response thereto (such as, for example, by way of reducing interest rates and therefore income payable on investments of a Sub-Fund), are outside the control of the Manager or Trustee.

The value of investments of the sub-funds may be affected by changing market conditions or other significant market events affecting valuation. For example, in the event of downgrading of an issuer, the value of the relevant debt securities may decline rapidly.

Prohibited securities risks

In accordance with the HSBC Group policy, the Fund and any of its sub-funds will not invest in the securities of companies that are involved directly and indirectly in the use, development, manufacturing, stockpiling, transfer or trade of cluster munitions and/or anti-personnel mines. As this policy aims to prohibit investment in certain types of securities, investors should be aware that this reduces the investment universe and prevents the Fund and any of its sub-funds from benefitting from any potential returns from these companies.

RMB conversion and currency risks

Starting from 2005, the exchange rate of the RMB is no longer pegged to the US dollar. The RMB has now moved to a managed floating exchange rate based on market supply and demand with reference to a basket of foreign currencies. The daily trading price of the RMB against other major currencies in the inter-bank foreign exchange market is allowed to float within a narrow band around the central parity published by the People's Bank of China.

As the exchange rates are based primarily on market forces, the exchange rates for RMB against other currencies, including US dollars and HKD, are susceptible to movements based on external factors. It should be noted that the RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies and restrictions of the Mainland Chinese government. Trading in the RMB may be subject to possible delay in the settlement process. Further, future changes to foreign exchange control policies and restrictions of the Mainland Chinese government may adversely affect the operations and financial results of the companies that issued the fixed income instruments invested in by a Sub-Fund, and the abilities of such companies to make payment of the fixed income instruments they issued.

The possibility that the appreciation of RMB will be accelerated cannot be excluded. On the other hand, there can be no assurance that the RMB will not be subject to devaluation. An investors' home currency may not be the RMB, but a Sub-Fund's base currency may be RMB and it may invest in RMB denominated investments. Any devaluation of the RMB could adversely affect the value of investors' investments in a Sub-Fund (as measured in terms of the investor's home currency).

The RMB is traded in both the onshore and offshore markets. While both onshore RMB ("**CNY**") and offshore RMB ("**CNH**") represent the same currency, they are traded in different and separate markets which operate independently. Therefore CNY and CNH do not necessarily have the same exchange rate and their movement may not be in the same direction. When calculating the net asset value of a Unit Class with a RMB Class Currency (and hence the Issue Price/Redemption Price of such Class), the Manager will apply the CNH rate. Any divergence between CNH and CNY may adversely impact investors.

For Sub-Fund which offers RMB denominated Classes, subscriptions and redemptions for the Sub-Fund may involve conversion of currency from/into RMB. Currency conversion will be conducted at the applicable exchange rate and subject to the applicable spread. Such Sub-Fund's payment of redemption proceeds or dividends may be delayed in the event that there is insufficient RMB available to it.

Investing in China Interbank Bond Market (CIBM) risks

Certain Sub-Fund may invest in bonds traded on the China Interbank Bond Market (the "**CIBM**") via (i) the CIBM Initiative (as defined below) and/or, (ii) the Bond Connect (as defined below); and/or other means as may be permitted by the relevant regulations from time to time.

(i) Overview of the China Interbank Bond Market (CIBM) Initiative

Since February 2016, PBOC has permitted foreign institutional investors to invest in CIBM ("**CIBM Initiative**") subject to meeting any other rules and regulations as promulgated by Mainland China authorities, i.e., the People's Bank of China (**PBOC**) and the State Administration of Foreign Exchange (**SAFE**). As at the date of this Explanatory Memorandum, the rules and regulations that a Sub-Fund must abide by include:

- Appointing an onshore settlement agent who will be responsible for making relevant filings and account opening with relevant authorities.

- Generally only repatriating cash out of the Mainland China in a currency ratio approximately proportionate to the currency ratio of remitted cash into the Mainland China.

There are currently no quota restrictions. Such rules and regulations may be amended from time to time.

(ii) Overview of the Bond Connect

Since July 2017, mutual bond market access between Hong Kong and Mainland China ("**Bond Connect**") was established by China Foreign Exchange Trade System & National Interbank Funding Centre ("**CFETS**") and Hong Kong Exchanges and Clearing Limited (amongst others). Bond Connect is governed by rules and regulations as promulgated by Mainland China authorities. As at the date of this Explanatory Memorandum, the rules and regulations that a Sub-Fund must abide by include:

- Appointing CFETS or other institutions recognised by the PBOC as registration agents to apply for registration with the PBOC.

- Transacting via an offshore custody agent recognised by the Hong Kong Monetary Authority (currently, the Central Moneymarkets Unit).

There are currently no quota restrictions. Such rules and regulations may be amended from time to time.

Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the CIBM (traded through any platform) may result in prices of certain debt securities traded on such market fluctuating significantly. A Sub-Fund investing in such market is therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and a Sub-Fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

To the extent that a Sub-Fund transacts in the CIBM, a Sub-Fund may also be exposed to risks associated with settlement procedures and default of counterparties. There are various transaction settlement methods in the CIBM, such as the delivery of security by the counterparty after receipt of payment by a Sub-Fund; payment by a Sub-Fund after delivery of security by the counterparty, or simultaneous delivery of security and payment by each party. Although the Investment Adviser may endeavour to negotiate terms which are favourable to a Sub-Fund (e.g. requiring simultaneous delivery of security and payment), there is no assurance that settlement risks can be eliminated. The counterparty which has entered into a transaction with a Sub-Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

For investments via either the CIBM Initiative or Bond Connect, since relevant filings, registration with PBOC and account opening has to be carried out by other third parties (e.g. settlement agent, offshore custody agent, registration agent, etc) then a Sub-Fund is subject to the risks of errors on their part. In addition, the CIBM is also subject to regulatory risks and the relevant rules and regulations on investment in the CIBM is subject to change which may have potential retrospective effect.

In the event that the relevant Chinese authorities suspend account opening or trading on the CIBM, a Sub-Fund's ability to invest in the CIBM will be limited and, after exhausting other trading alternatives, a Sub-Fund may suffer substantial losses as a result.

Investors should note that if a Sub-Fund trades via the CIBM Initiative on which securities are traded through an onshore settlement agent, a Sub-Fund is subject to counterparty risks of the onshore settlement agent. If a Sub-Fund trades via Bond Connect which is performed through newly developed trading platforms and operational systems, there is no assurance that such systems will function properly or will continue to be adapted to changes and developments in the market. In the event that the relevant systems fail to function properly, trading through Bond Connect may be disrupted. The Sub-Fund's ability to trade through Bond Connect (and hence to pursue its investment strategy) may therefore be adversely affected. In addition, where a Sub-Fund invests in the CIBM through Bond Connect, it may be subject to risks of delays inherent in the order placing and/or settlement systems.

Emerging markets risk

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

Custody risks

Assets of a Sub-Fund are safe kept by the custodian (which may be the Trustee or a Correspondent thereof) and Unitholders are exposed to the risk of the custodian not being able to fully meet its obligation to restitute in a short time frame all of the assets of the Fund in the case of bankruptcy of the custodian. The assets of a Sub-Fund will be identified in the custodian's books as belonging to such Sub-Fund. Securities held by the custodian will be segregated from other assets of the custodian which mitigates the risk of non-restitution in case of bankruptcy. However, no such segregation applies to cash deposited with a bank which increases the risk of non-restitution in case of bankruptcy.

Further, the custodian may (with the prior consent in writing of the Trustee) appoint local Correspondents for the purpose of safekeeping assets in relevant local markets. Unitholders are exposed to the risk of the local Correspondents not being able to fully meet their obligation to restitute in a short time frame all of the assets of a Sub-Fund in the case of bankruptcy of the local Correspondent. In extreme circumstances, as the retroactive application of legislation and fraud or improper registration of title, a Sub-Fund may even be unable to recover all of its assets and the Trustee and the custodian may not be liable to make good any such loss (further details on the liability of the Trustee and its Correspondents is set out in the sub-section headed “The Trustee and Registrar” of the “Manager, Trustee and the related service providers” section). This risk may be greater where a Sub-Fund invests in markets where custody and settlement systems and controls are not fully developed.

Tax risks

Investors should note that (i) the proceeds from the sale of securities in some markets or the receipt of any dividends or other income may be or may become subject to tax, levies, duties or other fees or charges imposed by the authorities in that market including taxation levied by withholding at source and/or (ii) a Sub-Fund's investments may be subject to specific taxes or charges imposed by authorities in some markets.
Investors should refer to the tax disclosures in the section headed “Taxation” for further details including details on tax provisions.

Mainland China tax risks

Various tax reform policies have been implemented by the Mainland Chinese government in recent years, and existing tax laws and regulations may be revised or amended in the future (including abolishing, revising or amending tax exemptions currently offered to foreign institutional investors). There is a possibility that the current tax laws, regulations and practice in Mainland China will be changed with retrospective effect in the future and any such change may have an adverse effect on the net asset value of a Sub-Fund.

Please refer to “Mainland China” under the section of “Taxes related to a Sub-Fund’s assets” for details of the current tax laws, regulations and practices relating to the securities that Sub-Funds may invest in. In view of the details set out in the aforementioned section, the Manager, after taking professional tax advice, has decided to make provision for tax as follows:

- Sub-Fund will make a Corporate Income Tax (CIT) provision of 10% on interest from its investments in debt securities issued by Mainland China tax resident enterprises, if it was not withheld at source nor borne by the bond issuers (except (i) interests from investments in Mainland China onshore bonds received during the Tax Exempt Period (as defined in “Mainland China” under the section of “Taxes related to a Sub-Fund’s assets”) and (ii) interest from Mainland China government bonds and local government bonds);

- Sub-Fund will not withhold any amount of realised or unrealised capital gains derived from the disposal of or investment in Mainland China debt securities;

- Sub-Fund will not withhold any amount for interest derived from Bank Deposits in Mainland China as CIT provision because CIT is withheld at source;

- a Sub-Fund will make a VAT provision at 6% plus surcharge (if applicable) on interest from its investment in the relevant bonds provided that such VAT is not borne by the bond issuers (except (i) interests from investments in Mainland China onshore bonds received during the Tax Exempt Period and (ii) interest from Mainland China government bonds and local government bonds).

Investors should also be aware that changes in Mainland China taxation legislation could affect the amount of income which may be derived, and the amount of capital returned, from the investments of the Sub-Funds. Laws governing taxation will continue to change and may contain conflicts and ambiguities which may impact the value of a Sub-Fund.

Any shortfall between the provision (or lack thereof) and the actual tax liabilities, which will be debited from the Sub-Fund's assets, will adversely affect the Sub-Fund's net asset value. The actual tax liabilities may be lower than the tax provision made. Depending on the timing of subscriptions and/or redemptions, investors may be disadvantaged as a result of any shortfall of tax provision and will not have the right to claim any part of the overprovision (as the case may be).

Cross-Class liability risks

Multiple Classes of Units may be issued in relation to a Sub-Fund of the Fund, with particular assets and liabilities of a Sub-Fund attributable to particular Classes.

Where the liabilities of a particular Class exceed the assets pertaining to that Class, creditors pertaining to one Class may have recourse to the assets attributable to other Class. Although for the purposes of internal accounting, a separate account will be established for each Class, in the event of an insolvency or termination of a Sub-Fund (i.e., when the assets of a Sub-Fund are insufficient to meet its liabilities), all assets will be used to meet a Sub-Fund's liabilities, not just the amount standing to the credit of any individual Class. However, the assets of a Sub-Fund may not be used to satisfy the liabilities of another Sub-Fund.

Early termination risks

The Fund or any of its Sub-Funds may be liquidated on the occurrence of certain events as set out in the section headed "Termination of the Fund (or a Sub-Fund or Class thereof)" in this Explanatory Memorandum.

In the event of the early termination of a Sub-Fund, the Sub-Fund would have to distribute to the Unitholders their pro rata interest in the assets of the Sub-Fund. It is possible that at the time of such sale or distribution, certain investments held by the Sub-Fund may be worth less than the initial cost of such investments, resulting in a substantial loss to the Unitholders. Moreover, any organizational expenses with regard to the Units that had not yet become fully amortised would be debited against the Sub-Fund's capital at that time.

Performance risks

There is no guarantee that the investment objective of a Sub-Fund can be achieved. There is no express or implied assurance as to the likelihood of achieving the investment objective for a Sub-Fund.

There is no guarantee that in any time period, particularly in the short term, a Sub-Fund's portfolio will achieve appreciation in terms of income or capital growth. As a result, the price of Units may go down as well as up. Whilst the Manager intends to implement strategies designed to minimise potential losses, there can be no assurance that these strategies will be successful.

Past performance of a Sub-Fund does not indicate future performance. Investment in a Sub-Fund is not capital guaranteed.

A Sub-Fund's performance is subject to the risks associated with its investments and cash exposure including, among others, market, interest rate, currency, exchange rate, economic, credit, liquidity, counterparty, foreign securities and political risks.

General valuation risk

Valuation of the Sub-Funds' investments may involve uncertainties and judgmental determinations, and independent pricing information may not at all times be available. If such valuations should prove to be incorrect, the net asset value of the Sub-Funds may be adversely affected.

Counterparty risk occurs when a party to a contract fails to honour and defaults on its obligations thereunder. Sub-Funds which are party to these risks can incur considerable losses.

Amortised cost valuation method risk

The valuation of certain securities or instruments held by the Sub-Funds is based on the amortised cost valuation method as described in the section "Valuation and prices", regardless of the impact of fluctuating interest rates on the market value of the security or instrument. The accuracy of the amortised cost method of valuation can be lowered by changes in market interest rates and the credit standing of issuers of the Sub-Fund's investments. Sudden movements in interest rates or credit concerns may cause material deviations between the market value of an instrument and the value calculated using the amortised cost method of valuation. The use of amortised cost method of valuation may create opacity for investors regarding the actual net asset value of the assets held by the Sub-Funds. Whilst this method provides certainty in valuation, it may result in periods during which the value of the security, as determined by the amortised cost method of valuation, is higher or lower than the price the Sub-Fund would receive if the security was sold. During such periods, the daily fluctuation in value of the Units in the Sub-Funds may differ somewhat from an identical computation made by a fund with identical investments utilising available indications as to market value in order to value its portfolio securities. Where the value of a security as determined by the amortised cost method of valuation is higher than the market price of such security and an investor redeems at a redemption price calculated on the basis of such amortised cost value, the Sub-Fund may be left with a portfolio of assets whose value is much lower than the market price of the relevant securities. The remaining Unitholders may therefore be worse off.

Investor risks

The Manager may compulsorily redeem all or a portion of the Unitholder's Units in the Sub-Fund. Such compulsory redemption may create adverse tax and/or economic consequences to the Unitholder depending on the timing thereof. No person will have any obligation to reimburse any portion of an investor's losses upon termination of the Sub-Fund, compulsory redemption or otherwise.

Reliance on the same group risk

The Trustee (also acting as the Registrar), the Manager, the Investment Adviser, the investment sub-adviser (if any) and the Tokenisation Agent are subsidiaries of HSBC Holdings plc (the "HSBC Group"). Whilst these are separate legal entities and operationally independent, in the event of a financial catastrophe or the insolvency of any member of the HSBC Group, there may be adverse implications for the business of the HSBC Group as a whole or other members of the HSBC Group which could affect the provision of services to the Fund and/or the Sub-Funds. In such event the Net Asset Value of the Fund and/or the Sub-Funds may be adversely affected and its operation disrupted. It should be noted that the Trustee, the Manager, the Investment Adviser, the investment sub-adviser (if any) and the Tokenisation Agent are presently members of the HSBC Group. As such, although all transactions will be at arm's length, conflicts of interest in respect of the Fund and/or the Sub-Funds may arise from time to time amongst any of them whilst they belong to the HSBC Group. The Manager and each of its Connected Persons will have regard to its obligations to the Fund, the Sub-Funds and Unitholders and will endeavour to ensure such conflicts are resolved fairly. The attention of investors is drawn to the section headed "Conflicts of interest" for further details.

Risks associated with tokenised Units

As disclosed in the section headed "Tokenisation of Units", the administration and dealing of tokenised Units will involve the use of blockchain technology, which is subject to the following risks:

Blockchain technology risk

The blockchain technology is relatively new and is subject to various threats or risks that can adversely impact a Sub-Fund. Notwithstanding the fact that blockchains are secured by means of cryptography, consensus mechanism and decentralised architecture, there is a possibility that such security measures can be compromised (for example, blockchain systems can be susceptible to generic network and phishing attacks or vulnerabilities in smart contract) and thereby resulting in the unauthorised alteration of the blockchain or the tokens that may disrupt the operation of the relevant Sub-Fund.

Furthermore, a blockchain network may experience a "fork" (i.e., "split") of the network, which would result in the existence of two or more versions of the blockchain network running in parallel with duplication of the same token, but with each version's native asset lacking interchangeability, potentially competing with each other for users and other participants. Where a fork occurs in one of the blockchain networks used by the Sub-Fund, the Manager, in consultation with the Tokenisation Agent and, if any impact on the off-chain register, the Trustee, will act in the best interest of investors and have the sole discretion to determine which of the resulting blockchain networks will continue to be used in respect of the Sub-Fund's tokenised Units and which will be discontinued.

There is also a risk of undiscovered technical flaws associated with systems utilizing blockchain technology. In addition, there is a possibility that new technologies or services that inhibit access to, or utility of, a blockchain may emerge. Blockchain technology may also never be implemented to a scale that provides identifiable economic benefit.

Digital asset security risks

The loss or theft of the private key of an Eligible Distributor will compromise its Digital Wallet and expose its corresponding investor(s) to risk of misappropriation of digital assets or inability to access Tokens associated with the Digital Wallet. In the event of loss or theft of Tokens, the lost or stolen Tokens will be immobilised and then burned with equivalent tokens reissued to the relevant investors by the Tokenisation Agent..

Risk associated with loss of Tokens held in omnibus account

Investors' Tokens are currently held in the name of their Eligible Distributor as nominee with the Token Custodian. The beneficial ownership record of Tokens is maintained by the Eligible Distributor and reflected in the investors' accounts with the Eligible Distributor. The Token Custodian is appointed by each Eligible Distributor and will hold the distributor's assets in a segregated wallet. Where the Token Custodian is appointed by more than one Eligible Distributor, such Token Custodian will be required to maintain a separate segregated account for each Eligible Distributor (i.e., Token Custodian will not hold assets for multiple Eligible Distributors in omnibus accounts) and therefore each Eligible Distributor's Token holdings will be recorded separately by the Token Custodian under separate accounts.

Each Eligible Distributor may hold Tokens of its end-investors in an omnibus account instead of maintaining a separate segregated account for each end-investor (being the ultimate beneficial owner). Therefore, an end-investor's Tokens may be commingled with the Tokens of other end-investors held by the same Eligible Distributor but will not be commingled with the Tokens held by other Eligible Distributors. In the event of loss of Tokens held in the omnibus account due to theft, cyberattacks, loss or damage, an end-investor may need to share the shortfall together with other end-investors whose Tokens are held in the omnibus account on a pro rata basis. Consequently, end-investors may need to bear the shortfall together with other investors in the case of loss of Tokens.

Cybersecurity risks

The Tokenisation Agent has access to the complete transaction history of the tokenised Units and certain data on the blockchain utilised is available to the public. As a result, certain information other than identifying information may be publicly accessible by way of tools that are capable of displaying activity on the blockchain. Identifying information of investors, if any, will be maintained separately by the Manager, the Tokenisation Agent and the Eligible Distributors (as the case may be) and is not available to the public but is still susceptible to cybersecurity risks to which the Manager, the Tokenisation Agent and the Eligible Distributors may be subject. In case of data security breaches where such identifying information of investors is exposed to the public, such information may be used to determine an investor's identity and investing history in the Sub-Fund.

While it is intended that each of the Manager and the Tokenisation Agent shall have put in place adequate policies and measures to counter cybersecurity risks, such policies and measures cannot provide absolute security. The techniques used to obtain unauthorised access to data and information change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may also contain defects in design or manufacture or other problems that can unexpectedly compromise information security.

Risks associated with challenges to modern-day cryptography used by distributed ledger technology networks due to advancements in quantum computing

The integrity and security of a blockchain network may be compromised by malfunctioning nodes or errors in the underlying source code, as well as by advancements in mathematics or technology (such as digital computing, algebraic geometry, or quantum computing). In extreme cases, such issues can lead to the complete failure of the network, and loss of information and assets.

Delay risk

Delays in transaction processing can occur on the blockchain utilised for the relevant tokenised Units. For example, delays can occur when computers on the network are unable to reach a consensus on transactions on the blockchain. During a delay, it will not be possible to record transactions in the tokenised Units on the blockchain which may create discrepancies between on-chain and off-chain records, thereby impacting investors' ability to subscribe or redeem the relevant tokenised Units. Delay risk may have adverse impact on both subscription and redemption processes of the tokenised Units and investors' receipt of tokenised Units or redemption proceeds may be delayed.

Dependence on service provider

The Manager and the relevant Sub-Fund rely on various parties (including the Tokenisation Agent, Token Custodians and Eligible Distributors) to facilitate the administration and offering of the relevant tokenised Units through the use of blockchain and blockchain-related technology and maintain the relevant operating infrastructure (e.g. software, systems and smart contract technology). Such operations may be adversely impacted if any such party ceases to provide the relevant services.

Regulatory risk

As the use of blockchain technology is relatively new and still evolving, Hong Kong regulations regarding blockchain are evolving and subject to development that may negatively impact the operation of a Sub-Fund in relation to the administration and offering of the relevant tokenised Units.

Potential challenges in application of existing laws

There are differences in the way tokenised Units are dealt with and recorded, compared to traditional funds and their means of distribution. This can make the resolution of issues concerning tokenised Units more complex and difficult under existing laws.

Smart contract and technical risks

Smart contracts used for tokenisation may contain coding errors, bugs, or vulnerabilities that could result in loss of tokens, unauthorised operations, or system failures. The upgrade mechanism of smart contracts may introduce new vulnerabilities or cause temporary service interruptions. Dependencies on external smart contracts or protocols may introduce additional security risks. Token standards may have inherent limitations or vulnerabilities that could affect token operations.

Operational infrastructure risks

Integration between traditional fund administration systems and blockchain infrastructure may face operational disruptions. The mint and burn mechanism for tokens relies on multiple parties and systems, introducing operational complexity and potential points of failure. System upgrades or maintenance of the blockchain infrastructure may cause temporary service interruptions. Service provider failures may affect Token operations and management. Business continuity plans may prove inadequate in blockchain-specific scenarios.

Recovery and business continuity risks

Service provider failures may affect token operations and management. Business continuity plans may prove inadequate in blockchain-specific scenarios.

Risks associated with virtual asset trading platforms (as distributors)

The virtual asset trading platforms on which tokenised Units in a Sub-Fund may be offered are relatively newly established. The use of virtual asset trading platforms may expose investors to, amongst other things, counterparty risks of the platform operators and liquidity risks whereby demand of the tokenised Units of the relevant Sub-Fund may be limited and such platforms may impose limits or restrictions on which moneys deposited in such platforms can be withdrawn. Furthermore, virtual asset trading platforms present operational risks, including, but not limited to, system outages, which may adversely impact the administration of tokenised Units and investors' access to, and dealing, such tokenised Units. In addition, virtual asset trading platforms are also common targets of cybercriminals. Please also refer to "Cybersecurity risks" above.

Risks associated with differences in dealing and fee arrangements between tokenised Units and non-tokenised Units

Dealing arrangements in respect of tokenised Units and non-tokenised Units are different. The applicable dealing procedures with Eligible Distributor(s) (in the case of tokenised Units) and other distributor(s) (in the case of non-tokenised Units) may be different. Investors should check with their Eligible Distributor(s) or distributor(s) for the applicable dealing procedures and timing. The net asset value per Unit of each of the tokenised Class and non-tokenised Class(es) may also be different due to the different fees (such as the management fee and additional fees which are only applicable to and borne by tokenised Units (and ultimately by investors) including Tokenisation Agent fees and gas fees for validation of a transaction of the blockchain) applicable to each such class. Any or all of these factors may lead to a difference in the net asset value of each of the tokenised Units and non-tokenised Units.

For non-tokenised Units, investors can buy or sell such non-tokenised Units at the Issue Price/ Redemption Price of the relevant non-tokenised Units. Applicants may apply for non-tokenised Units through the Manager or distributors. Each distributor may have different dealing procedure, including earlier cut-off times for receipt of applications and/or cleared funds. Applicants who intend to apply for non-tokenised Units through a distributor should therefore consult the distributor for details of the relevant dealing procedures.

For tokenised Units, investors may only subscribe for, or redeem, such tokenised Units in the form of Tokens at the Issue Price/ Redemption Price of the relevant tokenised Units via an Eligible Distributor.

Portfolio holding information

Information relating to a Sub-Fund's portfolio, at each month end, is available to Unitholders at an appropriate time after that month end. Unitholders should contact the Manager for such information. A small charge may be levied for the provision of this information.

Tokenisation of Units

Where approved by the relevant regulatory authorities (including the SFC) and where tokenisation is adopted for a Sub-Fund, a Class of Units may be tokenised.

The Hongkong and Shanghai Banking Corporation Limited has been appointed by the Manager as the tokenisation agent ("**Tokenisation Agent**") of the Trust. The Tokenisation Agent offers their ability to tokenise any Units in the form of Tokens (representing a Unit in the traditional register) by adopting a distributed ledger technology (consisting of Ethereum as the primary blockchain - a public blockchain network). The Tokenisation Agent, as part of its tokenisation service, utilises the aforesaid public blockchain network on which:

i. direct Unitholders' (including Eligible Distributors[2] that may act as nominees of end-investors) ownership of tokenised Units will be recorded and represented in the form of digital tokens ("**Tokens**"), whereby one Token (or a fraction thereof) represents one tokenised Unit (or a fraction thereof) in the off-chain register. The Manager reserves the right to change the number of Units represented by one Token in future; and

ii. transaction data relating to the subscription and redemption of tokenised Units will be recorded (e.g. transaction type, number of tokens involved in a transaction and receiving and sending wallet address).

Basic information and key facts about a Sub-Fund, including, but not limited to, the investment objective, net asset value per Unit (represented by the corresponding Tokens), performance information, offering documents, announcement and notices, will generally be made available to investors on the Eligible Distributors' application programmes, platforms or systems through which investors subscribe for and redeem tokenised Units in the form of Tokens. The type of information to be provided may vary among Eligible Distributors.

Initially, the Tokenisation Agent intends to utilise Ethereum as the primary blockchain. Other public blockchains with comparable level of security resiliency and distributed ledger technology may be adopted in future.

Unitholders may only subscribe for, or redeem, tokenised Units in the form of Tokens via Eligible Distributors and there is no trading on any secondary markets. An Eligible Distributor will act as a nominee of investors (herein referred to as "end-investors") who invest in the tokenised Units through such Eligible Distributor. To this extent, the distributed technology-based ledgers (including public blockchains) will serve as ledgers recording the Unit ownership of Eligible Distributors who pool the assets of end-investors to invest in the tokenised Units. Ownership of tokenised Units by the end-investors may be recorded on the on-chain ledgers and/or the off-chain register(s) in a book-entry form maintained by each respective Eligible Distributor. All Digital Wallets holding tokenised Units will be whitelisted, hence this offering is about enabling permissioned activity on public blockchains.

Once allocated, the Tokens are held in the custody of the Token Custodian appointed by the relevant Eligible Distributor in the Eligible Distributors' Digital Wallet on behalf of their end-investors, who will receive the corresponding updated information regarding the Digital Wallet. The Eligible Distributors will also communicate such information to the relevant end-investors in the manner as agreed between the end-investors and their Eligible Distributors, which will be reflected in their relevant account as agreed with their Eligible Distributors. Currently, the Manager intends to only accept Token Custodians which are SFC-licensed virtual asset trading platforms or authorised financial institutions which meet the expected standards of virtual asset custody qualification.

Eligible Distributors may operate and maintain application programmes, platforms or systems which are separate from, but compatible with the blockchain networks utilised by the Tokenisation Agent. End-investors may subscribe or redeem tokenised Units in the form of Tokens through such application programmes, platforms or systems operated by the Eligible Distributors.

The Manager remains ultimately responsible for the management and operational soundness of the tokenisation arrangement adopted and the record keeping of ownership, notwithstanding outsourcing to the Tokenisation Agent, and ensuring the tokenisation arrangement is operationally compatible with the service providers involved and proper records of Token holders' ownership interests in the tokenised Units are maintained.

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[2] For relevant information on Eligible Distributors, please refer to the Manager's website at www.assetmanagement.hsbc.com.hk (this website has not been reviewed by the SFC).

Use of Blockchain

The tokenisation process described in the preceding section involves the use of distributed ledger (including blockchain) technology. A blockchain is a distributed ledger that records transactions between two parties that are linked with the use of cryptography. Each entry to the blockchain representing a transaction is called a "block" and each block contains information of the previous block, thereby linking the blocks together forming a "chain". Transactions on the blockchain are verified and authenticated by computers on the relevant blockchain network that receive, propagate, verify and execute transactions. Consequently, blockchain transactions are irreversible in that any given block cannot be altered retroactively without altering all subsequent blocks. The use of blockchain technology for recordkeeping of, and facilitation of dealing in, investment funds is relatively novel and still evolving.

The Registrar shall maintain the official record of ownership of tokenised Units through an integrated recordkeeping system with records in book-entry form (i.e. the off-chain register of direct Unitholders, including Eligible Distributors that may act as nominees of end-investors) at the Sub-Fund-level, and the Tokenisation Agent shall also maintain the record of digital representations of the tokenised Units on the relevant blockchain at the distributor-level. Each Eligible Distributor owns and maintains for its end-investors (i) the record of ownership of tokenised Units; (ii) the transactions record, on on-chain ledger(s) and/or off-chain register(s), of which the Manager or the Tokenisation Agent has no visibility.

To create and maintain a permissioned structure on public blockchains, it is intended that the Tokenisation Agent and Eligible Distributors shall register and associate each Digital Wallet with relevant identifying information which is maintained in an off-chain registry (i.e., a separate database that is not available to the public and is used to satisfy relevant laws and regulations). Permission is granted only to registered Digital Wallets, sometimes referred to as "whitelisting", thereby restricting the ability to transact in tokenised Units and Tokens to pre-approved participants. Smart contracts are deployed as part of the operational framework to enforce compliance with the Tokenisation Agent's policies and procedures. Please refer to the sub-section headed "Restrictions and controls on dealing in tokenised Units on primary market" below for further details. In this manner, this permissioned structure prevents transactions between unknown persons or unknown blockchain wallets, even though blockchain infrastructure itself remains permissionless.

Notwithstanding the use of distributed ledger technology (in that the transaction data of tokenised Units will be recorded on-chain, the settlement finality (i.e. the point where a transaction is considered as finally settled) is off-chain in that, cash settlement for the subscription of tokenised Units is performed off-chain, and tokenised Units (as represented by the Tokens) are issued in registered form and recorded in the register of Unitholders maintained off-chain by the Registrar, which constitute the official record of ownership of Units. The official record of ownership of tokenised Units is under the full and complete control of the Trustee and the Registrar.

The Tokenisation Agent will reconcile book-entry and blockchain transactions on each Business Day. Reconciliation involves maintaining a matching book-entry register of direct Unitholders (i.e., of number of tokenised Units) and blockchain record of Tokens representing tokenised Units (i.e., of number of Tokens) in circulation, and the ownership of the tokenised Units by direct Unitholders and Tokens at any given times. Where discrepancy exists between the register of direct Unitholders and the Tokens in the Digital Wallets, reference will be made to the records in the former for any changes to the Tokens in the Digital Wallets. The Manager will independently oversee the maintenance of the register of Unitholders by the Registrar and the maintenance of the blockchain record by the Tokenisation Agent.

The Tokenisation Agent, after consultation with the Manager who might further consult the Trustee, maintains controls to correct errors or unauthorised transactions on the supported public blockchains by performing appropriate activities to rectify any error or unauthorised transaction (i.e. the prior transaction on the blockchain would not be deleted, although the blockchain would be appended with the correct transactional history). Units issued by the Trust are in registered form and not bearer form. The recording of ownership in a tokenised Unit in the form of Tokens will not

affect a Sub-Fund's investments.

A blockchain network may experience a "fork" (i.e., "split") of the network, which would result in the existence of two or more versions of the blockchain network running in parallel, but with each version's native asset lacking interchangeability, potentially competing with each other for users and other participants. Where a fork occurs in the blockchain network utilised by the Tokenisation Agent, the Manager, in consultation with the Tokenisation Agent and, if any impact on the off-chain register, the Trustee, will determine which of the resulting blockchain network will continue to be used and which will be discontinued.

In order to facilitate the use of blockchain technology, Eligible Distributors holding tokenised Units must have a "blockchain wallet" i.e. the Digital Wallet. Generally, a blockchain wallet is a software application that stores a user's "private key" and related digital assets and is used to facilitate the transfer of assets on a blockchain. A private key will enable a user to send and authenticate instructions to, and update, a blockchain.

Fees and expenses associated with the tokenisation (including gas fees for validation of a transaction of the blockchain) and the use of blockchain technology (including payments in the form of the native digital asset of any blockchain(s)) will be borne by the relevant tokenised Class of Units. For details of other fees and expenses applicable to the tokenised Units, please refer to the section headed "Charges and expenses".

Dealing of tokenised Units

There is no trading of tokenised Units on any secondary markets.

Currently, only Hong Kong Dollar Sub-Fund issues tokenised Units.

Subscription of tokenised Units

Unless otherwise more specifically provided herein, the procedures regarding the subscription of Units described under the sub-section headed "Subscriptions" under the section headed "Unit dealing" will apply to the subscription of tokenised Units.

Where implemented, end-investors can subscribe tokenised Units in the form of Tokens by submitting an application for subscription via an Eligible Distributor (e.g. through an Eligible Distributor's web portal or application programming interface or other means as the case may be). In subscribing, an end-investor of tokenised Units will need to open an applicable account with their Eligible Distributor(s), in which the record of the tokenised Units as evidenced by the corresponding Tokens beneficially owned by such end-investor will be reflected. An Eligible Distributor will:

a) hold appropriate digital wallets in the custody of the Eligible Distributor's appointed Token Custodian to receive, hold and manage relevant entitlements with respect to the Tokens ("**Digital Wallets**") as nominee for its end-investors;

b) hold a fiat currency settlement account for its end-investors to house, remit and receive (as applicable) the subscription moneys to and redemption proceeds from the Transfer Agent in respect of the Tokens ("**Currency Settlement Accounts**"); and

End-investors can subscribe for tokenised Units to be evidenced in the form of Tokens on each Dealing Day at the Issue Price of the relevant tokenised Class published daily in Hong Kong on the websites of the Manager, and may also be published on the Eligible Distributor's digital platform. The prices will be expressed exclusive of any subscription fee which may be payable on subscription.

Applications and cleared funds in fiat currency for subscription of tokenised Units must be forwarded to, and received by, the Transfer Agent (via an Eligible Distributor) by no later than the

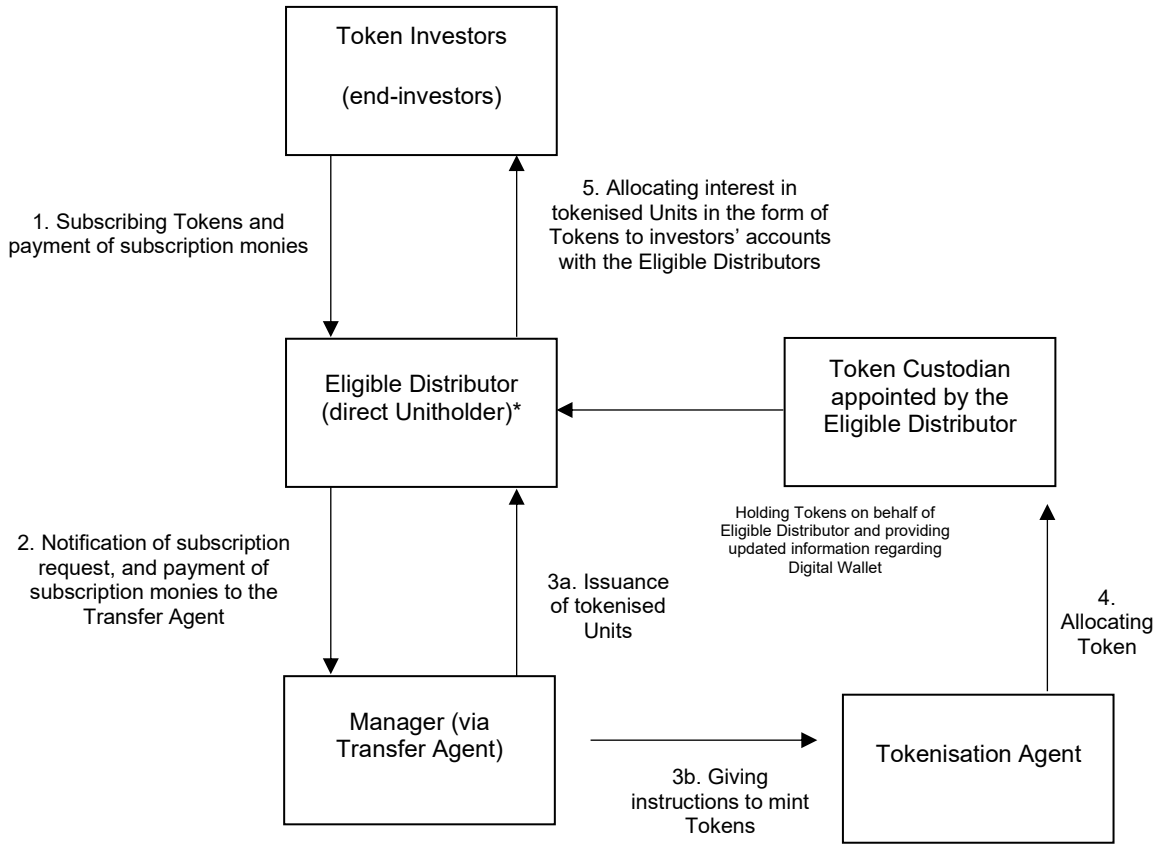
Dealing Deadline. Applications and/or cleared funds received after such time will normally be deemed to have been received on the next Dealing Day and will be dealt with accordingly.

To meet the Dealing Deadline, Eligible Distributor(s) may have their own cut-off before the Sub-Fund's Dealing Deadline. Applicants should confirm the relevant cut-off times with their Eligible Distributor(s).

Upon the confirmation of acceptance of subscription, the Tokenisation Agent will run the tokenisation process until the Tokens representing the corresponding number of tokenised Units subscribed by an Eligible Distributor have been minted. The minted Token(s) will be allocated to the relevant Eligible Distributor's Digital Wallet. The relevant Eligible Distributor will receive the corresponding updated information regarding the Digital Wallet, which will be communicated to the relevant end-investors in the manner as agreed with the end-investors, and allocate the interests in the corresponding tokenised Units to the relevant end-investor's account with the Eligible Distributor.

The contract note reflecting the confirmation of the acceptance of subscription will be made available to end-investors on the Eligible Distributors' application programmes, platforms or systems through which such end-investors subscribe for tokenised Units in the form of Tokens.

The following illustrates the process of subscription of tokenised Units and minting of corresponding Tokens:



* To hold and receive Tokens through Digital Wallets

Redemption of tokenised Units

Unless otherwise more specifically provided herein, the procedures regarding the redemption of Units described under the sub-section headed "Redemptions" under the section headed "Unit dealing" will apply to the redemption of tokenised Units.

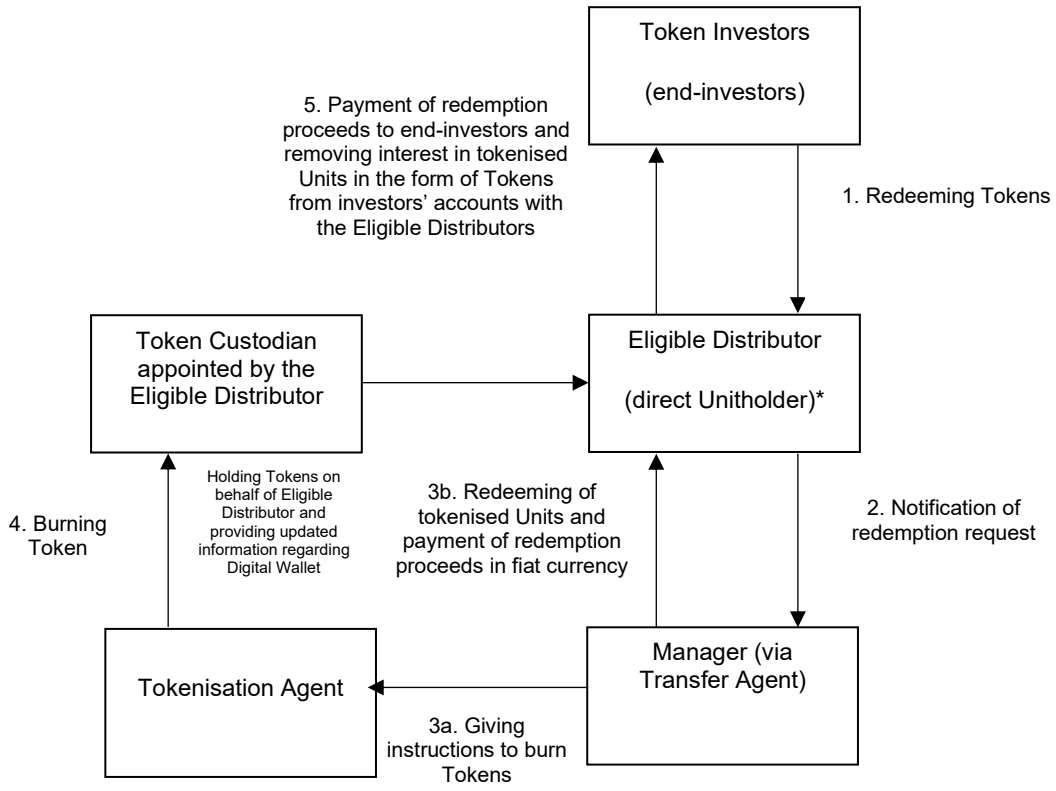
End-investors can redeem tokenised Units evidenced in the form of Tokens by submitting a redemption request via their respective Eligible Distributors (e.g. through an Eligible Distributor's web portal or application programming interface or other means as the case may be) which is holding the relevant Tokens as nominee on behalf of such end-investors within the relevant Digital Wallets.

For any redemption to be dealt with on a particular Dealing Day, redemption requests of tokenised Units must be forwarded to, and received by, the Transfer Agent (via an Eligible Distributor) by no later than the relevant Dealing Deadline. Investors should confirm the relevant cut-off times with their Eligible Distributor(s). Redemption requests received after such time will be deemed to have been received on the next Dealing Day and will be dealt with accordingly.

Upon confirmation of the redemption, the Tokenisation Agent will run the tokenisation process until the Tokens representing the number of tokenised Units redeemed by the investor have been burnt. The burnt Token(s) will be removed from the Eligible Distributors' Digital Wallet. The relevant Eligible Distributor will receive the corresponding updated information regarding the Digital Wallet, which will be communicated to the relevant end-investors in the manner as agreed with end-investors, and the interests in the corresponding tokenised Units in the relevant end-investor's account with the Eligible Distributor will be removed accordingly. Then, the relevant redemption proceeds will be paid in the currency of the Sub-Fund to the relevant Eligible Distributor (or its nominee)'s Currency Settlement Account within 7 Business Days after the relevant Dealing Day upon receipt of all properly completed documentation. The maximum interval between the receipt of a properly documented request for redemption and the payment of the redemption money may not exceed 28 days.

The contract note reflecting the confirmation of the acceptance of redemption will be made available to end-investors on the Eligible Distributors' application programmes, platforms or systems through which such end-investors redeem tokenised Units in the form of Tokens.

The following illustrates the process of redemption of tokenised Units and burning of corresponding Tokens:



* To hold and receive Tokens through Digital Wallets

Switching in or out of tokenised Units of a Sub-Fund is not permitted.

Review and audit

The Manager conducts yearly performance review and due diligence refresh on the Tokenisation Agent to monitor the measures it has put in place to manage and mitigate cybersecurity risks, data privacy, system outages and recovery. It is intended that the Tokenisation Agent will also procure third parties to perform smart contract audits to ensure the highest standards of cybersecurity robustness. Smart contract audits will take place before the launch of tokenised Units and a re-audit will occur upon every major code change to the smart contract.

Business continuity plans

The following business continuity arrangements and measures have been put in place in respect of the distributed ledger technology-related events:

a. In case of failure of an on-chain function that tracks and responds to on-chain events, while automated on-chain actions may fail, tokens can be re-created based on the off-chain register if necessary.

b. In case of fork or network split, the Manager, in consultation with the Tokenisation Agent and, if any impact on the off-chain register, the Trustee, will evaluate the fork's impact, identifying which chain to adopt for continued operations.

c. In case of denial of service (i.e. a situation where a system, network, or service is unavailable to its intended users due to an attack or disruption) cyberattacks or data centre failure:

- All critical infrastructure used for the tokenisation service is configured with redundancies (i.e. deploying multiple resources, instances, or backups).
- Failover (i.e. switching to a redundant or standby server, network, system or component) will take place within recovery time objective (i.e. the maximum acceptable amount of time for restoring service and/or regaining access to data) of 24 hours, with a recovery point objective (i.e. the maximum amount of data loss tolerated, measured by time) of 24 hours.

In case the existing Tokenisation Agent ceases to or is no longer able to provide the tokenisation service, the Manager will appoint (as soon as practicable) another service provider who is assessed to be eligible and has capability to support fund tokenisation on-chain infrastructure. If replacement is decided and to be implemented, the Manager will discuss with the existing Tokenisation Agent with an aim to design tokenised fund infrastructure with interoperability to ensures tokenised assets, smart contracts, and associated data can be migrated to an alternative provider with minimal disruption. It is intended that all critical on-chain and off-chain data associated with the relevant Sub-Fund will be securely backed up. It includes maintaining a comprehensive and regularly updated record of transaction history, token ownership, and other vital information to preserve the continuity of operations.

Restrictions and controls on dealing in tokenised Units on primary market

Certain restrictions and controls have been implemented in respect of dealing in tokenised Units on primary market which fall into two main categories: (i) whitelisting and (ii) approval process.

Whitelisting

The process of onboarding the Eligible Distributors will be the same process as standard onboarding process adopted for traditional non-tokenised Units. The Digital Wallets owned by or brought to the relevant Sub-Fund by the Eligible Distributors will also be screened prior to whitelisting for the relevant Sub-Fund.

Only direct Unitholders (Eligible Distributors) who have passed anti-money laundering and know-your-customer checks will be added to the whitelist and only direct Unitholders on the whitelist can receive Tokens.

Approval process

The smart contracts adopted by the Tokenisation Agent enforce role-based access control ensuring that only authorised entities can execute them to safeguard a Sub-Fund’s operations.

These smart contracts facilitate the creation, burning and control the movements of all Tokens. With transaction authorisation policies, access to these smart contracts is controlled allowing for an approval process for key actions such as minting and burning of Tokens.

To ensure that no unauthorised transfers occur, transactions involving the Tokens must be carried out by the Tokenisation Agent based on the Manager’s authorisation/instruction or confirmation.

Restrictions on trading of tokenised Units on secondary markets and peer-to-peer transfer

While tokenised Units may be offered through Eligible Distributors in the form of Tokens, the Manager does not intend to allow peer-to-peer transfer or trading of these Tokens on any secondary markets.

The Classes

Description of Classes

As at the date of this Explanatory Memorandum, the following Classes may be made available:

Class	Hong Kong Dollar Sub-Fund (HK$)		US Dollar Sub-Fund (US$)		Renminbi Sub-Fund (RMB)	
	Minimum Initial Subscription/ Minimum Holding	Subsequent Subscription/ Minimum Redemption/ Minimum Switching	Minimum Initial Subscription/ Minimum Holding	Subsequent Subscription/ Minimum Redemption/ Minimum Switching	Minimum Initial Subscription/ Minimum Holding	Subsequent Subscription/ Minimum Redemption/Minimum Switching
A*^	50,000	10,000	1,000	1,000	N/A	N/A
B	10,000	10,000	1,000	1,000	10,000	10,000
C	100,000	10,000	10,000	1,000	100,000	10,000
D	10,000,000	1,000,000	1,000,000	100,000	10,000,000	1,000,000
E	2,500,000,000	10,000,000	250,000,000	1,000,000	2,500,000,000	10,000,000
F	5,000,000,000	50,000,000	500,000,000	5,000,000	5,000,000,000	50,000,000
G	10,000,000,000	100,000,000	1,000,000,000	10,000,000	10,000,000,000	100,000,000
L#^	Nil	Nil	Nil	Nil	N/A	N/A
T+	10,000	10,000	N/A	N/A	N/A	N/A
S+	10,000	10,000	N/A	N/A	N/A	N/A
Z#	Nil	Nil	Nil	Nil	Nil	Nil

* Currently, Class A Units are closed to new investors (subject to the Manager's discretion to allow any subscription by new investors). Investors with existing holdings in Class A Units may continue to make additional subscriptions in Class A Units.

^ Currently, Class A and Class L are not available under Renminbi Sub-Fund but the Manager has the discretion to launch such Classes under Renminbi Sub-Fund in the future.

+ Class T and Class S Units are tokenised Units which are denominated in Hong Kong dollar under Hong Kong Dollar Sub-Fund. Class T and Class S Units can only be subscribed and redeemed through Eligible Distributors.

Units of Class L are available only to retirement schemes designated by the Manager. Units of Class Z are available to investors making investment through a discretionary management agreement entered into with an HSBC group entity and to investors selected by the Manager at their discretion.

Class feature, distribution policy and naming convention:

1) Accumulation Class:

The Accumulation Classes are named as the letters shown on the above table, for example, A, B, C.

Dividends will not be distributed and any net income attributable to the Accumulation Class will be accrued and reflected in the daily fund price of the respective Class. The accrued net investment income is not required to remain in cash and the Investment Adviser of the Sub-Funds may further invest in eligible money market instruments as it considers suitable.

Currently, Class A Units are closed to new investors (subject to the Manager's discretion to allow any subscription by new investors). Investors with existing holdings in Class A Units may continue to make additional subscriptions in Class A Units.

Class L Units are available only to retirement schemes designated by the Manager. Units of Class Z are available to investors making investment through a discretionary management agreement entered into with an HSBC group entity and to investors selected by the Manager at their discretion.

2) Distribution Class:

The Distribution Classes are suffixed by a "D", for example, BD, CD, ED, TD or SD. Currently, Class AD and Class LD are not available. The Manager may make them available in the future at its discretion.

It is the intention of the Manager that all or part of the net income and/or net realised capital gain (collectively "Net Income") of a Sub-Fund which is attributable to Distribution Classes, if any, will be declared as dividend. Unrealised capital gain will not be declared as dividend. The Manager has the discretion not to declare any dividend even when the Net Income of the Distribution Class is positive.

Except Class S, it is intended that dividend (if any) will be declared daily and paid monthly to entitled investors or at such other declaration and/or payment frequency as the Manager may determine. Payment of dividends may be made in cash ("cash payment mode") or through re-investment ("re-investment mode") as further described below. Unless Unitholders have opted for reinvestment mode (see below), dividends declared in a calendar month will normally be paid to Unitholders in cash payment mode.

For Class S, it is intended that dividend (if any) will be declared daily and paid daily to entitled investors or at such other declaration and/or payment frequency as the Manager may determine. Payment of dividends may only be made through re-investment mode.

No amount payable to a Unitholder in respect of any distribution shall bear interest. Therefore, Distribution Classes that pay dividends monthly may derive less return from the distributions than Distribution Classes that pay dividends more frequently (e.g. Class S which declares and pays dividends daily) in reinvestment mode. Any income derived from the declared dividends before distribution shall be treated as if the same were income derived from the Trust Fund. The Manager has the discretion to determine dividend policy and make changes any time and from time to time.

Investors are eligible for dividends from the calendar day after they successfully subscribe up to and including the day of redemption.

Investors should note that:

i) the Manager cannot guarantee that the Net Income of a Sub-Fund will be positive at all times or at any specific point in time. When the interest rates are low, zero or negative, and Net Income of certain Classes is zero or negative, distribution will not be declared. Further, negative Net Income will be absorbed by and reflected in the daily fund price of the relevant Classes, and the fund price of the relevant Classes will decline as a result. The below examples are provided for reference:

Example 1: Zero Net Income

Gross asset of the class (a)	Expenses of the class (b)	Gross income of the class (c)	Net Income (d) = (c-b)	Net asset value of the Class (e)= (a+d)	Outstanding no. of units (f)	Net asset value per unit (g) = (e/f)	Any dividend distribution?
10,000,000	6,000	6,000	0.00	10,000,000	500,000	20.0000	No

Example 2: Negative income (positive income but lower than expenses)

Gross asset of the class (a)	Expenses of the class (b)	Gross income of the class (c)	Net Income (d) = (c-b)	Net asset value of the Class (e)= (a+d)	Outstanding no. of units (f)	Net asset value per unit (g) = (e/f)	Any dividend distribution?
10,000,000	6,000	100	(5,900)	9,994,100	500,000	19.9882	No

Example 3: Negative income (negative gross income)

Gross asset of the class (a)	Expenses of the class (b)	Gross income of the class (c)	Net Income (d) = (c-b)	Net asset value of the Class (e)= (a+d)	Outstanding no. of units (f)	Net asset value per unit (g) = (e/f)	Any dividend distribution?
10,000,000	6,000	(800)	(6,800)	9,993,200	500,000	19.9864	No

As illustrated under Example 2 and 3, when Net Income is negative, such negative income will be absorbed by the asset of the impacted Classes, resulting in declined net asset value per unit (fund price).

If the low, zero or negative interest rate situation lasts, there may be a prolonged period of time that the impacted Distribution Classes will not declare or distribute any dividend as well as declining fund prices.

ii) investing in the Sub-Funds is not the same as deposits in banks. The fund price may go up as well as down. The original investment amount is not guaranteed. Dividend distributed by the Sub-Funds is not the same as bank interest; it is not guaranteed.

Reinvestment mode (except Class S)

As an alternative to receiving dividends in cash, Unitholders of Distribution Classes may opt for reinvestment mode. Under the reinvestment mode, dividend declared on each Business Day will be accumulated in cash for the whole month, and will be reinvested into the Distribution Class once a month at the net asset value per Unit of the Distribution Class on the reinvestment day.

Investors who have opted for cash payment mode may switch to the reinvestment mode and vice versa, but such instructions can only be effected once a month. Instructions that are received by the Manager three Business Days before month-end will be effected the following month; for those that are received after the said time of the month, the instructions will be effected in the second month after the month in which the instructions are received. Such timelines may be changed by the Manager as it considers appropriate.

In the case that the Distribution Class is distributed through distributors and distributors who would like to select both cash payment mode and reinvestment mode should maintain separate account for each dividend mode and make such other arrangement as may be required by the Manager.

Reinvestment mode (Class S)

Class S only offers reinvestment mode. Cash payment of dividends are not available.

Dividends declared on each Business Day will be reinvested into Class S on the same Business Day at the net asset value per Unit of Class S on such Business Day and Unitholders will receive Tokens representing the Class S Units from the reinvestment of dividend.

SECTION B: INVESTMENT MANAGEMENT

Investment objective, policy and strategy

The Investment Objective, Policy and Strategy for each Sub-Fund is disclosed in the section "Appendix – Sub-Fund Details".

According to the Responsible Investment Policies of HSBC Asset Management ("HSBC"), the Sub-Funds may be subject to the application of investment exclusions, which are referred to as "Excluded Activities" as described below.

Excluded Activity	Details
Banned Weapons	The Sub-Funds will exclude companies and/or issuers that HSBC considers to have verified or strongly indicated involvement in the development, production, use, maintenance, offering for sale, distribution, import or export, storage or transportation of weapons banned by certain international conventions. Where HSBC has identified potential involvement, those companies and/or issuers may be subject to ESG due diligence checks to determine whether those companies and/or issuers should be excluded from a Sub-Fund's portfolio. Banned weapons include anti-personnel mines, biological weapons, blinding laser weapons, chemical weapons, cluster munitions and non-detectable fragments.
Controversial Weapons	The Sub-Fund will not invest in companies and/or issuers that HSBC considers to be directly involved in the production of controversial weapons or their key components. Controversial weapons include depleted uranium ammunition and depleted uranium armour, incendiary weapons, nuclear weapons and white phosphorus weapons. Where HSBC has identified potential involvement, those companies and/or issuers may be subject to ESG due diligence checks to determine whether those companies and/or issuers should be excluded from a Sub-Fund's portfolio. HSBC may continue to invest in companies and/or issuers with immaterial involvement. HSBC defines immaterial involvement as being companies and/or issuers where less than 5% of revenues is derived from the production of controversial weapons or its key components.

Fund restrictions

1. Investment limitations

No holding of any security may be acquired for or added to a Sub-Fund which would be inconsistent with achieving the investment objective of the Sub-Fund or which would result in:-

(a) the aggregate value of the Sub-Fund's investments in, or exposure to, any single entity (other than Government and other public securities) through the following exceeding 10% of the latest available net asset value of the relevant Sub-Fund:

(i) investments in securities issued by that entity;

(ii) exposure to that entity through underlying assets of financial derivative instruments; and

(iii) net counterparty exposure to that entity arising from transactions of OTC financial derivative instruments.

For the avoidance of doubt, restrictions and limitations on counterparty as set out in sub-paragraphs 1(a) and 1(b) of this section "Fund restrictions" will not apply to financial derivative instruments that are:

(A) transacted on an exchange where the clearing house performs a central counterparty role; and

(B) marked-to-market daily in the valuation of their financial derivative instrument positions and subject to margining requirements at least on a daily basis.

The requirements under this sub-paragraph 1(a) will also apply in the case of sub-paragraphs 5.2(g) and (h) of this section "Fund restrictions".

(b) subject to sub-paragraph 1(a) of this section "Fund restrictions", the aggregate value of the Sub-Fund's investments in, or exposure to, entities within the same group through the following exceeding 20% of the latest available net asset value of the relevant Sub-Fund:

(i) investments in securities issued by those entities;

(ii) exposure to those entities through underlying assets of financial derivative instruments; and

(iii) net counterparty exposure to those entities arising from transactions of OTC financial derivative instruments.

For the purposes of sub-paragraphs 1(b) and 1(c) of this section "Fund restrictions", "entities within the same group" means entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognized accounting standards.

The requirements under this sub-paragraph 1(b) will also apply in the case of sub-paragraphs 5.2(g) and (h) of this section "Fund restrictions".

(c) the value of the Sub-Fund's cash deposits made with the same entity or entities within the same group exceeding 20% of the latest available net asset value of the relevant Sub-Fund provided that the 20% limit may be exceeded in the following circumstances:

(i) cash held before the launch of the Sub-Fund and for a reasonable period thereafter prior to the initial subscription proceeds being fully invested; or

(ii) cash proceeds from liquidation of investments prior to the merger or termination of the Sub-Fund, whereby the placing of cash deposits with various financial institutions would not be in the best interests of Unitholders; or

(iii) cash proceeds received from subscriptions pending investments and cash held for the settlement of redemption and other payment obligations, whereby the placing of cash deposits with various financial institutions be unduly burdensome and the cash deposits arrangement would not compromise Unitholders' interests.

For the purposes of this sub-paragraph 1(c), “cash deposits” generally refer to those that are repayable on demand or have the right to be withdrawn by the Sub-Fund and not referable to provision of property or services.

(d) the Sub-Fund’s holding of any ordinary shares (when aggregated with all other Sub-Funds’ holdings of such ordinary shares) exceeding 10% of any ordinary shares issued by any single entity.

(e) the value of the Sub-Fund's investment in securities and other financial products or instruments that are neither listed, quoted nor dealt in on a securities market, exceeding 15% of the latest available net asset value of such Sub-Fund. For the purpose of this sub-paragraph 1(e), “securities market” means any stock exchange, over-the-counter market or other organized securities market that is open to the international public and on which such securities are regularly traded or such other definition as provided in the Code.

(f) the value of the Sub-Fund’s total holding of Government and other public securities of the same issue exceeding 30% of the latest available net asset value of such Sub-Fund (save that the Sub-Fund may invest all of its assets in Government and other public securities in at least six different issues). For the avoidance of doubt, Government and other public securities 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.

(g)

(i) the value of the Sub-Fund's investment in underlying funds which are non-eligible schemes (the list of “eligible schemes” is as specified by the SFC from time to time) and not authorized by the SFC in aggregate exceeding 10% of its latest available net asset value; and

(ii) the value of the Sub-Fund's investment in units or shares in each underlying funds which is either an eligible scheme (the list of “eligible schemes” is as specified by the SFC from time to time) or a scheme authorized by the SFC exceeding 30% of its latest available net asset value unless the underlying fund is authorized by the SFC, and the name and key investment information of the underlying fund are disclosed in this Explanatory Memorandum,

provided that:

(A) no investment may be made in any underlying fund the investment objective of which is to invest primarily in any investment prohibited by Chapter 7 of the Code;

(B) where an underlying fund’s objective is to invest primarily in investments restricted by Chapter 7 of the Code, such investments may not be in contravention of the relevant limitation. For the avoidance of doubt, a Sub-Fund may invest in underlying fund(s) authorized by the SFC under Chapter 8 of the Code (except for hedge funds under 8.7 of the Code), eligible scheme(s) of which the net derivative exposure does not exceed 100% of its total net asset value, and exchange traded funds satisfying the requirements in the Note under “Investment in other schemes” of Chapter 7 of the Code in compliance with sub-paragraphs 1(g)(i) and (ii) of this section “Fund restrictions”;

(C) the underlying fund’s objective may not be to invest primarily in other collective investment scheme(s);

(D) all initial charges and redemption charges on the underlying fund(s) must be waived if the underlying fund is managed by the Manager or its Connected Persons; and

(E) the Manager or any person acting on behalf of the Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by an underlying fund or its management company, or any quantifiable monetary benefits in connection with investments in any underlying fund.

For the avoidance of doubt:

(aa) unless otherwise provided under the Code, the diversification requirements under sub-paragraphs 1(a), (b), (d) and (e) of this section "Fund restrictions" do not apply to investments in underlying funds by a Sub-Fund;

(bb) exchange traded funds are considered and treated as collective investment schemes for the purposes of and subject to the requirements in this sub-paragraph 1(g); and the investments by a Sub-Fund in exchange traded funds shall be subject to sub-paragraph 1(e) of this section "Fund restrictions";

(cc) where a Sub-Fund invests in index-based financial derivative instruments, the underlying assets of such financial derivative instruments are not required to be aggregated for the purposes of the investment restrictions or limitations set out in sub-paragraphs 1(a), (b), (c) and (f) of this section "Fund restrictions" provided that the index is in compliance with the requirements under 8.6(e) of the Code.

2. Investment prohibitions

The Manager shall not, unless otherwise specifically provided for in the Code, on behalf of any Sub-Fund:-

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

(b) invest in any type of real estate (including buildings) or interests in real estate (including any options or rights but excluding shares in real estate companies and interests in REITs);

(c) make short sales;

(d) subject to sub-paragraph 1(e) of this section "Fund restrictions", lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, Reverse Repurchase Transactions in compliance with the requirements as set out in the Code are not subject to the limitations in this sub-paragraph 2(d);

(e) acquire any asset or engage in any transaction which involves the assumption of any liability by the relevant Sub-Fund which is unlimited. For the avoidance of doubt, the liability of Unitholders of a Sub-Fund is limited to their investments in that Sub-Fund;

(f) 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%, or collectively they own more than 5%, of the total nominal amount of all the issued securities of that class;

(g) invest in any security where a call is to be made for any sum unpaid on that security, unless the call could be met in full out of cash or near cash from the Sub-Fund's portfolio whereby such amount of cash or near cash has not been segregated to cover a future or contingent commitment arising from transaction in financial derivative instruments.

3. Derivatives restrictions

The Sub-Funds will not use derivatives for any purposes.

4. Securities Financing Transactions restrictions and policy

Securities Financing Transactions restrictions

4.1 A Sub-Fund may engage in Securities Financing Transactions, provided that they are in the best interests of Unitholders of such Sub-Fund to do so and the associated risks have been properly mitigated and addressed, and provided further that the counterparties to the Securities Financing Transactions are financial institutions which are subject to ongoing prudential regulation and supervision.

4.2 A Sub-Fund shall have at least 100% collateralization in respect of the Securities Financing Transaction(s) into which it enters to ensure there is no uncollateralized counterparty risk exposure arising from these transactions.

4.3 All the revenues arising from Securities Financing Transactions, net of direct and indirect expenses as reasonable and normal compensation for the services rendered in the context of the Securities Financing Transactions shall be returned to the Sub-Fund.

4.4 A Sub-Fund shall only enter into a securities financing transaction if the terms of such securities financing transaction include the power for the Sub-Fund at any time to recall the securities or the full amount of cash (as the case may be) subject to the securities financing transaction or terminate the securities financing transaction(s) into which it has entered.

Securities Financing Transactions policy

The Renminbi Fund may enter into Reverse Repurchase Transactions. The maximum and expected level of the Sub-Fund's assets available for Reverse Repurchase Transactions are set out in the investment policy of the Sub-Fund in the Appendix.

Information on the revenues generated under Securities Financing Transactions shall be disclosed in the annual and semi-annual financial reports of the Sub-Fund, along with entities to whom direct and indirect operational costs and fees relating to such transactions are paid. These entities may include the Manager, the Investment Adviser or any other their Connected Persons.

Reverse Repurchase Transactions shall be valued at their principal amount plus accrued interest from the date of settlement.

Currently the HKD Fund and USD Fund do not intend to enter into Securities Financing Transactions (including Securities Lending, Repurchase Transactions or Reverse Repurchase Transactions or similar OTC transactions). Prior approval will be obtained from the SFC and at least one month's prior notice will be given to Unitholders if there is a change in such intention for the two aforesaid Sub-Funds.

5. Counterparty policy and collateral policy

5.1. Counterparty policy

When transacting in Securities Financing Transactions, the Manager has counterparty selection policies and control measures to manage the credit risks of counterparties which shall include amongst other considerations, fundamental creditworthiness (e.g. ownership structure, financial strength) and commercial reputation of specific legal entities in conjunction with the nature and structure of proposed trading activities, external credit ratings of the counterparty, the regulatory supervision applied to the relevant counterparty, country of origin of the counterparty and legal status of the counterparty.

The counterparties will be entities with legal personality typically located in OECD jurisdictions (but may also be located outside such jurisdictions). The counterparties to Securities Financing Transactions will be financial institutions which are subject to ongoing prudential regulation and supervision.

The counterparties must have a minimum credit rating of A-1/P-1 or equivalent, or must be deemed by the Manager to have an implied rating of A-1/P-1 or equivalent assigned by an internationally recognised credit agency (e.g. Standard & Poor's or Moody's). Alternatively an unrated counterparty will be acceptable where the Manager is indemnified or guaranteed against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating of A-1/P-1 or equivalent assigned by an internationally recognised credit agency (e.g. Standard & Poor's or Moody's).

Transactions in Securities Financing Transactions will at all times be governed by approved HSBC Group standard documentation such as Global Master Repurchase Agreement.

5.2. Collateral policy

Under the investment advisory agreements, the Investment Adviser and discretionary Sub-Investment Adviser (if any) has the authority to manage the investment and reinvestment of the assets of a Sub-Fund, including but not limited to agree the terms for collateral arrangements, duly advising the Manager of what arrangements have been made, for purposes of managing counterparty risk where transactions in Securities Financing Transactions have been executed. The Manager, Investment Adviser and discretionary Sub-Investment Adviser (if any) have appropriate systems, operational capabilities and legal expertise for proper collateral management.

As of the date of this Explanatory Memorandum, the Sub-Funds may receive both non-cash collateral or cash collateral but cash collateral will not be reinvested. However, the criteria set out below applies to all assets received by a Sub-Fund as collateral including the reinvestment of cash collateral in the event that the Sub-Funds reinvest such cash collateral in future:

(a) **Nature:** Collateral may include both cash and non-cash collateral. Cash collateral may include cash, cash equivalents and money market instruments. Non-cash collateral may comprise of government or corporate bonds whether long/short term bonds, listed or traded in any regulated markets.

Collateral does not include (i) structured products whose payouts rely on embedded financial derivatives or synthetic instruments; (ii) securities issued by special purpose vehicles, special investment vehicles or similar entities; (iii) securitized products; or (iv) unlisted collective investment schemes.

(b) **Credit quality:** the collateral is of high credit quality (i.e. at least rated A-1/P-1 or equivalent by an internationally recognised credit agency (e.g. Standard & Poor's or Moody's)). In the event the credit quality of the collateral or the issuer of the asset being used as collateral has deteriorated to such a degree that the Manager reasonably

believes would undermine the effectiveness of the collateral, the Manager will take all practical steps to require the counterparty to replace such collateral as soon as practicable.

(c) **Liquidity:** any collateral received other than cash should be highly liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a robust price that is close to pre-sale valuation.

(d) **Valuation:** collateral is valued in accordance with the Sub-Fund's valuation policy as set out in the sub-section "Valuation policy of Sub-Funds" or other prices as the Manager deems appropriate.

(e) **Haircut policy:** the collateral is subject to a prudent haircut policy. Haircuts will take into account the characteristics of the assets such as the credit standing or the price volatility. Assets that exhibit high price volatility will not be accepted by a Sub-Fund as collateral unless suitably conservative haircuts are in place. Haircuts are reviewed by the Manager on an ongoing basis to ensure that they remain appropriate for eligible collateral taking into account collateral quality, liquidity and price volatility.

(f) **Correlation:** collateral received by the Sub-Fund is issued by an entity that is independent from the counterparty and is one that is expected not to display a high correlation with the performance of the counterparty such that the effectiveness of the collateral would be undermined.

(g) **Diversification:** collateral must be sufficiently diversified so as to avoid concentrated exposure to any single entity and/or entities within the same group. The exposures of a Sub-Fund to the collateral issuers are monitored in accordance with the relevant restrictions on exposure to a single entity and/or entities within the same group as set out in the sub-section "Fund restrictions".

(h) **Reinvestment of collateral:** Non-cash collateral will not be sold, reinvested or pledged. Cash collateral may be reinvested. Reinvested cash collateral will remain sufficiently diversified subject to the applicable restrictions in respect of collateral set out in the "Fund restrictions" section and shall comply with the requirements set out in 8.2(f) and 8.2(n) of the Code.

Reinvested cash collateral may only be placed on short-term deposit, invested in high quality money market instruments and money market funds authorized under 8.2 of the UT Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC and subject to corresponding investment restrictions or limitations applicable to such investments or exposure as set out in this sub-section "Fund restrictions". For this purpose, money market instruments refer to securities normally dealt in on the money markets, including government bills, certificates of deposit, commercial papers, short-term notes and bankers' acceptances, etc. In assessing whether a money market instrument is of high quality, the Manager will take into account the credit quality, the liquidity profile of the money market instruments and such other factors as the Manager considers relevant;

Cash collateral received is not allowed to be further engaged in any securities financing transactions. Further, when the cash collateral received is reinvested into other investments, such investments are not allowed to be engaged in any securities financing transactions.

(i) **Encumbrances and Enforceability:** the collateral is free of prior encumbrances and collateral (subject to any net-off or set-off, if applicable) is capable of being fully

enforced by the Manager / Sub-Fund at any time without further recourse to the counterparty.

(j) **Safe-keeping of collateral**: Any non-cash assets received by a Sub-Fund from a counterparty on a title transfer basis should be held by the Trustee or a Correspondent. This is not applicable in the event that there is no title transfer in which case the collateral will be held by a third party custodian which is unrelated to the provider of the collateral. A description of collateral holdings of each Sub-Fund will be disclosed in its semi-annual and annual reports as required under Appendix E of the Code. Assets provided by a Sub-Fund on a title transfer basis shall no longer belong to the Sub-Fund. The counterparty may use those assets at its absolute discretion. Assets provided to a counterparty other than on a title transfer basis shall be held by the Trustee or a Correspondent.

6. Money Market Funds

In the exercise of its investment powers in relation to a Sub-Fund which is a money market fund ("Money Market Fund") authorised by the SFC under 8.2 of the Code, the Manager shall ensure that the core requirements as set out in paragraphs 1, 2, 4, 5 and 7 of this section "Fund restrictions" shall apply with the following modifications, exemptions or additional requirements:-

(a) subject to the provisions set out below, a Money Market Fund may only invest in short-term deposits and high quality money market instruments (i.e. securities normally dealt in on the money markets including government bills, certificates of deposit, commercial papers, short-term notes, bankers' acceptances, asset-backed securities such as asset-backed commercial papers), and money market funds that are authorised by the SFC under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC;

(b) a Money Market Fund shall maintain a portfolio with weighted average maturity not exceeding 60 days and a weighted average life not exceeding 120 days and must not purchase an instrument with a remaining maturity of more than 397 days (or two years in the case of Government and other public securities). For the purposes herein;

(i) "**weighted average maturity**" is a measure of the average length of time to maturity of all the underlying securities in a Money Market Fund weighted to reflect the relative holdings in each instrument; and is used to measure the sensitivity of the Money Market Fund to changing money market interest rates; and

(ii) "**weighted average life**" is the weighted average of the remaining life of each security held in a Money Market Fund; and is used to measure the credit risk, as well as the liquidity risk,

(iii) provided that the use of interest rate resets in variable-notes or variable-rate notes generally should not be permitted to shorten the maturity of a security for the purpose of calculating weighted average life, but may be permitted for the purpose of calculating weighted average maturity;

(c) notwithstanding sub-paragraphs 1(a) and 1(c) of this section "Fund restrictions", the aggregate value of a Money Market Fund's holding of instruments issued by a single entity, together with any deposits held with that same issuer may not exceed 10% of the latest available net asset value of such Money Market Fund except:-

(i) the value of a Money Market Fund's holding of instruments and deposits issued by a single entity may be increased to 25% of the latest available net asset value of such Money Market Fund if the entity is a Substantial Financial Institution, provided that the total value of such holding does not exceed 10% of the entity's share capital and non-distributable capital reserves; or

(ii) up to 30% of a Money Market Fund's latest available net asset value may be invested in Government and other public securities of the same issue; or

(iii) in respect of any deposit of less than US$1,000,000 or its equivalent in the Base Currency of the relevant Money Market Fund where such Money Market Fund cannot otherwise diversify as a result of its size;

(d) notwithstanding sub-paragraphs 1(b) and 1(c) of this section "Fund restrictions", the aggregate value of a Money Market Fund's investments in entities within the same group through instruments and deposits may not exceed 20% of its latest available net asset value provided that:

(i) the aforesaid limit will not apply in respect of cash deposit of less than US$ 1,000,000 or its equivalent in the Base Currency of such Money Market Fund, where it cannot otherwise diversify as a result of its size;

(ii) (where the entity is a Substantial Financial Institution and the total amount does not exceed 10% of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25%;

(e) the value of a Money Market Fund's holding of money market funds that are authorised under Chapter 8.2 of the Code or regulated in a manner generally comparable with the requirements of the SFC and acceptable to the SFC may not in aggregate exceed 10% of its latest available net asset value;

(f) the value of a Money Market Fund's holding of investments in the form of asset-backed securities may not exceed 15% of its latest available net asset value;

(g) subject to the restrictions in paragraphs 4 and 5 of this section "Fund restrictions", a Money Market Fund may engage in Repurchase Transactions and Reverse Repurchase Transactions in compliance with the following additional requirements:

(i) the amount of cash received by a Money Market Fund under Repurchase Transactions may not in aggregate exceed 10% of its total net asset value;
(ii) the aggregate amount of cash provided to the same counterparty in Reverse Repurchase Transactions agreements may not exceed 15% of the net asset value of the Money Market Fund;

(iii) collateral received may only be cash, high quality money market instruments and may also include, in the case of Reverse Repurchase Transactions, government securities receiving a favourable assessment on credit quality; and

(iv) the holding of collateral, together with other investments of the Money Market Fund, must not contravene the investment limitations and requirements set out in the other provisions in this section entitled "Fund Restrictions";

(h) the currency risk of a Money Market Fund should be appropriately managed and any material currency risk that arises from investments of the Money Market Fund that are not denominated in its Base Currency shall be appropriately hedged;

(i) a Money Market Fund must hold at least 7.5% of its latest available net asset value in daily liquid assets and at least 15% of its latest available net asset value in weekly liquid assets. For the purposes herein:

(i) daily liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within one Business Day; and (iii) amount receivable and due unconditionally within one Business Day on pending sales of portfolio securities;

(ii) weekly liquid assets refers to (i) cash; (ii) instruments or securities convertible into cash (whether by maturity or through exercise of a demand feature) within five Business Days; and (iii) amount receivable and due unconditionally within five Business Days on pending sales of portfolio securities; and

(iii) in addition, the Manager shall carry out periodic stress testing to monitor the Money Market Fund's liquidity.

7. Borrowing and leverage restrictions

The expected maximum level of leverage of each Sub-Fund is as follows:

a) Cash borrowing

No borrowing shall be made in respect of a Sub-Fund which would result in the principal amount for the time being of all borrowings made pursuant to the Trust Deed for the account of the relevant Sub-Fund exceeding an amount equal to 10% of the net asset value of the relevant Sub-Fund provided always that back-to-back loans do not count as borrowing. For the avoidance of doubt, Securities Lending transactions and Repurchase Transactions in compliance with the requirements as set out in the Code are not borrowings for the purpose of, and are not subject to the limitations in this paragraph. Notwithstanding the above, a Money Market Fund may borrow only on a temporary basis for the purposes of meeting redemption requests or defraying operating expenses.

The Trustee shall be entitled on the instruction of the Manager to charge or pledge in any manner all or any part of a Sub-Fund for the purposes of securing any borrowing and interest and expenses thereof.

b) Leverage from the use of financial derivative instruments

The Sub-Funds will not use derivatives for any purposes.

8. Breaches

In the event that any of the above restrictions is breached, the Manager shall as a priority objective take all steps as may be necessary to remedy such breach within a reasonable period of time, taking due account of the interests of Unitholders.

Liquidity risk management

The Manager have established a liquidity risk management policy with the aim to enable them to identify, monitor, manage and mitigate the liquidity risks of the Sub-Funds and to ensure that the liquidity profile of the investments of each Sub-Fund will facilitate compliance with the Sub-Fund's obligation to meet redemption requests. Such policy, combined with the governance framework in place and the liquidity management tools of the Manager, also seeks to achieve fair treatment of Unitholders and safeguard the interests of remaining or existing Unitholders in case of sizeable redemptions or subscriptions.

The Manager's liquidity risk management policy takes into account the investment strategy; the dealing frequency; the underlying assets' liquidity (and whether they are priced at fair value); and the ability to enforce redemption limitations of the Sub-funds.

The liquidity risk management policy involves monitoring the profile of investments held by the Sub-Fund on an on-going basis with the aim to ensure that such investments are appropriate to the redemption policy as stated under the section headed "Redemption of Units", and will facilitate compliance with each Sub-Fund's obligation to meet redemption requests. Further, the liquidity management policy includes details on periodic stress testing carried out by the Manager to manage the liquidity risk of each Sub-Fund in times of exceptional market conditions.

The Manager's risk management function is independent from the investment portfolio management function and is responsible for performing monitoring of each Sub-Fund's liquidity risk in accordance with the Manager's liquidity risk management policy. Exceptions on liquidity risk related issues are escalated to the Manager's Risk Management Committee with appropriate actions properly documented.

The Manager may employ one or more tools to manage liquidity risks including, but not limited to:

- the Manager may limit the number of Units of the relevant Sub-Fund which Unitholders are entitled to redeemed on any Dealing Day to 10% of the net asset value of a Sub-Fund (please refer to heading entitled "Restrictions on redemption");

- The Manager may at any time suspend, with the prior approval of the Trustee, the redemption of Units and/or delay the payment of redemption proceeds during any period in which the determination of the net asset value of a Sub-Fund is suspended.

Transactions with Connected Persons

All transactions carried out by or on behalf of the Fund or a Sub-Fund must be executed at arm's length and in the best interest of the Unitholders of the relevant Sub-Fund. In particular, any transactions between a Sub-Fund and the Manager, the Investment Adviser, the Sub-Investment Adviser (if applicable) or any of their Connected Persons as principal may only be made with the prior written consent of the Trustee. All such transactions will be disclosed in the annual and semi-annual report and accounts of the Fund and/or the relevant Sub-Fund. In transacting with brokers or dealers connected to the Manager, the Investment Adviser, the Sub-Investment Adviser (if applicable) or any of their Connected Persons, the Manager must ensure that:

- such transactions are on arm's length terms;

- it uses due care in the selection of such brokers or dealers and ensures that they are suitably qualified in the circumstances;

- transaction execution must be consistent with applicable best execution standards;

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

- it monitors such transactions to ensure compliance with its obligations; and

- the nature of such transactions and the total commissions and other quantifiable benefits received by such broker or dealer shall be disclosed in the annual and semi-annual report and accounts of the Fund and/or the relevant Sub-Fund.

Cash rebates and soft commissions

The Fund and/or the Sub-Fund will generally pay brokerage at customary institutional full service brokerage rates. Transactions of the Fund and/or the Sub-Fund may be entered into through Connected Persons of the Manager. The Manager and its Connected Persons will not receive cash or other rebates from brokers or dealers in respect of transactions from the Fund and/or the Sub-Fund.

The Manager may enter into soft commission arrangements for the provision to the Manager or Connected Persons of goods and services which are of demonstrable benefit to the Unitholders provided that (i) the brokerage rates do not exceed customary institutional full service brokerage rates and the execution of transactions for the Fund and/or the Sub-Fund is consistent with best execution standards, (ii) periodic disclosure is made in the annual report of the Fund and/or the relevant Sub-Fund in the form of a statement describing the soft dollar policies and practices of the Manager, including a description of goods and services received by it, and (iii) the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer.

Subject to the applicable legal and regulatory requirements (e.g. the requirements stated in the above paragraph), the Manager may engage in commission sharing arrangements ("CSA") programme where the Manager may effect transactions through brokers who agree to allocate a portion of eligible commissions into a pool that can be used to pay for research expenses. The CSA programme allows the Manager to use a portion of client brokerage commissions to obtain research or other products or services that can benefit Unitholders. When the Manager uses client brokerage commissions to obtain research or other products or services through a CSA programme, the Manager receives a benefit because it does not have to produce or pay for the research, products or services. As a result, the Manager has an incentive to select or recommend a broker-dealer that participates in the CSA programme based on its own interest in receiving the research or other products or services, rather than on the clients' interest in receiving the most favorable execution.

For the avoidance of doubt (and without prejudice to the generality of the foregoing) the following goods and services may be considered as of such benefit to Unitholders: research and advisory services; economic and political analysis; portfolio analysis (including valuation and performance measurement); market analysis, data and quotation services; computer hardware and software incidental to the above goods and services; clearing and custodian services; and investment-related publications. Such goods and services may not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries, or direct money payments.

SECTION C: INVESTING IN A SUB-FUND

Valuation and prices

Valuation policy of Sub-Funds

Valuation policy for the Sub-Funds are summarized as follows:

(a) The assets below are valued by the amortisation cost accounting method:

(i) deposits shall be valued at their principal amount plus accrued interest from the date of acquisition;

(ii) certificates of deposit acquired at their nominal value shall be valued at cost plus accrued interest from the date of their acquisition on the nominal value at the coupon rate;

(iii) certificates of deposit acquired at a discount or premium on the sum of the nominal value and accrued interest at the date of acquisition shall be valued at their cost plus accrued interest from the date of acquisition on the nominal value at the coupon rate and adjusted by an amount equal to the discount or premium at which they were acquired divided by the number of days unexpired at the date of acquisition and multiplied by the number of days elapsed from the date of acquisition to the date as of which the assets are being valued;

(iv) Treasury Bills and bills of exchange shall be valued at their cost, plus accrued interest calculated by dividing the discount (if any) at which they were acquired by the number of days unexpired at the date of acquisition and multiplied by the number of days elapsed from the date of acquisition to the date as of which the assets are being valued;

(v) commercial paper acquired at a discount or premium on the sum of the nominal value and accrued interest at the date of acquisition shall be valued at their cost plus accrued interest from the date of acquisition on the nominal value at the coupon rate and adjusted by an amount equal to the discount or premium at which they were acquired divided by the number of days unexpired at the date of acquisition and multiplied by the number of days elapsed from the date of acquisition to the date as of which the assets are being valued;

For assets mentioned in (i) to (v) above, recognition of daily interest of assets shall commence on the calendar day following acquisition. The Manager may make other appropriate arrangement after consultation with the Trustee.

Notwithstanding the above, debt investments with remaining maturity exceeding 90 days shall be priced at fair value in accordance with (b) and (c) below.

(b) subject to (a) above, investments for which prices are quoted on a securities market shall be valued at the latest traded price for the relevant investment or such amount of the relevant investment as in the opinion of the Manager gives a fair criterion on the relevant Securities Market and if the investment is traded on more than one Securities Market, on the Securities Market which in the opinion of the Manager is the principal Securities Market for such investment;

(c) if the latest traded price of any investment required by (b) above is not available, the investment shall be valued at the mean of the latest available bid price and offered price for the investment or such amount thereof as in the opinion of the Manager gives a fair criterion at the relevant time and on the relevant Securities Market and, if the investment is traded on more than one Securities Market, on the Securities Market which in the opinion of the Manager is the principal Securities Market for such investment.

For the purpose of calculating the net asset value of the Sub-Fund, the provision for taxes (if any) which may be payable by the Sub-Fund shall be determined or estimated by making reference to the tax advice received for the Sub-Fund and the taxes required to be made by the Sub-Fund shall be deducted or withheld from assets of the Sub-Fund.

Amortised cost method of valuation

Certain types of investments are valued using amortised cost valuation method as described in point (a) under the sub-section "Valuation policy of Sub-Funds" above. Where an amortised cost valuation method is utilised, the Manager will generally carry out a daily review of the difference between the market value of the debt instruments and the amortised cost value of the debt instruments. Escalation procedures have been put in place by the Manager to review the discrepancies between (a) the market value of the instruments and the amortised cost value of the instruments, and (b) the market value of portfolio and the amortised cost value of the portfolio of a Sub-Fund. When the discrepancy at the portfolio level of a Sub-Fund exceeds 0.10% of the Sub-Fund's total net asset value, it will be escalated to the authorized internal parties who may take corrective action, including reducing the discrepancy to below 0.1%, after taking into account the best interest of the Sub-Fund's Unitholders.

The Manager will monitor the use of the amortised cost method of valuation in order to ensure that this method continues to be in the best interests of the Unitholders and to provide a fair valuation of the investments of the Sub-Fund. There may be periods during which the stated value of an instrument determined under the amortised cost method of valuation is higher or lower than the price which the Sub-Fund would receive if the instrument were sold, and the accuracy of the amortised cost method of valuation can be affected by changes in interest rates and the credit standing of issuers of the Sub-Fund's investments.

Measures in place to meet redemption request

To reduce the probability of having to sell the Sub-Funds' assets prior to their maturity for the purpose of meeting redemption requests, the Manager:

(a) constructs the portfolios of the Sub-Funds with investments of various span of maturity periods such as daily, weekly, one month which provides the Sub-Funds with the cash required for daily redemption need through natural maturity;

(b) may limit the holding of each investor at a maximum of 10% of the Sub-Fund's total net asset value (or other level as the Manager may determine from time to time) to avoid concentration risk;

(c) may limit the daily redemption to 10% of the property of a Sub-Fund (please refer to heading entitled ""Restrictions on Redemption").

The Manager endeavours to manage the daily available cash to meet the daily redemption need so as to reduce the probability of materialising the discrepancy between the market price and the amortized value of the securities, but there is no assurance that this can be fully achieved.

Fair Value Adjustments

The value of any investment or deposit which may not be determined in accordance with the Trust Deed whether because the relevant prices are not generally available on a market or not available on a particular valuation date or where the Manager considers the method of valuation inappropriate, shall be adjusted by the Manager or valued by using other method of valuation permitted by the Manager if such adjustment is required to reflect the fair value provided that such adjustment may only be made after consultation with the Trustee and the auditors.

Unit prices

The net asset value of a Class of Units of a Sub-Fund as at any Valuation Point shall be determined as follows:

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

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

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

The net asset value of a Class will be calculated in the Base Currency of the Sub-Fund. Where a Class is denominated in non-Base Currency of the Sub-Fund, the net asset value of such Class will be further converted to the Class Currency of the Class.

The Issue Price/ Redemption Price of each Class of Units for any relevant Dealing Day will be determined by dividing the net asset value of such Class of Units as at the Valuation Point relating to that Dealing Day by the number of Units of such Class then in issue. The resulting amount of the Issue Price/Redemption Price will be rounded to 4 decimal places. The current rounding method is half-adjusted (ie, if the price is 1.25624, it should be rounded to 1.2562; if the price is 1.25625, it should be rounded to 1.2563). Surplus of any rounding of the fund prices arising from subscription/redemption will be retained by the relevant Sub-Fund or Class. Shortfall of any rounding of the fund prices from subscription/redemption will be absorbed by the relevant Sub-Fund or Class. The Manager may change the rounding method as it thinks fit.

Publication of Prices

The prices of Class A Units, Class C Units, Class S Units and Class T Units will be published daily on the website www.assetmanagement.hsbc.com.hk. Please note that this website has not been reviewed by the SFC. The prices of Class S Units and Class T Units may also be available on the Eligible Distributor's digital platform. Current prices of all Classes are obtainable on request from the Manager.

Suspension of calculation of net asset value

With the consent of the Trustee, the Manager may at any time suspend the rights of Unitholders of any Sub-Fund to redeem Units (and the issue of Units will also be suspended) in the event of the following circumstances:

(a) when dealing on any market in which the Sub-Funds are materially invested is restricted or suspended; or

(b) when the making or uplifting of investments or deposits of the Sub-Funds cannot be effected normally, or without seriously prejudicing the interests of Unitholders; or

(c) in the event of a breakdown in the normal methods of communication used to determine valuations of the assets of the Sub-Funds or part thereof, or if the amount of any significant liability cannot be ascertained promptly or accurately;

(d) when the disposal of any of the Sub-Funds' assets or transfers to or from the Fund cannot be effected at normal prices or rates of exchange; or

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

Such suspension shall take effect forthwith upon the declaration thereof and thereafter there shall be no determination of the net asset value of a Sub-Fund until the Manager shall declare the suspension at an end, except that the suspension shall terminate in any event on the day following the first Business Day on which (i) the condition giving rise to the suspension shall have ceased to exist and (ii) no other condition under which suspension is authorised shall exist.

Whenever the Manager declares such a suspension it shall immediately after any such declaration notify the SFC of the suspension and immediately and at least once a month during the period of such suspension, publish a notice on the Manager's website www.assetmanagement.hsbc.com.hk[3] and/or notify Unitholders and all those (whether Unitholders or not) whose applications to subscribe for or redeem Units shall have been affected by such suspension stating that such declaration has been made.

No Units in an affected Sub-Fund may be created, issued or redeemed during such a period of suspension.

Prevention of Market Timing and other Unitholder Protection Mechanisms

The Fund and its Sub-Funds do not knowingly allow investments which are associated with market timing practices as such practices may adversely affect the interests of all Unitholders.

In general, market timing refers to the investment behaviour of an individual or company or a group of individuals or companies buying, selling or exchanging shares or other securities on the basis of predetermined market indicators by taking advantage of time differences and/or imperfections or deficiencies in the method of determination of the net asset value. Market timers may also include individuals or groups of individuals whose securities transactions seem to follow a timing pattern or are characterised by frequent or large exchanges. Market timers may disrupt the sub-funds' investment strategies, may increase expenses and may adversely affect investment returns for all Unitholders.

[3] Please note that this website has not been reviewed by the SFC.

Accordingly, the Manager reserve the right to reject any application for switching and/or subscription of units from investors whom the former considers market timers.

Unit dealing

Subscriptions

Units may be purchased at the dealing price of each Class of Units in the relevant Sub-Fund on the Dealing Day on which cleared funds in the currency of the Sub-Fund/Class and the application form are received by the Manager.

In order for subscription applications to be dealt with, the relevant subscription application must be received in a manner satisfactory to the Manager or the Trustee and in accordance with the application and payment procedures set out below. Applications for Units may be made by such means (including electronic means) with the required information and supporting documents as from time to time determined by the Manager and/or the Trustee. Investors should be reminded that if they choose to send application forms by facsimile or other electronic means, they bear their own risk of the forms being illegible or not being received. Investors should therefore for their own benefit confirm with the Manager the receipt of the forms. Neither the Manager nor the Trustee shall be responsible to a Unitholder or an investor for any loss resulting from non-receipt or illegibility of any orders sent by facsimile or other electronic means, or for any loss caused in respect of any action taken as a consequence of such application believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a transmission report produced by the originator of such transmission discloses that such transmission was sent.

For subscription applications received on a day which is deemed to be a non-Business Day due to the conditions provided in the definition of "Business Day" (e.g. number 8 typhoon signal, black rainstorm warning, etc.), such subscription applications will be dealt with on the next Dealing Day and no interest will accrue on the subscription monies received.

The minimum value of Units of any Class of any Sub-Fund that a Unitholder may apply for at initial investment must meet or exceed the minimum holding as detailed under the "Description of Classes" section. Any subsequent subscription to the same Class of Units by the Unitholder must meet or exceed the minimum subsequent subscription as detailed under the "Description of Classes" section. The Manager may in its discretion agree to accept a lesser amount from time to time than either the minimum holding or minimum subsequent subscription, whether generally or in a particular case.

The Manager shall have absolute discretion to accept or reject in whole or in part any application for Units. No interest will accrue on subscription monies received. If an application is rejected by the Manager, the subscription monies will be refunded to the applicant without interest by telegraphic transfer to the bank account from which the moneys originated at the risk and expense of the applicants or in such other manner as the Manager may from time to time determine.

Each applicant whose application is accepted will be sent a contract note confirming details of the purchase of Units.

All holdings will be in registered form and certificates for units are not usually issued unless a specific request is received in writing. Evidence of title will be the entry on the Register of Unitholders. Unitholders should therefore be aware of the importance of ensuring that the Manager is informed of any change to the registered details.

A maximum of 4 persons may be registered as joint Unitholders.

All subscription applications must be signed by Unitholders except for those sent via electronic means, as determined by the Manager and/or the Trustee.

Fractions of Units arising from calculation in subscription request by subscription amount will be rounded to 4 decimal places. The current rounding method is half-adjusted (ie, if the number of Units to be issued is 1.25624, it should be rounded to 1.2562; if the number of Units to be issued is 1.25625, it should be rounded to 1.2563). Surplus of subscription amounts resulting from such rounding of subscription Units will be retained by the relevant Sub-Fund or Class. Shortfall of subscription amounts resulting from such rounding of subscription Units will be absorbed by the relevant Sub-Fund or Class. The Manager may change the rounding method as it thinks fit.

Cut-off

Subscription applications should be made on, and in accordance with the instructions on the application form and be received by the Manager or the Trustee by 11 a.m. (Hong Kong time) on a Dealing Day (or such other time as the Manager may from time to time determine) if they are to be dealt on that Dealing Day. Subscription applications received after that time will be dealt with on the next Dealing Day.

Subscription applications may also be sent through distributors appointed specifically for the purpose of distributing the Sub-Funds. Different distributors may have different cut-off times and investors should contact such distributors for details. Such distributors may also have the discretion to decide which Sub-Fund(s) and/or Classes of Units are available for subscription by investors through the relevant distributors, and whether applications for such subscription can be accepted by the relevant distributors on a Dealing Day on which severe weather conditions persist. Investors should pay attention to the arrangements of the distributors concerned.

Price

Units of a Class will be issued at the Issue Price on the applicable Dealing Day, as calculated in the manner set out in the section headed “Unit prices” above.

Investors will pay the Issue Price of such Units on the applicable Dealing Day. An initial charge may be charged when issuing Units. Further details of the initial charge are given in the section headed “Charges and expenses”.

Settlement

Units will not be issued in any sub-fund until cleared funds have been received. In general, cleared funds must be received by the Dealing Deadline for receiving applications. Where cleared funds are received after such deadline, the relevant application normally will be carried over to the next Dealing Day.

Subscription monies should typically be paid in the Class Currency of the Class of Units being subscribed for.

Unless otherwise specified in this Explanatory Memorandum, subscription monies may be accepted in currencies other than the Class Currency. Such subscription monies will be converted into the Class Currency and all bank charges and other conversion costs will be deducted from the application moneys prior to investment in Units. Currency conversion will be subject to availability of the currency concerned. Such currency conversion will be effected on a timely basis by the Trustee upon receipt of subscription monies. The Manager, the Trustee or their respective delegates will not be liable to any Unitholder for any loss suffered by such Unitholder arising from the said currency conversion.

All application moneys must originate from an account held in the name of the subscriber. No third party payments shall be accepted.

All payments can be paid either by direct transfer or telegraphic transfer to the relevant accounts as set out in the application form. It should be noted that there may be delay in receipt of cleared funds if payment is made by cheques/banker's draft (if applicable) compared to payment by telegraphic transfer. Any costs of transfer of application monies to the Sub-Fund will be payable by the applicant.

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

Redemptions

Redemption notices will be dealt with on each Dealing Day.

In order for redemption notices to be dealt with, the relevant redemption notice form (available from the Manager) must be received in a manner satisfactory to the Manager or the Trustee and in accordance with the redemption procedures set out below.

A redemption request may be made by such means (including electronic means) with the required information and supporting documents as from time to time determined by the Manager and/or the Trustee. Investors should be reminded that if they choose to send redemption forms by facsimile or other electronic means, they bear their own risk of the redemption forms being illegible or not being received. Investors should therefore for their own benefit confirm with the Manager the receipt of the redemption forms. Neither the Manager nor the Trustee shall be responsible to a Unitholder or an investor for any loss resulting from non-receipt or illegibility of any orders sent by facsimile or other electronic means, or for any loss caused in respect of any action taken as a consequence of such application believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a transmission report produced by the originator of such transmission discloses that such transmission was sent.

The minimum value of Units of any Class of any Sub-Fund that a Unitholder may request a partial redemption must meet or exceed the minimum partial redemption (as detailed under the "Description of Classes" section). The Manager may in its discretion agree to redeem a lesser amount from time to time than the minimum partial redemption, whether generally or in a particular case.

If a request for redemption will result in a Unitholder holding Units of a Class less than the minimum holding amount for that Class (as detailed under the "Description of Classes" section), the Manager may refuse to accept such redemption request or the Manager may deem such request to have been made in respect of all Units of the relevant Class held by the Unitholder. All redemption notices must be signed by Unitholders except for those sent via electronic means, as determined by the Manager and/or the Trustee.

Fractions of Units arising from calculation in redemption request by redemption amount will be rounded to 4 decimal places. The current rounding method is half-adjusted (ie, if the number of Units to be redeemed is 1.25624, it should be rounded to 1.2562; if the number of Units to be redeemed is 1.25625, it should be rounded to 1.2563). Surplus of redemption amounts resulting from such rounding of the redemption Units will be retained by the relevant Sub-Fund or Class. Shortfall of redemption amount resulting from such rounding of the redemption Units will be absorbed by the relevant Sub-Fund or Class. The Manager may change the rounding method as it thinks fit.

<u>Cut-off</u>

Redemption notices should be made on, and in accordance with the instructions on the redemption notice form and be received by the Manager or the Trustee by 11 a.m. (Hong Kong time) on a Dealing Day (or such other time as the Manager may from time to time determine) if they are to be dealt on that Dealing Day. Redemption applications received after that time will be dealt with on the next Dealing Day.

Redemption notices may also be sent through distributors appointed specifically for the purpose of distributing the Sub-Funds. Different distributors may have different cut-off times and Unitholders should contact such distributors for details.

Redemption notices may also be sent through distributors appointed specifically for the purpose of distributing the Sub-Fund. Different distributors may have different cut-off times and investors should contact such distributors for details. Such distributors may also have the discretion as to whether redemption notices can be accepted by the relevant distributors on a Dealing Day on which severe weather conditions persist. Investors should pay attention to the arrangements of the distributors concerned.

Price

Units of a Class will be redeemed at the Redemption Price on the applicable Dealing Day, as calculated in the manner set out in the section headed "Unit prices" above.

There is currently no redemption charge.

Settlement

Redemption proceeds will not be paid to any redeeming Unitholder until (a) the written redemption request has been received by the Manager or Trustee, (b) the signature of the Unitholder (or each joint Unitholder) has been verified to the satisfaction of the Trustee and (c) receipt of all required documents by the Trustee for the purpose of verification of identity and the source of funds. Redemption proceeds will be paid to the registered Unitholder requesting such redemption only and will not be paid to third parties. Please also see the section headed "Anti-money laundering regulations and sanction laws".

Redemption monies are normally remitted by bank transfer or telegraphic transfer or in such other manner as may be agreed by the Manager within 7 Business Days after the relevant Dealing Day upon receipt of all properly completed documentation. In any event, the maximum interval between the receipt of a properly documented request for redemption and the payment of the redemption money may not exceed 28 days.

Redemption proceeds will be paid in the Class Currency of the Class of Units being redeemed.

Subject to the agreement of the Trustee or the Manager and to applicable limits on foreign exchange, arrangements can be made for Unitholders who wish to redeem their Units to receive payment in other major currencies. The cost of currency conversion where payment is to be other than in the Class Currency of the Units redeemed will be payable by the Unitholder and will be deducted from the redemption proceeds to be paid to the Unitholder.

A request for redemption once given cannot be revoked without the consent of the Manager.

When dealing through an intermediary for any redemption requests, Unitholders also need to follow the terms of the intermediary in addition to those stated in this Explanatory Memorandum.

Restrictions on redemption

The Manager may suspend, with the prior approval of the Trustee, the redemption of Units and/or delay the payment of redemption proceeds during any period in which the determination of the net asset value of the Sub-Fund is suspended (for details see the section headed "Suspension of calculation of net asset value"

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With a view to protecting the interests of Unitholders, the Manager is entitled, to limit the number of Units redeemed on any Dealing Day to 10% of the total net asset value of the relevant Sub-Fund. In this event, the limitation will apply pro rata so that all Unitholders wishing to redeem their Units on that Dealing Day will redeem the same proportion of such Units and Units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, on the next Dealing Day. Any part of a redemption request to which effect is not given by reason of the exercise of this power will be treated as if the request had been made with priority in respect of the next Dealing Day and all following Dealing Days (in relation to which the Manager have the same power) until the original request has been satisfied in full.

Compulsory redemption

The Manager may impose such restrictions as it may think necessary or desirable for the purpose of ensuring that no Units are acquired or held directly, indirectly or beneficially by any person or persons (each a "**Restricted Person**"):

i) who is an "Ineligible Investor" (i.e. any person, corporation, or other entity to whom Units of the Fund may not be offered or sold, as disclosed under the section "Important Information");

ii) in circumstances (whether directly or indirectly affecting such person or persons and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to be relevant) which might result in the Manager, the Trustee, the Fund, a Sub-Fund or any Class of Units incurring or suffering any liability to taxation or suffering any other potential or actual pecuniary disadvantage or would subject the Manager, the Trustee, the Fund, a Sub-Fund or any Class of Units to any additional regulation which they or any of them might not otherwise have incurred or suffered or been subject to; or

iii) in breach of any applicable law or applicable requirements of any country/region or governmental authority.

If it comes to the notice of the Manager that Units are owned directly or beneficially by any Restricted Person, the Manager with the approval of the Trustee may give a request for the transfer or the redemption of such Units. If the request is not complied with, the Manager or the Trustee may require the Units held to be compulsorily redeemed in accordance with the provisions of the Trust Deed. The Manager shall observe relevant legal requirements (as applicable) and shall act in good faith and on reasonable grounds in exercising such power of compulsory redemption.

Switching Units

Except Class T Units and Class S Units, Unitholders can switch Units between the various Sub-Funds under the Fund. There is no charge for switching. Switching is subject to limitations as the Manager may from time to time impose. For the avoidance of doubt, switching of Class T Units and Class S Units in a Sub-Fund into Units of any other Class in the Sub-Fund or another Sub-Fund of the Fund, or vice versa, is not allowed.

Unitholders should note that in switching, subject to the Dealing Deadline of different Sub-Funds and the time required to transfer the switching money between different Sub-Funds in cleared funds, the day on which the investments are switched into the new Sub-Fund may be later than the day on which the investments in the old Sub-Fund are switched out or the day on which the switching instruction are given.

Unitholders should be reminded that if they choose to send the instruction by facsimile or other electronic means, they bear their own risk of the forms being illegible or not being received. Investors should therefore for their own benefit confirm with the Manager the receipt of the instruction. Neither the Manager nor the Trustee/ shall be responsible to a Unitholder or an investor for any loss resulting from non-receipt or illegibility of any orders sent by facsimile or other electronic means or for any loss caused in respect of any action taken as a consequence of such request believed in good faith to have originated from properly authorised persons. This is notwithstanding the fact that a transmission report produced by the originator of such transmission discloses or records from any systems used by the Unitholders that such transmission was sent. If a certificate has been issued, it should be returned to the Manager when the instructions to switch are given. If not returned, the conversion will be effected but the Registrar will not issue a certificate in respect of the new Units or balance of Units on a switch, or part only of a holding. If the new Units are redeemed prior to a certificate being returned, the proceeds of redemption will not be paid out until the certificate is returned.

The minimum amount allowed to be switched is stated in the section headed "Description of Classes" above, provided that the balance of holdings of the relevant Class in both the new and the old Sub-Funds are not less than the minimum holding requirement of the relevant Class of the Sub-Funds.

Redemption instructions given by joint Unitholders also apply to switching instructions.

Certain Classes of Units are only available to investors and intermediaries selected by the Manager of the Fund at its discretion. Subscribers should contact the relevant intermediary or the Manager before making an application for switching. When dealing through an intermediary, investors also need to follow the terms of the intermediary in addition to those stated in this Explanatory Memorandum.

Unitholders have the right (subject to any suspension in the determination of the net asset value of a Sub-Fund) to switch all or part of their Units of a certain Class of a Sub-Fund into Units of any other Classes (whether in the same Sub-Fund or another Sub-Fund) by giving notice to the Manager or the Trustee in writing or through such other means (including electronic means) as determined by the Manager and/or the Trustee, provided that such Class of a Sub-Fund or other Sub-Fund is open for new subscription and available for switching).

Switching is subject to limitations as the Manager may from time to time impose (including but not limited to the minimum holding requirement and investor eligibility requirement of the relevant Class of the Sub-Fund as detailed under the "Description of Classes" section). No switching will be made if as a result thereof a Unitholder would hold less than the minimum holding requirement. Subscribers should contact the relevant intermediary or the Manager before making an application for switching. When dealing through an intermediary, investors also need to follow the terms of the intermediary.

All switching notices must be signed by Unitholders except for those sent via electronic means, as determined by the Manager and/or the Trustee.

Fractions of Units arising from calculation in switching request by switching-in and -out amount will be rounded to 4 decimal places. The current rounding method is half-adjusted (ie, if the number of Units to be switched-in/switched-out is 1.25624, it should be rounded to 1.2562; if the number of Units to be switched-in/switched-out is 1.25625, it should be rounded to 1.2563). Surplus of switching-in/switching-out amount resulting from such rounding of Units will be retained by the relevant Sub-Fund or Class. Shortfall of switching-in/switching-out amount resulting from such rounding of Units will be absorbed by the relevant Sub-Fund or Class. The Manager may change the rounding method as it thinks fit.

Cut-off

Switching notices should be received by the Manager or the Trustee by 11 a.m. (Hong Kong time) on the Dealing Day (or such other time as the Manager may from time to time determine) if they are to be dealt on that Dealing Day. Switching applications received after that time will be dealt with on the next Dealing Day.

Switching notices may also be sent through distributors appointed specifically for the purpose of distributing the Sub-Funds. Different distributors may have different cut-off times and investors should contact such distributors for details. Such distributors may also have the discretion as to whether switching notices can be accepted by the relevant distributors on a Dealing Day on which severe weather conditions persist. Investors should pay attention to the arrangements of the distributors concerned.

Switching rate

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

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

where:-

N = the number of Units in the New Class to be issued;

E = the number of Units in the Existing Class to be switched;

F = the currency conversion factor determined as representing the effective rate of exchange between the Class Currency of the Existing Class and the Class Currency of the New Class

R = the Redemption Price of the Existing Class on the relevant Dealing Day;

S = the Issue Price of the New Class on the relevant Dealing Day; and

Settlement

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

Transferring Units

Units may be transferred by an instrument in writing in common form signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee. The transferor will be deemed to remain the holder of the Units transferred until the name of the transferee is entered in the Register of Unitholders in respect of such Units.

Anti-money laundering regulations and sanction laws

A Sub-Fund, its service providers and other members of the HSBC Group (including but not limited to the Manager, the Trustee and their respective delegates) are required to act in accordance with the laws, regulations and requests of public and regulatory authorities operating in various jurisdictions which relate to, amongst other things, the prevention of money laundering, terrorist financing and the provision of financial and other services to any persons or entities which may be subject to sanctions. A Sub-Fund, any of its service providers or any member of the HSBC Group may take any action which in their sole and absolute discretion consider appropriate to take in accordance with all such laws, regulations and requests.

Such action may include but is not limited to: the interception and investigation of any payment messages and other information or communications sent to or by an investor or on behalf of such investor via the systems of a Sub-Fund, any service provider of a Sub-Fund or any member of the HSBC Group; and making further enquiries as to whether a name which might refer to a sanctioned person or entity actually refers to that person or entity.

A Sub-Fund, its service providers and other members of the HSBC Group shall not be liable for loss (whether direct or consequential and including, without limitation, loss of profit or interest) or damage suffered by any party arising out of:

(a) any delay or failure of a Sub-Fund, any of its service providers or any member of the HSBC Group in processing any such payment messages or other information or communications, or in performing any of their duties or other obligations in connection with any accounts or the provision of any services to an investor, caused in whole or in part by any steps which a Sub-Fund, any of its service providers or any member of the HSBC Group, in their sole and absolute discretion, consider appropriate to take in accordance with all such laws, regulations and requests; or

(b) the exercise of any of the rights of a Sub-Fund, its service providers and other members of the HSBC Group under this section.

In certain circumstances, the action which a Sub-Fund, any of its service providers or any member of the HSBC Group may take may prevent or cause a delay in the processing of certain information. Therefore, a Sub-Fund, its service providers and other members of the HSBC Group do not warrant that any information on their systems relating to any payment messages or other information and communications which are the subject of any action taken pursuant to this section is accurate, current or up-to-date at the time it is accessed, whilst such action is being taken.

The Fund has adopted HSBC Group's Global Sanctions Policy. In accordance with that policy and in order to comply with all applicable sanction laws and regulations aimed at the prevention of money laundering in any applicable jurisdictions, the Manager, the Trustee, the Registrar and their respective delegates may require prospective investors to provide evidence to verify their identity and the source of payment of subscription monies. Accordingly, each of the Manager, the Trustee, and Registrar and their respective delegates reserves the right to request such information as it considers necessary to verify the identity of a prospective investor and the source of payment of subscription monies. The Manager, the Trustee, Registrar and/or their respective delegates may refuse to accept any subscription application if a prospective investor delays in producing or fails to produce any information required by the Manager, the Trustee, Registrar and/or their respective delegates, for the purpose of verification and, in that event, any funds received will be returned without interest to the account from which the monies were originally debited. Each of the Manager, the Trustee, Registrar and their respective delegates may also refuse to process any redemption request or delay payment of redemption proceeds if a Unitholder requesting for redemption delays in producing or fails to produce any information required by the Manager, the Trustee, the Registrar and/or their respective delegates. Neither the Manager, the Trustee, the Registrar nor their respective delegates shall be liable to any prospective investor or Unitholder (as the case may be) for any loss suffered by the prospective investor or Unitholder (as the case may be) as a result of the rejection of any subscription or redemption request or delay of subscription or payment of redemption proceeds.

Charges and expenses

Charges and expenses apply to the Sub-Funds and their Unit Class where appropriate, for their investment management and for the operating services required.

There are three types of charges and expenses:

1. Initial charge
2. Ongoing charges
3. Other charges.

Initial charge:

The Trust Deed allows the Manager to make an initial charge of up to 5.5 per cent. of the Issue Price of Units of each Class in each Sub-Fund. At present it is not the Manager's intention to make any charge.

On-going Charges:

Annual Manager's fee

The Trust Deed allows the Manager to receive an annual fee for management of the Sub-Funds at a rate of up to 1.5 per cent. per annum, calculated daily based on the net asset value of each Sub-Fund and payable monthly in arrears.

The current levels of annual management fees of different Class are up to the percentage stated in the table below:

Class	**Annual management fees (as a percentage of the net asset value of each Class)**
Class A Unit	0.25 per cent
Class B Unit	0.40 per cent
Class C Unit	0.30 per cent
Class D Unit	0.20 per cent
Class E Unit	0.15 per cent
Class F Unit	0.10 per cent
Class G Unit	0.05 per cent
Class L Unit	0.25 per cent
Class S Unit	0.30 per cent
Class T Unit	0.30 per cent
Class Z Unit	0 per cent

The Manager will give three months' prior notice to Unitholders should there be any increase of the management fee from the current level up to the applicable maximum level stated above (ie, 1.5 per cent per annum).

The Manager may share any amounts it is entitled to retain as manager of the Sub-Funds with any persons who distribute or otherwise procure subscriptions to the Sub-Funds.

Additional Manager's fee

The Trust Deed allows the Manager to receive an additional annual management fee on Class L units in each Sub-Fund for administering retirement schemes investing in Class L units at a rate of up to 1 per cent. per annum on the net asset value of the relevant Sub-Fund attributable to Class L units. Such fee is calculated daily and is payable monthly in arrears. At present it is the Manager's intention to limit the fee to a rate of 0.45 per cent. per annum. Three months' notice in writing will be given to Unitholders in the event of an increase in this rate. Accordingly, for Class L units, the aggregate of the Annual Manager's fee and Additional Manager's fee payable by the Class L units is currently not exceeding 0.7 per cent. per annum and the maximum level permitted under the Trust Deed is 2.5 per cent. per annum. The Additional Manager's fee will be paid to the Trustee and the Trustee will pay the fee to the administrator of the retirement schemes investing in Class L units.

Trustee's fee

The Trust Deed allows the Trustee to receive an annual fee for its services not exceeding 0.15 per cent. of the net asset value of each Sub-Fund (the rate currently charged by the Trustee is 0.03 per cent. per annum of the net asset value of each Sub-Fund and one month's notice in writing will be given to Unitholders in the event of any increase in this rate), calculated daily and payable monthly.

In addition, the Trustee is also entitled to various transaction and processing fees and to be reimbursed for all out-of-pocket expenses (including sub-custody fees and expenses) properly incurred by the Trustee and its delegates in the performance of their duties.

Transfer Agent's fee

The Transfer Agent is entitled to various maintenance, transaction and processing fees and to be reimbursed for all out-of-pocket expenses (including transfer agency fees and expenses) properly incurred by the Transfer Agent and its delegates in the performance of their duties.

Tokenisation Agent Fee and Blockchain related fees (applicable to tokenised Units only)

The Tokenisation Agent is entitled to various maintenance, transaction and processing fees and to be reimbursed for all out-of-pocket expenses (including tokenisation fees and expenses) properly incurred by the Tokenisation Agent and its delegates in the performance of their duties.

Currently, the Tokenisation Agent is only charging a maintenance fee which is up to US$1000 per month per tokenised Class. Unitholders will be given at least one month's prior notice if transaction and/or processing fees will be incurred and/or there is an increase in any Tokenisation Agent fees (alongside SFC prior-approval, where required).

Furthermore, blockchain networks typically impose network fees and transaction fees in the form of the network's native digital asset for maintaining, minting and burning of Tokens. Such blockchain fees are borne by the tokenised Units.

Currently, Ethereum is used as the blockchain and there are no network fees currently charged by Ethereum. Gas fees for validation of a transaction of the blockchain are charged per transaction (e.g. mint or burn) and are borne by the relevant tokenised Class of Units. Gas fees on the Ethereum network vary depending on network demand and supply, for example, the median cost was between US$0.10 - USD$0.25 in 2026 although there have been historical spikes as high as US$200 during surge in 2022.

For the avoidance of doubt, a meeting of Unitholders shall be called and approval by extraordinary resolution shall be required to effect the following:

(a) to increase the maximum fees paid to the Manager or the Trustee; and
(b) to impose any type of fee not otherwise authorised to be paid out of the asset of the Fund or the Sub-Funds.

Other ongoing expenses:

Each Sub-Fund will bear the cost of:

a. transaction fees of the Trustee, custodian or sub-custodian and proxy fees and expenses, collection fees and expenses, insurance and security costs;

b. the fees and expenses of the Auditors and the Registrar;

c. fees charged by the Trustee in connection with valuing the assets of the Sub-Fund or any part thereof, calculating the Issue Price/Redemption Price of Units of the Sub-Fund and preparing financial statements;

d. all legal and professional fees and charges incurred by the Manager and/or the Trustee in connection with the Sub-Fund (including the fees and charges of the legal counsel, and fees and charges incurred in conducting legal proceedings or applying to any court for any purposes related to the Sub-Fund) and other professional fees and charges (including any professional fees and charges in relation to agreeing and/or contesting taxation liabilities or recoveries to be paid out of or into the Sub-Fund, or preparation or issuance of any accounts, statements or reports in relation to the Sub-Fund or any income, revenue, expenses, assets and/or liabilities of the Sub-Fund, or any costs of using benchmark or fees charged by rating agencies);

e. out-of-pocket expenses incurred by the Trustee and the Manager wholly and exclusively in the performance of its duties;

f. the expenses of or incidental to the preparation of deeds supplemental to the Trust Deed;

g. the expenses of holding meetings of Unitholders and of giving notices to Unitholders;

h. without prejudice to the generality of the foregoing, all costs incurred in publishing the Issue Price/Redemption Price of Units of the Sub-Fund, all costs of preparing, printing and distributing all statements, accounts and reports pursuant to the provisions of the Trust Deed (including the Auditors' fees and Trustee's fee), the expenses of preparing and printing any offering document, and any other expenses, deemed by the Manager, after consulting the Trustee, to have been incurred in compliance with or in connection with any change in or introduction of any law or regulation or directive (whether or not having the force of law) of any governmental or other regulatory authority or with the provisions of any code relating to unit trusts.

Amortised establishment costs

The cost of establishment of a Sub-Fund may be amortised over a period of five years from date of establishment of the Sub-Fund, or such shorter period as the Manager in consultation with the Auditors may determine.

As at the date of this Explanatory Memorandum the following establishment costs have not yet been fully amortised:

Sub-Fund	Approximate establishment cost
HSBC Global Money Funds - Renminbi	HK$300,000

The establishment costs of Class B, Class C, Class D, Class E, Class F, Class G and Class Z are approximately HK$12,000 per Class for HSBC Global Money Funds - Hong Kong Dollar and HSBC Global Money Funds - US Dollar and will be borne by each Class respectively. The establishment costs will be amortised over a one-year period from the launch date of the relevant Class or such other period as the Manager after consultation with the auditors shall determine.

Other charges and expenses

Other charges and expenses may not be included in the published ongoing charges figure but are borne by the Fund or the relevant Sub-Fund. They include:

a. all stamp and other duties, taxes and governmental charges (including withholding tax and capital gains tax);

b. brokerages, commissions, exchange costs and commissions, bank charges, transfer fees and expenses, registration fees and expenses, and any other costs, charges or expenses payable in respect of the acquisition, holding and realisation of any investment or other property or any cash, deposit or loan (including the claiming or collection of income or other rights in respect thereof and including any fees or expenses charged or incurred by the Trustee or the Manager or any Connected Person in the event of the Trustee or the Manager or such Connected Person rendering services or effecting transactions giving rise to such fees or expenses); and

c. value of goods or services received by the Manager or any connected person in exchange for placing of dealing orders e.g. soft commissions or similar arrangement.

Taxation

The following statements regarding taxation are based on advice received by the Fund regarding the law and practice in force in the relevant jurisdictions at the date of this Explanatory Memorandum. Investors should be aware that levels and bases of taxation are subject to change and that the value of any relief from taxation depends upon the individual circumstances of the taxpayer.

Taxes on Unitholders and Unitholder tax disclosures

Investors should consult their professional advisers on the consequences to them of acquiring, holding, redeeming, transferring or selling units under the relevant laws of the jurisdictions to which they are subject, including the tax consequences and any exchange control requirements. These consequences, including the availability of, and the value of, tax relief to investors will vary with the law and practice of the investors' country/region of citizenship, residence, domicile or incorporation and their personal circumstances.

Hong Kong

Under present Hong Kong law and practice:-

a. No tax will be payable by Unitholders in Hong Kong in respect of dividends or other income distributions of the Sub-Funds (if any) or in respect of any gains arising on the sale, redemption or other disposal of units of a Sub-Fund, except that Hong Kong profits tax may arise where such transactions form part of a trade, profession or business carried on in Hong Kong and the gains are Hong Kong sourced and not otherwise of capital nature. Ascertaining the source and the classification of a gain as revenue or capital will depend on the particular facts and circumstances of the Unitholders.

b. No Hong Kong stamp duty is payable by Unitholders in relation to the issuance of Units, the redemption of Units or sales or transfer of Units effected by extinguishing the units or the sale or transfer is to the Manager who subsequently re-sell the Units within two months thereof. Other types of sales or purchases or transfers of the Units by Unitholders should be liable to Hong Kong stamp duty of 0.13% (borne by each of the buyer and seller) on the higher of the consideration amount or market value. In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of Units, unless being specifically exempt.

<u>Payments to Unitholders</u>

Before making any distribution (if any) or other payment in respect of any Unit, the Trustee and/or the Manager may make any such deductions or withholdings (if any) as, by any applicable law of Hong Kong or elsewhere, or by any applicable regulation, direction, or guidance, or by any agreement with any tax or fiscal authority (whether within or outside Hong Kong), they are required or entitled by any applicable law to make in respect of any income, interest or other taxes, charges or assessments whatsoever. In such event, the Manager and/or the Trustee shall act in good faith and on reasonable grounds in making such deductions or withholdings.

The Trustee and the Manager may also deduct the amount of any stamp duties or other governmental taxes, charges or assessments payable by it or them in respect of any distribution/payout made (if any).

Automatic Exchange of Information

Automatic exchange of information ("**AEOI**") is an umbrella term covering a number of inter-governmental and multi-lateral agreements concerning information sharing between states (or regions) to promote tax transparency.

Investors should consult their own tax advisors regarding AEOI requirements with respect to their own situation. In particular, Unitholders who hold their units through intermediaries should confirm the AEOI compliance status of those intermediaries.

Foreign Account Tax Compliance Act

The US Foreign Account Tax Compliance Act ("**FATCA**") requires non-U.S. (foreign) financial institutions ("**FFI**") to report certain investor information to the US authorities. Under sections 1471 through 1474 of the U.S. Internal Revenue Code if an FFI is not compliant with FATCA then a 30% withholding tax may be imposed on certain payments to FFIs. Currently this withholding tax only applies to payments that constitute interest, dividends and other types of income from U.S. sources (such as dividends paid by a U.S. corporation).

Hong Kong has signed an Intergovernmental Agreement ("**IGA**") Model 2 with the U.S. and the Fund and the Sub-Funds intend to comply with the terms of the IGA and local implementing regulations.

As an IGA has been signed between Hong Kong and the U.S., FFIs in Hong Kong (such as the Fund and the Sub-Funds) complying with the FFI Agreement (i) will generally not be subject to the above described 30% withholding tax; and (ii) will not be required to withhold tax on payments to non-consenting accounts (i.e. accounts of which the holders do not consent to FATCA reporting and disclosure to the U.S. IRS) or close those non-consenting accounts (provided that information regarding such non-consenting account holders is reported to the U.S. IRS).

As at the date of the Explanatory Memorandum, the Fund and the Sub-Funds are treated as a "Non-reporting IGA FFIs" under IGA Model 2 with the U.S. This means that the Manager will act as "FATCA sponsoring entity" and carry out FATCA obligations on behalf of the Fund and the Sub-Funds.

Common Reporting Standard

Hong Kong's Inland Revenue (Amendment) (No.3) Ordinance (the "**Ordinance**") and any subsequent legislative amendments set the legislative framework for the implementation in Hong Kong of the OECD Standard of Automatic Exchange for Financial Account Information – Common Reporting Standard (the "**CRS**").

The CRS rules as implemented by Hong Kong require the Fund and the Sub-Funds to, amongst other things: (i) register the Fund's and the Sub-Funds' status as a "Reporting Financial Institution" with the IRD; (ii) conduct due diligence on its accounts (i.e., Unitholders' accounts) to identify whether any such accounts are considered "Reportable Accounts" for CRS purposes; and (iii) report certain account and tax information of such Reportable Accounts to the IRD. Broadly, CRS contemplates that Hong Kong FIs should report on: (i) individuals or entities that are tax resident in a reportable jurisdiction; and (ii) certain entities controlled by individuals who are tax resident in such a reportable jurisdiction. Under the Ordinance, details of Unitholders, including but not limited to their name, address, jurisdiction of residence, tax identification number, date and place of birth, account number, account balance/value, distribution income and sale/redemption proceeds, may be reported to the IRD and subsequently exchanged with tax authorities in the relevant jurisdictions of tax residence.

The investor agrees to provide the Manager with any financial or account information or documentation to enable the Manager to comply with the requirements and obligations imposed on the Manager pursuant to the regulatory requirements (including FATCA and AEOI legislation). To the extent required by the Manager, the investor hereby consents to the disclosure and reporting of any tax related information to any local or foreign regulatory or tax authority ("**Tax Authority**") where the provision of that information to such person or regulatory authority is required to ensure compliance by the Manager with its obligations under the regulatory requirements (including FATCA and the AEOI legislation) or to avoid being subject to withholding tax or other liabilities under the regulatory requirements (including FATCA and AEOI legislation). Upon request by the Manager, the investor hereby agrees to obtain a written waiver or consent from the "substantial owners" or "controlling persons" and to provide those consents to the Manager to permit it to disclose and report relevant information to any local or foreign Tax Authority pursuant to the regulatory requirements (including FATCA and AEOI legislation). The terms "substantial owners" and "controlling persons" shall have the meaning as defined under local or foreign tax laws, regulatory guidance or intergovernmental cooperation agreements. The potential consequences for failure to comply with requests for the requested information, failure to respond to requests for waivers or consents for tax information disclosure, the provision of information that is in any way misleading, and/or failure to respond to requests to obtain waivers or consents from substantial owners or controlling persons, include, but are not limited to: (i) the Manager's right to take whatever actions that are necessary to comply with the local or foreign tax reporting obligations and the regulatory requirements (including FATCA and AEOI legislation); (ii) the Manager's ability to withhold an amount from certain payments made to the investor's account that is sufficient to discharge any liabilities, costs, expenses, taxes, withholdings or deductions incurred or suffered by the Manager due to the representations, actions or inactions (directly or indirectly) by the investor; (iii) the Manager's right to pay relevant taxes to the appropriate tax authority; (iv) the Manager's right to refuse to provide certain services; and (v) the Manager's right, to the extent permitted by applicable laws and the Fund's and Sub-Funds' constitutional documents, to compulsorily redeem or withdraw the investor concerned . The Manager shall at all times observe relevant legal requirements and shall act in good faith and on reasonable grounds. The investor agrees to inform, or respond to any request from, the Manager, if there are any changes to tax information previously provided.

Pillar Two of Base Erosion and Profit Shifting (BEPS) 2.0 framework promulgated by the Organisation for Economic Co-operation and Development (OECD)

The OECD has published an international tax reform framework known as the "two-pillar solution" to address base erosion and profit shifting risks arising from the digitalisation of the economy ("BEPS 2.0"). Pillar Two is intended to ensure that certain in-scope multinational enterprise ("MNE") groups pay a minimum level of tax in respect of profits earned in each jurisdiction in which they operate. It generally applies to a "constituent entity" that is a member of an MNE group or a large-scale domestic group where the annual revenue of the ultimate parent entity is EUR 750,000,000 or more (or equivalent) in the consolidated financial statements (in at least two of the four fiscal years immediately preceding the relevant fiscal year). There will be a "top-up tax" when the effective tax rate (determined on a jurisdiction-by-jurisdiction basis) is below the minimum rate required under Pillar Two. Hong Kong has implemented the global minimum tax rules in accordance with BEPS 2.0 framework and the Hong Kong minimum top-up tax regime from 2025 onwards.

The Fund may become part of an in-scope MNE group where the Fund is consolidated on a line-by-line basis in the consolidated financial statements of an investor (or is treated as consolidated under applicable accounting or Pillar Two rules) and the revenue threshold described above is met. If the Fund were to fall within the scope of Pillar Two, it may be eligible to be treated as an "investment entity" subject to the satisfaction of applicable conditions, and may be excluded from the scope of any Qualified Domestic Minimum Top-up Tax or other Pillar Two rules in a relevant jurisdiction. There can be no assurance, however, that any such exclusion will be available in any particular case.

<u>Possible adverse consequences</u>

If the Fund falls within the scope of Pillar Two, the effective tax rates within its structure may increase (including as a result of top-up tax), and the Fund may have additional reporting, filing and administrative obligations. Any resulting increase in taxes and/or compliance costs could adversely affect the Fund's performance and reduce amounts available for distribution to investors.

Investor notification and tax indemnity

If any investor identifies that its investment in the Fund results (or may reasonably be expected to result) in the Fund being consolidated or deemed consolidated in that investor's consolidated financial statements for Pillar Two purposes (or otherwise gives rise to Pillar Two consequences for the Fund), that investor must notify the Manager promptly and provide such information as the Manager may reasonably request to assess the potential Pillar Two implications.

To the extent permitted by the constitutive documents and applicable law, each investor shall indemnify and hold harmless the Fund, the Manager, and their respective affiliates (and their officers, directors, employees and agents) from and against any Pillar Two taxes (including any top-up tax), interest, penalties, costs and expenses (including reasonable professional fees and compliance costs) suffered or incurred by any of them to the extent arising from, or in connection with, the consolidation or deemed consolidation of the Fund in that investor's consolidated financial statements or otherwise attributable to that investor's status, actions, or information (or failure to provide information).

Remedy/compulsory redemption

To the extent permitted under the constitutive documents and applicable law, the Manager reserves the right to redeem (or require the transfer of) the Units held by any investor if that investor's investment (or the investor's consolidation or deemed consolidation of the Fund) causes or is reasonably expected to cause:

(a) any additional Pillar Two tax liability at the level of the Fund and/or any of its subsidiaries or vehicles; and/or

(b) additional filing, reporting, disclosure or other compliance obligations for the Fund.

The Manager shall at all times observe relevant legal requirements and shall act in good faith and on reasonable grounds.

Investor responsibility

Prospective investors are responsible for undertaking their own assessment of Pillar Two in light of the domestic rules applicable in their jurisdiction(s) of tax residence and organisation, and for providing such information as may be reasonably requested by the Fund and/or the Manager for the purposes of assessing potential Pillar Two implications for the Fund.

Taxes on the Fund / Sub-Funds

Hong Kong

During such period that a Sub-Fund is authorised by the SFC pursuant to section 104 of the Securities and Futures Ordinance then, under present Hong Kong law and practice a Sub-Fund is not expected to be subject to Hong Kong profits tax in respect of any of its authorised activities.

Mainland China

Under Mainland China CIT law, if a Sub-Fund is considered Mainland China tax resident, it will be subject to CIT at 25% on its worldwide taxable income. If a Sub-Fund is considered non-Mainland China resident but has a permanent establishment ("PE") in Mainland China, the profits attributable to that PE would be subject to Mainland China CIT at 25%. If the Sub-Funds are non-Mainland China resident without PE in Mainland China, Mainland China-sourced income derived by them from the investment in Mainland China Securities would in general be subject to 10% Mainland China CIT withholding in Mainland China, unless exempt or reduced under specific tax circulars or relevant tax treaty.

It is the intention of the Manager that the affairs of the Sub-Funds] will be such that they are not Mainland China tax resident enterprises and have no PE in Mainland China for Mainland China CIT purposes, although this cannot be guaranteed.

For tax disclosures on investment in Mainland China Securities, please refer to the sub-section headed "Mainland China" of the below section on "Taxes related to a Sub-Fund's assets".

Taxes related to a Sub-Fund's assets

In many markets a Sub-Fund as a foreign investment fund, may be subject to non-recoverable tax, levies, duties or charges imposed by the authorities in such market on income and gains (either by withholding or direct assessment) in relation to the investment returns it realises from its holdings of shares and securities in those markets. Where practicable a Sub-Fund will make claims under the relevant double tax treaties and the domestic law of the countries/regions concerned in order to minimise the impact of local taxation on the investment return and to obtain the best return for its Unitholders. Those claims will be made on the basis of the understanding of the validity of such claims given the information available from the Fund's/Sub-Funds' depositaries, external advisers and other sources as to the interpretation and application of the relevant legal provisions by the tax authorities in the country/region concerned.

The Manager may, upon taking tax advice, at its discretion, arrange with the Trustee to provide for potential tax liabilities in respect of the Sub-Funds' investments for the purpose of meeting the Sub-Funds' tax liabilities.

Investors should note that any tax provision, if made, may be excessive or inadequate to meet actual tax liabilities on investments made by the Sub-Fund. In the event that it is satisfied (based on tax advice) that part of the tax provisions are not required, the Manager will arrange with the Trustee to release such provisions back into the Sub-Fund, forming part of the Sub-Fund's assets. On the other hand, any amount by which the tax provisions fall short of the tax liability incurred or is expected to be incurred by the Sub-Fund shall be debited and deducted from the Sub-Fund's assets which will adversely affect the net asset value of a Sub-Fund.

Any tax provision, if made, will be reflected in the net asset value of a Sub-Fund at the time of debit or release of such provision and thus will only impact on Units which remain in a Sub-Fund at the time of debit or release of such provision. Units which are redeemed prior to the time of debit of such provision will not be affected by reason of any insufficiency of the tax provision. Likewise, such Units and the Unitholders who have redeemed will not benefit from any release of excess tax provisions.

Unitholders may be advantaged or disadvantaged depending upon the final tax outcome as and when they subscribed and/or redeemed the Units of a Sub-Fund. Unitholders should note that no Unitholders who have redeemed their Units in a Sub-Fund before the release of any excess tax provision shall be entitled to claim in whatsoever form any part of the tax provision or withholding amounts released to a Sub-Fund, which amount will be reflected in the value of Units in a Sub-Fund.

A Sub-Fund will seek to claim concessionary tax treatment and account for tax on a reasonable efforts basis, given the tax law and practice at that date. Any change in tax law or practice in any country/region where a Sub-Fund is registered, marketed and invested could affect the value of a Sub-Fund's investments in the affected country/region. In particular, where retrospective changes to tax law or practice are applied by the legislature or tax authorities in a particular country/region these may result in a loss for current Unitholders in the affected Sub-Fund. The Fund/Sub-Funds does not offer any warranty as to the tax position of returns from investments held in a particular market nor of the risk of a retrospective assessment to tax in a particular market or country/region. This risk is particularly pertinent when a Sub-Fund invests in Mainland China. Investors and potential investors should refer to the "Mainland China tax risks" sections as well as the section below related to Mainland China.

Mainland China

By investing in Bank Deposits and RMB denominated fixed income securities (including corporate and government bonds) issued inside or outside Mainland China ("Mainland China Securities"), a Sub-Fund may be subject to taxes imposed by Mainland China.

CIT

If a Sub-Fund is a non-Mainland China resident without PE in Mainland China (i.e. foreign investor), the Mainland China-sourced income derived by it from the investment in Mainland China Securities would in general be subject to 10% Mainland China CIT withholding in Mainland China, unless exempt or reduced under specific tax circulars or relevant tax treaty.

Bank deposits
Interest derived by foreign investors from bank deposits in Mainland China is subject to 10% Mainland China CIT by way of withholding which may be reduced under applicable tax treaty subject to proper filing with the in-charge Mainland China tax authority.

Fixed income investments
Interest derived from Mainland China debt securities other than government bonds[4] (including those issued by foreign enterprises but deemed as Mainland China tax residents[5]) by a foreign investor is subject to 10% Mainland China CIT by way of withholding unless the rate is reduced under applicable tax treaty subject to proper filing with the in-charge Mainland China tax authority.

[4] Interest from government bonds are generally exempt from Mainland China CIT. These only refer to government bonds issued by the Mainland China Ministry of Finance, or State Council approved local government bonds issued in 2009 or subsequent years.

[5] A company is regarded as Mainland China tax resident company if it is incorporated in Mainland China or effectively managed in Mainland China. "Effective management" is defined as the overall management and control over the operation, business, personnel, accounting and assets of a company.

In November 2018, the Ministry of Finance ("MOF") and the State Taxation Administration of the People's Republic of China ("STA") jointly issued [Caishui [2018] No. 108] ("Circular 108") which provides that foreign institutional investors are exempted from Mainland China CIT in respect of bond interest income received from 7 November 2018 to 6 November 2021 ("Tax Exempt Period") from investments in the Mainland China onshore bond market. According to the Public Notice no. 34 ("Public Notice no. 34") issued by MOF and STA in November 2021, the Tax Exempt Period has been extended to 31 December 2025. MOF and STA issued Public Notice no.5 in January 2026 to further extend the Tax Exempt Period to 31 December 2027. Such exemption does not apply to interest income derived by a permanent establishment of the foreign institutional investors in Mainland China. There is still lack of clear guidance in respect of CIT applicable to interest income derived by the Sub-Funds from Mainland China onshore debt securities, in particular, whether interest income received before 7 November 2018 is subject to CIT and whether the CIT exemption will continue to be available upon expiry.There are no specific rules governing Mainland China CIT on capital gains derived by foreign investors from the trading of debt securities in Mainland China. Based on current interpretation of the STA and professional tax advice, the Manager does not intend to provide for any Mainland China CIT in respect of the capital gains derived by a Sub-Fund from disposal of debt securities in Mainland China.In light of the uncertainty on the CIT treatment on capital gains on debt securities trading in Mainland China and for the purpose of meeting this potential tax liability of a Sub-Fund for capital gains from debt securities in Mainland China, the Manager reserves the right to provide for CIT on such gains or income and withhold the tax from the account of a Sub-Fund based on new developments and interpretation of the relevant regulations (after taking professional tax advice).

VAT

On 23 March 2016, the MOF and the STA jointly released Circular Notice on Overall Implementation of Transforming Business Tax to Value-added Tax on a Pilot Basis ("Circular 36") on the full transformation of Business Tax to VAT (the "B2V Reform"). Circular 36 took effect on 1 May 2016 and officially transforms the financial services industry from Business Tax to VAT. After the issuance of Circular 36, the MOF and STA issued various supplementary circulars, including Circular Caishui [2016] No. 140, Circular Caishui [2017] No. 2 and Circular Caishui [2017] No. 56 which specifically address the VAT treatment of asset management products. The Mainland China Value-Added Tax Law issued on 25 December 2024 and the Implementation Regulations of the PRC VAT Law issued on 25 December 2025 have come into effect on 1 January 2026 which set up basic principle of PRC VAT. The detailed VAT treatment on overseas investors may change from time to time.

Interest income

Based on the interpretation of the relevant tax regulations and circulars upon seeking tax advice, coupon interest derived by a Sub-Fund from Mainland China onshore non-government bonds, offshore bonds issued by Mainland China tax resident companies and government issued on/ after 8 August 2025 ("**relevant bonds**") should be subject to VAT at 6% plus local surcharges (if applicable) from 1 May 2016.

Circular 108 provides that foreign institutional investors are exempted from Mainland China VAT in respect of bond interest income received from 7 November 2018 to 6 November 2021 from investments in the Mainland China onshore bond market. According to the Public Notice no. 34 issued by MOF and STA in November 2021, the Tax Exempt Period has been extended to 31 December 2025. MOF and STA issued Public Notice no.5 in January 2026 to further extend the Tax Exempt Period to 31 December 2027. Such exemption does not apply to interest income derived by a permanent establishment of the foreign institutional investors in Mainland China.

There is still lack of clear guidance in respect of VAT applicable to interest income derived by the Sub-Funds from Mainland China onshore debt securities, in particular, whether interest income received before 7 November 2018 is subject to VAT and whether the VAT exemption will continue to be available upon expiry.

Interest income from bank deposit in Mainland China is not subject to Mainland China VAT.

Capital gains

Pursuant to Circular 36, gains realised from the trading of marketable securities in Mainland China would generally be subject to VAT at 6% plus surcharge (if applicable), unless specifically exempted. Pursuant to Caishui [2016] No. 70, which is a supplementary notice to Circular 36, gains realised by institutional investors outside Mainland China recognized by the PBOC from the investment in the interbank local currency market are exempt from VAT.

Tax provisions – Mainland China CIT and VAT

In view of the foregoing, the Manager, after taking professional tax advice, has decided that:

- a Sub-Fund will make a CIT provision of 10% on interest from its investments in debt securities issued by Mainland China tax resident enterprises, if it was not withheld at source nor borne by the bond issuers (except (i) interests from investments in Mainland China onshore bonds received during the Tax Exempt Period and (ii) interest from Mainland China government bonds and local government bonds);

- a Sub-Fund will not withhold any amount of realised or unrealised capital gains derived from the disposal of or investment in Mainland China debt securities;

- a Sub-Fund will not withhold any amount for interest derived from Bank Deposits in Mainland China as CIT provision because CIT is withheld at source;

- a Sub-Fund will make a VAT provision at 6% plus surcharge (if applicable) on interest from its investment in the relevant bonds provided that such VAT is not borne by the bond issuers (except (i) interests from investments in Mainland China onshore bonds received during the Tax Exempt Period and (ii) interest from Mainland China government bonds and local government bonds issued before 8 August 2025).

The Manager may, upon taking professional tax advice, at its discretion, arrange with the Trustee to change the tax provisions in regard to potential Mainland China tax liabilities in respect of a Sub-Fund's investments in Mainland China based on new developments and interpretation of the relevant regulations from time to time, for the purpose of meeting a Sub-Fund's tax liabilities in respect of or arising out of any Mainland China taxes, charges and duties set out above.

There is a possibility that the current tax laws, rules, regulations and practice in Mainland China and/or the current interpretation or understanding thereof may be changed with retrospective effect in the future. Such changes may impact the tax provisioning policy and tax position of a Sub-Fund and could have a material adverse impact on the net asset value of a Sub-Fund, thereby causing significant losses to investors. Investors should seek their own tax advice on their Mainland China tax position with regard to their investment in a Sub-Fund.

Investors should refer to the risk factor headed "Mainland China tax risks" in the section headed "General risk" for further risk disclosures in Mainland China taxation.

APPENDIX – SUB-FUND DETAILS

For the US Dollar Sub-Fund

Investment Objectives

The Sub-Fund aims to preserve capital and provide daily liquidity together with an investment return that is comparable to US sovereign money market rate in the base currency of the Sub-Fund. However, preservation of capital is not guaranteed. The Manager may only invest in short-term deposit and other money market instruments.

Investment Policy

At least 70% of the Sub-Fund's net asset value will be invested in US dollar-denominated short-term deposits and high quality money market instruments issued by governments, quasi-governments, international organizations, financial institutions and other corporations.

The Manager's policy for the Sub-Fund is to use the interbank wholesale money market for short-term deposits for periods usually not exceeding 12 months and invest in monetary instruments such as treasury bills, bills of exchange, commercial papers, certificates of deposit or interbank deposits, to achieve the sub-fund's investment objective. The sub-fund should not purchase any instruments with a remaining maturity of more than 397 days, or two years in the case of government and other public securities. The weighted average maturity and weighted average life of the Sub-Fund will not exceed 60 days and 120 days respectively.

It is also the Manager's policy to spread the range of investments among a wide variety of banking and other institutions with a credit ratings at least A-1 or P-1 (or its equivalent) from Standard & Poor's or Moody's or a recognised credit rating agency at time of purchase, and to ensure that the aggregate value of the Sub-Fund's holding of deposits and money market instruments issued by a single entity may not exceed 10% of the total net asset value of the sub-fund except, (1) where the entity is a Substantial Financial Institution and the total amount so invested does not exceed 10 per cent. of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25 per cent.; or (2) in the case of government and other public securities, up to 30 per cent. may be invested in the same issue; or (3) in respect of any deposit of less than US$1 million (or the equivalent in the currency of the Sub-Fund) where the Sub-Fund cannot otherwise diversify as a result of its size.

It is not the Manager's policy to hedge the currency of the Sub-Fund to override the effects of exchange rate volatility.

For Hong Kong Dollar Sub-Fund

Investment Objectives

The Sub-Fund aims to preserve capital and provide daily liquidity together with an investment return that is comparable to normal money market rate in the base currency of the Sub-Fund. However, preservation of capital is not guaranteed. The Manager may only invest in short-term deposit and other money market instruments.

Investment Policy

At least 70% of the Sub-Fund's net asset value will be invested in Hong Kong dollar-denominated short-term deposits and high quality money market instruments issued by governments, quasi-governments, international organizations, financial institutions and other corporations.

The Manager's policy for the sub-fund is to use the interbank wholesale money market for short-term deposits for periods usually not exceeding 12 months and invest in monetary instruments, such as treasury bills, bills of exchange, commercial papers, certificates of deposit or interbank deposits, to achieve the Sub-Fund's investment objective. The Sub-Fund should not purchase any instruments with a remaining maturity of more than 397 days, or two years in the case of government and other public securities. The weighted average maturity and weighted average life of the sub-fund will not exceed 60 days and 120 days respectively.
It is also the Manager's policy to spread the range of investments among a wide variety of banking and other institutions with a credit ratings at least A-1 or P-1 (or its equivalent) from Standard & Poor's or Moody's or a recognised credit rating agency at time of purchase, and to ensure that the aggregate value of the Sub-Fund's holding of deposits and money market instruments issued by a single entity may not exceed 10% of the total net asset value of the sub-fund except, (1) where the entity is a Substantial Financial Institution and the total amount so invested does not exceed 10 per cent. of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25 per cent.; or (2) in the case of government and other public securities, up to 30 per cent. may be invested in the same issue; or (3) in respect of any deposit of less than US$1 million (or the equivalent in the currency of the Sub-Fund) where the Sub-Fund cannot otherwise diversify as a result of its size.

It is not the Manager's policy to hedge the currency of the Sub-Fund to override the effects of exchange rate volatility.

For the Renminbi Sub-Fund

Investment Objectives

The Sub-Fund aims to preserve capital and provide daily liquidity together with an investment return that is comparable to normal money market rate in the base currency of the Sub-Fund. However, preservation of capital is not guaranteed. The Manager may only invest in short-term deposit and other money market instruments.

Investment Policy

At least 70% of the Sub-Fund's net asset value will be invested in RMB-denominated short-term deposits and high quality money market instruments issued by governments, quasi-governments, international organizations, financial institutions and other corporations.

The Manager's policy for the Sub-Fund is to use the interbank wholesale money market for short-term deposits for periods usually not exceeding 12 months and invest in monetary instruments, such as treasury bills, commercial papers, certificates of deposit or interbank deposits, residual maturity bonds and Reverse Repurchase Transactions, to achieve the Sub-Fund's investment objective. The Sub-Fund should not purchase any instruments with a remaining maturity of more than 397 days, or two years in the case of government and other public securities. The weighted average maturity and weighted average life of the sub-fund will not exceed 60 days and 120 days respectively.

The Sub-Fund may invest up to 100% of its net asset value in onshore Mainland China debt instruments through the CIBM Initiative, Bond Connect and/or other means as may be permitted by the relevant regulations from time to time, subject to the credit rating requirement stated below. The Sub-Fund's investment through the CIBM Initiative will not exceed 50% of its net asset value.

It is also the Manager's policy to spread the range of investments among a wide variety of banking and other institutions with credit ratings at least A-1 or P-1 (or its equivalent) from Standard & Poor's or Moody's or an internationally recognised credit rating agency at time of purchase, and to ensure that the aggregate value of the Sub-Fund's holding of deposits and money market instruments issued by a single entity may not exceed 10% of the total net asset value of the sub-fund except, (1) where the entity is a Substantial Financial Institution and the total amount so invested does not exceed 10 per cent. of the entity's share capital and non-distributable capital reserves, the limit may be increased to 25 per cent.; or (2) in the case of government and other public securities, up to 30 per cent. may be invested in the same issue; or (3) in respect of any deposit of less than US$1 million (or the equivalent in the currency of the Sub-Fund) where the Sub-Fund cannot otherwise diversify as a result of its size.

The maximum and expected portion of the Sub-Fund's net asset value that can be subject to Reverse Repurchase Transactions are 100% and 20% respectively. The actual portion of the net asset value engaged in such transactions may vary over time depending on factors including, but not limited to, market conditions.

It is not the Manager's policy to hedge the currency of the Sub-Fund to override the effects of exchange rate volatility.