

**HSBC Jintrust Money Market Fund**  
**Updated Prospectus**  
**(2021 Second Edition)**

**Fund Manager: HSBC Jintrust Fund Management Co., Ltd.**

**Fund Custodian: Bank of Communications Co., Ltd.**

**DISCLAIMER:**

**The English translated version of this *Updated Prospectus* is for reference only.**

**Should there be any discrepancies, the Chinese original shall prevail.**

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### **Important Information**

The Offering of this Fund was approved by the CSRC on 21 July 2011 in its approval document Zheng Jian Xu Ke [2011] No.1135. This Fund Contract takes effect on 2 November 2011.

The Fund Manager guarantees that the content of this Prospectus is true, accurate and complete. This Prospectus has been approved by the CSRC, but in giving the approval for the Offering of this Fund, the CSRC does not make any substantive judgment on or guarantee the value and income of the Fund, and does not imply that investment in this Fund is risk-free.

The Fund Manager manages and uses the Fund assets by following the principles of the fulfilment of duties, and being honest and credible, prudent and diligent, but does not guarantee that investment in this Fund will be profitable, or that Fund Unitholders will receive minimum income. Since the price of the Fund may go up as well as down, the Fund Manager does not guarantee that Fund Unitholders will receive the full amount that they originally invested.

This Fund invests in the money market. The income realized by every 10,000 Fund units may fluctuate due to the volatility of the money market. Investors' purchase of this securities investment fund in the money market is not the same as placing deposits with banks or deposit-taking financial institutions. The Fund Manager does not guarantee that the Fund will be profitable and does not guarantee a minimum income. Before investing in this Fund, Investors shall fully understand the risk and return profile of this Fund product and the features of the product, fully consider its own risk tolerance level, judge the market in a rational manner and make independent decisions on investment behaviour such as the intention, timing and quantity of the Subscription (Purchase) of the Fund. Investors are entitled to the Fund Income and take the corresponding investment risk based on the units held. The risks associated with investing in this Fund include: systematic risks arising from the impact of political, economic and social factors on the prices of securities, non-systematic risks involved in holding individual securities, liquidity risk arising from the continuous and Substantial Redemption of Fund units by Fund Investors, fund management risk arising in the course of fund management by the Fund Manager, and the risks associated with the investment strategies of this Fund.

This Fund is permitted to invest in Asset Backed Securities (ABS). The Fund Manager has relevant investment decision process and risk control system in place, but the Fund may still experience risks pertaining to ABS, like price risk, liquidity risk, credit risk, and etc..

This Fund is a money market fund, with risks lower than an equity fund, bond fund or hybrid fund, and belongs to the type of funds with lower risk and lower income among securities investment funds.

Investment involves risks and Investors are advised to read the *Prospectus*, the *Product Key Facts Statement* and the *Fund Contract* of this Fund carefully before subscribing (purchasing) this Fund. Past results are not indicative of future performance. The results of the Fund Manager in managing other funds are no guarantee of the result and performance of the new fund.

The contents of this (updated) *Prospectus* has been verified by the Fund Custodian. The contents of this *Prospectus* are as of 18 June 2021; the financial results and NAV performances are as of 30 June 2021. The financial results in this *Prospectus* are not audited.

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## 1. Preface

This Prospectus is drafted pursuant to the *People's Republic of China Contract Law*, the *Law of People's Republic of China on Securities Investment Funds* (hereinafter referred to as the *Fund Law*), the *Administrative Measures for the Operation of Public Offering Securities Investment Funds* (hereinafter referred to as the *Operation Measures*), the *Administrative Measures for the Supervision of Sales Institutions for Publicly Offered Securities Investment Funds* (hereinafter referred to as the *Sales Measures*), the *Administrative Measures for the Disclosure of Information about Publicly Offered Securities Investment Funds* (hereinafter referred to as the *Information Disclosure Measures*), the *Administrative Measures for the Money Market Funds* (hereinafter referred to as *Administrative Measures*), the *Provisions of the Implementations of the Administrative Measures*, the “*Special Provisions for the Disclosure of Information about Money Market Funds*” of No.5 of the *Compilation Rules for the Disclosure of Information about Securities Investment Funds* (hereinafter referred to as the *Special Provisions for Information Disclosure*), the *Administrative Provisions for the Liquidity Risk of Public Offering Open-end Securities Investment Fund* (hereinafter *Administrative Provisions of Liquidity Risk*) and the *Fund Contract of HSBC Jintrust Money Market Fund* (hereinafter referred to as the *Fund Contract*).

This Prospectus explains all the matters relating to Investors' investment decisions, such as the investment objectives, strategies, risks and fee rate of HSBC Jintrust Money Market Fund. Before making any investment decision, Investors shall read this Prospectus carefully.

The Fund Manager guarantees that this Prospectus does not contain any false record, misleading statement or material omission, and takes legal responsibility for the truthfulness, accuracy and completeness of this Prospectus. The application for the Offering of this Fund is made on the basis of the information set out in this Prospectus. This Prospectus shall be interpreted by the Fund Manager. The Fund Manager does not entrust or authorize any other person to provide any information that is not set out in this Prospectus or to explain or clarify this Prospectus.

This Prospectus is drafted pursuant to the Fund Contract of this Fund and approved by the CSRC. The Fund Contract is a legal document stipulating the rights and obligations of the Parties to the Fund Contract. Fund Investors become Fund Unitholders and Parties to the Fund Contract from the date they acquire the Fund units pursuant to the Fund Contract. Their holding of the Fund units indicates their acknowledgement and acceptance of the Fund Contract and they shall enjoy rights and assume obligations pursuant to the *Fund Law*, the Fund Contract and other relevant provisions. Fund Investors shall carefully read the Fund Contract to understand the rights and obligations of the Fund Unitholders.

## 2. Definitions

Unless the context otherwise requires, the following terms or abbreviations in this Prospectus shall have the meanings given below:

<b>Fund or this Fund</b>	means HSBC Jintrust Money Market Fund;
<b>Fund Contract</b>	means the <i>Fund Contract of HSBC Jintrust Money Market Fund</i> and any effective amendment and supplement thereof;
<b>Prospectus or this Prospectus</b>	means this HSBC Jintrust Money Market Fund Prospectus;
<b>Updated Prospectus</b>	means the updated prospectus of HSBC Jintrust Money Market Fund, i.e. the prospectus updated in accordance with the provisions of the relevant Laws and Regulations;
<b>Product Key Facts Statement</b>	Means the product key facts statement of HSBC Jintrust Money Market Fund and its updates from time to time;
<b>Custodian Agreement</b>	means the <i>Custodian Agreement of HSBC Jintrust Money Market Fund</i> and any effective amendment and supplement thereof;
<b>Business Rules</b>	means the <i>Business Rules for the Open-End Funds of HSBC Jintrust Fund Management Company Limited</i> ;
<b>Offering Announcement</b>	means <i>Offering Announcement With Respect to Units of HSBC Jintrust Money Market Fund</i> ;
<b>China</b>	means the People's Republic of China (excluding the Hong Kong Special Administrative Region, Macau Administrative Region and Taiwan region for the purpose of the Fund Contract);
<b>CSRC</b>	means China Securities Regulatory Commission;
<b>Banking Regulatory Authority</b>	means The People's Bank of China (PBOC) and/or China Banking and Insurance Regulatory Commission (CBIRC);
<b>Fund Law</b>	means the <i>Law of the People's Republic of China on Securities Investment Funds</i> adopted at the 5 <sup>th</sup> meeting of the Standing Committee of the 10 <sup>th</sup> National People's Congress on 28 October 2003, revised at the 33 <sup>rd</sup> meeting of the Standing Committee of the 11 <sup>th</sup> National People's Congress on 28 December 2012, implemented from 1 June 2013 and revised at the 14 <sup>th</sup> meeting of the Standing Committee of the 12 <sup>th</sup> National People's Congress on the Amendment of The People's Republic of China Port Law and the Other Seven Laws on 24 April 2015, as may be amended from time to time by the promulgating authority;
<b>Operation Measures</b>	means the <i>Administrative Measures for the Operation of Public Offering Securities Investment Funds</i> promulgated by the CSRC on 7 July 2014 and implemented from 8 August 2014, as may be amended from time to time by the promulgating authority;
<b>Sales Measures</b>	means the <i>Administrative Measures for the Supervision of Sales Institutions for Publicly Offered Securities Investment Funds</i> promulgated by the CSRC on 28 August 2020 and implemented from 1 October 2020, as may be amended from time to time by the promulgating authority ;

<b>Information Disclosure Measures</b>	means the <i>Administrative Measures for the Disclosure of Information about Publicly Offered Securities Investment Funds</i> promulgated by the CSRC on 26 July 2019 and implemented from 1 September 2019, as may be amended from time to time by the promulgating authority;
<b>Administrative Measures</b>	means the <i>Measures for Supervision and Management of Money Market Funds</i> promulgated by the CSRC and the People's Bank of China on 17 December 2015 and implemented from 1 February 2016, as may be amended from time to time by the promulgating authority;
<b>Special Provisions for Information Disclosure</b>	means the <i>Special Provisions for the Disclosure of Information about Money Market Funds</i> promulgated by the CSRC on 25 March 2005 and implemented from 1 April 2005, as may be amended from time to time by the promulgating authority;
<b>Administrative Provisions for Liquidity Risk</b>	means the <i>Administrative Provisions for the Liquidity Risk of Public Offering Open-end Securities Investment Fund</i> promulgated by the CSRC ON 31 August 2017 and implemented on 1 October 2017, as may be amended from time to time by the promulgating authority;
<b>Illiquid Assets</b>	means assets that cannot be liquidated due to laws, regulations, contracts and operation obstacles, including but not limited to reverse repo and time deposits (including deposits with conditional early redemption feature) mature more than 10 days, ABS (asset backed securities), inconvertible and non-tradable bonds due to defaults, and etc.
<b>RMB</b>	means Renminbi;
<b>Parties to the Fund Contract</b>	means the legal subjects that are bound by the Fund Contract and who enjoy the rights and assume the obligations under the Fund Contract, including the Fund Manager, the Fund Custodian and the Fund Unitholders;
<b>Fund Manager</b>	means HSBC Jintrust Fund Management Company Limited;
<b>Fund Custodian</b>	means Bank of Communications Co., Ltd.
<b>Fund Unitholders</b>	means investors that lawfully acquire the Fund units pursuant to the Laws and Regulations or the Fund Contract;
<b>Registration Operation</b>	means the Fund's registration, deposit, transfer, clearing and settlement operation, including the management of Investors' fund accounts, registration, clearing and settlement of Fund units, confirmation of the sales of the Fund, distribution of dividends on behalf of the Fund and the creation and maintenance of the register of the Fund Unitholders;
<b>Registrar</b>	means the institution that handles the fund registration business. The registrar of this Fund is HSBC Jintrust Fund Management Company Limited or the institution entrusted by HSBC Jintrust Fund Management Company Limited to handle fund registration business on its behalf;
<b>Investors</b>	means Individual Investors, Institutional Investors, Qualified Foreign Institutional Investors and other investors permitted by the Laws and Regulations or the CSRC to purchase securities investment funds;
<b>Individual Investors</b>	means natural persons who can invest in open-end securities investment funds in accordance with the relevant Laws and Regulations, and other relevant provisions of the People's Republic of China;

<b>Institutional Investors</b>	means enterprise legal persons, institutional legal persons, social groups or other organizations that are lawfully registered within the territory of China or approved by the competent government departments to be established, validly exist and invest in securities investment funds in accordance with the law;
<b>Qualified Foreign Institutional Investors</b>	means foreign Institutional Investors that comply with the provisions of the Laws and Regulations, are approved by the CSRC to invest in China's securities markets and allotted an investment quota by the State Administration of Foreign Exchange;
<b>Fund Offering Period</b>	means the Offering period of the Fund units as set out in the Fund Contract and the Prospectus and approved by the CSRC and that shall not exceed three months from the first date of the Offering of the Fund units;
<b>Effective Date of the Fund Contract</b>	means the date of confirmation by the CSRC in writing after the Offering that the Fund complies with the provisions of the Laws and Regulations and meets the conditions stipulated in the Fund Contract, the Fund Manager engages a statutory institution to conduct capital verification and complies with the filing formalities at the CSRC;
<b>Term</b>	means the indefinite period from the Effective Date of the Fund Contract to the date on which the Fund Contract is terminated;
<b>Business Days</b>	means the normal Dealing Days of the Shanghai Stock Exchange and Shenzhen Stock Exchange;
<b>Offering</b>	means the Offering of the units of this Fund to Investors by Sales Institutions during the Fund Offering Period;
<b>Subscription</b>	means investors' application to purchase the units of this Fund in accordance with the provisions of the Fund Contract during the Fund Offering Period;
<b>Purchase</b>	means investors' application to / the units of this Fund during the Term of the Fund;
<b>Redemption</b>	means the act of Fund Unitholders to request the Fund Manager to convert the units of this Fund held by them into cash according to the conditions prescribed in the Fund Contract during the Term of the Fund;
<b>Substantial Redemption</b>	means on any Business Day of this Fund, the sum of the Fund units under net Redemption applications (the remaining units after deducting the total Fund units under Purchase applications from the total Fund units under Redemption applications) and the Fund units under net switch-out applications (the remaining units after deducting the total Fund units under switch-in applications from the total Fund units under switch-out applications) exceeds 10% of the total Fund units on the previous Business Day;
<b>Fund Conversion</b>	means Fund Unitholders' conversion of the units of this Fund into units of other funds managed by the Fund Manager and registered by the same Registrar in accordance with the Fund Contract and the then effective Business Rules of the Fund Manager;
<b>Designation Transfer</b>	means Fund Unitholders' transfer of the fund units of the same fund



	in their Fund Accounts from one Trading Account to another Trading Account;
<b>Dollar Cost Averaging Plan</b>	means an investment method whereby an Investor applies to the relevant Sales Institution to agree on the debit date, debit amount and debit method for each period, and requests the Sales Institution to automatically debit the amount from the bank account designated by the Investor on the agreed debit date for each period so as to apply for the Purchase of the Fund;
<b>Sales and Service Charge</b>	means the charge belonging to the operating expense of the Fund and payable out of the Fund assets to support the continuous marketing of the Fund and the provision of services to Fund Unitholders;
<b>Classes of Fund Units</b>	means that this Fund has two Classes of Fund Units: Class A Units and Class B Units. The two Classes of Fund Units differ in fund codes, Sales and Service Charges and publish the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield separately;
<b>Class A Units</b>	means the Class of Fund Units for which the Sales and Service Charge is calculated at an annual rate of 0.25%;
<b>Class B Units</b>	means the Class of Fund Units for which the Sales and Service Charge is calculated at an annual rate of 0.01%;
<b>Amortised Cost Method</b>	means that the valuation target is stated at the acquisition cost, which is Amortised evenly over the remaining Term based on the coupon rate or the agreed interest rate, taking into account the premium and discount at the time of acquisition, and the profit and loss are calculated on a daily basis;
<b>Net Income of Every 10,000 Fund Units</b>	means the daily net income of Every 10,000 Fund Units or the accumulated net income of Every 10,000 Fund Units calculated in accordance with the relevant regulation;
<b>7-day Annualised Yield</b>	means the annual yield of the assets converted from the income in the latest seven days (including holidays);
<b>Investment Orders</b>	means the orders given by the Fund Manager to the Fund Custodian when using the Fund assets for investment, such as the orders for the transfer of funds and the transfer of physical bonds;
<b>Sales Agencies</b>	means institutions that qualify to sell the Fund as agents and are entrusted by the Fund Manager to handle the Subscription, Purchase, Redemption of the Fund and other fund operation on its behalf;
<b>Sales Institutions</b>	means the Fund Manager and the Sales Agencies of this Fund;
<b>Outlets for the Sales of the Fund</b>	means the direct sales centres of the Fund Manager and the sales outlets of the Sales Agencies of the Fund;
<b>Designated Media</b>	means the national newspapers and designated internet websites (including those operated by the Fund Manager, the Fund Custodian and the CSRC Fund Electronic Disclosure);
<b>Fund Account</b>	means an account opened by the Registrar for the Fund Investor that

	records the balance and changes of the Fund units held by the Fund Investor and registered with the Registrar;
<b>Trading Account</b>	means an account opened by the Sales Institution for the Fund Investor that records the balance and changes of the Fund units held by the Fund Investor and for which the Sales Institution handles the Subscription, Purchase, Redemption, Conversion and Designation Transfer;
<b>Business Day</b>	means a day on which the Fund Manager handles the Purchase or Redemption of the Fund units or other business;
<b>Day T</b>	means a day on which the Sales Institution accepts Investors' applications for Purchase, Redemption or other operation during the prescribed hours;
<b>Day T + n</b>	means the n <sup>th</sup> Business Day after Day T (excluding Day T);
<b>Fund Income</b>	means income from the interest of bonds, income from note investment, income from the repurchase agreement of bonds, proceeds from trading securities, interest from bank deposits and other lawful income arising from the Fund Manager's use of the Fund assets for investment and the saving of costs or expenses through the use of the Fund assets;
<b>Total Asset Value of the Fund</b>	the Total Asset Value of the Fund shall mean the sum of the value of all types of securities and notes purchased by this Fund, the principal and interest of bank deposits, the accrued interest of bonds, receivables of the Fund, and the value created by other investments;
<b>Fund NAV</b>	means the Total Asset Value of the Fund less the liabilities of the Fund;
<b>Valuation of the Fund Assets</b>	means the process of calculating and estimating the value of the assets and liabilities of the Fund for the purpose of determining the Fund NAV;
<b>Laws and Regulations</b>	means the laws, administrative regulations, departmental rules and other regulatory documents of the People's Republic of China, as amended and supplemented from time to time and currently effective;
<b>Force Majeure</b>	means events and factors that cannot be foreseen, overcome or avoided, including but not limited to floods, earthquakes and other natural disasters, wars, riots, fires, government expropriation, confiscation, changes in the Laws and Regulations, sudden power outage, terrorist attacks, the spread of infectious diseases and the unusual suspension or discontinuation of trading on securities exchanges and other emergencies.

### 3. Fund Manager

#### (I) Profile of the Fund Manager

Name: HSBC Jintrust Fund Management Co., Ltd.

Registered Address: 17/F, HSBC Building, Shanghai ifc, 8 Century Avenue, Shanghai

Office Address: 17/F, HSBC Building, Shanghai ifc, 8 Century Avenue, Pudong, Shanghai

Legal Representative: YANG Xiaoyong

Date of Incorporation: 16 November 2005

Tel.: 021-20376789

Contact Person: ZHOU Hui

Registered Capital: RMB 200 Million

Ownership Structure: Shanxi Trust Co., Ltd. (Shanxi Trust) owns a 51% stake and HSBC Global Asset Management (UK) Ltd. owns a 49% stake.

#### (II) Key Officers

##### (1) Members of the Board of Directors

Mr. YANG Xiaoyong, Chairman of the Board and holder of a master's degree. He was once the Director level cadre of the Organization Department of Shanxi Provincial Committee, Deputy General Manager of Shanxi Trust, Deputy General Manager of Shanxi Guoxin Investment Group, Vice Chairman of Shanxi Guangxin Property Development, Secretary of the Party Committee of Shanxi Guoxin Investment Group, Deputy Secretary of the Party Committee and Deputy President (Principal treatment) of Jinshang Bank, and Deputy General Manager, Vice Chairman, and the full-time Deputy Secretary of the Party Committee (Principal treatment) of Shanxi Financial Holding Group.

Mr. GUO Jinpu, Director and holder of a master's degree. He was once the Deputy General Manager of the Property Development Department and Investment Department Head Office of Shanxi Trust, General Manager of Taiyuan Wanfeng Property Development, General Manager and Chairman of Shanxi International Trade Centre and Chairman of Shanxi Trust. He is currently full-time Deputy Secretary of the Party Committee and Deputy General Manager of Shanxi Guoxin Investment Group.

Mr. Steve LEE, Director and holder of a master's degree. He was once the Manager of E-Commerce and Project Development Department, and Head of Business Development of Jardine Fleming Fund Management (now JP Morgan), Director and Head of APAC Regional Business Development and China Business of HSBC Global Asset Management (Hong Kong), and General Manager and Director of HSBC Jintrust Fund Management. He is currently the Chief Executive Officer of HSBC Global Asset Management (Taiwan).

Mr. Pedro Augusto Botelho BASTOS, Director. He was once the Chief Executive Officer of HSBC Global Asset Management (Brazil), and Chief Investment Officer and Chief Executive Officer of HSBC Global Asset Management (Latin America). He is currently the Chief Executive Officer of HSBC Global

Asset Management (APAC).

Mr. WANG Dong, Director, Certified Public Accountant (CPA) China and Chartered Financial Analyst (CFA). He has been Management Trainee Product Development of HSBC Global Asset Management (UK), Business Development Manager of Asia-Pacific of HSBC Global Asset Management (Hong Kong), Financial Controller and Head of Special Projects, Head of International Business and Assistant General Manager of HSBC Jintrust Fund Management. He is currently the General Manager of HSBC Jintrust Fund Management.

Mr. MEI Jianping, Independent Director and holder of a doctorate degree. He was once the Associate Professor of Finance of New York University, Visiting Associate Professor of the University of Chicago and University of Amsterdam and Distinguished Professor of Tsinghua University. He is currently Deputy Dean of Alumni Affairs and the Professor of Finance of Cheung Kong Graduate School of Business.

Mr. Dicky YIP, Independent Director and holder of a master degree. He was once the Vice President, West Coast Business of HSBC Bank USA, Head of Retail of The Hongkong and Shanghai Banking Corporation, President of China Business of HSBC Representative Office in China, Deputy General Manager of Bank of Communications, and Chief Regional Representative of the Institute of International Finance in APAC. He is currently the Independent Director of DBS Bank (Hong Kong).

Mr. HU Danyuan, Independent Director and holder of a doctorate degree. He was a post-doctoral researcher at the University of Kentucky, the Chinese Dean of the BiMBA Business School of the National Development Research Institute of Peking University, and the Deputy Dean and Party Secretary of the National Development Research Institute of Peking University. He is currently a professor at the National Development Research Institute of Peking University.

(2) General Profiles of Members of the Supervisory Committee:

Mr. JIAO Yang, Supervisor and holder of a master's degree. He was once the Managing Deputy General Manager and Manager of Treasury Department of Shanxi Trust, Head of Risk Management, General Manager of Auditing and Risk Management Department of Shanxi Guoxin Investment Group, Director of Operations and General Manager of Capital Operation Department of Shanxi Financial Holding Group and Member and Chairman of the Supervisory Committee of Shanxi Asset and Equity Exchange. He is currently Chairman of the Supervisory Committee of Shanxi Securities

Mr. David LIAO, Supervisor and holder of an undergraduate degree. He worked for Industrial Bank of Japan (now Mizuho Bank). Mr. LIAO joined HSBC in 1997 and was in charge of local foreign currency, interest rate and bond market businesses in Greater China and Singapore. He was once Treasurer of HSBC China, Managing Director of Global Banking and Markets, Deputy President, President and Chief Executive Officer of HSBC China. He is currently Group General Manager, Head of Asia Pacific Global Banking, and Non-Executive Director of Bank of Communications.

Ms. CAO Jing, Supervisor and holder of a master degree. She was once the Staffing Manager of Manulife-Sinochem Life Insurance, Training Manager of China Paradise Electronics Retail, and Human Resources Manager of HSBC Jintrust. She is currently the Head of Human Resources of HSBC Jintrust Fund Management.

Mr. HOU Yuqi, Supervisor and holder of a master degree. He was once the Trader and Investment

Manager of Shanxin Trust and Shanxi Guoxin Investment Group respectively, and Senior Research Analyst, Equity Portfolio Manager, and Senior Portfolio Manager of HSBC Jintrust Fund Management. He is currently the Portfolio Manager of HSBC Jintrust Dual Core Balanced Fund.

(3) General Profiles of the General Manager and Other Senior Management Staff:

Mr. WANG Dong, General Manager and holder of a master degree, Certified Public Accountant (CPA) China and Chartered Financial Analyst (CFA). He was once the Management Trainee of Product Development of HSBC Global Asset Management (UK), Regional Business Development Manager of APAC of HSBC Global Asset Management (Hong Kong), Financial Controller, Head of Special Projects, Head of International Business, and Assistant General Manager of HSBC Jintrust Fund Management.

Mr. WANG Lirong, Deputy General Manager and holder of a master's degree. He was once the Deputy General Manager of the Fixed Income Department, Deputy General Manager of the Securities Investment Department and Director of the Innovative Business Department of Shanxi Trust, Deputy General Manager of Shanghai Wanfang Investment Management and Deputy Chief Inspector of HSBC Jintrust Fund Management.

Ms. ZHAO Lin, Deputy General Manager, Chief Operation Officer, Chief Information Officer and holder of a master's degree. She was once the Deputy Head of Fund Registration of HuaAn Fund Management, Head of Operations of Bank of China Investment Management, and Head of Operations of HSBC Jintrust Fund Management.

Mr. ZHANG Yijie, Deputy General Manager and holder of a master's degree. He was once the Business Development Manager for Eastern China of China Merchants Fund Management, Head of Institutional Sales of Tiantong (now Wanjia) Asset Management, and Assistant General Manager and Head of Direct Business of HSBC Jintrust Fund Management.

Ms. GU Yun, Chief Inspector and holder of a master's degree. She was once the Vice President of Legal Department of Guotai Junan Securities, Vice President of the Compliance Department of CPIC Fund Management, Head of Compliance of CPIC Fund Management, Secretary of the Board of CPIC Fund Management, and Assistant General Manager of CPIC Fund Management.

(4) Portfolio Managers of this Fund

Ms. LI Yuanyuan received her Master of Finance degree from University of Essex, UK. Ms. LI worked as a trader for the International Department of China Guangfa Bank Shanghai Branch, a trader at the Treasury Department of BNP Paribas China, a trader at the Global Markets Department of Fortis Bank Shanghai Branch, and an investment manager of HSBC Jintrust. She is currently the Portfolio Manager of HSBC Jintrust Money Market Fund and Head of Fixed Income, Investment Department.

Ms. FU Yuqing received her Master of Business Administration degree from McMaster University, Canada. Ms. FU worked as a bond broker for Shanghai CFETS-NEX International Money Broking, a credit analyst for Royal Bank of Canada, and a credit analyst for HSBC Jintrust. She is currently the Portfolio Manager of HSBC Jintrust Money Market Fund and HSBC Jintrust Stable Income Fund, as well as a Portfolio Assistant to assist portfolio managers of related funds to carry out investment management of relevant bonds and new stocks.

Past Portfolio Managers of this Fund:

Ms. ZHONG Xiaojing was a Portfolio Manager from 2 November 2011 to 8 December 2012.

Mr. FAN Li was a Portfolio Manager from 27 July 2019 to 18 September 2020.

(5) Names and Titles of the Members of the Investment Committee

WANG Dong, General Manager; ZHENG Yuchen, Head of Investment; LI Yuanyuan, Head of Fixed Income and Portfolio Manager of HSBC Jintrust Money Market Fund; FANG Lei, Head of Rule-based Investments and Portfolio Manager of HSBC Jintrust Heng Seng China A Industry Top Index Fund, HSBC Jintrust China A Share Volatility Focused Equity Fund, and HBC Jintrust Small-Mid Cap Volatility Focused Equity Fund; CEHN Yu, Head of Overseas Investments and Portfolio Manager of HSBC Jintrust China-Hong Kong Stock Connect Equity Fund, and HSBC Jintrust Dual Core China-Hong Kong Stock Connect Balanced Fund; LU Bin, Head of Equity Research and Portfolio Manager of HSBC Jintrust China Manufacturing Equity Fund, HSBC Jintrust Carbon Awareness Equity Fund, HSBC Jintrust Dynamic Strategy Fund, and HSBC Jintrust Core Growth Balanced Fund; HUANG Lihua, Head of Active Equity Investments and Portfolio Manager of HSBC Jintrust Large Cap Equity Fund. Where necessary, the Fund Manager can add or replace the relevant personnel.

(6) The personnel listed above are not close relatives of each other.

### **(III) Duties of the Fund Manager**

- (1) To offer the Fund in accordance with the law and comply with the formalities required for the filing of the Fund;
- (2) To manage and operate the Fund assets in an honest, trustworthy, diligent and responsible manner from the Effective Date of the Fund Contract;
- (3) To employ sufficient personnel with professional qualifications to analyze and make decisions on the investment of the Fund, and manage and operate the Fund assets in a professional manner;
- (4) To employ sufficient professionals to handle the Subscription, Purchase and Redemption of the Fund units or entrust other institutions to handle such operations as agents;
- (5) To employ sufficient professionals and be equipped with corresponding technological facilities for the registration of the Fund or entrust other institutions to handle such operations as agents;
- (6) To establish and improve the systems for internal risk control, monitoring and compliance, financial management and personnel management, etc., guarantee that the Fund assets managed are separate from the assets of the Fund Manager, separately managed, in separate accounts and make separate securities investments for the different funds it manages;
- (7) Not to use the Fund assets to seek illegal benefits for itself or any third party and not to entrust any third party to operate the Fund assets, other than in accordance with the *Fund Law*, the Fund Contract and other relevant provisions;
- (8) To accept the supervision by the Fund Custodian in accordance with the law;
- (9) To adopt appropriate and reasonable measures such that the method of calculating the Subscription, Purchase and Redemption prices of the Fund units complies with the provisions of the legal documents such as the Fund Contract, calculate and publish the Fund NAV, the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield of all Classes and determine the prices for the Purchase and

Redemption of the Fund units in accordance with the relevant provisions;

- (10) To perform the information disclosure and reporting obligations in strict accordance with the *Fund Law*, the Fund Contract and other relevant provisions;
- (11) To keep confidential the trade secrets of the Fund and not to divulge the investment plans and investment intention of the Fund. Unless otherwise prescribed by the Fund Law, the Fund Contract and other relevant provisions, the information about the Fund shall be kept confidential and shall not be divulged to others before public disclosure;
- (12) To prepare the plan for the distribution of the Fund Income in accordance with the Fund Contract and distribute the Fund Income to the Fund Unitholders in a timely manner;
- (13) To accept the Purchase and Redemption applications in accordance with the Laws and Regulations and the provisions of the Fund Contract, and pay redemption proceeds and the dividend amount in full in a timely manner;
- (14) Not to own a controlling stake in or directly manage listed companies;
- (15) To convene general meetings of Fund Unitholders in accordance with the *Fund Law*, the Fund Contract and other relevant provisions or cooperate with the Fund Custodian and the Fund Unitholders to convene general meetings of Fund Unitholders in accordance with the law;
- (16) To maintain records, accounting books, statements and other relevant information regarding the management of the Fund assets as required;
- (17) To carry out accounting and prepare financial accounting reports for the Fund;
- (18) To ensure that all the documents or information that have to be provided to the Fund Unitholders are sent within the prescribed time limit;
- (19) To ensure that Investors can inspect the public information relating to the Fund at any time within such period and in such way as stipulated in the Fund Contract, and can obtain the duplicate copy of the relevant information after paying a reasonable fee;
- (20) To organize and participate in the Fund asset liquidation team and take part in the safekeeping, clearing, valuation, realization and distribution of Fund assets;
- (21) To report to the CSRC and inform the Fund Custodian in a timely manner when facing dissolution, termination in accordance with the law, bankruptcy or the taking over of assets by the receiver;
- (22) To be liable for compensation if its violation of the Fund Contract results in the loss of Fund assets or prejudices the lawful rights and interests of the Fund Unitholders, and its compensation liability shall not be waived upon expiry of its appointment;
- (23) To act in the interest of the Fund Unitholders by claiming from the Fund Custodian for loss of the Fund assets arising from the Fund Custodian's violation of the Fund Contract;
- (24) Not to engage in any activity that prejudices the interest of the Fund assets and other parties related to this Fund;
- (25) To treat different funds that it manages in a fair manner and prevent the allocation of resources among different funds from being carried out in a way that prejudices the interest of the Fund Unitholders;
- (26) To exercise the right to institute litigation or other legal proceedings on behalf of the Fund

Unitholders in the name of the Fund Manager;

(27) To perform other duties as prescribed by the Laws and Regulations and the provisions of the Fund Contract.

#### **(IV) Undertakings of the Fund Manager**

(1) The Fund Manager shall have full authority to manage the investment of this Fund in strict accordance with the Laws and Regulations and the Fund Contract and in line with the investment objectives, strategies and restrictions set out in the Prospectus.

(2) The Fund Manager shall not act in violation of the *Fund Law* and other Laws and Regulations, shall establish and improve the internal control framework, and take effective measures to prevent commission of the following acts:

- 1) Mingling its own assets or others' assets with the Fund assets for securities investment;
- 2) Treating the different fund assets that it manages in an unfair manner;
- 3) Using the Fund assets to seek benefit for a third party other than the Fund Unitholders;
- 4) Promising income to or bearing losses for Fund Unitholders in violation of the rules;
- 5) Using the Fund assets to underwrite securities;
- 6) Using the Fund assets to provide loans or guarantees for others;
- 7) Using the Fund assets for investment with unlimited liability;
- 8) Using the Fund assets to trade other fund units, unless otherwise prescribed by the State Council;
- 9) Using the Fund assets to make capital contribution to the Fund Manager or Fund Custodian of this Fund, or trading the stocks or bonds issued by the Fund Manager or Fund Custodian of this Fund;
- 10) Using the Fund assets to trade securities issued by or securities underwritten during the underwriting period by the controlling shareholder of the Fund Manager or Fund Custodian of this Fund or a company that is materially interested in the Fund Manager or Fund Custodian of this Fund;
- 11) Using the Fund assets for insider dealing, manipulating the trading prices of securities or engaging in other improper securities trading activities;
- 12) The amount of Fund assets used to apply for the Purchase of shares issued exceeds the total assets of the Fund or the number of shares for which the Fund applies exceeds the total number of shares issued this time by the company intending to issue the shares;
- 13) The market value of the shares of a listed company which this Fund holds exceeds 10% of the NAV of this Fund;
- 14) The exposure of this Fund and other funds managed by the Fund Manager to a security issued by a company exceeds 10% of that security;
- 15) Violating the stipulations of the Fund Contract in relation to investment universe, investment strategies and investment ratios;
- 16) Committing other acts prohibited by the Laws and Regulations, the CSRC and the Fund



Contract.

(3) The Fund Manager undertakes to strengthen staff management, improve professional conduct, urge and bind its staff to observe the relevant Laws and Regulations of the State and the standards of the industry, be honest and trustworthy, diligent and responsible and not to engage in the following activities:

- 1) Operating beyond their scope of authority or in violation of the rules;
- 2) Violating the Fund Contract or the Custodian Agreement;
- 3) Wilfully prejudicing the lawful rights and interests of the Fund Unitholders or other institutions related to the Fund;
- 4) Disclosing false information in the materials submitted to the CSRC;
- 5) Rejecting, interfering, hindering or seriously affecting the regulation by the CSRC in accordance with the law;
- 6) Being derelict in their duties and abusing their authority;
- 7) Divulging the trade secrets in relation to the securities and the Fund that come to its knowledge during their terms of office, or information such as the investment content and investment plans of the Fund that have not been disclosed in accordance with the law;
- 8) Directly or indirectly making equity investments other than the investments made by the Fund under the system of the company, assisting other organizations or individuals or accepting their entrustment to conduct securities trading or conducting such trading in any other way;
- 9) Violating the business rules of the stock exchanges, manipulating the market prices and disrupting the market order by means of bucketing or prearranged trading;
- 10) Belittling industry peers to raise their own status;
- 11) Willfully including false, misleading and deceptive elements in public information disclosure and advertisements;
- 12) Seeking business development by improper means;
- 13) Violating social ethics and damaging the images of the personnel managing securities investment funds;
- 14) Committing other acts prohibited by the Laws and Regulations.

(4) Undertakings of the Portfolio Manager

- 1) Seeking, with prudence, to maximize the benefits of Fund Unitholders in accordance with the relevant Laws and Regulations and the provisions of the Fund Contract;
- 2) Not seeking improper benefits for himself, his agents, his representatives, the employees or any other third party by taking advantage of his position;
- 3) Not divulging trade secrets in relation to the securities and the Fund that come to his knowledge during his term of office, or information such as the investment content and investment plans of the Fund that have not been disclosed in accordance with the law;
- 4) Not conducting securities trading for other organizations or individuals in whatever way.

#### **(V) Internal Control Framework of the Fund Manager**

(1) Objectives of Internal Control

- 1) To ensure that the company operates in strict compliance with the relevant Laws and Regulations of the State and the regulatory rules of the industry and takes the initiative to develop the operation philosophy and principles that emphasize compliant and regulated operation.
- 2) To prevent and defuse operation risk, improve operating and management efficiency, ensure the steady operation of the business, and the security and integrity of the entrusted assets and realize the continuous, stable and healthy development of the company.
- 3) To ensure that the financial and other information of the Fund and the company is true, accurate, complete and timely.

## (2) Principles of Internal Control

- 1) Principle of comprehensiveness: Internal control shall cover all the business, departments or organs and personnel at all levels of the company and all the operational aspects such as decision-making, implementation, supervision and the provision of feedback.
- 2) Principle of effectiveness: Reasonable internal control procedures shall be established and the internal control system shall be implemented effectively through scientific means and methods of internal control.
- 3) Principle of independence: All the organs, departments and posts of the company shall be independent from each other and the fund assets, own assets and other assets of the company shall be operated separately.
- 4) Principle of check and balance: The company's internal departments and posts shall have clearly defined authority and duties and perform check and balance.
- 4) Principle of cost-effectiveness: The company shall use scientific operation and management methods to reduce operation cost, improve economic efficiency and achieve the best internal control effect at reasonable control cost.

## (3) Internal Control Framework

The company's internal control framework is made up of the internal control outline, the basic management systems and the departmental business rules. The company's internal control outline elaborates the internal control principles prescribed by the company's articles of association and is the outline and overview of all the basic management systems. The internal control outline specifies clearly content such as the internal control objectives, internal control principles, control environment and internal control measures. The basic management systems include the risk control system, the investment management system, the fund accounting system, the information disclosure system, the monitoring and compliance system, the management system of information technologies, the company's financial system, the information and record management system, the performance evaluation and appraisal system and the emergency response system. The departmental business rules are the specific description of the major duties, posts, post responsibilities and operation rules of all the departments that are based on the basic management systems.

The company adheres to the following principles when establishing the internal control framework:

- 1) Principle of compliance with the laws and rules: The company's internal control systems shall comply with the laws, regulations, rules and all the provisions of the State.
- 2) Principle of comprehensiveness: The internal control framework shall cover all the segments of the company's operation and management. The system shall contain no omission or loophole.
- 3) Principle of prudence: Prudent operation and the prevention and mitigation of risks shall be

the starting point in formulating the internal control framework.

- 4) Principle of timeliness: The internal control framework shall be modified or improved based on the amendment of the relevant Laws and Regulations and the changes of the internal and external environment, such as the company's operation strategies, operation policies and operation principles.

#### (4) Internal Control System

The company's internal control system is a comprehensive and stringent system with clear segregation of duties, and check and balance. The company's Board of Directors takes ultimate responsibility for the company's establishment of the internal control system and maintenance of its effectiveness. All the business departments are responsible for the internal control of their own departments. The Compliance Officer and the Compliance Department are responsible for examining the implementation of the company's internal control measures. The internal control system is specifically made up of the following components:

##### 1) Board of Directors

The Board of Directors is responsible for formulating the company's internal control outline and assumes overall and ultimate responsibility for the company's internal control.

##### 2) Chief Inspector

The Chief Inspector is responsible for monitoring the compliance of the company and its business operation, and supervising and examining the company's implementation of the internal control system. The Chief Inspector is accountable to the Board of Directors, reports the status of the company's implementation of the internal control system to the Board of Directors on a regular and irregular basis, and submits compliance reports to the CSRC on a regular basis.

##### 3) Compliance Department

The Compliance Department is responsible for supervising the implementation of the internal control system by all the departments. The Compliance Department is accountable to the General Manager, examines the implementation of the internal control framework by all the business departments and these departments' compliance with the Laws and Regulations and other provisions of the State on a regular and irregular basis, and gives recommendations for revision in a timely manner.

##### 4) Business Departments

Internal control is the responsibility of all the business departments. The Directors of all the departments assume direct liabilities for their own departments' internal control, are responsible for implementing the company's internal control framework and are responsible for formulating, implementing and maintaining their own departments' internal control measures.

#### (5) The Fund Manager's statement on internal control

The Fund Manager is aware that establishing the internal control system, maintaining its effectiveness and effectively implementing the internal control framework are the responsibilities of the Board of Directors and the management team. The Board of Directors shall take the ultimate responsibility therefor. The Fund Manager guarantees that the above disclosure about internal control is true and accurate and undertakes to continue to improve the internal control framework based on the market changes and the development of the Fund Manager.

## 4. Fund Custodian

### (I) Overview of the Fund Custodian

#### (1) Profile of the Fund Custodian

Legal Chinese Name of the Company: 交通银行股份有限公司 (Abbreviation: 交通银行)

Legal English Name of the Company: Bank of Communications Co., Ltd.

Legal Representative: REN Deqi

Registered Address: 188 Yincheng Middle Road, China (Shanghai) Pilot Free-Trade Zone

Office Address: 18 Xianxia Road, Changning District, Shanghai

Postal Code: 200336

Date of Registration: 30 March 1987

Registered Capital: RMB74.263 billion

Fund Custody Qualification Approval Document and Number: CSRC Zheng Jian Ji Zi [1998] No. 25

Contact Person: LU Zhijun

Tel: 021-95559

Founded in 1908, Bank of Communications (BoComm) is one of the oldest banks in China and one of the note-issuing banks in the modern Chinese history. Reorganized and then opening for business in 1987, BoComm becomes the first joint-stock commercial bank in China, headquartered in Shanghai. BoComm was listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange in June 2005 and May 2007 respectively. BoComm has been a Fortune 500 Company for 12 consecutive years, with recent revenue ranked 162<sup>nd</sup>, and was a Top 1,000 World Banks released by *The Banker*, with Tier 1 Capital ranked 11<sup>th</sup>.

By 31 March 2021, BoComm had total assets of RMB 11,170 billion and from January 2021 to March 2021 realized net profit of RMB 21.946 billion.

The head office of BoComm has set up the Asset Custody Department (Custody Department), with existing employees having numerous years of working experience in the fund, securities and banking business. They are qualified to engage in fund business, and hold intermediate and senior professional titles such as economists, accountants, engineers and lawyers. With high educational level and coming from diverse specialties, the employees have distinguished professional expertise and strictly follow professional ethics. They are a team of asset custody practitioners that are honest, diligent, and active and take the initiative to make progress, are innovative and make strenuous efforts to improve themselves.

#### (2) Key Officers

Mr. REN Deqi, Chairman, Executive Director and Senior Economist.

Mr. REN has been Chairman (Acting President from December 2019 to July 2020), and Executive Director of the Bank since January 2020. From August 2018 to January 2020 he was the Vice Chairman, Executive Director (Acting Chairman from April 2019 to January 2020), and the President from August 2018 to December 2019. From December 2016 to June 2019 he was the Executive Director and Vice President of Bank of China. During the time, he was also the non-Executive Director of Bank of China

Hong Kong (Holding) Limited. From September 2016 to June 2018 he was the Chief Executive Officer of Bank of China Shanghai RMB Trading Division. From July 2014 to November 2016, he was the Vice President of Bank of China. From August 2003 to May 2014, he was China Construction Bank's Deputy Manager of Credit Lending Department, General Manager of Risk Monitoring Department, General Manager of Credit Approval Department, Vice President of Hubei Provincial Branch, and General Manager of Risk Management Department. From July 1988 to August 2003, he worked at China Construction Bank Yueyang Changling Branch, Yueyang City Central Branch, Yueyang Branch, Credit Lending Management Committee Office, and Credit Risk Management Department. Mr. REN received his master's degree in engineering from Tsinghua University.

Mr. LIU Jun, Vice Chairman, Executive Director, President, and Senior Economist.

Mr. LIU has been President of the Bank since July 2020. He was Deputy General Manager of China Investment Corporation from November 2016 to May 2020, Deputy General Manager of China Everbright Group from December 2014 to November 2016, Executive Director and Deputy General Manager of China Everbright (Group) from June 2014 to December 2014, (concurrently as Chairman of Everbright Sun Life Insurance, Vice Chairman of China Everbright Group, Executive Director and Vice Chairman of China Everbright Holdings, Executive Director and Vice Chairman of China Everbright International, and Chairman of China Everbright Industry (Group) during the period from June 2014 to November 2016). He was Assistant to the President and Vice President of China Everbright Bank from September 2009 to June 2014 (concurrently as President of China Everbright Bank Shanghai Branch, and General Manager of China Everbright Bank Financial Market Center during the period). He worked at the International Business Department, Hong Kong Representative Office, Treasury Department, and Investment Banking Department of China Everbright Bank. Mr. LIU received his doctorate in business administration from the Hong Kong Polytechnic University in 2003.

Mr. XU Tie, Deputy General Manager of Asset Custody Department.

Mr. XU has been Deputy General Manager of the Asset Custody Department of the Bank since December 2014. He was Deputy Senior Manager, Senior Manager, Senior Manager of the Insurance Security Business Department, and Assistant to the General Manager of the Asset Custody Department. Mr. XU received his master's degree in economics from Fudan University in 2000.

### (3) Operation of the Fund Custody Business

As of 31 March 2021, BoComm had served as custodian of total 527 securities investment funds as well as fund company segregated accounts, security company collective investment schemes, bank wealth management products, trust company schemes, private investment funds, insurance company assets, National Social Security Fund, enterprise annuity funds, occupational pension funds, QFIIs, QDIIs, RQDIIs, QDIEs, QDLPs, and QFLPs.

## (II) Internal Control Framework of the Fund Custodian

### (1) Objectives of Internal Control

The objectives include strict compliance with the Laws and Regulations of the State, the rules and relevant administrative provisions of the industry, the strengthening of internal management, the improvement of the business rules of the Asset Custody Department and the thorough implementation of all the rules, the effective risk management of all types of business through the identification, assessment, control and mitigation of all types of risks, the guarantee of stable business operation and the protection of the lawful rights and interests of the Fund Unitholders.

### (2) Principles of Internal Control

- 1) Principle of legality: all regulations set forth by the Asset Custody Department comply with local laws and regulatory requirements, which are strictly enforced during daily Asset Custody operations.
- 2) Principle of comprehensiveness: An internal control mechanism whereby all divisions of the Asset Custody Department exercise self-control and the dedicated internal control division monitors and controls the risks shall cover all the business, all the departments and personnel at all levels, and penetrate into all operational aspects such as decision-making, implementation, supervision and the provision of feedback, and a comprehensive risk management and supervision mechanism shall be established.
- 3) Principle of independence: The Asset Custody Department of BoComm takes charge of the custody of the entrusted assets of the Fund independently, guarantees that the Fund assets are separated from the assets owned by BoComm, establishes separate accounts, performs separate accounting and keeps separate books for the different entrusted funds.
- 4) Principle of check and balance: The Asset Custody Department shall apply the principles of proper authorization and check and balance and the organizational structure shall be established in a way that guarantees that all the divisions and all the posts have clearly defined authority and duties, and perform check and balance. Effective check and balance measures shall be taken to eliminate the blind spots in internal control.
- 5) Principle of effectiveness: The Asset Custody Department shall establish scientific and reasonable internal control decision-making mechanism, implementation mechanism and supervision mechanism at three levels, namely the posts, the divisions and the Risk and Compliance Department. Reasonable internal control procedures shall be established through effective control processes and control measures so as to ensure the effective implementation of each internal control management target.
- 6) Principle of cost-effectiveness: The Asset Custody Department shall correspond the internal control with respect to the size of the fund under custody, the business scope and the risk control requirement of the business operation. The cost of business operation shall be minimized to achieve the best internal control at reasonable control cost.

### (3) Internal Control Framework and Measures

The Fund Custodian has established a series of stringent and complete management rules and systems for the custody of securities investment funds in accordance with the Laws and Regulations such as the *Securities Investment Fund Law*, *Commercial Bank Law of the People's Republic of China* and the *Guidelines of Asset Custody Business for Commercial Banks* to ensure that the operation of the fund custody business is regulated, safe and highly efficient. These rules and systems include the *Interim*

*Measures for the Administration of the Asset Custody Business of BoComm, the Internal Risk Control System of the Asset Custody Department of BoComm, the Administrative Measures for the Project Development of the Asset Custody Department of BoComm, the Information Disclosure System of the Asset Custody Department of BoComm, the Confidentiality System of the Asset Custody Business of BoComm, the Code of Conduct for Personnel Engaging in the Asset Custody Business of BoComm, and the Management System of the Business Information of the Asset Custody Business of BoComm, which BoComm will continue to improve based on market changes and the development of the fund business, so as to ensure a reasonable segregation of duties within the business, establish integrated and independent technological systems, institutionalize business management, set up Chinese walls for core business operation, implement all insulation measures and have dedicated personnel to take charge of relevant information disclosure.*

The Asset Custody Department controls internal risks dynamically through prior disclosure, ongoing control and post-examination in all the segments and procedures of the asset custody business. The Asset Custody Department also engages an internationally renowned accounting firm to assess the internal control of the operation of the fund custody business so as to ensure the effective implementation of internal control management.

### **(III) The Fund Custodian's Methods and Procedures for Supervising the Fund Manager's Operation of the Fund**

Pursuant to the *Securities Investment Fund Law*, the *Administrative Measures for the Operation of Public Offering Securities Investment Funds* and the provisions of the relevant securities regulations, the Fund Custodian shall monitor and verify that the investment targets of the Fund, the holding limits of the investment portfolios of the Fund assets, the accounting for Fund assets, the calculation of the Fund NAV, the accrual and payment of the remuneration to the Fund Manager and the Fund Custodian, the receipt of Purchase amount and the payment of Redemption proceeds of the Fund and the distribution of the Fund Income comply with the Laws and Regulations.

Upon the discovery that the Fund Manager has acted in violation of the relevant securities regulations such as the *Securities Investment Fund Law* and the *Administrative Measures for the Operation of Public Offering Securities Investment Funds* and the Fund Contract, the Fund Custodian shall promptly request the Fund Manager to make rectification. Upon the receipt of the notice, the Fund Manager shall verify, confirm and correct the violation. The Fund Custodian is entitled to re-examine the alleged violation and urge the Fund Manager to make rectification. If the Fund Manager fails to rectify the violation notified by the Fund Custodian in a timely manner, the Fund Custodian shall report the matter to the CSRC.

Upon the discovery of any act of the Fund Manager that seriously violates the rules, the Fund Custodian shall immediately report the matter to the CSRC and request the Fund Manager to make rectification within a specified time limit.

### **(IV) Other Matters**

In the past year, BoComm and its senior management staff in charge of the asset custody business have not acted in serious violation of the Laws and Regulations and have not been levied any penalty by The People's Bank of China, CSRC, CBIRC and other relevant authorities. The senior management staff in charge of the fund custody business do not hold concurrent positions in any fund management company.

## 5. Relevant Service Agencies

### (I) Fund Sales Institutions

#### (1) Direct Sales Institution

Investment and Financial Management Centre of HSBC Jintrust Fund Management Co., Ltd.

Address: 17/F, HSBC Building, Shanghai ifc, 8 Century Avenue, Pudong, Shanghai

Tel: 021-20376868

Fax: 021-20376989

Website: www.hsbcjt.cn

Customer Service Centre Telephone No: 021-20376888

#### (2) Sales Agencies

Regularly updated.

**Refer to the Chinese version of corresponding Updated Prospectus (汇丰晋信货币市场基金更新招募说明书) for details (in Chinese ONLY).**

### (II) Legal Adviser (to Provide Written Legal Opinion)

Name: Shanghai Yuan Tai Law Offices

Registered and Office Address: Room 1405, Huaxia Bank Tower, 256 South Pudong Road, Pudong New District, Shanghai

Person-in-Charge: LIAO Hai

Tel: (021) 51150298

Fax: (021) 51150398

Contact Person: LIAO Hai

Responsible Solicitors: LIANG Lijin, LIU Jia

### (III) Auditor (to Audit Fund Assets)

Name: PricewaterhouseCoopers Zhongtian Certified Public Accountants LLP

Registered and Office Address: 11/F., PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai

Legal Representative: YANG Shaoxin

Contact Telephone No: 021-2323 8888

Fax: 021-2323 8800

Responsible Certified Public Accountants: XUE Jing, ZHAO Yu

Contact Person: ZHAO Yu



## 6. Classes of Fund Units

### (I) Classes of Fund Units

This Fund calculates the Sales and Service Charges for the Fund units held by Investors according to different fee rates based on the amount of the Subscription (Purchase) of this Fund by the Investors. As such, different Classes of Fund Units have been created. The Fund has two Classes of Fund Units, namely Class A Units and Class B Units. These two Classes of Fund Units have separate fund codes and publish the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield separately.

The fund code of Class A Units is 540011 and the fund code of Class B Units is 541011.

Based on the actual operation of the Fund and after performing the necessary procedure, the Fund Manager may adjust and announce the method of classifying the Fund units, the restrictions on the Fund units and the rate of the Sales and Service Charges and the methods of fee collection.

### (II) Restrictions on the Classes of Fund Units

Investors may choose on their own the Class of Fund Units for which they subscribe (purchase). Conversion between different Classes of Fund Units is prohibited.

	Class A Units	Class B Units
Annual Sales and Service Charge	0.25%	0.01%
Management Fee	0.28%	0.28%
Custodian Fee	0.10%	0.10%
Purchase Fee	0	0
Redemption Fee	0	0
Minimum Amount of Initial Subscription (Purchase)	RMB 1,000	RMB 5 Million
Minimum Amount of Subsequent Subscription (Purchase)	RMB 1,000	RMB 1,000
Minimum Number of Units per redemption	500 Units	500 Units
Minimum Balance of Units Maintained with the Sales Institution	500 Units	500,000 Units

The minimum balance of Class A Units maintained by an Investor with a Sales Institution shall be 500, which means that the minimum balance of Class A Units in each Trading Account shall not be less than 500. If the balance of Class A Units maintained with a Sales Institution (outlet) is less than 500 upon or after the Redemption by a Fund Unitholder, a full Redemption shall be made on a one-off basis, unless the balance of Class A Units in an account is less than 500 for reasons such as the re-investment of dividends, non-trading transfer, Designation Transfer, Substantial Redemption or Fund Conversion. However, a full redemption on a one-off basis shall be made when the units are redeemed again.

The minimum balance of Class B Units maintained by an Investor with a Sales Institution shall be 500,000 (inclusive). Otherwise, the Registrar of this Fund will automatically downgrade the Class B Units maintained by the Investor in that Sales Institution to Class A Units.

The Fund Manager may, after negotiating with the Fund Custodian and performing the relevant

procedure, adjust the restrictions and rules on the minimum amount of all the Classes of Fund Units to be subscribed (purchased). The Fund Manager shall publish an announcement of the adjustment on at least one Designated Media at least two days prior to the date on which the adjustment began to take effect.

### **(III) Automatic Upgrade or Downgrade of the Fund Units**

(1) Class A unitholders refer to the Fund Unitholders that hold less than 5 million Fund units throughout the Term of this Fund or the Fund Unitholders downgraded from Class B unitholders. If the Fund units maintained by a Class A unitholder of a single Fund Account reach or exceed 5 million, the Registrar of this Fund will automatically upgrade the Class A Units maintained by the Class A unitholder of that Fund Account to Class B Units.

(2) Class B unitholders refer to the Fund Unitholders that once hold 5 million Fund units during the Term of this Fund and hold not less than 500,000 Fund units throughout the Term of this Fund. If the Fund units maintained by a Class B unitholder of a single Fund Account fall below 500,000, the Registrar of this Fund will automatically downgrade the Class B Units maintained by the Class B unitholder of that Fund Account to Class A Units.

(3) When submitting the Subscription / Purchase application, the Investor shall fill in the code of the Fund units to be subscribed / purchased (the fund codes of Class A Units and Class B Units are different) correctly. Otherwise, the Investor shall bear the consequences arising from the mistake in filling in the fund code, such as the rendering of the Subscription / Purchase invalid or the Subscription / Purchase of a wrong Class of Fund. After the Investor's Subscription / Purchase application is approved and trading is conducted, the Class of Fund Units actually received shall be the Class of Fund Units confirmed by the Registrar of this Fund according to the above rules.

## **7. Offering of the Fund**

### **(I) Basis of the Fund Offering**

The Fund Manager offers this Fund in accordance with the *Fund Law*, the *Operation Measures*, the *Sales Measures*, the Fund Contract and other relevant provisions. The Offering was approved by the CSRC on 21 July 2011 in its approval document Zheng Jian Xu Ke [2011] No.1135.

### **(II) Term of the Fund**

Indefinite

### **(III) Type of the Fund**

Money market fund

### **(IV) Offering Method**

This Fund is publicly offered to Investors through all the Sales Institutions' Outlets for the Sales of the Fund. For specific details and contact method, please refer to the Offering Announcement with respect to the Fund units.

### **(V) Offering Period**

The Fund started Offering Period through all Sales Institutions' Outlets on 10 October 2011 and successfully concluded the process on 28 October 2014.

### **(VI) Offering Targets**

The Offering targets of this Fund are Individual Investors, Institutional Investors, Qualified Foreign Institutional Investors and other investors permitted by the Laws and Regulations or the CSRC to buy open-end securities investment funds.

### **(VII) Premise for the Offering**

This Fund is publicly offered to Investors through all the Sales Institutions' Outlets for the Sales of the Fund. For specific details and contact method, please refer to the Offering Announcement of this Fund.

### **(VIII) Maximum Offering Scale of the Fund**

This Fund does not have any maximum offering scale.

**(IX) Denomination, Subscription Prices and Fees of the Fund Units and the Formula for Calculating the Subscribed Units**

- (1) The denomination of a Fund unit is RMB1.00 and the units are offered at par value.
- (2) The Subscription price of this Fund is RMB1.00.
- (3) Subscription Fee  
This Fund does not charge any Subscription fee.
- (4) Calculation of the Subscribed Units

The method of calculating the subscribed units is as follows:

Subscribed units = (Subscription amount + Interest on the Subscription amount) / Denomination of the Fund unit

The above subscribed units will be rounded to two decimal places. Any loss resulting from such rounding shall be borne by the Fund assets and any surplus resulting from such rounding shall become part of the Fund assets.

Example 1: Assuming that an Investor invests RMB10,000 to subscribe this Fund and the interest accrued from the Subscription amount during the Offering period is RMB3, the subscribed units received by the Investor are calculated as follows:

$$\text{Subscribed units} = (10,000 + 3) / 1.00 = 10,003 \text{ units}$$

i.e. when an Investor invests RMB10,000 to subscribe this Fund, he will receive 10,003 Fund units (including the units converted from the interest).

**(X) Investors' Subscription of the Fund Units**

- (1) Date Schedule for the Subscription

The Fund Offering Period shall not exceed three months from the date the Offering of the Fund units commences. The tentative Offering period lasts for 19 days from 10 October 2011 to 28 October 2011. For the specific date schedule for the Subscription, please refer to the Offering Announcement of this Fund.

- (2) Documents that shall be Submitted and Formalities that shall be Observed for the Subscription by the Investor

A Fund Investor may subscribe this Fund at the Outlets for the Sales of the Fund during the Offering period, go through the formality for the Subscription of the Fund, fill in the Subscription application form and make full payment of the Subscription amount in accordance with the provisions of the Sales Institution (for specific details, please refer to the Offering Announcement). Before the initial Subscription, the Investor shall open a Fund Account at HSBC Jintrust Fund Management Company Limited and a Trading Account at the Sales Institution upon presentation of the valid certificates.

- (3) Method and Confirmation of Subscription

An Investor may make numerous Subscriptions of the Fund units during the Offering period. Once accepted, a Subscription application shall not be withdrawn.

With regard to a Subscription application submitted within the prescribed hours of Day T, an Investor may make an enquiry to the outlet to which it lodges the original application or through the customer

service centre of the Fund Manager as to whether the Subscription application is accepted after Day T+2.

An Investor may make an enquiry to the outlet to which it lodges the original application or through the customer service centre of the Fund Manager on the confirmed units to be subscribed after the Fund Contract takes effect.

(4) Restrictions on Subscription

The minimum amount of Class A Units initially subscribed by an Investor shall be RMB1,000. The minimum amount of Class A Units initially subscribed by an Individual Investor at the direct sales centre of the Fund Manager shall be RMB50,000. The minimum amount of Class A Units subsequently subscribed each time shall be RMB1,000. The minimum amount of Class B Units initially subscribed by an Investor shall be RMB5 million. The minimum amount of Class B Units subsequently subscribed each time shall be RMB1,000.

No maximum Subscription amount is set for any single account of an Investor.

**(XI) Treatment of Interest Accrued on the Proceeds from the Offering**

The interest accrued on the valid Subscription amount during the Fund Offering Period will be converted into Fund units and vested in the Fund Unitholder. The specific amount of interest accrued during the Fund Offering Period and the specific number of Fund units converted from the interest shall be those set out in the record of the Registrar.

**(XII) Before the closing of the Offering of the Fund, Investors' Subscription amount may only be deposited in the dedicated accounts for the Offering of the Fund maintained with commercial banks with the qualification to operate the securities investment fund custody business and shall not be used by anybody.**

During the Fund Offering Period the Fund raised 1,154,780,815.38 units from 2,456 valid Subscriptions and 233,407.42 units were converted from the interest accrued from the valid Subscription amount; the combined total were 1,155,014,222.80 Fund units, all of which were registered under each and every Fund Unitholder account and all Fund assets belonged to Fund Unitholders; each Fund unit accounts for RMB 1.00.

## **8. Effectiveness of the Fund Contract**

### **(I) Effectiveness of the Fund Contract**

If the following conditions are met upon the expiration of the Fund Offering Period, the Fund Manager shall, within 10 days from the date on which the Offering Period expires, engage a statutory capital verification institution to conduct capital verification and shall, within 10 days from the date on which the capital verification report is received, submit the capital verification report to the CSRC, go through the formality for the filing of the Fund and make the following announcement:

- (1) The total Fund units offered by the Fund are not less than 200 million and the proceeds from the Offering of the Fund is not less than RMB200 million;
- (2) There are not less than 200 Fund Unitholders;

The Fund Contract shall take effect from the date on which the filing of the Fund is confirmed by the CSRC in writing. The Fund Manager shall make an announcement on the date following the receipt of the confirmation documents from the CSRC.

### **(II) Method of Handling Failed Fund Offering**

If the conditions filed by the Fund are not met upon the expiration of the Fund Offering Period, or the Fund Contract fails to take effect as a result of Force Majeure, the Offering of the Fund will fail. The Fund Manager shall:

- (1) Bear the liabilities and expenses arising from the Offering with its own assets;
- (2) Refund the Subscription amount already paid by the Investors, together with the interest calculated at the bank deposit rate for the same period within 30 days after the expiration of the Fund Offering Period;
- (3) If the Fund Offering fails, the Fund Manager, the Fund Custodian and the Sales Agencies shall not demand any remuneration and all the expenses paid by the Fund Manager, the Fund Custodian and the Sales Agencies for the Fund Offering shall be borne by the above parties respectively.

### **(III) Number of Fund Unitholders and Asset Size during the Term of the Fund**

If the number of Fund Unitholders is less than 200 or the Fund NAV is below RMB50 million for 20 consecutive Business Days after the Fund Contract takes effect, the Fund Manager shall report the matter to the CSRC in a timely manner. If such situation lasts for 60 consecutive Business Days, the Fund Manager shall explain the reason, submit the recommended solution such as change of operation methods, merge with other funds, termination of Fund Contract and etc. to the CSRC, and convene fund shareholder meetings to vote.

The Fund Manager shall act accordingly if prescribed otherwise by the Laws and Regulations.

**(III) This Fund Contract takes effect on 2 November 2011.**

## **9. Purchase and Redemption of Fund Units**

### **(I) Premise for Handling Purchase and Redemption**

The Sales Institutions of this Fund include the Fund Manager and the Sales Agencies entrusted by the Fund Manager.

Investors shall apply for the Purchase and Redemption of the Fund at the business premises where the Sales Institutions handle the business of the sales of the Fund or by other means provided by the Sales Institutions. The Fund Manager may increase or decrease the number of Sales Agencies for the Fund depending on the situation and shall make an announcement of such change on its website.

If the Fund Manager or the Sales Agencies operate the trading business by telephone, fax or internet, Investors may purchase and redeem the Fund through telephone, fax or online trading. For specific methods, please refer to the announcements of the Sales Institutions.

### **(II) Business Days and Hours for Handling Purchase and Redemption**

#### **(1) Business Days and Business Operation Hours**

The Business Day of this Fund refers to the Dealing Day of the Shanghai Stock Exchange and Shenzhen Stock Exchange on which the business such as the Purchase or Redemption of the Fund is handled for Investors (unless the Fund Manager announces the suspension of Purchase or Redemption). The specific business operation hours on a business day are set out in the Prospectus or announced otherwise, but the handling of the specific business shall be finished no later than the time that the stock exchanges close.

If new securities trading markets are established or in other special situations, the Fund Manager may, depending on the situation, adjust the abovementioned business days and specific business operation hours accordingly and make prior announcement of such adjustment.

#### **(2) The time at which Purchase and Redemption commence**

The Fund opens for Purchase effectively from 16 November 2011.

The Fund opens for Redemption effectively from 16 November 2011.

The Fund Manager shall not handle the Purchase, Redemption or Conversion of Fund units on the date or at the time other than that stipulated in the Fund Contract. If an Investor submits the application for Purchase, Redemption or Conversion on a date or at a time other than that stipulated in the Fund Contract, the prices for the Purchase, Redemption or Conversion of Fund units shall be the prices on the Business Day on which the Purchase, Redemption or Conversion of the Fund units handled on the next Business day occurs.

### **(III) Principles of Purchase and Redemption**

(1) Principle of “fixed prices”, which means that the prices for the Purchase and Redemption of the Fund will be calculated on the basis of RMB1.00 per Fund unit;

(2) Principle of “Purchase by amount and Redemption by unit”, which means that the applications for Purchase are based on the amount to be invested while the applications for Redemption are made by



units;

(3) Any application for Purchase or Redemption may be withdrawn before the end of the trading hours of the day on which the application is made and cannot be withdrawn after the end of the trading hours;

(4) When an Investor redeems all the balance of the Fund held, the Fund Manager will automatically carry forward all the accrued income payable in the Investor's account and then settle the Redemption proceeds. When an Investor redeems part of the Fund units and the accrued income payable in the Investor's account is a positive number, the unpaid income in the account will not be paid. If the accrued income payable in the Investor's account is a negative number and the remaining Fund units are sufficient to cover the accrued income payable in the Investor's account, the accrued income payable in the account will not be paid. Otherwise, part of the accrued income payable in the account will be included based on the ratio of part of the redeemed units to the total units in the Investor's account to settle the Redemption proceeds;

(5) The Fund Manager may change the above principles, provided that the actual interests of the Fund Unitholders are not affected, but shall announce such change on the Designated Media at least two days prior to the implementation of the new principle.

#### **(IV) Procedures of Purchase and Redemption**

##### **(1) Lodging the Purchase and Redemption Applications**

The Fund Investors shall lodge the Purchase or Redemption application during the business operation hours of a Business Day according to the procedure prescribed by the Sales Institution.

When lodging a Purchase application, an Investor shall make the full payment of the Purchase amount in a way prescribed by the Sales Institution. When lodging a Redemption application, an Investor shall have sufficient balance of Fund units. Otherwise, the Purchase or Redemption application lodged will be invalid.

##### **(2) Confirmation of the Purchase and Redemption Applications**

The Registrar of this Fund shall take the day on which the Purchase or Redemption application is received before the end of the trading hours as the Purchase or Redemption application date (Day T), and shall confirm the validity of the trade within Day T+1. With regard to a valid application lodged on Day T, the Investor may enquire about the confirmation of the application at the counter of the sales outlet or in other ways prescribed by the Sales Institution from Day T+2.

##### **(3) Payment for the Purchase and Redemption Applications**

Full payment shall be made for the Purchase. If the full amount for the Purchase is not paid into the account within the specified period, the Purchase will be invalid. In such a case, the Fund Manager or the Sales Agency designated by the Fund Manager shall refund the Purchase amount already paid by the Investor to the Investor. Any loss such as the loss of accrued interest shall be borne by the Investor.

After the Investor's Redemption application lodged on Day T is confirmed to be successful, the Fund Manager shall instruct the Fund Custodian to transfer the Redemption proceeds from the custodial account of the Fund to the Investor's bank account through the Sales Institutions on Day T+1 in accordance with the relevant provisions. In case of Substantial Redemption, the payment shall be made by referring to the relevant terms of the Fund Contract.

If the business operation process is affected by the delay in data transmission by an exchange or a trading

market, the failure of a communication system, the failure of a data exchange system of a bank or other factors beyond the control of the Fund Manager and the Fund Custodian, the Redemption proceeds shall be transferred to the Investor's bank account in a timely manner after such failure no longer exists. In case of Substantial Redemption, the payment shall be made by referring to the relevant terms of the Fund Contract.

#### **(V) Volume and Prices of Purchase and Redemption**

##### **(1) Method of Handling the Purchase Amount, the Redeemed Units and the Balance**

- 1) The minimum amount of Class A Units initially purchased by an Investor shall be RMB1,000 (the restriction on the minimum amount of initial purchase shall not apply to investors who has already subscribed the units of this Fund). The minimum amount of each subsequent purchase shall be RMB1,000; the Sales Institutions may set their own minimum Purchase amount requirement(s). The restriction on the minimum Purchase amount shall not apply to the Investor's buying of Fund units with the Fund Income distributed for the current period. The minimum amount for each initial Purchase of Class B Units shall be RMB5 million and the minimum amount for each subsequent Purchase of Class B Units shall be RMB1,000; the Sales Institutions may set their own minimum Purchase amount requirement(s).
- 2) A Fund Unitholder shall redeem no less than 500 Fund units in each Redemption application. The minimum balance of Fund units in each Trading Account shall not be less than 500. If the balance of Fund units maintained with a Sales Institution (outlet) is less than 500 upon or after the Redemption by a Fund Unitholder, a full Redemption shall be made on a one-off basis, unless the balance in an account is less than 500 for reasons such as the re-investment of dividends, non-trading transfer, Designation Transfer, Substantial Redemption or Fund Conversion. However, a full redemption on a one-off basis shall be made when the units are redeemed again.
- 3) The Fund Manager may restrict the number of Fund units that a single Investor may accumulate. For the specific stipulation, please refer to the Prospectus that is updated on a regular basis or the relevant announcements.
- 4) The Fund Manager can suspend or deny Purchase above a certain amount during certain market conditions complying with related laws and Fund Contract. Specifics are subject to the Fund Manager's public disclosure.
- 5) The Fund Manager may, based on the market conditions, adjust the restrictions on the Purchase amount, the redeemed units and the minimum number of units held and shall announce such adjustment on the Designated Media and report such adjustment to the CSRC two days prior to the adjustment.

##### **(2) Prices and Fees of Purchase and Redemption**

- 1) Both the Purchase and Redemption prices of this Fund are RMB1.00 per Fund unit;
- 2) This Fund does not charge any Purchase fee. This Fund does not charge any Redemption fee unless otherwise stipulated by relevant laws, regulations and the Fund Contract.
- 3) Should the following occur:

- i. When the sum of cash, government bonds, central bank notes, agency bonds, or other financial instruments maturing within 5 Dealing Days, comprises less than 5% of the Fund NAV;
- ii. **OR** when **a)** the top 10 investors aggregately hold more than 50% of the total Fund units, and **b)** the sum of cash, government bonds, central bank notes, agency bonds, or other financial instruments maturing within 5 Dealing Days, comprises less than 10% of the Fund NAV, and **c)** there is a Negative deviation (i.e. the mark-to-market valuation is less than the amortised cost valuation);

The Fund Manager shall charge the 1% compulsory Liquidity Fee, attributing to the Fund asset, for the redemption amount over 1% of the total Fund units. The Liquidity Fee may be exempt if the Fund Manager and Fund Custodian have jointly concluded that such action is not in the best interest of the Fund.

### (3) Calculation of the Purchased Units

This Fund does not charge any Purchase fee. The net value of a Fund unit is maintained at RMB1.00 and the formula for calculating the purchased units is as follows:

$$\text{Purchased units} = \text{Purchase amount} / \text{Net value of a Fund unit on Day T}$$

The units validly purchased are determined by dividing the Purchase amount actually confirmed by RMB1.00 and the resulting number will be rounded to two decimal places. Any difference resulting from such rounding shall be included in the Fund assets.

Example 2: Assuming that an Investor invests RMB10,000 to purchase this Fund on Day T, the purchased units received by him are calculated as follows:

$$\text{Purchased units} = 10,000 / 1.00 = 10,000 \text{ units}$$

### (4) Calculation of the Redemption Proceeds

The net value of a Fund Unit is maintained at RMB1.00.

#### (a) Partial Redemption

If, at the time an Investor redeems part of his Fund units, the accrued income payable in the Investor's account is a positive number or the value of the Fund units remaining after the completion of the Redemption that is calculated on the basis of RMB1.00 per unit is sufficient to cover the negative value of the unpaid income accumulated up to that date, the Redemption proceeds shall be calculated according to the following formula:

- i) When the Fund does not charge any Redemption Fee:  

$$\text{Redemption proceeds} = \text{Redeemed units} \times \text{Net value of a Fund unit on Day T}$$
- ii) When the Fund charges Liquidity Fee:  

$$\text{Redemption proceeds} = \text{Redeemed units} \times \text{Net value of a Fund unit on Day T} \\ - \text{Redemption units exceeding 1\% of the total Fund units} \times 1\%$$

Example 3: An Investor holds 100,000 units of this Fund and the accrued income is RMB100. The Investor redeems 50,000 Fund units on Day T and the Redemption proceeds that he may receive shall be:

$$\text{Redemption proceeds} = 50,000 \times \text{RMB1.00} = \text{RMB50,000.00}$$

i.e. when the Investor redeems 50,000 units of this Fund, he may receive Redemption proceeds of RMB50,000. The Investor's account will have a balance of 50,000 Fund units and the remaining accrued income will be RMB100.

Example 4: An Investor holds 100,000 units of this Fund and the accrued income is -RMB100. The Investor redeems 50,000 Fund units on Day T. By then, the Investor redeems part of the Fund units that he holds and the 50,000 Fund units remaining after the Redemption is sufficient to cover the accrued income of -RMB100 that is accumulated up to Day T. In such a case, the Redemption proceeds that he may receive shall be:

$$\text{Redemption proceeds} = 50,000 \times \text{RMB1.00} = \text{RMB50,000}$$

i.e. The Investor redeems 50,000 units of this Fund and receives the Redemption proceeds of RMB50,000. The Investor's account will have a balance of 50,000 Fund units and the remaining accrued income will be -RMB100.

If, at the time that the Investor redeems part of his Fund units, the value of the Fund units remaining after the completion of the Redemption that is calculated on the basis of RMB1.00 per unit is insufficient to cover the negative value of the unpaid income in his account that is accumulated up to that date, the unpaid income will automatically be included based on the ratio of part of the redeemed units to the total units in the Investor's account and the Redemption proceeds will be calculated according to the following formula:

i) The Fund does not charge any Redemption Fee:

$$\begin{aligned} \text{Redemption proceeds} &= \text{Redeemed units} \times \text{Net Asset Value of a Fund unit on Day T} \\ &\quad + \text{Accrued income payable included according to the ratio of the redeemed units} \end{aligned}$$

ii) The Fund charges Liquidity Fee:

$$\begin{aligned} \text{Redemption proceeds} &= \text{Redeemed units} \times \text{Net Asset Value of a Fund unit on Day T} \\ &\quad + \text{Accrued income payable included according to the ratio of the redeemed units} \\ &\quad - \text{Redemption units exceeding 1\% of the total Fund units} \times 1\% \end{aligned}$$

Where,

$$\begin{aligned} \text{Accrued income corresponding to the redeemed units} &= (\text{Fund units for which Redemption is applied} \\ &\quad / \text{Total Fund units in the account}) \times \text{Accrued income in the account} \end{aligned}$$

Example 5: An Investor holds 100,000 units of this Fund and the accrued income is -RMB1,000. The Investor redeems 99,900 Fund units on Day T. By then, the Investor redeems part of the Fund units that he holds and the value of the 100 Fund units remaining after the Redemption that is calculated on the basis of RMB1.00 per unit is insufficient to cover the accrued income of -RMB1,000 that is accumulated up to that day, then:

$$\text{Accrued income corresponding to the redeemed units} = -1,000 \times (99,900/100,000) = -\text{RMB999}$$

$$\text{Redemption proceeds} = 99,900 \times 1.00 - 999 = \text{RMB98,901}$$

i.e. when the Investor redeems 99,900 units of this Fund, he may receive the Redemption proceeds of RMB98,901. The Investor's account will have a balance of 100 Fund units and the remaining accrued income will be -RMB1.

**(b) Full Redemption**

When an Investor redeems all the balance of the units of this Fund, the Fund Manager will automatically settle such balance together with the accrued income payable in the Investor's account and pay such income together with the Redemption proceeds to the Investor. The Redemption proceeds shall be calculated according to the following formula:

i) When the Fund does not charge any Redemption Fee:

$$\text{Redemption proceeds} = \text{Redeemed units} \times \text{Net Asset Value of a Fund unit on Day T} \\ + \text{Accrued income payable corresponding to the redeemed units}$$

ii) When the Fund charges Liquidity Fee:

$$\text{Redemption proceeds} = \text{Redeemed units} \times \text{Net Asset Value of a Fund unit on Day T} \\ + \text{Accrued income payable corresponding to the redeemed units} \\ - \text{Redemption units exceeding 1\% of the total Fund units} \times 1\%$$

Example 6: An Investor redeems 10,000 units of this Fund and the accrued income is RMB43; the Redemption proceeds that he will receive shall be:

$$\text{Redemption proceeds} = 10,000 \times 1.00 + 43.00 = \text{RMB10,043.00}$$

i.e. when the Investor redeems 10,000 units of this Fund, he will receive the Redemption proceeds of RMB10,043.

The Redemption proceeds shall be determined by multiplying the units validly redeemed and actually confirmed by RMB1.00 and the resulting number will be rounded to two decimal places. Any difference resulting from such rounding shall be included in the Fund assets.

- (5) This Fund will disclose the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield of all the classes of the Fund on the day following each Business Day. In the case of a holiday, the Net Income of Every 10,000 Fund Units of all the classes of the Fund during the holiday, the 7-day Annualised Yield on the last day of the holiday and the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield of all the classes of the Fund on the first Business Day after the holiday shall be disclosed on the second calendar day following the end of the holiday.
- (6) Should accepting a purchase application cast a potential significant negative impact on the existing fund shareholders, the Fund Manager shall take measures such as imposing maximum single investor purchase amount or maximum daily Fund purchase amount, denying large amount purchase, and suspending purchase and etc. to protect the rights of existing fund shareholders. Specifics are subject to the Fund Manager's public disclosure.

**(VI) Purchase and Redemption Registration**

(1) After an Investor successfully purchases the Fund, the Registrar of the Fund will increase the interest of the Investor in the Fund and process the registration procedures on Day T + 1. The Investor will be entitled to redeem that portion of Fund units from Day T + 2.

(2) After an Investor successfully redeems the Fund, the Registrar of the Fund will deduct the interest of the Investor in the Fund and process the corresponding registration procedures on Day T + 1.

(3) The Fund Manager may adjust the above schedule for processing the registration procedures to the extent permitted by the Laws and Regulations and shall announce such adjustment on the Designated Media at least two days prior to the date on which the adjustment comes into force.

## **(VII) Determination of and Method of Processing Substantial Redemption**

### **(1) Determination of Substantial Redemption**

Substantial Redemption means that on any single Business Day, the sum of the units of this Fund under net Redemption applications (the remaining units after deducting the total Fund units under Purchase applications from the total Fund units under Redemption applications) and the Fund units under net switch-out applications (the remaining units after deducting the total Fund units under switch-in applications from the total Fund units under switch-out applications) exceeds 10% of the total Fund units on the previous Business Day.

### **(2) Method of Processing Substantial Redemption**

Upon the occurrence of a Substantial Redemption, the Fund Manager may decide to accept all the Redemption applications or to defer the processing of part of the Redemption applications based on the status of the asset portfolio of the Fund at that time.

- 1) Accepting all the Redemption applications: If the Fund Manager believes that it is able to pay for all the Redemption applications of the Investors and process the switching between funds, the regular Redemption procedure shall be followed.
- 2) Deferring the processing of part of the Redemption applications: If the Fund Manager believes that it is difficult for the Fund to pay for all the Redemption applications and process all the switch-out applications of the Investors, or believes that the asset liquidation carried out to satisfy the Redemption and switch-out applications of the Investors will result in higher volatility in the net value of the Fund Units, the Fund Manager will defer the processing of the remaining applications provided that the Fund units involved in the Redemption and switch-out applications accepted by the Fund Manager on that day are not less than 10% of the total Fund units on the previous day. With regard to the Redemption and switch-out applications received on that day, the number of redeemed or switch-out units processed for a single account on that day shall be determined based on the ratio of the number of units involved in the Redemption or switch-out application of the single account to the total number of units involved in the Redemption and switch-out applications received on that day. Unless the Fund Unitholder decides at the time that the application is submitted that the application for the portion that is not accepted on that day shall be withdrawn, the unaccepted portion will be processed on the next Business Day. Any application the processing of which is deferred to the next Business Day will not enjoy any priority in relation to Redemption and switching out and the amount involved shall be calculated based on the net value of the Fund units on the next Business Day. The same procedure shall apply to any further deferral of the processing of the applications until all the Redemption and switch-out applications are satisfied.

In the case of a Substantial Redemption and the deferral of the processing of such applications, the Fund Manager shall send a notice to the Fund Unitholders, explain the relevant processing method by post or fax within three Dealing Days, and prepare and announce an interim report within two days.

- (3) Suspension of acceptance and deferral of payment: Where considered necessary, the Fund Manager may stop accepting Redemption applications upon the occurrence of substantial Redemption of the Fund for more than two consecutive Dealing Days. The payment of the Redemption proceeds with respect to Redemption applications already confirmed may be deferred for not more than 20 Dealing Days. When the acceptance of Redemption applications is suspended upon the occurrence of continuous Substantial Redemption, the Fund Manager shall prepare and announce the interim report within two days.
- (4) In cases of Substantial Redemption when a single shareholder's holding exceeds 20% of the Fund asset, and the Fund Manager deems that it may be difficult to process the full redemption or that the

liquidation of assets to process the full redemption may lead to the NAV volatility, the Fund Manager may defer the payment:

- 1) When the Fund Manager deems that it is within its capacity to process full redemption applications from all other shareholders, the Fund Manager will follow the normal procedure to process these full redemption applications, in order to protect the interest of all other shareholders. For Substantial Redemption application from a single shareholder whose holding exceeds 20% of the Fund asset, the Fund Manager will process the application pro rata within its payment capacity; any remaining unconfirmed redemption will be deferred automatically. The deferred redemption will be processed *pari passu* along with redemption application received on the next Dealing Day; such process will be repeated until the fulfillment of the full redemption. If the shareholder (whose holding exceeds 20% of the Fund asset) does not opt for partial redemption, the remaining unconfirmed redemption will be cancelled.
- 2) If the Fund Manager deems that it will be difficult to process redemption applications from all shareholders (including Substantial Redemption from a single shareholder whose holdings exceeds 20% of the Fund asset and all other redemptions), the Fund Manager can process the accepted redemption application pro rata based on no less than 10% of last Dealing Day's Fund asset, and defer processing the rest application, with terms and conditions set by in 2) *Deferring the processing of part of the Redemption applications.*

**(VIII) Situations in which Purchase is Rejected or Purchase or Redemption is Suspended and the Handling of such Situations**

(1) In any of the following situations, the Fund Manager may reject or stop accepting Investors' Purchase applications:

- 1) The Fund cannot operate normally or the Fund Manager cannot accept Investors' Purchase applications due to Force Majeure;
- 2) The Fund Manager cannot calculate the Fund NAV for the day due to unusual market closure during the trading hours of the securities exchange;
- 3) Valuation of the Fund Assets is suspended in accordance with the provisions of the Fund Contract;
- 4) The size of the Fund assets is too large such that the Fund Manager is unable to identify appropriate investment types or the occurrence of other situations that may have negative impact on the performance of the Fund and hence prejudice the interests of the existing Fund Unitholders;
- 5) The Fund Manager has reasonable grounds to believe that the acceptance of one or some Purchase applications may affect or prejudice the interests of other Fund Unitholders;
- 6) When the absolute value of the Positive deviation degree of the Fund NAV calculated by between Shadow Pricing Method and Amortised Cost Method is greater than or equal 0.5%;
- 7) When more than 50% of the Fund NAV of the previous valuation day have no active market referencing price and applying valuation techniques may still lead to considerable uncertainties with respect to fair valuation, the Fund Manager shall suspend valuation and take measures to deny fund purchase applications, after consulting with the Fund Custodian;
- 8) Accepting a single investor's purchase application will lead to its holdings exceeding 50% of Fund units;

Upon the occurrence of the situation specified in items 1, 2, 3, 4, 6 and 7 listed above, the Fund Manager shall publish the announcement on the suspension of Purchase on the Designated Media and the website of the Fund Manager in accordance with the relevant provisions. If the investor's purchase application is denied, the denied portion of purchase amount shall be returned to the investor, and the Fund Manager and Fund Custodian take no responsibilities for the interest loss and etc. incurred by the return.

If an Investor's Purchase application is rejected, the amount for the Purchase that is rejected shall be refunded to the Investor but the Fund Manager and the Fund Custodian will not bear the loss of the interest otherwise accrued on the refunded amount.

Once the situation causing the suspension of Purchase no longer exists, the Fund Manager shall resume the processing of the Purchase applications in a timely manner.

(2) In any of the following situations, the Fund Manager may stop accepting Investors' Redemption applications:

- 1) The Fund Manager is unable to pay the Redemption proceeds due to Force Majeure;
- 2) The Fund Manager cannot calculate the Fund NAV for the day due to unusual market closure during the trading hours of the securities exchange;
- 3) The Fund Manager may stop accepting Redemption applications in accordance with the provisions of the Fund Contract upon the occurrence of Substantial Redemption for more than two consecutive Dealing Days;
- 4) Suspension of the Fund valuation stipulated by the Fund Contract;
- 5) When the absolute value of the Negative deviation degree of the Fund NAV calculated between Shadow Pricing Method and Amortised Cost Method is more than 0.5% for two consecutive Dealing Days, the Fund Manager shall follow proper procedures to terminate the Fund Contract;
- 6) When more than 50% of the Fund NAV of the previous valuation day have no active market referencing price and applying valuation techniques may still lead to considerable uncertainties with respect to fair valuation, the Fund Manager shall suspend valuation and take measures to defer payment or deny redemption applications, after consulting with the Fund Custodian.

Upon the occurrence of any of the above situations, the Fund Manager shall announce accordingly.

With regard to the Redemption applications already confirmed, the Fund Manager shall make full payment. If the full payment cannot be made for the time being, the Fund Manager shall make pro-rata payments to the Redemption applicants according to the ratio of the number of units involved in the accepted Redemption application of a single Redemption applicant to the total number of units involved in all the accepted Redemption applications. The remaining portions of the payments shall be made by the Fund Manager on the following Business Day according to the corresponding processing measures formulated based on the situation occurred.

Once the situation causing the suspension of Redemption no longer exists, the Fund Manager shall resume the processing of the Redemption applications in a timely manner.

To ensure the fair treatment of rights different Share Classes, if the redemption application of a single shareholder exceeds 10% of the total Fund units in one Dealing Day, the Fund Manager can defer processing the partial redemption or payment.

(3) When the Fund is re-opened for Purchase or Redemption after the end of the suspension period, the Fund Manager shall announce accordingly.

- 1) If the suspension lasts for one day, the Fund Manager shall publish an announcement on the re-opening of the Fund for Purchase or Redemption and the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield on the latest Business Day on the Designated Media on the



day on which the Fund is re-opened for Purchase or Redemption;

- 2) If the suspension lasts for more than one day and two weeks or less, the Fund Manager shall publish an announcement on the re-opening of the Fund for Purchase or Redemption on the Designated Media one Business Day prior to the day on which the Fund is re-opened for Purchase or Redemption and shall announce on the day on which the Fund is re-opened for Purchase or Redemption the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield of the latest Business Day;
- 3) If the suspension lasts for more than two weeks, the Fund Manager shall publish the suspension announcement at least once every two weeks during the suspension period. When the Fund is re-opened for Purchase or Redemption after the end of the suspension period, the Fund Manager shall publish an announcement on the re-opening of the Fund for Purchase or Redemption on the Designated Media at least two days in advance and shall announce on the day on which the Fund is re-opened for Purchase or Redemption the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield of the latest Business Day.

## **10. Fund Switching**

Fund Switching refers to Fund Unitholders' application for the switching of all or part of the units of this Fund that they hold into units of other open-end funds managed by the Fund Manager and registered by the same Registrar in accordance with the provisions of the Fund Manager during the Term of this Fund. The Fund Manager will process the switching between funds for Investors at an appropriate time after the Fund Contract takes effect. By then, the specific processing time, business rules and switching fee rate will be set out in the announcement on Fund Switching. The Fund Manager shall publish the announcement on the Designated Media at least two days prior to the commencement of the switching operation.

The Fund opens for Switching effectively from 29 February 2012.

## 11. Non-trading Transfer and Designation Transfer of the Fund

1. Non-trading transfer refers to the act of transferring a certain number of Fund units from the Fund Account of an Investor to the Fund Account of another Investor in accordance with certain rules without conducting the trading, such as the Purchase or Redemption of the Fund or the act of processing the transfer in accordance with the relevant Laws and Regulations or in a way required otherwise by the competent authority of the State, including inheritance, donation, judicial enforcement and other acts approved by the Fund's Registrar. In any of the above situations, the transferee shall be a qualified Individual Investor or Institutional Investor.

- (1) "Inheritance" shall mean a legal heir's inheritance of the Fund units held by a Fund Unitholder upon the death of the Fund Unitholder.
- (2) "Donation" shall mean a Fund Unitholder's donation of the Fund units legally held by him to a welfare foundation or other philanthropic social groups.
- (3) "Judicial enforcement" shall mean the compulsory transfer of the Fund units held by a Fund Unitholder to other natural persons, legal persons, social groups or other organizations as ordered by a judicial authority according to the valid legal documents.

The situations in which the Fund's Registrar may process non-trading transfers are set out in the business rules that it announces.

2. The relevant information required by the Fund's Registrar shall be provided for the processing of non-trading transfers. Any application for the processing of a non-trading transfer shall be directly lodged to the Fund's Registrar or its designated institution.
3. When a Fund Unitholder changes to another Distributor (network) for the processing of the Purchase and Redemption of the Fund, he may process the Designation Transfer for the Fund units held by him based on the actual situation of each Distributor. The Fund's Distributor may charge a fee for Designation Transfer according to the standard prescribed by its business rules.

## **12. Freezing, Unfreezing and Pledge of Fund Units**

1. The Fund's Registrar only accepts requests made by a competent authority of the State in accordance with the law for the freezing or unfreezing of a Fund Account or Fund units and the freezing or unfreezing in other situations approved by the Registrar and in compliance with the Laws and Regulations. If the Fund units are frozen, whether the interest accruing on the part being frozen has to be frozen as well shall be determined in accordance with the Laws and Regulations of China and the provisions of the competent authority of the State. Before a decision is made by the competent authority of the State, the interest accruing on the part being frozen shall first be frozen as well. The units that are frozen still participate in income distribution.

2. Provided that the relevant Laws and Regulations prescribe the same explicitly, the Fund may process the pledge or other operation of the Fund units.

### **13. Dollar Cost Averaging Plan**

Dollar Cost Averaging Plan refers to an investment method whereby an Investor applies to the relevant Distributor to agree on the debit date, debit amount and debit method for each period, and requests the Distributor to automatically debit the amount from the bank account designated by the Investor on the agreed debit date for each period so as to apply for the Purchase of the Fund.

Provided that all the conditions mature, the Fund may provide Investors with services for the Dollar Cost Averaging Plan. The specific implementation method is set out in the Prospectus or the business rules then published by the Fund Manager.

The Fund provides Investors with services for the Dollar Cost Averaging Plan effectively 16 November 2011.

## **14. Fund Investment**

### **(I) Investment Objectives**

The Fund seeks to achieve a yield that is higher than that of its benchmark while maintaining the low risk and high liquidity of its assets.

### **(II) Investment Universe**

The Fund primarily invests in the following financial instruments, including: cash, time deposits (TDs) with maturity less than (or equal to) one year, reverse repos, central bank notes, negotiable certificate of deposits (NCDs) with maturities less than (or equal to) one year, bonds, non-financial institution financing vehicles, and asset backed securities, with maturities less than (or equal to) 397 days, and other money market instruments with good liquidity, permitted by the People's Bank of China, CSRC, and relevant laws and regulations.

If the Fund is permitted by Laws and Regulations or regulatory authorities to invest in other investment types in the future, the Fund Manager may include those types in its investment universe after performing the appropriate procedures.

### **(III) Investment Principles**

The Fund seeks to generate stable income while maintaining adequate liquidity by making full use of the diverse money market instruments and adopting a reasonable asset allocation strategy, so as to provide investors with a cash equivalent product with low risk, stable income and which can be readily liquidated.

### **(IV) Investment Strategies**

In terms of investment management, the Fund makes full use of the method that combines the yield strategy and the valuation strategy and makes reasonable allocation to and selection of all types of assets within the investment universe. When formulating the investment strategy, the Fund Manager will first consider in a prudent manner the income, liquidity and risks of all types of assets, seek to minimize all types of risks in the risk and return profile, and provide Investors with stable income while controlling the liquidity of the portfolio.

#### **1. Overall Asset Allocation Strategies**

The overall asset allocation strategies centre on two aspects: 1) Making comprehensive judgments on the trends of short-term interest rates by taking into account factors such as the macro-economic situations, the monetary policies of central banks and the status of the money market; 2) Dynamically adjusting the weighted average maturity of the portfolio based on the forecast of interest rates made according to the above judgments.

##### **1) Strategy in Analyzing Interest Rate**

The scientific forecast of the trends of interest rates is the basic prerequisite for determining the target duration of the Fund and the primary condition for making correct bond investments. The judgment on the macro fundamentals shall be made after tracking and analyzing the inflation rates, GDP growth rates, money supply, international interest rates, exchange rates

and policy stances. At the same time, the following major indicators are examined by conducting micro-level research: the open market operation of central banks, the short-term investment propensities of mainstream Institutional Investors, the bond supply, the interaction between funds in the money market and the capital market, and the dynamic change of the interest rate curves in the money market that is forecast in a reasonable manner.

## 2) Duration Management Strategy

Duration is the main indicator to measure bond yield risk and reflects the sensitivity of bond prices to the changes in the yield. When the market interest rate is expected to rise, the Fund Manager will increase the holdings of bonds of shorter remaining maturity and reduce the holdings of bonds of longer remaining maturity to shorten the duration of the portfolio so as to reduce the downside risk of the portfolio. When the market yield is expected to fall, the Fund Manager will increase the exposure in bonds of longer remaining maturity to lengthen the duration of the portfolio so as to benefit from the rising prices of the bonds.

## 2. Sector Allocation Strategy

Sector allocation refers to the allocation ratios of the investment types in the Fund portfolio such as government bonds, central bank notes, repurchase agreement of bonds, financial bonds, non-financial institution financing vehicles and cash. The sector allocation strategy mainly achieves two objectives: Firstly, the liquidity need of the Fund shall be satisfied by the sector allocation. Secondly, investment income shall be generated through sector allocation. From the perspective of liquidity, the Fund Manager shall conduct dynamic analysis of the changes in the demand and supply of market funds, and the purchase and redemption amount, so as to set the liquidity objective of the Fund and adjust on such basis the ratios of the portfolio assets allocated to highly liquid assets and assets with lower relative liquidity for the purpose of satisfying the liquidity requirement of the Investors. From the perspective of the yield, the Fund Manager will analyze factors such as the relative income, changes of spread, the liquidity risk and the credit risk to determine the allocation ratios of each sector; identify investment types with investment value; increase the holdings of sectors which are relatively undervalued, when prices will rise and which will bring a relatively higher return to the portfolio; reduce the holdings of sectors which are relatively overvalued, when prices will fall and which will bring a relatively lower return to the portfolio, in order to enhance the total return.

## 3. Strategy of Selecting Individual Securities

The safety factor will first be considered when selecting individual securities. The types of bonds with high credit ratings such as central banks' notes and short-term government bonds will first be selected to prevent default risk. Apart from the safety factor, the Fund Manager will, for the selection of specific types of bonds, identify the types of bonds with apparently high yields based on yield curve fitting and objectively analyzing the reason for the deviation of the yields. If any yield is higher than the fair level due to market factors, the price of that type of bond will be undervalued and the Fund will closely monitor such undervalued bond. In addition, since the time periods in which the bond is overpriced or underpriced can be judged by the yield curve, the curve can guide relative value investment and help the Fund Manager to select the types of short-term bonds that are underpriced for investment.

## 4. Repurchase Strategy

- 1) Spread magnification strategy: This is an investment strategy that aims to magnify the income

from bond investments through revolving repurchases by taking advantage of the opportunity where the repo rate is lower than the bond yield. The basic model of this strategy is to make repurchases through purchasing bonds and using the funds borrowed from the repurchase to purchase the types of bond with higher yields and such practice will be repeated until the bonds are sold when the repurchase period expires to repay the borrowed fund. When magnifying the repurchase operation, the Fund Manager shall strictly comply with the provisions of the relevant Laws and Regulations in relation to the repurchase agreement of bonds.

- 2) Reverse repurchase strategy: The Fund Manager will closely monitor the opportunity where the demand for short-term funds surge for reasons such as the purchase of new shares and will capture the investment opportunity arising from the rise of short-term interest rates by lending funds through reverse repurchase agreement.

#### 5. Liquidity Management Strategy

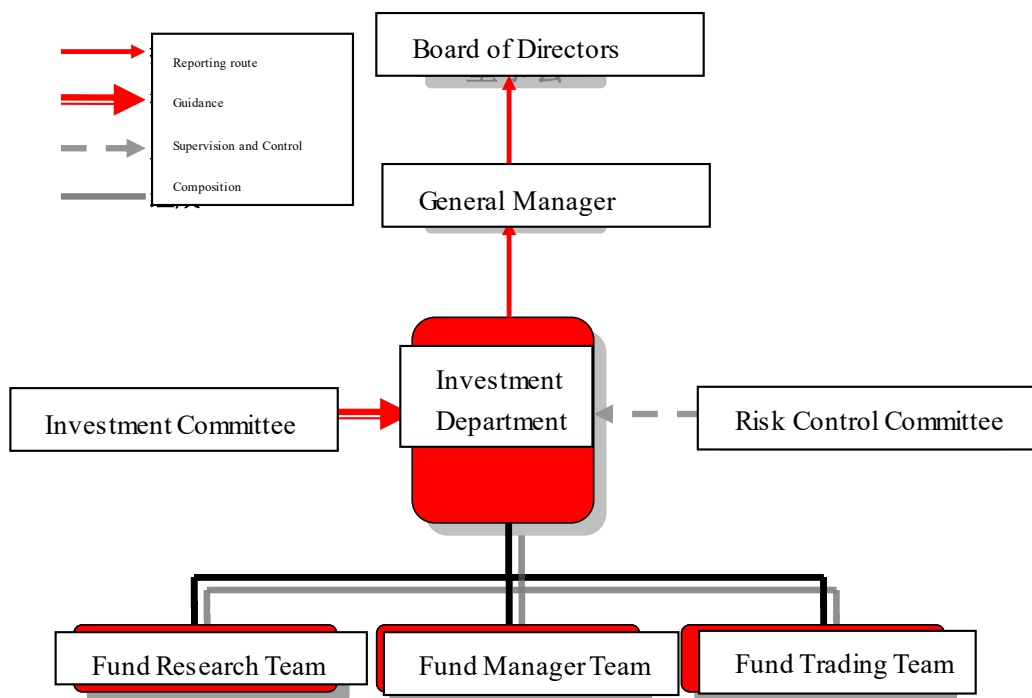
Since money market funds have to maintain their feature of high liquidity, this Fund will closely monitor the cash flow related to Purchase/Redemption, the flow of seasonal funds and the calendar effect, establish early warning indicators concerning the liquidity of the portfolio, manage the structure of the Fund assets, adopt the method of continuous investment, and make balanced and equal allocations on the maturity date of the repurchase agreement/bonds to guarantee the overall liquidity of the Fund assets.

As the money market in China further develops and the financial instruments in which the Fund is permitted to invest in the future in accordance with the relevant Laws and Regulations emerge, the Fund will conduct an in-depth analysis of and evaluate in a prudent manner such instruments and make a timely adjustment of the Fund's investment targets provided that the adjustment is in line with the investment objectives of the Fund.

### **(V) Investment Management Procedure**

1. Basis of Investment Decisions
  - (1) Relevant Laws and Regulations and rules of the State and the relevant provisions of the Fund Contract.
  - (2) Macroeconomic development environment and trends in the securities markets.
2. Investment Management Procedure
  - (1) Investment Research Management Structure





## (2) Investment Decision-Making Mechanism

Under the principle of hierarchical authorization, the investment decision-making mechanism of the Fund Manager is specifically implemented by three levels, namely the investment decision-making committee, the person in charge of the investment business and the Portfolio Manager:

### 1) Investment Decision-Making Committee

The investment decision-making committee is the company's highest decision-making body for fund investment. The investment made by the Company's funds and entrusted assets must be authorized by the investment decision-making committee. The investment-related personnel shall engage in investment activities in strict accordance with the principles and decisions of the committee. The investment decision-making committee comprises personnel such as the company's General Manager, Head of Investment, persons-in-charge of the Investment Department and the Research Department and Portfolio Manager (the Chief Inspector shall attend the meetings as a non-voting participant), hold meetings on a regular or irregular basis to discuss and decide on the major issues of fund investment, including formulating the overall investment plans, determine the asset and industry allocation principles, review and approve the investment proposals of the Portfolio Manager and approve the investment made beyond the scope of the Portfolio Manager's authority.

### 2) Person in Charge of the Investment Business

The person in charge of the investment business is the Head of Investment and his main duties include joining the investment decision-making committee, formulating and supervising the implementation of the business rules for investment research, taking charge of the daily management of the departments such as the Investment Research Department, and examining and approving the investment made beyond the scope of the Portfolio Manager's authority.

### 3) Portfolio Manager

The Fund Manager implements the Portfolio Manager accountability system under the authorization system. The company establishes the system that prescribes the duties and authority of the Portfolio Manager. The investment decision-making committee decides on the principles of the Portfolio Manager's investment plans. The Portfolio Manager shall meet the above requirements when taking charge of the specific securities investment affairs, implementing and optimizing the allocation plans of

the portfolios and shall take responsibility for the investment performance. In special situations, the Portfolio Manager may authorize his assistant to perform the investment duties on his behalf on a temporary basis, but the provisions of the company shall be complied with and unconditional authorization with no time limit cannot be given.

### 3. Research Mechanism

The Fund Manager has established the Research Department to take charge of the company's research business, including the research on investment strategies, the provision of strategy reports that include information about the macro economy, capital markets and asset allocation, the provision of services to help the Investment Department to capture market opportunities, the engagement in the research on industries, companies, fixed income products and derivatives, the provision of investment recommendations to the investment decision-making committee, the performance of fund performance appraisals and the provision of the performance analysis reports of the funds managed by the Fund Manager to the investment decision-making committee.

### 4. Basic Investment Procedures

#### 1) The Investment Decision-Making Committee Makes the Investment Decisions

The investment decision-making committee holds meetings on a regular or irregular basis to discuss the asset and industry allocation of the fund investment in the next stage, specify clearly the composition and latest changes of the pool of investment instruments in the money market and finalize the overall investment plans.

#### 2) The Research Department Conducts Research and Analysis

The Research Department takes the company's external research results as a reference and uses such results to understand the macroeconomic trends of countries and the development status of industries, conducts in-depth examination and research of listed companies by way of on-site inspection and study and continuous tracking, establishes the relevant models and ultimately delivers the in-depth research reports on the macro economy, investment strategies and company fundamentals to be submitted to the investment decision-making committee and the Investment Department as the basis for decision-making and investment. Based on their in-depth analysis of the macro economy, the fiscal and monetary policies and the demand and supply of market funds, the personnel responsible for the research of fixed income products in the Research Department use quantitative models to predict the yield curves in a reasonable manner and formulate bond investment strategies to be submitted to the Investment Department. In addition, the Research Department and Investment Department hold joint conferences on investment research on a regular or irregular basis to discuss issues such as the macro economy, industries, listed companies and bonds, and such discussions form an important basis for making investment decisions.

#### (3) The Implementation of Investment by the Investment Department

Based on the overall investment plan prepared by the investment decision-making committee and the research results provided by the Research Department, the Portfolio Manager and the investment team make judgments on the macro economy, industry development and the trends of individual securities, improve the asset allocation and industry allocation plans, construct and optimize investment portfolios, and specifically place trading orders. With regard to investments to be made beyond the scope of his authority, the Portfolio Manager shall present the case to the Head of Investment or the investment decision-making committee for review according to the company's authority, examination and approval procedure.

#### ① Trading Executed by the Centralized Trading Room

The centralized trading room accepts the trading orders placed by the Portfolio Manager. After receiving an order, the centralized trading room will first examine and then execute the order. If the trading order placed by the Portfolio Manager is unclear, non-standardized or does not comply with the rules, the centralized trading room may suspend the execution of the order and immediately inform the Portfolio Manager or the relevant personnel. The centralized trading room shall inform the Portfolio Manager of the implementation status of the trading order and its judgment of and recommendation for the trading at any time based on the market conditions so that the Portfolio Manager may adjust the trading strategy in a timely manner.

② Analysis and Appraisal of the Investment Performance

The company's Research Department and Risk Control Department will conduct quantitative analysis of the investment performance of the Fund, use relevant tools to evaluate and measure aspects such as the risk inspection and risk assessment for fund investment and the risk adjustment and performance attribution of the investment performance and such analysis, evaluation and measurement will be submitted to the Investment Department and the investment decision-making committee as the basis for making investment decisions for the next investment plan.

③ Risk Control and Compliance

The risk management committee set up by the company holds meetings on a regular basis to discuss all the risk issues of the company, and identify and control investment risks. The company's Chief Inspector and the Compliance Department are responsible for the comprehensive ex-ante, ongoing, and ex-post supervision and examination of the compliance of the investment research segments, report the compliance issues which they discover to the company's management and Board of Directors in a timely manner and continuously urge the relevant departments to resolve those issues.

## **(VI) Benchmark for Performance Comparison**

The Fund's benchmark of performance comparison is: Interest rate of the 7-day call deposit for the same period (after-tax).

The call deposit is a type of deposit with an indefinite term and can only be withdrawn after informing the bank in advance to agree the withdrawal date and amount. It is characterized by its flexible deposit term, convenience in making deposits and withdrawals, and the offer of an interest rate that is higher than that of saving deposit. This Fund is a money market fund and has the features of low risk and high liquidity. Based on the Fund's investment targets, investment objectives and liquidity feature, the Fund selects the interest rate of the 7-day call deposit for the same period (after-tax) as its benchmark for performance comparison.

If the benchmark for performance comparison is no longer applicable due to any change in the Laws and Regulations and the future market, or another benchmark for performance comparison that is more representative, more scientific and objective or more acceptable by the market applies to this Fund, the Fund Manager may, under the principle of safeguarding the lawful rights and interests of the Fund Unitholders and based on the actual situation, adjust the benchmark for performance comparison accordingly, announce such adjustment in a timely manner and state such announcement in the Updated Prospectus.

## **(VII) Risk and Return Profile**

This Fund is a money market fund which is a type of low-risk fund among the securities investment funds. The long-term risk of and expected income from this Fund are lower than those of an equity fund, hybrid fund or bond fund.

### **(VIII) Weighted Average Maturity and Weighted Average Life of the Investment Portfolio**

1. **Weighted Average Maturity:** WAM is a measure of the length of time to maturity of all of the underlying securities in the fund weighted to reflect the relative holdings in each instrument, assuming that the maturity of a floating rate instrument is the time remaining until the next interest rate reset, rather than the time remaining before the principal value of the security must be repaid. In practice, WAM is used to measure the sensitivity of a money market fund to changing interest rates. The sensitivity to changes in interest rates is also commonly known as 'modified duration'.

**Weighted Average Life:** WAL is the weighted average of the remaining life (maturity) of each security held in a fund, meaning the average time until the principal is repaid in full (disregarding interest and not discounting). Contrary to what is done in the calculation of the WAM, the calculation of the WAL for floating rate securities and structured financial instruments does not permit the use of interest rate reset dates and instead only uses a security's stated (legal) final maturity. WAL is used to measure the credit risk, as the longer the reimbursement of principal is postponed, the higher is the credit risk. WAL limits also help to limit the effects of changes in interest rate spreads (i.e., the additional yield paid on a security above the risk-free rate of return on the Fund's portfolio).

Where:

Assets arising from investment in financial instruments include cash, time deposits with maturity less than (or equal to) one year, reverse repos, central bank notes, negotiable certificate of deposits with maturities less than (or equal to) one year, bonds, non-financial institution financing vehicles, and asset backed securities, with maturities less than (or equal to) 397 days, bonds to be repurchased due to outright repo and other money market instruments with good liquidity, permitted by the People's Bank of China, CSRC.

Liabilities arising from investment in financial instruments include repo or bonds to be sold back due to outright repo.

2. **Determination of remaining maturity and life of All Types of Assets and Liabilities**
  - (1) The remaining maturity and life of bank current deposits, settlement reserve, margin fund for trading are zero. The remaining maturity and life of settlement fund shall be the number of Dealing Days remaining from the calculation date to the settlement date;
  - (2) The remaining maturity and life of time deposits and negotiable certificates of deposit shall be the number of actual days remaining from the calculation date to the maturity date of the agreement. The remaining maturity and life of fixed-term time deposits, whose terms permit unrestricted early redemption with no interest penalty, shall be the number of actual days remaining from the calculation date to the maturity date of the agreement. The remaining maturity and life of the call deposits shall be the agreed notice period stipulated in the deposit agreement;
  - (3) The remaining maturity and life of the bonds in the portfolio shall be the number of days remaining from the calculation date to the maturity date of the bonds, except for the following situations: the remaining maturity of permitted floating-rate and variable-rate notes shall be the number of actual days remaining from the calculation date to the next interest rate reset

date. The remaining life of permitted floating-rate and variable-rate notes shall be the number of days remaining from the calculation date to the final legal maturity date;

- (4) The remaining maturity and life of the repurchase agreement (including repo and reverse repo) shall be the actual days remaining from the calculation date to the maturity date of the repurchase agreement.
- (5) The remaining maturity and life of central bank notes shall be the number of actual days remaining from the calculation date to the maturity date of the central bank notes;
- (6) The remaining maturity and life of the bonds to be repurchased as a result of outright repo shall be the remaining maturity of the underlying bonds;
- (7) The remaining maturity and life of the bonds to be sold back as a result of outright repo shall be the number of actual days remaining from the calculation date to the maturity date of the repurchase agreement;
- (8) With regard to other financial instruments, the Fund Manager will calculate their remaining maturity and life based on the prudential principle, in accordance with the Laws and Regulations or the provisions of the CSRC or by referring to the method generally accepted by the industry.

The weighted average maturity and weighted average life calculated will be rounded to the nearest integer. If the Laws and Regulations or the CSRC lay down other provisions for the methods of calculating remaining maturity, those provisions shall be complied with.

#### **(IX) Prohibited Investment and Investment Restrictions**

- (1) This Fund is prohibited from investing in the following financial instruments:
  - 1) Stocks;
  - 2) Convertible bonds;
  - 3) Enterprise bonds rated below AAA, bonds and non-financial institution financing vehicles rated below AA+;
  - 4) Floating interest rate bonds benchmarking time deposit rates, except those entering the final interest rate reset period;
  - 5) Asset backed securities (ABS) that are not traded in the national interbank bond trading market or the securities exchanges;
  - 6) Securities with limited liquidity;
  - 7) Warrants;
  - 8) Other financial instruments that are prohibited by the CSRC and the People's Bank of China for investment.

If the above restrictions are cancelled by the Laws and Regulations or the regulatory department, the Fund will not be subject to those restrictions after performing the appropriate procedures.

- (2) The Fund assets shall not be used for the following purposes:
  - 1) Underwriting securities;
  - 2) Providing loans or guarantees to others;

- 3) Making investment with unlimited liability;
- 4) Trading other fund units, unless otherwise prescribed by the State Council;
- 5) Making capital contribution to the Fund Manager or Fund Custodian of this Fund or trading the stocks or bonds issued by the Fund Manager or Fund Custodian of this Fund;
- 6) Trading the securities issued by or securities underwritten during the underwriting period by the controlling shareholder of the Fund Manager or Fund Custodian of this Fund or a company that is materially interested in the Fund Manager or Fund Custodian of this Fund;
- 7) Engaging in insider dealing, manipulating the trading prices of securities and engaging in other improper securities trading activities;
- 8) Trading with the shareholder of the Fund Manager or reducing the number of actual days of the weighted average maturity of the investment portfolio through an artificial trading arrangement;
- 9) Other activities prohibited by the CSRC in accordance with the relevant provisions of the laws and administrative regulations.

If the above restriction provisions are cancelled by the Laws and Regulations or the regulatory department, the Fund Manager will not be restricted by those provisions after performing the appropriate procedures.

(3) Restrictions on the holdings limits in the Fund's investment portfolio

- 1) The weighted average maturity and weighted average life of the investment portfolio of this Fund on each Dealing Day shall not exceed 120 and 240 days respectively;
- 2) The exposure of this Fund and other funds managed by the Fund Manager to a security issued by a company shall not exceed 10% of that security;
- 3) Single issuer exposure, including the sum of issued bonds, non-financial institution financing vehicles, and ABS with issuer being the original beneficiary, shall not exceed 10% of the Fund NAV; this restriction does not apply to government bonds, central bank notes, or agency bonds;
- 4) The Fund shall invest no more than 30% of its NAV in fixed-term time deposits, excluding those which are negotiable before maturities as per contracts; the Fund shall invest no more than 20% of its NAVs in the sum of time deposits and negotiable certificate of deposits from one single commercial bank which has obtained fund custodian licence, or no more than 5% from one which has not obtained fund custodian licence.
- 5) The longest term of bond repo in the national interbank market is one year. The term cannot be extended upon the maturity of the bond repo;
- 6) Cash or government/quasi-government bonds with remaining maturity less than one year shall make no less than 5% of the Fund NAV;
- 7) The sum of cash, government bonds, central bank notes and agency bonds shall not be less than 5% of the Fund NAV.
- 8) The sum of cash, government bonds, central bank notes, agency bonds, and other financial instruments maturing within 5 Dealing Days shall not be less than 10% of the Fund NAV.
- 9) The sum of reverse repos and fix-term time deposits maturing longer than 10 Dealing Days, and other assets with limited liquidity shall not exceed 30% of the Fund NAV.

- 10) The aggregate ABS exposure shall not exceed 20% of the Fund Asset; Single ABS issuance exposure (with same credit rating) shall not exceed 10% of its total issuances; The aggregate ABS exposure with the same originator shall not exceed 10% of the Fund Asset; For all funds managed by the Fund Manager, the aggregate ABS exposure with the same originator shall not exceed 10% of total ABS exposure.
- 11) Unless experiencing Substantial Redemption, accumulated redemption accounting for more than 20% of the Fund NAV in 3 consecutive Dealing Days and accumulated redemption accounting for more than 30% of the Fund NAV in 5 consecutive Dealing Days, the Fund's aggregate repo position shall not exceed 20% of the Fund NAV on each Dealing Day;
- 12) The asset backed securities in which the Fund invests shall have credit ratings continuously assigned by a credit rating agency with rating qualification and their credit ratings shall not be lower than AAA or the equivalent of AAA as assigned by the domestic rating agency. If the credit ratings of the asset-backed securities held by the Fund are downgraded and no longer meet the investment criterion, the Fund Manager shall sell all of such asset backed securities within three months from the dates on which the rating reports are published.
- 13) The Fund may invest in the subordinated debts of commercial banks with a credit rating of AAA but the remaining maturity of those subordinated debts shall be 397 days or less and the investment in the subordinated debts issued by the same commercial bank shall not exceed 10% of the Fund NAV.
- 14) The Fund's gross assets shall not exceed 140% of the Fund NAV.
- 15) When the top 10 investors aggregately hold more than 50% of the total Fund units, the WAM and WAL of the Fund shall not exceed 60 days and 120 days respectively. The sum of cash, government bonds, central bank notes, agency bonds, or other financial instruments maturing within 5 Dealing Days, shall comprise no less than 30% of the Fund NAV.
- 16) When the top 10 investors aggregately hold more than 20% of the total Fund units, the WAM and WAL of the Fund shall not exceed 90 days and 180 days respectively. The sum of cash, government bonds, central bank notes, agency bonds, or other financial instruments maturing within 5 Dealing Days, shall comprise no less than 20% of the Fund NAV.
- 17) The Fund shall not invest more than 10% of its Fund NAV in illiquid assets. The Fund Manager shall halt investing in any extra illiquid assets in case of a passive breach during events beyond the Fund Manager's control, such as securities market volatilities, fund size movements, and etc.
- 18) The sum of single commercial bank's deposits, negotiable certificates of deposit, and/or bonds, invested by MMFs managed by the Fund Manager, shall not exceed 10% of the same single commercial bank's net asset in the latest quarter.
- 19) The sum of Financial Instruments with issuer rating below AAA, shall comprise no more than 10% of the Fund NAV, with single issuer limit of no more than 2%. The before-mentioned Financial Instruments include bonds, non-financial institution debt financing instruments, bank deposits, negotiable certificates deposit, asset backed securities with related parties as originators, and any other instruments specified by the CSRC.
- 20) When the Fund engages reverse repo transactions with Private Securities Investment Funds and other counterparties deemed by CSRC, the quality of the accepted collaterals shall be consistent with the terms set forth in the Fund Contract's permitted investment universe.
- 21) If the Fund intends to invest in deposits and/or negotiable certificates of deposit from

commercial banks with issuer rating below AA+, the Fund Manager's Board shall approve such proposal, and any relevant transactions shall be endorsed by the Fund Custodian and publicly disclosed as material matters.

Except 1), 7), 12), 17), 20) and 21), when investment portfolio breaches above Restrictions due to fund size and market movements, the Fund Manager shall adjust the portfolio within 10 Business Days to comply with the Restrictions, unless otherwise stipulated by laws and regulations.

The Fund Manager shall, within six months from the date on which the Fund Contract takes effect, ensure that the holdings limits in the investment portfolio of the Fund comply with the relevant stipulations of the Fund Contract. The Fund Custodian shall begin supervising and examining the investment of the Fund from the date on which the Fund Contract takes effect.

If the Laws and Regulations or the relevant provisions of the CSRC are amended or changed, the Fund may adjust the provisions on investment restrictions accordingly after the Fund Manager performs the appropriate procedures. If the above restrictions are cancelled by the Laws and Regulations or the CSRC, the Fund's investment will no longer be subject to the relevant restrictions after the Fund Manager performs the appropriate procedures.

**(X) Investment Portfolio Report**

Refer to the latest Quarterly Report for details.



## **15. Fund Performances**

**Refer to the Chinese version of corresponding Updated Prospectus (汇丰晋信货币市场基金更新招募说明书) for details (in Chinese ONLY).**

## **16. Fund Assets**

### **(I) Total Asset Value of the Fund**

The Total Asset Value of the Fund shall mean the sum of the value of all the marketable securities and notes owned by the Fund, the principal and interest of the bank deposits, the receivables of the Fund and the value of other investments.

The composition of the Fund assets mainly includes:

- (1) Bank deposits and their accrued interest;
- (2) Settlement reserves and their accrued interest;
- (3) Margins deposited in accordance with the relevant provisions and their interest receivable;
- (4) Receivables for settlement of securities trading;
- (5) Receivables for Purchase of the Fund;
- (6) Bond investments and their accrued interest;
- (7) Other investments and their accrued interest;
- (8) Other assets

### **(II) Fund NAV**

The Fund NAV shall mean the value after deducting liabilities from the Total Asset Value of the Fund.

### **(III) Fund Asset Accounts**

The Fund Custodian shall open the Fund's custodial account for bank deposits at its business establishment in the name of the Fund, open the Fund's account for settlement reserves in the name of the Fund Custodian at China Securities Depository and Clearing Corporation Limited, open the secondary account for settlement reserves in the name of the Fund at the custodial system of the Fund Custodian, open the securities account in the names of both the Fund Custodian and the Fund at China Securities Depository and Clearing Corporation Limited and open the custodial account for interbank bonds in the name of the Fund and these accounts shall be reported to the People's Bank of China for filing. The above Fund asset accounts opened shall be independent of the own asset accounts and other fund asset accounts of the Fund Manager, the Fund Custodian, the Distribution Agencies and the Registrar.

If the relevant Laws and Regulations of the State are amended, the Fund Manager and the Fund Custodian are entitled to implement the new provisions.

### **(IV) Custody and Disposal of the Fund Assets**

- (1) The Fund's assets are separated from the assets owned by the Fund Manager, the Fund Custodian and the Distribution Agencies and shall be held under the custody of the Fund Custodian.
- (2) The assets and income received by the Fund Manager and the Fund Custodian due to the management and utilization of the Fund assets or other situations shall be included as the Fund assets.
- (3) If the Fund Manager or the Fund Custodian is liquidated for reasons such as dissolution in

accordance with the law, deregistration in accordance with the law or a declaration of bankruptcy in accordance with the law, the Fund assets shall not fall within the liquidation scope.

(4) A creditor's right in the Fund assets cannot be used to offset the debt obligations of the assets owned by the Fund Manager and the Fund Custodian. The creditor's right and debt obligations of different Fund assets cannot offset each other. The Fund Manager and the Fund Custodian shall assume legal liabilities with their own assets. Their creditors cannot exercise the right to freeze or detain the Fund assets or other rights against the Fund assets. The debt obligations not arising from the Fund assets themselves shall not be enforced against the Fund assets.

## 17. Valuation of Fund Assets

The Fund calculates and distributes the Fund Income every day to ensure that the net value of a Fund unit is maintained at RMB1.00. The net value of the Fund unit is the basis for calculating the Purchase and Redemption prices of the Fund.

### (I) Valuation Purposes

The purpose of the Valuation of the Fund Assets is to reflect the value of the Fund assets in an objective and accurate manner and provide the basis for calculating the Purchase and Redemption prices of the Fund units.

### (II) Valuation Date

The valuation date of the Fund is the normal business day of the securities exchange related to the Fund and the non-business day on which the net value of the Fund shall be disclosed in public as prescribed by the Laws and Regulations of the State.

### (III) Valuation Targets

All types of marketable securities owned by the Fund, the principal and interest of bank deposits, reserves, margins and other assets and liabilities.

### (IV) Valuation Methods

The Fund conducts valuation in the following ways:

1. The Fund adopts the Amortised Cost Method for valuation, which means that the valuation target is stated at the acquisition cost, and the profit and loss are accrued on a daily basis according to the real interest method over the Fund's remaining term based on the coupon rate or the agreed interest rate and taking into account the premium and discount at the time of acquisition. The Fund does not adopt the market interest rate and the market value of the bonds and notes listed and traded to calculate the Fund NAV. Before the relevant Laws and Regulations permit the use of the Amortised Cost Method for the valuation of short-term bonds traded in exchanges, the Fund will not invest in short-term bonds traded on exchanges.
2. To prevent the interest of the Fund Unitholders from being diluted and calculated in an unfair manner due to any substantial deviation of the Fund NAV calculated by the Amortised Cost Method from the Fund NAV calculated on the basis of market interest rate and market trading price, the Fund Manager uses the valuation technique on every valuation date to revalue the valuation targets held by the Fund and arrive at the "Shadow Pricing". When the absolute value of the Negative deviation between the Fund NAV calculated between the Amortised Cost Method and the Fund NAV determined on the basis of the Shadow Pricing reaches or exceeds 0.25%, the Fund Manager shall adjust it to be less than 0.25% in 5 Dealing Days. If the absolute value of the Positive deviation reaches or exceeds 0.5%, the Fund Manager shall suspend accepting purchase and adjust it to be less than 0.5% in 5 Dealing Days. If the absolute value of the Negative deviation reaches or exceeds 0.5%, the Fund Manager shall use Risk Reserve Fund or its own capital to remedy the potential losses and control the Negative deviation to be

less than 0.5%. If the absolute value of the Negative deviation reaches or exceeds 0.5% for 2 consecutive Dealing Days, the Fund Manager shall adopt mark-to-market valuation or take other measures such as suspending accepting any redemption applications, terminating the Fund Contract to conduct liquidation, and etc.

3. If there is solid evidence proving that the valuation conducted according to the above method cannot objectively reflect the fair value, the Fund Manager may conduct valuation according to the method that can best reflect the fair value after consulting the Fund Custodian based on the specific situation.
4. If the relevant Laws and Regulations and the regulatory department lay down mandatory provisions, those provisions shall be complied with. Any newly-added items shall be valued in accordance with the latest provisions of the State.

In accordance with the Laws and Regulations, the Fund Manager calculates and publishes the Fund NAV and the Fund Custodian verifies and reviews the Fund NAV calculated by the Fund Manager. Therefore, with respect to any accounting issue related to the Fund, if the parties concerned fail to reach a consensus after discussions on the basis of equality, the Fund Manager shall publish in public its calculation result of the Fund NAV after issuing to the Fund Custodian a written explanation stamped with its common seal. The Fund Custodian shall not assume any liability for the loss arising therefrom.

#### **(V) Valuation Procedures**

The Fund Manager and the Fund Custodian shall jointly conduct daily valuations of the Fund. After finishing the valuation, the Fund Manager shall send the valuation result to the Fund Custodian in a manner approved by both parties. The Fund Custodian shall then verify the valuation according to the valuation methods, time and procedures specified in the Fund Contract. If the valuation is correct, the Fund Custodian shall return the valuation result to the Fund Manager in a manner approved by both parties. The month-end, mid-year and year-end valuation verification shall be performed simultaneously with the checking of the accounting books and records of the Fund.

#### **(VI) Situations in which Valuation is Suspended**

- (1) The securities exchange on which the Fund's investment is traded is closed because of public holidays or for other reasons;
- (2) The Fund Manager or the Fund Custodian cannot accurately assess the value of the Fund assets because of Force Majeure or other situations;
- (3) The valuation of a certain type of investment that accounts for a substantial portion of the Fund changes significantly and the Fund Manager decides to defer the valuation to protect the interests of the Fund Unitholders;
- (4) The Fund Manager is unable to sell or value the Fund assets due to the occurrence of a situation which, in the opinion of the Fund Manager, can be classified as an emergency;
- (5) When more than 50% of the Fund NAV of the previous valuation day have no active market referencing price and applying valuation techniques may still lead to considerable uncertainties with respect to fair valuation, the Fund Manager and Fund Custodian shall reach an agreement.

#### **(VII) Confirmation of the Net Value of the Fund**

Net value of the Fund unit on Day T = Fund NAV on Day T / Balance of total Fund units on Day T

The Fund calculates and distributes the Fund Income every day to ensure that the net value of a Fund unit is maintained at RMB1.00.

The net value of the Fund unit is the basis for calculating the Purchase and Redemption prices of the Fund.

The Fund NAV, the realized income of every 10,000 Fund units and the 7-day Annualised Yield used in the information disclosure of the Fund shall be calculated by the Fund Manager and verified by the Fund Custodian. The Fund Manager shall calculate and send the Fund NAV, the realized income of every 10,000 Fund units and the 7-day Annualised Yield on each Business Day to the Fund Custodian after the end of the trading hours on each Business Day. Such information shall be sent back to the Fund Manager after being verified and confirmed by the Fund Custodian. The Fund Manager shall then publish the realized income of every 10,000 Fund units and the 7-day Annualised Yield.

#### **(VIII) Handling of Valuation Errors**

(1) The Net Income of Every 10,000 Fund Units of the Fund shall be rounded to four decimal places. A valuation error shall be deemed to have occurred if the Valuation of the Fund Assets results in any error in the number within the four decimal places (including the fourth decimal place) that represents the Net Income of Every 10,000 Fund Units of the Fund. A valuation error shall also be deemed to have occurred if there is any error in the number within the three decimal places (including the third decimal place) that represents the 7-day Annualised Yield of the Fund when the number is rounded to three decimal places.

The Fund Manager and the Fund Custodian shall take necessary, appropriate and reasonable measures to ensure the accuracy and timeliness of the Valuation of the Fund Assets. Upon the occurrence of any valuation error, the Fund Manager shall make an immediate correction and take reasonable measures to prevent further losses. If any calculation error amounts to or exceeds 0.25% of the Fund NAV, the Fund Manager shall inform the Fund Custodian and report the matter to the CSRC. If any calculation error amounts to 0.5% of the Fund NAV, the Fund Manager shall inform the Fund Custodian, make an announcement in accordance with the provisions of the Fund Contract and report the matter to the CSRC for filing.

#### **(2) Types of Errors**

If another party concerned suffers any loss due to any error caused by the Fund Manager, the Fund Custodian, the Registrar, the Distribution Agencies or the Investor in the course of operation of the Fund, the responsible party shall compensate the party concerned that suffers such loss due to the error (“the party suffering the loss”) according to the following “Principles for Handling Errors”.

The major types of the above errors include but are not limited to: errors in filing information, errors in data transmission, errors in calculating data, system failure and errors, and errors in placing orders. An error that is caused by any technical reason and cannot be foreseen or avoided and is beyond control given the existing technological level of the industry shall be regarded as Force Majeure.

If the trading information of an Investor is lost, erroneously handled or contains errors due to Force Majeure, the party related to the error caused by Force Majeure has no obligation to compensate other

parties concerned, but the party that receives improper benefit due to that error shall have the obligation to return such improper benefit.

### (3) Principles for Handling Errors

The loss suffered by an Investor due to an error in the valuation of the Fund shall be borne by the Fund Manager and the Fund Custodian in accordance with the provisions of the Laws and Regulations. The Fund Manager or the Fund Custodian is entitled to recover the loss from the responsible party for any liability that it shall not assume. The parties to the Fund Contract shall handle the error in the valuation of the Fund according to the following stipulated principles.

- 1) If the error has already occurred but the party concerned has not yet suffered any loss, the party responsible for the error shall coordinate all parties and make the correction in a timely manner. The expenses incurred from the correction of the error shall be borne by the party responsible for the error. The loss suffered by the party concerned due to any error that is not corrected in a timely manner by the party responsible for the error shall be borne by the party responsible for the error. If the party responsible for the error has been coordinating actively and the party having the obligation to assist does not make the correction even though it has sufficient time to make the correction, the party responsible for the error and the party that has not made the correction shall, in accordance with the law, assume the corresponding compensation liability respectively for the loss arising or increasing therefrom. The party responsible for the error shall confirm with the party concerned the correction status to ensure that the error has been corrected;
- 2) The party responsible for the error shall take responsibility for the direct loss but not the indirect loss that the party concerned may suffer and shall only be liable to the party concerned that is directly affected by the error and not liable to a third party;
- 3) The party that receives improper benefit due to the error shall have the obligation to return such improper benefit in a timely manner, but the party responsible for the error shall still take responsibility for the error. If the other parties concerned suffer loss due to the failure of the party that receives improper benefit to return or return all of such improper benefit, the party responsible for the error shall compensate the loss of the party suffering the loss and shall be entitled to require the party that receives improper benefit to return such improper benefit within the scope of the compensation amount that it pays. If the party that receives such improper benefit has already returned a portion of such improper benefit to the party suffering the loss, the party suffering the loss shall reimburse the party responsible for the error the difference between the sum of the compensation amount it receives and the portion of such improper benefit that is returned and received by it, and its actual loss;
- 4) The error adjustment shall be made in such a way that ensures that the correct situation is restored, as far as is possible, as if no error had been made;
- 5) If the loss of Fund assets is caused by any reason attributable to the Fund Manager, the Fund Custodian shall recover the loss from the Fund Manager for the benefit of the Fund. If the

loss of Fund assets is caused by any reason attributable to the Fund Custodian, the Fund Manager shall recover the loss from the Fund Custodian for the benefit of the Fund. If the loss of Fund assets is caused by a third party other than the Fund Manager and the Fund Custodian, the Fund Manager shall be responsible for recovering the loss from the party making the error;

- 6) If the party making the error does not compensate the party suffering the loss as required and the Fund Manager or the Fund Custodian assumes the compensation liability on its own initiative in accordance with the Laws and Regulations, the Fund Contract or other provisions or according to the judgment of the court or the arbitral award, the Fund Manager or the Fund Custodian is entitled to recover the loss from the party making the error and is entitled to require that party to compensate or make reimbursement of the expenses and loss arising from the recovery;
- 7) Errors may also be handled according to other principles prescribed by the Laws and Regulations.

#### (4) Procedures for Handling Errors

Upon the discovery of an error, the parties concerned shall handle the error in a timely manner. The procedures for handling errors are as follows:

- 1) Investigate the cause of the error, list all the parties concerned and determine the party responsible for the error based on the cause of the error;
- 2) Assess the loss caused by the error according to the principles for handling errors or such method as agreed with the parties concerned;
- 3) The party responsible for the error shall make the correction and compensate the loss according to the principles for handling errors or such method as agreed with the parties concerned;
- 4) If the trading data of the Fund's Registrar has to be corrected according to the method for handling errors, the Fund's Registrar shall make the correction and confirm with the parties concerned the correction of the errors;
- 5) If the error made by the Fund Manager and the Fund Custodian in calculating the Fund NAV amounts to or exceeds 0.25% of the Fund NAV, the Fund Manager shall inform the Fund Custodian and report the matter to the CSRC. If the error in calculating the Fund NAV amounts to 0.5% of the Fund NAV, the Fund Manager shall inform the Fund Custodian, make an announcement in accordance with the provisions of the Fund Contract and report the matter to the CSRC for filing.

### **(IX) Handling of Special Situations**



(1) An error made by the Fund Manager when conducting valuation in accordance with items 2 and 3 of clause (IV) of this Article shall not be regarded and handled as an error with respect to the net value of the Fund units.

(2) If the Fund Manager and the Fund Custodian have taken necessary, appropriate and reasonable checking measures but still cannot discover an error due to Force Majeure or an error in the data transmitted by the securities exchange or the depository and clearing company, the Fund Manager and the Fund Custodian may be exempted from the liability to compensate for the error in the Valuation of the Fund Assets arising therefrom. However, the Fund Manager and the Fund Custodian shall actively take the necessary measures to eliminate the impact arising therefrom.

## **18. Fund Income and Distribution**

### **(I) Composition of the Fund Income**

- (1) Fund Income includes: interest income from deposits and bonds, income from note investments, income from bond repo, proceeds from trading securities and the balance of other lawful income after deducting the relevant fees.
- (2) Saving of costs or expenses incurred from the utilization of the Fund assets shall be included as income.
- (3) The net income of the Fund is the balance of the Fund Income after deducting the items, such as the fees, that may be deducted from the Fund Income in accordance with the relevant provisions.

### **(II) Principles of Income Distribution**

- (1) The dividend reinvestment method shall be adopted for the distribution of Fund Income;
- (2) Each Fund unit of the same class of the Fund shall have the same right to receive a distribution;
- (3) "Distribution on a daily basis and payment on a monthly basis". Based on the daily Fund Income and the net income of the Fund, the Fund calculates and distributes the income of each day to Investors every day and makes a centralized payment every month. The income distributed to an Investor on a day shall be truncated to two decimal places. The third decimal place shall be handled according to the rounding principle. The balance arising from the rounding shall be re-distributed until all of it is re-distributed;
- (4) Based on the status of the daily income, the Fund will distribute all the income for the day. If the net income on a day is higher than zero, positive income shall be recorded for the Investor. If the net income on a day is less than zero, negative income shall be recorded for the Investor. If the net income on a day equals zero, no income shall be recorded for the Investor on that day;
- (5) The Fund Income is paid in a centralized manner once every month. The dividend reinvestment method (which means the conversion of dividends into Fund units) shall be adopted for the payment of accrued income every month. An Investor may receive cash income through the Redemption of Fund units. With regard to the payment of accrued income payable every month, if the accrued income payable is a positive number, the corresponding Fund units will be added to the Investor. If the accrued income payable is a negative number, the Investor's Fund units will be reduced. When the Investor redeems all the Fund units, his accrued income payable shall be settled immediately. If the accrued income payable is a negative number, it will be deducted from the Redemption proceeds of the Investor;
- (6) The Fund units purchased on a day shall be entitled to receive distribution from the Fund from the following Business Day. The Fund units redeemed on a day shall no longer be entitled to receive distribution from the Fund from the following Business Day.
- (7) If the Laws and Regulations or the regulatory authority lay down other provisions, those provisions shall be complied with.

**(III) Income Distribution Plan**

The Fund's income distribution plan shall set out content such as the scope of Fund Income, the targets to which the Fund Income is distributed, the distribution principles, the distribution time, the distribution amount and ratios, the distribution method, the payment method and the relevant handling charges.

**(IV) Determination and Publication of the Income Distribution Plan**

The Fund distributes income on a daily basis. The income to be distributed shall be proposed by the Fund Manager, reviewed by the Fund Custodian and announced on the Designated Media per the *Information Disclosure Measures*.

The Fund distributes income on every Business Day and publishes on each Business Day the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield of all classes of Fund units on the immediately preceding Business Day. In the case of a statutory holiday, the Net Income of Every 10,000 Fund Units during the holiday, the 7-day Annualised Yield of all classes of Fund units on the last day of the holiday and the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield of all classes of Fund units on the first Business Day after the holiday shall be disclosed on the second calendar day following the end of the holiday. After performing the appropriate procedures, the calculation and publication may be deferred as appropriate. If the Laws and Regulations lay down new provisions, those provisions shall be complied with.

The Fund carries forward the income on a routine basis every month (such practice will be deferred in the case of a holiday). A separate announcement will not be made for the income carried forward on a routine basis every month.

## 19. Fund Expenses and Taxes

### (I) Types of Fund Expenses

- (1) Management fee payable to the Fund Manager;
- (2) Custody fee payable to the Fund Custodian;
- (3) Securities trading expenses of the Fund;
- (4) Information disclosure expenses related to the Fund after the Fund Contract takes effect;
- (5) Expenses of convening the general meetings of the Fund Unitholders;
- (6) Accountants' fees and solicitors' fees related to the Fund after the Fund Contract takes effect;
- (7) The fee for remittances and money transfer charged by the bank of the Fund;
- (8) Other fees that may be included in accordance with the relevant provisions of the State.

The above expenses shall be paid out from the Fund assets.

### (II) Accrual Methods, Accrual Standards and Payment Methods of the Fund Expenses

- (1) Management Fee Payable to the Fund Manager

The annual fee rate of the Fund management fee is 0.28%.

In normal circumstances, the Fund management fee shall be accrued at an annual rate of the Fund NAV of the preceding day. The calculation method is shown below:

$$H = E \times \text{Annual management fee rate} \div \text{Number of days in the current year}$$

H is the Fund management fee accrued every day

E is the Fund NAV on the preceding day

The Fund management fee is accrued daily to the end of each month and is paid monthly. The Fund Custodian shall, after verification, make a lump-sum payment to the Fund Manager from the Fund assets within the first five Dealing Days of the following month.

- (2) Fund Custody Fee Payable to the Fund Custodian

The annual fee rate of the Fund custody fee is 0.1%.

In normal circumstances, the Fund custody fee shall be accrued at an annual rate of the Fund NAV of the preceding day. The calculation method is shown below:

$$H = E \times \text{Annual custody fee rate} \div \text{Number of days in the current year}$$

H is the Fund custody fee accrued every day

E is the Fund NAV on the preceding day

The Fund custody fee is accrued daily to the end of each month and is paid monthly. The Fund Custodian shall, after verification, make a lump-sum payment to itself from the Fund assets within the first five Dealing Days of the following month.

- (3) Sales and Service Charge of the Fund

The annual fee rate of the Sales and Service Charge for Class A Units of the Fund is 0.25%. With regard to Class A unitholders downgraded from Class B unitholders, the Fund's annual Sales and Service Charge will be charged at the fee rate applicable to Class A unitholders from the Business Day immediately following the Business Day on which the unitholders meet the conditions for qualifying as Class A unitholders.

The annual fee rate of the Sales and Service Charge for Class B Units of the Fund is 0.01%. With regard to Class B unitholders upgraded from Class A unitholders, the Fund's annual Sales and Service Charge will be charged at the fee rate applicable to Class B unitholders from the Business Day immediately following the Business Day on which the unitholders meet the conditions for qualifying as Class B unitholders.

The Sales and Service Charge accrued for Fund units of each class shall be calculated according to the following formula:

$$H = E \times R \div \text{Number of days in the current year}$$

H is the Fund's Sales and Service Charge accrued for Fund units of that class every day

E is the Fund NAV with respect to the Fund units of that class on the preceding day

R is the annual fee rate of the Sales and Service Charge for the Fund units of that class

The Sales and Service Charge of the Fund is accrued daily to the end of each month and is paid monthly. The Fund Manager shall send the payment order for the Sales and Service Charge to the Fund Custodian. The Fund Custodian shall, after verification, make a lump-sum payment to the Fund Manager from the Fund assets within the first five Dealing Days of the following month. After receiving the payment as an agent, the Fund Manager shall make the payment to the Fund's Distributors.

The Sales and Service Charge is mainly used to pay for the commission of the Distributors, the Fund Manager's marketing and advertising expenses for the Fund, expenses for promotional activities and expenses for services provided to unitholders.

(4) The Fund Manager and the Fund Custodian shall include in or allocate to the Fund expenses in the current period, the expenses listed in items (4) to (9) of clause (I) of this Article in accordance with the relevant regulations and provisions of the relevant agreements.

### **(III) Items that are Not Included as Fund Expenses**

The expenses or loss of Fund assets arising from the failure of the Fund Manager and the Fund Custodian to perform or fully perform their obligations and the expenses for handling matters not related to the Fund's operation shall not be included as Fund expenses. The solicitors' fees, accountants' fees and information disclosure fee incurred before the Fund Contract takes effect shall not be paid out from the Fund assets.

### **(IV) Adjustment of the Fund Management Fee and the Fund Custody Fee**

The Fund Manager and the Fund Custodian may discuss and reduce at their discretion the Fund

management fee, the Fund custody fee and the Sales and Service Charge provided that the relevant Laws and Regulations are complied with and the necessary procedures are performed and there is no need to convene a general meeting of the Fund Unitholders. The Fund Manager shall make an announcement on the Designated Media at least two days prior to the implementation of the new fee rate.

**(V) Other Expenses**

The Fund Manager may pay other expenses with the Fund assets in accordance with the relevant provisions of the State and the stipulations of the Fund Contract, and shall make an announcement in accordance with the provisions of the relevant Laws and Regulations.

**(VI) Taxation**

Each taxpayer involved in the Fund's operation shall perform the obligation to pay tax in accordance with the provisions of the Laws and Regulations of the State.

**20. Accounting and Auditing of the Fund****(I) Accounting Policies of the Fund**

- (1) The accounting year of the Fund commences on 1 January and ends on 31 December of each year according to the Gregorian calendar.
- (2) The Fund adopts RMB as the reporting currency and the unit of account for accounting purposes.
- (3) The accounting system shall be the relevant accounting system of the State.
- (4) Separate books of account shall be kept and separate accounting shall be performed for the Fund.
- (5) The party that takes responsibility for the accounting of the Fund shall be the Fund Manager.
- (6) The Fund Manager shall keep complete accounting books and records for daily accounting purposes and shall prepare the Fund's accounting statements in accordance with the relevant provisions. The Fund Custodian shall verify with the Fund Manager and confirm in writing the accounting and preparation of statements of the Fund on a regular basis.

**(II) Annual Audit of the Fund**

- (1) The Fund Manager shall engage an accounting firm which is independent of the Fund Manager and the Fund Custodian and its certified public accountants qualified for relevant securities and future business to audit the annual financial statements and other prescribed matters of the Fund;
- (2) The accounting firm shall obtain the consent of the Fund Manager before replacing the certified public accountant of the Fund;
- (3) If, in the opinion of the Fund Manager, there are sufficient reasons to replace an accounting firm, it shall inform the Fund Custodian. The Fund Manager shall make an announcement on the Designated Media within two days after replacing the accounting firm.

## **21. Disclosure of Fund Information**

### **(I) Disclosure Principles**

The disclosure of Fund information shall comply with the *Fund Law*, the *Operation Measures*, the *Information Disclosure Measures*, the *Special Provisions for Information Disclosure*, the *Liquidity Risk Management Measures*, the Fund Contract and other relevant provisions.

The parties responsible for the disclosure of Fund information shall include the Fund Manager, Fund Custodian, Fund Unitholders and its general assembly (if existed) to convene general meetings, and natural person, legal person and unincorporated organization as stipulated by the relevant laws and regulations and the CSRC.

The parties responsible for the disclosure of Fund information shall only engage in activities protecting the interest of Fund Unitholders, disclose the Fund information as stipulated by the relevant laws and regulations and the CSRC and ensure the truthfulness, accuracy, completeness, timeliness, conciseness and availability.

The party having the obligation to disclose Fund information shall disclose the Fund information that has to be disclosed through the national newspapers and periodicals designated by the CSRC (Designated Newspapers and Periodicals) within the time limit prescribed by the CSRC and shall ensure that Investors may inspect or copy the information disclosed in public at such time and according to such method stipulated by the Fund Contract.

The party having the obligation to disclose Fund information undertakes not to commit the following acts in the course of disclosing Fund information in public:

- (1) Disclosing false records and misleading statements or information that contain material omissions;
- (2) Predicting the securities investment results;
- (3) Promising income or bearing losses in violation of the rules;
- (4) Defaming other fund managers, fund custodians or distributors of fund units;
- (5) Publishing text that congratulates, flatters or recommends any natural person, legal person and unincorporated organization;
- (6) Committing other acts prohibited by the CSRC.

The information disclosed by the Fund in public shall be in Chinese. If the information is also disclosed in a foreign language, the party having the obligation to disclose Fund information shall guarantee that the content of the different types of text is the same. In the event of discrepancy between the different types of text, the Chinese text shall prevail.

The information disclosed by the Fund in public shall be in Arabic numerals. Unless specifically indicated, the currency unit shall be RMB.

### **(II) Fund Information Disclosed in Public**

Fund information to be disclosed in public shall include:



(1) Prospectus, Fund Contract, Custodian Agreement and Product Key Facts Statement

After the application for the offering of the Fund has been approved by the CSRC, the Fund Manager shall publish the summaries of the Prospectus and Fund Contract on the Designated Media three days prior to the offering of the Fund units. The Fund Manager and the Fund Custodian shall publish the Fund Contract and the Fund Custodian Agreement on their respective websites.

- 1) The Prospectus shall disclose to the largest extent all the matters that affect the decisions of the Fund Investors and explain the arrangements for the Subscription, Purchase and Redemption of the Fund, the Fund investments, the features of the Fund products, risk disclosure, information disclosure and the services provided to Fund Unitholders. After the Fund Contract takes effect, the Fund Manager shall update the Prospectus and publish the Updated Prospectus on the designated website within three business days, where there are material changes of the Prospectus. The Fund Manager shall update the Prospectus at least once annually, where there are other changes. The Fund Manager will cease updating the Prospectus if the Fund is terminated.
- 2) The Fund Contract is a legal document that defines the relationship between the parties to the Fund Contract with respect to all the rights and obligations, specifies clearly the rules and specific procedures for convening the general meetings of the Fund Unitholders and explains matters that involve the major interests of the Fund Investors, such as the features of the Fund products.
- 3) The Custodian Agreement is a legal document that defines the relationship between the Fund Custodian and the Fund Manager with respect to their rights and obligations in activities such as the custody of Fund assets and the supervision of the Fund's operation.
- 4) The Product Key Facts Statement is a summary of the Prospectus in order to provide investors with concise Fund information. After the Fund Contract takes effect, the Fund Manager shall update the Prospectus and publish the Updated Prospectus on the designated website within three business days, where there are material changes of the Prospectus. The Fund Manager shall update the Prospectus at least once annually, where there are other changes. The Fund Manager will cease updating the Prospectus if the Fund is terminated.

(2) Announcement of the Offering of Fund Units

The Fund Manager shall prepare the announcement of the offering of Fund units with respect to the specific matters regarding the offering of Fund units and shall publish the announcement on the Designated Media on the date on which the Prospectus is disclosed.

(3) Announcement of the Taking Effect of the Fund Contract

The Fund Manager shall publish the announcement of the taking effect of the Fund Contract on the Designated Media on the following day after the Fund Contract takes effect.

### **(III) Periodic Reports**

The periodic reports of the Fund shall be prepared by the Fund Manager alone in accordance with the Laws and Regulations and the provisions laid down in the documents issued by the CSRC in relation to the content and format of information disclosure by the Fund and shall be reviewed by the Fund Custodian. The periodic reports of the Fund shall include the annual report of the Fund, the semi-annual report of the Fund and the quarterly report of the Fund.

- 1) Annual report of the Fund: The Fund Manager shall complete the annual report of the Fund within three months after the end of each year, shall publish the full text of the annual report on

the designated website and shall make an announcement in the designated newspapers and periodicals. The financial accounting report in the Fund's annual report shall be audited by certified public accountants qualified for relevant securities and future business.

- 2) Semi-annual report of the Fund: The Fund Manager shall complete the semi-annual report of the Fund within two months after the end of the first half of each year, shall publish the full text of the semi-annual report on the designated website and shall make an announcement in the designated newspapers and periodicals.
- 3) Quarterly report of the Fund: The Fund Manager shall complete the quarterly report of the Fund within 15 Business Days after the end of each quarter, shall publish the quarterly report on the designated website and make an announcement in the designated newspapers and periodicals.
- 4) If the Fund Contract has taken effect for less than two months, the Fund Manager does not need to prepare the quarterly report, the semi-annual report or the annual report for the current period.
- 5) The Fund Manager shall disclose in the Fund's annual report and semi-annual report the financial indicators and data such as the income realized in the current period, the profit in the current period, the Fund NAV at the end of the period, the net value of the Fund unit at the end of the period, the net return in the current period, the cumulative net return and the weighted average maturity of the investment portfolio.
- 6) The Fund Manager shall disclose in the quarterly report of the Fund the financial indicators and data such as the Fund's realized income in the current period, profit in the current period, the Fund NAV at the end of the period and the weighted average maturity of the investment portfolio.
- 7) During the life of the Fund, the Fund Manager shall disclose the portfolio holdings, liquidity risk analysis and etc. in the Annual and Semi-annual reports.
- 8) The Fund Manager shall disclose the type, holding units, holding ratio and etc. of the Top 10 Investors in the Annual and Semi-annual reports as at the reporting end.
- 9) If there is one single investor holding equal to and more than 20% of the Fund's total units during the reporting period, the Fund Manager shall at least disclose the investor's type, holding units and holding ratio as at the reporting end, holding units changes during the reporting period, and the specific risk of the Fund under *Other Important Information Which May Impact Investors' Decision Making*.

#### **(IV) Announcements of the Fund NAV Information**

After the Fund Contract takes effect and before the processing of the Purchase or Redemption of Fund units commences, the Fund Manager shall announce the the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield of all classes of Fund units on the designated website at least once every week. The Net Income of Every 10,000 Fund Units shall be rounded to four decimal places and the 7-day Annualised Yield shall be rounded to three decimal places.

After the *Fund Contract* takes effect and after the processing of the Purchase or Redemption of Fund units commences, the Fund Manager shall disclose the Net Income of Every 10,000 Fund Units and 7-

day Annualised Yield of all classes of the Fund on each Business Day through the designated website and the network for the Offering of Fund units on the day following each Business Day. In the case of a statutory holiday, the Net Income of Every 10,000 Fund Units of all classes of the Fund during the holiday, the 7-day Annualised Yield on the last day of the holiday and the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield on the first Business Day after the holiday shall be disclosed on the second calendar day following the end of the holiday.

The Net Income of Every 10,000 Fund Units and 7-day Annualised Yield are calculated as follows:

Net Income of Every 10,000 Fund Units = Net income of the Fund on that day / Total Fund units on that day  $\times 10,000$

Where the total Fund units on that day include the Fund units that are added or reduced due to the distribution of Fund Income on the immediately preceding Business Day, the 7-day Annualised Yield of the units carried forward on a daily basis =

$$\left\{ \left[ \prod_{i=1}^7 \left( 1 + \frac{R_i}{10000} \right) \right]^{\frac{365}{7}} - 1 \right\} \times 100\% ,$$

where  $R_i$  is the Net Income of Every 10,000 Fund Units on the  $i^{\text{th}}$  latest calendar day (including the date on which the calculation is made).

The Net Income of Every 10,000 Fund Units shall be rounded to four decimal places. The 7-day Annualised Yield shall be rounded to three decimal places.

The Fund Manager shall announce the Net Income of Every 10,000 Fund Units and the 7-day Annualised Yield of the last market Dealing Day every half a year and every year on the designated website, no later than the respective next Business Days.

#### **(V) Interim Reports and Announcements**

If the Fund is involved in any major event, the party having the information disclosure obligation shall prepare and publish the interim report within two days in the designated newspapers and periodicals and on the designated website.

The major event mentioned in the preceding paragraph shall mean any of the following events that may have a significant impact on the interests of the Fund Unitholders or the prices of the Fund units:

- 1) The holding of the general meeting of the Fund Unitholders and matters decided;
- 2) The termination of the Fund Contract and the liquidation of the Fund;
- 3) Any change in the operation method of the Fund and merge of the Fund;
- 4) The replacement of the Fund Manager, the Fund Custodian, the Transfer Agent or the accounting firm;
- 5) The Fund Manager outsources the Fund's registration, accounting, valuation and etc. to the

- fund service agency; The Fund Custodian outsources the Fund's accounting, valuation, verification and etc. to the fund service agency;
- 6) Any change in the legal name or address of the Fund Manager or the Fund Custodian;
  - 7) Any change in the shareholders with more than 5% controlling interest of the Fund Manager or the ultimate controlling owner;
  - 8) The extension or shortening of the Fund Offering Period;
  - 9) Any change in the senior management staff or Portfolio Managers of the Fund Manager, or the person-in-charge of the Fund Custody Department of the Fund Custodian;
  - 10) Replacement of more than 50% of the directors of the Fund Manager within 12 months;
  - 11) Replacement of more than 30% of the key business personnel of the Fund Manager or the Fund Custody Department of the Fund Custodian within 12 months;
  - 12) Any litigation or arbitration involving the Fund management business, the Fund assets or the Fund custody business;
  - 13) The Fund Manager or its senior management staff, or Portfolio Managers are imposed significant administrative penalties and/or criminal penalties with respect to the Fund management business or the Fund Custodian or the person-in-charge of its Fund Custody Department are imposed significant administrative penalties and/or criminal penalties with respect to the Fund custody business;
  - 14) The Fund Manager uses the Fund asset to buy and sell securities issued or underwritten during the IPO periods by the Fund Manager, the Fund Custodian and their respective controlling shareholders, ultimate controlling owners, or other companies of significant interest, or engage in other significant connected transactions, unless otherwise stipulated by the CSRC;
  - 15) Any matter concerning the distribution of Fund Income, yet the routine distribution as stipulated in the Fund Contract is exempted from further disclosure;
  - 16) Any change in the accrual standards, accrual methods or fee rate of the fees such as the management fee, the custody fee, the Sales and Service Charge, Subscription fee, Redemption fee and etc.;
  - 17) The error in calculating the Fund NAV amounts to 0.5% of the Fund NAV;
  - 18) The Fund begins processing Purchase and Redemption;
  - 19) Deferred processing of the Redemption proceeds due to Substantial Redemption;
  - 20) The suspension of the acceptance of Redemption applications due to the continuous occurrence of Substantial Redemptions or deferred payment of the Redemption proceeds;
  - 21) The suspension and resumption of the acceptance of Subscription and/or Redemption applications
  - 22) When the Negative and Positive deviation of the Fund NAV calculated between the Amortised Cost Method and the Fund NAV determined on the basis of the Shadow Pricing reaches or exceeds 0.5% or other situations when interim reports are required to be published according to laws when NAV calculated by the Amortised Cost Method deviates;
  - 23) Fund redemption, adjustment of redemption proceedings and/or other important events that

- may have potential impacts on redemptions of investors;
- 24) The Fund intends to invest in deposits and negotiable certificates of deposit of commercial banks with an issuer rating lower than AA+;
  - 25) Other matters deemed by the party having the obligation to disclose Fund information which may impact the interest of the Fund Unitholders or the Fund NAV, or stipulated by the CSRC.

#### **(VI) Clarification Announcements**

If any news covered by any public media or circulated in the market during the Term of the Fund may have a misleading impact on the price of the Fund units, result in greater volatility of the price of the Fund units or harm the interest of the Fund Unitholders, the relevant party having the information disclosure obligation shall, upon learning of the news, immediately clarify the news in public and report the relevant situation to the CSRC immediately.

#### **(VII) Liquidation Report**

When the Fund Contract is terminated, the Fund Manager with respect to relevant laws shall establish the fund asset liquidation group to perform the liquidation and prepare the report. The fund liquidation group shall publish the liquidation report on the designated website and make an announcement in the designated newspapers and periodicals.

#### **(VIII) Other Information as Required by the CSRC**

#### **(IX) Management of Information Disclosure**

The Fund Manager and Fund Custodian may voluntarily enhance the quality of the information disclosure, beyond the requirements of the relevant laws and regulations, insofar as it is to provide the useful information for the investment decision, treat investors fairly, not mislead investors, and not impact the normal investment operation of the Fund. The specific requirements shall follow the relevant rules set forth by the CSRC and self-regulations. If the voluntary information disclosure incurs a fee, it shall not be expensed from the Fund asset.

#### **(X) Maintenance and Inspection of Information Disclosure Documents**

After the legally required information disclosure, the Fund's periodic reports shall be kept in the offices of the Fund Manager and the Fund Custodian respectively for inspection and obtaining a duplicate copy by the public.

#### **(XI) Situations in which Information Disclosure is Suspended or Deferred**

- (1) The securities exchange on which the Fund's investment is traded is closed because of a statutory holiday or other reasons;
- (2) The Fund Manager or the Fund Custodian cannot accurately assess the value of the Fund assets because of Force Majeure or other situations;
- (3) The valuation of a certain type of investment that accounts for a substantial portion of the Fund

changes significantly and the Fund Manager decides to defer the valuation to protect the interests of the Fund Unitholders;

(4) Any situation in which an emergency, that in the opinion of the Fund Manager, will result in the inability of the Fund Manager to sell or value the Fund assets occurs;

(5) Other situations stipulated by the Laws and Regulations or determined by the CSRC or the Fund Contract.

**(XII) The matters of the Fund's information disclosure are subject to the rules set forth by the relevant laws and regulations and contents of this Chapter.**

## 22. Risk Disclosure

A securities investment fund (hereinafter referred to as a “fund”) is a long-term investment tool. Its major functions are diversifying investments and reducing the individual risk associated with investing in a single security. Funds are different from financial instruments that are expected to provide a fixed income, such as bank deposits and bonds. Investors that buy funds not only enjoy the income from fund investment according to the units they hold but also bear the potential loss arising from fund investment.

A fund may be exposed to various risks in the course of investment operation, including not only market risk but also management risk, technical risk and compliance risk of the fund itself. Substantial Redemption risk is a risk specific to open-end funds, which means that when the sum of the net applications for redemption of the fund on a single Dealing Day exceeds 10% of the total Fund units, investors may not be able to redeem all the Fund units that they hold in a timely manner.

There are different types of funds, such as equity funds, hybrid funds, bond funds and money market funds. Investors investing in different types of funds may expect different returns and take different levels of risk. In general, the higher the expectation of returns from a fund, the greater risk an investor takes.

Investors shall carefully read the legal documents of the Fund such as the *Fund Contract* and the *Prospectus*, to understand the Fund’s risk and return profile. Investors shall judge whether the Fund is suitable for their own risk tolerance level based on their own investment purposes, investment periods, investment experience and asset conditions.

Investors’ purchase of this securities investment fund in the money market is not the same as placing deposits with banks or deposit-taking financial institutions. The Fund Manager does not guarantee that the Fund will be profitable and does not guarantee a minimum income.

Investors shall fully understand the differences between the Fund’s Dollar Cost Averaging Plan and saving methods such as fixed deposits by installment. A Dollar Cost Averaging Plan is a simple and easy investment method that guides an Investor to make long-term investments and equalize investment cost. However, a Dollar Cost Averaging Plan cannot avoid risks inherent in Fund investment, nor can it guarantee an Investor’s returns, so it is not an alternative financial management method equivalent to savings.

Any change in the net value of the Fund units due to the split of the Fund, the conversion of the closed-end fund into an open-end fund or the distribution of dividends will not change the risk and return profile of the Fund and will not reduce the Fund’s investment risk or increase the Fund’s investment income. If the Fund is offered at an initial denomination of RMB1.00 or the net value of the Fund unit is adjusted to an initial denomination of RMB1.00 or around RMB1.00 due to the split of the Fund, the conversion of the closed-end fund into an open-end fund or the distribution of dividends, the Fund investment may still incur loss or the net value of the Fund may still fall below its initial denomination when affected by factors such as market volatility.

The Fund Manager undertakes to manage and operate the Fund assets by following the principle of being honest, trustworthy, diligent and responsible, but does not guarantee that this Fund will be profitable and

does not guarantee a minimum income. The results of other funds managed by the Fund Manager are no guarantee of the performance of this Fund. The Fund Manager reminds Investors of the “Buyer Beware” principle when investing in the Fund. After making an investment decision, an Investor shall bear on his own the investment risks arising from the Fund’s operation and the change in the Fund’s net value.

This Fund is a money market fund and the major risks that it is subject to include market risk, liquidity risk, credit risk, policy risk and management risk.

## **1. Market Risk**

### **(1) Economic Cycle Risk**

Due to the cyclical changing of the macro economy, the profitability and cash flow levels of bond issuers will change as well. This will in turn affect the solvency and credit ratings of issuers. In addition, cyclical fluctuations in the economy may affect the trends of the securities markets and the capital markets which will result in volatility in the asset prices of the types of investment of the Fund and may have a negative impact on the Fund’s investment return.

### **(2) Interest Rate Risk**

Interest rate risk refers to the possibility of loss incurred by the Fund units due to the fall in the prices of money market instruments resulting from the changes in market interest rates. Interest rate risk is mainly measured by indicators such as the duration of the investment portfolio.

### **(3) Risk of Deformation of the Curve**

The measurement of interest rate risk by indicators such as duration is based on the pre-requisite of the parallel shift in the yield curve, but non-parallel shift, such as distortion or butterfly shift in the yield curve may occur and as a result, indicators such as duration cannot fully reflect the true level of interest rate risk. If the allocation of the maturity structure of money market instrument portfolios having the same duration differs, the variation in their yields will be greater upon the occurrence of a non-parallel shift in the yield curve.

### **(4) Reinvestment Risk**

Reinvestment risk refers to the risk that the reinvestment of coupon income from fixed income products may not achieve the expected yield due to falling market interest rates.

## **2. Liquidity Risk**

Liquidity risk mainly includes two types of risk, one of which is the risk of the change in Fund Income due to the weaker realization ability of the investment portfolio. When the trading of some of the money market instruments is inactive and the trading volume is insufficient, it will be more difficult to realize those instruments which may result in loss of the net value of the Fund. Secondly, if relatively substantial Redemption of the Fund occurs within a short time, the Fund Manager may be forced to sell a large number of assets that it holds in the short term and the net value of the Fund may fluctuate significantly.



### **3. Credit Risk**

The credit risk of the Fund includes:

- (1) **Default risk:** The default risk arising from the failure of a bond or note issuer to perform its obligation to pay the principal and interest as scheduled or the failure of the financing party in a repurchase transaction to pay the principal and interest for the repurchase as scheduled;
- (2) **Downgrade risk:** The risk that a credit rating agency downgrades the credit rating of a bond or note issuer due to the worsening of its financial position or the weakening of its solvency as a result of an adverse change in its fundamentals;
- (3) **Credit spread risk:** Credit spread risk refers to the risk of falling bond prices due to the increase of the expected credit spread caused by the unreasonable prevailing price of bonds that does not truly reflect the credit spread level of the issuer.
- (4) **Counterparty risk:** The risk of the loss of payment or securities due to the failure of the Fund to receive or receive in full the securities or payment to which it is entitled as a result of the failure of the counterparty to make a full delivery as scheduled in the course of trading.

### **4. Policy Risk**

The risk associated with the new provisions of the relevant policies that are unfavourable to the Fund Investors is one of the major risks of the Fund. For example, if the State imposes income tax on the proceeds from the trading of the Fund by an individual or lowers the interbank deposit rate on a provisional basis, the returns from the cash investment of the Fund will be reduced.

### **5. Management Risk**

If, in the course of the management operation of the Fund, the investment management and research of the Fund Manager are not up to standard such that the Fund Manager makes an inaccurate judgment of the economic situation and the market trend, or the information it obtains is not completely accurate or there are errors in the investment operation, the net value of the Fund may be affected.

### **6. Operation Risk**

Operation risk refers to the risk that the net value of the Fund is adversely affected by any operation error or violation of the operation rules due to any defect in internal control or human factor in the course of the Fund's management operation.

### **7. Compliance Risk**

Compliance risk refers to the risk resulting from the Fund's non-compliance with the relevant Laws and Regulations or the provisions of the Fund Contract in the course of the Fund's operation.

### **8. Specific Risk**

Since the Fund invests in money market instruments, it may be subject to a higher liquidity risk and the systematic risk arising from the fluctuations in the interest rates in the money markets. The fluctuations

in the interest rates in the money markets may affect the income from the Fund's reinvestment and affect the changes in the fair value of the Fund assets. When realizing assets to meet Redemptions, the Fund may be subject to liquidity risk due to the insufficient trading volume of the money market instruments.

#### **9. Other Risks**

The occurrence of Force Majeure such as wars and natural disasters will seriously affect the operation of the securities markets and may lead to the loss of the Fund assets. The risk that is beyond the direct control of the Fund Manager, such as any crisis in the financial markets, industry competition and breach of contract by a Distribution Agency or a custodian may be detrimental to the interest of the Fund or the Fund Unitholders.

## **23. Termination of Fund Contract and Liquidation of Fund Assets**

### **(I) Termination of the Fund Contract**

The Fund Contract shall be terminated in any of the following situations:

- (1) The termination decision is made at the general meeting of the Fund Unitholders;
- (2) The duties of the Fund Manager are terminated and no new Fund Manager is appointed to take over the duties within six months;
- (3) The duties of the Fund Custodian are terminated and no new Fund Custodian is appointed to take over the duties within six months;
- (4) Other situations prescribed by the Laws and Regulations and the provisions of the Fund Contract.

### **(II) Liquidation of the Fund Assets**

(1) If the Fund Contract is terminated, the Fund assets shall be liquidated in accordance with the Laws and Regulations and the relevant provisions of the Fund Contract.

#### **(2) Fund Asset Liquidation Group**

- 1) The Fund asset liquidation group shall be established by the Fund Manager within 30 Dealing Days from the date on which the Fund Contract is terminated. Before the Fund asset liquidation group takes over the Fund assets, the Fund Manager and the Fund Custodian shall continue to perform their duties of protecting the safety of the Fund assets in accordance with the Fund Contract and the Custodian Agreement.
- 2) The Fund asset liquidation group shall comprise the Fund Manager, the Fund Custodian, the Fund's Registrar, certified public accountants and solicitors qualified to engage in relevant securities and future business and personnel designated by the CSRC. The Fund asset liquidation group may hire necessary staff.
- 3) The Fund asset liquidation group shall be responsible for safekeeping, liquidating, valuing, realizing and distributing the Fund assets. The Fund asset liquidation group may take necessary civil actions in accordance with the law.

#### **(3) Liquidation Procedures**

- 1) After the termination of the Fund Contract, the Fund asset liquidation group shall take over the Fund assets in a centralized manner;
- 2) The Fund asset liquidation group shall determine the liquidation term according to the conditions of the Fund assets;
- 3) The Fund asset liquidation group shall check and confirm the Fund assets;
- 4) The Fund asset liquidation group shall assess and realize the Fund assets;
- 5) The Fund asset liquidation group shall prepare the liquidation report;
- 6) The accounting firm shall audit the liquidation report;
- 7) The law firm shall issue legal opinions on the liquidation report;
- 8) The Fund liquidation results shall be reported to the CSRC;

- 9) Publish the Fund liquidation announcement;
- 10) The remaining assets of the Funds shall be distributed.

(4) Liquidation Expenses

Liquidation expenses shall mean all the reasonable expenses incurred by the Fund asset liquidation group in the course of the liquidation of the Fund. The liquidation expenses shall first be paid out from the Fund assets by the Fund asset liquidation group.

(5) Distribution of the Remaining Assets of the Fund

The Fund assets shall be used for payment in the following order:

- 1) Payment of expenses for the liquidation of Fund assets;
- 2) Payment of the Fund's taxes in arrears;
- 3) Payment of the Fund's debts;
- 4) The balance remaining after the liquidation, if any, shall be distributed according to the proportions of the Fund units held by the Fund Unitholders.

(6) Announcement of the Liquidation of the Fund Assets

The announcement about the establishment of the liquidation group shall be published within two days after the establishment of the liquidation group. The major matters in the course of liquidation shall be announced in a timely manner. The liquidation report prepared by the Fund asset liquidation group and audited by the accounting firm and the legal opinions issued by the law firm shall be submitted to the CSRC for filing and shall be announced.

(7) The books of accounts and documents relating to the liquidation of the Fund assets shall be kept by the Fund Custodian for at least 15 years.

## 24. Summary of the Fund Contract

### 1. Rights and Obligations of the Fund Unitholders, the Fund Manager and the Fund Custodian

#### (I) Fund Manager

##### (1) Basic Profile of the Fund Manager

Name: HSBC Jintrust Fund Management Co., Ltd.

Registered Address: 17/F, HSBC Building, Shanghai ifc, 8 Century Avenue, Pudong, Shanghai

Legal Representative: YANG Xiaoyong

Date of Incorporation: 16 November 2005

The authority that approves its incorporation: China Securities Regulatory Commission

The document that approves its incorporation: The CSRC Zheng Jian Ji Jin Zi [2005] No.172

Business Scope: Promoting, establishing, registering, managing and selling funds approved by the CSRC, handling the sales, Purchase, Redemption and registration of the Fund units, managing other types of assets and investment portfolios approved by the CSRC and operating other business approved by the CSRC.

Form of Organization: Limited company

Registered Capital: RMB200 million

Term of Operation: Continuous operation

##### (2) The Rights of the Fund Manager

- 1) Offering the Fund in accordance with the law and processing the filing procedures for the Fund;
- 2) Independently managing the Fund assets in accordance with the Laws and Regulations and the Fund Contract from the date on which the Fund Contract takes effect;
- 3) Formulating, amending and publishing the Business Rules in relation to the Offering, Subscription, Purchase and Redemption of the Fund, the Designation Transfer, the Fund Switching, the non-trading transfer, the freeze and the distribution of income in accordance with the Laws and Regulations and the provisions of the Fund Contract;
- 4) Receiving the Fund management fee and other fees prescribed by the Laws and Regulations or approved by the CSRC in accordance with the Laws and Regulations and the provisions of the Fund Contract;
- 5) Deciding the Fund's fee structure and method of fee payment provided that the relevant Laws and Regulations and the Fund Contract are complied with;
- 6) Selling Fund units in accordance with the Laws and Regulations and the provisions of the Fund Contract;
- 7) Supervising the Fund Custodian in accordance with the Laws and Regulations and the provisions of the Fund Contract;

- 8) Selecting appropriate Distribution Agencies for the Fund in accordance with the provisions of the Fund Contract and having the right to conduct necessary supervision and examination of the activities of the Fund's Distribution Agencies in accordance with the distribution agency agreement;
- 9) Acting as the Fund's Registrar or selecting or replacing the Fund's Registrar, handling the Fund's registration business and conducting necessary supervision and examination of the Fund's Registrar in accordance with the provisions of the Fund Contract;
- 10) Refusing or stopping the acceptance of Purchase and Redemption applications within the scope stipulated by the Fund Contract;
- 11) Obtaining margin financing and lending securities for the Fund in accordance with the law for the interest of the Fund Unitholders provided that such operation is permitted by the Laws and Regulations;
- 12) Formulating the plan for the distribution of Fund Income in accordance with the Laws and Regulations and the provisions of the Fund Contract;
- 13) Exercising the right of a shareholder in the investee enterprise on behalf of the Fund and exercising the right arising from investment in other securities on behalf of the Fund in accordance with the Laws and Regulations;
- 14) Nominating a new Fund Custodian when the duties of the Fund Custodian are terminated;
- 15) Convening the general meetings of Fund Unitholders in accordance with the Laws and Regulations and the provisions of the Fund Contract;
- 16) Exercising the right to commence litigation or taking other legal actions for the benefit of the Fund Unitholders in the name of the Fund Manager;
- 17) Choosing or replacing solicitors, auditors, securities brokers or other external service providers of the Fund and deciding their fee rate;
- 18) Other rights prescribed by the Laws and Regulations, the Fund Contract and other legal documents prepared according to the Fund Contract.

### (3) Obligations of the Fund Manager

- 1) To offer the Fund in accordance with the law and handle or entrust other institutions recognized by the CSRC to handle the matters concerning the Offering, Purchase, Redemption and registration of the Fund units;
- 2) To process the filing procedures for the Fund;
- 3) To manage and operate the Fund assets in an honest, trustworthy, diligent and responsible manner from the Effective Date of the Fund Contract;
- 4) To employ sufficient personnel with professional qualifications to analyze and make decisions on the investment of the Fund, and manage and operate the Fund assets in a professional manner;
- 5) To employ sufficient professionals to handle the Subscription, Purchase and Redemption of

- the Fund units;
- 6) To employ sufficient professionals and be equipped with corresponding technological facilities for the registration of the Fund or entrust other institutions to handle such operations as agents;
  - 7) To establish and improve the systems for internal risk control, monitoring and compliance, financial management and personnel management, etc., guarantee that the Fund assets managed are separated from the assets of the Fund Manager, separately manage, keep separate accounts and make separate securities investment for the different funds and entrusted assets that it manages;
  - 8) The Fund assets should not be used to seek illegal benefits for itself or any third party and no third party should be entrusted to operate the Fund assets, other than in accordance with the *Fund Law*, the Fund Contract and other relevant provisions;
  - 9) To accept the supervision by the Fund Custodian in accordance with the law;
  - 10) To adopt appropriate and reasonable measures such that the method of calculating the Subscription, Purchase and Redemption prices of the Fund units comply with the provisions of the legal documents such as the Fund Contract, calculate and publish the Fund NAV information, the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield of Fund units of all classes and determine the prices for the Purchase and Redemption of the Fund units in accordance with the relevant provisions;
  - 11) To perform the information disclosure and reporting obligations in strict accordance with the *Fund Law*, the Fund Contract and other relevant provisions;
  - 12) To keep confidential the trade secrets of the Fund and not to divulge the investment plans and investment intention of the Fund. Unless otherwise prescribed by the *Fund Law*, the Fund Contract and other relevant provisions, the information about the Fund shall be kept confidential and shall not be divulged to others before public disclosure;
  - 13) To distribute the Fund Income to the Fund Unitholders in a timely manner according to the Fund Income distribution plan determined by the Fund Contract;
  - 14) To accept the Purchase and Redemption applications in accordance with the Laws and Regulations and the provisions of the Fund Contract, and pay the redemption proceeds and dividend amount in full in a timely manner;
  - 15) Should not seek to own a controlling stake in or directly manage listed companies;
  - 16) To convene general meetings of Fund Unitholders in accordance with the *Fund Law*, the Fund Contract and other relevant provisions or convene general meetings of Fund Unitholders in accordance with the law so as to cater for the needs of the Fund Custodian and the Fund Unitholders;
  - 17) To maintain records, accounting books, statements and other relevant information regarding the management of the Fund assets as required for more than 15 years;
  - 18) To carry out accounting and prepare financial accounting reports for the Fund;
  - 19) To prepare the quarterly, semi-annual and annual reports of the Fund;

- 20) To ensure that all the documents and information that have to be provided to the Fund Unitholders are sent within the prescribed time limit; and ensure that Investors can inspect the public information relating to the Fund at any time within such period and in such way as stipulated in the Fund Contract, and can obtain the duplicate copy of the relevant information after paying a reasonable fee;
- 21) To organize and join the Fund asset liquidation group and take part in the safekeeping, clearing, valuation, realization and distribution of Fund assets;
- 22) To report to the CSRC and inform the Fund Custodian in a timely manner dissolution, termination in accordance with the law, declaration of bankruptcy in accordance with the law or the taking over of assets by the receiver;
- 23) To be liable for compensation if its violation of the Fund Contract results in the loss of Fund assets or prejudices the lawful rights and interests of the Fund Unitholders, and its compensation liability shall not be waived upon expiry of its appointment;
- 24) To monitor the Fund Custodian to perform its obligations in accordance with the Laws and Regulations and the provisions of the Fund Contract, and act in the interest of the Fund Unitholders by claiming from the Fund Custodian any loss of the Fund assets arising from the Fund Custodian's violation of the Fund Contract;
- 25) Not to engage in any activity that prejudices the interest of the Fund assets and other parties related to this Fund;
- 26) To treat different funds and entrusted assets that it manages in a fair manner and prevent the allocation of resources among different funds and entrusted assets from being carried out in a way that prejudices the interest of the Fund Unitholders;
- 27) To exercise the right to institute litigation or other legal proceedings on behalf of the Fund Unitholders in the name of the Fund Manager;
- 28) To implement the effective resolutions that are passed at the general meetings of Fund Unitholders;
- 29) To perform other obligations as prescribed by the Laws and Regulations and the provisions of the Fund Contract.

## **(II) Fund Custodian**

### **(1) Basic Profile of the Fund Custodian**

Name: Bank of Communications Co., Ltd.

Registered Address: 188, Yincheng Middle Road, China (Shanghai) Pilot Free Trade Zone

Date of Incorporation: 30 March 1987

The Authority that approves its Incorporation and the Document that approves its Incorporation: Guo Fa (1986) Zi No.81 issued by the State Council and Yin Fa [1987] No.40 issued by the People's Bank of China

Fund Custody Business Approval Document: CSRC Zheng Jian Ji Zi [1998] No. 25

Form of Organization: Limited company

Registered Capital: RMB74.263 billion

Term of Operation: Continuous operation



Business Scope: Absorbing deposits from the public, offering short-term, medium-term and long-term loans, handling domestic and overseas settlement, handling the acceptance and discounting of notes, issuing financial bonds, acting as an agent for the issue, redemption and underwriting of government/quasi-government bonds, buying and selling government/quasi-government bonds and financial bonds, engaging in interbank lending, buying and selling foreign currencies or buying and selling foreign currencies as an agent, engaging in bank card business, providing services and guarantees for letters of credit; acting as an agent for receipts and payments, providing safe deposit box services, engaging in other business approved by the banking regulatory authority under the State Council and engaging in the exchange settlement and sales business.

## (2) Rights of the Fund Custodian

- 1) Keeping the Fund assets under custody in accordance with the Laws and Regulations and the provisions of the Fund Contract;
- 2) Collecting the Fund custody fee in accordance with the stipulations of the Fund Contract;
- 3) Supervising the Fund Manager with respect to the investment operation of the Fund, not executing the Investment Order of the Fund Manager and reporting the matter to the CSRC if the Fund Custodian finds that such Investment Order violates the provisions of the Fund Contract or the relevant Laws and Regulations;
- 4) Nominating a new fund manager when the duties of the Fund Manager are terminated;
- 5) Convening the general meetings of Fund Unitholders in accordance with the Laws and Regulations and the provisions of the Fund Contract;
- 6) Supervising the Fund Manager in accordance with the Laws and Regulations and the provisions of the Fund Contract. If the Fund Custodian thinks that the Fund Manager has caused significant loss of the Fund assets and the interests of the Parties to the Fund Contract due to the Fund Manager's violation of the Laws and Regulations or the provisions of the Fund Contract, the Fund Custodian shall report the matter to the CSRC in a timely manner and take other necessary measures to protect the interests of the Fund and the relevant Parties to the Fund Contract;
- 7) Other rights prescribed by the Laws and Regulations and the provisions of the Fund Contract.

## (3) Obligations of the Fund Custodian

- 1) To keep the Fund assets under safe custody under the principle of being honest, trustworthy, diligent and responsible;
- 2) To establish a dedicated Fund Custody Department, have business premises that meet the requirements, and employ sufficient and qualified full-time staff who are familiar with the fund custody business to take charge of the affairs concerning the custody of the Fund assets;
- 3) To establish and improve the systems for internal control, monitoring and compliance, financial management and personnel management, etc., ensure the safety of the Fund assets, guarantee that the Fund assets under its custody are separated from the assets which it owns and the different Fund assets, establish separate accounts, perform separate accounting and keep separate books for the different funds and entrusted assets under its custody and ensure the separate operation of different funds and entrusted assets in aspects such as registration in registers, establishment of accounts, fund transfer and account recording;

- 4) Not to use the Fund assets to seek illegal benefits for itself or any third party and not to entrust any third party to keep the Fund assets under custody, other than in accordance with the *Fund Law*, the Fund Contract and other relevant provisions;
- 5) To keep the major contracts and relevant vouchers signed by the Fund Manager on behalf of the Fund and related to the Fund as required;
- 6) To open the fund accounts and securities accounts for the Fund assets as required;
- 7) To handle the settlement and delivery matters in a timely manner in accordance with the stipulations of the Fund Contract and based on the Investment Orders of the Fund Manager;
- 8) To keep confidential the trade secrets of the Fund. Unless otherwise prescribed by the *Fund Law*, the Fund Contract and other relevant provisions, the information about the Fund shall be kept confidential and shall not be divulged to others before public disclosure;
- 9) To verify and review the Fund NAV, the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield of all classes of Fund units that are calculated by the Fund Manager;
- 10) To handle the information disclosure affairs related to the activities of the Fund custody business;
- 11) To issue opinions on the Fund's financial accounting reports, quarterly reports, semi-annual reports and annual reports, state whether the operation of the Fund Manager in all the important aspects is in strict compliance with the provisions of the Fund Contract, and also state whether the Fund Custodian has adopted appropriate measures if the Fund Manager does not implement the provisions of the Fund Contract;
- 12) To keep the records, books of account, statements and other relevant information relating to the activities of the Fund custody business and keep the books of account, statements and records of the Fund for more than 15 years as required;
- 13) To establish and maintain the register of Fund Unitholders in accordance with the relevant Laws and Regulations;
- 14) To prepare the relevant books of account and check the accounts with the Fund Manager as required;
- 15) To pay the Fund Income and the Redemption proceeds to the Fund Unitholders according to the order of the Fund Manager or in accordance with the relevant provisions;
- 16) To convene general meetings of Fund Unitholders as required or convene general meetings of Fund Unitholders on its own in accordance with the law so as to cater for the needs of the Fund Unitholders;
- 17) To monitor the investment operation of the Fund Manager as required;
- 18) To join the Fund asset liquidation group and take part in the safekeeping, clearing, valuation, realization and distribution of Fund assets;
- 19) To report to the CSRC and banking regulatory authority and inform the Fund Manager in a timely manner dissolution, termination in accordance with the law, bankruptcy or the taking over of assets by the receiver;
- 20) To monitor the Fund Manager to perform its obligations in accordance with the Laws and Regulations and the provisions of the Fund Contract as required, and act on behalf of the Fund to claim from the Fund Manager for loss of the Fund assets arising from the Fund Manager's violation of the Fund Contract;

- 21) To be liable for compensation if its violation of the Fund Contract results in the loss of Fund assets, and its compensation liability shall not be waived upon expiry of its appointment;
- 22) Not to engage in any activity that prejudices the interests of the Fund and other Parties to the Fund Contract;
- 23) To perform other obligations as prescribed by the Laws and Regulations and the Fund Contract.

### **(III) Fund Unitholders**

(1) The Fund Investors' holding of the Fund units shows their acknowledgement and acceptance of the Fund Contract. A Fund Investor shall become a Fund Unitholder and a Party to the Fund Contract from the time he receives the fund units of this Fund in accordance with the Prospectus and the Fund Contract, until he no longer holds the fund units of this Fund. It is not necessary for a Fund Unitholder to sign the Fund Contract to become a Party to the Fund Contract. Each Fund unit shall carry the same legitimate interests.

#### **(2) Rights of the Fund Unitholders**

- 1) Receiving the distribution of the income from the Fund assets
- 2) Participating in the distribution of the remaining Fund assets after the liquidation of the Fund;
- 3) Transferring or applying for the redemption of the Fund units which they hold in accordance with the law;
- 4) Requesting to convene the general meetings of Fund Unitholders in accordance with the provisions;
- 5) Attending or appointing a proxy to attend the general meeting of Fund Unitholders and exercising their voting rights on matters discussed at the general meeting of Fund Unitholders;
- 6) Reviewing or copying the publicly disclosed information of the Fund;
- 7) Supervising the investment operation of the Fund Manager;
- 8) Initiating litigation against the Fund Manager, Fund Custodian, Registrar or the Distributors of the Fund units due to their prejudice of the lawful rights and interests of the Fund Unitholders;
- 9) Other rights prescribed by the Laws and Regulations and the Fund Contract.

#### **(3) Obligations of the Fund Unitholders**

- 1) To comply with the Fund Contract;
- 2) To pay the Fund Subscription and Purchase amount and the fees prescribed by the Fund Contract;
- 3) To bear the loss of the Fund or assume the limited liability arising from the termination of the Fund Contract to the extent of the amount of the Fund units which they hold;
- 4) Not to engage in any activity that prejudices the lawful interests of the Fund and other Parties to the Fund Contract;
- 5) To implement the effective resolutions that are passed at the general meetings of Fund Unitholders;
- 6) To return any improper benefit received from the Fund Manager, the Fund Custodian and the

Distribution Agencies for any reason in the course of the trading of the Fund;

- 7) Other obligations prescribed by the Laws and Regulations and the provisions of the Fund Contract.

## **2. Procedures and Rules for Convening the General Meeting of Fund Unitholders and for Discussion and Voting at Such Meeting**

**(I) The general meeting of the Fund Unitholders of this Fund is formed by all the Fund Unitholders of this Fund. All the Fund Unitholders of this Fund shall have equal voting rights and each Fund unit shall carry one vote. There is no permanent establishment for the general meeting of the Fund Unitholders.**

**(II) The general meeting of Fund Unitholders shall be convened for any of the following purposes:**

- (1) To terminate the Fund Contract;
- (2) To change the operation method of the Fund;
- (3) To replace the Fund Custodian;
- (4) To replace the Fund Manager;
- (5) To raise the remuneration standards of the Fund Manager or the Fund Custodian, except for the raising of such remuneration standards as required by the Laws and Regulations;
- (6) To merge this Fund with another fund;
- (7) To change the type of the Fund;
- (8) To change the investment objectives, universe or strategies of the Fund (unless otherwise prescribed by the Laws and Regulations and the CSRC);
- (9) To change the procedure of the general meeting of Fund Unitholders;
- (10) Other matters that have significant impact on the rights and obligations of the parties related to the Fund;
- (11) Other matters for which the general meeting of Fund Unitholders shall be convened as required by the Laws and Regulations, the Fund Contract or the CSRC.

**(III) It is not necessary to convene the general meeting of Fund Unitholders in any of the following situations:**

- (1) To lower the Fund management fee or the Fund custody fee;
- (2) Any increase in the fees of the Fund as required by the Laws and Regulations;
- (3) To lower the Fund's Sales and Service Charge or change the fee collection method within the scope prescribed by the Laws and Regulations and the Fund Contract;
- (4) To amend the Fund Contract due to the corresponding change in the Laws and Regulations;
- (5) Any amendment of the Fund Contract that does not involve any change in the rights and obligations of the Parties to the Fund Contract;
- (6) Any amendment of the Fund Contract that has no adverse impact on the interests of the Fund Unitholders;

(7) Other situations in which there is no need to convene the general meeting of Fund Unitholders in accordance with the Laws and Regulations or the provisions of the Fund Contract.

#### **(IV) Convener and Convening Procedures**

(1) Unless otherwise stipulated by the Laws and Regulations or the Fund Contract, the general meeting of Fund Unitholders shall be convened by the Fund Manager and the time, venue and method of holding the general meeting and the record date shall be selected and determined by the Fund Manager. If the Fund Manager does not convene the general meeting as required or cannot convene the general meeting, the Fund Custodian shall convene the general meeting.

(2) If the Fund Custodian considers it necessary to hold the general meeting of Fund Unitholders, it shall submit a written request to the Fund Manager. The Fund Manager shall decide whether to convene the general meeting and shall inform the Fund Custodian of its decision in writing within ten days from the date it receives the written request. If the Fund Manager decides to convene the general meeting, it shall do so within 60 days from the date it issues the written decision. If the Fund Manager decides not to convene the general meeting, the Fund Custodian shall convene the general meeting on its own if it still considers it necessary to convene the general meeting, inform the Fund Manager within 60 days after the issuance of the written decisions and the Fund Manager shall coordinate.

(3) If the Fund Unitholders representing 10% or more of the Fund units (calculated on the basis of the Fund units on the date on which the Fund Manager receives the request, hereinafter the same) request the convening of the general meeting of Fund Unitholders for the same matter, they shall submit a written request to the Fund Manager. The Fund Manager shall decide whether to convene the general meeting and shall inform the representatives of the Fund Unitholders that submit the request and the Fund Custodian of its decision in writing within ten days from the date it receives the written request. If the Fund Manager decides to convene the general meeting, it shall do so within 60 days from the date it issues the written decision. If the Fund Manager decides not to convene the general meeting, but the Fund Unitholders representing 10% or more of the Fund units still consider it necessary to convene the general meeting, they shall submit a written request to the Fund Custodian. The Fund Custodian shall decide whether to convene the general meeting and shall inform the representatives of the Fund Unitholders that submit the request and the Fund Manager of its decision in writing within ten days from the date it receives the written request. If the Fund Custodian decides to convene the general meeting, it shall do so within 60 days from the date it issues the written decision, inform the Fund Manager and the Fund Manager shall coordinate.

(4) If the Fund Unitholders representing 10% or more of the Fund units request the convening of the general meeting of Fund Unitholders for the same matter, but the Fund Manager and the Fund Custodian refuse to convene the general meeting, the Fund Unitholders representing 10% or more of the Fund units are entitled to convene the general meeting of Fund Unitholders on their own but they shall file the notice of the same with the CSRC at least 30 days in advance.

(5) If the Fund Unitholders convene the general meeting of Fund Unitholders on their own in accordance with the law, the Fund Manager and the Fund Custodian shall offer cooperation and shall not hinder or interfere with the convening of the general meeting.

(6) The convener of the general meeting of Fund Unitholders shall be responsible for selecting and determining the time, venue and method of holding the general meeting and the record date.

**(V) Time and Procedure for Giving Notice of the Convening of the General Meeting of Fund Unitholders and the Content of the Notice**

(1) The convener shall publish an announcement regarding the convening of the general meeting of Fund Unitholders on the Designated Media 40 days prior to the scheduled date of the general meeting. The notice of the general meeting of Fund Unitholders shall at least set out the following:

- 1) The time and venue of the general meeting;
- 2) The major matters to be discussed at the general meeting;
- 3) The method of holding the general meeting;
- 4) The meeting procedures;
- 5) The record date of the Fund Unitholders who are entitled to attend the general meeting of Fund Unitholders;
- 6) The requirements on the content of the proxy form (including but not limited to the capacity of the proxy, the authority of the proxy and the effective period for acting as the proxy), and the time and place for delivery of the proxy form;
- 7) The voting method;
- 8) The name and telephone number of the standing contact person for the general meeting;
- 9) The documents that shall be prepared and the procedures that shall be followed by the persons attending the general meeting;
- 10) Other matters that shall be notified by the convener.

(2) If the general meeting is held and the voting process is conducted by written correspondence, the convener shall determine the method of written correspondence and the method of voting in writing, and shall specify in the notice of the general meeting the specific method of written correspondence adopted by the general meeting of Fund Unitholders, the appointed notary institution, and the contact method and contact person of that institution, the method of delivery and receipt of the written votes, and the deadline for voting.

(3) If the convener is the Fund Manager, the Fund Custodian shall be notified in writing to supervise the counting of the written votes at the designated venue. If the convener is the Fund Custodian, the Fund Manager shall be notified in writing to supervise the counting of the written votes at the designated venue. If the conveners are the Fund Unitholders, the Fund Manager and the Fund Custodian shall be notified in writing to supervise the counting of the written votes at the designated venue. If the Fund Manager or the Fund Custodian refuses to appoint a representative to supervise the counting of the written votes, the result of the counting of the written votes will not be affected.

## **(VI) Fund Unitholders' Modes of Attending the General Meeting**

### **(1) Modes of Holding the General Meeting**

The general meeting of Fund Unitholders requires attendance in person or by written correspondence.

If the general meeting requires attendance in person, the Fund Unitholders shall attend the general meeting in person or appoint proxies to attend the general meeting through the proxy forms. If the general meeting requires attendance in person, the authorized representatives of the Fund Manager and the Fund Custodian shall attend the general meeting. If the Fund Manager or the Fund Custodian refuses to appoint representatives to attend the general meeting, the voting will not be affected.

If the general meeting is held by written correspondence, the votes shall be cast in written form by written correspondence in accordance with the relevant provisions of the Fund Contract.

The method of holding the general meeting shall be determined by the convener, but the decisions on the replacement of the Fund Manager or the Fund Custodian, the change of the operation method of the Fund and the termination of the Fund Contract shall be made at the general meeting of Fund Unitholders and requires attendance in person.

### **(2) Conditions for Holding the General Meeting of Fund Unitholders**

#### **1) The General Meeting Requiring Attendance in Person**

Upon the satisfaction of all of the following conditions, the general meeting that requires attendance in person may be held:

- ① According to the statistics of the Fund units held on the record date by the attendees of the general meeting, the valid Fund units account for more than 50% (including 50%) of the total Fund units on the record date; if the attendees' valid Fund units are less than 50% of the total units on the record date, the convener can reconvene the shareholders' meeting after 3 months and within 6 months of the original shareholders' meeting date. Attendees of the reconvened shareholders' meeting shall have valid Fund units of no less than 1/3 (including 1/3) of the total units on the record date.
- ② The identity certificates and the evidence of the holding of Fund units of the Fund Unitholders attending the general meeting, the identity certificates of the proxies and the evidence of the Fund units held by the persons appointing the proxies are completely submitted, the procedures for authorizing and entrusting the proxies are completed, the relevant documents issued by the attendees of the general meeting comply with the relevant Laws and Regulations and the provisions of the Fund Contract and the notice of the general meeting and the evidence of the holding of Fund units matches the registration information kept by the Fund Manager.

If any of the above conditions is not satisfied, the convener may determine and announce the time and venue for convening the general meeting again but the record date for determining the Fund Unitholders who are entitled to attend the general meeting shall remain unchanged.

#### **2) The General Meeting Held by Written Correspondence**

Upon the satisfaction of all of the following conditions, the general meeting may be held by written correspondence:

- ① After publishing the notice of the general meeting in accordance with the provisions of the Fund Contract, the convener shall publish the related reminder announcements for two consecutive Dealing Days;
- ② Under the supervision of the Fund Custodian (or the Fund Manager if the Fund Custodian is the convener) and the notary institution, the convener shall collect the written votes of the Fund Unitholders and compile statistics about such written votes in the way prescribed

by the notice of the general meeting. If the Fund Custodian or the Fund Manager is notified but refuses to participate in the collection of written votes, the voting will not be affected;

- ③ The Fund units represented by the Fund Unitholders that directly cast the written votes or authorise others to cast the written votes on their behalf shall account for more than 50% (including 50%) of the total Fund units on the record date; if the valid Fund units held by shareholders who cast written votes or authorise others to cast written votes is less than 50% of the total units on the record date, the convener can reconvene the shareholders' meeting after 3 months and within 6 months of the original shareholders' meeting date. The Fund units represented by the Fund Unitholders that directly cast the written votes or authorise others to cast the written votes on their behalf shall account for more than 1/3 (including 1/3) of the total Fund units on the record date at the reconvened shareholders' meeting.
- ④ The certificates of the holding of Fund units submitted by the Fund Unitholders that directly cast the written votes or the proxies appointed by the Fund Unitholders to cast the written votes on their behalf shall comply with the Laws and regulations and the provisions of the Fund Contract and the notice of general meeting and match the records of the Registrar.

If any of the above conditions for holding the meeting is not satisfied, the convener may determine and announce the time for re-voting but the record date for determining the Fund Unitholders who are entitled to attend the general meeting shall remain unchanged.

If voting is cast by written correspondence, the written votes that apparently meet the requirements of the Laws and Regulations and the notice of the general meeting shall be deemed valid votes, unless there is sufficient evidence to the contrary when the votes are counted. Any vote that is illegible or contradictory shall be deemed an abstention from voting but shall be included when calculating the total Fund units represented by the Fund Unitholders that cast the written votes.

## **(VII) Agenda and Procedures**

### **(1) Agenda and the Right to Propose Motions**

- 1) The agenda shall concern the purposes of convening the general meeting of Fund Unitholders as prescribed in the Fund Contract.
- 2) Before the convener of the general meeting publishes the notice of the general meeting, the Fund Manager, the Fund Custodian and the Fund Unitholders that severally or jointly hold 10% or more of the total Fund units on the record date may submit to the convener of the general meeting a motion that is related to the purpose of convening the general meeting and shall be considered and voted on at the general meeting of Fund Unitholders. Besides, they may submit a provisional motion to the convener of the general meeting after the notice of the general meeting is published. The provisional motion shall be submitted to the convener 35 days prior to the date on which the general meeting is held. The convener shall announce the provisional motion 30 days prior to the date on which the general meeting is held.
- 3) The convener of the general meeting shall review the motion (including the provisional motion) submitted by the Fund Unitholder according to the following principles:
  - ① Correlation: If the matter involved in the motion proposed by the Fund Unitholder is directly related to the Fund and is not beyond the scope of authority of the general meeting of Fund Unitholders as prescribed by the Laws and Regulations and the Fund Contract, the convener of the general meeting shall submit the motion to the general



meeting for consideration. If the above requirements are not met, the motion shall not be submitted to the general meeting of Fund Unitholders for consideration. If the convener decides not to submit the motion proposed by the Fund Unitholder to the general meeting for voting, it shall give an explanation and clarification at that general meeting of Fund Unitholders.

- ② Procedures: The convener of the general meeting may decide on the procedural issues relating to the motions proposed by the Fund Unitholders. If the motions shall be split or merged for voting, the consent from the proposers of the original motions shall be obtained. If the proposers of the original motions do not agree to the change, the person presiding over the general meeting may request the general meeting of Fund Unitholders to decide on the procedural issues and the motions will be considered according to the procedures decided by the general meeting of Fund Unitholders.
- 4) If a motion submitted by the Fund Unitholders that severally or jointly hold 10% or more of the total Fund units on the record date for consideration and voting at the general meeting of Fund Unitholders or a motion submitted by the Fund Manager or the Fund Custodian for consideration and voting at the general meeting of Fund Unitholders are not passed at the general meeting of Fund Unitholders, the same motion may only be re-submitted for consideration at the general meeting of Fund Unitholders after at least six months, unless otherwise prescribed by the Laws and Regulations.
- 5) If there is a need to revise the original motion or add new motions after the convener of the general meeting of Fund Unitholders publishes the notice for convening the general meeting, an announcement thereof shall be made at least 30 days prior to the date on which the general meeting of Fund Unitholders is convened. Otherwise, the date for holding the general meeting shall be postponed and it shall be guaranteed that the interval between that date and the announcement date shall be at least 30 days.

## (2) Meeting Procedures

### 1) The General Meeting Requiring Attendance in Person

When the general meeting that requires attendance in person is held, the person presiding over the general meeting shall, according to the prescribed procedures, announce the meeting procedures and matters to take note of at the general meeting, determine and announce the scrutineer, and then read out the motions which shall be voted on under the supervision of the notary institution after discussion and which shall form the resolutions of the general meeting and be witnessed by a practising solicitor.

The general meeting shall be presided over by the authorized representative of the Fund Manager. If the authorized representative of the Fund Manager is unable to preside over the general meeting, the authorized representative of the Fund Custodian shall preside over the general meeting. If the authorized representatives of the Fund Manager and the Fund Custodian are unable to preside over the general meeting, the representative elected by the simple majority votes cast by the Fund Unitholders and proxies attending the general meeting that represent 50% or more of the Fund units shall be the person presiding over the general meeting of Fund Unitholders. If the Fund Manager and the Fund Custodian do not attend or preside over the general meeting of Fund Unitholders, the resolutions of the general meeting of Fund Unitholders shall not be affected.

The convener shall prepare a register of Fund Unitholders attending the general meeting. Such a register shall set out the names of the persons (or the names of the entities) attending the general meeting, the numbers of the identity certificates and the addresses of and the Fund units

with voting right held or represented by the persons attending the general meeting, and the names of the persons (or entities) appointing the proxies.

2) The General Meeting Held by Written Correspondence

If a general meeting is held by written correspondence, the convener shall announce the motions at least 30 days in advance and shall count all the valid votes under the supervision of the notary institution on the day following the voting deadline specified in the notice so as to form the resolutions.

3) The general meeting of Fund Unitholders shall not vote on an agenda that has not been announced in advance.

**(VIII) Conditions, Voting Method and Procedures for the Formation of Resolutions**

(1) The Fund units of each class held by the Fund Unitholder shall have equal voting rights.

(2) The resolutions of the general meeting of Fund Unitholders are classified into special resolutions and general resolutions:

1) Special Resolutions

To be valid, a special resolution shall be passed by Fund Unitholders and their proxies attending the general meeting and hold more than two-thirds of the voting rights. Major matters such as the replacement of the Fund Manager or the Fund Custodian, the change of the operation method of the Fund, the termination of the Fund Contract, the merge with other funds, and other material matters shall be approved by the passing of special resolutions;

2) General Resolutions

To be valid, a general resolution shall be passed by Fund Unitholders and their proxies attending the general meeting and hold 50% or more of the voting rights. All matters other than those that have to be approved by the passing of special resolutions may be approved by the passing of general resolutions.

(3) The matters decided at the general meeting of Fund Unitholders shall be reported to the CSRC in accordance with the law for approval or filing and shall be announced.

(4) The general meeting of Fund Unitholders adopts the method of voting by open ballot.

(5) All the items listed in all the motions or the same motion proposed at the general meeting of Fund Unitholders shall be considered separately and voted on one by one.

(6) The resolutions of the general meeting of Fund Unitholders shall be binding on all the Fund Unitholders, the Fund Manager and the Fund Custodian.

**(IX) Counting of Votes**

(1) The General Meeting Requiring Attendance in Person

- 1) If the general meeting of Fund Unitholders is convened by the Fund Manager or the Fund Custodian, the person presiding over the general meeting of Fund Unitholders shall announce after the commencement of the general meeting that two representatives of the Fund Unitholders elected among the Fund Unitholders and proxies attending the general meeting and one supervisor authorized by the convener of the general meeting will jointly act as the scrutineers. If the general meeting is convened by the Fund Unitholders themselves, the person presiding over the general meeting of Fund Unitholders shall announce after the commencement of the general meeting that three Fund Unitholders elected among the Fund Unitholders and proxies attending the general meeting will act as the scrutineers.
- 2) The scrutineers shall immediately count the votes after the votes are cast by the Fund Unitholders and the person presiding over the general meeting shall announce the results of the counting of votes on the spot.
- 3) If the person presiding over the general meeting is in doubt about the voting results submitted, the votes may be recounted. If the person presiding over the general meeting does not recount the votes and a Fund Unitholder or proxy attending the general meeting objects to the voting results announced by the person presiding over the meeting, he is entitled to immediately request the recounting of votes after the announcement of the voting results and the person presiding over the meeting shall immediately recount the votes and announce the recounting results. The votes can only be recounted once.
- 4) The vote counting process shall be notarized by the notary institution. If the Fund Manager or the Fund Custodian refuses to participate in the general meeting of Fund Unitholders or refuses to cooperate in vote counting, the effect of the counting of votes shall not be affected.

(2) The General Meeting Held by Written Correspondence

If the general meeting is held by written correspondence, the vote counting method shall be: Two supervisors authorized by the convener of the general meeting shall count the votes under the supervision of the authorized representative of the Fund Custodian (or the authorized representative of the Fund Manager if the Fund Custodian is the convener) and the notary institution shall notarize the vote counting process. If the Fund Manager or the Fund Custodian refuses to appoint a representative to supervise the counting of the written votes, the counting of votes and the voting results shall not be affected.

**(X) The Taking Effect of the Resolutions of the General Meeting of Fund Unitholders and the Announcement of Such Resolutions**

(1) The convener shall report the general resolutions and special resolutions passed at the general meeting of Fund Unitholders to the CSRC for approval and filing within five days from the date on which such resolutions are passed. The matters decided at the general meeting of Fund Unitholders shall take effect from the date on which the CSRC approves such matters in accordance with the law or issues a no-objection opinion. Decisions made by the shareholders' meeting shall take effect from the date on which they are approved by voting.

(2) The resolutions of the general meeting of Fund Unitholders that have taken effect shall be binding on all the Fund Unitholders, the Fund Manager and the Fund Custodian. The Fund Manager, the Fund Custodian and the Fund Unitholders shall implement the decisions made at the general meeting of Fund Unitholders that have already taken effect.

(3) The resolutions of the general meeting of Fund Unitholders shall be announced on the Designated Media by the person having the information disclosure obligation within two days from the date on which

they take effect.

### **3. Principles and Methods of the Distribution of Fund Income**

#### **(I) Composition of the Income**

(1) Fund Income includes interest income from deposits and bonds, income from note investments, income from bond repurchases, proceeds from trading securities and the balance of other lawful income after deducting the relevant fees.

(2) Saving of costs or expenses incurred from the utilization of the Fund assets shall be included as income.

(3) The net income of the Fund is the balance of the Fund Income after deducting the items, such as the fees, that may be deducted from the Fund Income in accordance with the relevant provisions.

#### **(II) Principles of Income Distribution**

(1) The dividend reinvestment method shall be adopted for the distribution of Fund Income;

(2) Each Fund unit of the same class of the Fund shall have the same right to receive a distribution;

(3) "Distribution on a daily basis and payment on a monthly basis". Based on the daily Fund Income and net income of the Fund, the Fund calculates and distributes the income of each day to Investors every day and makes a centralized payment every month. The income distributed to an Investor on a day shall be truncated to two decimal places. The third decimal place shall be handled according to the rounding principle. The balance arising from the rounding shall be re-distributed until all of it is re-distributed;

(4) Based on the status of the daily income, the Fund will distribute all the income for the day. If the net income on a day is higher than zero, positive income shall be recorded for the Investor. If the net income on a day is less than zero, negative income shall be recorded for the Investor. If the net income on a day equals zero, no income shall be recorded for the Investor on that day;

(5) The Fund Income is paid in a centralized manner once every month. The dividend reinvestment method (which means the conversion of dividends into Fund units) shall be adopted for the payment of accrued income every month. An Investor may receive cash income through the Redemption of Fund units. With regard to the payment of accrued income payable every month, if the accrued income payable is a positive number, the corresponding Fund units will be added to the Investor. If the accrued income payable is a negative number, the Investor's Fund units will be reduced. When the Investor redeems all the Fund units, his accrued income payable shall be settled immediately. If the accrued income payable is a negative number, it will be deducted from the Redemption proceeds of the Investor;

(6) The Fund units purchased on a day shall be entitled to receive distribution from the Fund from the following Business Day. The Fund units redeemed on a day shall no longer be entitled to receive distribution from the Fund from the following Business Day.

(7) If the Laws and Regulations or the regulatory authority lay down other provisions, those provisions shall be complied with.

#### **(III) Income Distribution Plan**

The Fund's income distribution plan shall set out such content as the scope of Fund Income, the targets to which the Fund Income is distributed, the distribution principles, the distribution time, the distribution amount and ratios, the distribution method, the payment method and the relevant handling charges.

**(IV) Determination and Publication of the Income Distribution Plan**

The Fund distributes income on a daily basis. The income to be distributed shall be proposed by the Fund Manager and reviewed by the Fund Custodian.

The Fund distributes income on every Business Day and publishes on each Business Day the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield of all classes of Fund units on the immediately preceding Business Day. In the case of a statutory holiday, the Net Income of Every 10,000 Fund Units during the holiday, the 7-day Annualised Yield of all classes of Fund units on the last day of the holiday and the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield of all classes of Fund units on the first Business Day after the holiday shall be disclosed on the second calendar day following the end of the holiday. After performing the appropriate procedures, the calculation and publication may be deferred as appropriate. If the Laws and Regulations lay down new provisions, those provisions shall be complied with.

The distribution of Fund Income (dividend reinvestment) carries out on a routine basis every 8<sup>th</sup> day of the month (such practice will be deferred in the case of a holiday). A separate announcement will not be made for the income carried forward on a routine basis every month.

**4. Withdrawal and Payment Methods and Proportions of Expenses Related to the Management and Utilization of Fund Assets**

**(I) Types of Fund Expenses**

- (1) Management fee payable to the Fund Manager;
- (2) Custody fee payable to the Fund Custodian;
- (3) Securities trading expenses of the Fund;
- (4) Information disclosure expenses related to the Fund after the Fund Contract takes effect;
- (5) Expenses of convening the general meetings of the Fund Unitholders;
- (6) Accountants' fees and solicitors' fees related to the Fund after the Fund Contract takes effect;
- (7) The fee for remittances and money transfer charged by the bank of the Fund;
- (8) Other fees that may be included in accordance with the relevant provisions of the State.

The above expenses shall be paid out from the Fund assets.

**(II) Accrual Methods, Accrual Standards and Payment Methods of the Fund Expenses**

- (1) Management Fee Payable to the Fund Manager

The annual fee rate of the Fund management fee is 0.28%.

In normal circumstances, the Fund management fee shall be accrued at an annual rate of the Fund NAV of the preceding day. The calculation method is shown below:

$$H = E \times \text{Annual management fee rate} \div \text{Number of days in the current year}$$

H is the Fund management fee accrued every day

E is the Fund NAV on the preceding day

The Fund management fee is accrued daily to the end of each month and is paid monthly. The Fund Manager shall send the payment order for the Fund management fee to the Fund Custodian. The Fund Custodian shall, after verification, make a lump-sum payment to the Fund Manager from the Fund assets within the first five Dealing Days of the following month.

(2) Fund Custody Fee Payable to the Fund Custodian

The annual fee rate of the Fund custody fee is 0.1%.

In normal circumstances, the Fund custody fee shall be accrued at an annual rate of the Fund NAV of the preceding day. The calculation method is shown below:

$$H = E \times \text{Annual custody fee rate} \div \text{Number of days in the current year}$$

H is the Fund custody fee accrued every day

E is the Fund NAV on the preceding day

The Fund custody fee is accrued daily to the end of each month and is paid monthly. The Fund Manager shall send the payment order for the Fund custody fee to the Fund Custodian. The Fund Custodian shall, after verification, make a lump-sum payment to itself from the Fund assets within the first five Dealing Days of the following month.

(3) Sales and Service Charge of the Fund

The annual fee rate of the Sales and Service Charge for Class A Units of the Fund is 0.25%. With regard to Class A unitholders downgraded from Class B unitholders, the Fund's annual Sales and Service Charge will be charged at the fee rate applicable to Class A unitholders from the Business Day immediately following the Business Day on which the unitholders meet the conditions for qualifying as Class A unitholders.

The annual fee rate of the Sales and Service Charge for Class B Units of the Fund is 0.01%. With regard to Class B unitholders upgraded from Class A unitholders, the Fund's annual Sales and Service Charge will be charged at the fee rate applicable to Class B unitholders from the Business Day immediately following the Business Day on which the unitholders meet the conditions for qualifying as Class B unitholders.

The Sales and Service Charge accrued for Fund units of each class shall be calculated according to the following formula:

$$H = E \times R \div \text{Number of days in the current year}$$

H is the Fund's Sales and Service Charge accrued for Fund units of that class every day

E is the Fund NAV with respect to the Fund units of that class on the preceding day

R is the annual fee rate of the Sales and Service Charge for the Fund units of that class

The Sales and Service Charge of the Fund is accrued daily to the end of each month and is paid monthly. The Fund Manager shall send the payment order for the Sales and Service Charge to the Fund Custodian. The Fund Custodian shall, after verification, make a lump-sum payment to the Fund Manager from the

Fund assets within the first five Dealing Days of the following month. After receiving the payment as an agent, the Fund Manager shall make the payment to the Fund's Distributors.

The Sales and Service Charge is mainly used to pay for the commission of the Distributors, the Fund Manager's marketing and advertising expenses for the Fund, expenses for promotional activities and expenses for services provided to unitholders.

(4) The Fund Manager and the Fund Custodian shall include in or allocate to the Fund expenses in the current period, the expenses listed in items (4) to (9) of clause (I) of this Article in accordance with the relevant regulations and provisions of the relevant agreements.

**(III) Items that are Not Included as Fund Expenses**

The expenses or loss of Fund assets arising from the failure of the Fund Manager and the Fund Custodian to perform or fully perform their obligations and the expenses for handling matters not related to the Fund's operation shall not be included as Fund expenses. The solicitors' fees, accountants' fees and information disclosure fee incurred before the Fund Contract takes effect shall not be paid out from the Fund assets.

**(IV) Adjustment of the Fund Management Fee, the Fund Custody Fee, and the Sales and Service Charge of the Fund**

The Fund Manager and the Fund Custodian may discuss and reduce at their discretion the Fund management fee, the Fund custody fee, and the Sales and Service Charge of the Fund provided that the relevant Laws and Regulations are complied with and the necessary procedures are performed and there is no need to convene a general meeting of the Fund Unitholders. The Fund Manager shall make an announcement on at least the Designated Media at least two days prior to the implementation of the new fee rate.

**(V) Other Expenses**

The Fund Manager may pay other expenses with the Fund assets in accordance with the relevant provisions of the State and the stipulations of the Fund Contract, and shall make an announcement with the provisions of the relevant Laws and Regulations.

**(VI) Taxation**

Each taxpayer involved in the Fund's operation shall perform the obligation to pay tax in accordance with the provisions of the Laws and Regulations of the State.

**5. Investment Directions and Investment Principles of the Fund Assets**

**(I) Investment Objectives**

The Fund seeks to achieve a yield that is higher than that of its benchmark while maintaining the low risk and high liquidity of its assets.

**(II) Investment Universe**

The Fund primarily invests in the following financial instruments, including: cash, time deposits (TDs)

with maturity less than (or equal to) one year, reverse repos, central bank notes, negotiable certificate of deposits (NCDs) with maturities less than (or equal to) one year, bonds, non-financial institution financing vehicles, and asset backed securities, with maturities less than (or equal to) 397 days, and other money market instruments with good liquidity, permitted by the People's Bank of China, CSRC, and relevant laws and regulations.

If funds are permitted by Laws and Regulations or regulatory authorities to invest in other investment types in the future, the Fund Manager may include those types in its investment universe after performing the appropriate procedures.

### **(III) Investment Principles**

The Fund seeks to generate stable income while maintaining adequate liquidity by making full use of the diverse money market instruments and adopting a reasonable asset allocation strategy, so as to provide investors with a cash equivalent product with low risk, stable income and which can be readily liquidated.

### **(IV) Benchmark for Performance Comparison**

The Fund's benchmark of performance comparison is: Interest rate of the 7-day call deposit for the same period (after-tax).

The call deposit is a type of deposit with an indefinite term and can only be withdrawn after informing the bank in advance to agree the withdrawal date and amount. It is characterized by its flexible deposit term, convenience in making deposits and withdrawals, and the offer of an interest rate that is higher than that of saving deposit. This Fund is a money market fund and has the features of low risk and high liquidity. Based on the Fund's investment targets, investment objectives and liquidity feature, the Fund selects the interest rate of the 7-day call deposit for the same period (after-tax) as its benchmark for performance comparison.

If the benchmark for performance comparison is no longer applicable due to any change in the Laws and Regulations and the future market, or another benchmark for performance comparison that is more representative, more scientific and objective or more acceptable by the market applies to this Fund, the Fund Manager may, under the principle of safeguarding the lawful rights and interests of the Fund Unitholders and based on the actual situation, adjust the benchmark for performance comparison accordingly, announce such adjustment in a timely manner and state such announcement in the Updated Prospectus.

### **(V) Risk and Return Profile**

This Fund is a money market fund which is a type of low-risk fund among the securities investment funds. The long-term risk of and expected income from this Fund are lower than those of an equity fund, hybrid fund or bond fund.

### **(VI) Prohibited Investment and Investment Restrictions**

- (1) This Fund is prohibited from investing in the following financial instruments:
  - 1) Stocks;
  - 2) Convertible bonds;
  - 3) Enterprise bonds rated below AAA, bonds and non-financial institution financing vehicles



- rated below AA+;
- 4) Floating interest rate bonds benchmarking time deposit rates, except those entering the final interest rate reset period;
- 5) Asset backed securities that are not traded in the national interbank bond trading market or the securities exchanges;
- 6) Securities with limited liquidity;
- 7) Warrants;
- 8) Other financial instruments that are prohibited by the CSRC and the People's Bank of China for investment.

If the above restrictions are cancelled by the Laws and Regulations or the regulatory department, the Fund will not be subject to those restrictions after performing the appropriate procedures.

- (2) The Fund assets shall not be used for the following purposes:
  - 1) Underwriting securities;
  - 2) Providing loans or guarantees to others;
  - 3) Making investments with unlimited liability;
  - 4) Trading other Fund units, unless otherwise prescribed by the State Council;
  - 5) Making capital contribution to the Fund Manager or Fund Custodian of this Fund or trading the stocks or bonds issued by the Fund Manager or Fund Custodian of this Fund;
  - 6) Trading the securities issued by or securities underwritten during the underwriting period by the controlling shareholder of the Fund Manager or Fund Custodian of this Fund or a company that is materially interested in the Fund Manager or Fund Custodian of this Fund;
  - 7) Engaging in insider dealing, manipulating the trading prices of securities or engaging in other improper securities trading activities;
  - 8) Trading with the shareholder of the Fund Manager or reducing the number of actual days of the weighted average maturity of the investment portfolio through an artificial trading arrangement;
  - 9) Other activities prohibited by the CSRC in accordance with the relevant provisions of the laws and administrative regulations.

If the above restriction provisions are cancelled by the Laws and Regulations or the regulatory department, the Fund Manager will not be restricted by those provisions after performing the appropriate procedures.

- (3) Restrictions on the holdings limits in the Fund's investment portfolio
  - 1) The weighted average maturity and weighted average life of the investment portfolio of this Fund on each trading day shall not exceed 120 and 240 days respectively;

- 2) The exposure of this Fund and other funds managed by the Fund Manager to a security issued by a company shall not exceed 10% of that security;
- 3) Single issuer exposure, including the sum of issued bonds, non-financial institution financing vehicles, and ABS with issuer being the original beneficiary, shall not exceed 10% of the Fund NAV; this restriction does not apply to government bonds, central bank notes, or agency bonds;
- 4) The Fund shall invest no more than 30% of its NAV in fixed-term time deposits, excluding those which are negotiable before maturities as per contracts; the Fund shall invest no more than 20% of its NAVs in the sum of time deposits and negotiable certificate of deposits from one single commercial bank which has obtained fund custodian licence, or no more than 5% from one which has not obtained fund custodian licence.
- 5) The longest term of bond repo in the national interbank market is one year. The term cannot be extended upon the maturity of the bond repo;
- 6) Cash or government/quasi-government bonds with remaining maturity less than one year shall make no less than 5% of the Fund NAV;
- 7) The sum of cash, government bonds, central bank notes and agency bonds shall not be less than 5% of the Fund NAV.
- 8) The sum of cash, government bonds, central bank notes, agency bonds, and other financial instruments maturing within 5 Dealing Days shall not be less than 10% of the Fund NAV.
- 9) The sum of reverse repos and fix-term time deposits maturing longer than 10 Dealing Days, and other assets with limited liquidity shall not exceed 30% of the Fund NAV.
- 10) The aggregate ABS exposure shall not exceed 20% of the Fund Asset; Single ABS issuance exposure (with same credit rating) shall not exceed 10% of its total issuances; The aggregate ABS exposure with the same originator shall not exceed 10% of the Fund Asset; For all funds managed by the Fund Manager, the aggregate ABS exposure with the same originator shall not exceed 10% of total ABS exposure.
- 11) Unless experiencing Substantial Redemption, accumulated redemption accounting for more than 20% of the Fund NAV in 3 consecutive Dealing Days and accumulated redemption accounting for more than 30% of the Fund NAV in 5 consecutive Dealing Days, the Fund's aggregate repo position shall not exceed 20% of the Fund NAV on each Dealing Day;
- 12) The asset backed securities in which the Fund invests shall have credit ratings continuously assigned by a credit rating agency with rating qualification and their credit ratings shall not be lower than AAA or the equivalent of AAA as assigned by the domestic rating agency. If the credit ratings of the asset-backed securities held by the Fund are downgraded and no longer meet the investment criterion, the Fund Manager shall sell all of such asset backed securities within three months from the dates on which the rating reports are published.
- 13) The Fund may invest in the subordinated debts of commercial banks with a credit rating of AAA but the remaining maturity of those subordinated debts shall be 397 days or less and the investment in the subordinated debts issued by the same commercial bank shall not exceed 10% of the Fund NAV.
- 14) The Fund's gross asset shall not exceed 140% of the Fund NAV.

Except 1), 7) and 12), when investment portfolio breaches above Restrictions due to fund size and market movements, the Fund Manager shall adjust the portfolio within 10 Dealing Days to comply with the

Restrictions, unless otherwise stipulated by laws and regulations.

The Fund Manager shall, within six months from the date on which the Fund Contract takes effect, ensure that the holdings limits in the investment portfolio of the Fund comply with the relevant stipulations of the Fund Contract. The Fund Custodian shall begin supervising and examining the investment of the Fund from the date on which the Fund Contract takes effect.

If the Laws and Regulations or the relevant provisions of the CSRC are amended or changed, the Fund may adjust the provisions on investment restrictions accordingly after the Fund Manager performs the appropriate procedures. If the above restrictions are cancelled by the Laws and Regulations or the CSRC, the Fund's investment will no longer be subject to the relevant restrictions after the Fund Manager performs the appropriate procedures.

## **6. Method of Calculating and Announcing the Fund NAV**

The Total Asset Value of the Fund shall mean the sum of the value of all the marketable securities and notes owned by the Fund, the principal and interest of the bank deposits, the receivables of the Fund and the value of other investments.

The composition of the Fund assets mainly includes:

- (1) Bank deposits and their accrued interest;
- (2) Settlement reserves and their accrued interest;
- (3) Margins deposited in accordance with the relevant provisions and their interest receivable;
- (4) Receivables for settlement of securities trading;
- (5) Receivables for Purchase of the Fund;
- (6) Bond investments and their accrued interest;
- (7) Other investments and their accrued interest;
- (8) Other assets

### **(I) Method of Calculating the Fund NAV**

All types of marketable securities owned by the Fund, the principal and interest of bank deposits, reserves, margins, and other assets and liabilities.

The valuation methods of the Fund are:

The Fund conducts valuation in the following ways:

1. The Fund adopts the Amortised Cost Method for valuation, which means that the valuation target is stated at the acquisition cost, and the profit and loss are accrued on a daily basis according to the real interest method over the Fund's remaining term based on the coupon rate or the agreed interest rate and taking into account the premium and discount at the time of acquisition. The Fund does not adopt the market interest rate and the market value of the bonds and notes listed and traded to calculate the Fund NAV. Before the relevant Laws and Regulations permit the use of the Amortised Cost Method for the valuation of short-term bonds traded in exchanges, the Fund will not invest in short-term bonds traded

on exchanges.

2. To prevent the interest of the Fund Unitholders from being diluted and calculated in an unfair manner due to any substantial deviation of the Fund NAV calculated by the Amortised Cost Method from the Fund NAV calculated on the basis of market interest rate and market trading price, the Fund Manager uses the valuation technique on every valuation date to revalue the valuation targets held by the Fund and arrive at the “Shadow Pricing”. When the deviation between the Fund NAV calculated by the Amortised Cost Method and the Fund NAV determined on the basis of the Shadow Pricing reaches or exceeds 0.25%, the Fund Manager shall adjust the portfolio based on the need to control risks. If the absolute value of the deviation reaches or exceeds 0.5%, the Fund Manager shall revalue the investment portfolio after consulting and reaching a consensus with the Fund Custodian and by reference to information such as the trading prices and market interest rate, so that the Fund NAV can reflect the fair value of the Fund assets in a fairer manner. At the same time, the Fund Manager shall prepare and disclose the interim report.

3. If there is solid evidence proving that the valuation conducted according to the above method cannot objectively reflect the fair value, the Fund Manager may conduct valuation according to the method that can best reflect the fair value after consulting the Fund Custodian based on the specific situation.

4. If the relevant Laws and Regulations and the regulatory department lay down mandatory provisions, those provisions shall be complied with. Any newly-added items shall be valued in accordance with the latest provisions of the State.

In accordance with the Laws and Regulations, the Fund Manager calculates and publishes the Fund NAV and the Fund Custodian verifies and reviews the Fund NAV calculated by the Fund Manager. Therefore, with respect to any accounting issue related to the Fund, if the parties concerned fail to reach a consensus after discussions on the basis of equality, the Fund Manager shall publish in public its calculation result of the Fund NAV after issuing to the Fund Custodian a written explanation stamped with its common seal. The Fund Custodian shall not assume any liability for the loss arising therefrom.

## **(II) Announcements of the Fund NAV and Announcements of the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield**

After the Fund Contract takes effect and before the processing of the Purchase or Redemption of Fund units commences, the Fund Manager shall announce the Fund NAV, the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield of all classes of Fund units on the media designated by the CSRC at least once every week.

The Net Income of Every 10,000 Fund Units shall be rounded to four decimal places and the 7-day Annualised Yield shall be rounded to three decimal places.

After the *Fund Contract* takes effect and after the processing of the Purchase or Redemption of Fund units commences, the Fund Manager shall disclose the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield of all classes of the Fund on each Business Day through its website, the network for the Offering of Fund units and other media on the day following each Business Day. In the case of a statutory holiday, the Net Income of Every 10,000 Fund Units of all classes of the Fund during the holiday, the 7-day Annualised Yield on the last day of the holiday and the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield on the first Business Day after the holiday shall be disclosed on

the second calendar day following the end of the holiday.

The Net Income of Every 10,000 Fund Units and 7-day Annualised Yield are calculated as follows:

Net Income of Every 10,000 Fund Units = Net income of the Fund on that day / Total Fund units on that day  $\times 10,000$

where the total Fund units on that day include the Fund units that are added or reduced due to the distribution of Fund Income on the immediately preceding Business Day.

The 7-day Annualised Yield of the units carried forward on a daily basis =

$$\left\{ \left[ \prod_{i=1}^7 \left( 1 + \frac{R_i}{10000} \right) \right]^{\frac{365}{7}} - 1 \right\} \times 100\% ,$$

where  $R_i$  is the Net Income of Every 10,000 Fund Units on the  $i^{\text{th}}$  latest calendar day (including the date on which the calculation is made).

The Net Income of Every 10,000 Fund Units shall be rounded to four decimal places. The 7-day Annualised Yield shall be rounded to three decimal places.

The Fund Manager shall announce the Fund NAV, the Net Income of Every 10,000 Fund Units and the 7-day Annualised Yield on the last market Dealing Day every half year and every year. The Fund Manager shall publish the Fund NAV, the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield of all the classes of the Fund on the media designated by the CSRC on the day following the market Dealing Day prescribed in the preceding paragraph.

## **7. Causes and Procedures of the Rescission and Termination of the Fund Contract and Method of Liquidating the Fund Assets**

### **(I) Amendment of the Fund Contract**

(1) If the amendment of the Fund Contract has significant impact on the rights and obligations of the Parties to the Fund Contract as prescribed in clause (2) of Section 8 of the Fund Contract, it shall be approved by the passing of a resolution at the general meeting of Fund Unitholders. The resolution for the amendment of the Fund Contract passed at the general meeting of Fund Unitholders shall be submitted to the CSRC for approval and shall take effect from the date on which it is approved by the CSRC.

(2) However, if the Fund Contract has to be amended according to any change in the corresponding Laws and Regulations, or the amendment of the Fund Contract does not involve any change in the rights and obligations of the Parties to the Fund Contract or does not have any actual adverse impact on the interests of the Fund Unitholders, the amendment need not be approved by the passing of a resolution at the general meeting of Fund Unitholders and the content of the Fund Contract may be amended upon the consent of the Fund Manager and the Fund Custodian. Such amendment shall be announced and reported

by the Fund Manager to the CSRC for filing within two days.

## **(II) Termination of the Fund Contract**

The Fund Contract shall be terminated in any of the following situations:

- (1) The termination decision is made at the general meeting of the Fund Unitholders;
- (2) The duties of the Fund Manager are terminated and no new Fund Manager is appointed to take over the duties within six months;
- (3) The duties of the Fund Custodian are terminated and no new Fund Custodian is appointed to take over the duties within six months;
- (4) Other situations prescribed by the Laws and Regulations and the provisions of the Fund Contract.

## **(III) Liquidation of the Fund Assets**

- (1) If the Fund Contract is terminated, the Fund assets shall be liquidated in accordance with the Laws and Regulations and the relevant provisions of the Fund Contract.
- (2) Fund Asset Liquidation Group
  - 1) The Fund asset liquidation group shall be established by the Fund Manager within 30 Dealing Days from the date on which the Fund Contract is terminated. Before the Fund asset liquidation group takes over the Fund assets, the Fund Manager and the Fund Custodian shall continue to perform their duties of protecting the safety of the Fund assets in accordance with the Fund Contract and the Custodian Agreement.
  - 2) The Fund asset liquidation group shall comprise the Fund Manager, the Fund Custodian, the Fund's Registrar, certified public accountants and solicitors qualified for relevant securities and future business and personnel designated by the CSRC. The Fund asset liquidation group may hire necessary staff.
  - 3) The Fund asset liquidation group shall be responsible for safekeeping, liquidating, valuing, realizing and distributing the Fund assets. The Fund asset liquidation group may take necessary civil actions in accordance with the law.
- (3) Liquidation Procedures
  - 1) After the termination of the Fund Contract, the Fund asset liquidation group shall take over the Fund assets in a centralized manner;
  - 2) The Fund asset liquidation group shall determine the liquidation term according to the conditions of the Fund assets;
  - 3) The Fund asset liquidation group shall check and confirm the Fund assets;
  - 4) The Fund asset liquidation group shall assess and realize the Fund assets;
  - 5) The Fund asset liquidation group shall prepare the liquidation report;
  - 6) The accounting firms shall audit the liquidation report;
  - 7) The law firm shall issue legal opinions on the liquidation report;
  - 8) The Fund liquidation results shall be reported to the CSRC;
  - 9) The Fund liquidation announcement shall be published;

10) The remaining assets of the Fund shall be distributed.

(4) Liquidation Expenses

Liquidation expenses shall mean all the reasonable expenses incurred by the Fund asset liquidation group in the course of the liquidation of the Fund. The liquidation expenses shall first be paid out from the Fund assets by the Fund asset liquidation group.

(5) Distribution of the Remaining Assets of the Fund

The Fund assets shall be used for payment in the following order:

- 1) Payment of expenses for the liquidation of Fund assets;
- 2) Payment of the Fund's taxes in arrears;
- 3) Payment of the Fund's debts;
- 4) The balance remaining after the liquidation, if any, shall be distributed according to the proportions of the Fund units held by the Fund Unitholders.

(6) Announcement of the Liquidation of the Fund Assets

The announcement about the establishment of the Fund asset liquidation group shall be published within two days after the establishment of the Fund asset liquidation group. The major matters in the course of liquidation shall be announced in a timely manner. The liquidation report prepared by the Fund asset liquidation group and audited by the accounting firm and the legal opinions issued by the law firm shall be submitted to the CSRC for filing and shall be announced.

(7) The books of accounts and documents relating to the liquidation of the Fund assets shall be maintained by the Fund Custodian for at least 15 years.

## 8. Method of Dispute Resolution

- (I) The laws of the People's Republic of China shall apply to the Fund Contract and its interpretation.
- (II) Any dispute between the Parties to the Fund Contract that arises from the Fund Contract or is related to the Fund Contract shall first be resolved through amicable negotiation or mediation. If the dispute cannot be resolved by negotiation or mediation within 60 days from the date on which one party requests the resolution of the dispute by negotiation in writing, either of the parties shall be entitled to submit the dispute to the Shanghai Sub-Commission of the China International Economic and Trade Arbitration Commission located in Shanghai for arbitration in accordance with the arbitration rules that are effective at the time the dispute is submitted for arbitration. The arbitral award shall be final and binding on all parties involved in the arbitration.
- (III) Except for the content involved in the dispute, other parts of the Fund Contract shall continue to be performed by the Parties to the Fund Contract.

## 9. Place for Maintaining the Fund Contract and Method for Accessing the Fund Contract by Investors

A printed copy of the Fund Contract shall be maintained at the offices of the Fund Manager and the Fund

Custodian for inspection by Investors. The terms and content of the original Fund Contract shall prevail over those of all other copies.



## 25. Summary of the Fund Custodian Agreement

### 1. Parties to the Fund Custodian Agreement

#### (I) Fund Manager

Name: HSBC Jintrust Fund Management Co., Ltd.

Registered Address: 17/F, HSBC Building, Shanghai ifc, 8 Century Avenue, Pudong, Shanghai

Legal Representative: YANG Xiaoyong

Date of Incorporation: 16 November 2005

Authority that Approves its Incorporation: China Securities Regulatory Commission

Document that Approves its Incorporation: The CSRC Zheng Jian Ji Jin Zi [2005] No.172

Business Scope: Promoting, establishing, registering, managing and selling funds approved by the CSRC, handling sales, Purchase, Redemption and registration of the Fund units, managing other types of assets and investment portfolios approved by the CSRC and operating other business approved by the CSRC.

Form of Organization: Limited company

Registered Capital: RMB200 million

Term of Operation: Continuous operation

#### (III) Fund Custodian

Name: Bank of Communications Co., Ltd. (abbreviated as BoComm)

Registered and Office Address: 188 Yincheng Middle Road, China (Shanghai) Pilot Free-Trade Zone (Postal Code: 200120)

Date of Incorporation: 30 March 1987

The Authority that approves its Incorporation and the Document that Approves its Incorporation: GuoFa (1986) Zi No.81 issued by the State Council and Yin Fa [1987] No.40 issued by the People's Bank of China

Fund Custody Business Approval Document: CSRC ZhengJianJiZi [1998] No. 25

Business Scope: Absorbing deposits from the public, offering short-term, medium-term and long-term loans, handling domestic and overseas settlement, handling the acceptance and discounting of notes, issuing financial bonds, acting as an agent for the issue, redemption and underwriting of government/quasi-government bonds, buying and selling government/quasi-government bonds and financial bonds, engaging in interbank lending, buying and selling foreign currencies or buying and selling foreign currencies as an agent, engaging in bank card business, providing services and guarantees for letters of credit, acting as an agent for receipts and payments, providing safe deposit box services, engaging in other business approved by the banking regulatory authority under the State Council, and engaging in the exchange settlement and sales business.

Registered Capital: RMB74.263 billion

Form of Organization: Limited company

Term of Operation: Continuous operation

## 2. Supervision and Review of the Fund Manager's Business by the Fund Custodian

**(I) The Fund Custodian shall monitor the Fund's investment universe and targets in accordance with the provisions of the relevant Laws and Regulations and the stipulations of the *Fund Contract*.**

The Fund primarily invests in the following financial instruments, including: cash, time deposits (TDs) with maturity less than (or equal to) one year, reverse repos, central bank notes, negotiable certificate of deposits (NCDs) with maturities less than (or equal to) one year, bonds, non-financial institution financing vehicles, and asset backed securities, with maturities less than (or equal to) 397 days, and other money market instruments with good liquidity, permitted by the People's Bank of China, CSRC, and relevant laws and regulations.

If the Fund is permitted by Laws and Regulations or regulatory authorities to invest in other investment types in the future, the Fund Manager may include those types in its investment universe after performing the appropriate procedures.

The Fund Custodian shall use the relevant technological system to monitor whether the actual investment of the Fund complies with the relevant stipulations of the *Fund Contract* and shall examine suspect situations. The Fund Custodian shall begin to perform its obligations of supervising and reviewing the business of the Fund Manager from the date on which the *Fund Contract* takes effect.

If the Fund Custodian discovers that the investment of the Fund Manager exceeds the above investment universe, it shall send a written request for rectification within ten Dealing Days to the Fund Manager in timely manner. If the Fund Manager fails to rectify the violation notified by the Fund Custodian within ten Dealing Days, the Fund Custodian shall report the case to the CSRC. If the Fund Custodian discovers that the Fund Manager has acted in serious violation of the rules, it shall immediately report the case to the CSRC and request the Fund Manager to make the rectification within ten Dealing Days.

**(II) The Fund Custodian shall monitor the Fund's investment and financing limits in accordance with the provisions of the relevant Laws and Regulations and the stipulations of the *Fund Contract*.**

According to the stipulations of the *Fund Contract*, the investment limits of the holdings of the portfolio of the Fund shall comply with the following provisions:

1. The Fund primarily invests in the following financial instruments, including: cash, time deposits (TDs) with maturity less than (or equal to) one year, reverse repos, central bank notes, negotiable certificate of deposits (NCDs) with maturities less than (or equal to) one year, bonds, non-financial institution financing vehicles, and asset backed securities, with maturities less than (or equal to) 397 days, and other money market instruments with good liquidity, permitted by the People's Bank of China, CSRC, and relevant laws and regulations.

If the Fund is permitted by Laws and Regulations or regulatory authorities to invest in other investment types in the future, the Fund Manager may include those types in its investment universe after performing

the appropriate procedures.

2. Restrictions on the holdings limits in the Fund's investment portfolio:

- (1) The weighted average maturity and weighted average life of the investment portfolio of this Fund on each Dealing Day shall not exceed 120 and 240 days respectively;
- (2) The exposure of this Fund and other funds managed by the Fund Manager to a security issued by a company shall not exceed 10% of that security;
- (3) Single issuer exposure, including the sum of issued bonds, non-financial institution financing vehicles, and ABS with issuer being the original beneficiary, shall not exceed 10% of the Fund NAV; this restriction does not apply to government bonds, central bank notes, or agency bonds;
- (4) The Fund shall invest no more than 30% of its NAV in fixed-term time deposits, excluding those which are negotiable before maturities as per contracts; the Fund shall invest no more than 20% of its NAVs in the sum of time deposits and negotiable certificate of deposits from one single commercial bank which has obtained fund custodian licence, or no more than 5% from one which has not obtained fund custodian licence.
- (5) The longest term of bond repo in the national interbank market is one year. The term cannot be extended upon the maturity of the bond repo;
- (6) Cash or government/quasi-government bonds with remaining maturity less than one year shall make no less than 5% of the Fund NAV;
- (7) The sum of cash, government bonds, central bank notes and agency bonds shall not be less than 5% of the Fund NAV.
- (8) The sum of cash, government bonds, central bank notes, agency bonds, and other financial instruments maturing within 5 Dealing Days shall not be less than 10% of the Fund NAV.
- (9) The sum of reverse repos and fix-term time deposits maturing longer than 10 Dealing Days, and other assets with limited liquidity shall not exceed 30% of the Fund NAV.
- (10) The aggregate ABS exposures shall not exceed 20% of the Fund Asset; Single ABS issuance exposure (with same credit rating) shall not exceed 10% of its total issuances; The aggregate ABS exposure with the same originator shall not exceed 10% of the Fund Asset; For all funds managed by the Fund Manager, the aggregate ABS exposure with the same originator shall not exceed 10% of total ABS exposure.
- (11) Unless experiencing Substantial Redemption, accumulated redemption accounting for more than 20% of the Fund NAV in 3 consecutive Dealing Days and accumulated redemption accounting for more than 30% of the Fund NAV in 5 consecutive Dealing Days, the Fund's aggregate repo position shall not exceed 20% of the Fund NAV on each Dealing Day;
- (12) The asset backed securities in which the Fund invests shall have credit ratings continuously assigned by a credit rating agency with rating qualification and their credit ratings shall not be lower than AAA or the equivalent of AAA as assigned by the domestic rating agency. If the credit ratings of the asset-backed securities held by the Fund are downgraded and no longer meet the investment criterion, the Fund Manager shall sell all of such asset backed securities within three months from the dates on which the rating reports are published.
- (13) The Fund may invest in the subordinated debts of commercial banks with a credit rating of

AAA but the remaining maturity of those subordinated debts shall be 397 days or less and the investment in the subordinated debts issued by the same commercial bank shall not exceed 10% of the Fund NAV.

- (14) The Fund's gross asset shall not exceed 140% of the Fund NAV.
  - (15) When the top 10 investors aggregately hold more than 50% of the total Fund units, the WAM and WAL of the Fund shall not exceed 60 days and 120 days respectively. The sum of cash, government bonds, central bank notes, agency bonds, or other financial instruments maturing within 5 Dealing Days, shall comprise no less than 30% of the Fund NAV.
  - (16) When the top 10 investors aggregately hold more than 20% of the total Fund units, the WAM and WAL of the Fund shall not exceed 90 days and 180 days respectively. The sum of cash, government bonds, central bank notes, agency bonds, or other financial instruments maturing within 5 Dealing Days, shall comprise no less than 20% of the Fund NAV.
  - (17) The Fund shall not invest more than 10% of its Fund NAV in illiquid assets. The Fund Manager shall halt investing in any extra illiquid assets in case of a passive breach during events beyond the Fund Manager's control, such as securities market volatilities, fund size movements, and etc.
  - (18) The sum of single commercial bank's deposits, negotiable certificates of deposit, and/or bonds, invested by MMFs managed by the Fund Manager, shall not exceed 10% of the same single commercial bank's net asset in the latest quarter.
  - (19) The sum of Financial Instruments with issuer rating below AAA, shall comprise no more than 10% of the Fund NAV, with single issuer limit of no more than 2%. The before-mentioned Financial Instruments include bonds, non-financial institution debt financing instruments, bank deposits, negotiable certificates deposit, asset backed securities with related parties as originators, and any other instruments specified by the CSRC.
  - (20) When the Fund engages reverse repo transactions with Private Securities Investment Funds and other counterparties deemed by CSRC, the quality of the accepted collaterals shall be consistent with the terms set forth in the Fund Contract's permitted investment universe.
  - (21) If the Fund intends to invest in deposits and/or negotiable certificates of deposit from commercial banks with issuer rating below AA+, the Fund Manager's Board shall approve such proposal, and any relevant transactions shall be endorsed by the Fund Custodian and publicly disclosed as material matters.
  - (22) Other Restrictions stipulated by the laws, regulations, Fund Contract, CSRC and the People's Bank of China.
3. The Fund is prohibited from investing in the following financial instruments:
- 1) Stocks;
  - 2) Convertible bonds;
  - 3) Enterprise bonds rated below AAA, bonds and non-financial institution financing vehicles rated below AA+;
  - 4) Floating interest rate bonds benchmarking time deposit rates, except those entering the final interest rate reset period;
  - 5) Asset backed securities (ABS) that are not traded in the national interbank bond trading market or the securities exchanges;
  - 6) Securities with limited liquidity;

- 7) Warrants;
- 8) Other financial instruments that are prohibited by the CSRC and the People's Bank of China for investment.

If the above restrictions are cancelled by the Laws and Regulations or the regulatory department, the Fund will not be subject to those restrictions after performing the appropriate procedures.

Except (1), (7), (12), (17), (20) and (21), when investment portfolio breaches above Restrictions beyond the Fund Manager's control due to securities market volatilities, merges of listed companies, and fund size movements, the Fund Manager shall adjust the portfolio within 10 Business Days to comply with the Restrictions. If the above restrictions are cancelled by the Laws and Regulations or the CSRC, the Fund's investment will no longer be subject to the relevant restrictions after the Fund Manager performs the appropriate procedures.

The Fund Custodian shall monitor the Fund's compliance with the restrictions of the portfolio and the timeline requirement on the adjustment of the portfolio in accordance with the above provisions.

If the Fund Custodian discovers that the investment of the Fund Manager exceeds the investment and financing limits of funds as prescribed by the relevant Laws and Regulations and stipulated by the Fund Contract, it shall send a written request for rectification within 10 Business Days to the Fund Manager in a timely manner. If the Fund Manager fails to rectify the violation notified by the Fund Custodian within 10 Business Days, the Fund Custodian shall report the case to the CSRC. If the Fund Custodian discovers that the Fund Manager has acted in serious violation of the rules, it shall immediately report the case to the CSRC and request the Fund Manager to make the rectification within 10 Business Days.

**(III) The Fund Custodian shall monitor the Fund's compliance with the investment restrictions in accordance with the provisions of the relevant Laws and Regulations and the stipulations of the Fund Contract. The Fund assets shall not be used for the following investment or activities.**

- (1) Underwriting securities;
- (2) Providing loans or guarantees to others;
- (3) Making investment with unlimited liability;
- (4) Trading other fund units, unless otherwise prescribed by the State Council;
- (5) Making capital contribution to the Fund Manager or Fund Custodian of this Fund or trading the stocks or bonds issued by the Fund Manager or Fund Custodian of this Fund;
- (6) Trading the securities issued by or securities underwritten during the underwriting period by the controlling shareholder of the Fund Manager or Fund Custodian of this Fund or a company that is materially interested in the Fund Manager or Fund Custodian of this Fund;
- (7) Engaging in insider dealing, manipulating the trading prices of securities and engaging in other improper securities trading activities;
- (8) Trading with the shareholder of the Fund Manager or reducing the number of actual days of the weighted average maturity of the investment portfolio through an artificial trading arrangement;
- (9) Other activities prohibited by the CSRC in accordance with the relevant provisions of the laws and administrative regulations.

In accordance with the provisions of the Laws and Regulations in relation to connected transactions in which the Fund is prohibited to engage, the Fund Manager and the Fund Custodian shall provide to each other the list of controlling shareholders of their own institutions or companies that are materially interested in their own institutions within two Dealing Days after the *Fund Contract* takes effect. In the case of any change in the above list, the list shall be updated and the other party shall be notified in a timely manner.

If the Fund Custodian discovers that the Fund Manager commits any of the above prohibited investment behaviour, it shall send a timely written request to the Fund Manager for rectification within ten Dealing Days. If the Fund Manager fails to rectify the violation notified by the Fund Custodian within ten Dealing Days, the Fund Custodian shall report the case to the CSRC. If the Fund Custodian discovers that the Fund Manager has acted in serious violation of the rules, it shall immediately report the case to the CSRC and request the Fund Manager to make the rectification within ten Dealing Days.

**(IV) The Fund Custodian shall monitor the Fund Manager's participation in the interbank bond market in accordance with the provisions of the relevant Laws and Regulations and the stipulations of the *Fund Contract*.**

(1) The Fund Custodian shall monitor the credit risk of the counterparty of the Fund Manager arising from the Fund Manager's participation in the trading in the interbank market in accordance with the provisions of the relevant Laws and Regulations and the stipulations of the *Fund Contract*.

The Fund Manager shall provide the Fund Custodian with the list of counterparties in the interbank market that comply with the Laws and Regulations and the industry standards. Within two Dealing Days after receiving the list, the Fund Custodian shall confirm receipt by phone or letter. The Fund Manager shall update the list of counterparties in bond or repo trading in the interbank market on a regular or irregular basis. The Fund Custodian shall confirm receipt of the list by phone or letter within two Dealing Days after receiving the list. The new list shall take effect on the date it is confirmed by the Fund Custodian. The unsettled transactions with the counterparties that are removed from the new list shall be settled in accordance with the agreement so long as such transactions have taken place before the new list takes effect.

(2) The Fund Manager has the responsibility to control the credit risk of its counterparties when participating in the trading in the interbank market. The Fund Manager shall be responsible for claiming from the relevant responsible person for any loss arising from the credit risk of its counterparty.

**(V) The Fund Custodian shall monitor the Fund Manager's selection of deposit-taking banks in accordance with the provisions of the relevant Laws and Regulations and the stipulations of the *Fund Contract*.**

If the Fund invests in fixed deposits placed with banks, the Fund Manager shall prepare the list of all the deposit-taking banks that meet the conditions in accordance with the provisions of the Laws and Regulations and the stipulations of the *Fund Contract* and provide the list to the Fund Custodian in a timely manner. The Fund Custodian shall monitor whether the counterparty with respect to the Fund's investment in bank deposits complies with the relevant provisions based on the list.

The Fund's investment in bank deposits shall comply with the following provisions:

(1) The Fund Manager and the Fund Custodian shall establish a regular reconciliation mechanism with the deposit-taking bank to ensure that the accounts of and the accounting performed for the Fund's bank deposit transactions are truthful and accurate.

(2) The Fund Manager and the Fund Custodian shall, in accordance with the relevant provisions, sign a written agreement on the Fund's bank deposit placement to specify both parties' respective rights, obligations and duties in procedures such as the signing of relevant agreements, the opening and management of accounts, the communication and execution of Investment Orders, the transfer of funds, the account reconciliation, the making of payment upon maturity, the maintenance of documents and the issuance, delivery and maintenance of certificates of deposit, and to guarantee the safety of the Fund assets and safeguard the lawful rights and interests of the Fund Unitholders.

(3) The Fund Custodian shall strengthen its monitoring and review of the Fund's bank deposit transactions, strictly examine and verify relevant documents such as the relevant agreements, account information, Investment Orders and physical copy of the certificates of deposit and earnestly perform its custodial duties.

(4) The Fund Manager and the Fund Custodian shall operate the Fund's deposit business in strict compliance with the relevant Laws and Regulations such as the *Fund Law* and the *Operation Measures* as well as all the provisions of the State in relation to account management, interest rate management and payment and settlement.

If the Fund Custodian discovers that the Fund Manager has violated the provisions of the relevant Laws and Regulations and the stipulations of the Fund Contract when selecting the deposit-taking banks, it shall send a written request for rectification within ten Dealing Days to the Fund Manager in timely manner. If the Fund Manager fails to rectify the violation notified by the Fund Custodian within ten Dealing Days, the Fund Custodian shall report the case to the CSRC. If the Fund Custodian discovers that the Fund Manager has acted in serious violation of the rules, it shall immediately report the case to the CSRC and request the Fund Manager to make the rectification within ten Dealing Days or refuse to make the settlement.

**(VI) The Fund Custodian shall monitor other aspects of the investment of the Fund in accordance with the provisions of the relevant Laws and Regulations and the stipulations of the *Fund Contract*.**

**(VII) The Fund Custodian shall review and verify the calculation of the Fund NAV, the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield of all classes of Fund units, the availability of receivables, the confirmation of Fund expenses and income, the distribution of Fund Income, relevant information disclosure and the publication of the performance data of the Fund in the Fund's promotion materials in accordance with the provisions of the relevant Laws and Regulations and the stipulations of the *Fund Contract*.**

**(VIII) The Fund Manager shall actively cooperate with and assist the Fund Custodian in conducting monitoring and verification, give replies and make corrections within the specified period, and give explanations or evidence regarding the doubts of the Fund Custodian. If the Fund Custodian has to submit the Fund monitoring report to the CSRC as required by the regulation, the Fund Manager shall provide the relevant data, information and systems.**

If the Fund Custodian discovers that the Investment Order or the actual investment operation of the Fund Manager violates the *Fund Law* and other relevant regulations, the *Fund Contract* and the provisions of this Custodian Agreement, it shall send a written request for rectification within ten Dealing Days to the Fund Manager in timely manner and inform the Fund Manager to conduct verification in a timely manner after receiving the request, provide feedback to the Fund Custodian by phone or in written form to explain the reason for the violation of the rule and the timeline for rectification and guarantee that the rectification

will be made in a timely manner within the prescribed timeline. The Fund Custodian is entitled to re-examine the notified matter and urge the Fund Manager to make the rectification at any time within ten Dealing Days. If the Fund Manager fails to rectify the violation notified by the Fund Custodian within ten Dealing Days, the Fund Custodian is entitled to report the case to the CSRC.

If the Fund Custodian discovers that the Fund Manager has acted in serious violation of the rules, it shall immediately report the case to the CSRC and request the Fund Manager to make the rectification within ten Dealing Days.

If the Fund Custodian finds that the Fund Manager's order violates the law, administrative regulation or other relevant provisions or violates the stipulations of the *Fund Contract*, it shall refuse to execute the order, immediately notify the Fund Manager and report the matter to the CSRC in a timely manner.

Once the Fund Manager's order has become effective according to the transaction procedure but is found to have violated the law, administrative regulation or other relevant provisions or violated the stipulations of the *Fund Contract*, the Fund Custodian shall immediately notify the Fund Manager and report the matter to the CSRC in a timely manner.

### **3. Review of the Fund Custodian's Business by the Fund Manager**

The Fund Manager shall, in accordance with the provisions of the *Fund Law* and other relevant regulations, the *Fund Contract* and this Custodian Agreement, review the Fund Custodian's performance of its custodial duties, including but not limited to whether the Fund Custodian has kept the Fund assets in safe custody, has opened the fund accounts, securities accounts and bond custodial accounts for the Fund assets, has verified the Fund NAV, the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield of all classes of Fund units calculated by the Fund Manager in a timely and accurate manner, whether the clearing and settlement is processed according to the orders of the Fund Manager, whether feedback is given in a timely manner when a problem is encountered, whether the relevant information disclosure is made and the monitoring of the Fund's investment operation is conducted in accordance with the provisions of the regulations and the provisions of the *Fund Contract* and whether non-public information is kept confidential.

The Fund Manager shall review the Fund assets kept under the custody of the Fund Custodian on a regular and irregular basis. The Fund Custodian shall actively cooperate with the Fund Manager in its review, including but not limited to: providing the relevant information to help the Fund Manager examine the integrity and authenticity of the assets under custody and giving replies and making rectification within the prescribed period.

If the Fund Manager discovers that the Fund Custodian has violated the *Fund Law*, the *Fund Contract*, this Custodian Agreement and other relevant provisions such as not keeping separate books of accounts for the management of the Fund assets, misappropriating the Fund assets, failing to execute or postponing the execution of the Fund Manager's fund transfer order without legitimate ground or divulging the information about the investment of the Fund, it shall send a written request for rectification within ten Dealing Days to the Fund Custodian in timely manner. After receiving the request, the Fund Custodian shall conduct verification in a timely manner and send a written reply to the Fund Manager. The Fund Manager is entitled to re-examine the notified matter and urge the Fund Custodian to make the rectification at any time within ten Dealing Days. If the Fund Custodian fails to rectify the violation notified by the Fund Manager within ten Dealing Days, the Fund Manager shall report the case to the CSRC. If the Fund Manager has to submit the Fund monitoring report to the CSRC as required by the



regulations, the Fund Custodian shall offer active cooperation and provide the relevant data, information and systems.

If the Fund Manager discovers that the Fund Custodian has acted in serious violation of the rules, it shall immediately report the case to the CSRC and request the Fund Custodian to make the rectification within ten Dealing Days.

#### **4. Custody of the Fund Assets**

##### **(I) Principles of the Custody of Fund Assets**

- (1) The Fund assets shall be separated from the assets owned by the Fund Manager and the Fund Custodian.
- (2) The Fund Custodian shall open fund accounts, securities accounts and bond custodial accounts for the Fund assets as required.
- (3) The Fund Custodian shall establish separate accounts for the different Fund assets kept under its custody to guarantee the integrity and independence of the Fund assets.
- (4) The Fund Custodian shall keep the Fund assets under safe custody, and shall not use, dispose of or distribute any asset of the Fund on its own unless it receives the orders from the Fund Manager.
- (5) With regard to the assets receivable arising from the investment of the Fund and the assets receivable arising in the course of the Purchase of the Fund, the Fund Manager shall be responsible for determining the settlement date with the party concerned and inform the Fund Custodian of such date. If the Fund assets are not delivered to the Fund Custodian on the settlement date, the Fund Custodian shall request the Fund Manager to adopt measures to expedite the collection in a timely manner. Any loss suffered by the Fund therefrom shall be recovered by the Fund Manager from the party concerned. The Fund Custodian shall not assume any liability arising therefrom.

##### **(II) Verification of the Assets Raised when the *Fund Contract* Takes Effect**

Within ten days from the date on which the Fund Offering Period expires and after the total Fund units offered, the amount raised by the Fund and the number of Fund Unitholders comply with the relevant provisions such as the *Fund Law* and the *Operation Measures*, the Fund Manager shall engage an accounting firm qualified for relevant securities and future business to conduct capital verification and issue the capital verification report. To be valid, the capital verification report issued shall be signed by two or more PRC certified public accountants that participate in the capital verification. Upon the completion of the capital verification, the Fund Manager shall deposit all the funds raised into the Fund's accounts for bank deposits that are opened for the Fund by the Fund Custodian. The Fund Custodian shall issue the relevant certification documents on the date on which the funds are received.

##### **(III) Opening and Management of the Fund's Bank Deposit Accounts**

- (1) The Fund Custodian shall be responsible for the opening and management of the Fund's bank deposit accounts.
- (2) The Fund Custodian shall open the Fund's bank deposit accounts at its business establishment in the name of the Fund and calculate interest in accordance with the provisions of the People's Bank of

China. The Fund's seal specimen for bank records shall be prepared, kept safe and used by the Fund Custodian. All the monetary payments and receipts of the Fund, including but not limited to investment, the payment of Redemption proceeds and the payment of the Fund Income shall be handled through the Fund's bank deposit accounts.

(3) The Fund's bank deposit accounts shall only be opened and used for satisfying the Fund's business needs. The Fund Custodian and the Fund Manager shall not open any other bank deposit accounts in the name of the Fund, and shall not use any of the Fund's bank deposit accounts for activities other than the Fund's business.

(4) The Fund Custodian may make payments through the corporate online banking services for the Fund's bank accounts and handle the fund settlement and transfer for the Fund assets under its custody through the BoComm's corporate online banking services (abbreviated as "BoCommE-banking").

(5) The Fund's bank deposit accounts shall be managed in accordance with the *Law of the People's Republic of China on Negotiable Instruments*, the *Measures for the Administration of the Settlement through RMB Bank Accounts*, the *Regulations for Cash Management*, the provisions of the People's Bank of China on interest rate management, the *Notice on the Management of Large Cash Payment*, the *Measures for Payment and Settlement* as well as other provisions of the banking regulatory authority.

(6) The Fund Custodian shall manage the Fund's bank deposit accounts that are opened at the Fund Custodian in a stringent manner and shall check the balance of the Fund's bank deposit accounts in a timely manner.

#### **(IV) Opening and Management of the Fund's Securities Settlement Accounts and Fund Settlement Accounts**

The Fund Custodian shall open securities accounts at the China Securities Depository and Clearing Corporation Limited in joint names with the Fund.

The Fund's securities accounts shall only be opened and used for satisfying the Fund's business needs. Neither the Fund Custodian nor the Fund Manager shall lend or transfer any securities account of the Fund without the consent of the other party, or use any of the Fund's accounts for activities other than the Fund's business.

The Fund Manager shall not oversell or overbuy securities through the Fund's securities settlement accounts or fund settlement accounts.

If the CSRC or other regulatory authorities allow the Fund to engage in investment business concerning other types of investment after the date on which this Custodian Agreement is entered into and that involves the opening and use of related accounts for which relevant provision is not stipulated, the Fund Custodian shall refer to and comply with the above provisions relating to the opening and use of accounts.

The Fund Custodian shall open the accounts for settlement reserves with the China Securities Depository and Clearing Corporation Limited in its own name to handle the settlement of the funds with respect to securities trading. The Fund Custodian shall open the secondary account for settlement reserves with the custodian in the name of the Fund to handle the settlement of the funds with respect to the Fund's securities trading.

**(V) Opening and Management of Bond Custodial Accounts**

(1) After the *Fund Contract* takes effect, the Fund Custodian shall be responsible for opening bond custodial accounts with the China Government Securities Depository Trust & Clearing Co. Ltd. in the name of the Fund and be responsible for the Fund's bond and fund settlement. After the above procedures are completed, the Fund Custodian shall file the same with the People's Bank of China. The Fund Manager shall be responsible for applying for the Fund's trading qualification in the national interbank lending market and shall open an account with the China Foreign Exchange Trade System for trading in the interbank lending market.

(2) The Fund Manager and the Fund Custodian shall jointly sign the master agreement on bond repo in the national interbank bond market on behalf of the Fund. The Fund Custodian shall keep the original copy of the agreement and the Fund Manager shall keep the counterpart of the agreement.

**(VI) Opening and Management of Other Accounts**

If the Fund is allowed to engage in investment business concerning other types of investment that comply with the provisions of the Laws and Regulations and the stipulations of the *Fund Contract* after the date on which this Custodian Agreement is entered into and that involve the opening and use of relevant accounts, the Fund Manager shall assist the Fund Custodian to open the relevant accounts in accordance with the provisions of the relevant Laws and Regulations and the stipulations of the *Fund Contract*. Such accounts shall be used and managed in accordance with the relevant rules.

**(VII) Custody of Marketable Certificates such as the Fund's Physical Securities and Certificates of Deposit from Banks**

The physical securities may be kept under the custody of the Fund Custodian at the vault of the custodian bank and shall be kept separately from other physical securities that do not belong to the Fund or may also be kept under the sub-custody of the depository and clearing institution at its vault. The deposit receipt shall be held by the Fund Custodian. The purchase and transfer of physical securities shall be handled in the way the Fund Manager instructs. If the marketable certificates such as the physical securities and certificates of deposit from banks that are under the actual effective control of the Fund Custodian are damaged or lost during the period in which they are kept under the custody of the Fund Custodian, any liability arising therefrom shall be assumed by the Fund Custodian. The Fund Custodian shall not be responsible for the custody of the Fund assets that are under the actual effective control of institutions other than the Fund Custodian.

The Fund Custodian shall be responsible for the custody of marketable certificates such as certificates of deposit from banks.

**(VIII) Maintenance of Major Agreements Relating to the Fund Assets**

Unless otherwise restricted by the relevant business procedures, the original copies of the major agreements relating to the Fund and signed by the Fund Manager on behalf of the Fund shall be maintained by the Fund Custodian and the Fund Manager respectively. Unless otherwise prescribed by this Custodian Agreement, the Fund Manager shall keep as far as is possible at least two original copies for each of the major agreements relating to the Fund and signed by the Fund Manager on behalf of the Fund, so that each of the Fund Manager and the Fund Custodian can hold at least one original copy. The Fund Manager shall deliver the original copy to the Fund Custodian in a timely manner. The agreement

shall be maintained for such period as prescribed by the relevant provision of the State.

In the case that two or more original copies are unavailable, the Fund Manager shall provide the Fund Custodian with the fax copy of the agreement that is stamped with the authorized business seal. The original copy of the agreement shall not be transferred unless agreed upon by both parties or to the extent stipulated by the agreement.

## **5. Calculation of and Accounting Performed for the Fund NAV**

### **(I) Calculation and Verification of the Fund NAV and the Net Value of the Fund Units**

The Fund NAV shall mean the value after deducting liabilities from the Total Asset Value of the Fund. The Fund Manager shall conduct valuation of the Fund assets on every Business Day. The valuation principles shall comply with the *Fund Contract*, the *Measures on Accounting for Securities Investment Funds* and the provisions of other Laws and Regulations. The Fund NAV and the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield of all classes of Fund units involved in the Fund's information disclosure shall be calculated by the Fund Manager and verified by the Fund Custodian. After the end of the trading hours of each Business Day, the Fund Manager shall calculate the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield of all classes of Fund units on that day and send the calculation results to the Fund Custodian in a way accepted by both parties. The Fund Custodian shall verify the net value calculated and then inform the Fund Manager of the verification results in a way acceptable to both parties. The Fund Manager shall announce the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield of all classes of Fund units.

The Fund calculates and distributes the Fund Income every day to ensure that the net value of a Fund unit is maintained at RMB1.00. The net value of the Fund unit is the basis for calculating the Purchase and Redemption prices of the Fund.

#### **1. Valuation Targets**

All types of marketable securities held by the Fund in accordance with the law, the principal and interest of bank deposits, reserves, margins and other assets and liabilities.

#### **2. Valuation Methods**

The Fund's valuation methods are as follows:

- (1) The Fund adopts the Amortised Cost Method for valuation, which means that the valuation target is stated at the acquisition cost, and the profit and loss are accrued on a daily basis according to the real interest method over the Fund's remaining term based on the coupon rate or the agreed interest rate and taking into account the premium and discount at the time of acquisition. The Fund does not adopt the market interest rate and the market value of the bonds and notes listed and traded to calculate the Fund NAV. Before the relevant Laws and Regulations permit the use of the Amortised Cost Method for the valuation of short-term bonds traded in exchanges, the Fund will not invest in short-term bonds traded on exchanges.
- (2) To prevent the interest of the Fund Unitholders from being diluted and calculated in an unfair manner due to any substantial deviation of the Fund NAV calculated by the Amortised Cost Method from the Fund NAV calculated on the basis of market interest rate and market trading price, the Fund Manager uses the valuation technique on every valuation date to revalue the valuation targets held by the Fund and arrive at the "Shadow Pricing". When the absolute value of the Negative deviation between the Fund NAV calculated between the Amortised Cost Method

and the Fund NAV determined on the basis of the Shadow Pricing reaches or exceeds 0.25%, the Fund Manager shall adjust it to be less than 0.25% in 5 Dealing Days. If the absolute value of the Positive deviation reaches or exceeds 0.5%, the Fund Manager shall suspend accepting purchase and adjust it to be less than 0.5% in 5 Dealing Days. If the absolute value of the Negative deviation reaches or exceeds 0.5%, the Fund Manager shall use Risk Reserve Fund or its own capital to remedy the potential losses and control the Negative deviation to be less than 0.5%. If the absolute value of the Negative deviation reaches or exceeds 0.5% for 2 consecutive Dealing Days, the Fund Manager shall adopt mark-to-market valuation or take other measures such as suspending accepting any redemption applications, terminating the Fund Contract to conduct liquidation, and etc.

- (3) If there is solid evidence proving that the valuation conducted according to the above method cannot objectively reflect the fair value, the Fund Manager may conduct valuation according to the method that can best reflect the fair value after consulting the Fund Custodian based on the specific situation.
- (4) If the relevant Laws and Regulations and the regulatory department lay down mandatory provisions, those provisions shall be complied with. Any newly-added item shall be valued in accordance with the latest provisions of the State.

In accordance with the Laws and Regulations, the Fund Manager calculates and publishes the Fund NAV and the Fund Custodian verifies and reviews the Fund NAV calculated by the Fund Manager. Therefore, with respect to any accounting issue related to the Fund, if both parties fail to reach a consensus after discussions on the basis of equality, the Fund Manager shall publish in public its calculation result of the Fund NAV after issuing to the Fund Custodian a written explanation stamped with its common seal. The Fund Custodian shall not assume any liability for the loss arising therefrom.

## **(II) Handling of Valuation Errors**

Upon the occurrence of a valuation error, the Fund Manager shall be responsible for the handling thereof. The compensation for the loss suffered therefrom by the Fund Unitholders and the Fund shall first be paid by the Fund Manager to the Fund Unitholders or the Fund. The Fund Manager and the Fund Custodian shall define the liabilities assumed by both parties based on the actual situations and shall offer compensation in accordance with the following terms upon confirmation of the liabilities.

- (1) If the Fund Manager adopts the valuation methods specified in items (1) to (4) of Chapter 8 “Valuation of the Fund Assets, Calculation and Verification of the Fund NAV” and makes a valuation error, but the Fund Custodian does not discover the error in the course of verification and the Fund Unitholders suffer loss as a result, both parties shall be jointly liable for compensation with the Fund Custodian assuming 30% of the liability;
- (2) If the Fund Manager and the Fund Custodian fail to reach the same calculation result of the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield of all classes of Fund units after numerous re-calculations and verification, the calculation result reached by the Fund Manager shall be announced in public so as to prevent the failure to announce the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield of all classes of Fund units as scheduled. The Fund Manager shall be liable for compensating the loss suffered arising therefrom by the Fund Unitholders and the Fund;

If the Fund Manager and the Fund Custodian have taken necessary, appropriate and reasonable checking

measures but still cannot discover an error due to an error in the data transmitted by the exchange or the depository and clearing company, the change in the relevant accounting system or Force Majeure, the Fund Manager and the Fund Custodian may be exempted from the liability to compensate for the error in the Valuation of the Fund Assets arising therefrom. However, the Fund Manager and the Fund Custodian shall actively take the necessary measures to eliminate the impact arising therefrom.

With regard to the handling of valuation errors, if the Laws and Regulations or the CSRC have laid down new provisions, such new provisions shall be complied with. If the industry adopts a common practice, both parties shall re-negotiate and determine the principles for handling such errors under the principle of equality and protecting the interests of the Fund Unitholders and provided that the Laws and Regulations are not violated and the interests of the Investors are not prejudiced.

### **(III) Situations in which Valuation and Announcement of the Net Income of Every 10,000 Fund Units and 7-day Annualised Yield of All Classes of Fund Units are Suspended**

- (1) The securities exchange on which the Fund's investment is traded is closed because of public holidays or for other reasons;
- (2) The Fund Manager or the Fund Custodian cannot accurately assess the value of the Fund assets because of Force Majeure or other situations;
- (3) The valuation of a certain type of investment that accounts for a substantial portion of the Fund changes significantly and the Fund Manager decides to defer the valuation to protect the interests of the Fund Unitholders;
- (4) The Fund Manager is unable to sell or value the Fund assets due to the occurrence of a situation which, in the opinion of the Fund Manager, can be classified as an emergency;
- (5) Other situations stipulated by the CSRC and the *Fund Contract*.

### **(IV) The Fund's Accounting System**

The accounting system shall be the accounting system prescribed by the relevant department of the State.

### **(V) Establishment of the Fund's Accounting Books**

After the *Fund Contract* takes effect, the Fund Manager and the Fund Custodian shall independently establish, post entries in and maintain the full set of the Fund's accounting books according to the same bookkeeping method and accounting treatment principles agreed by both parties, perform reconciliation of the respective accounting books of all the parties concerned and conduct mutual supervision on a regular basis to guarantee the safety of the Fund assets. In the case of divergence in the accounting treatment methods of both parties, the treatment method of the Fund Manager shall prevail.

### **(VI) Reconciliation of Accounting Data and Financial Indicators**

Both parties shall perform account reconciliation on each Dealing Day. Upon the discovery of any inconsistency between the accounts of both parties, the Fund Manager and the Fund Custodian shall find out the reasons and make the rectification in a timely manner and ensure that the records in the parallel

accounting books posted by all the parties concerned are completely consistent. If the records are found to be inconsistent after reconciliation is performed on that day and the reasons for the incorrect accounts cannot be identified for the time being, such that the calculation and announcement of the Fund NAV are affected, the accounting books of the Fund Manager shall prevail.

## **(VII) Preparation and Verification of the Periodic Reports of the Fund**

The Fund's financial statements shall be prepared separately and independently by the Fund Manager and the Fund Custodian on a monthly basis. The preparation of monthly statements shall be completed within five Dealing Days after the end of each month. The periodic reports and documents shall be announced according to the requirements of the *Information Disclosure Measures* published by the CSRC. The preparation of quarterly statements shall be completed within 15 Dealing Days after the end of each quarter. The Fund Manager shall update the Prospectus and publish the Updated Prospectus on the designated website within three business days, where there are material changes of the Prospectus. The Fund Manager shall update the Prospectus at least once annually, where there are other changes. The Fund Manager will cease updating the Prospectus if the Fund is terminated. The semi-annual report shall be published within two months after the end of the first six months of the Fund's accounting year. The annual report shall be published within three months after the end of the accounting year.

On the date on which the preparation of the monthly statements is completed, the Fund Manager shall affix the common seal to the statements and send the relevant statements to the Fund Custodian in the form of an encrypted fax. The Fund Custodian shall conduct verification within two Dealing Days and inform the Fund Manager of the verification results in writing in a timely manner. On the date on which the preparation of the quarterly statements is completed, the Fund Manager shall affix the common seal to the statements and send the relevant statements to the Fund Custodian in the form of an encrypted fax. The Fund Custodian shall conduct verification within five Dealing Days and inform the Fund Manager of the verification results in writing in a timely manner. On the date on which the preparation of the Updated Prospectus is completed, the Fund Manager shall provide the relevant report to the Fund Custodian. The Fund Custodian shall finish verification as earliest as possible and assist the Fund Manager to disclose within the permitted time as stipulated by the regulator. On the date on which the preparation of the semi-annual report is completed, the Fund Manager shall provide the relevant report to the Fund Custodian. The Fund Custodian shall conduct verification and inform the Fund Manager of the verification results in writing within 20 days after receiving the relevant report. On the date on which the preparation of the annual report is completed, the Fund Manager shall provide the relevant report to the Fund Custodian. The Fund Custodian shall conduct verification and inform the Fund Manager of the verification results in writing within 30 days after receiving the relevant report. If the Fund Custodian discovers any inconsistency between the statements of both parties in the course of verification, the Fund Manager and the Fund Custodian shall jointly determine the reasons and make the adjustment in an accounting treatment method acceptable to both parties. After confirming that the statements are errorless upon verification, the Fund Custodian shall affix the common seal to the reports provided by the Fund Manager and each party shall keep one copy of the reports. If the Fund Manager and the Fund Custodian fail to deliver consistent statements before the date on which the announcement shall be published, the Fund Manager is entitled to publish in public the statements that it prepares after issuing to the Fund Custodian a written explanation affixed with the common seal and the Fund Custodian is entitled to report the relevant situation to the CSRC for filing.

After conducting verification of the financial statements, quarterly reports, semi-annual reports or annual reports, the Fund Custodian shall affix the seal to such documents for confirmation or issue the corresponding verification certificates to prepare for the inspection of the relevant documents by the

competent authorities.

## 6. Maintenance of the Registers of Fund Unitholders

The Fund Manager may entrust the Fund's Registrar to handle registration in and maintain the registers of Fund Unitholders. The content of the registers of Fund Unitholders shall include but not be limited to the names of and the Fund units held by the Fund Unitholders.

The registers of Fund Unitholders shall include the register of Fund Unitholders at the end of the Fund Offering Period, the register of Fund Unitholders on the record date of the Fund, the register of Fund Unitholders on the record date of the general meeting of Fund Unitholders and the register of Fund Unitholders on the last Dealing Day of every year. The Fund's Registrar shall be responsible for preparing and maintaining the registers of Fund Unitholders and take responsibility for the truthfulness, completeness and accuracy of the registers of Fund Unitholders.

Upon the request of the Fund Custodian, the Fund Manager shall provide the Fund Custodian with the registers of Fund Unitholders on a regular and irregular basis.

- (I) The Fund Manager shall provide the Fund Custodian with the register of Fund Unitholders prepared by the Registrar within ten Dealing Days after the Effective Date of the *Fund Contract* and the date on which the *Fund Contract* is terminated;
- (II) The Fund Manager shall provide the Fund Custodian with the register of Fund Unitholders prepared by the Registrar within five Dealing Days after the record date of the general meeting of Fund Unitholders;
- (III) The Fund Manager shall provide the Fund Custodian with the register of Fund Unitholders prepared by the Registrar within ten Dealing Days after the last Dealing Day of every year;
- (IV) Apart from the above stipulated time, the Fund Manager may provide the Fund Custodian with the register of Fund Unitholders prepared by the Registrar for business purposes after the Fund Custodian and the Fund Manager reach a consensus upon negotiation;

The Fund Custodian shall properly maintain the electronic versions of the registers of Fund Unitholders and back them up to CDs on a regular basis. These versions shall be maintained for 15 years. The Fund Custodian shall not use the registers of Fund Unitholders that it maintains for purposes other than fund custody business and shall comply with the confidentiality obligation.

## 7. Method of Dispute Resolution

Both parties concerned agree that all the disputes arising from this Custodian Agreement or related to this Custodian Agreement shall be resolved through amicable negotiation or mediation. If the parties to the Custodian Agreement refuse to resolve the dispute through negotiation or mediation or their attempts to resolve the dispute through negotiation or mediation fail, either of the parties shall be entitled to submit the dispute to the Shanghai Sub-Commission of the China International Economic and Trade Arbitration Commission for arbitration in accordance with the Commission's then effective arbitration rules. The arbitration shall take place in Shanghai. The arbitral award shall be final and binding on both parties.



concerned. The arbitration expenses shall be borne by the unsuccessful party.

During the period in which the dispute is handled, both parties concerned shall abide by their duties as the Fund Manager and the Fund Custodian, continue to perform their obligations prescribed in the *Fund Contract* and this Custodian Agreement in a faithful, diligent and responsible manner and safeguard the lawful rights and interests of the Fund Unitholders.

This Custodian Agreement shall be governed by the laws of the People's Republic of China.

## **8. Amendment and Termination of the Fund's Custodian Agreement and Liquidation of the Fund Assets**

### **(I) Amendment of the Fund's Custodian Agreement**

This Custodian Agreement may be amended after a consensus is reached upon negotiation by all the parties to this Custodian Agreement. The content of the new amended agreement shall not be in conflict with the provisions of the *Fund Contract*. The new amended agreement shall be submitted to the CSRC for approval.

### **(II) Termination of the Fund's Custodian Agreement**

- (1) Termination of the *Fund Contract*;
- (2) The Fund Custodian is dissolved, terminated or goes bankrupt in accordance with the law, or has its fund custody qualification revoked in accordance with the law or the Fund assets are taken over by another fund custodian for other reasons;
- (3) The Fund Manager is dissolved, terminated or goes bankrupt in accordance with the law, or has its fund management qualification revoked in accordance with the law or has its fund management right taken over by another fund manager for other reasons;
- (4) The occurrence of a matter that causes the termination as prescribed by the *Fund Law*, the *Sales Measures*, the *Operation Measures* or other Laws and Regulations.

### **(III) Liquidation of the Fund Assets**

#### **(1) Fund Asset Liquidation Group**

Before the Fund asset liquidation group takes over the Fund assets, the Fund Manager and the Fund Custodian shall continue to perform their duties of protecting the safety of the Fund assets in accordance with the provisions of the *Fund Contract* and this Agreement.

- 1) The formation of the Fund asset liquidation group: The Fund asset liquidation group shall comprise the Fund Manager, the Fund Custodian, the Fund's Registrar, certified public accountants and solicitors qualified to engage in the relevant business and personnel designated by the CSRC. The Fund asset liquidation group may hire necessary staff.
- 2) Duties of the Fund asset liquidation group: The Fund asset liquidation group shall be

responsible for safekeeping, liquidating, valuing, realizing and distributing the Fund assets. The Fund asset liquidation group may take necessary civil actions in accordance with the law.

(2) Procedures of the Liquidation of Fund Assets

- 1) After the termination of the *Fund Contract*, the Fund asset liquidation group shall take over the Fund assets in a centralized manner;
- 2) The Fund asset liquidation group shall determine the liquidation term according to the conditions of the Fund assets;
- 3) The Fund asset liquidation group shall check and confirm the Fund assets;
- 4) The Fund asset liquidation group shall assess and realize the Fund assets;
- 5) The Fund asset liquidation group shall prepare the liquidation report;
- 6) The accounting firm shall audit the liquidation report;
- 7) The law firm shall issue legal opinions on the liquidation report;
- 8) The liquidation of the Fund shall be reported to the CSRC;
- 9) The Fund liquidation announcement shall be published;
- 10) The remaining assets of the Fund shall be distributed.

(3) Liquidation Expenses

Liquidation expenses shall mean all the reasonable expenses incurred by the Fund asset liquidation group in the course of the liquidation of the Fund assets. The liquidation expenses shall first be paid out from the Fund assets by the Fund asset liquidation group.

(4) Distribution of the Remaining Assets of the Fund

The Fund assets shall be used for payment in the following order:

- 1) Payment of expenses for the liquidation of Fund assets;
- 2) Payment of the Fund's taxes in arrears;
- 3) Payment of the Fund's debts;
- 4) The balance remaining after the liquidation, if any, shall be distributed according to the proportions of the Fund units held by the Fund Unitholders.

(5) Announcement of the Liquidation of the Fund Assets

The announcement of the establishment of the liquidation group shall be published within two days after the establishment of the liquidation group. The major matters in the course of liquidation shall be announced in a timely manner. The liquidation report prepared by the Fund asset liquidation group and audited by the accounting firm and the legal opinions issued by the law firm shall be submitted to the CSRC for filing and shall be announced.

(6) Maintenance of the Books of Accounts and Documents Relating to the Liquidation of the Fund Assets

The books of accounts and documents relating to the liquidation of the Fund assets shall be maintained by the Fund Custodian for at least 15 years.

## **26. Services for Fund Unitholders**

The Fund Manager undertakes to provide a range of services to the Fund Unitholders. The Fund Manager is entitled to increase or change the service items according to the needs of the Fund Unitholders and the changes in the market. Major services provided are as follows:

### **(I) Statement Services**

The default statement delivery method is electronic; the electronic statement includes (monthly and quarterly) email statement, and (monthly) SMS statement. HSBC Jintrust will continue to send email statements to Fund Unitholders who have opted in for the services; HSBC Jintrust will send SMS statements to valid mobile phone numbers or email statements to valid email addresses to Fund Unitholders who have opted out of the services.

Should Fund Unitholders request paper statement for special occasions, they may contact the Fund Manager's customer service line 021-20376888 and press 0 to speak to a Customer Service Agent. After verifications of information included but not limited to name, ID, fund account number, transaction history, mailing address, and/or postcode, paper statements will be mailed to Fund Unitholders free of charge.

### **(II) Fund Switching Services**

The Fund opens for Switch effectively from 29 February 2012.

### **(III) Dollar Cost Averaging Plan**

The Fund provides Investors with services for the Dollar Cost Averaging Plan effectively 16 November 2011.

### **(IV) Online Services**

Investors may make online enquiries, complaints and recommendations and seek all types of assistance through customer service e-mail box on the website of the Fund Manager.

The website of the Fund Manager provides all types of information such as the Fund's announcements, investment information, financial management publications and general knowledge about funds. Investors may make enquiries or obtain customized information based on their respective user habits.

The website of the Fund Manager will provide Investors with services such as Fund account enquiries, transaction details enquiries, setting of the method or frequency for the delivery of reconciliation statements and change of the enquiry password.

Company Website: [www.hsbcjt.cn](http://www.hsbcjt.cn)

Email: [services@hsbcjt.cn](mailto:services@hsbcjt.cn)

### **(V) Information Customization Services**

HSBC Jintrust will provide its clients with all types of information services, including market information, financial management information and information about its funds. Fund Unitholders may submit the application for information customization through the website of HSBC Jintrust and the customer service hotline to request the Fund Manager to send the information customized for the Fund

Unitholders on a regular basis through the short message services for mobile phones and e-mail. Information that can be customized includes: net value of the Fund, reminder of the company's latest announcements, all types of regular and irregular market reports, and financial management information.

Besides sending the above information customized for Fund Unitholders, the Fund Manager will send information such as festival and birthday greetings and product promotion materials to clients providing their mobile phone numbers and email addresses on a regular or irregular basis. If a Fund Unitholder does not wish to receive such information, it may cancel this service through the customer service hotline.

#### **(VI) Telephone Services Provided by the Call Centre**

The automatic voice response system of the call centre provides information enquiry services about transaction status, balance of the fund accounts, and fund products and services for 24 hours a day and seven days a week.

The agents in the call centre provide services to Investors from 9 : 00-17 : 30 on every Dealing Day. Investors may receive special services such as business consultation, information enquiry, service complaint, information customization and information amendment services through the hotline.

Customer service: 021-20376888

Fax: 021-2037699

#### **(VII) Handling of Complaints**

Investors may complain about the services provided by the Fund Manager and the distribution network by calling the hotline of the customer service centre of HSBC Jintrust Fund Management Company Limited or by letter or email.

Complaints received during Dealing Days shall be handled according to the principle of "the giving of timely replies". With regard to a complaint for which a reply cannot be given in a timely manner, the Fund Manager undertakes to give a reply to the complaint lodged by the Investor within two Dealing Days. With regard to a complaint lodged on a non-Business Day, the Fund Manager shall give a reply on the following Business Day.

#### **(VIII) Online Account Opening and Trading Services**

Investors have access to the convenience of online trading services via HSBC Jintrust's own website ([www.hsbcjt.cn](http://www.hsbcjt.cn)) and customer service line 021-20376888.

**27. Other Disclosure**

- (I) There were no trials or arbitrations against the Fund assets and/or Fund Manager from 3 May 2019 to 1 November 2019.
- (II) There were no disciplinary actions taken against senior management of the Fund Manager from 3 May 2019 to 1 November 2019.
- (III) All relevant announcements from 3 May 2019 to 1 November 2019 (as listed below) can be found on the Designated Media.

**Refer to the Chinese version of corresponding Updated Prospectus (汇丰晋信货币市场基金更新招募说明书) for details (in Chinese ONLY).**

**28. Methods of Maintaining and Inspecting the Prospectus**

After its publication, the Prospectus shall be kept in the offices of the Fund Manager, the Fund Custodian and the Distribution Agencies respectively for free inspection by Investors. After paying a handling charge, Investors may obtain a duplicate copy of the above document within a reasonable time.

After their publication, the Fund's periodic reports shall be kept in the offices of the Fund Manager and the Fund Custodian respectively for free inspection by Investors. After paying a handling charge, Investors may obtain a duplicate copy of the above documents within a reasonable time.

The Fund Manager and the Fund Custodian shall guarantee that the content of the text is exactly the same as the content announced.

**29. Documents Available for Inspection**

Documents available for inspection shall be maintained at the office premises and business premises of the Fund Manager, the Fund Custodian and the Distributors for free inspection during office hours.

- (I) Approval documents of the CSRC for the Offering of the HSBC Jintrust Money Market Fund;
- (II) *The Fund Contract of the HSBC Jintrust Money Market Fund;*
- (III) *The Custodian Agreement of the HSBC Jintrust Money Market Fund;*
- (IV) Legal opinions;
- (V) Approval document on the business qualification of the Fund Manager and the business licence of the Fund Manager;
- (VI) Approval document on the business qualification of the Fund Custodian and the business licence of the Fund Custodian;
- (VII) *The Business Rules of the Open-end Funds of HSBC Jintrust Fund Management Co., Ltd.;*
- (VIII) Other documents required by the CSRC.

HSBC Jintrust Fund Management Co., Ltd.

9 July 2021