**This document is important and requires your immediate attention. If you are in any doubt about the content of this document, you should consult your stockbroker, accountant, bank manager, financial planner, attorney, solicitor or other independent professional advisor.**

Haitong International Investment Managers Limited (the "**Manager**") accepts full responsibility for the accuracy of the information contained in this notice and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

Capitalised terms used but not otherwise defined in this Notice have the meanings given to them in the explanatory memorandum of Haitong Middle Kingdom Fund (**"Fund"**) dated April 2021, as amended and supplemented from time to time ("**Explanatory Memorandum**").

24 December 2021

**NOTICE TO UNITHOLDERS**

**HAITONG MIDDLE KINGDOM FUND**

Dear Unitholders,

We are writing to inform you of certain changes to the Fund, which will take effect from 24 January 2022 ("**Effective Date**").

## A. Change in investment objective and policy and fund name

Currently, the investment objective of the Fund is to achieve capital growth by managing a portfolio of publicly quoted equity or equity-linked securities of companies within the Pacific region whose business relates substantially or in part to the People's Republic of China. The investment policy of the Fund is to have at least 70% of the Fund's Net Asset Value to be invested in equity or equity-linked securities of Hong Kong companies or companies listed on The Stock Exchange of Hong Kong Limited, but investment in Taiwan, Singapore, Japan and other countries will be considered if deemed appropriate by the Manager in consideration of factors such as higher expected returns from the markets of those countries or areas, the outperformance of which may benefit the overall profitability in a certain degree. The Fund currently does not invest in China A-Shares.

As a result of the ongoing review of the Fund, the Manager has determined that the investment objective of the Fund will be changed, with effect from the Effective Date, to achieve capital growth through a portfolio of publicly quoted equity or equity-linked securities of companies based in or with the majority of their business conducted in or with substantial revenue derived from Greater China[1] ("Greater China Companies").

With effect from the Effective Date, the investment policy of the Fund will be changed as follows:

- at least 70% of the Fund's Net Asset Value will be invested in equity or equity-linked securities of Greater China Companies while up to 30% of the Fund's Net Asset Value may be invested in equity or equity-linked securities of companies other than Greater China Companies;
- at least 70% of the Fund's Net Asset Value will be invested in companies listed on The Stock Exchange of Hong Kong Limited;

[1] "Greater China" includes the mainland China, Hong Kong, Macau and Taiwan.

- the Fund may invest less than 30% of its Net Asset Value in China A-Shares listed on the Shanghai Stock Exchange ("SSE") or Shenzhen Stock Exchange ("SZSE") via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect ("Stock Connect") and the Qualified Foreign Investors ("QFI") status of Haitong International Holdings Limited ("QFI Holder") and China A-Shares listed on the Beijing Stock Exchange via the QFI status of the QFI Holder. The Fund may invest in the ChiNext Board of the SZSE and the Science and Technology Innovation Board ("STAR Board") of the SSE; and
- the Fund may invest less than 30% of its Net Asset Value in real estate investment trusts ("REITs").

In connection with the change of investment objective and policy, the Fund's name will be changed to "Haitong Greater China Vision Fund" with effect from the Effective Date. The Trust Deed of the Fund will be amended to reflect the name change accordingly.

As a result of the change of investment objective and policy of the Fund, the Fund may be subject to the following risks:

1. **Concentration risk**
    - The Fund's investments are concentrated in Greater China. The value of the Fund may be more volatile than that of a fund having a more diverse portfolio of investments. The value of the Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting Greater China.
    - Investment in companies whose business relates substantially or in part in the Greater China is subject to the risks of investing in emerging markets and additional risks which are specific to the Greater China. Such investments may be sensitive to changes in law and regulation and political, social or economic policy (which includes possible government intervention) in the Greater China.

2. **Risks relating to investment in mainland China and China A-Shares**
    - The Fund invests in the mainland China which is an emerging market. Investing in emerging markets involves increased risks and special consideration not typically associated with investment in more developed markets such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a higher degree of volatility.
    - High market volatility and potential settlement difficulties in the China A-Share market may also result in significant fluctuations in the prices of the securities traded on such market and thereby may adversely affect value of the Fund.
    - Securities exchanges in mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the Fund.

3. **Risk associated with foreign shareholding restrictions on China A-Shares**
    - Investments in China A-Shares are subject to the following shareholding restrictions:
        - Single foreign investors' shareholding by any Hong Kong or overseas investor (such as the Fund) in a China A-Share must not exceed 10% of the total issued shares; and
        - Aggregate foreign investors' shareholding by all Hong Kong and overseas investors (such as the Fund) in a China A-Share must not exceed 30% of the total issued shares.
    - Should the shareholding of a single investor in a China A-Share listed company exceed the above restriction, the investor would be required to unwind his position on the excessive shareholding according to a last-in-first-out basis within a specific period. The SSE/SZSE

(as the case may be) and the SEHK will issue warnings or restrict the buy orders for the related China A-Shares if the percentage of total shareholding is approaching the upper limit.

- As there are limits on the total shares held by all underlying foreign investors in one listed company in the mainland China, the capacity of the Fund to make investments in China A-Shares will be affected by the activities of all underlying foreign investors investing through Stock Connect or any other permissible ways to obtain China A-Shares investment exposures.

4. **Risk associated with the Stock Connect**
    - The relevant rules and regulations on the Stock Connect are subject to change which may have potential retrospective effect. The Stock Connect is subject to quota limitations. Where a suspension in the trading through the programme is effected, the Fund's ability to invest in China A-shares or access the mainland China market through the programme will be adversely affected. In such event, the Fund's ability to achieve its investment objective could be negatively affected.

5. **Risks associated with QFI**
    - The Fund's ability to make the relevant investments or to fully implement or pursue its investment objective and strategy is subject to the applicable QFI laws, rules and regulations, which are subject to change and such change may have potential retrospective effect.
    - The Fund may suffer substantial losses if the QFI status of the QFI Holder is suspended or revoked, which may have an adverse effect on the Fund as the Fund may be prohibited from trading of relevant securities and repatriation of the Fund's monies, or if any of the key operators or parties (including PRC Custodian/ PRC Brokers) is bankrupt/in default and/or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities).

6. **Risks associated with the Beijing Stock Exchange, the ChiNext market and/or the STAR Board**:
    - Investments in the Beijing Stock Exchange, ChiNext market and/or STAR Board may result in significant losses for the Fund and its investors. Such investments are subject to the following risks:

      *Higher fluctuation on stock prices and liquidity risk*: Listed companies on the Beijing Stock Exchange, ChiNext market and/or STAR Board are usually innovative and growth enterprises of emerging nature with smaller operating scale. Listed companies on the Beijing Stock Exchange, ChiNext market and STAR Board are subject to wider price fluctuation limits, and due to higher entry thresholds for investors may have limited liquidity, compared to other boards. Hence, companies listed on the Beijing Stock Exchange, the ChiNext market and/or STAR Board are subject to higher fluctuation in stock prices and liquidity risks and have higher risks and turnover ratios than companies listed on the main boards of the SSE and SZSE.

      Due to different trading rules, daily price movements shall be limited to 30% on the Beijing Stock Exchange and 20% on the ChiNext market and the STAR Board. Therefore the securities traded on these markets may be subject to a higher volatility risk than securities of relevant sectors traded in the other China A-share markets.

      *Over-valuation risk*: Stocks listed on the Beijing Stock Exchange, ChiNext market and/or STAR Board may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

*Differences in regulation applicable to the Beijing Stock Exchange, ChiNext market and STAR Board*: The rules and regulations regarding companies listed on the Beijing Stock Exchange, ChiNext market and STAR Board are less stringent in terms of profitability and share capital than those in the main boards of the SSE and the SZSE.

*Delisting risk*: It may be more common and faster for companies listed on the Beijing Stock Exchange, ChiNext market and/or STAR Board to delist. This may have an adverse impact on the Fund if the companies that it invests in are delisted.

*Risk associated with transfer of listing for stocks listed on Beijing Stock Exchange:* A company listed on the Beijing Stock Exchange in which the Fund invests may apply for transfer of listing to the ChiNext market of the SZSE or the STAR Board of the SSE, if permitted by the applicable laws and regulations, subject to meeting the listing requirements of the CSRC and the SSE or SZSE (as the case may be). The application for transfer of listing will be subject to the review and approval by SSE or SZSE (as the case may be). The application for transfer of listing, whether successful or not, may cause fluctuations in the price of the relevant stock, and hence the Net Asset Value of the Fund.

*Concentration risk applicable to the Beijing Stock Exchange and STAR Board*: The Beijing Stock Exchange and STAR Board are newly established and may have a limited number of listed companies during the initial stage. Investments in the Beijing Stock Exchange and STAR Board may be concentrated in a small number of stocks and subject the Fund to higher concentration risk.

**7. RMB currency risk**

- RMB is currently not freely convertible and is subject to exchange controls and restrictions. There is no guarantee that the value of RMB will not depreciate. Any depreciation of RMB could adversely affect Net Asset Value of the Fund. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact the Fund.

**8. Mainland China taxation risks**

- There are risks and uncertainties associated with the current mainland China tax laws, regulations and practice in respect of capital gains realised via Stock Connect and QFI status of the QFI Holder on the Fund's investments in the mainland China (which may have retrospective effect). Any increased tax liabilities on the Fund may adversely affect the Fund's value.
- Based on professional and independent tax advice, the Manager (i) will not make any tax provision in respect of mainland China corporate income tax on the gross unrealised and realised capital gains derived by the Fund from investments in China A-Shares; (ii) will in general make a provision of 10% for mainland China corporate income tax on dividend from onshore mainland China securities[2] if such tax is not withheld at source.
- Any shortfall between the provision and the actual tax liabilities, which will be debited from the Fund's assets, will adversely affect the Fund's Net Asset Value. The actual tax liabilities may be lower than the tax provision made. Depending on the timing of their subscriptions and/or redemptions, investors may be disadvantaged as a result of any shortfall of tax provision and will not have the right to claim any part of the overprovision (as the case may be).

**9. Risk relating to REITs:**

[2] Securities issued by mainland China tax resident enterprises, irrespective of whether such securities are issued or distributed in the mainland China or outside the mainland China.

- Investments in REITs will subject the Fund to risks associated with the direct ownership of real estate. These risks include, among others, possible declines in the value of real estate, risks related to general and local economic conditions, possible lack of availability of mortgage funds, overbuilding, extended vacancies of properties, increases in competition, real estate taxes and transaction, operating and foreclosure expenses, changes in zoning laws, costs resulting from the clean-up of, and liability to third parties for damages resulting from, environmental problems; casualty or condemnation losses, uninsured damages from natural disasters and acts of terrorism, limitations on and variations in rents; and changes in interest rates. Further, the underlying assets of REITs may be relatively illiquid.

## B. Reduction of management fee

With effect from the Effective Date, the management fee of the existing Units of the Fund (to be renamed as Class A (HKD) Units as mentioned below) will be reduced from 1.75% per annum of the Net Asset Value of the Fund to 1.5% per annum of the Net Asset Value of the Fund.

## C. Change of trustee fee

Currently, the Trustee charges a trustee fee of 0.3% per annum of the Net Asset Value of the Fund, subject to a minimum trustee fee of HKD 125,000 per annum.

With effect from the Effective Date, the Trustee will charge a trustee fee at:

- 0.12% per annum for the first HKD 390 million of the Fund and
- 0.10% per annum for the portion of the Net Asset Value of the Fund which exceeds HKD 390 million,

subject to a minimum trustee fee of HKD 125,000 per annum.

With effect from 1 April 2022, the minimum trustee fee will be changed from HKD 125,000 per annum to HKD 250,000 per annum.

For the avoidance of doubt, the trustee fee mentioned above is separate from the the fixed fee of USD 4,000 per annum for the Trustee's performance of certain duties as disclosed in the Explanatory Memorandum and other transaction, processing and other applicable fees and expenses as agreed with the Manager from time to time.

## D. Addition of flexibility to set up multiple classes under the Fund and designation of the existing Units of the Fund as "Class A (HKD)"

With effect from the Effective Date, the Trust Deed and the Explanatory Meomrandum of the Fund will be amended to add the flexibility to set up multiple classes under the Fund and the existing Units of the Fund will be designated as "Class A (HKD)" whereas the following new classes of Units will be available:

| Class | Management fee | Minimum initial/ subsequent subscription amount | Minimum redemption amount | Minimum holding amount |
|---|---|---|---|---|
| Class A (RMB) | 1.5% per annum | RMB 1,000 | RMB 1,000 | RMB 1,000 |
| Class A (USD) | 1.5% per annum | USD 1,000 | USD 1,000 | USD 1,000 |
| Class I (HKD) | 1.2% per annum | HKD 2,000,000 | HKD 2,000,000 | HKD 2,000,000 |

| | | | | |
|---|---|---|---|---|
| Class I (RMB) | 1.2% per annum | RMB 2,000,000 | RMB 2,000,000 | RMB 2,000,000 |
| Class I (USD) | 1.2% per annum | USD 2,000,000 | USD 2,000,000 | USD 2,000,000 |

Please refer to the amended Expanatory Memorandum for details of the above new classes of Units.

**E. Change of minimum initial/ subsequent subscription amount, minimum redemption amount and minimum holding amount of Class A (HKD)**

The minimum initial/ subsequent subscription amount, minimum redemption amount and minimum holding amount applicable to the existing Units of the Fund (to be renamed as Class A (HKD) Units as mentioned above) will be changed from HKD 5,000 to HKD 1,000 with effect from the Effective Date. The Explanatory Memorandum and the Trust Deed of the Fund will be amended to reflect this.

**F. Other general updates**

The Expalanatory Memorandum of the Fund will be amended to reflect certain updates in relation to the relevant laws of the Cayman Islands and other general updates.

**G. Implication of changes**

Save as described above, the change of name, investment objective and investment policy of the Fund will not result in any other changes to the features or risks applicable to the Fund, or any other changes in the operation and/or manner in which the Fund is being managed. Such changes will not materially prejudice the existing Unitholders' rights or interests.

Save and except the reduction of management fees described in Section B above, there will not be any change in the fee level or cost in managing the Fund following the implementation of the above changes.

The costs associated with the changes mentioned in Section A above, estimated to be approximately HKD 130,000, will be borne by the Fund.

If, as a consequence of the above changes, you do not wish to continue with your investments in the Fund, you may redeem your holdings in the Fund. There is no redemption charge applicable to the Fund.

**H. Availability of documents**

Copies of the Trust Deed, the Explanatory Memorandum and Product Key Facts Statement are available at the office of the Manager at 22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong during normal office hours (Monday to Friday (excluding public holidays), from 9:00a.m. to 6:00p.m.) or online at http://www.htisec.com/asm. This website has not been reviewed or authorised by the Securities and Futures Commission. The amended Trust Deed, Explanatory Memorandum and Product Key Facts Statement reflecting the above changes will be available on or after the Effective Date.

**I. Enquiries**

If you have any queries or require further information in relation to any aspect of this notice, please contact the Manager at its Hong Kong office as stated above or our Customer Service Hotline at (852) 3588 7699.

**Haitong International Investment Managers Limited**
as Manager of the Fund